Earnings Release
2Q14

Saraiva

100 ANOS Saraiva

SARAIVA RELEASES RESULTS FOR 2Q14

FOR IMMEDIATE RELEASE – **São Paulo, August 14, 2014** – Saraiva S.A. Livreiros Editores (Bovespa: SLED3 and SLED4), one of the major publishers in Brazil and one of the largest retailers in content, focused on education and culture, reported today financial results for the second quarter ended June 30, 2014.

HIGHLIGHTS – 2Q14 AND 1H14

- Sales volume growth remains solid. Consolidated gross revenue increased 9% year-on-year, totaling R$431 million in 2Q14 and R$1.1 billion in 1H14. This amount represents 45% of the midpoint guidance established for 2014.
- Consolidated gross profit reached R$145 million in 2Q14, 8% higher than the previous year. Gross margin decreased by 0.6 percentage points, from 36.3% in 2Q13 to 35.7% in 2Q14.
- Adjusted consolidated EBITDA improved by 21% y-o-y, totaling negative R$31 million in 2Q14. For the six-month period, adjusted consolidated EBITDA amounted to R$87 million (+16% vs 1H13). The result represents 44% of the midpoint guidance established for 2014.
- Adjusted Net loss reached R$31 million in 1Q14 as compared to R$39 million in 2Q13.
- On February 13, Saraiva announced a share buyback program. Until June 30, 2014, the Company had already repurchased 1,081,300 preferred shares (SLED4) and 400 common shares (SLED3) within the program, jointly representative of 3.8% of company’s total capital stock.
- The ratio of adjusted net debt to EBITDA (excluding non-recurring) was 3.2x as of June 30, stable when compared to 1Q14.

HIGHLIGHTS PUBLISHING BUSINESS

- 74% of the works submitted by Editora Saraiva to the PNLD/2015 were approved, versus 66% obtained in the reference program (PNLD/2012).
- Expansion of the solutions portfolio, with the launch of collaborative and adaptive learning platforms combining content and technology, targeted at students preparing for the Brazilian Bar Association exams.
- Availability of the newly launched distance learning platform for courses offered by HEIs (Higher Education Institutions).
- Gross revenue reached R$28 million in 2Q14, stable vs 2Q13. Our results are highly seasonal, specially in the Publishing business, which are heavily concentrated in the first and fourth quarters.
- Adjusted EBITDA summed up negative R$32 million vs. negative R$43 million in2Q13. This 26% improvement is a consequence of the restructuring measures implemented by the Company since 2013.

HIGHLIGHTS RETAIL BUSINESS

- A 12.2% increase in SSS (same store sales).
- Opening of 3 stores in the Retail business, two in the Airport format.
- The Saraiva Plus program reached 9.7 million members.
- Gross revenue reached R$412 million in 2Q14, representing 11% growth vs 2Q13.
- Adjusted EBITDA totaled - R$638 thousand as compared to R$3 million a year ago.

SUBSEQUENT EVENTS

- Successful conclusion of the plan to hire a new financing facility with the National Bank for Economic and Social Development (BNDES) for the funding of R$629 million in loans to finance a large investment program of the Company for the period from 2013 to 2016.
- Launch of LEV, the first portable digital e-reader in Brazil that comes with Saraiva's content library pre-installed.
- Creation of the 7th Stock Options Program, which aims to align the interests of directors, investors and shareholders.

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

Consolidated	1H14	1H13	Y/Y	2Q14	2Q13	Y/Y	1Q14	Q/Q
Gross Revenues	1,133,066	1,029,006	10%	430,933	394,008	9%	702,133	-39%
Net Revenues	1.077,333	982,293	10%	406,946	369,482	10%	670,387	-39%
Gross Profit	463,153	430,089	8%	145,174	134.286	8%	317,979	-54%
Gross Margin (%)	43.0%	43.8%	-0,8 p.p.	35.7%	36.3%	-0,7 p.p.	47.4%	-11,8 p.p.
Expenses	397,571	355,265	12%	189,345	173,329	9%	208,226	-9%
EBITDA	65,582	74,824	-12%	(44,171)	(39,043)	13%	109,753	-
EBITDA Margin (%)	6.1%	7.6%	-1,5 p.p.	-10.9%	-10.6%	-0,3 p.p.	16.4%	-27,2 p.p.
Adjusted EBITDA[1]	87,306	76,563	14%	(31,628)	(38,789)	-18%	118,934	-
Adjusted EBITDA Margin[1]	8.1%	7.8%	0,3 p.p.	-7.8%	-10.5%	2,7 p.p.	17.7%	-25,5 p.p.
Adjusted Net Income	33,705	25,076	34%	(31,811)	(39,254)	-19%	65,516	-
Adjusted Net Margin (%)	3.1%	2.6%	0,6 p.p.	-7.8%	-10.6%	2,8 p.p.	9.8%	-17,6 p.p.
Net Income (Loss)	11,981	23,337	-49%	(44,354)	(39,507)	12%	56,335	-
Net Margin (%)	1.1%	2.4%	-1,3 p.p.	-10.9%	-10.7%	-0,2 p.p.	8.4%	-19,3 p.p.

Note 1: Adjusted EBITDA excluding the effect of provision for bonus and non recurring expenses.

The consolidated financial information contained herein has been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB) and with the accounting practices adopted in Brazil (BRGAAP). The individual financial information contained herein has been prepared in accordance with BRGAAP. Any non-accounting information or derived from non-accounting numbers was not examined by the independent auditors.

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MAIN INDICATORS

Company sales present significant seasonal impacts, with higher concentration in two periods during the year: (1) the first quarter of each fiscal year, when it sells more to the private sector due to increased demand during the back-to-school period, and (2) in the fourth quarter due to the government's purchases of textbooks in the Publishing Business, and Christmas sales in the Retail Business. Below we present our key operating and financial indicators per business segment.

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

Retail	1H14	1H13	Y/Y	2Q14	2Q13	Y/Y	1Q14	Q/Q
Gross Revenues	958,684	866,334	11%	411,711	372,250	11%	546,973	-25%
Net Revenues	903,217	819,920	10%	387,767	347,850	11%	515,450	-25%
Gross Profits	624,423	539,549	16%	266,657	227,974	17%	357,766	-25%
Gross Margin (%)	278,794	280,371	-1%	121,110	119,876	1%	157,684	-23%
Operating Expenses	299,834	280,460	7%	123,612	112,409	10%	176,222	-30%
EBITDA	33.2%	34.2%	-1,0 p.p.	31.9%	32.3%	-0,4 p.p.	34.2%	-2,3 p.p.
EBITDA Margin (%)	264,562	225,599	17,3%	129,625	108,980	18,9%	134,937	-4%
Adjusted EBITDA[1]	35,272	54.861	-36%	(6,013)	3,429	-	41,285	-
Adjusted EBITDA Margin[1] (%)	3.9%	6.7%	-2,8 p.p.	-1.6%	1.0%	-2,5 p.p.	8.0%	-9,6 p.p.
Adjusted Net Income	46,894	54,861	-15%	(638)	3,429	-	47,532	-
Adjusted Net Magin (%)	5.2%	6.7%	-1,5 p.p.	-0.2%	1.0%	-1,2 p.p.	9.2%	-9,4 p.p.
Net Income (Loss)	8,729	15,495	-44%	(11,155)	(8,608)	30%	19,884	-
Net Margin (%)	1.0%	1.9%	-0,9 p.p.	-2.9%	-2.5%	-0,4 p.p.	3.9%	-6,7 p.p.
Growth in same store sales	-2,893	15,495	-	(16,530)	(8,608)	92,0%	13,637	-
Growth in Internet sales	-0.3%	1.9%	-2,2 p.p.	-4.3%	-2.5%	-1,8 p.p.	2.6%	-6,9 p.p.
Gross Revenues	11%	5.5%		12.2%	1.0%		10.0%	
Net Revenues	-0.6%	15.9%		+1.0%	16.1%		-1.8%	
Number of Stores - End of Period	114	109	5%	114	109	5%	112	2%
Sales Area - End of Period (m²)	62,191	59,741	4%	62,191	59,741	4%	61,085	2%

Note 1: Adjusted EBITDA excluding the effect of provision for bonus and non recurring expenses.

