FEDERAL PUBLIC SERVICE
CVM – BRAZILIAN SECURITIES AND EXCHANGE COMMISSION **External Disclosure**
DFP – STANDARDIZED FINANCIAL STATEMENTS **Base-Date – 12/31/2007 Corporate Law**
TRADING, INDUSTRIAL AND OTHER COMPANIES

THE REGISTRY WITH CVM DOES NOT IMPLY ANY APPRAISAL OVER THE COMPANY, AND ITS DIRECTORS ARE RESPONSIBLE FOR THE VERACITY OF THE INFORMATION PROVIDED HEREIN.

01.01 – IDENTIFICATION

1 – CVM Code	2 – Business Name	3 – CNPJ [Brazilian Directory of Legal Entities]:
01047-2	**SARAIVA S.A. LIVREIROS EDITORES**	**60.500.139/0001-26**
4 – NIRE:		

01.02 – HEADQUARTERS

1 – FULL ADDRESS Av. Marquês de São Vicente, No. 1697			2 - NEIGHBORHOOD OR DISTRICT Barra Funda	
3 – CEP [ZIP Code] 01139-904	4 – MUNICIPALITY São Paulo			5 – STATE SP
6 – DDD 11	7 – TELEPHONE 3611-3344	8 - TELEPHONE -	9 - TELEPHONE -	10 – TELEX
11 – DDD 11	12 – FAX 3611-3308	13 - FAX	14 - FAX	
15 – E-MAIL www.saraivari.com.br				

01.03 – INVESTOR RELATIONS DIRECTOR (Mail Address with the Company)

1 – NAME João Luís Ramos Hopp				
2 – FULL ADDRESS Rua Edgar Teotônio Santana, 206			3 - NEIGHBORHOOD OR DISTRICT Barra Funda	
4 – CEP 01140-030	5 – MUNICIPALITY São Paulo			6 – STATE SP
7 – DDD 11	8 – TELEPHONE 3613-3263	9 - TELEPHONE -	10 - TELEPHONE -	11 – TELEX
12 – DDD 11	13 – FAX 3619-3062	14 - FAX	15 - FAX	
16 – E-MAIL jlhopp@saraiva.com.br				

01.04 - REFERENCE/AUDITOR

FISCAL YEAR	1 – FISCAL YEAR BEGINNING DATE	2 – FISCAL YEAR ENDING DATE
1 – Last	01/01/2007	12/31/2007
2 – Penultimate	01/01/2006	12/31/2006
3 – Antepenultimate	01/01/2005	12/31/2005

4 – AUDITOR'S NAME/AUDITOR'S BUSINESS NAME	5 - CVM Code
Deloitte Touche Tohmatsu Auditores Independentes	00385-9
5 – NAME OF TECHNICIAN IN CHARGE	Technician's CPF:
Maurício Pires de Andrade Resende	603.835.426-34

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01.05 – CAPITAL STOCK COMPOSITION

Number of Shares (Thousand)	1 12/31/2007	2 12/31/2006	3 12/31/2005
Paid-in Capital			
1 – Common	9,622	9,622	9,622
2 – Preferential	18,974	18,974	13,647
3 – Total	28,596	28,596	23,269
Treasury Shares			
4 – Common	0	0	0
5 – Preferential	366	366	332
6 – Total	366	366	332

01.06 COMPANY'S CHARACTERISTICS

1 – TYPE OF COMPANY Trading, Industrial and Other Companies
2 – TYPE OF STATUS Operational
3 – NATURE OF SHARE CONTROL National Private
4 – CODE OF ACTIVITY 1100 – Printers and Publishers
5 – MAIN ACTIVITY Book publication and printing
6 – CONSOLIDATED TYPE Total

01.07 COMPANIES NOT INCLUDED IN CONSOLIDATED FINANCIAL STATEMENTS

1 – ITEM	2 – CNPJ	3 – BUSINESS NAME

01.08 PROFIT IN CASH

1 – ITEM	2 – EVENT	3 – APPROVAL	4 – PROFIT	5 – PAYMENT BEGINS ON	6 - KIND AND CATEGORY OF SHARES	7 – PROFIT'S AMOUNT PER SHARE
01	RCA	03/06/2008	Interests on own capital		ON [Common registered shares]	0.5226391100
02	RCA	03/06/2008	Interests on own capital		PN [Preferred registered shares]	0.5226391100

01.09 INVESTOR RELATIONS DIRECTOR

1 – DATE	2 - SIGNATURE
03/17/2008	

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02.01 – BALANCE SHEET – ASSETS (Thousand Brazilian *Reais*)

1 - CODE	2 – DESCRIPTION	3 – 12/31/2007	4 – 12/31/2006	5 - 12/31/2005
1	Total Assets	404,391	333,994	217,324
1.01	Current Assets	277,743	244,637	138,540
1.01.01	Cash Equivalents	108,474	97,094	8,641
1.01.02	Credits	109,079	80,069	67,040
1.01.02.01	Customers	92,162	71,054	59,213
1.01.02.02	Miscellaneous Credits	16,917	9,015	7,827
1.01.02.02.01	Dividends receivables from controlled company	4,335	1,572	0
1.01.02.02.02	Recoverable Taxes	4,228	5,311	7,440
1.01.02.02.03	Deferred income tax and social contribution	788	636	0
1.01.02.02.04	Loans to controlled company	5,743	0	0
1.01.02.02.05	Others	1,823	1,496	387
1.01.03	Inventory	59,994	63,427	62,439
1.01.04	Others	196	4,047	420
1.01.04.01	Promotion & advertising expenses to appropriate	0	2,922	316
1.01.04.02	Anticipated expenses	196	1,125	104
1.02	Non-current assets	126,648	89,357	78,784
1.02.01	Long-term receivables	22,158	12,813	941
1.02.01.01	Miscellaneous Credits	0	0	0
1.02.01.02	Credits with Related Parties	14,736	5,008	0
1.02.01.02.01	With Associated/ Affiliated Companies	0	0	0
1.02.01.02.02	With Controlled Companies	14,736	5,008	0
1.02.01.02.03	With other Related parties	0	0	0
1.02.01.03	Others	7,422	7,805	941
1.02.01.03.01	Judicial deposits	1,335	1,237	290
1.02.01.03.02	Deferred income tax and social contribution	783	753	651
1.02.01.03.04	Account receivable from the sale of property, plant and equipment	4,973	5,725	0
1.02.01.03.05	Others	331	90	0
1.02.02	Permanent assets	104,490	76,544	77,843
1.02.02.01	Investments	87,611	58,810	53,052
1.02.02.01.01	Interests in Associated/ Affiliated companies	0	0	0
1.02.02.01.02	Interests in Associated/ Affiliated companies – goodwill	0	0	0
1.02.02.01.03	Interests in Controlled Companies	87,203	58,402	52,644
1.02.02.01.04	Interests in Controlled Companies – goodwill	0	0	0
1.02.02.01.05	Other investments	408	408	408
1.02.02.02	Property, plant and equipment	13,528	13,516	18,626
1.02.02.03	Intangible	2,634	3,312	4,802
1.02.02.04	Deferred	717	906	1,363

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02.02 – BALANCE SHEET – LIABILITIES (Thousand Brazilian *Reais*)

1 - CODE	2 – DESCRIPTION	3 – 12/31/2007	4 – 12/31/2006	5 - 12/31/2005
2	Total Liabilities	404,391	333,994	217,324
2.01	Current Liabilities	91,697	77,083	71,754
2.01.01	Loans and Financings	10,909	737	3,261
2.01.02	Debentures	0	0	0
2.01.03	Suppliers	29,301	41,452	20,860
2.01.04	Taxes, Fees and Contributions	15,711	10,331	11,035
2.01.04.01	Provision for Income tax and Social contribution	9,800	5,141	6,804
2.01.04.02	Other taxes and social contributions	5,911	5,190	4,231
2.01.05	Dividends Payable	18,887	13,988	11,048
2.01.05.01	Interests on own capital	17,754	13,998	10,129
2.01.05.02	Dividends	4,133	0	919
2.01.06	Provisions	3,517	3,600	3,383
2.01.07	Debts to Related Parties	0	0	11,446
2.01.07.01	Loans from Controlled Companies	0	0	11,446
2.01.08	Others	13,372	6,975	10,721
2.01.08.01	Copyright payable	8,559	4,617	5,443
2.01.08.02	Sales to deliver	0	0	4,828
2.01.08.03	Acquisition agreement with controlled company	1,838	0	0
2.01.08.04	Other liabilities	2,975	2,358	450
2.02	Non-Current Liabilities	29,938	25,475	12,615
2.02.01	Long-term Liabilities	29,938	25,475	12,615
2.02.01.01	Loans and Financings	20,686	18,578	7,510
2.02.01.02	Debentures	0	0	0
2.02.01.03	Provisions	6,455	6,897	5,105
2.02.01.03.01	Provision for contingencies	112	112	1,290
2.02.01.03.02	Deferred income tax and social contribution	4,340	4,755	3,815
2.02.01.03.03	Taxes and contributions to collect	2,003	2,030	0
2.02.01.04	Debts to Related Parties	0	0	0
2.02.01.05	Advance for Future Capital Increase	0	0	0
2.02.01.06	Others	2,797	0	0
2.02.02	Income for Future Fiscal Years	0	0	0
2.04	Shareholders' Equity	282,756	231,436	132,955
2.04.01	Realized Capital Stock	147,774	147,774	46,405
2.04.02	Capital Reserve	0	0	13,947
2.04.03	Revaluation Reserve	0	0	0
2.04.03.01	Own assets	0	0	0
2.04.03.02	Controlled/Associated and Affiliated Companies	0	0	0
2.04.04	Profit Reserves	133,745	82,425	71,366
2.04.04.01	Legal	15,725	12,215	9,892
2.04.04.02	Statutory	0	0	0
2.04.04.03	For Contingencies	0	0	0

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02.02 – BALANCE SHEET – LIABILITIES (Thousand Brazilian *Reais*)

1 - CODE	2 – DESCRIPTION	3 – 12/31/2007	4 – 12/31/2006	5 - 12/31/2005
2.04.04.04	From Profit to realize	0	0	0
2.04.04.05	Profit retention	0	0	0
2.04.04.06	Special for Accumulated Dividends	0	0	0
2.04.04.07	Other Profit Reserves	118,020	70,210	61,474
2.04.04.07.01	Reserve for future capital increase	120,890	73,080	64,344
2.04.04.07.02	Treasury Shares	(2,870)	(2,870)	(2,870)
2.04.05	Accumulated Profits/Losses	1,237	1,237	1,237
2.04.06	Advances for future capital increase	0	0	0

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03.01 – STATEMENT OF INCOME (Thousand Brazilian *Reais*)

1 - CODE	2 – DESCRIPTION	3 – 01/01/2007 to 12/31/2007	4 – 01/01/2006 to 12/31/2006	5 – 01/01/2005 to 12/31/2005
3.01	Gross Revenue from Sales and/or Services	309,265	247,770	233,516
3.02	Deductions from Gross Revenue	(184)	(263)	(186)
3.03	Net Revenue from Sales and/or Services	309,081	247,507	233,330
3.04	Cost of Properties and/or Services Sold	(106,749)	(79,819)	(71,736)
3.05	Gross Income	202,332	167,688	161,594
3.06	Operational Expenses/Income	(122,231)	(122,333)	(114,766)
3.06.01	With sales	(89,555)	(69,976)	(62,286)
3.06.02	General and Administrative	(40,017)	(43,030)	(39,009)
3.06.02.01	Management fees	(3,622)	(3,600)	(3,383)
3.06.02.02	Other	(36,395)	(39,430)	(35,626)
3.06.03	Financial	(6,472)	(11,710)	(13,597)
3.06.03.01	Financial income	15,374	12,065	2,034
3.06.03.02	Financial Expenses	(21,846)	(23,755)	(15,631)
3.06.04	Other Operational Income	653	968	1,924
3.06.05	Other Operational Expenses	(4,572)	(5,915)	(7,864)
3.06.05.01	Depreciation and Amortization	(4,320)	(5,084)	(5,991)
3.06.05.02	Other	(252)	(831)	(1,873)
3.06.06	Result from Equity Income	17,732	7,330	6,066
3.07	Operating Income	80,101	45,355	46,828
3.08	Non-operating income	72	5,530	25
3.08.01	Revenue	72	5,530	25
3.08.02	Expenses	0	0	0
3.09	Income before Taxation/Interests	80,173	50,885	46,853
3.10	Provision for Income Tax and Social Contribution	(21,798)	(14,619)	(14,294)
3.11	Deferred Income tax	595	(185)	720
3.12	Statutory Interests/Contributions	(3,517)	(3,600)	(3,383)
3.12.01	Interests	(3,517)	(3,600)	(3,383)
3.12.02	Contributions	0	0	0
3.13	Reversal of Interests on Own Capital	14,754	13,988	10,129
3.15	Profit/Loss for the Year	70,207	46,499	40,025
	NUMBER OF SHARES, LESS TREASURY SHARES (THOUSAND)	28,230	28,230	22,937
	PROFIT PER SHARE (Brazilian *Reais*)	2.48696	1.64609	1.74500
	LOSS PER SHARE (Brazilian *Reais*)			

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04.01 – STATEMENT OF SOURCES AND USES OF FUNDS (Thousand Brazilian *Reais*)

