

New presentation by CVM Requirement No. GEA 1/271/2007

THE REGISTRATION WITH CVM DOES NOT IMPLY EVALUATION OF THE COMPANY, THE PERTINENT OFFICERS BEING RESPONSIBLE FOR THE TRUTHFULNESS OF THE INFORMATION SUBMITTED.

01.01 – IDENTIFICATION

1 – CVM CODE 01047-2	2 – CORPORATE NAME SARAIVA S.A. LIVREIROS EDITORES	3 - CNPJ 60.500.139/0001-26
4 – BUSINESS NAME EDITORA SARAIVA		
5 – FORMER CORPORATE NAME		
6 - NIRE 35300025300		
7 – SITE http://www.editorasaraivari.com.br		

01.02 – PRINCIPAL PLACE OF BUSINESS

1- FULL ADDRESS Av. Marquês de São Vicente, No. 1697		2- BOROUGH OR DISTRICT Barra Funda		
3 - ZIP CODE 01139-904		4 - MUNICIPALITY São Paulo		5- UF SP
6 - AREA CODE 011	7 - TELEPHONE 3613-3344	8 - TELEPHONE -	9 - TELEPHONE -	10- TELEX
11 - AREA CODE 011	12 – FAX 3611-3308	13 – FAX -	14 – FAX -	
15- E-MAIL http://www.editorasaraiva.com.br				

**01.03 – SHAREHOLDERS' DEPARTMENT
 ASSISTANCE AT COMPANY**

1- NAME João Luis Ramos Hopp				
2- TITLE Chief Financial Officer and Chief Officer for Relations with Investors				
3- FULL ADDRESS Rua Edgar Theotônio Santana, 206			4 - BOROUGH OR DISTRICT Barra Funda	
5 - ZIP CODE 01140-030		6 - MUNICIPALITY São Paulo		7- UF SP
8 - AREA CODE 011	9 - TELEPHONE 3613-3263	10 - TELEPHONE -	11 - TELEPHONE -	12- TELEX
13 - AREA CODE 011	14 – FAX 3619-3062	15 – FAX -	16 – FAX -	
17- E-MAIL lhopp@saraiva.com.br				

ISSUING AGENT / DEPOSITORY FINANCIAL INSTITUTION

18- NAME Banco Itau S.A				
19- CONTACT Rosana Pereira de Souza				
20 - FULL ADDRESS Av. Eng. Luiz Armando de Arruda Pereira, 707, 9º andar			21 - BOROUGH OR DISTRICT Centro	
22 - ZIP CODE 04344-902		23 - MUNICIPALITY São Paulo		24- UF SP
25 - AREA CODE 011	26 - TELEPHONE 5029-1919	27 - TELEPHONE -	28 - TELEPHONE -	29- TELEX
30 - AREA CODE	31 – FAX -	32 – FAX -	33 – FAX -	
34- E-MAIL				

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OTHER PLACES FOR ASSISTANCE TO SHAREHOLDERS

35 - ITEM	36 – MUNICIPALITY	37 - UF	38 - AREA CODE	39 - TELEPHONE	40 - TELEPHONE
01	Belo Horizonte	MG	31	3249-3534	-
02	Brasília	DF	61	322-2075	-
03	Curitiba	PR	41	320-4128	-
04	Porto Alegre	RS	51	3210-9150	-

01.04 – CHIEF OFFICER FOR RELATIONS WITH INVESTORS (Address for Correspondence with Company)

1- NAME João Luís Ramos Hopp					
2- FULL ADDRESS Rua Edgar Teothônio Santana, 206				3- BOROUGH OR DISTRICT Barra Funda	
4 - ZIP CODE 01140-030			5 - MUNICIPALITY São Paulo		6- UF SP
7 - AREA CODE 011	8 – TELEPHONE 3613-3263		9 - TELEPHONE -	10 - TELEPHONE -	11- TELEX
12 - AREA CODE 011	13 – FAX 3619-3062		14 – FAX -	15 – FAX -	
16- E-MAIL ilhopp@editorasaraiva.com.br					
17- BRAZILIAN EXECUTIVE OFFICER YES		18 – TAXPAYER CARD 082.070.288-90	18 [19] - PASSPORT CO845738		

