

DEAR SHAREHOLDERS,

Saraiva S.A. Livreiros Editores (BM&FBOVESPA: SLED3 and SLED4), one of the largest retailers in content focused on culture and education in Brazil, announces its financial results for the quarter ended on September 30, 2017 (3Q17).

The financial information contained herein refers to the third quarter of 2017 (3Q17) and the comparisons are made in relation to the same period last year, unless otherwise stated.

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

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

HIGHLIGHTS

- New achievement in market share¹ through gains in the Books segment (+2.4 p.p.);
- Good sales performance in E-commerce reaching a 17.1% growth in 3Q17, and totaling 38.8% of total retail operations in 3Q17 (versus 33.3 % in 3Q16);
- Gains in the management of employed working capital, with a 11-day improvement in the operating cycle;
- Progress in our strategy to position the Company as a multichannel operation:
 - New growth in the Click & Collect service, through which clients buy on the E-commerce platform and the package is sent to wherever it is most convenient for them, reaching 13,4 % in 3Q16 and 19,6 % in 3Q17;
 - Implementation of phase 2 of the *Saraiva Entrega* Project improving the experience of buying and ordering products that are not available in the store inventory. The *Saraiva Entrega* Project sales raised 6x when compared to 2Q17.
- Inauguration of the unit in the Guarulhos Airport (Guarulhos/SP) in sep/17, resuming the operation in the biggest airport in Brazil, in a premium location with higher customer traffics;
- Conclusion of the remodeling of the store in Shopping Iguatemi Campinas (Campinas/SP) in jul/17, implementing the new ideal model and adjusting the store size to optimize operating costs and increase profitability;
- We began a project to enter into new strategic partnerships to sell our products on partner websites with heavy customer traffic. With the agreement with Mercado Livre (Latin America's biggest online marketplace), in sep/17, and B2W (Leader in the E-commerce segment in Latin America), in nov/17, we began a new stage in our commercial strategy aimed to operate in platforms with heavy customer traffic, and strengthening our position as leader and benchmark in the online book market;
- Development and execution of a comprehensive Action Plan focused on increasing profitability. Expected to generate annual savings of R\$30 million, the plan comprises significant adjustments to expenses, with the closing of 12 units with low value creation potential, changes in the store management format; and important adjustments in all areas, reflecting in the Company's main expense lines;
- On the "Reclame Aqui" website, a reference platform for companies' reputation among consumers, we remained as level "Great" (Sep/17).

¹ YoY: 3Q17 vs 3Q16 consolidated data of expanded Market (Consultoria GFK)

SUBSEQUENT EVENTS

- Reopening of one of our network's most important stores, in Shopping Morumbi, São Paulo, which was resized and relocated in late oct/17. Maintaining the partnership with Starbucks, the store was designed based on the brand's new concept, focused on the customer experience, featuring a more welcoming ambience that follows the customer journey, with a modern layout, resized sections, and full range of products and services that offer entertainment, culture and leisure for the whole family;
- In oct/17, we finished remodeling the store in Shopping Rio Sul (Rio de Janeiro/RJ), with layout adjustments that improved our customers' shopping experience, and entered into a partnership with Havana cafe in Shopping Vila Olímpia (São Paulo/SP);
- We received the "Época Reclame AQUI – As Melhores Empresas para o Consumidor 2017" award, in the category E-commerce – Books. The popular vote award identifies, rewards and disseminates successful practices of companies that respect customers.