1 - CODE	2 – DESCRIPTION	3 – 01/01/2007 to 12/31/2007	4 – 01/01/2006 to 12/31/2006	5 – 01/01/2005 to 12/31/2005
4.01	Sources	76,328	128,197	49,906
4.01.01	From Operations	59,027	49,771	39,819
4.01.01.01	Profit/Loss for the Year	70,207	46,469	40,025
4.01.01.02	Amounts which do not represent movement in working capital	(11,180)	3,302	(206)
4.01.01.02.01	Depreciation and Amortization	4,468	5,592	7,013
4.01.01.02.02	Residual Cost of property, plant and equipment	116	2,924	165
4.01.01.02.03	Retirement of deferred assets	0	43	0
4.01.01.02.04	Deferred income tax and social contribution	(445)	838	(1,112)
4.01.01.02.05	Net equity income of dividends	(13,397)	(5,758)	(6,066)
4.01.01.02.06	Financial charges of monetary and exchange amounts of Long-term assets and Long-term liabilities	(1,922)	(457)	(206)
4.01.01.02.07	Provision for losses without investments	0	120	0
4.01.02	From Shareholders	0	66,000	0
4.01.02.01	Capital increase public subscription	0	66,000	0
4.01.02.02	Incorporation of controlled company’s net worth	0	0	0
4.01.03	From third parties	17,301	12,426	10,087
4.01.03.01	Financings obtained	13,190	11,388	7,500
4.01.03.02	Prescribed dividends – unclaimed interests on own capital	0	0	91
4.01.03.03	Increase in long-term liabilities	2,868	1,038	332
4.01.03.04	Reduction in long-term assets	1,243	0	2,164
4.02	Investments	57,836	27,429	18,681
4.02.01	Acquisition of property, plant and equipment	3,699	1,502	3,056
4.02.02	Investments in controlled company	15,404	0	0
4.02.03	Loans to controlled company	8,126	4,341	0
4.02.04	Transfer from Long-term liabilities to the current liabilities	11,340	1,038	3,221
4.02.05	Dividends and interests on own capital	18,887	13,988	11,048
4.02.06	Increase of long-term assets	380	6,560	1,356
4.03	Increase/Decrease in working capital	18,492	100,768	31,225
4.04	Variance in current assets	33,106	106,097	(12,855)
4.04.01	Current assets in the beginning of fiscal year	244,637	138,540	151,395
4.04.02	Current assets in the end of fiscal year	277,743	244,637	138,540
4.05	Variance in current liabilities	14,614	5,329	(44,080)
4.05.01	Current liabilities in the beginning of fiscal year	77,083	71,754	115,834
4.05.02	Current liabilities in the end of fiscal year	91,697	77,083	71,754

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05.01 – STATEMENT OF CHANGES IN SHAREHOLDER’S EQUITY FROM 01/01/2007 TO 12/31/2007 (Thousand Brazilian *Reais*)

1 – CODE	2 – DESCRIPTION	3 – CAPITAL STOCK	4 – CAPITAL RESERVE	5 - REVALUATION RESERVE	6 – PROFIT RESERVE	7 – ACCUMULATED PROFIT/LOSSES	8 – TOTAL SHAREHOLDER’S EQUITY
5.01	Initial balance	147,774	0	0	82,425	1,237	231,436
5.02	Adjustments from Previous Years	0	0	0	0	0	0
5.03	Increase/reduction of Capital Stocks	0	0	0	0	0	0
5.04	Realization of Reserves	0	0	0	0	0	0
5.05	Treasury Shares	0	0	0	0	0	0
5.06	Profit/Loss for the Year	0	0	0	0	70,207	70,207
5.07	Allocation	0	0	0	51,320	(70,207)	(18,887)
5.07.01	Legal Reserve	0	0	0	3,510	(3,510)	0
5.07.02	Transfer to profit reserve	0	0	0	47,810	(47,810)	0
5.07.03	Interests on own capital	0	0	0	0	(14,754)	(14,754)
5.07.04	Dividends	0	0	0	0	(4,133)	(4,133)
5.08	Others	0	0	0	0	0	0
5.09	Final Balance	147,774	0	0	133,745	1,237	282,756

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05.02 – STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FROM 01/01/2006 TO 12/31/2006 (Thousand Brazilian *Reais*)

1 – CODE	2 – DESCRIPTION	3 – CAPITAL STOCK	4 – CAPITAL RESERVE	5 - REVALUATION RESERVE	6 – PROFIT RESERVE	7 – ACCUMULATED PROFIT/LOSSES	8 – TOTAL SHAREHOLDER'S EQUITY
5.01	Initial balance	46,405	13,947	0	71,366	1,237	132,955
5.02	Adjustments from Previous Years	0	0	0	0	0	0
5.03	Increase/reduction of Capital Stocks	101,369	(13,947)	0	(21,422)	0	66,000
5.03.01	Bonus for capitalization of reserve	35,369	(13,947)	0	(21,422)	0	0
5.03.02	Public subscription	66,000	0	0	0	0	66,000
5.04	Realization of Reserves	0	0	0	0	0	0
5.05	Treasury Shares	0	0	0	0	0	0
5.06	Profit/Loss for the Year	0	0	0	0	46,469	46,469
5.07	Allocation	0	0	0	32,481	(46,469)	(13,988)
5.07.01	Legal Reserve	0	0	0	2,323	(2,323)	0
5.07.02	Transfer to profit reserve	0	0	0	30,158	(30,158)	0
5.07.03	Interests on own capital	0	0	0	0	(13,988)	(13,988)
5.08	Others	0	0	0	0	0	0
5.09	Final Balance	147,774	0	0	82,425	1,237	231,436

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05.03 – STATEMENT OF CHANGES IN SHAREHOLDER’S EQUITY FROM 01/01/2005 TO 12/31/2005 (Thousand Brazilian *Reais*)

1 – CODE	2 – DESCRIPTION	3 – CAPITAL STOCK	4 – CAPITAL RESERVE	5 - REVALUATION RESERVE	6 – PROFIT RESERVE	7 – ACCUMULATED PROFIT/LOSSES	8 – TOTAL SHAREHOLDER’S EQUITY
5.01	Initial balance	41,977	13,947	0	46,726	1,237	103,887
5.02	Adjustments from Previous Years	0	0	0	0	91	91
5.02.01	Rev. of prescribed dividends – unclaimed interest on own capital	0	0	0	0	91	91
5.03	Increase/reduction of Capital Stocks	4,428	0	0	(4,428)	0	0
5.04	Realization of Reserves	0	0	0	0	0	0
5.05	Treasury Shares	0	0	0	0	0	0
5.06	Profit/Loss for the Year	0	0	0	0	40,025	40,025
5.07	Allocation	0	0	0	29,068	(40,116)	(11,048)
5.07.01	Legal Reserve	0	0	0	2,001	(2,001)	0
5.07.02	Transfer to profit reserve	0	0	0	27,067	(27,067)	0
5.07.03	Interests on own capital	0	0	0	0	(10,219)	(10,129)
5.07.04	Proposed dividends	0	0	0	0	(919)	(919)
5.08	Others	0	0	0	0	0	0
5.09	Final Balance	46,405	13,947	0	71,366	1,237	132,955

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06.01 – BALANCE SHEET CONSOLIDATED ASSETS (Thousand Brazilian *Reais*)

1 - CODE	2 – DESCRIPTION	3 – 12/31/2007	4 – 12/31/2006	5 - 12/31/2005
1	Total Assets	524,634	415,920	280,161
1.01	Current Assets	443,073	363,940	226,479
1.01.01	Cash Equivalents	119,627	109,004	20,194
1.01.02	Credits	191,954	135,284	102,965
1.01.02.01	Customers	177,255	123,379	90,044
1.01.02.02	Miscellaneous Credits	14,699	11,905	12,921
1.01.02.02.01	Recoverable Taxes	6,559	5,715	7,553
1.01.02.02.02	Deferred income tax and social contribution	4,619	4,280	4,853
1.01.02.02.03	Others	3,521	1,910	515
1.01.03	Inventory	131,032	115,515	102,817
1.01.04	Others	460	4,137	503
1.01.04.01	Promotion & advertising expenses to appropriate	0	2,922	316
1.01.04.02	Anticipated expenses	460	1,215	187
1.02	Non-current assets	81,561	51,980	53,682
1.02.01	Long-term receivables	12,984	13,630	7,498
1.02.01.01	Miscellaneous Credits	0	0	0
1.02.01.02	Credits with Related Parties	0	0	0
1.02.01.02.01	With Associated/ Affiliated Companies	0	0	0
1.02.01.02.02	With Controlled Companies	0	0	0
1.02.01.02.03	With other Related parties	0	0	0
1.02.01.03	Others	12,984	13,630	7,498
1.02.01.03.01	Dividends receivables from controlling company	4,831	5,761	6,683
1.02.01.03.02	Judicial deposits	1,669	2,042	815
1.02.01.03.03	Account receivable from the sale of property, plant and equipment	4,973	5,725	0
1.02.01.03.04	Recoverable Taxes	0	0	0
1.02.01.03.05	Others	1,511	102	0
1.02.02	Permanent assets	68,577	38,350	46,184
1.02.02.01	Investments	543	543	543
1.02.02.01.01	Interests in Associated/ Affiliated companies	0	0	0
1.02.02.01.02	Interests in Associated/ Affiliated companies – goodwill	0	0	0
1.02.02.01.03	Interests in Controlled Companies	0	0	0
1.02.02.01.04	Interests in Controlled Companies – goodwill	0	0	0
1.02.02.01.05	Other investments	543	543	543
1.02.02.02	Property, plant and equipment	44,348	31,202	36,469
1.02.02.03	Intangible	22,485	4,994	6,883
1.02.02.04	Deferred	1,201	1,611	2,289

01.01- IDENTIFICATION

1 – CVM Code	2 – Business Name	3 – CNPJ:
01047-2	SARAIVA S.A. LIVREIROS EDITORES	60.500.139/0001-26

06.02 – BALANCE SHEET – CONSOLIDATED LIABILITIES (Thousand Brazilian *Reais*)

1 - CODE	2 – DESCRIPTION	3 – 12/31/2007	4 – 12/31/2006	5 - 12/31/2005
2	Total Liabilities	524,634	415,920	280,161
2.01	Current Liabilities	194,347	148,146	125,501
2.01.01	Loans and Financings	15,122	2,097	5,585
2.01.02	Debentures	0	0	0
2.01.03	Suppliers	106,673	97,933	70,022
2.01.04	Taxes, Fees and Contributions	26,641	16,954	20,207
2.01.04.01	Provision for Income tax and Social contribution	12,090	5,286	9,939
2.01.04.02	Other taxes and social contributions to collect	14,551	11,668	10,268
2.01.05	Dividends Payable	18,891	13,988	11,048
2.01.05.01	Interests on own capital	14,754	13,988	10,129
2.01.05.02	Dividends	4,137	0	919
2.01.06	Provisions	5,397	4,336	4,057
2.01.07	Debts to Related Parties	0	0	0
2.01.08	Others	21,623	12,838	14,582
2.01.08.01	Copyright payable	8,610	4,617	5,443
2.01.08.02	Sales to deliver	0	0	4,828
2.01.08.04	Rent payable	2,370	2,428	2,119
2.01.08.05	Other liabilities	10,643	5,793	2,192
2.02	Non-Current Liabilities	47,468	36,287	21,659
2.02.01	Long-term Liabilities	47,468	36,287	21,659
2.02.01.01	Loans and Financings	31,420	22,759	8,591
2.02.01.02	Debentures	0	0	0
2.02.01.03	Provisions	12,804	13,528	13,068
2.02.01.03.01	Deferred income tax and social contribution	7,647	4,755	3,815
2.02.01.03.02	Provision for contingencies	114	1,729	2,840
2.02.01.03.03	Taxes and contributions to collect	5,043	7,044	6,413
2.02.01.03.04	Others	0	0	0
2.02.01.04	Debts to Related Parties	0	0	0
2.02.01.05	Advance for Future Capital Increase	0	0	0
2.02.01.06	Others	3,244	0	0
2.02.02	Income for Future Fiscal Years	0	0	0
2.03	Interests of Non-Controlling Shareholders	63	51	46
2.04	Shareholders' Equity	282,756	231,436	132,955
2.04.01	Realized Capital Stock	147,774	147,774	46,405
2.04.02	Capital Reserve	0	0	13,947
2.04.03	Revaluation Reserve	0	0	0
2.04.03.01	Own assets	0	0	0
2.04.03.02	Controlled/Associated and Affiliated	0	0	0
2.04.04	Profit Reserves	133,745	82,425	71,366
2.04.04.01	Legal	15,725	12,215	9,892
2.04.04.02	Statutory	0	0	0

01.01- IDENTIFICATION

1 – CVM Code	2 – Business Name	3 – CNPJ:
01047-2	SARAIVA S.A. LIVREIROS EDITORES	60.500.139/0001-26

06.02 – BALANCE SHEET – CONSOLIDATED LIABILITIES (Thousand Brazilian *Reais*)

1 - CODE	2 – DESCRIPTION	3 – 12/31/2007	4 – 12/31/2006	5 - 12/31/2005
2.04.04.03	For contingencies	0	0	0
2.04.04.04	From Profit to realize	0	0	0
2.04.04.05	Profit retention	0	0	0
2.04.04.06	Special for Accumulated Dividends	0	0	0
2.04.04.07	Other Profit Reserves	118,020	70,210	61,474
2.04.04.07.01	Reserve for future capital increase	120,890	73,080	64,344
2.04.04.07.02	Treasury Shares	(2,870)	(2,870)	(2,870)
2.04.05	Accumulated Profits/Losses	1,237	1,237	1,237
2.04.06	Advances for future capital increase	0	0	0

01.01- IDENTIFICATION

1 – CVM Code	2 – Business Name	3 – CNPJ:
01047-2	SARAIVA S.A. LIVREIROS EDITORES	60.500.139/0001-26

07.01 – STATEMENT OF CONSOLIDATED INCOME (Thousand Brazilian *Reais*)