Table 3. Main Indicators – Publishing, including Editora Érica data (R$000, unless otherwise specified)

Publishing	1H14	1H13	Y/Y	2Q14	2Q13	Y/Y	1Q14	Q/Q
Gross Revenues	208,014	188,932	10%	28,176	28,610	-2%	179,838	-84%
Net Revenues	207,748	188,633	10%	28,133	28,484	-1%	179,615	-84%
Private	204,826	181,252	13%	27,503	22,592	22%	177,323	-84%
Government	2,922	7,381	-60%	630	5,892	-89%	2,292	-73%
Gross Profit	162,348	148,696	9%	20,821	21,126	-1%	141,527	-85%
Gross Margin (%)	78.1%	78.8%	-0,7 p.p.	74.0%	74.2%	-0,2 p.p.	78.8%	-4,8 p.p.
Operating Expenses	133,009	129,965	2%	59,720	64,509	-7%	73,289	-19%
EBITDA	29,339	18,731	57%	-38,899	-43,383	-10%	68,238	-
EBITDA Margin (%)	14.1%	9.9%	4,2 p.p.	-	-	-	38.0%	-
Adjusted EBITDA[1]	39,441	20,470	93%	-31,731	-43,129	-26%	71,172	-
Adjusted EBITDA Margin[1] (%)	19.0%	10.9%	8,1 p.p.	-	-	-	39.6%	-
Adjusted Net Income	24,308	8.384	190%	(21,270)	(31,539)	-33%	45,578	-
Adjusted Net Magin (%)	11.7%	4.4%	7,3 p.p.	-75.6%	-110.7%	35,1 p.p.	25.4%	-101,0 p.p.
Net Income (Loss)	14,206	6,645	114%	(28,438)	(31,793)	-11%	42,644	-
Net Margin (%)	6.8%	3.5%	3,3 p.p.	-	-	-	31.4%	-

Note 1: Adjusted EBITDA excluding the effect of provision for bonus and non recurring expenses. 2. Income before equity income.

Below we present our key Balance Sheet indicators.

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

Consolidated	2Q14	2Q13	Y/Y	1Q14	Q/Q
Cash and cash equivalents	12,142	16,401	-26%	29,968	-59%
Total Debt	418,687	324,149	29%	433,974	-4%
Net Debt	406,545	307,748	32%	404,006	1%
Adjusted Net Debt1	526,122	421,762	25%	486,230	8%
Total Assets	1,258,728	1,203,096	5%	1,426,124	-12%
Shareholders' Equity	488,956	531,737	-8%	571,854	-14%
Net Debt/Equity	83%	58%	25,3 p.p.	71%	12,1 p.p.
Adjusted Net Debt[1] /EBITDA	6.1	2.4	3,7	5.3	0,8
Net Debt/ Adjusted EBITDA[2]	2.5	1.7	0,8	2.2	0,3
Adjusted Net Debt[1] /Adjusted EBITDA[2]	3.2	2.4	0,8	2.7	0,5

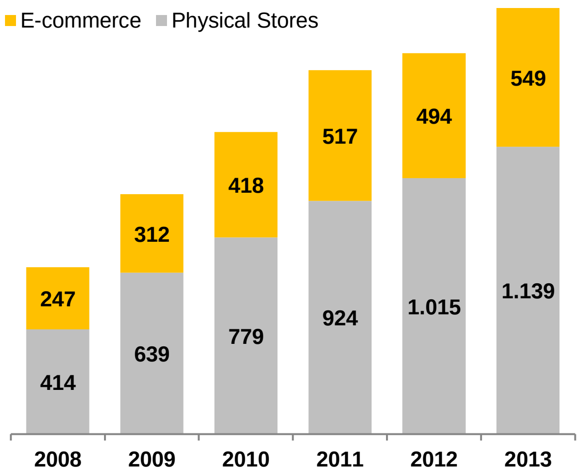
Note: (1) includes receivables prepayments and acquisition obligations; (2) excluding non-recurring from 2013.

OUTLOOK

The Saraiva Group creates and distributes content, technology and services, and is a benchmark in the production of content focused on education. With a network of 114 stores in 17 states and the Federal District, the Company is the largest retailer in content, culture and entertainment in Brazil. We are presenting another quarter of solid sales growth in the Retail business with an increase of SSS (same store sales) of 12.2% in 2Q14. Despite the weak economic performance, the results represent the best sales performance of the store chain in 13 quarters, with emphasis on the sale of books and mobile devices, such as smartphones and tablets, which enable access to our content.

Since 1998 - the launch date of one of the first e-commerce platforms in the country - Saraiva has operated with an integrated, multichannel approach. Customers are offered products and services both at www.saraiva.com.br and in the physical stores, and they can use stores for the collection of products sold on the website (5% of online sales). In case of changing products, customers can buy online and change/return the product in store. We seek to provide a unique and uniform shopping experience. It is worth noting Saraiva's good sales performance on Mother's Day, regardless of the channel consumers chose to make their purchases. **As a result, the Company was able to grow consistently in both channels.** Revenue from online sales has represented 1/3 of the retail sales volume over the past 5 years.

Chart 1. Sales Performance (2008-2013)



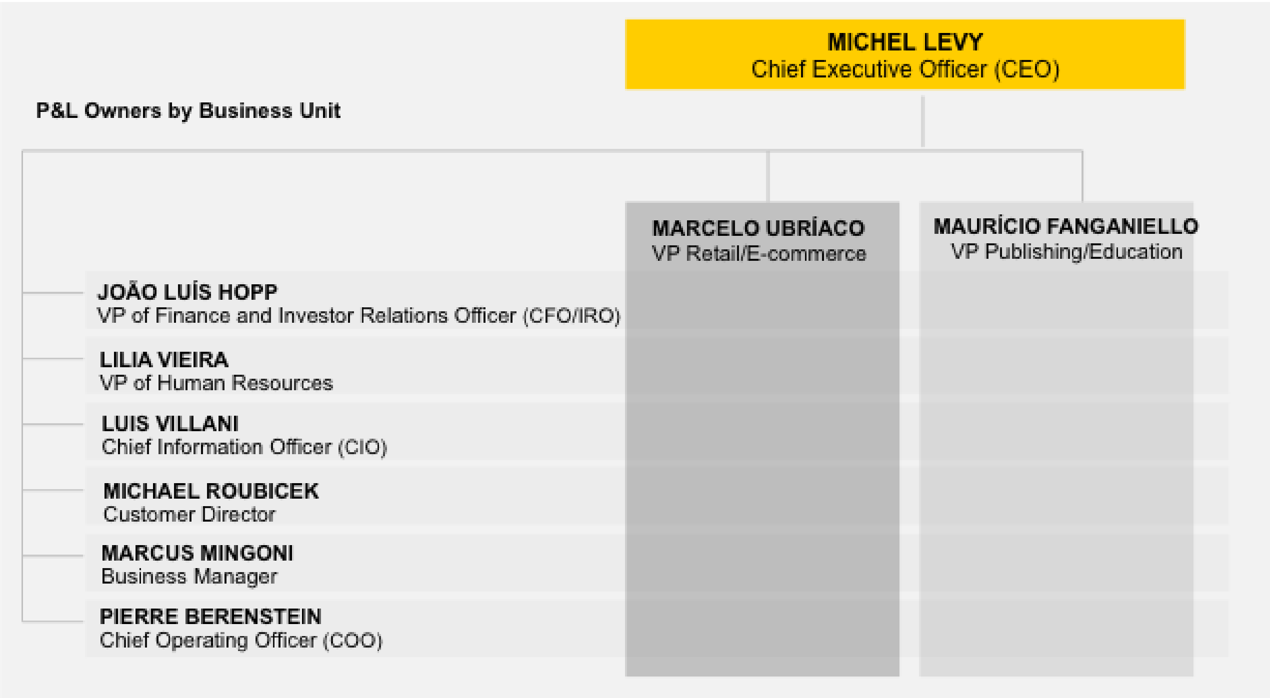
The distribution center's change (outsourced and own) from the Barueri area to the new logistics center with its own operations was completed on time and on budget. The new logistics center located in Cajamar, in São Paulo, was developed in the lease model in line with the expansion strategy of *asset light* (low capital investment). At the quarter end, the new distribution center already accounted for 100% of Saraiva's e-commerce deliveries. We envisage a significant improvement in the operational efficiency, together with a significant increase in storage capacity, from September.

Earlier this month, the Company announced the launch of LEV, its first portable digital e-reader. Its main differential is to be the only portable digital e-reader in Brazil that comes with Saraiva's content library pre-installed, giving access to the largest digital title collection available in Portuguese in the country. There are over 30,000 titles in Portuguese and 450,000 in foreign languages in digital format. **LEV's launch is part of the Group's strategy to offer education, culture and entertainment on any device and format, accessible at anytime and anywhere.** The new product is offered in a multi-channel approach and will be available for trial throughout the store chain across Brazil. Aiming to bring access and the best reading experience to the customer, the LEV device was developed exclusively for Saraiva by Bookeen, the European leader in eReading and by C.E.S.A.R. (Centro de Estudos Avançados do Recife - Center for Advanced Studies of Recife), which worked together with Saraiva's team in the creation of the open software and its integration with Saraiva's store and digital books library.

