Earnings Release
4Q14

FOR IMMEDIATE RELASE – São Paulo, March 19, 2015 – Saraiva S.A. Livreiros Editores (Bovespa: SLED3 and SLED4), one of Brazil's most important publishers and one of the largest retailers of content focused on education and culture, announces today its financial results for the fourth quarter ended December 31, 2014.

SARAIVA GROUP HIGHLIGHTS – 4Q14 & 2014

- Consolidated gross revenue of R$2.4 billion for the year (+6% vs 2013) and R$780.0 million in 4Q14 (+1% vs 4Q13). The result is in line with the revised guidance of R$2.3 to R$ 2.5 billion for 2014.
- Consolidated gross profit reached R$929.2 million for the year (+3% vs 2013) and R$293.0 million in 4Q14 (-5% vs 4Q13).
- Consolidated EBITDA was R$111.4 million in 2014, within the guidance range established for the period of R$110.0 to R$130.0 million, and represents an increase of 17% over the R$95.0 million reported in 2013. In 4Q14, consolidated EBITDA amounted to R$59.8 million (+104% vs 4Q13).
- Net income was R$5.7 million for the year (-56% vs 2013). In the 4Q14, consolidated net income was R$22.9 million (+91% vs 4Q13).
- Cash generation of R$40 million in 4Q14. The ratio of adjusted net debt to EBITDA was 4.88 at December 31, 2014.
- The Company has repurchased 1,581,128 preferred shares (SLED4) and 15,700 common shares (SLED3) through December 31, 2014, concluding the repurchase program approved in February 2014, which together represents 5.6% of the Company's share capital.

PUBLISHING BUSINESS HIGHLIGHTS

- Net revenue reached R$254.8 million in 4Q14 and R$531.8 million for 2014 (+3% vs 2013). Sales of the Publishing business reflect strong private market performance, particularly in learning systems, textbooks, law books and technical content.
- Publishing business expenses (SG&A) reached R32.0 million in 4Q14 and R$95.0 million for the year, decreases of 11% and 4%, respectively, compared to 4Q13 and FY13. This result reflects efforts of the restructuring that began in 2013.
- EBITDA totaled R$57.1 million in 4Q14 (-8% vs 4Q13) and R$79.5 million for the year (+38% vs 2013). This reflects the results of the restructuring in the Company's Publishing segment, initiated in 2013, which included the elimination of redundant areas and analysis of its expenses and processes.

RETAIL HIGHLIGHTS

- Retail Net Revenue increased 6% y-o-y in 4Q14, totaling R$515.6 million, with R$1.8 billion in 2014 (+8% vs 2013).
- SSS (Same Store Sales) increased 2.4% in 4Q14 vs 4Q13 and 6.5% in 2014 vs 2013.
- In-store sales increase of 5% in 4Q14 and 11% in 2014, beating the most recent data published by the PMC/IBGE reports, which showed retail expansion of 2.2% over the last 12 months.
- In 4Q14, the e-commerce division, excluding sales of consumer electronics, achieved an increase of 16% vs 4Q13 and 9.3% y-o-y, driven mainly by sales of books and smartphones.
- EBITDA was R$7.0 million in 4Q14, representing a reversal of the negative result of R$29.5 million reported in 4Q13. EBITDA totaled R$34.9 million in the year (-16% vs 2013).

▪ SUBSEQUENT EVENTS

- In line with its strategy of lengthening its debt profile, the Company contracted in early 2015 new loan operations, with maturities between 1 and 3 years, which represents around 55% of its short-term maturities.
- Implementation of Matrix Budgeting in order to rationalize the Saraiva Group's expenses.
- On February 20, 2015, the company announced the closure of its store in Shopping D&D, located in São Paulo, due to the low expectations of value creation.

Table 1. Main Indicators – Saraiva Group (R$000, unless otherwise specified)

Consolidated	2014	2013	Y/Y	4Q14	4Q13	Y/Y	3Q14	Q/Q
Gross Revenues	2,394,982	2,256,724	6%	779,570	774,502	1%	482,346	62%
Net Revenues	2,275,315	2,143,751	6%	739,465	736,248	0%	458,517	61%
Gross Profit	929,185	903,353	3%	292,989	308,565	-5%	173,043	69%
Gross Margin (%)	40.8%	42.1%	-1.3 p.p.	39.6%	41.9%	-2.3 p.p.	37.7%	1.9 p.p.
Operating Expenses	817,732	808,306	1%	233,156	279,260	-17%	187,005	25%
EBITDA	111,453	95,047	17%	59,833	29,305	104%	(13,962)	-
EBITDA Margin (%)	4.9%	4.4%	0.5 p.p.	8.1%	4.0%	4.1 p.p.	-3.0%	11.1 p.p.
Adjusted EBITDA[1]	122,065	150,338	-19%	61,406	74,596	-18%	(13,868)	-
EBITDA Margin[1]	5.4%	7.0%	-1.6 p.p.	8.3%	10.1%	-1.8 p.p.	-3.0%	11.3 p.p.
Adjusted Net Income (Loss)	16,366	68,314	-76%	24,488	57,274	-57%	(29,048)	-
Adjusted Net Margin (%)	0.7%	3.2%	-2.5 p.p.	3.3%	7.8%	-4.5 p.p.	-6.3%	9.6 p.p.
Net Income (Loss)	5,754	13,023	-56%	22,915	11,983	91%	(29,142)	-
Net Margin (%)	0.3%	0.6%	-0.4 p.p.	3.1%	1.6%	1.5p.p.	-6.4%	9.5 p.p.

Note: Adjusted EBITDA excluding the effect of non-recurring restructuring expenses.

The consolidated financial statements contained herein has been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil (BR GAAP). The individual financial statements of the Publishing business contained herein has been prepared in accordance with BR GAAP. Any and all non-accounting information, or figures derived from non-accounting information, has not been reviewed by the independent auditors.

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MAIN INDICATORS

The Company's sales are highly seasonal, concentrated in two periods during the year: (1) the first quarter of the fiscal year due to a greater demand for textbooks and workbooks from the private sector during the back-to-school period; and (2) the fourth quarter due to the government's purchases from the Publishing business and Christmas and Black Friday sales in the Retail business. Below we present the main operating and financial indicators by business segment.

Table 2. Main Indicators – Retail Business (R$000, unless otherwise specified)

Retail	2014	2013	Y/Y	4Q14	4Q13	Y/Y	3Q14	Q/Q
Gross Revenues	1,938,421	1,800,501	8%	553,014	525,444	5%	426,723	30%
Net Revenues	1,821,761	1,687,854	8%	515,559	487,202	6%	402,985	28%
Store Sales	1,259,853	1,138,984	11%	366,876	350,828	5%	268,555	37%
E-commerce Sales	561,908	548,870	2%	148,683	136,374	9%	134,430	11%
Gross Profits	573,355	554,120	3%	149,148	150,205	-1%	124,373	20%
Gross Margin (%)	31.5%	32.8%	-1.4 p.p.	28.9%	30.8%	-1.9 p.p.	30.9%	-1.9 p.p.
Operating Expenses	538,409	512,670	5%	142,149	179,665	-21%	131,698	8%
EBITDA	34,946	41,450	-16%	6,999	(29,460)	-	(7,325)	-
EBITDA Margin (%)	1.9%	2.5%	-0.5 p.p.	1.4%	-6.0%	7.4 p.p.	-1.8%	3.2 p.p.
Adjusted EBITDA[1]	39,855	82,958	-52%	6,957	12,048	-42%	(6,864)	-
Adjusted EBITDA Margin (%)[1]	2.2%	4.9%	-2.7 p.p.	1.3%	2.5%	-1.1 p.p.	-1.7%	3.1 p.p.
Adjusted Net Income (Loss)	(31,996)	25,102	-	(13,586)	11,384	-	(20,007)	-32%
Adjusted Net Margin (%)	-1.8%	1.5%	-3.2 p.p.	-2.6%	2.3%	-5.0 p.p.	-5.0%	2.3 p.p.
Net Income (Loss)	(36,905)	(16,406)	124.9%	(13,544)	(30,124)	-55.0%	(20,468)	-34%
Net Margin (%)	-2.0%	-1.0%	-1.1 p.p.	-2.6%	-6.2%	3.6 p.p.	-5.1%	2.5 p.p.
Same store sales growth	6.5%	6.7%	-0.2 p.p.	2.4%	9.8%	-7.4 p.p.	2.9%	-0.5 p.p.
E-commerce sales growth	1.6%	11.0%	-9.4 p.p.	7.8%	1.9%	5.9 p.p.	-0.2%	8.0 p.p.
E-commerce growth ex-electr.	9.3%	13.4%		16.0%	7.0%	9.0 p.p.	8.5%	7.5 p.p.
Number of Stores - End of Period	116	112	4%	116	112	4%	115	1%
Sales Area - End of Period (m²)	63,870	61,085	0.0 p.p.	63,870	61,085	0.0 p.p.	62,956	0.0 p.p.

Note 1: Adjusted EBITDA excluding the effect of non-recurring restructuring expenses.