Main Indicators

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

Consolidated	9M17	9M16	Y/Y	3Q17	3Q16	Y/Y	2Q17	Q/Q
Gross Revenue (Stores + E-commerce) ¹	1,354,107	1,353,415	0.1%	408,601	406,098	0.6%	404,189	1,1%
Store Sales	855,595	906,579	-5.6%	250,042	270,677	-7.6%	256,170	-2.4%
E-commerce Sales	498,512	446,836	11.6%	158,559	135,422	17.1%	148,020	7,1%
Net Revenue (Stores + E-commerce) ¹	1,248,044	1,250,462	-0.2%	374,279	374,721	-0.1%	370,329	1,1%
Store Sales	798,596	849,424	-6.0%	233,121	253,017	-7.9%	237,575	-1,9%
E-commerce Sales	449,448	401,038	12.1%	141,158	121,704	16.0%	132,754	6,3%
Gross Profit	41,595	436,202	-5.2%	122,051	129,401	-5.7%	129,880	-6,0%
Gross Margin (%)	33.1%	34.9%	-1.7 p.p.	32.6%	34.5%	-1.9 p.p.	35.1%	-2.5 p.p.
Operating Expenses	(421,763)	(414,940)	1.6%	(148,005)	(129,012)	14.7%	(132,118)	12.0%
Recurring Operating Expenses ¹	(395,250)	(414,940)	-4.7%	(129,742)	(129,012)	0.6%	(128,626)	0.9%
EBITDA	(8,168)	21,262	-	(25,954)	405	-	-2,238	>500%
EBITDA Margin (%)	-0.7%	1.7%	-2.4 p.p.	-6.9%	0.1%	-7.0 p.p.	-0.6%	-6.3 p.p.
Adjusted EBITDA	18,345	21,262	-13.7%	(7,691)	405	-	1,254	-
Adjusted EBITDA Margin (%) ²	1.5%	1.7%	-0.2 p.p.	-2.1%	0.1%	-2.2 p.p.	0.3%	-2.4 p.p.
Net Income (Loss) before Disc. Operations ²	(30,670)	(32,060)	-4.3%	(20,548)	(15,795)	30.1%	(13,061)	57.3%
Net Margin (%) before Disc. Operations ²	-2.5%	-2.6%	0.1 p.p.	-5.5%	-4.2%	-1.3 p.p.	-3.5%	-2.0 p.p.
Net results from Discontinued Operations	(1,626)	4,144	-	(836)	2,706	-	(1,271)	-34.2%
Adjusted Net Income (Loss) ²	(32,296)	(27,916)	15.7%	(21,384)	(13,089)	63.4%	(14,332)	49.2%
Adjusted Net Margin (%) ²	-2.6%	-2.2%	-0.4 p.p.	-5.7%	-3.5%	-2.2 p.p.	-3.9%	-1.8 p.p.
Net Income (Loss)	(49,794)	(27,916)	78.4%	(33,438)	(13,089)	155.5%	(16,637)	101.0%
Net Margin (%)	-4.0%	-2.2%	-1.8 p.p.	-8.9%	-3.5%	-5.4 p.p.	-4.5%	-4.4 p.p.
SSS - Same Store Sales Growth (%)	-6.1%	-4.5%	-1.6 p.p.	-7.6%	-7.5%	-0.1 p.p.	-4.9%	-2.7 p.p.
E-Commerce Sales Growth	11.6%	10.5%	1.0 p.p.	17.1%	8.1%	9.0 p.p.	8.6%	8.5 p.p.
Number of Stores – End of Period	100	113	-11.5%	100	113	-11.5%	111	-9.9%
Sales Area – End of Period (m ²)	59,477	62,171	-4.3%	59,477	62,171	-4.3%	62,026	-4.1%

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

Note 2: Excludes the effects of Extraordinary restructuring expenses to increase productivity in 1Q17 (R\$ 4.8 million), 2Q17 (R\$ 3.5 million), 3Q17 (R\$ 18.3 million), and 9M17 (R\$ 26.5 million).

Performance Review

Our total gross revenue slightly increased in 3Q17 over the same period in 2016. The positive highlights were the 17.1% increase in E-commerce sales and, once again, a market share² gain (+2.4 p.p.) in the books segment, our core business. Moreover, the games category recorded a significant increase in market share (+3.2 p.p.).

Gross margin fell by 1.9 p.p., to 32.6%, in 3Q17 and continues reflecting the fiercer competition in the online retail market and the effect of the higher share of e-commerce in total sales. It is worth noting that, at the end of aug/17, we began implementing a new dynamic pricing system in the E-commerce channel, aiming to increase its sales and improve gross margin management.