Saraiva's strategy remains focused on strengthening its business model and its competitive position. As part of our 100-year anniversary, we have revised our brand essence, strengthening our organizational structure and culture, which is based on the belief that the Company can be a powerful tool for social change and also contribute to human development by focusing on education, culture and entertainment.

To stimulate and support the expansion of our business model, we established a new organizational structure (shown in Chart 2). In this sense, new corporate structures were created and the already existing ones were strengthened in order to give greater support and efficiency to our operations. At the same time, we reinforced our compliance and the information technology initiatives to promote continuous improvements in our procedures and technologies. To help shape the success and achievements of the Company's social goals and of its shareholders interests, we would like to highlight the creation of the 7th Stock Options Program. The program will aim to align the interests of the directors, investors and shareholders.

Chart 2. New Organizational Structure



As part of the Publishing business's expansion strategy, the Company implemented a series of important changes[2]. These were decisive in driving the Company into a new cycle of value generation, with a focus on greater productivity gains and increased market share. It is worth noting that the initiatives implemented to control the Publishing business's expenses over 2013 have already started to show initial results.

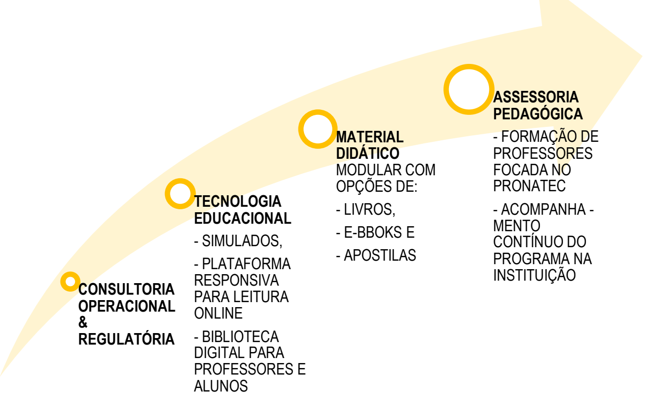
The necessary corrective actions, which include structural measures aimed at delivering solid results in the retail business for shareholders, together with customer satisfaction, are more recent projects. Among the measures, we would like to emphasize the effectiveness of better business process coupled with efficiency in IT projects. These aim to support operational demands to produce more precise indicators to help navigate in more complex and dynamic business environments, having as goal the profitable growth of our operations.

Note 2: The main initiatives include: (1) the use of segmentation in planning customer service strategy, allowing the performance to be focused on the various channels, with appropriate levels of services; (2) reorganization of the marketing area, with specialists for each sector of the publishing business; (3) creation of the educational management area, consolidating the activities of pedagogical assistance and market intelligence; (4) unification of Saraiva and Atual brands; (5) review of the product portfolio; (6) elimination of redundancies; and (7) participation of the commercial area, both with the textbooks business and the educational systems, under a single control.

Saraiva continues to invest in marketing strategies that provide competitive advantages in terms of value perceived by the customer, highlighting the relationship marketing strategy through the Saraiva Plus program – that reached 9.7 million members since its implementation nine years ago. To map and meet the needs and expectations of thousands of consumers and deliver superior customer value, the Company has identified the need for alignment of the entire organizational structure to allow better integration between our loyalty program and other strategic and functional areas of the Company, such as marketing, brand management, operations, pricing, finance, IT/CRM and digital content management. It is worth noting that this approach requires time to mature and we hope to capture these opportunities from 2015.

By strengthening our innovation strategy by offering services, technology and personalized content, developed by great authors, we start to act as partners with educational groups for higher education. We recently announced the expansion of our learning solutions portfolio, by offering the following new business models: (1) adaptive learning platform; (2) access to the digital library; (3) EaD custom platform - content and methodology for distance education; (4) Saraiva Sistema de Ensino Técnico (SET – Saraiva Technical Education System); and (5) active learning (Saraiva Solução de Aprendizagem – Saraiva Learning Solution). The investment in content delivery, personalized services and educational technology to support learning and education reflects Saraiva Group's strategy to respond to educational challenges by creating new ways of teaching and learning.

Chart 3. Saraiva Sistema Técnico de Ensino



It is also worth noting Saraiva's entry into the technical education sector through the acquisition of Editora Érica. This move is in line with our diversification strategy, increasing Saraiva's importance in the Brazilian education market. We have evolved our business model with the launch of SET, announced after the acquisition of Editora Érica in 2Q13. The solution targets educational groups and aims to meet the demand within PRONATEC – the National Program for Access to Technical Education and Employment.

In June this year, Editora Saraiva's work list was approved by the Secretary of Basic Education, oriented by the Ministry of Education (MEC), in the National Textbooks Program for 2015 (PNLD/2015), and was released to the public market with new acquisitions aimed at High Schools. Of the 23 pieces of work submitted by Editora Saraiva in the PNLD/2015, including 11 subjects (of a total of 12 that are part of the program), 17 were approved, representing a 74% approval rate, against 66% obtained in the reference program (PNLD/2012). For the new adoptions, we estimate a potential market of about 83.4 million copies for about 7 million high school students, a segment in which the Company has traditionally obtained good results. Books for replacement and complementation in elementary school will also be purchased. This contract is expected to be negotiated in September this year, with subsequent production, delivery and revenue received mostly during 4Q14.

Finally, as mentioned in our last Earnings Release, we successfully concluded the plan to hire a new financing facility with the National Bank for Economic and Social Development (BNDES) for the funding of R$629 million in loans. The funds, mostly from the Cultural Economy Development Program (PROCULT) focusing on education and culture projects, are intended to finance a large investment program of the Company for the period from 2013 to 2016. The new funding will result in improvement in the financial liabilities management, aiming to improve the cost, the extension of the average term as well as smoothing the maturity profile of our debt.

GUIDANCE

It is worth noting once again that our business results are highly seasonal, especially for the Publishing business, with a significant concentration of sales occurring in the first and fourth quarters.

On a consolidated basis, gross sales reported in 1H14 increased 9% in the yearly comparison, totaling R$431 million in 2Q14 and R$1.1 billion in 1H14. The result represents 45% of the midpoint guidance established for 2014.

Table 5. Estimated Gross Sales for 2014

	2014	1H14	% total
Consolidated Gross Sales	R$ 2.4 – 2.6 billion	R$1.1 billion	45%

Adjusted consolidated EBITDA, which excludes non-recurring expenses and provision for bonuses, was R$87 million in 1H14. The result represents 44% of the midpoint guidance established for 2014. The adjusted EBITDA margin went up, from 7.6% in 1H13 to 8.2% in 1H14.

Table 6. Estimated EBITDA for 2014

	2014	1H14	% total
Adjusted consolidated EBITDA	R$ 190 – 210 million	R$ 87 million	44%

The ratio between the adjusted net debt (represented by total loans, financing and receivables prepayments subtracted from the cash balance) and the adjusted EBITDA (excluding non-recurring and provision for bonus) was 3.2x at June 30, 2014 versus 2.7x at March 31, 2014. The Company reports adjusted net debt with this concept because it uses it to measure its need for cash.

Table 7. Adjusted Net Debt to EBITDA ratio projected for 2014

	2014	2Q14	1Q14
Adjusted net debt /Adjusted EBITDA	< 2.8x	3.2x	2.7x

SARAIVA CONSOLIDATED RESULTS

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

NET REVENUES - Consolidated net revenue grew 10% from R$369 million in 2Q13 to R$407 million in 2Q14. This performance reflects both the increase in the sales volume of the Retail division and the increase in sales in the Publishing business segment in the period.

Table 8. Net Revenue by Business Segment (R$000, unless otherwise specified)

	1H14	1H13	Y/Y	2Q14	2Q13	Y/Y	1Q14	Q/Q
Publishing[1]	207.748	188.633	10%	28.133	28.484	-1%	179.615	-84%
Retail	903.217	819.920	10%	387.767	347.850	11%	515.450	-25%
Eliminations[2]	(33.632)	(26.260)	28%	(8.954)	(6.852)	31%	(24.678)	-64%
Total[3]	**1.077.333**	**982.293**	**10%**	**406.946**	**369.482**	**10%**	**670.387**	**-39%**

Note 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 - Gross consolidated profit totaled R$145 million in 2Q14, 8% higher than previous year's result. Gross margin was down by 0.6 percentage point, from 36.3% in 2Q13 to 35.7% in 2Q14, due to the mix of products sold in Retail and the increase in its share in consolidated revenue.

OPERATING EXPENSES - Operating expenses registered a 9% expansion in the last twelve months, in line with the increase in revenues. This increase is related to expenses in the expansion of the store chain, the reinforcing of corporate structures to support the operations, particularly IT, market intelligence and communications, as well as the investments in new businesses. As a result, operating expenses as a percentage of net revenues was stable in the y-o-y comparison.