01.05 – REFERENCE / AUDITOR

1 – BEGINNING DATE OF LAST FISCAL YEAR 01/01/2006		2 – CLOSING DATE OF LAST FISCAL YEAR 12/31/2006	
3 – BEGINNING DATE OF CURRENT FISCAL YEAR 01/01/2007		4 – CLOSING DATE OF CURRENT FISCAL YEAR 12/31/2007	
5 – AUDITOR NAME/ AUDIT FIRM NAME DELOITTE TOUCHE TOHMATSU AUDITORES INDEPENDENTES			6 – CVM CODE 00385-9
7 – NAME OF TECHNICIAN IN CHARGE Mauricio Pires de Andrade Rezende			7 – TAXPAYER CARD OF TECHNICIAN 603.835.426-34

01.06 – COMPANY'S CHARACTERISTICS

1 – STOCK EXCHANGE WHERE IT IS LISTED					
<input type="checkbox"/> BVBAAL	<input type="checkbox"/> BVMESB	<input type="checkbox"/> BVPR	<input type="checkbox"/> BVRJ	<input type="checkbox"/> BVST	
<input type="checkbox"/> BVES	<input type="checkbox"/> BVPP	<input type="checkbox"/> BVRG	<input checked="" type="checkbox"/> BOVESPA		
2 – NEGOTIATION MARKET Stock Exchange					
3- TYPE OF CONDITION Operating					
4 – ACTIVITY CODE 1100 – Printers and Editors					
5 – MAIN ACTIVITY EDITORIAL			6 – PREFERRED SHARES WITH CLASSES NO		

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01.07 – EQUITY CONTROL / SECURITIES

1 – NATURE EQUITY CONTROL Private Domestic	
2 – SECURITIES ISSUED BY COMPANY	
<input checked="" type="checkbox"/> Shares	Securities Receivable Certificate (CRI)
<input type="checkbox"/> Debentures Convertible into Shares	Promissory Notes (NP)
<input type="checkbox"/> Redeemable Shares	BDR
<input type="checkbox"/> Founders' Shares	Others
<input type="checkbox"/> Simple Debentures	DESCRIPTION
<input type="checkbox"/> Warranties	
<input type="checkbox"/> Collective Investment Certificate (CIC)	

01.08 – PUBLICATION OF DOCUMENTS

1 – NOTICE TO SHAREHOLDERS ON AVAILABILITY OF FINANCIAL STATEMENTS	2- MINUTES OF ANNUAL SHAREHOLDERS' MEETING APPROVING FINANCIAL STATEMENTS 04/26/2007
3 – CALL OF ANNUAL SHAREHOLDERS' MEETING FOR APPROVAL OF FINANCIAL STATEMENTS 04/11/2007	4 – PUBLICATION OF FINANCIAL STATEMENTS 03/15/2007

01.09 – NEWSPAPERS WHERE COMPANY DISCLOSES INFORMATION

1 - ITEM	2 – NEWSPAPER NAME	3 - UF
01	Diário Oficial do Estado de SP	SP
02	Gazeta Mercantil – Região SP	SP

01.10 – CHIEF INVESTOR RELATION OFFICER

1 – DATE 07/19/2007	2 – SIGNATURE
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Base Date – 12/31/2006

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02.01.01 – CURRENT COMPOSITION OF BOARD OF DIRECTORS AND EXECUTIVE BOARD