When analyzing 3Q17 expenses, it is important to distinguish recurring from non-recurring effects of the measures adopted as part of the Action Plan to increase profitability, which mainly comprises the closing of 12 units and adjustments to the main expense lines. Excluding the non-recurring restructuring amount of R\$18.3 million, comparable expenses were virtually flat, in line with gross revenue. It is worth noting that, as a result of the measures implemented within the scope of the Action Plan, we should save R\$30 million on an annualized basis, as of 4Q17.

It is also worth noting the Company's ongoing efforts to reduce employed working capital. We closed 3Q17 with an 11-days reduction in our operating cycle, from 78 days in 3Q16 to 67 days in 3Q17.

In the performance analysis by channel, we have observed a clear difference between physical stores and E-commerce. It is worth noting that the most recent data disclosed by the IBGE's Monthly Trade Survey³ (set/17) show that sales in the books, newspapers, magazines and stationary segment reduced by 6.4% in set/17 and 3.6% since the beginning of the year. Considering that the same survey shows a recovery in other significant retail segments, and the economic data that have been published are showing improvements in important indicators, we can say the current scenario favors a recovery perspective in the main sectors where we operate.

Sales from **physical stores** maintained the trend observed in 2Q17, falling 7.6% in 3Q17. To reverse this scenario, in addition to the initiatives in progress within the scope of the Transformation Project, we continue focusing on increasing customer traffic, improving shopping experience and enhancing store conversion rate by using new tools, among which:

- Investment in local inventory ads. In partnership with Google, this is a type of online ad for physical stores with geolocation resources, in which users connect to our ads available at the closest stores. Although it is still in the initial stage, the first results of the tool have been showing great potential to connect shoppers with inventory available in stores near them;
- Use of the Google Store Visits tool, which measures visits to physical stores after the impact of the sponsored-link ads, enabling ad management in order to optimize returns;
- In line with the strategy of development of our multichannel platform, we began phase 2 of the Saraiva Entrega project. In addition to allowing the sale of any product not found at the store (Phase 1 implemented in the beginning of 2017), the new functionalities will enable customers to reserve products from the inventory of other stores and allow website sales using the store's inventory for pickup.

Given the decline in physical store sales, we have prepared an action plan focused on improving the operation's profitability, whose main highlights are:

- Closing of 12 units with low value creation potential, which account for 11% of the total number of stores, but only 4% of the total sales area of the store network;
- CRM initiatives with customers of the closed stores to build customer loyalty and encourage them to shop at other nearby stores and on our website, reinforcing our multichannel concept;
- Creation of a new management formats in stores to increase productivity;
- Cost reduction in the Company's main expense lines.

² YoY: 3Q17 vs 3Q16 consolidated data of expanded Market (Consultoria GFK)

³ The IBGE's Monthly Trade Survey published data were based on the Fixed Base Index disclosed.

Additionally, following the strategy to implement our new ideal store model by optimizing operating costs and adjusting some units to the market's current reality, we continue adjusting the size and layout of some of our stores. In jul/17, we remodeled the store in Shopping Iguatemi Campinas (Campinas/SP), with adjustments to the sales area. In sep/17, we carried out the retrofit of the store in Shopping Interlagos (São Paulo/SP), and, in oct/17, we resized and renovated the stores in Shopping Rio Sul (Rio de Janeiro/RJ) and Shopping Morumbi (São Paulo/SP), reducing operating costs and delivering better experience to our customers.

At the end of the third quarter, we inaugurated the unit in the Guarulhos Airport (Guarulhos/SP), resuming operations in the biggest airport of Brazil, in a location with excellent visibility and higher customer traffic.

In order to make the existing inventory in each store healthier and enhance supply algorithms, we moved forward with the Assortment Project, which is currently active in all our network, concluding an important step in the continuous improvement process of the Company's inventory management.

As for the strategy of providing services that add important value to our customers' shopping experience, help build customer loyalty and increase profitability, we expanded the number of stores that offer coffee services, with six new operations opened in 2017 and a new one expected for dec/17. We also plan to expand Apple's Technical Support, currently available in 15 units, and our Troca Inteligente (buyback) services, which allow customers to offer their old handsets as payment when purchasing a new product, currently available at 82 stores.