Table 9. Operating Expenses by Business Segment (R$000, unless otherwise specified)

	1H14	1H13	Y/Y	2Q14	2Q13	Y/Y	1Q14	Q/Q
Publishing	133.009	129.965	2%	59.720	64.509	-7%	73.289	-19%
Retail	264.562	225.599	17%	129.625	108.980	19%	134.937	-4%
Eliminations	-	(299)	-	-	(160)	-		-
Total	**397.571**	**355.265**	**12%**	**189.345**	**173.329**	**9%**	**208.226**	**-9%**

General and administrative expenses reached R$57 million in 2Q14, versus R$51 million in 2Q13, an increase of 12%. General and administrative expenses as a percentage of net revenues reached 13.9% in 2Q14, virtually stable versus 13.7% in 2Q13. Excluding the provision for bonuses, which since 4Q13 is recorded on a monthly basis, the amount of G&A was flat year-over-year. Excluding both the provision for bonuses and non-recurring expenses related to the restructuring, the decrease in G&A was 14%.

Table 10. G&A Expenses by Business Segment (R$000, unless otherwise specified)

	1H14	1H13	Y/Y	2Q14	2Q13	Y/Y	1Q14	Q/Q
Publishing	41.959	38.358	9%	21.092	22.906	-8%	20.867	1%
Retail	65.245	45.935	42%	31.911	24.376	31%	33.334	-4%
Other expenses	2.898	2.746	6%	1.628	1.444	13%	1.270	28%
Total G&A	**110.102**	**87.039**	**26%**	**54.631**	**48.726**	**12%**	**55.471**	**-2%**
Publishing	35.840	36.619	-2%	17.907	22.652	-21%	17.933	0%
Retail	58.586	45.935	28%	27.980	24.376	15%	31.685	-12%
Total ex provision for bonus	**94.426**	**82.554**	**14%**	**45.887**	**47.028**	**-2%**	**51.843**	**-11%**
Publishing	31.857	36.619	-13%	13.924	22.652	-39%	20.158	-31%
Retail	53.623	45.935	17%	26.536	24.376	9%	28.167	-6%
Total ex provision for bonus and ex non-recurring expenses	**85.480**	**82.554**	**4%**	**40.460**	**47.028**	**-14%**	**48.325**	**-16%**

EBITDA – EBITDA was negative R$44 million in 2Q14, up 13% compared to the negative R$39 million recorded a year ago, due to the reduction in gross margin and also to the effect of operational expenses already mentioned. Adjusted EBITDA was negative R$32 million, down 18% compared to 2Q13 figures, also due to the reduction in gross margin.

Table 11. Consolidated EBITDA (R$000, unless otherwise specified)

	1H14	1H13	Y/Y	2Q14	2Q13	Y/Y	1Q14	Q/Q
Net Income (Loss)	**11.981**	**23.337**	**-49%**	**-44.354**	**-39.507**	**12%**	**56.335**	**-**
(+) Net financial interests	26.687	15.751	69%	12.375	8.443	47%	14.312	-14%
(+) Income tax / Social Cont.	5.400	12.804	-58%	-22.732	-19.576	16%	28.132	-
(+) Depr. and amortization	21.635	22.897	-6%	10.625	11.580	-8%	11.010	-3%
(+) Provision for Bonus	12.778	1.739	-	7.116	254	-	5.663	26%
(+) Equity Income	-120	32	-	-82	18	-	-38	116%
(+) Minority shareholders	-1	3	-	-3	-1	200%	2	-
(+) Non-recurring expenses	8.945	0		5.427	0		3518	54%
Adjusted EBITDA	**87.306**	**76.563**	**14%**	**-31.628**	**-38.789**	**-18%**	**118.934**	**-**
Adjusted EBITDA margin	**8,1%**	**7,8%**	**0,3 p.p.**	**-7,8%**	**-10,5%**	**2,7**	**17,70%**	**-25,5 p.p.**
Net revenue	1.077.333	982.293	10%	406.946	369.482	10%	670.387	-39%
EBITDA	**65.582**	**74.824**	**-12%**	**-44.171**	**-39.043**	**13%**	**109.753**	**-**
EBITDA Margin	**6,1%**	**7,6%**	**-1,5**	**-10,9%**	**-10,6%**	**-0,3**	**16,40%**	**-27,3 p.p.**

Note 1. Non-cash expenses. The Company recognizes a liability and an expense of profit sharing and bonus payments, based on qualitative and quantitative targets set by the management and recorded monthly from 4Q13 in the employee benefits accounts in the income for the year. The payment of such benefits is due in April following the results, as per corporate and individuals' achievement of targets.

NET INTEREST REVENUE (EXPENSE) - Net financial interests was negative in R$12 million in 2Q14, compared to R$8 million in 2Q13. In 2Q14, financial expenses amounted to R$15 million, compared to R$9 million in 2Q13, reflecting the increase in the average debt balance.

NET INCOME FOR THE PERIOD - Consolidated net loss in 2Q14 was R$44 million, a year-over-year increase of 12%. Net margin was negative 11.1% in 2Q14, stable y-o-y. Adjusted net loss in 2Q14 was R$31 million, a year-over-year improvement of 21%.

INVESTMENTS (CAPEX) - Investments made by the Saraiva Group totaled R$15 million in 2Q14 and R$32 million in 1H14, focused on: (i) information technology and logistics; (ii) new stores / new formats; and (iii) development of new models for the sale of publishing works in new media. In the same periods of 2013, the figures were R$32 million and R$58 million, respectively.

LIQUIDITY - On June 30, 2014, the Company had approximately R$12 million in cash and cash equivalents, R$18 million less than the balance in 1Q14. Net debt on June 30, 2014 was R$419 million, R$15 million less than the balance in 1Q14. Thus, net debt totaled R$406.5 million at the end of 2Q14 and the net debt/ adjusted EBITDA ratio ended the period at 2.5 times, representing an increase of 0.3x compared to 1Q14.

Table 12. Evolution of the main debt indicators monitored by the Company (R$000)

Consolidado	2Q14	2Q13	A/A	1Q14	Q/Q
Cash and cash equivalents	**12.142**	**16.401**	**-26%**	**29.968**	**-59%**
Total debt	**418.687**	**324.149**	**29%**	**433.974**	**-4%**
Short term debt	339.733	131.600	158%	309.652	10%
Long term debt	78.954	192.549	-59%	124.322	-36%
Net debt	**406.545**	**307.748**	**32%**	**404.006**	**1%**
Adjusted net debt[1]	526.122	421.762	25%	486.230	8%
Shareholders equity	**488.956**	**531.737**	**-8%**	**571.854**	**-14%**
Net debt/Equity	83%	58%	25,3p.p.	71%	12,1p.p.

Note 1: includes receivables prepayments, leasing and acquisition obligations.

In addition to loans and credit lines, the Company used receivables prepayments in the last two quarters to finance its working capital, as shown below. The anticipated total volume of receivables (card) increased and totaled R$114 million in 2Q14.

Table 13. Sources used for financing working capital and investments

Source of Funding	Profile	Classification	2Q14	2Q13	Y/Y	1Q14	Q/Q
Working capital	ST & LT	Passive	325.398	165.811	96%	324.406	1%
Discounting receivables			113.792	81.250	40%	71.955	58%
BNDES	ST & LT	Passive	91.166	155.462	-41%	107.247	-15%
Total			**530.356**	**402.523**	**32%**	**503.608**	**3%**

It is worth mentioning that the balance was influenced by investments in the quarter, the share buyback program and dividend payments.

The share buyback program was announced in February 2014. The Company is authorized to purchase up to 8.35% of its outstanding shares on the market for a period of 365 days. Until June 30, 2014, 68% of the authorized shares were already repurchased within the program, representing 1,081,300 preferred shares and 400 common shares.

The payment of interest on own capital and the share buyback program are an integral part of Saraiva's strategy, which aims to continuously generate shareholder value in the long term, combined with efficient use of its cash flow to the competent administration of its capital structure.

ADJUSTED NET DEBT – Adjusted net debt, which includes receivables prepayment, totaled R$ 526 million at the end of 2Q14, an increase of R$40 million compared to 1Q14. Thus, The ratio of adjusted net debt to adjusted EBITDA (excluding non-recurring from 2013), used to measure the Company's cash needs, was 3.2x in June 30, 2014 versus 2.7x in 1Q14.