1 - CODE	2 – DESCRIPTION	3 – 01/01/2007 to 12/31/2007	4 – 01/01/2006 to 12/31/2006	5 – 01/01/2005 to 12/31/2005
3.01	Gross Revenue from Sales and/or Services	779,375	587,290	505,623
3.02	Deductions from Gross Revenue	(45,883)	(36,349)	(28,377)
3.03	Net Revenue from Sales and/or Services	733,492	550,941	477,246
3.04	Cost of Properties and/or Services Sold	(370,522)	(267,963)	(216,839)
3.05	Gross Income	362,970	282,978	260,407
3.06	Operational Expenses/Income	(271,376)	(233,207)	(209,406)
3.06.01	With sales	(189,348)	(148,445)	(130,705)
3.06.02	General and Administrative	(62,099)	(59,637)	(52,946)
3.06.03	Financial	(11,323)	(14,001)	(14,476)
3.06.03.01	Financial income	14,126	12,192	3,579
3.06.03.02	Financial Expenses	(25,449)	(26,193)	(18,055)
3.06.04	Other Operational Income	3,026	1,356	3,082
3.06.05	Other Operational Expenses	(11,632)	(12,480)	(14,361)
3.06.05.01	Depreciation and Amortization	(10,359)	(10,034)	(10,856)
3.06.05.02	Other	(1,273)	(2,446)	(3,505)
3.06.06	Result from Equity Income	0	0	0
3.07	Operating Income	91,594	49,771	51,001
3.08	Non-operating income	65	5,501	(170)
3.08.01	Revenue	65	5,501	0
3.08.02	Expenses	0	0	(170)
3.09	Income before Taxation/Interests	91,659	55,272	50,831
3.10	Provision for Income Tax and Social Contribution	(27,309)	(16,031)	(19,221)
3.11	Deferred Income tax	(3,484)	(2,418)	2,348
3.12	Statutory Interests/Contributions	(5,397)	(4,336)	(4,057)
3.12.01	Interests	(5,397)	(4,336)	(4,057)
3.12.02	Contributions	0	0	0
3.13	Reversal of Interests on Own Capital	14,754	13,988	10,129
3.14	Interests of Non-Controlling Shareholders	(16)	(6)	(5)
3.15	Profit/Loss for the Year	70,207	46,469	40,025
	NUMBER OF SHARES, LESS TREASURY SHARES (THOUSAND)	28,230	28,230	22,937
	PROFIT PER SHARE (Brazilian *Reais*)	2.48696	1.64609	1.74500
	LOSS PER SHARE (Brazilian *Reais*)			

01.01- IDENTIFICATION

1 – CVM Code	2 – Business Name	3 – CNPJ:
01047-2	**SARAIVA S.A. LIVREIROS EDITORES**	**60.500.139/0001-26**

08.01 – STATEMENT OF CONSOLIDATED SOURCES AND USES OF FUNDS (Thousand Brazilian *Reais*)

1 - CODE	2 – DESCRIPTION	3 – 01/01/2007 to 12/31/2007	4 – 01/01/2006 to 12/31/2006	5 – 01/01/2005 to 12/31/2005
4.01	Sources	112,550	146,611	64,528
4.01.01	From Operations	83,559	63,758	54,334
4.01.01.01	Profit/Loss for the Year	70,207	46,469	40,025
4.01.01.02	Amounts which do not represent movement in working capital	13,352	17,289	14,309
4.01.01.02.01	Depreciation and Amortization	10,715	10,764	12,175
4.01.01.02.02	Residual Cost of property, plant and equipment	521	3,655	603
4.01.01.02.03	Retirement of deferred assets	0	43	0
4.01.01.02.04	Deferred income tax and social contribution	3,822	1,862	914
4.01.01.02.05	Financial charges of monetary and exchange amounts of Long-term assets and Long-term liabilities	(109)	792	612
4.01.01.02.06	Provision for losses without investments	0	168	0
4.01.01.02.07	Reversion of provision for contingencies	(1,613)	0	0
4.01.01.02.08	Minority interest in controlled company	16	5	5
4.01.02	Of the Shareholders	0	66,000	0
4.01.02.01	Capital increase public subscription	0	66,000	0
4.01.03	From third parties	28,991	16,853	10,194
4.01.03.01	Financings obtained	23,711	15,815	7,500
4.01.03.02	Prescribed dividends – unclaimed interests on own capital	0	0	91
4.01.03.03	Increase in long-term liabilities	3,839	1,038	439
4.01.03.04	Reduction in long-term assets	1,441	0	2,164
4.02	Investments	79,618	31,795	29,152
4.02.01	Acquisition of property, plant and equipment	23,999	6,628	8,370
4.02.02	Investments in controlled company - goodwill	17,434	0	0
4.02.03	Transfer from Long-term liabilities to the current liabilities	17,730	4,262	7,780
4.02.04	Dividends and interests on own capital	18,891	13,988	11,048
4.02.05	Increase of long-term assets	1,564	6,701	1,954
4.02.06	Reduction in long-term liabilities	0	216	0
4.03	Increase/Decrease in working capital	32,932	114,816	35,376
4.04	Variance in current assets	79,133	137,461	16,711
4.04.01	Current assets in the beginning of fiscal year	363,940	226,479	209,768
4.04.02	Current assets in the end of fiscal year	443,073	363,940	226,479
4.05	Variance in current liabilities	49,201	22,645	(18,665)
4.05.01	Current liabilities in the beginning of fiscal year	148,146	125,501	144,166
4.05.02	Current liabilities in the end of fiscal year	197,347	148,146	125,501

09.01 – INDEPENDENT AUDITORS OPINION – WITHOUT QUALIFICATION

To the Shareholders and Board of Directors of
Saraiva S.A. Livreiros Editores
São Paulo – SP

1. We examined the individual and consolidated balance sheets of Saraiva S.A. Livreiros Editores ("Company") and the controlled companies, elaborated on December 31, 2007 and 2006, and the respective statements of income, changes of the shareholders' equity (controlling company) and the sources and use of funds corresponding to the fiscal years ended on that dates, prepared under the responsibility of its Management. Our responsibility is to express an opinion regarding these accounting statements.

2. Our examinations were carried out according to the Brazilian rules of Audit and comprised: (a) the works planning, considering the balances relevance, the volume of transactions and the accounting systems and internal controls of the Company and its controlled companies; (b) verification, based on tests, of the evidences and the records that support the amounts and the accounting information disclosed; and (c) the assessment of the accounting practices and the most representative accounting estimations adopted by the Managements of the Company and its controlled companies, as well as the presentations of the accounting statements taken as a whole.

3. In our opinion, the accounting statements referred to on paragraph 1 properly represent, in all relevant aspects, the equity and financial, individual and consolidated position, of Saraiva S.A. Livreiros Editores and its controlled companies on December 31, 2007 and 2006, the result of its operations, the changes on its shareholders' equity (controlling company) and the sources and use of funds corresponding to the fiscal years ended on that dates, according to the accounting practices adopted in Brazil.

4. Our examinations were performed with the purpose of issuing an opinion on the basic accounting statements mentioned in paragraph 1, taken as a whole. The individual, consolidated and cash flow, which are being presented in the explanatory note No. 23 in order to render supplementary information regarding the Company, are not required as integrating part of the basic accounting statements, according to the accounting practices adopted in Brazil up to December 31, 2007. The cash flows statements were submitted to the same audit procedures described on paragraph 2 and, in our opinion, these supplementary statements are properly presented, in all its relevant aspects, related to the basic accounting statements regarding the fiscal years ended on December 31, 2007 and 2006, taken as a whole.

São Paulo, March 7, 2008.

DELOITTE TOUCHE TOHMATSU	Maurício Pires de Andrade Resende
Independent Auditors	Accountant
CRC [Regional Board of Accountants] No. 2 SP 011609/O-8	CRC No. 1 MG 049699/O-2 "T" SP

10.01 - MANAGEMENT'S REPORT

Dear Shareholders,

The Management of Saraiva S/A Livreiros Editores submits to your appreciation the Management's Report and the corresponding Accounting Statements, with the Opinion of the Independent Auditors, regarding the fiscal year ended on December 31, 2007.

The Saraiva Group performs in the publishing segment through Editora Saraiva (Saraiva S/A Livreiros Editores), and in the retail segment, through Livraria Saraiva (Livraria e Papelaria Saraiva S/A).

The operating and financial information of the Company are consolidated and presented in Brazilian Reais, according to the Corporate Law. All the comparisons were performed regarding the year 2006, except when otherwise specified.

MANAGEMENT'S MESSAGE

2007 was a year of great accomplishments for Saraiva. While the Company achieved a solid performance, achieving several profitability and growth records, we identified unique investment opportunities which strengthen our competitive capacity and contribute to the continuity of sustainable growth.

Saraiva's performance was favored by the environment of economic growth and income recovery, with positive reflexes on the consumption of products and services associated to education, culture and information, associated to the scenario of intensification of public investments in education.

Consolidated net income was R$70.2 million, which corresponds to the growth of 51.1%, which represents a record for the fourth consecutive year. The consolidated gross profit totaled R$779.4 million, up 32.7% in relation to the previous year. The EBITDA [Earnings before Interest, Taxes, Depreciation and Amortization] totaled R$113.3 million, representing a 53.5% in relation to 2006. Total investments in 2007 achieved a record of R$41.4 million.

Editora Saraiva has always been known for the high quality standards and publishing excellence of its products. During 2007, Editora Saraiva took two important strategic steps in order to add value to the education solutions offered, with the acquisition of Pigmento Editorial S.A., responsible for the trading of *Ético Sistema de Ensino* (Ético Teaching System), and entering in the multimedia educational content segment by means of a partnership with Houghton Mifflin Harcourt International Publishers, one of the world's leading companies in the segment of educational software.

10.01 - MANAGEMENT'S REPORT

Editora Saraiva's traditional business areas also achieved positive performance in 2007. The legal book area consolidated its leadership position even more, and the segment of economics, business administration and business books rose significantly. In the textbook market, the highlight was the record amount negotiated with the National Education Development Fund (FNDE), which totaled almost R$100 million, for the supply of textbooks for school year 2008, under the elementary school (PNLD – Textbook Brazilian Program) and high school (PNLEM – Brazilian Program for the High School Book).

2007 was a year of great accomplishments for **Livraria Saraiva**. The rapid sales growth, associated to effective cost and expense control, enabled a strong profitability growth, surpassing initial expectations. The EBITDA margin evolved from 6.0% in 2006 to 9.2% in 2007.

The expansion of the chain of physical stores achieved record figures. Seven stores were opened during the year, consolidating the leading position in São Paulo and Rio de Janeiro markets even more, and enabling the entry in important consumer markets, such as Salvador and Florianópolis.
In addition, comparable sales of the stores existing in these two years showed a significant growth of 16.2%.

Livraria Saraiva's electronic retail division showed again robust growth in income and value generation, reaching 60.8% increase in sales.

The "Saraiva Plus" loyalty program surpassed 1.77 million members and is consolidating as one of the most efficient customer retention programs in domestic retail.

Saraiva exceeded expectations in one more year of strong growth and record results. We went further with efficiency to additionally strengthen the Saraiva brand, synonym of publishing quality and excellence in retail operations. We are still optimistic about the existing opportunities in our marketplaces and confident of the continuous capacity of our collaborators to excel.

PUBLISHING AND BOOKSTORE MARKET

Highlights of the publishing and bookstore market and positions of the main participants:

10.01 - MANAGEMENT'S REPORT

Publishing Market – 2006
Composition of Gross Sales: R$2.1 billion

[There is a graph]

[Graph Key]:
Científico, técnico e profissional - Scientific, Technical and Professional(*)
Religiosos - Religious
Obras Gerais - General Books
Didáticos - Textbooks

(*) Includes legal books
Source: CBL (Câmara Brasileira do Livro [Brazilian Book Chamber]).

Textbook and Supplementary Textbook Market – 2006
Main Publishers by Net Sales – (R$ million)

[There is a graph]

Source: Published balance sheets and Serasa

Legal Book Market – 2006
Main Publishers by Net Sales – (R$ million)

[There is a graph]

([1]) Only legal books (Saraiva's estimate)
Source: Published balance sheets and Serasa

Book Market – 2006
Gross Sales by Sales Channel: R$2.9 billion

[There is a graph]

[Graph Key]:
Outros – Others
Livraria – Bookstore

10.01 - MANAGEMENT'S REPORT

Main Bookstores
Net Sales – R$ million

[There is a graph]

Source: Published balance sheets, Saraiva and Serasa

EDITORA SARAIVA (SARAIVA S.A. LIVREIROS EDITORES)

Editora Saraiva is the controlling company of Livraria Saraiva, with 99.91% of its shares – the companies have different activities and business names.

The table below summarizes the main data on Editora Saraiva's economic and financial performance:

Description	2007		2006		AH %
	R$ thousand	AV %	R$ thousand	AV %	
Gross Revenue	309,265	100.1	247,770	100.1	24.8
Net Revenue	309,081	100.0	247,507	100.0	24.9
Gross Profit	202,332	65.5	167,688	67.8	20.7
Operating Expenses	133,892	43.3	118,090	47.7	13.4
EBITDA	73,161	23.7	54,819	22.1	33.5
Net (Expenses) Financial Revenue	8,282	2.7	2,278	0.9	263.6
Net profit before Equity Income	52,475	17.0	39,139	15.8	34.1
Net profit	70,207	22.7	46,469	18.8	51.1

Gross revenue
Gross revenue accumulated R$309.3 million, 24.8% higher than in the previous year. As shown in the graph below, both book sales to the private market and the revenue obtained in the trading with the government contributed to the significant increase in total revenue for the period.

10.01 - MANAGEMENT'S REPORT

Gross Revenue
(R$ million)

[There is a graph]

[Graph Key]:
Mercado Privado – Private Market *Governo* - Government

Private Market
Book sales to the private market amounts R$188.7 million, an 11.3% increase as compared to the previous year. Highlights in the period were the legal books (+12.6%) and economics, business administration and business books (+43.2%).

Government
Book sales to the government totaled R$120.5 million, a 53.9% increase in relation to 2006.

The table below summarizes the total contracted for each school year and the related revenue allocation schedule.

R$ million

Program per School year		**Sales Allocation (fiscal year)**	
Elementary and High School (1)	**Total Sales (Amount of Contracts)**	**2007**	**2006**
2006	65.7		14.8
2007	84.6	21.1	63.5
2008	99.4	99.4	
Total		**120.5**	**78.3**

(1) Comprises PNLD. PNLEM. "Livro na Escola [Book at School]" Program – SEE [State Department of Education]/MG and PNBE (Books at School Brazilian Program).

10.01 - MANAGEMENT'S REPORT

Besides the fact that the total amount negotiated in the textbooks supply contracts for school year 2008 represented a historical record for the Company, sales allocation of the related contracts were fully recognized in 2007, representing an advance of the supply schedule in relation to the previous programs.

Therefore, 2007 was favored by the allocation of part of the revenue from the programs for the school year 2007, recorded in 1Q07, and by the full record, during 4Q07, of sales regarding the government programs for school year 2008. Thus, 2008 will virtually not have sales revenue to the government during 1Q08, and the program revenue allocation for the school year 2009 will occur in the last quarter of 2008.

Based on the schedules already disclosed by the government, the expectation is to continue the full revenue allocation for the next school years in the last quarter of the year previous to the corresponding school year.

The main government textbook purchasing programs are the PNLD (Textbook Brazilian Program), which serves public elementary school students, and the PNLEM (Brazilian Program for the High School Book), which serves public high school students.