As a result of our investments in the logistics model for the distribution of our products, as well as improvements in the usability, navigation and new functions, **E-commerce** continued growing, recording a significant growth of 17.1% in gross revenue in 3Q17. We continue to follow the strategy of focusing on the Multichannel experience as a pillar of differentiation in order to provide an all-line experience focused on the customer's journey, ensuring that the interaction with our brand is efficient and differentiated, regardless of the contact channel.

In this sense, it is worth noting that the number of customers who purchase products from the website and pick them up at one of our stores has increased, from 13.4% in 3Q16 to 19.6% in 3Q17, encouraging the multichannel experience and increasing customer traffic in our stores. In oct/17, we began a partnership with "99Taxis", Brazil's main urban mobility startup, by offering vouchers to customers who use this type of delivery, encouraging them to visit our stores.

Another highlight was the continuous improvement of the Saraiva Entrega project, which gives customers access to our E-commerce inventory and allows them to purchase any product that is not available at stores and receive it wherever is most convenient. This tool increased by more than six times sales in 3Q17 (compared with 2Q17).

It is worth noting that, in 3Q17, we began the project to expand online marketplace partnerships to sell our products on the websites of strategic partners. In addition to the partnership with Walmart, which started in 2014, we began working with Mercado Livre, in sep/17, B2W, in nov/17, and are negotiating a number of other partnerships; we expect the number of such partnerships to rise substantially in 2018. Our objective is to be present in important platforms, capturing new customers and strengthening our brand and our position as a leader and benchmark in the online book market.

We also implemented another important initiative in the beginning of sep/17: the creation of the Leia Enquanto Espera (Read while you wait) functionality, which allows customers to have digital access to the first chapters of physical books purchased through the E-commerce channel while they wait for delivery.

Regarding the management of categories, it is worth noting the success of the new service offered in the Games category: the online sale of game cards and streaming services. By offering our customers credit and access to the main content servers, and reinforcing the brand positioning and Saraiva's pioneering in online prepaid delivery service, we continue strengthening the strategy for the Games category.

Regarding the logistics management, it is worth noting the expansion of turbo delivery services to other locations besides São Paulo (capital). We offer freight options for delivery of products acquired in D+1 to the São Paulo metropolitan region and D+2 to other locations, such as the metropolitan regions of Belo Horizonte, Rio de Janeiro, Curitiba, Porto Alegre and Florianópolis. We have also invested in adjustments to the distribution model by installing Transit Points in strategic regions (Rio de Janeiro, Bahia and Pernambuco), reducing transportation costs and improving the lead time of deliveries to physical stores and products sold online.

In Saraiva's digital transformation journey, we continue investing in our Saraiva Plus loyalty program, one of the largest retail loyalty programs in the country, which now has even simpler, more attractive and more interactive rules. In the new recently implemented model, it is easier to accumulate and redeem points, supporting a customer-centered strategy based on solid knowledge of their behavior and preferences, thus allowing us to capture the relevant value potential that these rich data and consumer profiles can provide. After the program relaunch, in jun/17, we noticed a significant increase in the customer reactivation rate (14.8%), reinforcing the success of the new model. In sep/17, we had 14.8 million registered customers (an increase of over 1.6 million in the last 12 months) and almost 83% of our annual revenue identified.

After the launch of the new version of our digital reader (LEV) in 2Q17, in 3Q17 we launched our new webreader, our online reading platform that gives access to Saraiva's entire collection through the computer's web browser, without the need to download any app. These launches reinforce our positioning and strategy of offering customers a complete experience in Saraiva's digital ecosystem, which also includes platforms for self-publication (Publique-se!), audiobooks and the sale of prepaid content cards.

