

## DEAR SHAREHOLDERS,

Saraiva S.A. Livreiros Editores (B3: 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 on March 31, 2018 (1Q18).

The financial information contained herein refers to the first quarter ended on March 31, 2018 and the comparisons are made in relation to the same period last year, unless otherwise stated.

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

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

## HIGHLIGHTS

- New achievement in market share<sup>1</sup> through gains in our core business, Books (+3.2 p.p.), and in “Back to School” (+2.9 p.p.), Games (+0.7 p.p.) and Telephony (+0.2 p.p) segments.
- Growth of 12.4% in Gross Revenue in 1Q18 when compared to 1Q17:
  - Progress in Physical Stores channel, increasing 4.3% in Same Store Sales (SSS) and 1.4% in the total when compared to 1Q17.
  - Accelerated pace of growth in the E-commerce channel, reaching a 32.5% growth in 1Q18, totaling 41,8% of total retail operations (versus 35.5 % in 1Q17)
- Increase of R\$ 18.0 million in Gross Profit, up 11.1% vs 1Q17.
- Strong growth of 22.8% in EBITDA, reaching R\$ 24.6 million.
- Net Income totaled R\$ 1.3 million in 1Q18 (+370% vs 1Q17).
- Improvement of 7 days in Accounts Receivable.
- Beginning of the optimization of the Company’s Capital Structure process, focusing on debt reprofiling and renegotiation of terms with suppliers, and adjusting our payment schedule to the transaction seasonality.
- Implementation of initiatives to recover accrued tax credits and to mitigate the accruing of new credits in current operations.
- Progress in our strategy to position the Company as a omnichannel operation:
  - New growth in the Click & Collect service, through which customers shop on our E-commerce channel and pick up their purchases at one of our stores. Currently, around 15.5% (vs 14.9% in 1Q17) of the online orders are placed in under this model. Of those customers who opt for this service, 40% make an additional purchase when they pick up the product at the physical store;
  - Development of Saraiva Entrega Project, through which customers can purchase any product that is not physically available at one of our stores and receive it wherever is most convenient, improving the shopping experience. The Saraiva Entrega Project sales increased more than 200% in 1Q18 when compared to 4Q17.
- Saraiva Plus loyalty program, after the relaunch, had a customer reactivation rate increased by 18.7%. In mar/18, the program had 16 million registered customers (an increase of over 1.8 million in the last 12 months) and around 79% of our revenue identified.
- Expansion of marketplace partnerships for the sale of products on strategic partners’ websites. Currently, 74% of purchases through Mercado Livre, for example, were made by consumers that were not our customers.

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<sup>1</sup> YoY: 1Q18 vs 1Q17 consolidated data of expanded Market (Consultoria GFK)

- We received important recognitions and awards in early 2018:
  - We won the *Melhores Serviços do Estadão* (Estadão Best Services) award, in the Culture and Entertainment category, for the third consecutive time, and Saraiva was the most cited company in the “Most Loved Stores – Books” category in a survey conducted by *Veja São Paulo e Veja Rio* in the cities of São Paulo and Rio de Janeiro;
  - Third most recommended company in the Customer Experience Report (CX Report) study by IBOPE/CONNECTA;
  - E-bit *Melhores do E-commerce* (Best of E-commerce) award in the *Mais querida - TOP 5* (Most liked - TOP 5) category for the fourth time, as well as first place in the *Loja Mais Querida - Livros* (Most Liked Store - Books) award.

## SUBSEQUENT EVENTS

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- Approval by the Annual and Extraordinary Shareholders’ Meeting held on April 26, 2018 of a proposal for the partial distribution of the retained mandatory dividends for fiscal year 2015, totaling R\$ 5.8 million, to be paid on December 18, 2018, corresponding to the gross amount of R\$ 0.21798 per share and equivalent to 33% of the balance of the special reserve for non-distributed mandatory dividends. In accordance with the Material Fact filled on August 2, 2017, the Company's Management and its controllers, in an administrative proceeding underway at CVM, committed to distributing the remaining balance of the special reserve for non-distributed mandatory dividends between 2018 and 2020.
- Opening, in apr/18, of the units located at Recreio Shopping (Rio de Janeiro/RJ) and at Patteo Olinda Shopping (Olinda/PE). With sales area of 266 m<sup>2</sup> and 579 m<sup>2</sup>, respectively, the new stores are in line with the new concept defined by Management and offer complete customer experience.
- For the 4th consecutive year, Saraiva was the most cited company in the Bookstore category in a survey conducted by Datafolha in the city of São Paulo.