Government acquisitions for **elementary school** (32.9 million students) follow a three-year cycle. The tables below briefly present the purchasing potential, showing the current cycle and the new cycle as of 2009, which consider the new nine-year elementary school and the estimated purchase of foreign language textbooks.

Elementary School – Current Cycle

Grade	Number of Students (Million)	Subjects	Market Potential Number of Books (Million)	% of Market potential acquired in each year		
				PNLD2007	PNLD2008	PNLD2009
1st Grade	4.1	Literacy, Portuguese, Mathematics, Sciences, History and Geography	24.7	100%	100%	100%
2nd – 4th Grade	10.9	Portuguese, Mathematics, Sciences, History, Geography and Regional Books (1)	59.9	100%	12%*	12%*
5th – 8th Grade	13.4	Portuguese, Mathematics, Sciences, History and Geography	66.9	12%*	100%	12%*

Source: FNDE / MEC / INEP (2006 School Census)
* Historical Percentage of Replacement
(1) History and Geography

Elementary School – Current Cycle

Grade	Number of Students (Million)	Subjects	Market Potential Number of Books (Million)	% of Market potential acquired in each year		
				PNLD2007	PNLD2008	PNLD2009
1st Grade	4.5	Portuguese and Mathematics	9.0	100%	100%	100%
2nd Grade	4.1	Portuguese and Mathematics	8.2	100%	100%	100%
		Sciences, History and Geography	12.3	100%	12%	12%
3rd to 5th Grade	10.9	Portuguese, Mathematics, Sciences, History, Geography and Regional Books (1)	59.9	100%	12%	12%
6th to 9th Grade	13.4	Portuguese, Mathematics, Sciences, History, Geography	66.9	12%*	100%	12%*
		Foreign Language (2)	13.4	-	100%	12%

Source: FNDE / MEC / INEP (2006 School Census)
* Historical Percentage of Replacement
(1) History and Geography
(2) Actual purchase of textbooks depends on budget appropriation.

Saraiva’s interest in the market of textbooks adopted by elementary schools for the 5th to 8th grades (PNLD/2008) was 13.1%, in line with the interest registered in the previous program destined to this segment (PNLD/2005).

Government acquisitions for **high schools** began in 2004 through a federal government pilot project. In 2007, FNDE issued a Resolution defining the progressive book purchasing schedule up to, at least, 2012. The table below shows the purchasing cycle and the market potential for this segment, which has currently 7.8 million students enrolled.

10.01 - MANAGEMENT'S REPORT

High School

Grade	Number of Students (Million)	Subjects	Market Potential Number of Books (Million)	% of Market potential acquired in each year		
				PNLD2007	PNLD2008	PNLD2009
1st to 3rd Grade	7.8	Chemistry and History	15.6	-	100%	12%*
		Portuguese and Mathematics	15.6	12%*	12%*	100%
		Biology	7.8	100%	12%*	100%
		Physics and Geography	15.6	-	-	100%

Source: FNDE / MEC / INEP (2006 School Census)
* Historical Percentage of Replacement

History and Chemistry textbooks were purchased within the scope of PNLEM/2008. Saraiva obtained a market interest of 22.4% of the total History textbooks (Saraiva had no market interest in Chemistry textbooks). Under PNLEM/2009, new adoptions in five subjects will be acquired, representing a record of the total government acquisition volume for high schools and good prospects for Saraiva, which has books approved for five subjects of this program.

Gross Profit

Gross profit totaled R$202.3 million, with an increase of 20.7% on the gross profit from the previous year. The gross margin, profit to net revenue ratio, decreased from 67.8% to 65.5% in the period, due to the larger interest of sales to the government, in the period, whose trading margins are lower that in sales to the private market.

Operating Income

Operating expenses amounted to R$133.9 million, which is equivalent to a 13.4% increase on the expenses recorded in 2006. The "operating expenses to net revenue" ratio improved, by going from 46.7%* in 2006 to 43.3% in 2007.

The continuous focus on cost management and control has improved significantly the expenses to sales ratio, favoring the Company's competitiveness in order to grow efficiently and with appropriate profitability. The table below shows the evolution in recent years, nine percentage points lower over the last five years.

	2003	2004	2005	2006*	2007
Operating Expenses to Net Revenue % Ratio	52.4%	49.1%	46.0%	46.7%	43.3%

***** excluding extraordinary events

EBITDA*

EBITDA accumulated R$73.2 million, which represents a 33.5% increase on 2006's income. EBITDA margin was R$23.7% in 2007, which meant a 1.6 percentage point increase in relation to the previous year.

EBITDA Reconciliation (R$ thousand)	2007	2006	*Var.*
Operating Income	77,123	52,013	*48.3%*
(+) Depreciation and Amortization	4,320	5,084	*-15.0%*
(-) Net Financial Revenue	8,282	2,278	*236.6%*
(=) EBITDA	73,161	54,819	*33.5%*

Financial Income/Capital Structure

The financial income evolved from a net revenue of R$2.3 million to R$8.3 million, reflecting the best cash position in the period.

The financial position evolved from a net cash (cash equivalents less loans) of R$77.8 million at the end of 2006 to R$76.9 million at the end of 2007. Note that the last installment (in the amount of R$46.4 million) of the sale contracts with the government (PNLD and PNLEM/08) was paid at the beginning of January 2008. If the related amount was received during 2007, net cash position would improve considerably.

Throughout 2007, R$13.2 million was released from the BNDES financing, to carry out the investment plan for the period 2005/2007. In January 2008, R$1.0 million was released and the full amount contracted of R$32.5 million was made available.

Non-Operating Result

Non-operating income in 2007 was R$72 thousand as compared to R$5.5 million recorded in the previous year. The result for 2006 is mainly explained by the profit from the sale of assets due to the shutdown of the Company's printing unit.

Net profit

Net profit before equity income of the controlled companies Livraria Saraiva and Pigmento Editorial totaled R$52.5 million, representing a 34.1% increase. Editora Saraiva's equity profitability (net profit before equity/shareholders' equity at beginning of the year, less investments in Livraria Saraiva) reached 30.4%.

** Ebitda represents the net profit before the financial income, social contribution income tax, depreciation and amortization .It is not a measure used under Brazilian accounting practices or under accounting principles generally accepted in other countries, not representing cash flows for the reporting periods, and should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flows as an indicator of liquidity. Ebitda does not have a standardized meaning and this definition of EBITDA may not be comparable to EBITDA as defined by other companies.*

01047-2 SARAIVA S.A. LIVREIROS EDITORES 60.500.139/0001-26

10.01 - MANAGEMENT'S REPORT

LIVRARIA SARAIVA (LIVRARIA E PAPELARIA SARAIVA S.A.)

Livraria Saraiva is primarily engaged in retail sale of books, DVDs, music, periodicals, stationery, multimedia, and computer and electric-electronic products.

The table below presents the main data on economic and financial performance.

Description	2007		2006		AH %
	R$ thousand	AV %	R$ thousand	AV %	
Gross Revenue	487,376	110.3	352,202	111.4	38.4
Net Revenue	441,677	100.0	316,116	100.0	39.7
Gross Profit	160,665	36.4	115,344	36.5	39.3
Operational Expenses	127,496	28.9	100,081	31.7	27.4
EBITDA	40,543	9.2	18,986	6.0	113.5
Net (Expenses) Financial Revenue	(4,824)	-1.1	(2,290)	-0.7	110.7
Net profit	18,223	4.1	6,662	2.1	173.5

Gross Revenue

(R$ million)

[There is a graph]

Livraria Saraiva's gross revenue totaled R$487.4 million, up 38.4% in relation to 2006. The exceptional growth was due to the solid performance of the electronic retail division (+ 60.8%) and physical stores (+ 29.8%).

The significant growth rate for sales of the physical stores is the result of the store expansion project, with seven new units opened throughout 2007, and of 16.2% increase in the revenue of the comparable stores (existing since the beginning of 2006).

10.01 - MANAGEMENT'S REPORT

The graph below shows the sales growth evolution of comparable physical stores for the quarter compared to the same period from the previous year.

Nominal growth of Comparable Stores - by quarter

[There is a graph]

[Graph Key:]
Oct-Dec-06 Jan-Mar-07 Apr-Jun-07 Jul-Sep-07 Oct-Dec-07

The nominal growth index in the book, newspaper, and stationery sector, released by the IBGE (Brazilian Institute of Geography and Statistics) in the monthly survey of commerce, showed a variation of 8.8% in 2007, as compared to the Saraiva's 32.4% growth in the same areas, showing the conquest of market interest in these segments.

The consistent growth in revenue achieved in 2007 is a result from a strategic plan designed as of 2005, comprising the hiring of a new executive team, and which increased aggressiveness in marketing actions and decided for the expansion of the mix of sold product categories. In addition, Management opted to increase the pace of the stores opening and extend the payment terms for customers, which contributed to creating favorable conditions for a quick sales boost. Due to an economy which is also favorable, the growth scenario was enhanced.

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Gross Profit

Gross profit totaled R$160.7 million, an amount 39.3% higher in relation to the prior year. The gross margin was 36.4% in 2007, remaining virtually the same as in 2006, with 36.5%.

The result achieved in gross margin is positive, since the rapid sales growth of the new product categories, especially computer products, which have lower sales margins than books, generated a natural pressure on the margin. This trend was offset by the efforts made to increase sales margins of traditional products, besides the Saraiva's greater representativity with suppliers of the more recent product lines, favoring the negotiation of better commercial conditions.

Operating Income

The operating expenses to net revenue ratio has continuously improved over the last few years, as a result of the focus on cost control and rationing, and of the rapid revenue growth, favoring the dilution of fixed costs. The evolution of this performance is shown in the table below, which evidences a gain of nine percentage points over the last 5 years.

Operating Expenses to Net Revenue % Ratio	**2003**	**2004**	**2005**	**2006***	**2007**
	37.9%	37.7%	34.5%	31.7%	28.9%

The Company's management understands that effective cost and expenses control contributes significantly to the Company's long-term sustainability and is still aware of the opportunities for new efficiency gains.

EBITDA

EBITDA totaled R$40.5 million, a 113.5% increase in relation to the previous year. The EBITDA margin evolved from 6.0% to 9.2% in 2007.

EBITDA Reconciliation (R$ thousand)	**2007**	**2006**	***Var.***
Operating Income	29,700	11,746	*152.9%*
(+) Depreciation and Amortization	6,019	4,950	*21.6%*
(-) Net Financial Revenue	(4,824)	(2,290)	*110.7%*
(=) EBITDA	40,543	18,986	*113.5%*

Financial Income/Capital Structure

The net financial expenses increased from R$2.3 million to R$4.8 million in 2007. The financial position evolved from a net cash of R$6.4 million at the end of 2006, to a net debt of R$3.6 million at the end of 2007.

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The changes in net financial result and in financial position result from the intensification of investments in physical store chain expansion and the increase in working capital requirements due to the rapid sales growth.

During 2007, R$10.5 million was released, related to the BNDES financing, for the store chain expansion in the period 2005/2008 and for the project to restore and modernize some important units of the chain. Financing from the BNDES is in line with Management's strategy to optimize the capital structure in order to support the new investments.

Working Capital

The working capital to gross sales ratio was 16.4% in 2007, against 13.7% in the previous year. The increasing interest of the computer products line in the sales mix and the expansion of customer financing are some of the measures responsible for the successful action plan designed to foster sales and, as expected, explain the improvement of the working capital indicator used.

In order to effectively support the strategy of financing sales to customers, the Company is striving to improve logistics and intensifying partnerships with suppliers that result in gains on inventory turnover.

Working Capital (1) / Gross Revenue (2)

[There is a graph]

(1) Inventories + Customers – Suppliers (monthly average for the last 12 months)
(2) Gross sales in the last 12 months

Net income

As a result of the strong sales growth and the effective expenses control, the net income reached R$18.2 million, a 173.5% increase in relation to the previous year. The net margin virtually doubled, evolving from 2.1% to 4.1%.

Awards

Livraria Saraiva was awarded the Alshop/Visa Award by the vote of the Academy, in the category "Leisure and Entertainment Products", during the ceremony held in April 2007 by *Associação Brasileira de Lojistas de Shopping* [Brazilian Association of Shopping Mall Storeowners].

Marketing/Partnerships

One of the strategies that has been contributing to Livraria Saraiva being top of mind for culture, entertainment and information is the increased aggressiveness in marketing actions and the expansion of important partnerships. The highlights in 2007 were:

- The growth of 54.6% of the "Saraiva Plus" loyalty program's membership base. At the end of December 2007, the program had more than 1,770 thousand members;
- Holding of over 2,700 cultural events in the chain of stores, among book, CD and DVD launches, pocket shows, chats, mini-courses, debates and children's activities, which has been contributing to the increase of customers flow at the stores;
- Expansion of the partnership with Ticketmaster, the world's leading company in the sale of tickets for concerts. At the end of 2007, Ticketmaster was present in nine Saraiva's stores, adding value to customers' buying experience and reinforcing the Company's image as a convenience and culture center;
- Beginning of a partnership with the renowned coffee shops "Café Havanna", at Shopping Crystal store in Curitiba, and "Suplicy Cafés Especiais", at Shopping Paulista Megastore in São Paulo;
- Agreement entered into with Apple designating Saraiva as an authorized distributor. This partnership enabled Saraiva to be one of the few companies to buy directly from Apple in Brazil;
- Agreement entered with Banco do Brasil to launch the Saraiva credit card. With its broad range of advantages, this international credit card helps increasing the institutional value of the Saraiva brand, in addition to reducing the management fee and allowing the Company to have an even closer relationship with customers. Launched as a pilot project in October 2007, more than 11.5 thousand cards had already been issued by the end of February 2008.

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Saraiva.com – Livraria Saraiva's Electronic Retail Division

Indicators – Saraiva.com	**2007**	**2006**	***Var.***
Gross Revenue (R$ thousand)	156,524	97,349	*60.8%*
Operating Expenses (SG&A)	27,956	19,307	*44.8%*
EBITDA (R$ thousand)	17,627	10,645	*65.6%*
Active customers (thousand) (1)	1,197	941	*27.2%*
% on Gross Revenue of Livraria Saraiva	32.1%	27.6%	*4.5p.p.*
Average Ticket (R$)	130.93	111.93	*17.0%*

([1]) *Active customers: users who have made at least one purchase per year in the last two years.*

The year 2007 set more than one period of significant growth for electronic retail in the domestic market. The drop in computer prices and in the broad-band access subscription cost, together with economic stability and consumer credit expansion, produced a growth rate above management's expectations. For the first time in history, in 2007 more computers than television sets were sold in Brazil.