Regarding the strategic initiatives to ensure liquidity, it is worth noting Management's focus on adopting measures that speed up the recovery of tax credits accrued in the normal course of our business and convert the new credits from operations into cash. Concerning Pis and Cofins credits and the requests for refunds filed between 2014 and 2016, totaling R\$72 million, the Company implemented measures aimed to receive a response from the federal authorities about the requests for refunds pending for over one year. We expect to receive these refunds between late 2017 and early 2018. For ICMS credits accrued from store supply operations originated in the São Paulo State, we have adopted administrative measures to recover such credits through e-CredAc, a portal of the Ministry of Finance of the São Paulo State, through which the State analyzes the recurring accrual of ICMS credits; the approved credits go to an account and may be used in the secondary market. In order to avoid accruing credits in the São Paulo State, we are expect making significant operating adjustments to our current logistics supply model, scheduled to be implemented in jan/18, including the decentralization of supply operations in the network stores, which should reverse a significant portion of the credits currently accrued into cash.

Finally, we are aware that the 3Q17 results were lower than expected, but, within this quarter, we developed and implemented another important Action Plan focused on improving profitability in order to quickly reverse this scenario. The significant growth of our e-commerce, the successive market share gains in our main product category and the solid and growing customer base make us confident that the results will improve. Together with the ongoing initiatives of the Transformation Project and the value that should be created by the most recent projects, such as strategic partnership to ensure a stronger online marketplace presence, we will be able to pursue important profitability gains with focus and determination.

RESULTS

REVENUE – Retail gross revenue totaled R\$ 408.6 million in 3Q17, up 0.6% when compared to the R\$ 406.1 million registered in 3Q16. Retail net revenue was in line reaching R\$ 374.3 million in the same period.

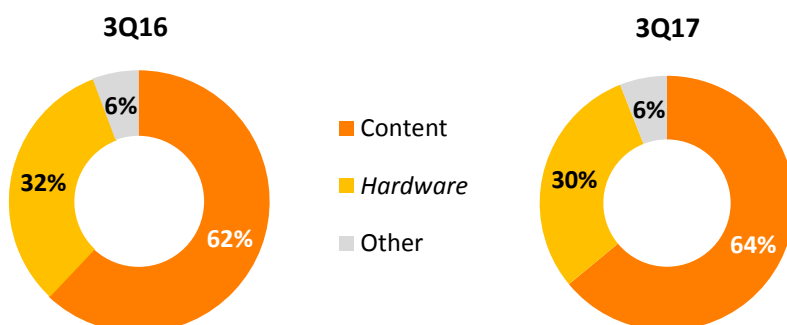
It is worth to mention that, despite the steady scenario in terms of sales, our market share increased by 2.4 p.p. in the Books Category, our main segment, and 3.2 p.p. in the Games Category.

PHYSICAL STORES REVENUE – Stores gross revenue decreased 7.6% in 3Q17 when compared to 3Q16, maintaining the trend observed in last quarters.

E-COMMERCE REVENUE – Saraiva.com gross revenue were 17.1% higher when compared to 3Q16, reaching R\$ 158.6 million. Net revenue totaled R\$ 141.2 million in the same period, a 16.0% increase when compared to 3Q16.

This result underlines the developed measures to improve the service level and reflects the growth achieved in the key products categories. In line with this performance, total gross revenue of E-commerce operations reached 38.8% of total retail operations in 3Q17 (versus 33.3 % in 3Q16).

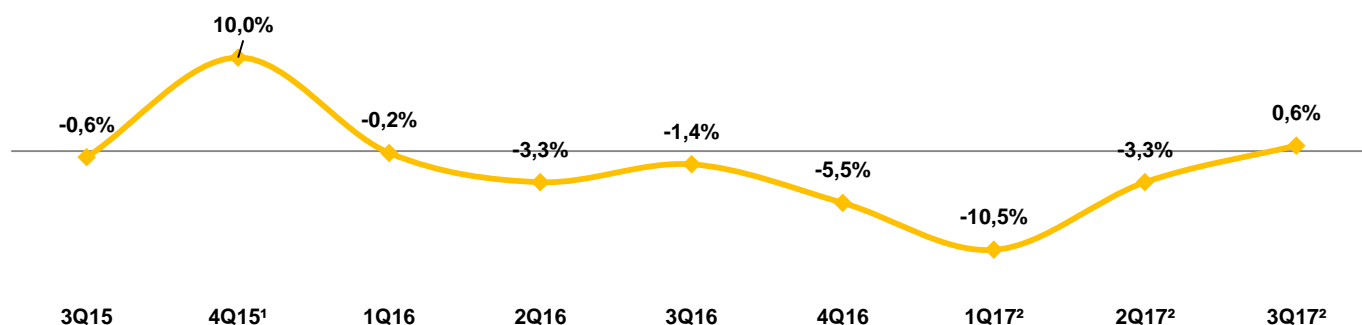
Chart 2. Gross Profit in Retail by segment (R\$ million)