Table 3. Main Indicators – Publishing, including Editora Érica acquired in June 2013 (R$000, unless otherwise specified)

Publishing	2014	2013	Y/Y	4Q14	4Q13	Y/Y	3Q14	Q/Q
Gross Revenues	534,797	516,849	3.5%	257,490	266,950	-3.5%	69,293	272%
Net Revenues	531,790	516,523	3.0%	254,840	266,938	-4.5%	69,202	268%
Private	371,397	334,852	11%	103,062	94,258	9%	65,810	57%
Government	160,393	181,671	-12%	151,778	172,680	-12%	3,392	>500%
Gross Profit	359,107	353,236	1.7%	148,146	161,605	-8.3%	48,613	205%
Gross Margin (%)	67.5%	68.4%	-0.9 p.p.	58.1%	60.5%	-2.4 p.p.	74.0%	-15.9 p.p.
Operating Expenses	279,630	295,617	-5.4%	91,058	99,211	-8.2%	55,563	64%
EBITDA	79,477	57,619	0.38	57,088	62,394	-8.5%	(6,950)	-
EBITDA Margin (%)	14.9%	11.2%	3.8 p.p.	22.4%	23.4%	-1.0 p.p.	-10.0%	32.4 p.p.
Adjusted EBITDA[1]	85,180	71,402	19%	58,703	66,177	-11%	(7,318)	-
Adjusted EBITDA Margin (%)[1]	16.0%	13.8%	2.2 p.p.	23.0%	24.8%	-1.8 p.p.	-10.6%	36.3 p.p.
Adjusted Net Income (Loss)	52,155	47,274	10%	42,605	49,536	-14%	68,925	-38%
Adjusted Net Margin (%)	9.8%	9.2%	0.7 p.p.	16.7%	18.6%	-1.8 p.p.	99.6%	-82.9 p.p.
Net Income (Loss)	46,452	33,491	39%	40,990	45,753	-10%	69,293	-41%
Net Margin (%)	8.7%	6.5%	2.3 p.p.	16.1%	17.1%	-1.1 p.p.	100.1%	-84.0 p.p.

Note 1: Adjusted EBITDA excluding the effect of non-recurring restructuring expenses 2. Net income before equity pick-up.

Table 4. Main Indicators Consolidated Balance Sheet (R$000, unless otherwise specified)

Consolidated	4Q14	4Q13	Y/Y	3Q14	Q/Q
Cash and cash equivalents	275,019	23,086	>500%	156,930	75%
Total Debt	801,370	445,684	79.8%	723,402	11%
Net Debt	526,351	422,598	24.6%	566,472	-7%
Adjusted Net Debt[1]	544,291	595,154	-8.5%	569,013	-4%
Total Assets	1,871,898	1,326,029	41%	1,566,417	20%
Shareholders' Equity	472,405	515,741	-8.4%	458,440	3%
Net Debt/Equity	111%	82%	36.0%	124%	-10%
Net Debt/EBITDA	4.72	4.45	6%	7.00	-32.6%

Note 1: Includes receivables prepayments and acquisition obligations; 2 Adjusted EBITDA excluding the effect of non-recurring restructuring expenses.
To calculate the net debt to EBITDA ratio the accumulated EBITDA of the LTM was used.

OUTLOOK

For Saraiva Group, 2014 was marked by celebrating the completion of its first 100 years, with a brand recognized for its excellence, occupying a leading position among Brazil's main retailers focused on educational and cultural content. Saraiva is a benchmark in publishing quality. It is a leader in the publication of law books and among the largest in the textbook and workbook segment. In Retail, it is also a leader in Brazil's book market and in the back-to-school market, the 2nd largest player in music and films, 5th largest in Brazil's e-commerce segment and among the 5 largest Apple resellers in Brazil. Despite the adverse economic scenario in 2014, Saraiva was able to strengthen its brand even further and will continue to invest for the long-term. The focus is on advancing the Company's transformation and restructuring process in preparation for a new cycle of growth and value creation.

From a strategic standpoint, the Publishing business is being repositioned to participate even more in the education value chain, reinforcing its strategy to invest in comprehensive solutions that contribute to the learning process, from primary through higher education. The Company seeks to offer structured solutions with greater added value, combining technology and service with the most respected content produced by the best authors. The benefits of this strategy can already be seen in the results for the year, with a 38% increase in EBITDA, reaching R$79 million in 2014, and a 3.8 point increase in the EBITDA margin to 14.9%. Furthermore, net income before equity pickup totaled R$46 million, a 39% increase y-o-y. Through the continuing efforts by the Publisher to develop content, sales to the public sector reached R$154 million under the National Textbook Program (PNLD 2015). It is worth highlighting that the Federal Government did not purchase any digital content under the PNLD 2015, reducing sales by the Publisher under the program when compared to PNLD 2014. In the private segment, through a variety of initiatives to promote, expand and improve its catalog of products and services, sales reached R$371 million in 2014, an increase of 11% vs 2013. One of the highlights was the Learning Systems line, with sales of R$51 million in 2014 vs. R$ 37 million in 2013.

The use of technology and new teaching methods has also helped the Publisher develop recurring business and expand its student base. The number of students enrolled in major schools that use Saraiva's solutions and services doubled in 2014 compared to the prior year. This was driven by the introduction of learning system solutions, the digital library, and primarily SET - Saraiva Technical Education System, which ended 2014 serving 53 thousand students compared to 25 thousand at the beginning of the year. It is also worth mentioning the beginning of sales of our digital education services and solutions, highlighting the Prepara Program (that targets the OAB test and training courses) and Vivaz, a Knowledge Game for elementary school students. Results of such initiatives will be reported throughout 2015.

In Retail, the highlight was the increase in investments in long-term and capital-intensive projects. The number of physical store locations has increased from 92 to 116 over the last 5 years, with an increase in floor space of around 30%. The e-commerce channel, Saraiva.com, was consolidated, aligning the physical and digital worlds through the use of a differentiated business model. The expansion strategy proved to be effective and store revenues doubled – from R$639 million in 2009 to R$1.26 billion in 2014 -, while e-commerce sales increased to more than R$ 456 million in the current year (totaling 31% of Retail sales).

This growth has resulted in important gains in market share, but also led the Company to a new level of operational complexity and to new challenges. Saraiva is aware of the need to go into a revision that warrants a deeper review of our processes, seeking greater efficiency across all areas of its operation. The ongoing process of reformulating the structure of the Retail business is designed to provide greater efficiency, more integrated structures, and its new leadership team is focused on the multi-channel approach. It is worth highlighting that 23% of Saraiva's client base is already multi-channel, making purchases in both the physical stores and through e-commerce. Multi-

channel clients are more frequent shoppers and spend more; they spend 1.5x more than clients that only shop in the stores and 2.6x more than clients exclusive to e-commerce. Multi-channel clients spend 50% more than clients exclusive to the stores and 130% more than shoppers that only purchase through e-commerce.

Simultaneous to the Company's solid sales performance in Retail, investment opportunities to strengthen its competitiveness and to contribute to the sustainable growth of the business were also identified. In this regard, the Company: (1) expanded its points-of-sale with the opening of 5 new stores, highlighting the airport stores; (2) announced the roll-out of a new e-commerce platform; and (3) installed a new logistics center in Cajamar, with very promising results. The Distribution Center in Cajamar has already provided important synergies for the Group, able to meet the demands of its e-commerce business, cross-docking needs of the stores and supporting its Learning Systems business. It is also worth emphasizing the launch of Lev – Saraiva's first digital reader (4), made available in August 2014 – with potential to boost sales of digital content.

Despite the improvement in the results of the publishing business unit and strong sales performance in Retail, Saraiva is not satisfied and understands clearly the need to improve its final consolidated results. The necessary corrective actions, including structural measures to deliver solid results to its shareholders, while satisfying its clients, suppliers and employees, have still not been transformed into financial results. Furthermore, Brazil is experiencing a challenging economic scenario since the beginning of the current year. Within this context, and with the conclusion of the first phase of the transformation process that began in the second quarter of 2013 – designed to prepare the Company for a new cycle of growth and value creation – the Saraiva Group has initiated the second phase of its restructuring.

The Group is aware of its future challenges and confident in the continued execution capacity of its employees. The challenges are quite clear across each of the business units; in Retail, we need to get back to sustainable and profitable growth; here, the challenge is in achieving operational efficiency and the rationalization of expenses and fixed costs. In Publishing, we need to further diversify revenues, create recurring revenue, increase participation in the private market and reduce the Company's dependency on results from the Government's Programs. At the Corporate level, we need to continuously work to rationalize expenses and optimize processes in order to reduce expenses directly impacting the business units.

The Group is well positioned to capitalize on opportunities the Brazilian culture, education and entertainment markets will continue to offer, although it is important to recognize the unstable and challenging environment seen at the end of 2014. We reinforce the maintenance of the medium and long-term market strategies for the two business units. However, we understand that in the short-term, additional efforts will be required to reduce costs because of inflationary pressure and fiscal adjustments, including: (1) less payroll exemptions; (2) increased energy costs; and (3) the readjustment in gas prices, increasing transportation costs. **These adjustments will offset gains expected as a result of important measures implemented during the first phase of the transformation process, which** included adjustment of the organizational structure by eliminating redundancies and the identification and promotion of synergies. Therefore, it is imperative that we move to the second phase in order to intensify the rationalization and optimization of our expenditures.