Saraiva was one of the pioneers in the domestic electronic commerce with an advanced logistics operation, in addition to a strong and reliable brand associated to books, which is one of the Internet-based best sellers.

With the favorable environment and Saraiva's technical capacity in online transactions, gross sales reached R$156.5 million, with a significant increase of 60.8% as compared to the previous year. The interest in the Livraria's total gross revenue reached 32.1% in 2007 against 27.6% in 2006.

The strategy of expanding the categories of products supplementing books continued to produce significant results, notably IT products, which increased 234%. Among the segments started in 2007, the main highlight was the cell phone line which already represented 4.0% of total electronic commerce sales in 2S07. The number of items registered and available for sale at the end of 2007 exceeded 1,455 thousand products, a 33.9% rise in relation to the end of 2006.

It is important to note also the positive performance of the book line, which is the Company's flagship both at physical stores and electronic retail. This segment growth through Internet-based sales was 46.7%.

The graph below shows the sales growth evolution for the quarter compared to the same quarter of the previous year.

10.01 - MANAGEMENT'S REPORT

Nominal growth of Saraiva.com - by quarter

[There is a graph]

[Graph Key:]
Oct-Dec-06 Jan-Mar-07 Apr-Jun-07 Jul-Sep-07 Oct-Dec-07

The graph below shows the gains of scale resulting from the rapid sales growth.

Saraiva.com
Gross Revenue x SG&A (*)
(R$ million)

[There is a graph]

[Graph Key:]
Gross Revenue

(*) Selling, General and Administrative Expenses

Awards in Electronic Retail

In recognition for the continuous investments in order to improve services provided by the electronic retail division, Saraiva received the following awards:

- "Infoweb 2007", as the best on-line store in Brazil, elected by readers of INFO magazine;
- "Excellence in B2C Electronic Commerce Quality – 2007", an award conceived by e-bit, company specialized in the Internet, elected by consumers as one of the best on-line stores in terms of service standard;
- "Diamond" company, based on customer service quality and excellence, held by e-bit.

CONSOLIDATED

The table below presents the main data on consolidated economic and financial performance

R$ thousand	**2007**	**2006**	***Var.***
Gross Revenue	779,375	587,290	*32.7%*
Net Revenue	733,492	550,941	*33.1%*
Gross Profit	362,970	282,978	*28.3%*
Gross Margin	49.5%	51.4%	
Operating Result (EBIT) (a)	102,917	63,772	*61.4%*
Operating Margin	14.0%	11.6%	
Financial Income	3,431	(13)	
Net Profit	70,207	46,469	*51.1%*
Net Margin	9.6%	8.4%	
EBITDA (b)	113,276	73,806	*53.5%*
EBITDA Margin	15.4%	13.4%	
Total Assets	524,634	415,920	*26,1%*
Shareholder's equity	282,756	231,436	*22.2%*
Cash/ (Indebtedness) Net	73,086	84,147	*-13.1%*

(a) Profit before interest and taxes
(b) Profit before interest, taxes, depreciation and amortizations
Note: The consolidated data include the results of Pigmento Editorial for the period from 12/707 to 12/31/07

Mix of Consolidated Gross Revenue

[There is a graph]

[Graph Key]: Livraria [Saraiva] Editora [Saraiva]

Gross Revenue
The consolidated gross revenue totaled R$779.4 million, a 32.7% increase as compared to the previous year, reflecting Editora Saraiva's and Livraria Saraiva's growths.

Gross Profit
The consolidated gross profit totaled R$363.0 million, a growth of 28.3%. The consolidated gross margin was 49.5% in 2007, against 51.4% in 2006, due to Livraria Saraiva's higher weighted interest in total consolidated and the lower gross margin recorded by Editora Saraiva, which was the result of the larger interest of sales to the government in the revenue mix.

Operating income
The operating income before the financial income (Ebit) reached R$102.9 million, a 61.4% increase in relation to 2006. The margin was 2.4 percentage points higher than in 2006, due to greater operational efficiency.

EBITDA
EBITDA reached R$113.3 million, a 53.5% increase in relation to the previous year. The EBITDA margin evolved from 13.4% in 2006 to 15.4% in 2007

EBITDA Reconciliation (R$ thousand)	**2007**	**2006**	***Var.***
Operating Income	106,348	63,759	*66.8%*
(+) Depreciation and Amortization	10,359	10,034	*3.2%*
(-) Net Financial Revenue	3,432	(13)	
(=) EBITDA	113,275	73,806	*53.5%*

Financial Income/Capital Structure

The consolidated financial income improved by R$3.4 million due to Editora Saraiva's net financial income growth that exceeded the increase in Livraria Saraiva's net financial expenses in the period.

Net cash went from R$84.1 million at the end of 2006, to R$73.1 million at the end of 2007, and reflected the increase in investments at the end of 2007 both in Editora Saraiva and in Livraria Saraiva. The current consolidated leverage is 0.4 times EBITDA.

Throughout 2007 the Company received approximately R$23.7 million from the BNDES long-term financing for investment plans of Editora Saraiva and Livraria Saraiva. Since 2006 R$40.5 million has been released by the BNDES.

Saraiva intends to seek new financing similar to the ones obtained from the BNDES, in order to effectively support the investment opportunities in its different marketplaces. The ideal capital structure defined by Management allows for a leverage level of up to 1.5 times EBITDA.

Net Profit

The consolidated net profit reached a record for the fourth consecutive year, totaling R$70.2 million, which is equivalent to a growth of 51.1%. The final result was favored by the positive performance of Editora Saraiva and Livraria Saraiva.

INVESTMENTS

Pursuant to the investment program established as of the capital increase made in April 2006, Saraiva identified opportunities to invest R$41.4 million throughout 2007 in projects with attractive return prospects.

The total amount invested in **Editora Saraiva** reached R$19.1 million, notably the entry in two new market niches that supplement the set of high quality education solutions offered to schools:

- **Ético Sistema de Ensino**. According to a Significant Event notice published on December 7, 2007, Saraiva acquired Pigmento Editorial S.A., responsible for trading the "*Ético Sistema de Ensino*" (Ético Teaching System), consisting of teaching materials published under the strictest conceptual criterion, and a high quality pedagogical support service line. Saraiva maintained this business unit management under the responsibility of Pigmento's founder, José Arnaldo Favaretto, a highly-experienced professional in the education field, who worked as teacher, textbook author and publishing director of well-known publishers in the field of textbooks and education solutions. With this acquisition, Saraiva joins the Teaching System market, which, according to Company's estimates, trades approximately R$500 million per year in Brazil;

- **Editora Saraiva Educação Multimídia**. Another important strategic step that happened in 2007 was Saraiva's initiative to create products that meet and anticipate the educational market demand for digital content. As a result of the partnership with Houghton Mifflin Harcourt International Publishers, one of the world's leading companies in the segment of education software, the first two products launched are multimedia teaching materials for Mathematics and English. Fully in line with Brazilian syllabuses, these products represent digital pedagogical solutions which follow world trends on the use of new technologies in education for more dynamic teaching and learning in schools. The first contacts with private elementary and high schools are underway for sales for school year 2009. With total investments estimated at R$4 million, the perspective is to have the syllabus amplified to the main knowledge areas in the next coming years.

The investment in **Livraria Saraiva** was R$19.9 million, mainly in store chain expansion, with a record opening of seven units in 2007. The graph below shows the significant sales growth with the implementation of the expansion project.

Sales area (thousand m2) and number of stores

[There is a graph]

[Graph Key:]
Dec/06 Mar/07 (1) Jun/07 (2) Oct/07 (3) Dec/07 (4) Dec/08 (5)

(1) Mar/07 – Opening of 2 stores in Rio de Janeiro (capital).
(2) Jun/07 – Opening of 3 stores in Florianópolis, Salvador and Ribeirão Preto
(3) Oct /07 – Opening of 1 store in São Paulo (capital)
(4) Dec/07 – Opening of 1 store in São Paulo (capital)
(5) Estimate for the expansion Project

[There is a map of Brazil.]

[Map key:]
36 stores
3 new stores

10.01 - MANAGEMENT'S REPORT

These as the main characteristics of each opened store:

- Norte Shopping in the city of Rio de Janeiro, with 620m² of sales area, opened in January 2007;
- Building of the IBMEC college, in the city of Rio de Janeiro, with a total area of 200m², opened at the end of February 2007;
- Shopping Iguatemi Florianópolis, with 610m² of sales area, opened in April 2007;
- Shopping Salvador with 1,280m² of sales area, the largest bookstore in Salvador, opened in May 2007;
- Novo Shopping, an important trading center in the city of Ribeirão Preto, with 400m² of sales area, opened in June 2007;
- Shopping Santana, with 450m² of sales area, in the city of São Paulo, opened in October 2007;
- Shopping Paulista, in São Paulo, with 1,000 m² of sales area and a privileged location, opened in November 2007. With the opening of this Mega Store, the traditional format store in this shopping mall was closed.

Another important investment was the renovation of the Mega Store located at Shopping Iguatemi in Campinas, State of São Paulo. With cutting-edge interior design and an atmosphere that favors the comfort of customers, the store was renovated according to the current architecture design and product mix standards defined by Management, which already had a positive impact on sales performance at the end of the year.

CAPITAL MARKET

The following indicators summarize the trading of Saraiva's shares in the last three years

Indicators	2007	2006	2005	2007/2006	2007/2005
Number of Businesses [1]	14.619	28,164	1,724	*-48.1%*	*748.0%*
Interest in Trading Sessions (%) [1]	100.0	100.0	76.7	-	*23.3 p.p.*
Quantity traded (thousand) [1]	18,215	20,314	4,957	*-10.3%*	*267.5%*
Volume Traded (R$ thousand) [1]	507,281	410,861	63,289	*23.5%*	*701.5%*
Share Price (R$) [1 2]	35.00	23.90	17.20	*46.4%*	*103.5%*
Total Outstanding shares (thousand) [2 3]	28,230	28,230	22,937	-	*23.1%*
Market Value (R$ million) [2 4]	**988.1**	**674.7**	**394.5**	*46.4%*	*150.4%*

Source: Bovespa
(1) Referring to preferred shares (SLED4)
(2) At end of year
(3) There was a bonus of 2,326,920 preferred shares in January 2006. 3,000,000 preferred shares were issued in April 2006.
(4) Calculation estimated based on the preferred share price also apply to common shares

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The indicators for 2006 are positively influenced by the successful capital increase. Accordingly, the comparison between 2007 and 2005 reflects more fairly the significant improvement of Company's shares' liquidity.

Saraiva's commitment to the excellence of corporate governance practices, together with a solid operating performance, has resulted in a positive perception from investors and consistently improved the company's market value. 2007 represented the second consecutive year in which all Saraiva's shares were traded in all Bovespa's trading sessions.

SLED4 x Ibovespa
(Base 100 = 12/28/06)

[There is a graph]

[Graph Key]:
Dec/06 Jan/07 Feb/07 Mar/07 Apr/07 May/07 Jun/07 Jul/07 Ago/07 Sep/07 Oct/07 Nov/07 Dec/07

SHAREHOLDING STRUCTURE

Saraiva's subscribed and paid-up capital stock was R$147,774,184.00 on December 31, 2007, represented by 28,596,123 shares, all of them nominative, without certificate and without par value, of which 9,622,313 are common shares (ON) and 18,973,810 are preferred shares (PN). The Company holds 365,750 preferred shares in treasury.

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FREE FLOAT COMPOSITION – SLED4 (preferred shares)
(December 2007)

[There is a graph]

[Graph Key:]
Bancos, Fundos de Investimentos, CTVM e DVTM – Banks, Investment Funds, Securities Brokers and Dealers.
Fundos da Previdência – Pension Funds.
Pessoa Jurídica e S. Anônimas, Civis e por Cotas - Legal Entities and Corporations, Civil Corporations and Limited-Liability Companies.
Pessoa Física e Clubes de Investimento – Individuals and Investment Clubs.

PAYMENT TO SHAREHOLDERS

The Board of Directors, in a meeting held on March 6, 2008, approved the payment of R$14.8 million (R$0.52263911 per share) for the remuneration of shareholders, in the form of interest on own capital. In order to meet legal and statutory requirements as regards minimum dividend and considering the income for the year, additional R$4.1 million (R$0.14640430 per share) will be allocated as supplementary dividends, in accordance with resolution to be passed at the Annual Shareholders' Meeting scheduled for April 23, 2008.

The total gross amount of payment to shareholders will be R$18.9 million (R$0.66904341 per share), equivalent to 26.9% of income for the year, and will represent a dividend yield of 1.9% on the price of preferred shares on 12/31/2007.

10.01 - MANAGEMENT'S REPORT

HUMAN RESOURCES

The consolidated head count ended the year with 2,368 collaborators, representing an additional 26 employees in relation to the previous year. **Editora Saraiva** ended 2007 with 852 collaborators, a decrease of 198 employees, due to the shutdown of the Company's printing unit in January 2007. **Livraria Saraiva** ended the year with 1,516 employees, an increase of 224 employees, due to professionals hired for the new stores

Consolidated productivity indicated by the ratio of revenue to average employees evolved 31.1% and reached R$330.9 thousand, in 2007.

In view of the Company's ambitious growth plans, it is essential to provide conditions to motivate collaborators to continually overcome challenges and meet the requirements of ever more competitive markets. Training, innovation and acknowledgement are key words that support every Saraiva's human resource project. The investments in 2007 registered 538 activities, with 12,383 enrollments in 43 thousand hours of training.

SOCIAL RESPONSIBILITY

Saraiva has focused investments in projects developed by Instituto Jorge Saraiva, which works with social and educational insertion of needy children. The other social projects are promoted by means of community action and solidarity campaigns with the active participation of the collaborators.

INDEPENDENT AUDITORS

In compliance with Brazilian Securities Commission (CVM) Instruction No. 381/2003, we inform that the current agreement with the independent auditors only entails external audit work.