1- ITEM	2 – NAME OF OFFICER	3 – TAXPAYER CARD	4 – DATE OF ELECTION	5 – TERM OF OFFICE	6 – CODE OF OFFICER TYPE*	7 – ELECTED BY CONTROLLER	8 – TITLE/ FUNCTION	9 - FUNCTION
01	JORGE EDUARDO SARAIVA	516.543.778-72	04/26/2007	AUG/2008	2	YES	20	Chairman of Board of Directors
02	RUY MENDES GONÇALVES	069.082.418-15	04/26/2007	AUG/2008	2	YES	21	Vice Chairman of Board of Directors
03	ARTHUR EDUARDO SÁ DE VILLEMOR NEGRI	759.844.157-04	04/26/2007	AUG/2008	2	NO	22	Board of Directors (Regular)
04	JOÃO LUIS RAMOS HOPP	082.070.288-90	04/26/2007	AUG/2008	1		19	Chief Financial Officer and Chief Officer for Relations with Investors
05	JOSÉ LUIZ MACHADO ALVIM DE PRÓSPERO	756.712.398-34	04/26/2007	AUG/2008	1		10	Executive Officer/ Superintendent
06	NILSON LEPERA	537.346.708-10	04/26/2007	AUG/2008	1		19	Sales Executive Officer
07	ANTONIO LUIZ DE TOLEDO PINTO	272.712.008-78	04/26/2007	AUG/2008	1		19	Chief Legal Editorial Officer
08	SÔNIA REGINA ALVES DOS SANTOS	013.934.748-88	04/26/2007	AUG/2008	1		19	Chief Human Resource Officer
09	JORGE SARAIVA NETO	330.515.258-39	04/26/2007	AUG/2008	2	YES	22	Board of Directors (Regular)
10	MARIA CECÍLIA SARAIVA MENDES GONÇALVES	173.319.848-29	04/26/2007	AUG/2008	2	YES	22	Board of Directors (Regular)

* CODE: 1 – MEMBER OF EXECUTIVE BOARD ONLY
 2 – MEMBER OF BOARD OF DIRECTORS ONLY
 3 – MEMBER OF EXECUTIVE BOARD AND BOARD OF DIRECTORS

02.02 – PROFESSIONAL EXPERIENCE AND EDUCATION OF EACH DIRECTOR (BOARD AND AUDIT COMMITTEE) AND EXECUTIVE OFFICER

We summarize below the main function and *curricula* of our directors and executive officers:

Board of Directors

Name	Age	Title
Jorge Eduardo Saraiva	67	Chairman
Ruy Mendes Gonçalves.....	70	Vice Chairman
Arthur Eduardo Sá de Villemor Negri	43	Director
Jorge Saraiva Neto	25	Director
Maria Cecília Saraiva Mendes Gonçalves..	38	Director

Jorge Eduardo Saraiva. He is the Chairman of the Board of Directors and of the Company. Bachelor in Economic Sciences, an undergraduate from Faculdade de Ciências Econômicas de São Paulo [São Paulo Economics School], of Fundação Escola de Comércio Álvares Penteado. Since 1963, he holds positions at Company high management and was also director of the Brazilian Chamber of Book in 1965.

Ruy Mendes Gonçalves. He is Vice Chairman of the Company's Board of Directors. He has a kindred relation with Controlling Shareholder, as his deceased wife was Mr. Jorge Eduardo Saraiva's cousin in the first degree of kindred. He is Economist, with a graduation degree in Business Administration by Fundação Getúlio Vargas. Employee of Banco do Brasil from 1960 to 1969, he was Company' financial assistant from 1969 to 1970, managing executive officer from 1970 to 1973, chief financial officer from 1973 to 1977 and superintendent executive officer from 1978 to 1999.

Arthur Eduardo Sá de Villemor Negri. He is a member of the Company Board of Directors. He is undergraduated in Systems Analysis by Pontifical Catholic University of Rio de Janeiro, he has a graduate degree in Marketing by the same University. He is specialized in Advanced Management of Business by FDC/ INSEAD. He was President of Blockbuster in Brazil between the periods from October 2006 and January 2007 and from August 2001 and May 2005. From May 2000 until July 2001 he was Vice President of Operations in the same company. He was Chief Commercial Officer of Fininvest Negócios de Varejo between May 2005 and September 2006. He also performed as Marketing Manager for the corporate market of Brasil Telecom between the period of 1999/ 2000 and previously as Manager of Shell Brasil, he stood out for being responsible for releasing the Select brand in the convenience stores. He is member of the Board of Directors of this Company and of Bematecli Ind. Com. de Equipamentos Eletrônicos S.A.