In 2014, in the context of seeking synergies within Saraiva Group's activities, we continued the process of unifying core business activities in the administrative and logistics areas. Previously in separate locations, these areas now operate using less space, resulting in lower costs, improved communication among the various areas and streamlined our decision-making process. As part of this process, we highlight: (1) relocation of the head offices of Editora Érica and the Learning Systems unit to the same location used by Saraiva's Publishing business; (2) centralization of logistics, mainly of the units in Belo Horizonte, Rio de Janeiro, Campo Grande and Ribeirão Preto, to the Guarulhos distribution center; and (3) transfer of the distribution center for the Learning Systems unit to the new logistics center in Cajamar.

We expect to progress with the action plan targeting the Company's cash management process, through measures designed to restructure personnel, rationalize and optimize processes and the intense renegotiation of the main contracts signed by the Company. In 2015, we're beginning Saraiva's next 100 year story. We highlight below the main initiatives for the year:

(1) Focus on restructuring the liability by lengthening our debt maturities. In early 2015, the Retail entered into financing agreements with commercial banks with maturities from 1 to 3 years – which together represent 55% of our short-term maturities. These transactions, together with the release of funds under the R$629 million financing contract signed with BNDES in August 2014, will result in improved management of our financial liabilities, aimed to improve both extension of the average maturity of the Company's debt as well as improvement of the overall maturity profile.

(2) Additional efforts to control expenses and review processes will be necessary. In 1Q15, we began implementation of a Matrix Budget (a managerial method that stimulates control of expenses without correlation to the previous period), focused on the rationalization of our resources. More than just a change in our budgeting method, the Company has been working to implement a culture of austerity and its continuous search for productivity gains.

(3) We expect to invest around R$ 40 million in 2015, as compared to the R$ 81 million invested in 2014. The Company reevaluated its investment priorities in order to focus on services and solutions with more aggregated value, low capex/revenue ratios and higher profitability. As a result, the total amount invested for the year will reflect a slow-down in the pace of store openings and a delay in certain investments. In 2015, we only expect to open the units in Viracopos Airport in Campinas. It has approximately 400m^2 and was negotiated in early 2014. Our efforts will be on obtaining greater value from existing assets, renegotiating contracts or closing four unprofitable stores. In addition, we plan on including the game and telephone product lines in 25 select stores, which will provide an increase in sales per m² and improve profitability. 'Project 25' is the chosen name for a strategy divided into separate implementation waves. It will require a minimal investment and rely on partnerships with industry. The initial phase will begin during the first half of the year.

(4) Initiatives designed to improve working capital (suppliers and inventory). With a reduction of 33 days in the operating cycle of the Publishing business, which is demonstrated in the unit's operations, the Company also hopes to achieve further reductions in Retail, freeing-up cash and making the business more competitive.

Internal decisions are being made as part of this process, which already completed two years and is now in non-stop mode. Difficult internal decisions need to be – and are already being taken - without delay and with clarity of purpose. A new strategic direction has already been established and will continue to be implemented. Results already achieved by the Publishing business are promising. Saraiva believes the chosen path will provide the Company with levels of competitiveness and innovation capable of ensuring its leadership position in its chosen markets.

We're aware that despite our efforts 2015 will be a challenging year, due to: (1) lower sales volume under PNLD 2016, with fewer students supported by the program due to changes in the demographic profile of Brazil's population and the migration of students from the public school system to private schools; and (2) less favorable prospects for retail sales due to the effects of the economic slowdown. The initiatives already mentioned herein are priorities for the Company, aiming to improve our cost structure, refine our working capital management and return the business to profitable and sustainable growth. We reinforce our commitment to aggregating real value to the business and emphasize that the changes implemented, despite their pressure on short-term results, strengthen our capacity for seeking new opportunities.

SARAIVA CONSOLIDATED RESULTS

The comments presented below about the Saraiva Group's operating performance are based on the consolidated figures, which include the operating results of the Publishing and Retail businesses.

GROSS REVENUE – Despite a strong competitive environment and moderate economic scenario, Saraiva registered another year of sales growth. Consolidated gross revenue reached R$2.39 billion, an increase of 6% compared to the R$2.26 billion reported in the prior year. This was mainly due to an 11% increase in Publishing gross revenue from the private market and sales growth in the Retail store chain of 11% vs 2013. The result is in line with the midpoint of guidance, of R$2.3 to R$2.5 billion for the FY2014.

Table 1. Estimated Consolidated Gross Sales for 2014

	Guidance 2014E	2014A
Gross Sales	R$ 2.3 – 2.5 billion	R$2.4 billion

Note: E – estimated; A – actual

NET REVENUE – Consolidated net revenue increased 6% in 2014 to R$2.28 billion. In 4Q14, consolidated net revenue increased 0.41%, totaling R$740 million compared to R$736 million in 4Q13.

Table 2. Net Revenue by Business Segment (R$000, unless otherwise specified)

	2014	2013	Y/Y	4Q14	4Q13	Y/Y	3Q14	Q/Q
Publishing[1]	531,790	516,523	3%	254,840	266,938	-5%	69,202	268%
Retail	1,821,761	1,687,854	8%	515,559	487,202	6%	402,985	28%
Eliminations[2]	(78,236)	(60,626)	29%	(30,934)	(17,892)	73%	(13,670)	126%
Total[3]	**2,275,315**	**2,143,751**	**6%**	**739,465**	**736,248**	**0%**	**458,517**	**61%**

Notes: 1. Includes Editora Érica results. 2. The Publishing business sells books it publishes to the Retail business. Therefore, for consolidation purposes, adjustments have to be made to the consolidated sales figure to take into account transactions between Saraiva Group's two business units. 3. Consolidated net revenue.

GROSS PROFIT – Consolidated gross profit reached R$929 million vs R$903 million in 2013. The gross margin fell by 1.3 percentage points from 42.1% in 2013 to 40.8% in 2014. In 4Q14, consolidated gross profit reached R$293 million, 5% lower than the R$309 million recorded in the prior year. The gross margin was off by 2.3 percentage points, dropping from 41.9% in 4Q13 to 39.6% in 4Q14. This was due to a decrease in the Publishing business' share of the gross sales mix from 34% to 33% of the total. It is worth noting that purchase of digital content under PNLD 2015 was deferred until fiscal year 2015, impacting the gross margin comparison between 2013 and 2014. Costs of producing digital content for the PNLD 2015 have already been recognized in the cost of books sold, while revenue will only be accrued if the Federal Government purchases the material during 2015. In 2013, sales of digital content under PNLD 2014 totaled R$13.1 million.

OPERATING EXPENSES – Operating expenses totaled R$233 million in 4Q14, a drop of 17% vs. 4Q13. As a result, operating expenses as a percentage of consolidated net revenue fell from 37.9% to 31.5% in the 4Q14.

Table 3. Operating Expenses by Business Segment (R$000, unless otherwise specified)

	2014	2013	Y/Y	4Q14	4Q13	Y/Y	3Q14	Q/Q
Publishing	279,630	295,617	-5%	91,058	99,211	-8%	55,563	64%
Retail	538,409	512,670	5%	142,149	179,665	-21%	131,698	8%
Eliminations	(307)	19	-	(51)	384	-		
Total	**817,732**	**808,306**	**1%**	**233,156**	**279,260**	**-17%**	**187,005**	**25%**

EBITDA - EBITDA was R$111 million in 2014, within the guidance range established for the period, from R$110-130 million, and 17% above the R$95 million reported in 2013. The EBITDA margin was 4.9% compared to 4.4% during the same period of the prior year. Despite a drop of 1.3 p.p. in the gross margin for the period, the improvement in the EBITDA margin was due to a reduction in operating expenses as a percentage of revenues, from 37.7% in 2013 to 35.9% in 2014. This result is mainly due to the decrease in expenses in the Publishing business unit, while the

Retail business was negatively impacted by non-recurring extraordinary write-offs in 2013 – distorting the comparison with 2014.

Table 4. Estimated Consolidated EBITDA for 2014 vs reported EBITDA

	Guidance 2014E	2014A
EBITDA	R$110 – 130 million	R$111.4 million

Note: E – estimated; A – actual

Table 5. Consolidated EBITDA (R$000, unless otherwise specified)

	2014	2013	Y/Y	4Q14	4Q13	Y/Y	3Q14	Q/Q
Net Income (Loss)	**5,754**	**13, 023**	**-56%**	22,915	11,983	**91%**	**(29,142)**	**-**
(+) Net financial interests	70,012	38,875	80%	24,343	10,354	135%	18,982	28%
(+) Income tax / Social Cont.	(7,967)	(2,772)	187%	1, 214	(4,594)	-	(14, 581)	-
(+) Deprec. and Amortiz.	43,676	45,927	-5%	11, 296	11,561	-2%	10, 745	5%
(+) Equity Income	(15)	(4)	275%	68	6	>500%	37	84%
(+) Minority shareholders	(7)	(2)	250%	(3)	(5)	-40%	(3)	0%
(+) Non-recurring expenses	10,612	55,291	-81%	1, 573	45,291	-97%	94	>500%
Adjusted EBITDA	**122,065**	**150,338**	**-19%**	**61, 406**	**74,596**	**-18%**	**(13, 868)**	**-**
Adjusted EBITDA margin	**5.4%**	**7.0%**	**-1.6 p.p.**	**8. 3%**	**10,1%**	**-1.8 p.p.**	**-7.8%**	**1610%**
Net revenue	2,275,315	2,143, 751	6.1%	739, 465	736,248	0%	458, 517	61%
EBITDA	111,453	95, 047	**17.3%**	59, 833	29, 305	**104.2%**	(13, 962)	**-**
EBITDA Margin	4,9%	4. 4%	0.5 p.p.	8. 1%	4. 0%	4.1 p.p.	-3. 0%	11. 1 p.p.