SUBSEQUENT EVENTS

Acquisition of Siciliano

According to a significant event notice published on March 6, 2008, the negotiations of Livraria e Papelaria Saraiva S.A. to purchase 100% of the shares of Siciliano S.A. were successfully completed.

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Siciliano, a traditional domestic company engaged in the retail sale of books, was established in 1928 and has 52 own stores and 11 franchise stores, in 13 Brazilian states, including Distrito Federal.

Siciliano's and Livraria Saraiva's operations are complementary, with little overlapping and high level of operating synergy. Siciliano has excellent commercial locations and an interesting penetration in the states where Saraiva does not operate yet.

The purchase price for Siciliano's shares was R$60.0 million, and Livraria Saraiva also assumed Siciliano's net debt in the amount of R$13.6 million (base 12/31/2007 – unaudited). In 2007, Siciliano's gross revenue (unaudited) was approximately R$156 million - R$151 million from retail activities and R$5 million from publishing activities represented by the labels Arx, Futura, Caramelo and Arxjovem.

The purchase price will be adjusted up or down due to possible variations of net debt and working capital position of Siciliano between November 30, 2007 and the acquisition date, and the result of this possible adjustment will be timely reported by means of a new significant event notice.

Livraria Saraiva will use its best efforts to provide Siciliano's customers a buying experience even more complete, increasing the assortment of products available and investing in professional qualification and expansion of services offered.

With this important acquisition, Saraiva significantly strengthens its position in the domestic retail market and shows its confidence in the future of the book market and in the growth of the publishing market in Brazil.

Merger of Pigmento (Ético Teaching System)

According to the Minutes of the Special Shareholders' Meeting held on February 1, 2008, Pigmento Editorial S.A. was merged into Saraiva S.A. Livreiros Editores, becoming a business unit within Editora Saraiva. The purpose of this measure is to streamline activities and reduce administrative costs, using existing synergies.

Fourth Stock Purchase Option Program

An important strategy to retain talents and the continuous alignment between officers' and shareholders' interests are the Company's stock purchase option programs destined to the main officers.

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The first two plans, launched in 1998 and 2000, respectively, are already closed. The Third Program was disclosed on March 5, 2007, granting call options on 123,800 preferred shares to 19 officers and employees for exercise from 03/08/2010 and 05/07/2010, with restriction on free trading until 05/06/2012. The price set for each share is R$21.50 (Share Price), subject to adjustment based on the IPCA (extended consumer price index) from February 2007 to the month prior to the option exercise. The amounts of dividends distribution and/or interest on own capital which may be eventually approved by Saraiva, from the grant date to the effective exercise of the option, will be subtracted from the Share Price adjusted until then on the same date of the related approvals, and from then on Share Price will be subject to the IPCA variation.

The Management Committee for the Saraiva's Stock Purchase Option Program approved, in a meeting held on February 28, 2008, based on a recommendation by the Board of Directors in a meeting held on February 25, 2008, the conditions and beneficiaries of the Fourth Program of this Plan, granting call options on 124,600 preferred shares to 22 officers and employees, to be exercised from 03/08/2011 and 05/07/2011, with restriction on free trading up to 05/06/2013. The price set for each share is R$30.00 (Share Price), subject to adjustment based on the IPCA from 03/01/2008 to the last day of the month prior to the option exercise. The amounts of dividends distribution and/or interest on own capital which may be eventually approved by Saraiva, from the grant date to the effective exercise of the option, will be subtracted from the Share Price adjusted until then on the same date of the related approvals, and from then on Share Price will be subject to the IPCA variation. The options will be exercised through the issuance of new shares and/or sale of treasury shares held by the Company.

OUTLOOK

The Company is confident regarding the possibilities and outlook for its business areas. The economic scenario is especially favorable, with the recovery of income and the strengthening of middle class, which increases the demand for products related to education, culture and leisure. The government investments in education have been consistently growing. The different economic agents of the country are genuinely concerned with finding ways to improve education quality in Brazil.

On the other hand, Saraiva, which also obtained excellent results achieved in 2007, was able to make record investments feasible, which enhanced the growth possibilities and prepared the company to efficiently compete in the markets where it usually operates, in addition to creating new prospects in niches complementary to its product lines.

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At **Editora Saraiva**, PNLEM (textbook purchasing for high schools) evolved from a program intended to partially meet school syllabuses to a program that meets the needs of all subjects and grades in high school, and is regulated and organized following the established program PNLD (textbook purchasing for elementary schools).

The PNLEM for 2009 will approach the acquisition of five subjects for all high school grades, which is positive to Saraiva because of its history of a strong market interest in almost all the high school subjects. In addition, the government announced the intention to include English and Spanish subjects in the governmental purchases as of PNLD 2011 and PNLEM 2012.

Saraiva is developing an intense base work in its main publishing lines, by increasing its editorial staff, renewing the publishing catalog, aligning market lines and making partnerships with new authors. The forecast is to launch 297 titles (new works and reformulated ones) only in 2008.

Entering the Teaching Systems segment also creates new prospects and adds value to the education solutions offered by Saraiva, which now include a differentiated Teaching System in addition to the traditional and renowned quality of its books.

Under the label Editora Saraiva Educação Multimídia, Saraiva is a pioneer by investing in the domestic market in a segment with attractive return prospects over the medium and long terms, aligned with the success trend of these products in the North American and European markets.

Livraria Saraiva presents opportunities to continue growing and consolidating its marketplaces. The strategy of accelerating the pace of the store chain expansion using the new Mega Store concept and the new model for the traditional stores, with diversification and adaptation of the product mix, was well accepted by customers and produced an important gain of scale and profitability to the operations.

The expansion project for 2007/2008 includes eleven new stores, of which seven are opened, one is contracted and two are in the final contracting phase. There is still the possibility of exceeding the initial target if Management identifies good investment opportunities. The domestic book market is still very dispersed, with very few bookstores in relation to the population potential.

For 2009/2010 Management expects to open 11 stores, adding 6 thousand m² of sales area and totaling about 32 thousand m² at the end of 2010 (without considering the increase with the acquisition of Siciliano).

10.01 - MANAGEMENT'S REPORT

The expectations for the electronic commerce are the continuity of the high growth rates, due to the rapid popularization of computer and Internet use and the increase in customers trust on online sales. Saraiva will keep the strategy of introducing new product categories and continually investing in improving services offered in order to effectively follow this growth potential.

ACKNOWLEDGEMENTS

We would like to thank all our shareholders, customers, suppliers, financial institutions, authors, collaborators and communities for the support given in 2007, without which we would not have achieved the excellent results obtained.

São Paulo, March 7, 2008.

The Management

11.01 - EXPLANATORY NOTES

1. OPERATIONAL CONTEXT

Saraiva S.A. Livreiros Editores ("Editora") is primarily engaged in publishing elementary and high school textbooks, supplementary textbooks, legal books and economics and management books. Editora experiences seasonality in its business, with 80% of its sales concentrated in the first and last quarters of the year. This sales concentration is due to two factors: (a) the back-to-school period in the first quarter; and (b) the sale of textbooks to the government in the fourth and first quarters of the year.

Livraria e Papelaria Saraiva S.A. ("Livraria"), a company controlled by Editora, is engaged in retail sale of books, DVDs, music, periodicals, stationery, multimedia, and computer and electro-electronic products. The distribution is conducted through an Internet-based sales platform and a chain of 36 stores, of which 20 are Mega Stores and 16 are conventional stores.

Pigmento Editorial S.A. ("Ético"), a controlled company acquired on December 7, 2007 (explanatory note No. 9), is responsible for the sale of "Ético Sistema de Ensino" (Ético Teaching System), consisting of teaching material for elementary and high schools, and preparation courses for college entrance examination, as well as a service line that meets the needs of the accredited schools, including pedagogical and administrative support, which enrich the educational practice and facilitate the work of teachers and managers.

2. PRESENTATION OF FINANCIAL STATEMENTS

The individual and consolidated financial statements of the Company and its controlled companies have been prepared and are presented in conformity with Brazilian accounting practices and standards established by the Brazilian Securities Commission - CVM.

The estimates used in the preparation of financial statements regarding deferred tax assets and liabilities, provisions and contingent liabilities consider the best available evidence and are based in existing assumptions on the closing dates for the fiscal years. The final results, in the realization and the liquidation of subjacent assets and liabilities, might differ from the estimated amounts.

3. MAIN ACCOUNTING PRACTICES

11.01 - EXPLANATORY NOTES

a) General Principles

The result of operations is verified in compliance with the accrual basis. The sales revenues and corresponding costs are recorded upon the transfer of risks and benefits associated to the goods and products sold and the services rendered.

b) Current and Non-current assets

- Cash Equivalents

Represent cash on hand, funds in banking accounts with free movement and financial investments of immediate liquidity, as stated in explanatory note No. 6. The financial investments are registered at cost, and the income earned up to the closing dates for the fiscal years is added.

- Allowance for doubtful debtors

Recorded in an amount considered sufficient to cover probable losses on the realization of trade accounts receivable. The credits deemed irrecoverable are charged directly in the income for the current year.

- Inventories

Assessed at average acquisition or production cost, less provision for the adjustment to market value, when this market value is low.

- Other long-term and non-current assets

Stated at net realizable amount.

- Investments

The investments in controlled companies are assessed by equity method, and other investments are assessed by acquisition cost, less provision for devaluation.

- Property, plant and equipment and intangible assets

Recorded at acquisition, constitution or construction cost, plus monetary adjustment up to December 31, 1995, less depreciation and amortization, calculated through the straight-line method to taxes which take into account the economic useful life of the assets and rights.

- Deferred

Recorded at the invested capital value, less amortization, and includes unamortized goodwill, preoperating costs and expenses incurred before the start-up of the controlled company's stores opened up to 2001. As of 2002, expenses incurred before the start-up of Livraria's new stores are recorded directly in the income for the current year.

The amortization of preoperating expenses is calculated over five years or according to the provisions of the properties' lease contracts, as of the start-up of trading operations of Livraria's stores.

The goodwill results from the acquisition of realized investments, with economical basis based on based on the projection of capacity for creation of future profits in the period estimated for return of investments, estimated in 60 months. The goodwill is amortized using the straight-line method in 60 monthly installments.

c) Current and Non-current liabilities

- Copyrights

Calculated and recorded in compliance with the accrual basis as operating expenses when the sales are made and, in some cases, with the production cost when the publishing is made.

- Other current and non-current liabilities

Stated at known or estimated amounts plus the corresponding charges and monetary or exchange Variations, when applicable, incurred through the closing balance sheet dates.

d) Income Tax and Social Contribution

The taxes on income for the fiscal year cover the current and deferred amounts.

The income tax and the social contribution for the fiscal year are calculated, respectively, at the rate of 15% on taxable income plus 10% surtax, and at the rate of 9% on taxable income.

The deferred income tax and social contribution are presented in current assets, long-term receivables and long-term liabilities, pursuant to explanatory note No. 15(a). They are recorded to reflect future tax effects on temporary differences between the tax basis of assets and liabilities and the respective book value and on tax losses and negative basis of social contribution.

The deferred tax assets is based on expected future taxable income, taking into account the tax rates effect at the closing balance sheet date, and is reviewed annually and adjusted if any substantial change in expected income occurs.

e) Net Profit per share

Calculated based on the number of outstanding shares at the closing balance sheet date.

4. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements correspond to the financial statements of Editora, Livraria and Ético, in which Editora holds equity interest of 99.91% and 100.00%, respectively. The financial statements of Livraria and Ético used in the consolidation were closed on the same base-date and they are in compliance with the accounting practices described in explanatory note No. 3.

The consolidated financial statements cover the following procedures:

- Elimination of rights and liabilities, as well as the revenues, costs and expenses arisen from businesses made between the companies included in the consolidation.
- Elimination of the controlling company’s investment against the controlled companies’ shareholder’s equity.
- Highlight for the interest of minority shareholders in shareholder’s equity and in the Livraria’s income for the year presented in separate lines in the balance sheets and in the financial statements, respectively.

- Reclassification of goodwill paid on the acquisition of Ético to intangible assets, taking into account the relation of its nature with the future profitability expected from this investment.

5. AMENDMENT TO BRAZILIAN CORPORATE LAW, EFFECTIVE JANUARY 2008

On December 28, 2007, it was enacted the Law No. 11638/07, which amends, revokes and introduces new provisions to the Brazilian Corporate Law, especially with respect to chapter XV, on accounting topic, which is effective as of January 1, 2008. Firstly, this Law had the purpose of updating the Brazilian Corporate Law, so as to enable the convergence process of Brazilian accounting practices with international accounting standards and allowing the issuance of new standards and procedures by the Brazilian Securities Commission, in compliance with such international accounting standards.

The main identified changes, which may affect the Financial Statements of Editora and its controlled companies, are summarized as follows:

a) Replacement of the Statements of Sources and Uses of Funds (DOAR) by the Cash Flow Statement (DFC).

b) Inclusion of the presentation of Value Added Statement (DVA).

c) Creation of a possibility to keep books of the transactions to meet tax legislation and, afterwards, the necessary adjustments for the adaptation to the accounting practices.

d) Creation of two new account subgroups: (i) intangible assets and (ii) Equity Valuation Adjustments to shareholders' equity, in order to allow the record certain asset assessments at market price, especially financial instruments.

e) Requirement of periodic analysis, by the Company, of the recoverability of amounts recorded in property, plant and equipment, intangible assets and deferred charges.

f) Introduction of the concept of adjustment to present value for the long-term assets and liabilities operations and for the relevant short-term operations.

g) Requirement to record, in the property, plant and equipment, the rights that have, as its object, tangible assets destined to the management of Company's activities, including the activities resulting from operations that transfer the benefits, risks and control of such assets to the Company.

h) Assessment of investments in controlled and affiliated companies through the equity method, whenever there is significant influence on the affiliate’s management, or interest in voting capital of, at least, 20%.

i) Assessment of assets and liabilities at market value for the merger, spin-off and incorporation between independent parties with transfer of control.

As these changes have only been introduced recently, and some of them are still subject to regulation by regulatory agencies in order to be applied, Editora’s Management has not yet been able to assess all the effects that such changes might have on its financial statements and results of operations for the following years.