Jorge Saraiva Neto. He is a member of Company Board of Directors. He graduated in Business Administration by Pontifical Catholic University of São Paulo. He was admitted at Company in 2005, as trainee in the editorial university area.

Maria Cecília Saraiva Mendes Gonçalves. She is a member of Company Board of Directors. Business Administrator graduated in 1991 by Fundação Armando Álvares Penteado and has a Specialization in Finances by the American Graduate School of International Management (USA). She was managing partner of Building Associates, from 1991 to 1996, and of Designers Artes Ltda., from 1996 to 1998. She worked at IFC between 1999 and 2001.

Executive Board

02.02 – PROFESSIONAL EXPERIENCE AND EDUCATION OF EACH DIRECTOR (BOARD AND AUDIT COMMITTEE) AND EXECUTIVE OFFICER

Executive Officers are in charge of Company's management, representation and administration, it being specifically incumbent thereupon, among other functions, to decide on the opening, maintenance, transfer and closing of branches as well as on administrative matters, subject to determinations by Company's Shareholders' Meeting and Board of Directors, if any. Executive Board currently consists of six executive officers, as elected by the Board of Directors for a term of office of one year, with reelection being permitted, and they may be shareholders or not. According to the provisions of our Articles of Incorporation, one of the executive officers, as appointed by the Board of Directors, shall exercise cumulatively the position of Chief Officer for Relations with Investors. The present members of the Executive Board were elected in April 2007, for a term of office up to April 2008.

The chart below indicates Company's present executive officers and is accompanied by a brief description of the professional experience of each of them:

Name	Age	Title
José Luiz Machado Alvim de Próspero.....	53	Chief Executive Officer
João Luís Ramos Hopp.....	43	Chief Financial Officer and Chief Officer for Relations with Investors
Nilson Lepera.....	56	Chief Sales Officer
Antonio Luiz de Toledo Pinto.....	70	Chief Legal Editorial Officer
Sônia Regina Alves dos Santos.....	46	Chief Human Resource Officer

José Luiz Machado Alvim de Próspero. He is Company's Chief Executive Officer. Business Administrator graduated in 1976 by Fundação Getúlio Vargas, also with a graduate degree by Fundação Getúlio Vargas (CEAG) in São Paulo. He has been working at the Company since 1976, and started his career as planning assistant.

João Luís Ramos Hopp. He is Company's Chief Financial Officer and Chief Officer for Relations with Investors. Civil engineer graduated by Instituto Mackenzie in 1986, having a graduate degree by Fundação Getúlio Vargas (CEAG) in São Paulo and a Master Degree in Business Administration (MBA) by Fundação Getúlio Vargas. He was admitted to the Company in 1990 as production manager.

Nilson Lepera. He is Company's Chief Sales Officer. Economist graduated by Fundação Santo André in 1973, with a graduate degree in Marketing by ESPM [Superior School for Advertisement and Marketing]. He was admitted to the Company in 1973 as advertiser, remaining at Commercial Area.

Antonio Luiz de Toledo Pinto. He is Company's Chief Legal Editorial Officer. Lawyer, graduated by Faculdades Metropolitanas Unidas (FMU). He was admitted to the company in December 1979, as direct sales executive officer.

Sônia Regina Alves dos Santos. She is Company's Chief Human Resource Officer. Psychologist, graduated by Faculdades Metropolitanas Unidas (FMU), with a graduate degree in Human Resources and specialization courses at Fundação Getúlio Vargas. She was admitted to the Company in 1982 and has always served in the human resource area.