NET INTEREST REVENUE (EXPENSE) – In 2014, net financial result was an expense of R$70 million in 2014 compared to R$39 million in 2013. The net financial result for 4Q14 was an expense of R$24 million compared to R$10 million in 4Q13, reflecting an increase in the average debt balance.

NET INCOME FOR THE PERIOD – **Due to the reasons mentioned above, in 4Q14, the Group's consolidated net income totaled R$23 million, an increase of 91% compared to the prior year.** The net margin was 3.1% in 4Q14 vs. 1.6% in 4Q13. In 2014, consolidated net income totaled R$5.7 million compared to R$13 million during the same period in the prior year.

INVESTMENTS (CAPEX) – The Saraiva Group's investments totaled R$30 million in 4Q14 and R$81 million in 2014, focused on: (i) information technology and logistics; (ii) new stores / new formats; and (iii) the development of new business models for publishing content in new formats. During the same periods of 2013, these amounts totaled R$14 million and R$89 million, respectively.

LIQUIDITY – On December 31, 2014, the Company had approximately R$275 million in Cash and cash equivalents compared to a balance of R$157 million at the end of 3Q14. Gross debt at December 31, 2014 totaled R$801 million, an increase of R$78 million compared to the R$723 million balance reported at the end of 3Q14.

Table 6. Evolution of the main debt indicators monitored by the Company (R$000)

Consolidated	4Q14	4Q13	Y/Y	3Q14	Q/Q
Type of Transaction					
BNDES	327,191	123,355	165%	276,156	18%
Working Capital/others	474,052	322,329	47%	447,246	6%
Total consolidated debt	**801,243**	**445,684**	**79.8%**	**723,402**	**11%**
Short term	503,677	224,722	124.1%	489,326	3%
Long term	297,566	220,962	34.7%	234,076	27%
Cash and cash equivalents	**275,019**	**23,086**	**>500%**	**156,930**	**75%**
Net debt	**526,224**	**422,598**	**24.5%**	**566,472**	**-7%**
Receivables prepayment	13,605	164,558	-92%	2,541	435%
Adjusted Net Debt[1]	544,261	595,154	-8.5%	569,013	-4%
Shareholders' equity	**472,518**	**515,741**	**-8.4%**	**458,440**	**3%**
Net debt/Equity	111%	82%	35.9%	124%	-10%

Note: includes receivables prepayments and acquisition obligations.

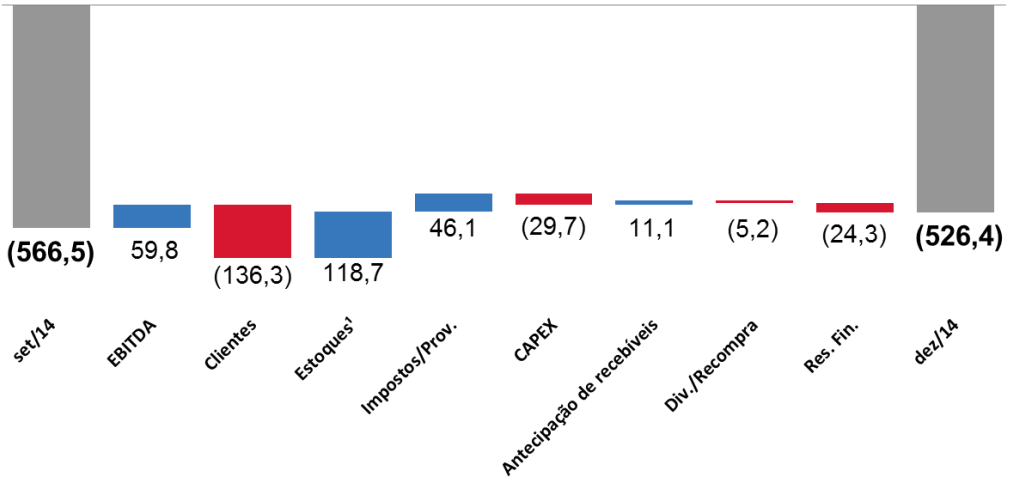
At the end of 2014, the Retail had receivables (from credit card sales) in the amount of R$303 million. The volume of total receivables prepayments (credit cards) was R$165 million in 4Q13 vs R$14 million in 4Q14. As a result, adjusted net debt, which includes receivables prepayments, totaled R$544 million at the end of 4Q14, lower than the midpoint of guidance for the period of R$500-600 million, representing a variation of R$25 million compared to the R$569 million reported in 3Q14.

Table 7. Net Debt values Projected for 2014 vs Actual

	Guidance 2014E	4Q14A	4Q13A
Adjusted net debt	R$500 – 600 million	R$544 million	R$569 million

Note: E – estimated; A – actual

Chart 1. Breakdown of Adjusted Net Debt (4Q14 versus 3Q14)



Note 1 – Investories net of suppliers.

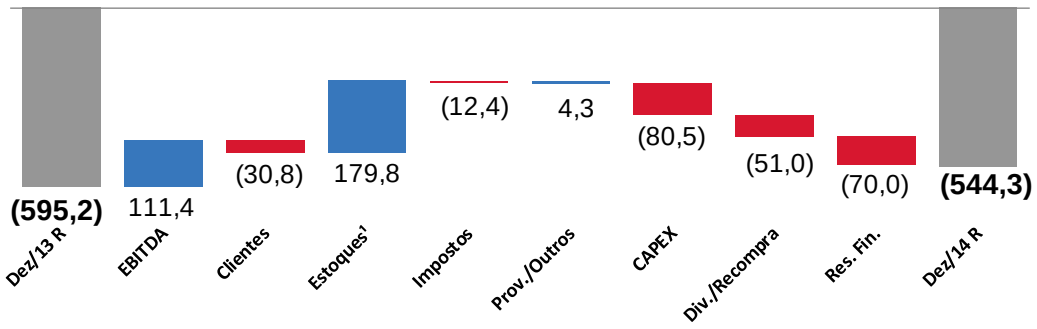
Thus, the ratio of adjusted net debt to EBITDA, used to measure the Company's cash requirements, was 4.9x at December 31, 2014, compared to 7.0x at the end of 3Q14.

Table 8. Evolution of main debt indicators monitored by the Company

Consolidated	4Q14	4Q13	Y/Y	3Q14	Q/Q
Net debt / EBITDA	4.72	4.45	6%	7.00	-32.6%
Adjusted net debt [1] / EBITDA	4.88	6.26	-22%	7.00	-30.2%
Adjusted net debt [1] / Adjusted EBITDA[2]	**4.46**	**3.96**	**13%**	**4.00**	**11.5%**

Note: Includes receivables prepayments. 2 Adjusted EBITDA, excluding non-recurring. Accumulated EBITDA LTM.

Chart 2. Breakdown of Adjusted Net Debt (4Q14 versus 4Q13)



Note: Investories net of suppliers.

It should be noted that investments in working capital were impacted by early settlements with suppliers in the amount of R$ 210 million held in December 2013.

The following table presents the maturities of our credit lines.

Table 9. Sources of financing for working capital and investments used and respective maturities

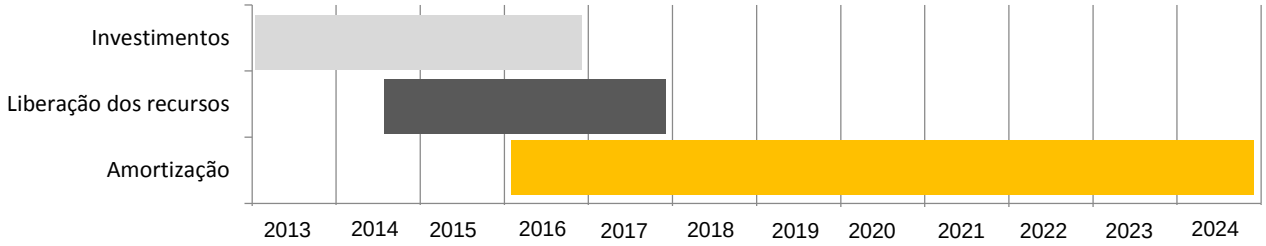
Consolidated	Average cost (p.y.)	Total	Until 2015	Until 2016	Until 2017	After 2017
Type of Transaction						
BNDES[1]	8.4%	327,191	36,394	47,320	56,815	186,661
Working Capital/others	13.2%	492,088	478,233	1,448	3,058	9,349
Consolidated net debt	**11.2%**	**819,280**	**514,628**	**48,768**	**59,874**	**196,010**

Note 1: Average cost on December 31, 2014 from the balance of the two agreements with BNDES (2011 and 2014), without considering the cost of bank guarantee, considering TJLP of 5% p.a. and SELIC of 11.75% p.a..

It is worth highlighting the Company's new credit line of R$629 million with BNDES. This borrowing significantly modifies the debt profile, extending payments to the medium/long-term. The release of funds under the new line with BNDES will be in tranches and, through the end of 4Q14, around R$258 million have already been released. With release of the upcoming tranches, aligned with the strategy of extending maturity of short term debt implemented in 1Q15, the Company expects to improve the cost structure and increase the average maturity of its debt.