6. CASH EQUIVALENTS

	Editora		Consolidated	
	2007	2006	2007	2006
Cash and Banks – movement account	717	1,565	11,870	10,467
Certificate of Bank Deposit – CDBs	89,175	80,956	89,175	83,964
Funds of Financial Investments	18,582	14,573	18,582	14,573
	108,474	97,094	119,672	109,004

7. TRADE ACCOUNTS RECEIVABLE

	Editora		Consolidated	
	2007	2006	2007	2006
Trade receivables	85,045	64,638	86,073	65,227
Trade receivables from Livraria	4,941	3,916	-	-
Credit Cards	60	54	88,775	55,273
Checks receivable	4,191	4,035	4,887	4,841
Allowance for doubtful debtors	(2,075)	(1,589)	(2,480)	(1,962)
	92,162	71,054	177,255	123,379

Balances per due date:

	Editora		Consolidated	
	2007	2006	2007	2006
Current	88,783	67,888	173,632	120,059
Past due date:				
Up to 60 days	2,022	2,264	2,104	2,329
Over 60 days	3,432	2,491	3,999	2,953
94,237	94,237	72,643	179,735	125,341

8. INVENTORIES

	Editora		Consolidated	
	2007	2006	2007	2006
Finished Products	38,082	41,844	38,082	42,059
Goods for resale	215	91	70,940	51,664
Products in progress	15,197	15,794	15,197	15,794
Raw materials	5,830	5,198	5,830	5,198
Packing and consumption materials	670	500	983	800
	59,994	63,427	131,032	115,515

9. INVESTMENT IN CONTROLLING COMPANIES

The interest in controlling companies is represented by the investments in Livraria and Ético, and the main information is presented as follows:

11.01 - EXPLANATORY NOTES

	2007		2006	
	Livraria	Ético	Livraria	Ético
Quantity of shares of capital stock – in thousand	57,540	5,107		57,540
Quantity of shares held – in thousand	57,490	5,107		57,490
Interest in capital stock	99.91%	100.00%		99.91%
Investment interest in Editora's shareholder's equity (included intercompany loans)	30.35%	7.31%		27.39%
Updated capital stock	51,210	5,107		51,210
Dividends to be distributed	4,338	-		1,574
Shareholder's equity (excess of liabilities over assets), net from dividends to be distributed	72,337	(2,505)		58,452
Dividends receivables	4,335	-	4,335	1,572
Investment value (net from dividends receivables)	72,274	(2,505)	69,769	58,402
Goodwill in the acquisition of investment	-	17,434	17,434	-
Calculation base for the equity income value:				
Net profit for the year of controlled companies	18,223	(475)	17,748	6,662
Adjustments in controlled company's shareholder's equity which are not recorded in the income for the year – adjustment of previous year (*)	-	-	-	674
Total	18,223	(475)	17,748	7,336
Equity Income	18,207	(475)	17,732	7,330

(*) Pursuant to deliberation of The Annual Shareholders' Meeting held on April 27, 2006 it was not approved the interest of Livraria's management for the year 2005.

On December 7, 2007, as part of the strategy to increase publishing operations, the Company acquired Pigmento Editorial S.A. ("Ético"), for the agreed price of R$15,404, and with the excess of liabilities over assets in the amount of R$2,030, and recorded goodwill of R$17,434, based on the expectation of future profitability. Of the total agreed price, the amount of R$5,000 was retained and will be paid within 2 years, starting in December 2008.

11.01 - EXPLANATORY NOTES

The statements of income of Livraria for the years ended December 31, 2007 and 2006 are shown as follows:

	2007	2006
GROSS SALES REVENUE	487,376	352,202
Deductions from Gross Revenue	(45,699)	(36,086)
NET OPERATING INCOME	441,677	316,116
Costs of products, goods and services sold	(281,012)	(200,772)
GROSS PROFIT	160,665	115,344
Operating Expenses	(126,141)	(101,308)
OPERATING PROFIT BEFORE THE FINANCIAL RESULT	34,524	14,036
Financial Result	(4,824)	(2,290)
OPERATING PROFIT	29,700	11,746
Non-operating expenses, net	(7)	(703)
PROFIT BEFORE THE INCOME TAX AND SOCIAL CONTRIBUTION	29,693	11,043
Income Tax and Social Contribution	(9,590)	(3,645)
NET PROFIT FOR THE YEAR BEFORE THE STATUTORY INTEREST OF THE MANAGEMENT	20,103	7,398
STATUTORY INTEREST OF THE MANAGEMENT IN THE NET PROFIT FOR THE YEAR	(1,880)	(736)
NET PROFIT FOR THE YEAR	18,223	6,662

11.01 - EXPLANATORY NOTES

			Editora		
	Annual Depreciation/ Amortization Rate - %	2007 Cost	2007 Accumulated Depreciation/ Amortization	2007 Net Amount	2006 Net Amount
Property, plant and equipment:					
Land	-	2,011	-	2,011	2,029
Buildings and Constructions	4	8,172	(3,923)	4,249	4,542
Machinery and Equipment	10	1,564	(1,239)	325	417
Furniture, fixtures and installations	10	21,704	(19,454)	2,250	2,733
Vehicles	20	4,792	(2,476)	2,316	1,102
IT Equipment	20	10,402	(8,577)	1,825	2,276
Property, plant and equipment in progress	-	552	-	552	417
		49,197	(35,669)	13,528	13,516
Intangible assets:					
Assignment of rights	20	1,246	(954)	292	536
Software	20	13,406	(11,249)	2,157	2,591
Trademarks and Patents	-	185	-	185	185
		14,837	(12,203)	2,634	3,312

11.01 - EXPLANATORY NOTES

		Editora 2007			2006
	Annual Depreciation/ Amortization Rate - %	Cost	Accumulated Depreciation/ Amortization	Net Amount	Net Amount
Property, plant and equipment:					
Land	-	2,014	-	2,014	2,032
Buildings and Constructions	4	9,613	(4,608)	5,005	5,353
Machinery and Equipment	10	2,139	(1,603)	536	443
Furniture, fixtures and installations	10	85,675	(61,110)	24,565	14,231
Vehicles	20	5,269	(2,761)	2,598	1,496
IT Equipment	20	22,814	(17,078)	5,736	5,259
Property, plant and equipment in progress	-	3,894	-	3,894	2,388
		131,498	(87,070)	44,348	31,202
Intangible assets:					
Goodwill on acquisition of investment	-	17,434	-	17,434	-
Commercial assignments	20	13,213	(11,707)	1,506	1,077
Assignment of rights	20	1,246	(954)	292	536
Software	20	15,638	(12,640)	2,998	3,129
Trademarks and Patents	-	255	-	255	252
		47,786	(25,301)	22,485	4,994

In December 2006, Editora sold its printing machines for R$7,870, of which R$4,973 (R$5,725 in 2006) is recorded under a specific caption in non-current assets. This balance is adjusted based on 100% of the Certificate of Interbanking Deposit – CDI tax. The result of this operation was a gain of R$5,768, recorded in the non-operating income for the year for 2006.

11. DEFERRED

	Editora		Consolidated	
	2007	2006	2007	2006
Pre-operating expenses and other deferred amounts	1,667	1,445	11,966	11,744
Accumulated Amortization	(1,438)	(1,445)	(11,253)	(11,039)
Goodwill to be amortized	2,091	2,091	2,091	2,091
Goodwill amortization	(1,603)	(1,185)	(1,603)	(1,185)
	717	906	1,201	1,611

The goodwill to be amortized results from the acquisition of Formato Editorial Ltda., transferred to deferred assets due to the merger of the company on February 3, 2004, and adjusted to R$2,091 on March 14, 2006, according to contractual provisions related to the acquisition.

11.01 - EXPLANATORY NOTES

The goodwill amortization recorded in deferred assets is made on a straight-line basis over 60 monthly installments and was started after the merger date.

12. FINANCING

	Editora		Consolidated	
	2007	2006	2007	2006
Current:				
Local currency – BNDES [National Bank for Economic and Social Development] – FINEM [Financing for Endeavors]	10,909	737	14,933	2,097
Other financing	-	-	189	-
	10,909	737	15,122	2,097
Non-current -				
Local currency – BNDES – FINEM	20,686	18,578	31,420	22,759

The composition of non-current liabilities per maturity year is shown as follows:

	2009	2010	2011	Total
Editora	10,792	9,894	-	20,686
Consolidated	15,786	14,294	1,340	31,420

Other information on financings is shown as follows:

Financing	Purpose	Guarantees	Maturity	Charges
Editora -				
BNDES – FINEM Contract dated 11/05	Publishing Plan – 2005/2007, and information systems	Mortgage of property, plant and equipment items and bank guarantee	11/10	4% + Long Term Interest Rate
Livraria				
BNDES – FINEM Contract dated 11/06	Investment projects for opening of 11 stores, renovation and modernization of 19 stores of the chain, and centralization of logistics operations	Consignature from Editora	08/10	3.1% + Long Term Interest Rate
BNDES – FINEM Contract dated 04/00	Investment projects in Mega Stores and modernization of conventional stores	Consignature from Editora	04/08	3.5% + Long Term Interest Rate

The releases for the years ended December 31, 2007 and 2006 are as follows:

	Editora		Consolidated	
	2007	2006	2007	2006
Releases for 2006	-	11,388	-	15,815
March 27, 2006	957	-	3,623	-
June 26, 2007	2,012	-	8,750	-
September 27, 2007	6,001	-	7,118	-
October 18, 2007	1,220	-	1,220	-
November 28, 2007	3,000	-	3,000	-
Total	13,190	11,388	23,711	15,815

13. LOYALTY PROGRAM - SARAIVA PLUS

Livraria, the controlling company, has a customer loyalty program (“Saraiva Plus”) whereby purchases made by customers in stores and the Company’s website are converted into points that can be discounted in future purchases. The accumulated points, net of redemptions and valued in accordance with the program regulation, are accrued considering redemption estimates. As of December 31, 2007, Livraria has a provision for loyalty program in the amount of R$2,128 (R$2,683 as of December 31, 2006) recorded in current liabilities under the caption “Other payables”.

14. RELATED PARTIES

11.01 - EXPLANATORY NOTES

Related-party transactions include trading operations of purchases, sales and intercompany loans with Livraria, and intercompany loans with Ético. The loans granted to Livraria in 2007 have indeterminate maturity and bear interest of 101% of the CDI [interbank deposit rate]. The loans granted to Ético in 2007 shall be settled through the merger of this company on February 1, 2008.

Loans granted:

	2007		2006	
	Livraria	Ético	Livraria	Ético
Balance on December 31 of the previous year	5,008	-	5,008	-
Loans granted, net of receipts	8,126	5,743	13,869	4,341
Financial Income	1,602	-	1,602	667
Balance receivable on December 31	14,736	5,743	20,479	5,008
Current Assets	-	5,743	5,743	-
Non-Current Assets	14,736	-	14,736	5,008
Total	14,736	5,743	20,479	5,008

The main balances and transactions with related parties are as follows:

	2007		2006	
	Livraria	Ético	Livraria	Ético
Balances:				
Assets:				
Trade accounts receivable (current)	4,941	-	4,941	3,916
Loans granted – loan agreement (non-current and current)	14,736	5,743	20,479	5,008
Liabilities -				
Suppliers (current)	5	-	5	6
Transactions:				
Sale of Products	17,245	-	17,245	12,627
Purchase of goods	31	-	31	55
Financial Income	1,602	-	1,602	667
Financial Expenses	-	-	-	127

15. INCOME TAX AND SOCIAL CONTRIBUTION

a) Deferred

The income tax and social contribution have the following origin:

	Editora		Consolidated	
	2007	2006	2007	2006
Current assets	788	636	4,619	4,280
Non-current assets - long-term receivables:				
Fiscal loss and negative basis of social contribution	-	-	27	387
Provision for contingencies and taxes and contributions to be collected	783	753	4,804	5,374
	783	753	4,831	5,761
Non-current liabilities - long-term liabilities:				
Provision for book inventory losses - Law No. 10753/03	4,340	4,753	7,647	4,753
Deferral of stimulated accelerated depreciation	-	2	-	2
	4,340	4,755	7,647	4,755

Editora and Livraria, based on the opinion of their outside attorneys, considered the tax incentive established by Law No. 10753/03, with wording amended by Law No. 10833/03, concerning the deductibility of the provision for inventory losses, as a temporary difference between the tax basis and the respective book value, recognizing the tax effect in compliance with the CVM Instruction No. 371/02.

Editora and Livraria, based on the expectation of future taxable income and positive cash flows, kept at present value and pursuant to CVM Instruction No. 371/02, maintained in their financial statements the deferred tax assets.

The Management considers the book value of deferred tax assets constituted in Editora and Livraria, regarding the temporary differences which are realizable in proportion to the final resolution of lawsuits taken and the settlement of operating liabilities.

b) Expense reconciliation

11.01 - EXPLANATORY NOTES

The reconciliation of the expense calculated by applying the combined tax rate and the income tax and social contribution expense charged to income is shown as follows:

	Editora		Consolidated	
	2007	2006	2007	2006
Accounting profit before the income tax and social contribution	94,927	64,873	106,413	69,260
Combined tax rate	34%	34%	34%	34%
Income tax and social contribution by the combined tax rate	(32,275)	(22,057)	(36,180)	(23,549)
Permanent additions – non-deductible expenses	(381)	(183)	(464)	(224)
Permanent exclusions:				
Interest on own capital	4,928	4,672	4,928	4,672
Equity Income	6,029	2,493	-	-
Other exclusions	317	324	686	390
Deferred taxes not recorded in the controlled company due to uncertainties concerning their realizability	-	-	(161)	-
Other items	179	(53)	398	262
	(21,203)	(14,804)	(30,793)	(18,449)
Income tax and social contribution in the income for the year:				
Current	(21,798)	(14,619)	(27,309)	(16,031)
Deferred	595	(185)	(3,484)	(2,418)
	(21,203)	(14,804)	(30,793)	(18,449)
Effective rate on net profit	22,3%	22,8%	28,9%	26,6%

16. PROVISION FOR CONTINGENCIES

Editora and Livraria are challenging in court certain aspects regarding federal taxes related to Social Integration Program – PIS, Contribution for the Financing of Social Security – Cofins, Income Tax – IR and Social Contribution on Net Profit – CSLL.