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03.01 – EVENTS RELATED TO CAPITAL DISTRIBUTION

1 - BASE EVENT Annual Shareholders' Meeting	2 – EVENT DATE 04/26/2007	3 – INDIVIDUALS AND LEGAL ENTITIES 1,239	4 – INSTITUTIONAL INVESTORS 170	5 – SHAREHOLDERS' AGREEMENT NO	6 – PREFERRED SHARES ENTITLED TO VOTE NO
7 – PREFERRED SHARES ENTITLED TO VOTE				8 – DATE OF LAST SHAREHOLDERS' AGREEMENT	
SHARES OUTSTANDING IN THE MARKET					
9 – ARE THERE OUTSTANDING SHARES? YES	COMMON SHARES		PREFERRED SHARES		TOTAL
	10 – QUANTITY (Unit) 4,452,393	11- PERCENTAGE 46.27	12 – QUANTITY (Unit) 18,511,951	13- PERCENTAGE 97.56	14 – QUANTITY (Unit) 22,964,344
					15- PERCENTAGE 80.30

16 - PREFERRED SHARES OUTSTANDING IN THE MARKET		
1 - CLASS	2 – QUANTITY (Unit)	3 - PERCENTAGE

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03.02 – EQUITY POSITION OF SHAREHOLDERS HOLDING MORE THAN 5% OF SHARES OF COMMON AND/OR PREFERRED STOCK

1 – ITEM	2 – NAME/CORPORATE NAME					3 – TAXPAYER CARD	4 - NATIONALITY	5 - UF
6 – COMMON SHARE (Units)	7 - %	8 – PREFERRED SHARES (Units)	9 - %	10 – TOTAL SHARES (Units)	11 - %	12 – SHARE CAPITAL COMP.	13 – PART. IN SHAREHOLDERS' AGREEMENT	14 - CONTROLLER
15/1 - CLASS	15/2 – QTY. PREFERRED SHARES (Units)			15/3 - % PREFERRED SHARES				
001	JORGE EDUARDO SARAIVA					516.543.778-72	BRAZILIAN	SP
	4,520,326	46.98	0	0.00	4,520,326	15.81		YES
002	OLGA MARIA BARBOSA SARAIVA					531.003.108-10	BRAZILIAN	SP
	1,131,364	11.76	0	0.00	1,131,364	3.96		NO
003	MARIA EUGÊNIA SARAIVA M. GONÇALVES					151.632.208-88	BRAZILIAN	SP
	493,557	5.13	0	0.00	493,557	1.73		NO
004	MARIA HENRIQUETA SARAIVA M. GONÇALVES					272.538.888-04	BRAZILIAN	SP
	493,557	5.13	0	0.00	493,557	1.73		NO
005	MARIA CECÍLIA SARAIVA M. GONÇALVES					173.319.848-29	BRAZILIAN	SP
	493,556	5.13	13.500	0.07	507,056	1.77		NO
006	MARIA SYLVIA SARAIVA M GONÇALVES					261.264.658-22	BRAZILIAN	SP
	493,556	5.13	0	0.00	493,556	1.73		NO
007	Hatteras LCC (j)						BRAZILIAN	SP
	959	0.01	1,368,362	7.21	1,369,321	4.79		NO
008	IRB Brasil Resseguros S A							
	0	0.00	979,880	5.16	979,880	3.42		NO
009	HSBC Global Investment Funds							
	0	0.00	1,777,600	9.37	1,777,600	6.21		

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03.02 – EQUITY POSITION OF SHAREHOLDERS HOLDING MORE THAN 5% OF SHARES OF COMMON AND/OR PREFERRED STOCK

1 – ITEM	2 – NAME/CORPORATE NAME				3 – TAXPAYER CARD		4 - NATIONALITY	5 - UF
6 – COMMON SHARE (Units)	7 - %	8 – PREFERRED SHARES (Units)	9 - %	10 – TOTAL SHARES (Units)	11 - %	12 – SHARE CAPITAL COMP.	13 – PART. IN SHAREHOLDERS' AGREEMENT	14 - CONTROLLER
15/1 - CLASS	15/2 – QTY. PREFERRED SHARES (Units)			15/3 - % PREFERRED SHARES				
010	BBM Gestão de Recursos Ltda							
0	0.00	1,996,100	10.52	1,996,100	6.98			NO
997	TREASURY SHARES							
0	0.00	365,750	1.93	365,750	1.28			
998	OTHERS							
1,995,438	20.73	12,472,618	65.74	14,468,056	50.59			
999	TOTAL							
9,622,313	100.00	18,973,810	100.00	28,596,123	100.00			