Table 14. Evolution of main debt indicators monitored by the Company

Consolidated	2Q14	2Q13	Y/Y	1Q14	Q/Q
Net Debt[1] / Adjusted EBITDA[2]	2,5	1,7	1,7	2,2	-0,2
Adjusted Net Debt[1] / EBITDA	6,1	2,4	3,7	5,3	0,7
Adjusted Net Debt[1] / Adjusted EBITDA[2]	**3,2**	**2,4**	**2,1**	**2,7**	**0,0**

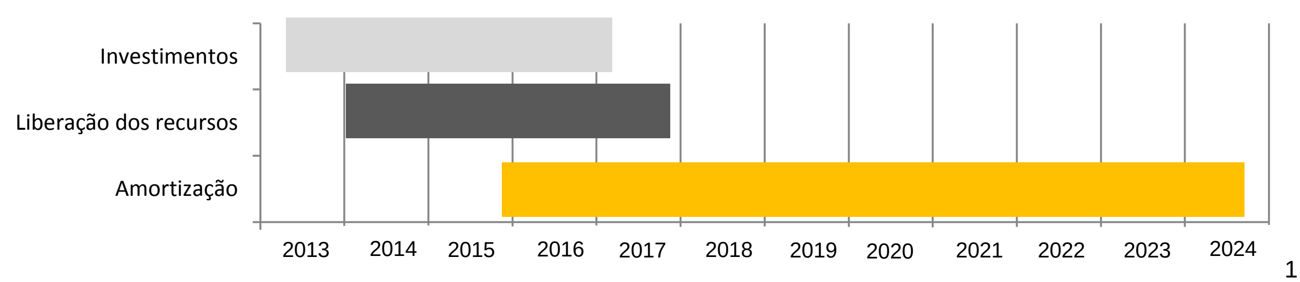
Note 1: includes receivables prepayments and acquisition obligations. 2. Adjusted EBITDA excluding non-recurring.

In August, the Company signed a new financing round of R$629 million with BNDES. The funds, mostly from the Cultural Economy Development Program (PROCULT) focusing on education and culture projects, are intended to finance a large investment program of the Company for the period from 2013 to 2016.

The new funding will result in an improvement in the financial liabilities management, aiming to improve the cost, the extension of the average maturity of our debt and smoothing the maturity profile. The funding release was established in tranches – being about 30% in the second half of 2014, 30% in 2015, 25% in 2016 and the remaining balance in 2017.

As shown in the graph below, the amortization period will be of up to 10 years (2014 to 2024), including the grace period of 24 to 36 months on the principal amount, representing an average settlement period (duration) of 59 months, significantly higher that the average term of the current portfolio, of approximately 10 months.

Chart 4. Investment Timeline, Release of Funds and Amortization of BNDES New Credit Line

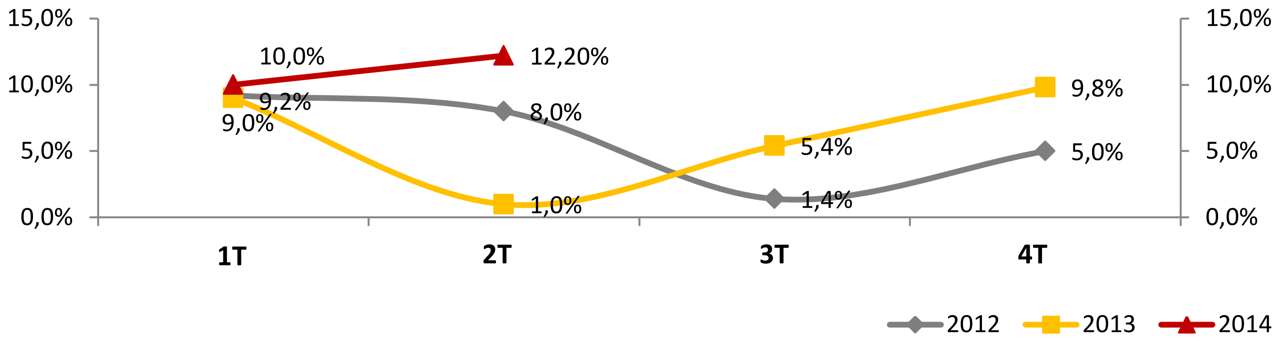


The contract is 67% indexed to the TJLP (Long-Term Interest Rate) and the remaining to the Selic rate, with the effective rate of 8.11% p.a. (without considering the bank guarantee cost) considering the TJLP at 5% p.a. and the Selic rate at 11% p.a.

RETAIL BUSINESS SEGMENT RESULTS

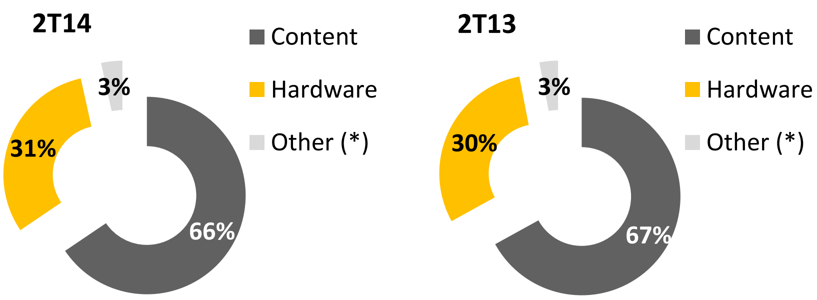
REVENUE – The gross revenue from retail operations reached R$388 million in 2Q14, up 11% compared to the same period last year. As shown in the graph below, net same store sales increased by 12.2% in the quarter compared to 2Q13, while the books market recorded a 4.1% expansion in sales, according to the monthly trade survey (PMC). Saraiva, in partnership with Panini, worked with the exclusive sale of the Premium Box - FIFA World Cup Brazil 2014[TM] Stickers Album and exceeded sales expectations for the publication. Approximately 1 million kits were sold, and about 250 events were held in stores for sticker swaps.

Chart 1. Sales Performance – Nominal Growth of Same Store Sales – by Quarter



The Company deliberately chose to stop selling consumer electronics in the current business conditions because those sales generated negative economic value. Thus, net revenues from the e-commerce division increased by 1.0% from the previous year, reaching R$121 million. E-commerce sales, excluding consumer electronics, went up by 5.8% compared to the previous year.

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



GROSS PROFIT – Retail gross profit reached R$124 million in 2Q14, 10% higher than 2Q13. Gross margin decreased by 0.4 percentage point, to 31.9% in 2Q14 from 32.3% in 2Q13, mainly due to the mix of products sold, with increased share of *smartphones* and *tablets*

OPERATING EXPENSES – Operating expenses in the Retail business, which consist of the commercial department, marketing, advertising, freight, packaging and rent expenses, increased by 19% to R$130 million, against R$109 million in 2Q13. These results are due to both an increase in personnel expenses and the expenses related to investments in new stores, IT and logistics.

General and administrative expenses totaled R$34 million in 2Q14, or 8.6% of net sales, increase of 38%in the yearly comparison. Commercial expenses, in turn, totaled R$98 million in 2Q14 against R$85 million in 2Q13. The ratio between selling expenses to net sales in Retail increased by 0.9 percentage point; 25.3% in 2Q14 compared to 24.4% in 2Q13.

EBITDA - Retail EBITDA totaled negative R$6 million in 2Q14, vs positive R$3.4 million in 2Q13. The result was driven by a drop in the gross margin as a result of the increase in expenses, as mentioned above. Adjusted EBITDA was - R$638 thousand in 2Q14, compared to R$3 million in 2Q13, mainly as a result of the drop in the gross margins.

Table 15. EBITDA Retail Business (R$000, unless otherwise specified)

	1H14	1H13	Y/Y	2Q14	2Q13	Y/Y	1Q14	Q/Q
Net Income (Loss)	**-2.893**	**15.495**	**-**	**-16.530**	**-8.608**	**92%**	**13.637**	**-**
(+) Net financial interests	22.101	12.252	80%	10.447	6.644	57%	11.654	-10%
(+) Income tax / Social Contribution	-713	8.153	-	-8.159	-4.260	92%	7.446	-
(+) Depreciation and amortization	16.777	18.961	-12%	8.229	9.653	-15%	8.548	-4%
(+) Provision for Bonus	6.659	-	0%	3.931	-	0%	2.729	44%
(+) Equity Income	-	-	0%	-	-	0%	-	0%
(+) Minority shareholders	-	-	0%	-	-	0%	-	0%
(+) Non-recurring expenses	4.962	-	0%	1.444	-	0%	3.518	-59%
Adjusted EBITDA	**46.894**	**54.861**	**-15%**	**-638**	**3.429**	**-**	**47.532**	**-**
Adjusted EBITDA margin	**5,2%**	**6,7%**	**-22%**	**-0,2%**	**1,0%**	**-**	**9,20%**	**-9,4 p.p.**
Net revenue	903.21	819.92	10%	387.76	347.85	11%	515.45	-25%
EBITDA	**35.272**	**54.861**	**-36%**	**-6.013**	**3.429**	**-**	**41.285**	**-**
EBITDA Margin	**3,9%**	**6,7%**	**-42%**	**-1,6%**	**1,0%**	**-**	**8,0%**	**-9,6 p.p.**

Note 1. Non-cash expenses. The Company recognizes a liability and an expense of profit sharing and bonus payments, based on qualitative and quantitative targets set by the management and recorded monthly from 4Q13 in the employee benefits accounts in the income for the year. The payment of such benefits is due in April following the results, as per corporate and individuals' achievement of targets.