# Main Indicators

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

Consolidated	1Q18	1Q17	Y/Y	4Q17	Q/Q
Gross Revenue ( <i>Stores + E-commerce</i> ) <sup>1</sup>	608,414	541,317	12.4%	529,219	15.0%
Store Sales	354,138	349,347	1.4%	319,770	10.7%
E-commerce Sales	254,276	191,970	32.5%	209,449	21.4%
Net Revenue ( <i>Stores + E-commerce</i> ) <sup>1</sup>	570,371	503,436	13.3%	476,843	19.6%
Store Sales	335,637	327,902	2.4%	295,012	13.8%
E-commerce Sales	234,734	175,534	33.7%	181,831	29.1%
Gross Profit	179,677	161,664	11.1%	161,206	11.5%
Gross Margin (%)	31.5%	32.1%	-0.6 p.p.	33.8%	-2.3 p.p.
Operating Expenses	(155,087)	(141,640)	9.5%	(138,866)	11.7%
Recurring Operating Expenses <sup>1</sup>	(151,522)	(136,620)	10.9%	(136,766)	10.8%
EBITDA	24,590	20,024	22.8%	22,340	10.1%
EBITDA Margin (%)	4.3%	4.0%	0.3 p.p.	4.7%	-0.4 p.p.
Adjusted EBITDA	28,156	25,044	12.4%	24,440	15.2%
Adjusted EBITDA Margin (%) <sup>2</sup>	4.9%	5.0%	0.0 p.p.	5.1%	-0.2 p.p.
Adjusted Net Income (Loss) before Disc. Operations <sup>2</sup>	3,763	3,113	20.9%	200	>500%
Adjusted Net Margin (%) before Disc. Operations <sup>2</sup>	0.7%	0.6%	0.0 p.p.	0.0%	0.6 p.p.
Net results from Discontinued Operations	(90)	481	-	(1,029)	-91.3%
Adjusted Net Income (Loss) <sup>2</sup>	3,673	3,594	2.2%	(829)	-
Adjusted Net Margin (%) <sup>2</sup>	0.6%	0.7%	-0.1 p.p.	-0.2%	0.8 p.p.
Net Income (Loss)	1,320	281	369.8%	(2,215)	-
Net Margin (%)	0.2%	0.1%	0.2 p.p.	-0.5%	0.7 p.p.
SSS - Same Store Sales Growth (%)	4.3%	-5.5%	9.8 p.p.	-12.5%	16.8 p.p.
E-Commerce Sales Growth	32.5%	9.6%	22.8 p.p.	25.2%	7.2 p.p.
Number of Stores – End of Period	102	113	-9.7%	103	-1.0%
Sales Area – End of Period (m²)	59,376	61,851	-4.0%	59,594	-0.4%

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

Note 2: Excludes the effects of extraordinary expenses in 1Q17 (R\$ 5.0 million), 4Q17 (R\$ 2.1 million), and 1Q18 (R\$ 3.6 million).

# Strategic Vision

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

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

## Omnichannel

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

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

- **Click & Collect:** Customers shop on our E-commerce channel and pick up their purchases at one of our stores free of charge. Currently, around 15.5% of the online orders are placed in under this model. Of those customers who opt for this service, 40% make an additional purchase when they pick up the product at the physical store.
- **Saraiva Entrega:** In case customers want a product that is not physically available at one of our stores, they can make the purchase and receive it at home or, if they prefer, pick it up at the store. We make Saraiva's full catalog available at all our points of sale, regardless of the format, size, profile or location of the store. During the back-to-school period, when we guaranteed the entire school textbook list in up to 72 hours, Saraiva Entrega was responsible for 13.0% of the total sales of textbooks in the period.
- **Turbo delivery:** Customers who place orders in our E-commerce channel by 5.00 pm receive their purchases the next day. The service is available in São Paulo (SP), Belo Horizonte (MG), Rio de Janeiro (RJ), Curitiba (PR), Porto Alegre (RS), Florianópolis (SC), Vitória (ES), Salvador (BA) and Recife (PE).
- **Same Day Delivery (SDD):** Customers in the city of São Paulo who buy books through our E-commerce channel before 1.00 pm may choose to receive the order by 10.00 pm on the same day. As part of the evolution of this modality, we have a pilot at the Eldorado shopping mall in São Paulo, with a **one-hour book delivery** service, which is expected to be extended to other categories and other stores/regions.