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04.01 – EQUITY COMPOSITION

1 – Date of Most Recent Alteration: 01/06/2006

2 – ITEM	3 – SPECIES OF SHARES	4 – REGISTERED OR BOOK-ENTRY	5 – PAR VALUE (Reais)	6 – QTY. OF SHARES (Units)	7 – SUBSCRIBED FOR (Thousand Reais)	8 – PAID-IN (Thousand Reais)
01	COMMON	BOOK-ENTRY		9,622,313	30,741	30,741
02	PREFERRED	BOOK-ENTRY		18,973,810	117,033	117,033
03	PREFERRED CLASS A			0	0	0
04	PREFERRED CLASS B			0	0	0
05	PREFERRED CLASS C			0	0	0
06	PREFERRED CLASS D			0	0	0
07	PREFERRED CLASS E			0	0	0
08	PREFERRED CLASS F			0	0	0
09	PREFERRED CLASS G			0	0	0
10	PREFERRED CLASS H			0	0	0
11	PREFERRED OTHER CLASSES			0	0	0
99	TOTALS			28,596,123	147,774	147,774

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04.02 –SUBSCRIBED SHARE CAPITAL AND ALTERATIONS IN THE LAST THREE YEARS

1- ITEM	2- DATE OF ALTERATION	3- AMOUNT OF SHARE CAPITAL (Thousand Reais)	4- AMOUNT OF ALTERATION (Thousand Reais)	5- ORIGIN OF ALTERATION	7- QUANTITY OF ISSUED SHARES (Units)	8- PRICE PER SHARE AT ISSUANCE (Reais)
01	04/24/2004	41,977	2,256	Profit Reserve	0	0.0000000000
02	04/26/2005	46,405	4,428	Profit Reserve	0	0.0000000000
03	01/06/2006	81,774	21,422	Profit Reserve	1,409,334	15.2000000000
04	01/06/2006	81,774	13,947	Capital Reserve	917,586	15.2000000000
05	04/11/2006	147,774	66,000	Public Subscription	3,000,000	22.0000000000

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04.03 – BONUS / SPLIT-OFF OR COMBINATION OF SHARES IN THE LAST THREE YEARS

1 - ITEM	2 – DATE OF APPROVAL	3 – PAR VALUE PER SHARE BEFORE APPROVAL (<i>Reais</i>)	4 – PAR VALUE PER SHARE AFTER APPROVAL (<i>Reais</i>)	5 – QUANTITY OF SHARES BEFORE APPROVAL (Units)	6 – QUANTITY OF SHARES AFTER APPROVAL (Units)
01	01/06/2006			23,269,203	25,596,123

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04.04 – AUTHORIZED SHARE CAPITAL

1 - QUANTITY (Units)	2 - AMOUNT (Thousand Reais)	3 - DATE OF AUTHORIZATION
1,000,000	0	03/27/2006

04.05 – COMPOSITION OF AUTHORIZED CAPITAL

1 - ITEM	2 - SPECIES	3 - CLASS	4 - QUANTITY OF SHARES AUTHORIZED FOR ISSUANCE (Units)
01	PREFERRED		1,000,000

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05.01 – TREASURY SHARES

1 - ITEM	2 – SPECIES OF SHARES	3 - CLASS	4- MEETING	5– TIME FOR ACQUISITION	6- QUANTITY TO BE ACQUIRED (Units)	7- AMOUNT TO BE DISBURSED (Thousand Reais)	8- QUANTITY ALREADY ACQUIRED (Units)	9- AMOUNT ALREADY DISBURSED (Thousand Reais)
01	PREFERRED		01/09/2003	3 Months	500,000	0	365,750	2,869
02	PREFERRED		09/22/2005	1 Year	500,000	0	0	0