GROSS PROFIT – Gross profit decreased when compared to 3Q16, reaching R\$ 122.1 million in 3Q17. The gross margin decreased 1.9 p.p., from 34.5% in 3Q16 to 32.6% in 3Q17. During the third quarter of 2017 we continued to be impacted by the fiercer competition in the online retail market, which continues to increase its weighted share of our total revenues. At the same time, we invested in new tools, especially a new dynamic pricing system for the E-commerce channel, aiming to increase sales and improve gross margin management.

OPERATING EXPENSES – Operating expenses totaled R\$ 148.0 million in 3Q17, representing an increase of 14.7% when compared to the R\$ 129.0 million reported in the same period of the previous year. Excluding the impact from restructuring non-recurring expenses, the Operating Expenses/Gross Revenue ratio was stable. We remain focused on rationalizing expenses to improve results and we expect to reap the benefits of our action plan as of the fourth quarter of 2017.

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



¹ Excluding extraordinary expenses, especially with consulting services regarding publishing assets sale process and write-off of ICMS ST credits not recognized by SEFAZ-SP

² Excludes the effects of Extraordinary restructuring expenses to increase productivity in 1Q17 (R\$ 4.8 million), 2Q17 (R\$ 3.5 million), and 3Q17 (R\$ 18.3 million).

EBITDA – Adjusted EBITDA totaled negative R\$ 7.7 million in 3Q17 (versus 0.4 million in 3Q16), and the Adjusted EBITDA margin ended the quarter 2.2 p.p. lower than 3Q16.

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

Retail	9M17	9M16	Y/Y	3Q17	3Q16	Y/Y	2Q17	Q/Q
Net Income (Loss)	(49,794)	(27,916)	78.4%	(33,438)	(13,089)	155.5%	(16,637)	101.0%
(+) Financial Result	34,286	40,228	-14.8%	13,780	13,098	5.2%	10,848	27.0%
(+) Income Tax / Social	(20,099)	(14,211)	41.4%	(15,795)	(6,119)	158.1%	(6,446)	145.0%
(+) Depreciation Amortization	25,816	27,323	-5.5%	8,665	9,222	-6.0%	8,727	-0.7%
(+) Net Income from Discontinued Operations	1,626	(4,144)	-	836	(2,706)	-	1,271	-34.2%
(+) Other ¹	26,510	(18)	-	18,261	(1)	-	3,491	423.0%
Adjusted EBITDA¹	18,345	21,262	-13.7%	(7,691)	405	-	1,254	-
Adjusted EBITDA Margin (%)¹	1.5%	1.7%	-0.2 p.p.	-2.1%	0.1%	-2.2 p.p.	0.3%	-2.4 p.p.

Note 1: Excludes the effects of Extraordinary restructuring expenses to increase productivity in 1Q17 (R\$ 4.8 million), 2Q17 (R\$ 3.5 million), 3Q17 (R\$ 18.3 million), and 9M17 (R\$ 26.5 million).

WORKING CAPITAL* – The working capital/net revenue ratio improved reaching 16.7 % in 3Q17. The Retail operating cycle was 67 days in 3Q17 against 78 days in 3Q16.

Accounts receivable was stable in 3Q17 reaching 62 days. The average inventory coverage period increased 1 day from 90 days in 3Q16 to 91 days in 3Q17. The supplier payment term decreased by 12 days in 3Q17 when compared with the 3Q16, reaching 86 days (74 days in 3Q16).