In 2018, we inaugurated two stores, in the shoppings Recreio (Rio de Janeiro/RJ) and Patteo Olinda (Olinda/PE), with a new, more modern and attractive architectural design that requires less investment than the previous model, favoring faster paybacks. This new store concept was the result of more in-depth studies on consumer profile and shopping behavior, the competitive environment in the region, the presence of educational institutions and the influence of one channel on the other (Store/E-commerce).

In three recently opened stores, North Shopping Fortaleza (Fortaleza/CE), Franca Shopping (Franca/SP) and Shopping Nova Iguaçu (Nova Iguaçu/RJ), we found that the neighborhood around the stores and the city where the unit is located presented variations in the e-commerce revenues when compared to the same period of the previous year, i.e. higher than those in the state of the store and in the country in general. We can highlight the unit in the city of Franca, where we increased by 30% the number of customers, with a reactivation of 36% of those who had been inactive for a period of more than 1 year, doubling the frequency and increasing the average spending of customers in the region.

## Customer Centricity

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

Here we would like to point out that:

- We continue investing in **Saraiva Plus, one of the largest retail loyalty programs in the country**. Our model favors the customer-centered strategy based on the solid knowledge of consumer behavior and preferences. After the program relaunch, in 2017, we noticed a significant 18.7% increase in the customer reactivation rate, reinforcing the success of the new model. In mar/18, we had 16 million registered customers (an increase of over 1.8 million in the last 12 months) and around 79% of our revenue identified. One of the goals of the Program is to expand the number of omnichannel customers, which have an average ticket and frequency of purchase 2.7 times higher than regular customers.
- With the purpose of inviting the public to experience Saraiva not only as a shopping place but also as an entertainment and leisure option for the whole family, we expanded the **café operation** in our stores through strategic partnerships with Starbucks, Havanna, Grão Espresso, Nespresso and Feito a Grão, among others. We have already scheduled the inauguration of three cafés.
- We have expanded the **immersive experience focused on the games category**. Fourteen of our stores now have areas dedicated exclusively to allowing customers to experience games, with cockpit and gaming laptops.
- We have the **Troca Inteligente** service, which allows the exchange of used smartphones or tablets for discounts when buying a new device in more than 84 stores in the network, and we also offer **extended warranty** services, and **Proteção Saraiva** (insurance against theft, qualified theft and accidental breakage).
- We offer Apple authorized **technical support** in 15 of our stores, with specialized teams to better serve our customers. During this period, we started to offer the smartphone screen replacement service.
- Earlier this year, we hosted **events** and entered into **partnerships** which contribute to further improve our customers' experience:
  - **International Women's Day:** We were the only retailer in the book market to take action on the date and to value women's power in literature through our customers, who represent 55% of the Company's total consumers. During the 2018 campaign, we saw a 41% increase in customer flow in our physical units and 51% in e-commerce, when compared to 2017;
  - **FIFA 2018 Championship:** In partnership with Dell and in addition to the schedule of the Cup Stickers Swap events, we saw a great improvement in the customer flow in the Company's physical stores;
  - **Partnership with VISA:** Promotion "*Visa and Saraiva at the 2018 FIFA World Cup*", which provides for the drawing of trips to Russia, in addition to Xbox One and PlayStation 4 consoles and FIFA 18 games. In the partnership, customers who pay their purchases with the Saraiva Visa card in the stores or on the Company's website are awarded especial scores;
  - **Partnership with Disney:** In our e-commerce, through the partnership, we inserted segmented virtual stores of the Star Wars, Marvel and Princesses brands, contributing to the increase in sales of the selected products.