As shown in the graph below, the amortization period of the new BNDES credit line will extend up to 10 years (from 2014 to 2024), including a grace period of 24 to 36 months for the principal amount, resulting in an average duration of 59 months. As an example of the improvement in the debt profile due to the initial release of funds, the average maturity of the portfolio increased from 11 months in December 2013 to 21 months in December 2014.

Chart 3. Investment Timeline, Release of Funds and Amortization of BNDES New Credit Line



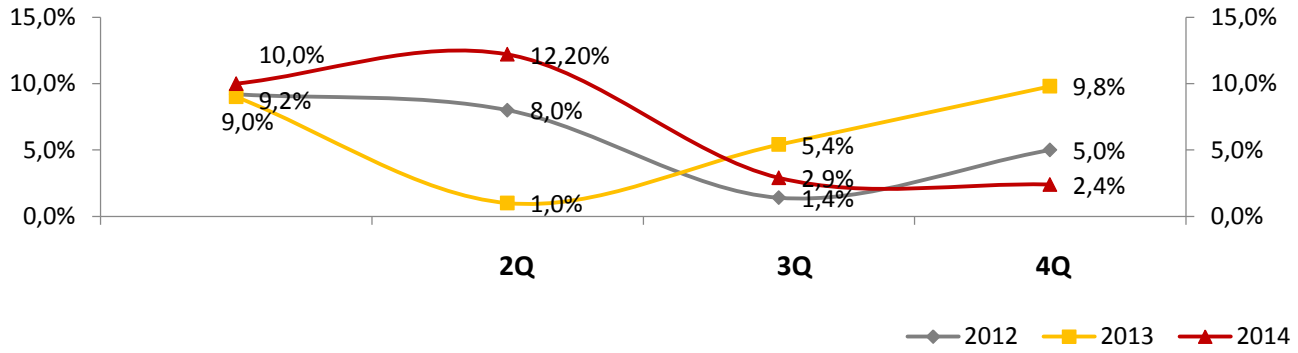
67% of the contract is indexed to TJLP (Long-Term Interest Rate), and the remainder to the Selic rate, with an effective rate of 8.52% p.a. (excluding the cost of the bank guarantee), considering TJLP of 5% p.a. and SELIC of 11.75% p.a. at the end of 2014.

RETAIL BUSINESS RESULTS

REVENUE – Net revenue in the Retail business increased 8% in 2014 to R$1.8 billion. Sales in the Saraiva stores increased 11%, reaching R$1.3 billion, with same store sales revenue increasing 6.5% in the period. It is important to emphasize that such expansion was achieved despite the deterioration of private consumption growth rates in Brazil, attesting to the resilience of the business.

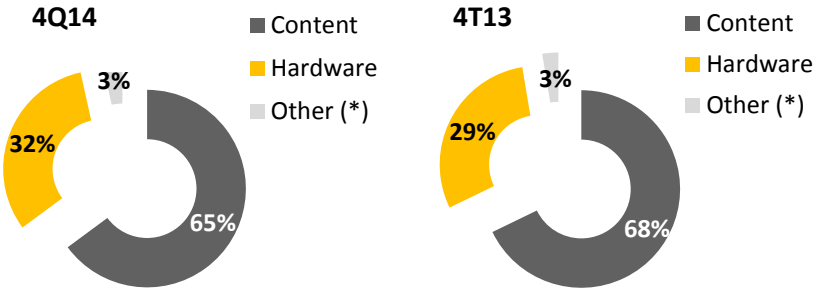
Revenue from store sales increased 5% in 4Q14 compared to 3Q14. Considering the same store sales concept, the increase was 2.4% in 4Q14. The retraction in relation to growth levels observed between 3Q14 and 4Q13 relates to lower sales in the traditional format stores. In 1Q15, we initiated a plan to reformulate the layout of the stores, including the game and telephone product families in order to increase the units' sales per m².

Chart 4. Sales Performance – Nominal Growth of Same Store Sales – by Quarter



Net e-commerce sales on Saraiva.com.br totaled R$562 million in 2014 (31% of Retail sales), 2,4% above the amount of R$549 million (33% of sales) reported in 2013. In 2014, the Company chose to stop selling consumer electronics (televisions) because of commercial conditions that resulted in negative economic value. In 4Q14, the e-commerce division, excluding sales of consumer electronics, grew 9.4% compared to same period last year.

Chart 6. Gross Income Retail by segment (R$ million)



GROSS PROFIT – In 4Q14, Retail gross profit totaled R$149 million, 1% less than 4Q13. The gross margin fell by 1.9 percentage points from 30.8% in 4Q13 to 28.9% in 4Q14 – mainly due to a lower contribution from higher margin products to sales and promotional activities focused on products with lower turnover.

In 2014, Retail's gross profit reached R$573 million, up 3% from 2013.

OPERATING EXPENSES – Operating expenses in the Retail business increased 5% in 2014 to R$538 million. However, in 4Q14, there was a reduction of 21% to R$142 million, compared to R$180 million in 4Q13, influenced mainly by extraordinary expenses. It is expected that the action plan designed to rationalize expenses, initiated in 1Q15 will result in a significant reduction in expenses. This impact will start to be realized as from mid 2015.

EBITDA – Retail EBITDA totaled R$7 million in 4Q14 vs. a negative result of R$29 million in 4Q13. In 2014, Retail EBITDA totaled R$35 million, a drop of 16% compared to the R$41 million registered in 2013, while adjusted EBITDA totaled R$40 million compared to R$83 million in 2013. This was due to a drop in the gross margin as well as an increase in expenses.

Table 10. EBITDA Retail Business (R$000, unless otherwise specified)

	2014	2013	Y/Y	4Q14	4Q13	Y/Y	3Q14	Q/Q
Net Income (Loss)	**(36,905)**	**(16,406)**	**125%**	**(13,544)**	**(30,124)**	**-55%**	**(20)**	**-34%**
(+) Net financial interests	54,689	27,196	101%	18,292	5,571	228%	14,296	28%
(+) Income tax / Social	(17,145)	(6,366)	169%	(6,821)	(13,988)	-51%	(9,611)	-29%
(+) Depreciation Amortization	34,307	37,026	-7%	9,072	9,081	0%	8,458	7%
(+)Non-recurring expenses	4,909	41,508	-88%	(42)	41,508	-	461	-
Adjusted EBITDA	**39,855**	**82,958**	**-52%**	**6,957**	**12,048**	**-42%**	**(6,864)**	**-**
Adjusted EBITDA margin	**2.2%**	**4.9%**	**-2.7 p.p.**	**1.3%**	**2.5%**	**-1.1 p.p.**	**-1.7%**	**305%**
Net revenue	1,821,761	1,687,854	8%	515,559	487,202	6%	402,985	28%
EBITDA	**34,946**	**41,450**	**-16%**	**6,999**	**(29,460)**	**-**	**(7,325)**	**-**
EBITDA Margin	**1.9%**	**2.5%**	**-0.5 p.p.**	**1.4%**	**-6.0%**	**7.4 p.p.**	**-1.8%**	**3.2 p.p.**

NET INCOME (LOSS) FOR THE PERIOD – The net loss in the Retail business totaled R$14 million in 4Q14 and R$37 million in 2014 due to the aforementioned factors.

WORKING CAPITAL – The working capital/net revenue ratio increased from 18.8% in 4Q13 to 20.9% in 4Q14. The Retail operating cycle reached 87 days in 4Q14 compared to 81 days in 4Q13. Excluding the supplier prepayment transaction executed in 4Q13, the Retail operating cycle reached 84 days. Accounts receivable totaled 55 days in 4Q14 compared to 54 days in 4Q13. The average inventory coverage period increased by 10 days from 90 days in 4Q13 to 100 days in 4Q14. The Company decided to advance purchases of the back to school period, to improve its customer service in 2015, which explains the increase in inventories in Retail. The payment period to suppliers increased by 4 days to 68 days in 4Q14 from 64 days in 4Q13. Excluding the supplier prepayment transaction in 4Q13, the payment period also increased by 4 days to 71 days from 67 days in 4Q13.

RETAIL HIGHLIGHTS – Saraiva opened 5 new stores in 2014, including 3 in the Megastore format and 2 airport stores. At the end of 2014, Saraiva had 116 stores located in 17 states and the capital, 3 of which are airport stores.

Table 11. New Stores opened in 4Q14

Date	Format	Location	City	State
April/2014	Megastore	Shopping Iguatemi Esplanada	Sorocaba	SP
April/2014	Airport	Aeroporto Eduardo Gomes	Manaus	AM
June/2014	Airport	Aeroporto Afonso Pena	Curitiba	PR
August/2014	Megastore	Shopping Vila Velha	Vila Velha	ES
November/2014	Megastore	Shopping Passeio das Águas	Goiânia	GO

In 2014, Saraiva signed an exclusivity agreement for the operation of 5 new stores in Viracopos International Airport in Campinas, São Paulo. With inauguration scheduled for the 2Q15, the stores will be located in the expanded terminal of the international airport. We believe this positioning to be strategic, representing a new niche for the Company with excellent return potential.