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

NET FINANCIAL REVENUE (EXPENSES) – Net financial result was an expense of R\$ 13.8 million in 3Q17, up 5.2% when compared to 3Q16.

NET INCOME (LOSS) FOR THE PERIOD – Adjusted Net Loss before the result from discontinued operations was R\$ 20.5 million in 3Q17 against an Adjusted Net Loss of R\$ 15.8 million in 3Q16.

INVESTMENTS (CAPEX) – Investments made in Retail totaled R\$ 12.6 million in 3Q17 (versus R\$ 8.3 million in 3Q16), and were mainly focused on initiatives for the E-commerce channel, projects covering Information Technology area, and in the opening/remodeling of the stores.

LIQUIDITY – The following table presents information on maturities by financing line on September 30, 2017:

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

Consolidated	Average Cost (p.a)	Total	Until 2017	Until 2018	Until 2019	After 2019
Transaction Type						
BNDES ¹	10.7%	58,474	3,407	13,627	13,627	27,814
Working Capital/other	10.2%	263,622	15,033	93,089	113,991	41,510
Total Gross Debt²	10.3%	322,097	18,439	106,716	127,618	69,323

Note 1: Cost at the close of 3Q17 from the balance of the 2014 BNDES agreement, without considering the cost of bank guarantee, considering TJLP of 7.0% p.a. and SELIC of 8.15% p.a.

Note 2: Loans net of financial derivative instruments.

The table below presents the Saraiva's consolidated net debt, which totaled R\$ 299.1 million on September 30, 2017, versus R\$ 284.6 million on September 30, 2016.

If we consider credit card receivables, net debt came to R\$ 107.6 million on September 30, 2017, versus R\$ 2.7 million on September 30, 2016.

Among the factors that affect the Company's liquidity, the balance of recoverable taxes (ICMS, Pis and Cofins) is currently a significant portion of our balance sheet. In 3Q17 this balance increased by R\$9.1 million. We have been observing this increase and implemented several initiatives, both to monetize accrued credits and to mitigate the accruing of new ones. In this sense, in addition to our expectation to recover a portion of the credits in late 2017 and early 2018, we are envisaging a significant reduction in the accrual of these credits in São Paulo State, due to the implementation of the new logistics supply model.

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

Consolidated ¹	3Q17	3Q16	Y/Y	2Q17	Q/Q
Transaction Type					
Loans and Financing ²	322,097	360,706	-10.7%	297,207	8.4%
(+) Acquisition Obligations	2,434	2,183	11.5%	2,380	2.3%
(-) Cash and Cash Equivalents / Financial Investments	25,442	78,330	-67.5%	66,587	-61.8%
Consolidated Net Debt Before Receivables	299,089	284,559	5.1%	233,000	28.4%
(-) Credit Card Receivables	191,456	281,908	-32.1%	194,445	-1.5%
Consolidated Net Debt After Receivables	107,633	2,651	>500%	38,555	179.2%

Note 1: "Receivables Prepayment" (R\$75.1 million in 3Q17, R\$97.8 million in 2Q17 and R\$9.4 million in 3Q16)

Note 2: Loans net of financial derivative instruments

OUR STORES - In 3Q17, Saraiva had 100 stores in 17 Brazilian states and the Federal District. In the past quarters, in line with our strategy to prioritize assets that have higher potential for value creation, we concluded important remodeling projects, adjustments and inaugurations.

Concerning the strategy to adjust sale areas in order to optimize operating costs and increase the units' profitability, we made adjustments to three important stores, totaling a reduction of 1,410 m², equivalent to 2.4% of the total sales area of the network at the close of 3Q17:

- Remodeling of the store in Shopping Iguatemi Campinas, including the partnership with Starbucks, in jul/17, which reduced its sales area from 1,883 m² to 1,067 m²;
- Relaunch of the store in Shopping Rio Sul in oct/17, which reduced its sales area from 1,133 m² to 997 m²;
- Relaunch of the store in Morumbi in oct/17. The unit, which is now in a location with higher customer traffic and remains with the partnership with Starbucks, reduced its sales area from 1,389 m² to 931 m²;
- Remodeling of the operation in Shopping Interlagos and launch of the unit in the Guarulhos Airport (150 m² of sales area), in sep/17;
- Beginning of the coffee operation in partnership with Grão Espresso in Shopping Granja Vianna (Cotia/SP) in sep/17, and with Havanna in Shopping Vila Olímpia (São Paulo/SP) in oct/17.