NET INCOME (LOSS) FOR THE PERIOD – Due to the aforementioned reasons, retail net loss was R$17 million in 2Q14.

WORKING CAPITAL - The working capital/net revenue ratio remained practically stable, from 17.9% in 2Q13 to 18.0% in 2Q14. The Retail operating cycle reached 88 days in 2Q14, compared to 71 days in 2Q13. Accounts receivable remained stable in 55 days in 2Q14. The average inventory coverage period increased 10 days, from 87 in 2Q13 to 97 days in 2Q14. The payment period to suppliers decreased 7 days, from 70 days in 2Q13, to 63 days in 2Q14.

HIGHLIGHTS RETAIL – In the second quarter, Saraiva opened 3 new stores: a Mega Store in Shopping Iguatemi Esplanada, in Sorocaba, which is in the countryside of São Paulo state and 2 stores in Airports. Saraiva currently has a network of 114 stores in 17 states and the Federal District, three of them being in the Airport format.

Table 16. New Stores opened in 2Q14

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

In December 2013, Saraiva signed an exclusivity agreement to open 5 new stores in Viracopos International Airport, located in Campinas, São Paulo. With opening slated for 2H14, the stores will be located in the new terminal area of the International Airport. This represents a strategic positioning opportunity for the Company in a new niche with excellent potential for generating returns.

Table 17. New Stores Planned for 2014

Date	Format	Location	City	State
Aug-Dec/2014	Airport	Aeroporto Internacional de Viracopos	Campinas	SP
October/2014	Megastore	Shopping Vila Velha	Vila Velha	ES
October/2014	Megastore	Shopping Passeio das Águas	Goiânia	GO

E-COMMERCE - The Company is currently investing in a new e-commerce platform, more flexible to allow web development in-house. With custom layout and unique Saraiva content, the platform will include features that maximize the user experience, in order to generate more conversions and a perceived higher value on our e-commerce. Developed on the basis of Magento, the new platform of e-commerce will have full administrative environment and brings together the best practices of e-commerce. We expect to launch the new platform, which includes mobile version, in 4T14**.**

MARKETPLACE - Saraiva announced a partnership with Walmart.com to sell about 1.5 million products that integrate the books, CDs, DVDs and stationery collections from the biggest content and entertainment retailer in the country. With the agreement, the whole shopping experience and consumer service will be held within the Walmart.com.br e-commerce platform. The product availability and logistics process will be Saraiva's responsibility, relying on its expertise in this type of operation. This is the first time that Saraiva will operate the reverse marketplace model - offering products on a partner website. The Saraiva Marketplace model was launched in 2011, expanding the product offerings of categories with which Saraiva does not operate. Today, the portfolio includes Saraiva Assinaturas, Saraiva Cosméticos, Saraiva Cursos, Saraiva Flores, Saraiva Ingressos, Saraiva Óculos, Saraiva Perfumes, Saraiva Pet and Saraiva Música, which sells musical instruments.

PUBLIQUE-SE! - *Publique-se!* (Publish-it!) has completed its first year and has published 2,000 books. The advantage of this tool is to market digital books on Brazil's largest online book retailer. The e-commerce platform has over 15 million visitors per month, who have access to the entire collection of *Publique-se!*'s products.

SARAIVA PLUS - Another outstanding initiative is the Saraiva Plus customer loyalty card, which is an important tool for building relationships with customers in our physical stores and on saraiva.com.br. The analysis of the information generated by customer use enables us to identify the buying habits and preferences of each program member, aggregate more value to the customer's shopping experience, anticipate customers' needs in advance, and as a result, leverage our sales. The Saraiva Plus loyalty program had 9.7 million members at the end of 2Q14.

eREADER – We reiterate the continued focus on the development of this segment in order to provide a digital experience that exceeds consumers' expectations. In early August, Saraiva announced the launch of LEV, its first portable digital e-reader, which comes with the platform of digital books accessible to research and purchase, increasing the value creation potential in the digital books category available on Saraiva's platform – which has the largest collection of digital titles in Portuguese in the country.

eBOOKS - Saraiva showed a consistent evolution of the digital books catalog, having reached more than 30,000 titles in Portuguese (+58% vs. 2Q13) and over 450,000 titles in foreign languages (+80% vs. 2Q13), combined with an enhanced experience of buying and reading.

PUBLISHING BUSINESS SEGMENT RESULTS

It is worth mentioning that the Publishing business's revenues, given the sector in which it operates, are heavily concentrated in the first quarter (due to the back-to-school period in the private market). In the fourth quarter, the Publishing business's sales are influenced by the purchases of textbooks under the PNLD cycle in the public sector.

REVENUES – Net revenue in the Publishing business, including Editora Érica results, totaled R$28 million in 2Q14, 2% below 2Q13, with emphasis on the publishing business line focused on scientific, technical and professional subjects. The sales performance of the Publishing business reflected the 11% increase in sales of law books in 2Q14 versus 2Q13, which accounted for 62% of revenues for the period. This is the result of a successful development and release of the catalog for the private market.

As a highlight, the Learning Systems resumed growing, and currently has 176 thousand students (+14% vs. 2Q13). In 2Q14, the net revenue of the Learning Systems unit totaled R$6 million, an increase of 13% over the same period last year and representing 22% of sales recorded in the period.

GROSS PROFIT - Gross profit of the Publishing business reached R$21 million in 2Q14, 3% more than 2Q13. Gross margin had a slight increase of 0.5 percentage point, to 74.0% in 2Q14 from 73.5% in 2Q13.

OPERATING EXPENSES - Operating expenses in the Publishing business showed a decrease of 6% compared to the same period last year. This behavior is explained mainly by the corrective measures related to the restructuring process started in 2013. The general and administrative expenses line amounted to R$21 million in 2Q14, 8% lower than 2Q13. The selling expenses were R$37 million in 2Q14, 8% lower when compared to the R$40 million reported in 2Q13. In the six-month period, selling expenses remained stable, even considering the increase in net revenues of nearly 10% in the period.

EBITDA – EBITDA for the Publishing business ended with a positive result of R$39 million. Adjusted EBITDA reached negative R$32 million, compared to EBITDA of R$43 million in 2Q13. In the six-month period, adjusted EBITDA margin of the Publishing business increased by 9.2 p.p., from10.0% in 1H13 to 19.2% in 1H14.

Table 18. EBITDA Publishing Business (R$000, unless otherwise specified)

	1H14	1H13	Y/Y	2Q14	2Q13	Y/Y	1Q14	Q/Q
Net Income (Loss)	**11.981**	**23.337**	**-49%**	**-44.354**	**-39.507**	**12%**	**56.335**	**-**
(+) Net financial interests	4.586	3.499	31%	1.928	1.799	7%	2.658	-27%
(+) Income tax / Social Contribution	6.330	4.651	36%	-14.464	-15.316	-6%	20.794	-
(+) Depreciation and amortization	4.217	3.936	7%	2.075	1.927	8%	2.142	-3%
(+) Provision for Bonus	6.119	1.739	0%	3.185	254	0%	2.934	9%
(+) Equity Income	2.225	-16.692	-	15.916	7.714	106%	-13.691	-
(+) Minority shareholders							-	
(+) Non-recurring expenses	**3.983**			**3.983**				
Adjusted EBITDA	**39.441**	**20.470**	**93%**	**-31.731**	**-43.129**	**-26%**	**71.172**	**-**
Adjusted EBITDA margin	**19,2%**	**10,0%**	**9,2 p.p.**	**0,0%**	**0,0%**	**0,0 p.p.**	**39,60%**	**-39,6**
Net revenue	207.74	188.63	10%	28.133	28.484	-1%	179.61	-84%
EBITDA	**29.339**	**18.731**	**57%**	**-38.899**	**-43.383**	**-10%**	**68.238**	**-**
EBITDA Margin	**14,1%**	**10,0%**	**4,2 p.p.**	**-**	**-**	**13,8 p.p.**	**38,00%**	**-176,3**

Note 1. Non-cash expenses. The Company recognizes a liability and an expense of profit sharing and bonus payments, based on qualitative and quantitative targets set by the management and recorded monthly from 4Q13 in the employee benefits accounts in the income for the year. The payment of such benefits is due in April following the results, as per corporate and individuals' achievement of targets.

NET INCOME FOR THE PERIOD – Adjusted net loss of the Publishing business, before equity income reached R$29 million in 2Q14, 7% higher than the R$32 million result reported in 2Q13.