## Digital Transformation

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

We have thus invested in:

- Expansion of **marketplace** partnerships for the sale of products on websites of strategic partners, such as Walmart, Mercado Livre and B2W, among others. Currently, 74% of purchases of our products through Mercado Livre, for example, were made by consumers that were not our customers. We continue making progress on this front through negotiation with other partners. We will also expand our **own marketplace**, with the integration of a unified checkout cart including items from various suppliers. Equipped with agile methodology, this front is one of the Company's main bets for 2018.
- **Marketing** initiatives:
  - Investment in local inventory ads. In partnership with Google, the initiative is a type of online ad for physical stores with geolocation resources, in which users connect to our ads available at the closest stores;
  - Use of the Google Store Visits tool, which measures visits to physical stores after the impact of the sponsored-link ads, enabling ad management in order to optimize returns.
- We continue to perform well with our **e-reader, Lev neo and Lev fit**, and we have launched the Lev online reader, which integrates with our digital ecosystem and self-publication platforms (*Publique-se!*), audiobooks and the sale of prepaid content cards. Regarding the management of categories, it is worth noting the success of the new service in the Games category: the **online sale of game cards** and streaming services. The credits offered to our customers with the main content servers reinforce our positioning and pioneering stance in the delivery of online-prepaid services.
- We redesigned the **Back To School** project, building solutions to aggregate services and expand partnerships and the level of sales conversion. During the campaign, our sales grew 14.8% and, just in the first quarter of 2018, grew 16.1% over the first quarter of 2017. For the 2018/2019 back-to-class period, we will bring even more novelties that will contribute to a strong performance in the period.

## Operational Efficiency

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

- **Transformation of the physical store channel:**
  - Inauguration of two units based on the **new ideal store concepts**, with investments in capex/m<sup>2</sup> 25% lower, on average, and favoring faster paybacks;
  - Closing of two stores with low perspective to add value (representing 5.1% of the total sales area);
  - **Bomboniere** category, which is present in 84 of our stores, and redesign of the **accessory and adventure and leisure categories**, adjusting product display, experimentation and assortment.
- **Logistics management and supply system:**
  - Adjustments to the distribution model by installing **Transit Points** in strategic regions (Rio de Janeiro, Rio Grande do Sul, Bahia and Pernambuco), reducing transportation costs and improving the lead time of deliveries, both to supply physical stores and to deliver products sold online;
  - Review of the logistics and supply chain planning, with implementation of a **new distribution center**, optimizing the store supply process and improving our E-commerce competitiveness by reducing the lead time of deliveries, as well as contributing to avoiding the accumulation of tax credits.

- **Galeazzi Consulting:**
  - After the initial diagnostic stage, we began the implementation of several work fronts focused on areas such as Assortment, Supply and Pricing, among others, where we expect to generate results in 2018.

## Performance Review

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

- **Operating Results Generation:**
  - Sales growth, driven by the review of marketing strategy and assortment;
  - SG&A reduction; and, by consequence;
  - EBITDA and Net Profit improvements.
- **Optimization of the Company's Capital Structure** adjusting our payment schedule to the transaction seasonality:
  - Reprofiting of liabilities with financial institutions;
  - Renegotiation of terms with suppliers.
- **Optimization of Tax Credits Management** with the assistance of consultancies such as EY and Deloitte:
  - Implementation of initiatives to monetize accrued credits;
  - Mitigate the accruing of new credits through revisions and optimizations in the logistics network.

During the first quarter of 2018, the results achieved showed a significant evolution in sales, mainly in the growth of physical stores, and have already reflected part of the efforts we are making to leverage the Company's results. We have a lighter and leaner structure, with a better-adjusted operating cycle, and we have implemented several initiatives under the omnichannel, customer centricity, digital transformation and operational efficiency fronts that are beginning to mature and will contribute significantly to improving profitability.

The successive market share gains and the robust and growing customer base also contribute to our confidence in the improvement of results. As we see the beginning of the economic recovery, we are confident that we are well structured and prepared to capture significant gains in scale that will contribute to increased profitability and cash generation.



# RESULTS

**REVENUE** – Gross revenue totaled R\$ 608.4 million in 1Q18, up 12.4% when compared to the R\$ 541.3 million registered in 1Q17. Net revenue followed the same trend, increasing 13.3% in the quarter. It should be noted that, even disregarding the exclusion of the tax on circulation of goods and services (ICMS) from the calculation basis for PIS/Cofins charges, net revenue would have increased 12.7% over first quarter of 2017.

It is worth noting that the data disclosed by the IBGE's Monthly Trade Survey<sup>2</sup> (mar/18) show that sales volume in the books, newspapers, magazines and stationary segment reduced by 8.2% in 1Q18. Considering that, the same survey shows a recovery in other significant retail segments and the economic data that have been published are showing improvements in important indicators, we can say the current scenario favors a recovery perspective in the main sectors where we operate. It is worth to mention that, despite the scenario, our market share increased by 3.2 p.p. in the Books Category, our core business, 2.9 p.p in "Back to School", 0.7 p.p. in Games, and 0.2 p.p. in Telephony categories.