Table 12. New Stores Planned for 2015

Date	Format	Location	City	State
2Q15-3Q15	Airport	Viracopos Internacional Airport	Campinas	SP

E-COMMERCE - Saraiva developed and rolled-out its new e-commerce platform in 2014 – completely redesigned, the new site captures Saraiva's in-store buying experience in a convenient digital platform, offering tools that provide a more interactive, dynamic and engaging browsing experience for the roughly 15 million customers that visit the site each month, and is designed to generate more conversions and a perception of the superior value of our e-commerce. Developed based on the Magneto e-commerce software, the new platform has a comprehensive administrative environment and unites best practices in e-commerce.

LEV – Saraiva announced the launch of LEV, its portable e-reader, in early August 2014. The device includes a platform for browsing and purchasing digital books, leveraging the potential for value generation from the digital book titles offered by Saraiva, which has Brazil's largest library of Portuguese-language digital content. The digital catalog contains more than 450 thousand foreign-language titles (+9.2% vs 4Q13) and 34 thousand titles in Portuguese (+57% vs 4Q13). It is important to emphasize the continued focus on developing this segment in order to provide a digital experience that exceeds consumers' expectations.

MARKETPLACE – The Saraiva Marketplace platform was launched in 2011, expanding the product offering in segments that are not a part of the core businesses. Currently, the portfolio includes Saraiva Assinaturas, Saraiva Cosméticos, Saraiva Cursos – including Saraiva Prepara, which sells courses from the Publishing business –, as well as Saraiva Flores, Saraiva Ingressos, Saraiva Óculos, Saraiva Perfumes, Saraiva Pet and Saraiva Música(sale of musical instruments).

PUBLIQUE-SE! - Publique-se! (self-publish platform) completed the milestone of 2 thousand books published in 2014. The advantage of the tool is that the digital books are promoted by the largest on-line book retailer in Brazil. More than 15 million people visit the on-line store each month, where they can access the entire collection of products, including the 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. By analyzing the data of customer usage we can identify the habits and preferences of each member of the program, aggregate more value to the customer buying experience, anticipate customers' demands, and as a result, leverage sales. The Saraiva Plus Loyalty Program had 10 million members at the end of 4Q14.

PUBLISHING BUSINESS RESULTS

Publishing revenues, because of the segment in which the business operates, are highly concentrated in the first quarter (due to the back-to-school period for the private market). In the fourth quarter, Publishing sales are effected by the textbook buying cycle under the National Textbook Program (PNLD) of the public sector.

REVENUE – Revenue in the Publishing business totaled R$532 million in 2014, an increase of 3% y-o-y. This was due to a 7.0% increase in sales to the legal content market and the 7.2% increase in the sales of textbooks and workbooks in private sector primary education. The increase in sales in the private sector, both in higher and primary education, was partially offset by a decrease of 3.8% in gross sales of textbooks in physical media under the PNLD 2015, which totaled R$154 million in 2014 compared to R$160 million in 2013. It is worth reinforcing that the Federal Government did not purchase the digital content under PNLD 2015 that had been included in the bid requests for the program, which harmed the annual comparison. In fiscal year 2013, purchases of digital content under government programs (PNLD 2014) totaled R$13.1 million.

In 4Q14, net revenue of the Publishing business, including the results of Editora Érica, totaled R$255 million, a decline of 5% y-o-y. This was due to the decrease associated with the PNLD. This decrease was partially offset by an increase of 38% in the sale of content for the higher education segment, boosted by the highly successful development and marketing of the private segment catalog. We would also like to highlight the return to growth of the Learning Systems solution (SET). In 4Q14, net revenue of the Learning Systems unit totaled R$12 million, an increase of 42% compared to the same prior year period.

GROSS PROFIT – In 2014, Publishing gross profit totaled R$359 million vs R$353 in 2013. In 4Q14, gross profit was R$148 million, 8.3% less than the amount reported in 4Q13. The gross margin fell by 2.4 p.p. to 58.1% in 4Q14, compared to 60.5% in 4Q13. This primarily reflects the sale of digital content in fiscal year 2013 (PNLD 2014), which were not carried out in 2014, although the cost of development of such content in new media has already been recorded in the sale of physical books, as already explained.

OPERATING EXPENSES – Operating expenses in the Publisher fell by 8.2% y-o-y. This is mainly due to action plans related to the restructuring process that began in 2013. Selling, general and administrative (SG&A) expenses reached R$91 million in 4Q14 (35.7% of sales), 8.1% lower than the R$99 million in 2013 (37.1% of revenues). Such results attest the improved operational efficiency of the Publishing business. In 2014, Publishing SG&A reached R$280 million (52.6% of revenues) compared to R$296 million (57.2%% of revenues) in 2013, a reduction of 5.4%.

EBITDA – EBITDA in the Publisher totaled R$57 million in 4Q14 vs. R$62 million in 4Q13. For 2014, the increase in revenue combined with the decrease in expenses resulted in EBITDA of R$79 million, up 38% compared to R$58 million in 2013. The EBITDA margin increased by 3.7 p.p., from 11.2% in 2013 to 14.9% in 2014.

Table 13. EBITDA Publishing Business including Editora Érica (R$000, unless otherwise specified)

	2014	2013	Y/Y	4Q14	4Q13	Y/Y	3Q14	Q/Q
Net Income (Loss)	**5,754**	**13,023**	**-56%**	**22,915**	**11,983**	**91%**	**(29,142)**	**-**
(+) Net financial interests	15,323	11,679	31%	6,050	4,783	26%	4,687	29.1%
(+) Income tax / Social	9,612	4,295	124%	8,143	9,699	-16%	(4,861)	-
(+) Depreciation and	8,090	8,154	-1%	1,905	2,159	-12%	1,968	-3.2%
(+) Equity pickup	40,698	20,468	99%	18,075	33,770	-46%	20,398	-11.4%
(+) Minority shareholders	5,703	13,783	-59%	1,615	3,783	-57%	(368)	-
Adjusted EBITDA	**85,180**	**71,402**	**19%**	**58,703**	**66,177**	**-11%**	**(7,318)**	**-**
Adjusted EBITDA margin	**16.0%**	**13.8%**	**2.2 p.p.**	**23.0%**	**24.8%**	**-1.8 p.p.**	**-10,6%**	**36,3p.p.**
Net revenue	531,790	516,523	**3%**	254,840	266,938	**-5%**	69,202	268.3%
EBITDA	**79,477**	**57,619**	**38%**	**57,088**	**62,394**	**-9%**	**(6,950)**	**-**
EBITDA Margin	**14.9%**	**11.2%**	**3.8 p.p.**	**22.4%**	**23.4%**	**-1.0 p.p.**	**-10.0%**	**32.4 p.p.**

NET INCOME FOR THE PERIOD – Net income in the Publishing business, before the equity pick-up, totaled R$41 million in 4Q14 and R$47 million in 2014.

PNLD – Despite the positive results of Saraiva Publishing in the Department of Basic Education's preliminary approval process of the content it submitted for PNLD 2015, performed under the supervision of the Ministry of Education (MEC), the PNLD market proved to be more fragmented in 2015. The market share of the 4 main textbook publishers, which was 86% for PNLD 2012, fell to 67% for PNLD 2015. In addition, it is worth mentioning that the

comparison to the PNLD reference program in 2012 has been distorted. This is because the English collection submitted by Saraiva was not approved this year, while it had been approved under the PNLD in 2012, when we achieved a 50% market share in English. Moreover, in PNLD 2015, the Company has not included contents related to the "arts" disciplines, thus not participated in purchasing processes.

As a result, Saraiva's Market share in PNLD 2015 was 15%, compared to 24.6% in the reference program (PNLD 2012). Considering only the subjects in which Saraiva was approved by the MEC (Biology, Mathematics, Portuguese, History, Geography, Physics, Sociology and Philosophy), its market share was 21%.

Among the corrective measures taken in the Publisher, in order to recover the participation in the PNLD, we highlight the changes to the editing team, hiring of new authors and development of new products.

Also in the public segment, we developed an important initiative to support teacher development in the public school system, through the *Além da Prática* Project. This is a collaborative development platform for continuing education, which is interactive, and targets 10 thousand teachers. The initiative is a social project, without cost to the public sector, and is fully funded by Saraiva with the support of BNDES.

SSA – Among the variety of initiatives designed to find new methods of producing and marketing content, the highlight is SSA (Saraiva Learning Solution), which is already being used by 13 IHEs (Institutions of Higher Education), compared to 5 in 4Q13. This solution is the product of a partnership with Hoper Education and combines a learning-based methodology with the Publisher's outstanding content to create a Virtual Learning Environment (AVA). Launched at the end of 2012, the solution is available for Administration, Accounting, Law and Technology courses. The methodology has been well received by the universities and is already being used by 4,267 thousand students, a positive sign for future results.

CUSTOMIZED DL SOLUTION – Seeking to offer a complete Distance Learning solution, we combined: (1) content of recognized quality; (2) flexibility – the ability to purchase modules that comprise 20% of the live class course load[1]; and (3) leading educational technology. In 4Q14, Saraiva entered into its second contract with an Institution of Higher Education to provide content in the DL format, including print and digital content and a customized learning management platform. New partnerships with IHEs related to the DL segment may be announced in the near future.