SSA - Among the various initiatives directed at finding new ways of producing and marketing content, we highlight the SSA (Saraiva Learning Solution - Saraiva Solução de Aprendizagem), implemented in 11 HEIs (Higher Education Institutions) against 5 in 2Q13. This solution is the result of a partnership with Hoper Education and combines an effective methodology focused on learning, using the outstanding content from the Publishing business, through a technological solution called Virtual Learning Environment - Ambiente Virtual de Aprendizagem (VLE). Launched in late 2012, the solution is available for courses in administration, accounting, law and technology. The methodology shows a positive response from educational institutions, which indicates good prospects for results. The SSA is currently used in 11 higher education institutions.

DISTANCE LEARNING (EaD) CUSTOMIZED SOLUTION – In seeking to offer a complete solution for distance learning, we gathered: (1) content of recognized quality; (2) flexibility – possibility of hiring modules that compose 20% of classroom courses; and (3) educational technology edge. During 2Q14, Saraiva had entered into the second contract with a Higher Education Institution to provide content in the form of distance learning (EaD – Ensino a Distancia), in print and digital format, including a customized learning management platform. New partnerships with HEIs related to the Distance Learning market may be announced shortly.

PNLD - In June this year, Editora Saraiva's work list approved by the Secretary of Basic Education, oriented by the Ministry of Education (MEC), in the National Textbooks Program for 2015 (PNLD/2015), was published with new acquisitions aimed at High Schools. Of the 23 works submitted by Editora Saraiva in the PNLD/2015, in 11 subjects (of a total of 12 that are part of the program), 17 were approved, representing 74% approval of the submitted works, against 66% obtained in the reference program (PNLD/2012). For the next step of the process, within the electronic system of the National Fund for Education Development (FNDE - Fundo Nacional de Desenvolvimento da Educação), from August 22 to September 1, teachers should inform which are the most suitable books for the education method of each school. Textbooks will be chosen for students and teachers, with subjects like Portuguese, mathematics, history, geography, physics, chemistry, biology, philosophy, sociology, foreign language (English and Spanish) and art. This contract is expected to be negotiated in September this year, with subsequent production, delivery and revenue received mostly in 4Q14.

TECHNICAL EDUCATION - We would also like to emphasize Saraiva's entry in the technical education sector - a segment with broad prospects for growth - through the acquisition of Editora Érica in 2Q13. This move is in line with the diversification strategy and the increase of Saraiva's importance in the Brazilian education market. In 2Q14, we have evolved our business model with the launch of SET (Saraiva Technical Education System). There are now approximately 21.000 students PRONATEC using the SET.

ADAPTIVE LEARNING - Saraiva partnered with a private education company in Brazil, for a pilot project that aims to prepare students for the OAB exam (Exame da Ordem dos Advogados do Brasil – Brazilian Bar Association), through an adaptive learning platform. This strategy is part of the Group's positioning to provide content, technology and services in an integrated way to educational institutions.

VIRTUAL LIBRARY - The Minha Biblioteca (My Library) initiative, formed through a joint venture with three other Brazilian publishers with a scientific, technical and professional (CTP) focus, consists of a digital content platform aimed at the university market. The project showed significant results, with a total of 61 educational institutions already served, an increase of 221% over the previous year.

CONFERENCE CALL DETAILS

Our 2Q14 Conference Call, conducted in Portuguese, will be held on Friday, August 15, 2014, 10:30AM (local time) / 9:30AM (Eastern Time). The Conference Call in English will be held on the same date, at 12:00PM (local time) / 11:00AM (Eastern Time).

The conference call will be webcast live through streaming audio. For details please access www.saraivair.com.br.

CONFERENCE CALL DETAILS (PORTUGUESE)

Date: August 15, 2014
Time: 10:30 AM (local time) / 9:30 AM (ET)

Dial-in numbers:
Brazil: +55 11 2188 0155
EUA: +1 646 843 6054
Other regions: 1 866 890 2584
Access code: Saraiva

The conference call will be recorded and available for replay for 7 days. In order to get obtain access to the replay, please dial the following numbers:
Portuguese: +55 11 2188 0155 Code: Saraiva Português
English: +55 11 2188 0155 Code: Saraiva English

CONFERENCE CALL DETAILS (ENGLISH)

Date: August 15, 2014
Time: 12:00 noon (local time) / 11:00 AM (ET)

Dial-in numbers:
Brazil: +55 11 2188 0155
EUA: +1 646 843 6054
Other regions: 1 866 890 2584
Access code: Saraiva

The conference call will be recorded and available for replay for 7 days. In order to obtain access to the replay, please dial the following numbers:
Portuguese: +55 11 2188 0155 Code: Saraiva Português
English: +55 11 2188 0155 Code: Saraiva English

To access the live webcast, log on at:

WEBCAST PLATAFORM

Portuguese: http://webcast.mzvaluemonitor.com/Cover.aspx?PlatformId=1964

English: http://webcast.mzvaluemonitor.com/Cover.aspx?PlatformId=1964

Webcast: www.saraivair.com

ABOUT SARAIVA

Saraiva, a company focused on education, culture and entertainment, is present in all phases of its clients' lives. The Company operates its retail business through a multichannel concept with a wide range of products and services, and conducts its online business through Saraiva.com.br, which is fully integrated with the physical store chain. The Company also publishes and distributes content, primarily focused on education, in print and digital formats and through Learning Systems, covering from pre-school to university, and also publishes technical and professional content.

CONSOLIDATED INCOME STATEMENTS

	1H14	1H13	Y/Y	2Q14	2Q13	Y/Y	1Q14	Q/Q
Gross Revenue	1,133,066	1,029,006	10%	430,933	394,008	9%	702,133	-39%
Deductions	55,733	46,713	19%	23,987	24,526	-2%	31,746	-24%
Net Revenue	1,077,333	982,293	10%	406,946	369,482	10%	670,387	-39%
Cost of Goods, Merchandise and Services Sold	614,180	552,204	11%	261,772	235,196	11%	352,408	-26%
Gross Profit	463,153	430,089	8%	145,174	134,286	8%	317,979	-54%
Selling Expenses	287,469	268,226	7%	134,714	124,603	8%	152,755	-12%
General and Adm Expenses	114,148	92,581	23%	56,642	50,558	12%	57,506	-2%
Other Revenues/Expenses	(4,046)	(5,542)	-27%	(2,011)	(1,832)	10%	-2,035	-1%
Equity Income	(120)	32	-	(82)	18	-	-38	116%
Operating Revenue/Expenses	397,451	355,297	12%	189,263	173,347	9%	208,188	-9%
Depreciation and Amortization	21,635	22,897	-6%	10,625	11,580	-8%	11,010	-3%
Result before Net Financial Interest and Taxes	44,067	51,895	-15%	54,714	50,641	8%	98,781	-45%
Net Financial Interests	26,687	15,751	69%	12,375	8,443	47%	(14,312	-
Financial Revenue	(3,922)	(2,783)	41%	(2,172)	(1,055)	106%	(1,750)	24%
Financial Expenses	30,609	18,534	65%	14,547	9,498	53%	16,062	-9%
Result before Taxes	17,380	36,144	-52%	67,089	59,084	14%	84,469	-21%
Income Tax and Social Contribution	5,400	12,804	-58%	(22,732)	(19,576)	16%	28,132	-
Net Income (Loss)	11,980	23,340	-49%	44,357	39,508	12%	56,337	-21%
Attributable to:								
Controlling shareholders	11,981	23,337	-49%	(44,354)	39,507	-	56,335	-
Minority shareholders	(1)	3	-	(3)	1	-	2	-
EBITDA[1]	65,582	74,824	-12%	(44,171)	(39,043)	13%	109,753	-

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.