Regarding the prioritization of investments, we cancelled the opening of the unit in Shopping Metro Itaquera (São Paulo/SP) and have another five stores contracted, in line with the new ideal store concepts defined by Management, with investment/m² 25% lower on average, thus contributing to a quicker payback:

- Store in Park Shopping Canoas (Canoas/RS), with inauguration scheduled for nov/17, with sales area of 486 m²;
- Store in Shopping Village Mall (Rio de Janeiro/RJ), with inauguration scheduled for dec/17, with sales area of 237 m²;
- Store in Uberlândia Shopping (Uberlândia/MG), with inauguration scheduled for dec/17, with sales area of 534 m²;
- Store in Patteo Olinda Shopping (Olinda/PE), with inauguration scheduled for apr/18;
- Store in Shopping Estação Cuiabá (Cuiabá/MT), with inauguration scheduled for oct/18.

Additionally, we have already scheduled adjustments to the space, retrofits and remodeling in three other units:

- Store in Shopping Metrô Santa Cruz (São Paulo/SP);
- Store in Shopping Recife (Recife/PE);
- Store in Shopping Tijuca (Rio de Janeiro/RJ).

ANNEX – RETAIL

<i>R\$ thousand</i>	3Q17	3Q16	Y/Y	2Q17	Q/Q
CURRENT ASSETS					
Cash and Cash Equivalents / Financial Investments	25,411	78,316	-67.6%	62,086	-59.1%
Accounts Receivable	195,683	288,857	-32.3%	199,680	-2.0%
Inventories	286,327	299,104	-4.3%	298,504	-4.1%
Recoverable Taxes	195,886	162,137	20.8%	190,150	3.0%
Financial Derivative Instruments	48	17,420	-99.7%	-	0.0%
NON-CURRENT ASSETS					
Other Long Term Assets	157,687	87,323	80.6%	136,232	15.7%
Financial Derivative Instruments	338	8,443	-96.0%	3,311	-89.8%
Investments	-	135	-100.0%	135	-100.0%
Property, Plant & Equipment	64,421	68,038	-5.3%	65,439	-1.6%
Intangible assets	177,624	117,128	51.6%	175,112	1.4%
CURRENT LIABILITIES					
Loans and Financing	95,398	180,355	-47.1%	36,829	159.0%
Suppliers	290,000	256,925	12.9%	312,673	-7.3%
Financial Derivative Instruments	-	-	0.0%	-	0.0%
NON-CURRENT LIABILITIES					
Related Parties	-	-	0.0%	-	0.0%
Loans and Financings	227,085	177,546	27.9%	263,689	-13.9%
Financial Derivative Instruments	-	-	0.0%	-	0.0%
SHAREHOLDERS' EQUITY	440,167	492,158	-10.6%	470,330	-6.4%

CONFERENCE CALL DETAILS

Saraiva's 3Q17 Earnings Conference Call, to be held in Portuguese and simultaneously translated to English, will be held on **November 16, 2017**, at 10.30 AM (local time) / 7.30 AM (US EST).

The call will be webcast live through streaming audio.

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

CONFERENCE CALL IN PORTUGUESE WITH SIMULTANEOUS TRANSLATION INTO ENGLISH

Time:

Brazil BRT (Brasília): 10.30 am

US Eastern Standard Time US EST (New York): 7.30 am

Telephone Numbers:

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

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

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

Password: **SARAIVA**

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

Access codes: 2382727# (Portuguese) and 1487175# (English)

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

Portuguese: [Click Here](#)

English: [Click Here](#)

ABOUT SARAIVA

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

DISCLAIMER

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