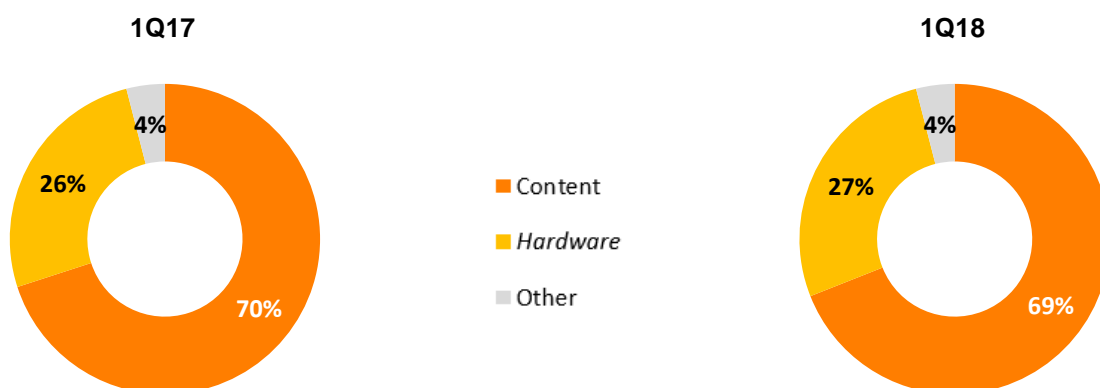
As one of our value creation proposition is based on the omnichannel strategy, designed to provide a unique experience regardless of the channel, it makes more sense to analyze the sales result as a whole, consolidating the physical stores and E-commerce. During the purchase process, there are several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

**PHYSICAL STORES REVENUE** – In 1Q18, gross revenue from physical stores started reversing its results, reaching R\$ 354.1 million, which represents a 1.4% increase over the same period of the previous year. In terms of comparable stores, we had even greater growth, reaching 4.3% in the period. Along similar lines, net revenue grew by 2.4% in the same period. This reversal in the physical stores' results shows that the Company's initiatives to increase services, improve the experience and prioritize assets that have stronger value creation potential, have had the necessary effect for the return of growth in this channel.

**E-COMMERCE REVENUE** – In 1Q17, Saraiva.com gross revenue registered a solid growth of 32.5% when compared to 1Q17, reaching R\$ 254.3 million. Net revenue totaled R\$ 234.7 million in 1Q18, a 33.7% increase when compared to 1Q17.

This result underlines the developed measures to enhance our users' shopping experience, and have been improved with initiatives such as the expansion of Click & Collect and the recent strategic partnerships to reinforce the presence in Marketplace. In line with this performance, total gross revenue of E-commerce operations reached 41.8% of total retail operations in 1Q18 (versus 35.5 % in 1Q17).

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



<sup>2</sup> The IBGE's Monthly Trade Survey published data are based on the Fixed Base Index disclosed.



**GROSS PROFIT** – Gross profit presented a solid growth of 11.1% in 1Q18, reaching R\$ 179.7 million with a decrease of 0.6 p.p. in gross margin, which went from 32.1% in 1Q17 to 31.5% in 1Q18.

During the year, we continued to be impacted by the fiercer competition in the online retail market, which continues to increase its weighted share of our total revenues. At the same time, we invested in new tools, especially a new dynamic pricing system for the E-commerce channel, aiming to increase sales and improve gross margin management, which presented positive results in the last quarter of 2017, and contributed to the gross profit growth in the first quarter of 2018.

**OPERATING EXPENSES** – The operating expenses line totaled R\$ 155.1 million in 1Q18, an increase of 9.5% over the same period of the previous year. Despite the growth, when we compare expenses as a percentage of Net Revenue, which increased from 28.1% in 1Q17 to 27.2% in 1Q18, we obtained gain of 0.9 p.p. Excluding the impact from non-recurring restructuring expenses, we would still have a 0.6 p.p. gain in expenses as a percentage of Net Revenue.

It is worth noting that we remain focused on rationalizing expenses to improve results, and during the first quarter of 2018 we were impacted mainly by the variable lines incurred, which increased due to higher sales in the period and tariff readjustment.