CONSOLIDATED BALANCE SHEETS

	2Q14	2Q13	Y/Y	1Q14	Q/Q
Total Assets	**1,258,728**	**1,203,096**	5%	**1,426,124**	**-12%**
CURRENT ASSETS	879,149	798,431	10%	1,055,190	-17%
Cash and Cash Equivalents	12,142	16,401	-26%	29,968	-59%
Trade Accounts Receivable	213,696	210,126	2%	396,356	-46%
Inventories	492,753	429,862	15%	471,915	4%
Recoverable Taxes	142,002	95,754	48%	136,533	4%
Other Credits and Receivables	13,444	19,732	-32%	17,782	-24%
Prepaid expenses	5,112	26,556	-81%	2,636	94%
NON-CURRENT ASSETS	379,579	404,665	-6%	370,934	2%
Long Term Assets	77,507	86,611	-11%	72,973	6%
Deferred income tax and social contribution	9,344	-	-	4,813	94%
Judicial deposits	30,015	28,726	4%	28,342	6%
Recoverable taxes	32,541	52,917	-39%	34,748	-6%
Other credits	5,607	4,968	13%	5,070	11%
Investments	834	678	23%	752	11%
In controlled company	-	-	-	-	-
In jointly controlled company	269	113	138%	113	138%
Other	565	565	0%	639	-12%
Property, Plant & Equipment	116,678	123,997	-6%	115,144	1%
Intangibles	184,560	193,379	-5%	182,065	1%
Total Liabilities	**1,258,728**	**1,203,096**	5%	**1,426,124**	**-12%**
CURRENT LIABILITIES	645,914	431,105	50%	688,854	-6%
Suppliers	228,093	225,682	1%	255,220	-11%
Loans and Financing	339,733	131,600	158%	309,652	10%
Related party loans	-	-	-		-
Social and labor liabilities	43,265	29,208	48%	50,142	-14%
Taxes and contributions payable	3,141	2,910	8%	3,193	-2%
Income tax and social contribution	134	127	6%	12,922	-99%
Copyrights payable	4,924	3,789	30%	18,013	-73%
Management profit sharing	1,331	1,739	-23%	1,695	-21%
Dividends and Interest on Own Equity	58	63	-8%	2,763	-98%
Deferred revenue – loyalty program	4,434	4,152	7%	5,587	-21%
Operational Leasing – store leasing	8,279	7,021	18%	8,509	-3%
Other liabilities	12,522	24,814	-50%	21,158	-41%
NON-CURRENT LIABILITIES	123,858	240,254	-48%	165,416	-25%
Loans and Financings	78,954	192,549	-59%	124,322	-36%
Deferred income tax and social contribution	21,167	30,941	-32%	19,206	10%
Provision for tax, civil and labor risks	18,051	16,529	9%	17,949	1%
Other liabilities	5,686	235	>500%	3,939	44%
SHAREHOLDER'S EQUITY	488,956	531,737	-8%	571,854	-14%
Social capital	279,901	279,901	0%	279,901	0%
Treasury shares	(24,166)	(4,923)	391%	(5,168)	368%
Profit reserve	209,907	222,083	-5%	209,907	0%
Asset valuation adjustments	11,279	11,279	0%	11,279	0%
Proposed additional dividends				19,543	-100%
retained earnings	11,981	23,337	-49%	56,335	-79%
Equity attributable to controlling shareholders					-
Minority Shareholders	54	60	-10%	57	-5%

INCOME STATEMENT – PUBLISHING

	1H14	1H13	Y/Y	2Q14	2Q13	Y/Y	1Q14	Q/Q
Gross Revenues	208,014	188,932	10%	28,176	28,610	-2%	179,838	-84%
Deductions	266	299	-11%	43	126	-66%	223	-81%
Net Revenues	207,748	188,633	10%	28,133	28,484	-1%	179,615	-84%
Cost of Goods Sold	45,400	39,937	14%	7,312	7,358	-1%	38,088	-81%
Gross Profit	162,348	148,696	9%	20,821	21,126	-1%	141,527	-85%
Selling Expenses	86,867	86646	0%	36,709	39,997	-8%	50,158	-27%
General and Administrative Expenses	41,959	38,358	9%	21,092	22,906	-8%	20,867	1%
Other Revenue/Expenses	4,183	4,961	-16%	1,919	1,606	19%	2,264	-15%
Equity Income	-756	-16,589	-95%	15,011	7,817	92%	-15,767	-
Operating Revenue/Expenses	132,253	113,376	17%	74,731	72,326	3%	57,522	30%
Depreciation and Amortization	4,217	3,936	7%	2,075	1,927	8%	2,142	-3%
Operating Income before Net Financial Interests and Taxes	25,878	31,384	-18%	55,985	53,127	5%	81,863	-32%
Net Financial Interests	4,586	3,499	31%	1,928	1,799	7%	2,658	-27%
Financial Revenues	-2,218	-2,501	-11%	(1,151)	-993	16%	-1,067	8%
Financial Expenses	6,804	6,000	13%	3,079	2,792	10%	3,725	-17%
Results before Taxes	21,292	27,885	-24%	57,913	54,926	5%	79,205	-27%
Income Tax and Social Contribution	6,330	4,651	36%	(14,464)	-15,316	-6%	20,794	-
Net Results before Minority Shareholders	14,962	23,234	-36%	43,449	-39,610	-	58,411	-26%
Minority Shareholders								
Net Income (Loss)	14,962	23,234	-36%	(43,449)	-39,610	10%	58,411	-
EBITDA[1]	29,339	18,799	56%	-38,899	-43,315	-10%	68,238	-

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.

INCOME STATEMENT – RETAIL

	1H14	1H13	Y/Y	2Q14	2Q13	Y/Y	1Q14	Q/Q
Gross Revenues	958,684	866,334	11%	411,711	372,250	11%	546,973	-25%
Deductions	55,467	46,414	20%	23,944	24,400	-2%	31,523	-24%
Net Revenues	903,217	819,920	10%	387,767	347,850	11%	515,450	-25%
Cost of Goods Sold	603,383	539,460	12%	264,155	235,441	12%	339,228	-22%
Gross Profit	299,834	280,460	7%	123,612	112,409	10%	176,222	-30%
Selling Expenses	200,602	181,879	10%	98,005	84,766	16%	102,597	-4%
General and Administrative	67,954	49,212	38%	33,540	24,376	38%	34,414	-3%
Other Revenue/Expenses	-3,994	-5,492	-27%	-1,920	(162)	>500%	-2,074	-7%
Equity Income							-	
Operating Revenue/Expenses	264,562	225,599	17%	129,625	108,980	19%	134,937	-4%
Depreciation and Amortization	16,777	18,961	-12%	8,229	9,653	-15%	8,548	-4%
Operating Income before Financial	18,495	35,900	-48%	(14,242)	6,224	-	32,737	-
Net Financial Interests	22,101	12,252	80%	10,447	6,644	57%	11,654	-10%
Financial Revenues	-2,191	-627	249%	-1,024	(270)	279%	-1,167	-12%
Financial Expenses	24,292	12,879	89%	11,471	6,914	66%	12,821	-11%
Results before Taxes	(3,606)	23,648	-	(24,689)	12,868	-	21,083	-
Income Tax and Social Contribution	-713	8,153	-	-8,159	(4,260)	92%	7,446	-
Net Income (Loss)	(2,893)	15,495	-	(16,530)	8,608	-	13,637	-
EBITDA[1]	35,272	54,861	-36%	-6,013	3,429	-	41,285	-

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.

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 associates, representing the companies among the Federal Government and other bodies.

BNDES - National Bank for Economic and Social Development.

CNE - The National Education Council, which performs the functions and responsibilities of the federal Federal Government in education-related matters.

EBITDA - In accordance with CVM Instruction 527, the definition of EBITDA is Earnings Before the Net Financial Result, Income Taxes including Social Contribution, Depreciation and Amortization.

Basic Education - Basic education is the first level of schooling within the country and contains 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 that offer academic or professional degrees.

Technical Education - Intermediate level between Basic Education and Higher Education, or a substitute for Higher Education. Its goal is to qualify students who complete Primary Education or Secondary Education for the job market.

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

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

MEC – The Ministry of Education, which is the federal agency responsible for the national policy on Early Childhood Education; Elementary School, Middle School and Professional; Higher Education, of Young People and Adults; Special Education; and Distance Learning.

MecDaisy – MecDaisy is a technological tool that allows for the production of books in an accessible digital format. It allows for the generation of spoken digital books with audio reproduction, recorded or synthesized, with easy navigation of the text; allowing for the synchronized playback of selected passages, going backwards and forwards among paragraphs and searching for sections or chapters.

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

PNLD - National Textbooks Program - Program focused on the distribution of textbooks to students in Brazil´s public schools network, in primary and secondary education. The process of evaluating, acquiring and distributing books under the PNLD is performed by the FNDE, with funding from the Federal Budget and collection of the educational allowance. The entire pedagogical evaluation process, selection of the works and preparation of the Textbooks Guide is coordinated by the MEC´s Office of Basic Education.

Pronatec - National Program for Access to Technical Education and Employment (Pronatec), created by the Federal Federal Government in 2011, for the purpose of expanding professional and technological course offerings.

SEB – Secretary of Basic Education

SSA – courseware solution to support education in the areas of Law and Business Administration. This is a methodology developed to support the work of teachers in the classroom and to maximize student learning; covering a wide range of activities that support the curriculum, and able to develop in the students the skills and abilities they require in order to perform better on official tests and assessments, such as the ENADE and OAB.

The Saraiva Group is engaged in the publishing segment, selling books and content through Saraiva S.A. Livreiros Editores (“Publishing”), Editora Érica Ltda. (“Érica”) and Minha Biblioteca Ltda. (“My Library”), and in the retail segment, selling produts related to culture, leisure and information, through Saraiva and Siciliano S.A. (“Retail”).