11.01 - EXPLANATORY NOTES

According to a Decision of the Federal Revenue Service, dated August 21, 2006, Livraria was required to pay part of the accrued amount for the lawsuit challenging the Real Plan - Law No. 8.880/94, in the amount of R$4. The same decision tacitly approved the credit under discussion represented by the reserve of R$1,613, which was reversed and recorded in 2007 under the caption "Other operating income (expenses)".

The composition of provision for contingencies is as follows:

			Editora		
	2006	Constitution	Judicial Deposits	Payments/Reversion	2007
PIS/Cofins – increase in tax basis	186	11	-	-	197
IR/CSLL – Real Plan – Law No. 8.880/94	861	-	-	-	861
Civil and labor contingencies	112	-	-	-	112
Judicial deposits	(1,047)	-	(11)	-	(1,058)
	112	11	(11)	-	112

			Consolidated		
	2006	Constitution	Judicial Deposits	Payments/Reversion	2007
PIS/Cofins – increase in tax basis	8,961	275	-	-	9,236
IR/CSLL – Real Plan – Law No. 8.880/94	2,478	-	-	(1,617)	861
Civil and labor contingencies	112	-	-	-	112
Judicial deposits	(9,822)	-	(273)	-	(10,095)
	1,729	275	(273)	(1,617)	114

17. TAXES AND CONTRIBUTIONS TO BE COLLECTED

	Editora		Consolidated	
	2007	2006	2007	2006
Income tax – IR and Social contribution on net profit – CSLL (i)	-	-	4,954	6,837
Social contribution on net profit – CSLL (ii)	2,571	2,538	2,571	2,538
Income tax withheld – IRRF	727	40	1,183	95
State VAT - ICMS	-	4	2,396	1,652
Federal contributions – PIS/Cofins	44	26	128	93
Others	15	20	73	55
	3,357	2,628	11,305	11,270
Current liabilities	1,354	598	6,262	4,226
Non-current liabilities	2,003	2,030	5,043	7,044
	3,357	2,628	11,305	11,270

(i) Installment initiated in October 2005, with the National Treasury Attorney General for the payment of provisioned amounts regarding the lawsuits brought to discuss the effects of IR and CSLL arising from the Real Plan - Law No. 8880/94.

(ii) Installment of debt initiated in November 2007 with Federal Revenue Service in November 2007 for the denial of the administrative appeal to the tax assessment notice which constitutes CSLL tax credit regarding the deduction of interest on own capital from the CSLL tax basis, basis for 1996.

18. SHAREHOLDER’S EQUITY

a) Capital Stock

The fully paid-up capital stock on December 31, 2007, in the amount of R$147,774 (R$147,774 in 2006), is represented by 28,596,123 shares, of which 9,622,313 are common shares and 18,973,810 are preferred shares, without par value.

Editora’s bylaws comply with BOVESPA [São Paulo Stock Exchange] Level 2 Differentiated Corporate Governance Practices.

Editora is authorized to increase the capital stock, through the issuance of new shares for subscription and, regardless of any amendment to the bylaws, by up to 4,000,000 shares, with the possibility of destination up to 500,000 shares of this total for the grant of purchase options, pursuant to the bylaws.

The Company’s preferred shares, which cannot surpass 2/3 of the total shares issued, entitle their holders to the following rights or advantages:

- Restricted voting rights, pursuant to the bylaws.
- Right to sell the preferred shares in the case of sale of the Company’s controlling interest.
- Dividends equal to those paid on common shares.
- Interest in the distribution of bonus shares out of capitalization of reserves, retained earnings and any other funds, under the same conditions as holders of common shares.

Common shares are not allowed to be converted into preferred shares, and vice versa.

The remaining balance of retained earnings is prior to the enactment of Law No. 6404/76.

b) Treasury shares - CVM Instructions 10/80 and 298/97.

Editora holds 365,750 (365,750 in 2006) preferred shares in treasury, acquired for R$2,870, with market value equivalent to R$12,801 (R$35.00 per share - quotation dated December 28, 2007). In the years ended on December 31, 2007 and 2006, there were no new acquisitions of shares.

c) Interest on own capital and dividends.

The shareholders are entitled to a minimum dividend of 25% of adjusted net income for each year.

Editora cannot, unless authorized by a majority vote in a special preferred shareholders’ meeting, retain, for more than four successive quarters, cash equivalents in an amount greater than 25% of total assets, provided that its economical and financial condition allows this. The cash equivalents will correspond to the amounts recorded under the captions “cash equivalents” exceeding the sum of the amounts recorded under the caption “Financing” in current and non-current liabilities.

11.01 - EXPLANATORY NOTES

Pursuant to the bylaws, the interest on own capital included in mandatory dividends is net of income tax.

At the Board of Director´s Meeting held on March 6, 2008, it was approved the accrual for payment to shareholders of interest on own capital for the year ended December 31, 2007. The payment will be made within a timeframe to be established at the Annual Shareholders' Meeting.

The mandatory dividends for the year ended December 31, 2007 were calculated as follows:

	2007	2006
Net income for the year	70,207	46,469
Legal reserve	(3,510)	(2,323)
Adjusted net income	66,697	44,146
Mandatory minimum dividend - 25%	16,674	11,037
Mandatory minimum dividend per share	0.59064754	0.39094525

The proposed dividends are as follows:

	2007	2006
Interest on own capital, net of withholding income tax	12,541	11,890
Dividends	4,133	-
Proposed dividends and interest on own capital	16,674	11,890
Withholding income tax on interest on capital	2,213	2,098
Total	18,887	13,988
Total per share (in R$)	0.66904341	0.49549281

The effect of interest on own capital on the calculation of income tax and social contribution provisions for the year was a reduction of R$4,928 (R$4,672 in 2006).

d) Legal reserve

In compliance with the Brazilian Corporate Law and the Editora's bylaws, 5% of net profit for each year will be allocated for the constitution of a legal reserve.

e) Constitution of profit reserves.

Of the remaining balance of net profit for the year, after allocation to the legal reserve, in the amount of R$3,510 (R$2,323 in 2006), and the proposal for payment of interest on own capital and dividends, in the amount of R$18,887 (R$13,988 in 2006), a profit reserve of R$47,810 (R$30,158 in 2006) was allocated for use in business acquisitions, information technology, consolidation of Internet operations, expansion of Livraria's physical stores, expansion of catalog with launch of new titles, and working capital.

f) Editora´s Stock Purchase Option Plan.

According to the Stock Purchase Option Plan approved on March 5, 2007, 19 officers and employees were granted stock options to buy 123,800 preferred shares in the exercise period from March 8 to May 7, 2010, at the fixed price of R$21.50, subject to adjustment based on the Extended Consumer Price Index - IPCA. The options will be exercised by means of a new issue of shares and/or sale of treasury shares held by Editora.

The Editora's Stock Purchase Option Plan Management Committee approved the conditions and beneficiaries of the Fourth Program of this Plan, pursuant to a significant event notice published on February 28, 2008, granting call options on 126,400 preferred shares to 22 officers and employees for exercise from March 8 to May 7, 2011, at the fixed price of R$30.00, subject to adjustment based on the IPCA, with restriction over free trading until May 6, 2013 and with trading limited to 50% of options exercised thereafter. The options will be exercised by means of a new issue of shares and/or sale of treasury shares held by the Company, pursuant to decision to be made at the proper time by the Board of Directors.

19. FINANCIAL INSTRUMENTS

11.01 - EXPLANATORY NOTES

a) Derivative transactions.

Editora and its controlled companies did not enter into derivative transactions in the year ended on December 31, 2007.

In 2006, the Company entered into transactions to hedge against risks of foreign currency and interest rate changes, due to a loan obtained from the International Finance Corporation - IFC in U.S. dollars, settled in June 2006. Such transaction resulted in a loss of R$183 in 2006, classified as financial expenses.

b) Other financial instruments.

The accounting balance of the financial instruments recorded in the balance sheet on December 31, 2007 identified below, do not differ significantly from the respective market values.

Description	Accounting balance
Cash equivalents	119,628
Financings in local currency	46,542

- Cash equivalents

The cash equivalents are represented by unrestricted bank deposits and highly-liquid cash investments, which do not differ significantly from market values.

- Financings

The accounting balances of financing correspond to funds obtained from the National Bank for Economic and Social Development – BNDES. The financing is specific and has different interest rates, impairing the comparison with market values, assuming conventional loan rates for the calculation.

c) Market Risk Factors

- Credit risk - to minimize possible losses on customer default, Editora adopts strict management policies for granting credit, consisting of careful analyses of customer profiles, as well as timely monitoring of accounts receivable.
- Inventory obsolescence risk - discontinued products and new technologies may lead to excess and obsolete inventories. To minimize these conditions, Editora and Livraria periodically monitor inventory levels and take necessary actions for its realization.

20. FINANCIAL INCOME

The composition of financial expenses and income is shown as follows:

	Editora		Consolidated	
	2007	2006	2007	2006
Financial income:				
Income on financial investments	15,542	9,475	12,584	10,086
Interests on loans to controlled company	1,602	667	-	-
Interest received from customers	1,143	628	1,168	654
Interest on recoverable taxes	17	1,247	17	1,247
Other financial income	70	48	357	205
	15,374	12,065	14,126	12,192
Financial expenses;				
Losses on financial investments – “hedge”	-	183	-	183
Interest and monetary and exchange variations on financings	2,324	1,570	3,330	1,806
Other interest and liabilities monetary variations	1,810	3,175	2,099	3,696
CPMF [Provisory Contribution on Banking Transactions]/IOC [Tax on Credit Operation]	1,416	1,275	3,425	2,646
Financial intermediation commission	-	2,422	-	2,422
Other financial commissions	223	179	223	214
Financial discounts	1,217	831	1,217	831
Other financial expenses	102	152	401	407
	7,092	9,787	10,695	12,205
	8,282	2,278	3,431	(13)

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22. INSURANCES COVERAGE (UNAUDITED)

On December 31, 2006, Editora and Livraria had insurance coverage against fire and sundry risks for property, plant and equipment items and inventories, in amounts considered sufficient to cover potential losses.

22. SUBSEQUENT EVENTS

a) Business acquisition

On March 6, 2008, Livraria successfully closed negotiations to purchase all shares of capital stock of Siciliano S.A. (“Siciliano”).

The purchase price was R$60,030, based on Shareholders’ Equity as of November 30, 2007, unaudited, of R$3,914. As part of the transaction, Livraria assumed Siciliano’s net debt, which totaled the unaudited amount of approximately R$13,600 as of December 31, 2007.

The purchase price will be adjusted, up or down, for possible variations of net debt position and working capital of Siciliano from November 30, 2007 to March 6, 2008.

b) Incorporation of controlled company

At the Extraordinary Shareholders' Meeting held on February 1, 2008, it was ratified the acquisition of all capital and it was approved the Record and Justification of Ético’s incorporation, based on the independent specialists’ book value appraisal report on Ético’s net assets dated January 2, 2008 (explanatory note No. 9).

c) Payment of Interest on own capital to shareholders (explanatory note No. 18 c).

d) Approval of the Fourth Editora´s Stock Purchase Option Plan (explanatory note No. 18 f).

23. CASH FLOW STATEMENT

11.01 - EXPLANATORY NOTES

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006.

	Editora		Consolidated	
	2007	2006	2007	2006
CASH FLOW FROM OPERATING ACTIVITIES				
Net income for the year	70,207	46,469	70,207	46,469
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciations and amortizations (including amount allocated to cost)	4,468	5,592	10,715	10,764
Deferred income tax and social contribution	(597)	184	3,483	2,417
Allowance for doubtful debtors	1,664	1,044	1,991	1,343
Equity income	(17,732)	(7,330)	-	-
Income from the sale of property, plant and equipment	(72)	(5,649)	(65)	(4,961)
Financial charges and exchange variation on balances with related companies, financings, loans and tax liabilities	(1,922)	(330)	(109)	792
Other operating provisions	4,585	4,320	3,905	6,022
Minority interest in controlled company	-	-	16	5
	60,601	44,300	90,143	62,851
Reduction (increase) in operating assets				
Trade accounts receivable	(21,747)	(10,010)	(55,867)	(34,678)
Accounts receivable from controlled company due to sale of goods	(1,025)	(2,875)	-	-
Inventories	3,433	(988)	(15,517)	(12,698)
Other operating assets	4,324	(9,008)	(29)	(9,764)
Reduction (increase) in operating liabilities				
Suppliers	(12,521)	20,592	8,740	27,911
Income tax and social contribution	4,659	(1,663)	6,804	(4,653)
Other operating liabilities	7,348	(4,887)	11,890	(4,071)
Net cash provided by operating activities	45,442	35,461	46,164	24,988
CASH FLOW FROM INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	(3,699)	(1,502)	(23,999)	(6,628)
Acquisition of company	(15,404)	-	(17,434)	-
Acquisition of investment in long-term receivable tax incentives	-	(30)	-	(42)
Receipt of dividends of controlled company	1,572	-	-	-
Receipt due to sales of property, plant and equipment	1,333	1,703	1,731	1,746
Accounts receivable in the sale of property, plant and equipment	-	6,870	-	6,870
Net cash provided by (used in) investment activities	(16,198)	7,041	(39,702)	1,946
CASH FLOW FROM FINANCING ACTIVITIES				
Capital increase by public subscription	-	66,000	-	66,000
Financings obtained	13,190	11,388	29,392	15,815
Loans granted	(46,694)	(4,400)	-	(60)
Amortization of financings	(896)	(3,190)	(7,834)	(7,414)
Payment of loans obtained by the controlled company	32,825	(11,573)	-	-
Payment of interest for the financing	(2,337)	(1,226)	(3,443)	(1,418)
Payment of dividends and interests on own capital	(13,952)	(11,048)	(13,954)	(11,047)
Net cash provided by (used in) investment activities	(17,864)	45,951	4,161	61,876
INCREASE IN CASH EQUIVALENTS BALANCE	11,380	88,453	10,623	88,810
STATEMENT OF INCREASE IN CASH EQUIVALENTS BALANCE				
Beginning balance	97,094	8,641	109,004	20,194
Ending balance	108,474	97,094	119,627	109,004
INCREASE IN CASH EQUIVALENTS BALANCE	11,380	88,453	10,623	88,810

01.01- IDENTIFICATION

1 – CVM Code	2 – Business Name	3 – CNPJ:
01047-2	SARAIVA S.A. LIVREIROS EDITORES	60.500.139/0001-26

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