VIVAZ – In 2014, Saraiva announced the expansion of its digital learning solutions portfolio through the launch of an innovative and fun digital platform targeting elementary schools (1st to 5th grades), known as Vivaz – the Knowledge Game. Developed in partnership with Tamboro, a start-up specializing in educational games, Vivaz is a game-based platform that combines the world of gaming with concepts of adaptive learning. It adapts to the individual learning needs of each student, guiding progress within the game based on performance, while reinforcing the material in which the student still must improve. The program allows teachers to accompany the performance of each student through the generation of reports in real-time. In addition, performance by a group/class, institution and even a network of schools can be monitored in detail. Parents can also follow the development of their children using a password access, but cannot influence the progress of the activities, which is the responsibility of the teachers. Vivaz will be marketed together with Tamboro either as an accessory to our collections for the first cycle of elementary school (1st to 5th grades), or independently, in accordance with the school's preference.

TECHNICAL EDUCATION – Another highlight goes to the solid prospects resulting from Saraiva's entrance into the technical education segment through the acquisition of Editora Érica in 4Q13. This move is consistent with our strategy to diversify and expand Saraiva's relevance in Brazil's publishing segment. In 4Q14, our business model evolved with the introduction of SET (Saraiva Technical Education System), and there are already around 53 thousand students from PRONATEC already using SET. In 2014, we celebrated another important agreement with Anima Educação.

ADAPTATIVE LEARNING – Saraiva announced the creation of an adaptive learning platform, currently available to law students from Kroton and Devry, for students preparing for the Brazilian Bar Exam (OAB). This is part of the Group's positioning strategy to provide schools with content, technology and services in an integrated manner.

Note: Brazilian law allows 20% of the total course load to be taken in distance learning courses.

VIRTUAL LIBRARY – The My Library initiative, formed as part of a venture with 3 other Brazilian publishers focused on Scientific, Technical and Professional disciplines (CTP), is a digital content platform designed for universities. The project has shown solid results, with a total of 77 schools already being served, growth of 305% compared to the prior year.

STRATEGIC POSITIONING OF THE PUBLISHING BUSINESS – In 2014, we concluded an important phase in the restructuring of the Publishing business, reevaluating the strategic position which will be adopted by the Company in the coming years. We mapped opportunities that will aggregate even more value to Saraiva's solutions, in both the primary and higher education segments. The investments required for executing the strategic plan will be made in two phases: (i) pilot projects in 2015 through partnerships with schools; and (ii) in a more structured and commercially aggressive way beginning in 2016.

CONFERENCE CALL DETAILS

Saraiva's 4Q14 Earnings Conference Call, to be held in Portuguese and simultaneously translated to English, will be held on March 20, 2014, at 10:30 AM (local time) / 9:30 AM (EST).

The conference call with be broadcast live through streaming audio.

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

CONFERENCE CALL IN PORTUGUESE WITH SIMULTANEOUS TRANSLATION TO ENGLISH

Times:

Brazil BRT (Brasília): 10:30 AM
US Eastern Standard Time EST (New York): 9:30 AM
Greenwich Mean Time GMT (London): 1:30 PM
Central European Time CET (Madrid): 2:30 PM

Telephone numbers for participants:

Dial-in from Brazil: +55 11 3193-1001
Dial-in from Brazil: +55 11 2820-4001

Dial-in from the United States: +1 786 924-6977
Toll-free from the United States: +1 888 700-0802

Password: SARAIVA

Replay: +55 11 3193-1012 or 2820-4012 (available for 7 days)
Access code: 3232269# (Portuguese) and 7280696# (English)

To view the conference call on the Internet, connect to the Webcast Platform:

WEBCAST PLATFORM

Portuguese: http://webcast.neo1.net/Cover.aspx?PlatformId=iLHAMObWrCOIAML%2FN3MHlg%3D%3D

English: http://webcast.neo1.net/Cover.aspx?PlatformId=hYucFPqSaNK1JWN2Y3Be%2FA%3D%3D

Webcast: www.saraivari.com.br

ABOUNT 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. Saraiva also publishes and delivers content, focused primarily on the education segment, in print and digital form and through its Learning Systems, serving pre-school through college levels, in addition to its technical and professional content.

LEGAL DISCLAIMER

This report contains declarations about the future that are subject to risk and uncertainty. These declarations are based on the beliefs and assumptions of management and information currently available. Our future results and the value for shareholders could differ materially from those expressed herein or suggested in such declarations made about the future.

CONSOLIDATED INCOME STATEMENTS

	2014	2013	Y/Y	4Q14	4Q13	Y/Y	3Q14	Q/Q
Gross Revenues	2,394,982	2,256,724	6.1%	779,570	774,502	1%	482,346	62%
Deductions	119,667	112,973	5.9%	40,105	38,254	5%	23,829	68%
Net Revenues	2,275,315	2,143,751	6.1%	739,465	736,248	0%	458,517	61%
Cost of Goods Sold	1,346,130	1,240,398	8.5%	446,476	427,683	4%	285,474	56%
Gross Profit	929,185	903,353	2.9%	292,989	308,565	-5%	173,043	69%
Selling Expenses	598,561	567,534	5.5%	177,254	175,188	1%	133,838	32%
G&A Expenses	233,927	207,337	12.8%	72,515	75,042	-3%	54,208	34%
Other Revenue/Expenses	(14,756)	33,435	-144.1%	(16,613)	29,030	-157%	(1,041)	>500%
Equity Income	(15)	(4)	275.0%	68	6	1033%	37	84%
Operating Income / Expenses	817,717	808,302	1.2%	233,224	279,266	-16%	187,042	25%
Depreciation and Amortization	43,676	45,927	-4.9%	11,296	11,561	-2%	10,745	5%
Results before Net Financial Interests and Taxes	67,792	49,124	38.0%	48,469	17,738	173%	(24,744)	-
Net Financial Interests	70,012	38,875	80.1%	24,343	10,354	135%	19,260	26%
Financial Revenues	(11,303)	(5,636)	100.6%	(3,678)	(2,137)	72%	(3,425)	7%
Financial Expenses	81,315	44,511	82.7%	28,021	12,491	124%	22,685	24%
Results before Taxes	(2,220)	10,249	-	24,126	7,384	227%	(44,004)	-
Income Tax and Social Contribution	(7,967)	(2,772)	-	1,214	(4,594)	-126%	(14,676)	-
Net Income (Loss)	5,747	13,021	-	22,912	11,978	91%	(29,328)	-
Attributable to:								
Controlling Shareholders							(29,325)	-
Minority Shareholders	(7)	(2)	250%	(3)	(5)	-40%	(3)	0%
EBITDA[1]	111,453	95,047	17%	59,833	29,305	104%	(13,962)	-

Note: EBITDA represents net income before financial results, social contribution, income tax, depreciation and amortization. It is not a measure used in accordance with accounting practices adopted in Brazil, or the generally accepted accounting principles of other countries; not representing cash flows for the periods presented, and should not be considered an alternative to net income as an indicator of the operating performance of the Company, or an alternative to cash flows as an indicator of liquidity. EBITDA does not have a standardized formula, and this definition of EBITDA may not be comparable with EBITDA as defined by other companies.

CONSOLIDATED BALANCE SHEETS

	4Q14	4Q13	Y/Y	3Q14	Q/Q
Total Assets	**1,871,890**	**1,326,029**	41%	**1,58**	**18%**
CURRENT ASSETS	**1,447,106**	**949,363**	**52%**	**1,18**	**22%**
Cash and Cash Equivalents	275,019	23,086	1091%	156,930	75%
Trade Accounts Receivable	421,602	256,907	64%	308,695	37%
Inventories	556,954	503,225	11%	503,863	11%
Recoverable Taxes	154,615	140,196	10%	154,243	0%
Other Credits	34,087	23,390	46%	33,713	1%
Prepaid expenses	2,470	2,559	-3%	29,667	-92%
NON-CURRENT ASSETS	**427,052**	**376,666**	**13%**	**393,46**	**9%**
Long Term Assets	**101,945**	**84,549**	**21%**	**84,625**	**20%**
Deferred income tax and social contribution	22,686	5,541	309%	15,866	43%
Judicial deposits					
Recoverable taxes					
Other credits	79,259	79,008	0%	68,759	15%
Investments	**729**	**714**	**2%**	**797**	**-9%**
In controlled company	23	23	0%		-91%
In jointly controlled company	164	149	10%	0	
Other	543	542	0%	543	0%
Property, Plant & Equipment	**118,341**	**116,092**	**2%**	**118,018**	**0%**
Intangibles	**206,037**	**175,311**	**18%**	**190,027**	**8%**
Total Liabilities	**1,871,890**	**1,326,029**	41%	**1,580,578**	**18%**
CURRENT LIABILITIES	**1,053,137**	**549,896**	**92%**	**839,54**	**25%**
Suppliers	436,358	215,945	102%	272,14	60%
Loans and Financing	503,804	224,722	124%	489,326	3%
Related party loans		-			
Social and labor liabilities		-		-	
Taxes and contributions payable	14,334	16,809	-15%	11,273	27%
Income tax and social contribution	123	117	5%	195	-37%
Copyrights payable		-		-	
Management profit sharing		744	-14%	-	
Dividends and Interest on Own Equity	1,219	2,763	-56%	58	>500%
Deferred revenue – loyalty program		-		-	
Operational Leasing – store leasing		-		-	
Other liabilities	96,660	88,796	9%	66,549	45%
NON-CURRENT LIABILITIES	**346,213**	**260,392**	**33%**	**282,411**	**23%**
Loans and Financings	297,566	220,962	35%	234,076	27%
Deferred income tax and social contribution	21,828	21,530	1%	22,194	-2%
Provision for tax, civil and labor risks	17,787	16,543	8%	17,256	3%
Other liabilities	9,032	1,357	566%	8,885	2%
Social capital	**472,405**	**515,741**	**-8%**	**458,62**	**3%**
Treasury shares	279,901	279,901	0%	279,901	0%
Profit reserve	(30,919)	(4,923)	528%	(25,583)	21%
Asset valuation adjustments	192,325	209,886	-8%	210,136	-8%
Proposed additional dividends	11,279	11,279	0%	11,279	0%
Retained earnings	19,884	19,543	2%		
Equity attributable to controlling shareholders	0	0		(17,161)	
Minority Shareholders					
Social capital	48	55	-13%	51	-6%