**EBITDA** –EBITDA totaled R\$ 24.6 million in 1Q18 (versus 20.0 million in 1Q17), up 22.8%. EBITDA margin ended the quarter 0.3 p.p. higher than 1Q17. Despite having a reduced gross margin in relation to the physical stores channel, the e-commerce operation presents lower expenses, contributing positively to the Company's result. On a recurring basis, EBITDA grew 12.4% when compared to adjusted EBITDA in 1Q17, maintaining the adjusted EBITDA margin in line with the previous year.

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

Consolidated	1Q18	1Q17	Y/Y	4Q17	Q/Q
<b>Net Income (Loss)</b>	<b>1,320</b>	<b>281</b>	<b>369.8%</b>	<b>(2,215)</b>	<b>-</b>
(+) Financial Result	12,439	9,658	28.8%	14,086	-11.7%
(+) Income Tax / Social	1,620	2,142	-24.4%	2,009	-19.4%
(+) Depreciation Amortization	9,121	8,424	8.3%	7,431	22.7%
(+) Net Income from Discontinued Operations	90	(481)	-	1,029	-91.3%
<b>EBITDA</b>	<b>24,590</b>	<b>20,024</b>	<b>22.8%</b>	<b>22,340</b>	<b>10.1%</b>
<i>EBITDA Margin (%)</i>	4.3%	4.0%	0.3 p.p.	4.7%	-0.4 p.p.
(+) Non-Recurring Expenses <sup>1</sup>	3,565	5,020	-29.0%	2,100	69.8%
<b>Adjusted EBITDA</b>	<b>28,156</b>	<b>25,044</b>	<b>12.4%</b>	<b>24,440</b>	<b>15.2%</b>
<i>Adjusted EBITDA Margin (%)</i>	4.9%	5.0%	0.0 p.p.	5.1%	-0.2 p.p.

Note: 1. Excludes the effects of extraordinary expenses.

**WORKING CAPITAL\*** – The working capital/net revenue ratio improved reaching 15.2% in 1Q18. The Retail operating cycle was 71 days in 1Q18 against 77 days in 1Q17.

Accounts receivable went from 64 days in 1Q17 to 57 days in 1Q18. The average inventory coverage period increased 15 days from 91 days in 1Q17 to 106 days in 1Q18, reflecting the supply strategy of inventory building targeting an increase of market share. The supplier payment term increased by 14 days in 1Q18 when compared with the 1Q17, reaching 92 days (78 days in 1Q17).

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

**NET FINANCIAL REVENUE (EXPENSES)** – Net financial result was an expense of R\$ 12.4 million in 1Q18, up 28.8% when compared to 1Q17.

**NET INCOME (LOSS) FOR THE PERIOD** –Net Income presented a growth in 1Q18, reaching R\$ 1.3 million against a Net Income of R\$ 0.3 million in 1Q17.

**INVESTMENTS (CAPEX)** – Investments made in Retail totaled R\$ 20.4 million in 1q18 (versus R\$ 13.2 million in 1Q17). The investments were mainly focused on initiatives for the E-commerce channel, projects covering Information Technology area, and in the opening of stores.

**LIQUIDITY** – The following table presents information on maturities by financing line on March 31, 2018:

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

Consolidated	Average Cost (p.a)	Total	Until 2018	Until 2019	Until 2020	After 2020
<b>Transaction Type</b>						
BNDES <sup>1</sup>	9.1%	50,931	8,721	11,628	11,628	18,953
Working Capital/other	8.4%	261,489	104,769	115,228	41,492	-
<b>Total Gross Debt<sup>2</sup></b>	<b>8.6%</b>	<b>312,420</b>	<b>113,490</b>	<b>126,856</b>	<b>53,120</b>	<b>18,953</b>

Note 1: Cost at the close of 1Q18 from the balance of the 2014 BNDES agreement, without considering the cost of bank guarantee, considering TJLP of 6.75% p.a. and SELIC of 6.9% p.a.

Note 2: Loans net of financial derivative instruments.

The table below presents the Saraiva's consolidated net debt, which totaled R\$ 284.4 million on March 31, 2018, versus R\$ 267.1 million on March 31, 2017.

If we consider credit card receivables, net debt came to R\$ 61.3 million on March 31, 2018, versus a net cash of R\$ 93.4 million on March 31, 2017.