INCOME STATEMENT – PUBLISHING

	2014	2013	Y/Y	4Q14	4Q13	Y/Y	3Q14	Q/Q
Gross Revenues	534,797	516,849	3.5%	257,490	266,950	-3.5%	69,293	272%
Deductions	3,007	326	822.4%	3,364	640	425.6%	(91)	-
Net Revenues	531,790	516,523	3.0%	254,840	266,938	-4.5%	69,202	268%
Cost of Goods Sold	172,683	163,287	5.8%	106,694	105,333	1.3%	20,589	418%
Gross Profit	359,107	353,236	1.7%	148,146	161,605	-8.3%	48,613	205%
Selling Expenses	188,702	198,464	-4.9%	68,022	72,033	-5.6%	33,813	101%
G&A Expenses	95,204	98,712	-3.6%	31,677	35,430	-10.6%	21,568	47%
Other Revenue/Expenses	(4,276)	(1,559)	174.3%	(8,641)	(8,252)	4.7%	182	-
Equity Income	40,698	20,468	98.8%	18,075	33,770	-46.5%	20,398	11%
Operating Income/Expenses	320,328	316,085	1.3%	109,133	132,981	-17.9%	75,961	44%
Depreciation and Amortiz.	8,090	8,154	-0.8%	1,905	2,159	-11.8%	1,968	-3%
Results before Net	30,689	28,997	5.8%	37,108	26,465	40.2%	(29,316)	-
Net Financial Interests	15,323	11,679	31.2%	6,050	4,783	26.5%	4,687	29%
Financial Revenues	(4,687)	(3,535)	32.6%	(1,812)	(526)	244.5%	(657)	176%
Financial Expenses	20,010	15,214	31.5%	7,862	5,309	48.1%	5,344	47%
Results before Taxes	15,366	17,318	-11.3%	31,058	21,682	43.2%	(34,003)	-
Income Tax and Social	9,612	4,295	123.8%	8,143	9,699	-16.0%	(4,861)	-
Net income before minority	5,754	13,023	-55.8%	22,915	11,983	91.2%	(29,142)	-
Minority shareholders								
Net Income (Loss)	5,754	13,023	-55.8%	22,915	11,983	91.2%	(29,142)	-
EBITDA[1]	**79,477**	**57,619**	**38%**	**57,088**	**62,394**	**-9%**	**(6,950)**	**-**

Note: EBITDA represents net income before financial results, social contribution, income tax, depreciation and amortization. It is not a measure used in accordance with accounting practices adopted in Brazil, or the generally accepted accounting principles of other countries; not representing cash flows for the periods presented, and should not be considered an alternative to net income as an indicator of the operating performance of the Company, or an alternative to cash flows as an indicator of liquidity. EBITDA does not have a standardized formula, and this definition of EBITDA may not be comparable with EBITDA as defined by other companies.

INCOME STATEMENT – RETAIL

	2014	2013	Y/Y	4Q14	4Q13	Y/Y	3Q14	Q/Q
Gross Revenues	1,938,42	1,800,50	7.7%	553,014	525,444	5.2%	426,723	29.6%
Deductions	116,660	112,647	3.6%	37,455	38,242	-2.1%	23,738	57.8%
Net Revenues	1,821,76	1,687,85	7.9%	515,559	487,202	5.8%	402,985	27.9%
Cost of Goods Sold	1,248,40	1,133,73	10.1%	366,411	336,997	8.7%	278,612	31.5%
Gross Profit	573,355	554,120	3.5%	149,148	150,205	-0.7%	124,373	19.9%
Selling Expenses	410,166	369,070	11.1%	109,282	102,770	6.3%	100,282	9.0%
Gen Administrative Expenses	138,723	108,625	27.7%	40,838	39,613	3.1%	32,640	25.1%
Other Revenue/Expenses	(10,480)	34,975	-	(7,971)	37,282	-121.4%	(1,224)	>500%
Equity Income	0	0		0	0		0	
Operating Revenue/Expenses	538,409	512,670	5.0%	142,149	179,665	-20.9%	131,698	7.9%
Deprec and Amortization	34,307	37,026	-7.3%	9,072	9,081	-0.1%	8,458	7.3%
Operating Income before	639	4,424	-85.6%	(2,073)	(38,541)	-94.6%	(15,783)	-86.9%
Net Financial Interests	54,689	27,196	101.1%	18,292	5,571	228.3%	14,296	28.0%
Financial Revenues	(7,729)	(4,320)	78.9%	(1,988)	(2,886)	-31.1%	(3,550)	-44.0%
Financial Expenses	62,418	31,516	98.1%	20,280	8,457	139.8%	17,846	13.6%
Results before Taxes	(54,050)	(22,772)	137.4%	(20,365)	(44,112)	-53.8%	(30,079)	-32.3%
Income Tax and Social	(17,145)	(6,366)	169.3%	(27,469)	1,256	-2287.0%	9,611	-
Net Income (Loss)	(36,905)	(16,406)	124.9%	(13,544)	(30,124)	-55.0%	(20,468)	-33.8%
EBITDA[1]	**34,946**	**41,450**	**-16%**	**6,999**	**(29,460)**	**-124%**	**(7,325)**	**-**

Note 1: EBITDA represents net income before financial results, social contribution, income tax, depreciation and amortization. It is not a measure used in accordance with accounting practices adopted in Brazil, or the generally accepted accounting principles of other countries; not representing cash flows for the periods presented, and should not be considered an alternative to net income as an indicator of the operating performance of the Company, or an alternative to cash flows as an indicator of liquidity. EBITDA does not have a standardized formula, and this definition of EBITDA may not be comparable with EBITDA as defined by other companies.

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GLOSSARY

ABRELIVROS – Brazilian Association of School Book Publishers is a non-profit organization that guides, defends and protects the interests of educational book publishers in the country and their affiliates, representing the companies to the federal government and other bodies.

BNDES – National Bank for Economic and Social Development.

CNE – The National Education Council, which executes the functions and responsibilities of the federal government in matters related to education.

EBITDA – According to CVM Instruction 527, EBITDA is defined as Earnings Before the Net Financial Result, Income Taxes including Social Contribution, Depreciation and Amortization.

Basic Education – Basic education is the first level of schooling in the country and is comprised of three levels: early childhood education (for children up to 5 years old), elementary / middle school (for students from 6 to 14 years old) and high school (for students from 15 to 17 years old).

Higher Education – Education in universities, colleges, polytechnic schools, graduate schools and other institutions offering academic or professional degrees.

Technical Education – Intermediate level between basic education and higher education, or a substitute for higher education. Its purpose is to prepare students that have completed primary or secondary education for the job market.

FNDE – National Fund for the Development of Education – Administrative Unit responsible for the PNLD.

Hoper – Hoper Education is a group of consulting firms specialized in the public and private education sectors in Brazil.

MEC – The Ministry of Education, which is the federal agency responsible for national policies on: Early Childhood Education; Elementary, Middle/High School and Professional Education; Higher Education; Youth and Adults; Special Education; and Distance Learning.

MecDaisy – MecDaisy is a technology tool that allows for the reproduction of books in an accessible digital format. It allows for the creation of spoken digital books, with reproduction in audio, either recorded or synthesized; allows for easy navigation of the text, the synchronized playback of select passages, moving back and forth between paragraphs and searching for sections or chapters.

OED – Digital Educational Objects - audiovisual content produced under the PNLD program designed to provide students with experiences that go beyond reading and writing. The content of a printed book is integrated with digital educational objects, including videos, animations, games and simulators.

National Textbook Program – A program focused on the distribution of textbooks to students in Brazil's public school system at the primary and secondary levels. The process of evaluating, purchasing and distributing books under the PNLD is performed by the FNDE, using financial resources from the Federal Budget and the collection of educational allowances. The entire pedagogical evaluation process, selection of the material and preparation of the textbook guides is coordinated by the MEC's Secretary of Basic Education.

Pronatec – The National Program for Access to Technical Education and Employment (Pronatec), created by the federal government in 2011, has the objective of expanding professional and technological course offerings.

SEB – Secretary of Basic Education

SSA – didactic solution designed to support the teaching of Law and Business Administration. It is a methodology developed to support professors in the classroom and to maximize student learning; contemplating a wide range of activities in support of the curriculum, able to help students develop the abilities and skills required to perform better on official tests and assessments, including, for example, the ENADE and OAB.

Saraiva Group participates in the Publishing segment through the sale of books and content through Saraiva S.A. Livreiros Editores ("Editora"), Editora Érica Ltda. ("Érica") and Minha Biblioteca Ltda. ("Minha Biblioteca"), and the Retail segment with products focused on culture, entertainment and information through Saraiva e Siciliano S.A. ("Varejo").