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

Consolidated <sup>1</sup>	1Q18	1Q17	Y/Y	4Q17	Q/Q
<b>Transaction Type</b>					
Loans and Financing <sup>2</sup>	312,421	282,568	10.6%	313,627	-0.4%
(+) Acquisition Obligations	2,517	2,322	8.4%	2,477	1.6%
(-) Cash and Cash Equivalents / Financial Investments	30,541	17,747	72.1%	68,953	-55.7%
<b>Consolidated Net Debt Before Receivables</b>	<b>284,398</b>	<b>267,143</b>	<b>6.5%</b>	<b>247,151</b>	<b>15.1%</b>
(-) Credit Card Receivables	223,120	360,558	-38.1%	199,069	12.1%
<b>Consolidated Net Debt After Receivables</b>	<b>61,278</b>	<b>(93,415)</b>	<b>-</b>	<b>48,082</b>	<b>27.4%</b>

Note 1: "Receivables Prepayment" (R\$141.4 million in 1Q18, R\$0.4 million in 1Q17 and R\$115.2 million in 4Q17)

Note 2: Loans net of financial derivative instruments.

**OUR STORES** – Saraiva closed 1Q18 with 102 stores in 17 Brazilian states and in the Federal District. In 2018, in line with our strategy of prioritizing assets that have stronger value creation potential, we closed two stores:

- Store in Afonso Pena Airport (Curitiba/PR), in mar/18;
- Store in Aeroporto de Airport (Manaus/AM), in apr/18.

Regarding the prioritization of investments, we inaugurated two new units are scheduled to open another two stores in 2018, in line with the new ideal store concepts defined by Management, with investment/m<sup>2</sup> 25% lower, on average, and favoring faster paybacks:

- Store in Recreio Shopping (Rio de Janeiro/RJ), with sales area of 266 m<sup>2</sup>, in apr/17;
- Store in Patteo Olinda Shopping (Olinda/PE), with sales area of 579 m<sup>2</sup>, in apr/17;
- Store in Ilha Plaza Shopping (Rio de Janeiro/RJ), with inauguration scheduled for jun/18;
- Store in Shopping Estação Cuiabá (Cuiabá/MT), with inauguration scheduled for oct/18.

In addition, we have already scheduled the inauguration of three cafés in the shoppings Tijuca (Rio de Janeiro/RJ), São Caetano (São Caetano/SP) and Eldorado (São Paulo/SP).

## ANNEX – RETAIL

<i>R\$ thousand</i>	1Q18	1Q17	Y/Y	4Q17	Q/Q
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents / Financial Investments	30,539	17,725	72.3%	68,942	-55.7%
Accounts Receivable	236,262	365,466	-35.4%	206,910	14.2%
Inventories	402,953	282,365	42.7%	460,541	-12.5%
Recoverable Taxes	176,893	170,269	3.9%	178.,315	-0.8%
Financial Derivative Instruments	1,789	14,034	-87.3%	1,010	77.1%
<b>NON-CURRENT ASSETS</b>					
Other Long Term Assets	206,926	120,900	71.2%	187,377	10.4%
Financial Derivative Instruments	2,981	-	-	3,030	-1.6%
Investments	-	135	-100.0%	-	-
Property, Plant & Equipment	70,097	66,861	4.8%	67,140	4.4%
Intangible assets	194,333	173,257	12.2%	186,111	4.4%
<b>CURRENT LIABILITIES</b>					
Loans and Financing	151,879	112,395	35.1%	119,635	27.0%
Suppliers	506,270	373,998	35.4%	545,884	-7.3%
Financial Derivative Instruments	-	-	-	-	-
<b>NON-CURRENT LIABILITIES</b>					
Related Parties	-	-	-	-	-
Loans and Financings	165,312	184,207	-10.3%	198,032	-16.5%
Financial Derivative Instruments	-	-	-	-	-
<b>SHAREHOLDERS' EQUITY</b>	<b>442,327</b>	<b>484,399</b>	<b>-8.7%</b>	<b>439,486</b>	<b>0.6%</b>

## CONFERENCE CALL DETAILS

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Saraiva's 1Q18 Earnings Conference Call, to be held in Portuguese and simultaneously translated to English, will be held on **May 16, 2018**, 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](http://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: +1 646 828-8246*

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

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

Password: **SARAIVA**

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

Access codes: 288722# (Portuguese) and 747960# (English)

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

Portuguese: [Click Here](#)

English: [Click Here](#)

#### **ABOUT SARAIVA**

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

#### **DISCLAIMER**

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