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06.01 – PROCEEDS DISTRIBUTED IN THE LAST THREE YEARS

1 - ITEM	2- PROCEEDS	3- APPROVAL DISTRIBUTION EVENT	4- DATE OF APPROVAL DISTRIBUTION	5- END OF FISCAL YEAR	6- NET PROFIT OR LOSS IN PERIOD (Thousand Reais)	7- AMOUNT OF PROCEEDS PER SHARE	8- SPECIES OF SHARES	9- CLASS OF SHARES	10- AMOUNT OF PROCEEDS (Thousand Reais)	11- DATE OF BEGINNING OF PAYMENT
01	INTEREST ON OWN CAPITAL	ANNUAL SHAREH. MEETING	04/26/2005	12/31/2004	18,206	0.4076920600	COMMON		3,923	05/31/2005
02	INTEREST ON OWN CAPITAL	ANNUAL SHAREH. MEETING	04/26/2005	12/31/2004	18,206	0.4076920600	PREFERRED		5,428	05/31/2005
03	INTEREST ON OWN CAPITAL	ANNUAL SHAREH. MEETING	02/21/2006	12/31/2005	40,025	0.4014592000	COMMON		3,863	04/28/2006
04	INTEREST ON OWN CAPITAL	ANNUAL SHAREH. MEETING	02/21/2006	12/31/2005	40,025	0.4014592000	PREFERRED		6,266	04/28/2006
05	DIVIDEND	ANNUAL SHAREH. MEETING	04/06/2006	12/31/2005	40,025	0.0364278600	COMMON		350	04/28/2006
06	DIVIDEND	ANNUAL SHAREH. MEETING	04/06/2006	12/31/2005	40,025	0.0364278600	PREFERRED		569	04/28/2006
07	INTEREST ON OWN CAPITAL	ANNUAL SHAREH. MEETING	02/28/2007	12/31/2006	46,469	0.4954928100	COMMON		4,768	05/31/2007
08	INTEREST ON OWN CAPITAL	ANNUAL SHAREH. MEETING	02/28/2007	12/31/2006	46,469	0.4954928100	PREFERRED		9,220	05/31/2007

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06.03 – PROVISIONS ON SHARE CAPITAL IN ARTICLES OF INCORPORATION

1- ITEM	2- SPECIES OF SHARE	3- CLASS OF SHARE	4- % OF SHARE CAPITAL	5- CONVERTIBLE	6- CONVERSION INTO	7-VOTING RIGHT	8- % TAG ALONG	9- PRIORITY IN REIMBURSEMENT OF CAPITAL	17- REMARK
10- PREMIUM	11- TYPE OF DIVIDENDS		12- % DIVIDEND	13- R\$/ SHARE	14- ACCUMULATED	15- PRIORITY	16- CALCULATED ON		
01	PREFERRED		66.35%	NO		NO	90.00	NO	
NO	MINIMUM		25.00	0.00000	NO	NO	ADJUSTED NET PROFIT		
02	COMMON		33.65	NO		FULL	0.00		
			0.00	0.00000					

06.04 – MODIFICATION IN MANDATORY DIVIDEND IN ARTICLES OF INCORPORATION

1- DATE OF LAST AMENDMENT TO ARTICLES OF INCORPORATION	2- MANDATORY DIVIDEND (% OF PROFIT)
04/26/2007	25.00

01.01 - IDENTIFICATION

1 – CVM CODE 01047-2	2 – CORPORATE NAME SARAIVA SA LIVREIROS EDITORES	3 - CNPJ 60.500.139/0001-26
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07.01 – OFFICERS’ COMPENSATION AND PROFIT SHARING

1- OFFICERS' PROFIT SHARING	2- AMOUNT OF OFFICERS' AGGREGATE COMPENSATION (Thousand R\$)	3- PERIODICITY
YES	420	MONTHLY

07.02 – PARTICIPATIONS AND CONTRIBUTIONS IN THE LAST THREE YEARS

- 1 – FINAL DATE OF LAST FISCAL YEAR: 12/31/2006
 2 – FINAL DATE OF NEXT BEFORE LAST FISCAL YEAR: 12/31/2005
 3 – FINAL DATE OF SECOND BEFORE LAST FISCAL YEAR: 12/31/2004

4- ITEM	5- DESCRIPTION OF PARTICIPATIONS AND CONTRIBUTIONS	6- AMOUNT OF LAST FISCAL YEAR (Thousand Reais)	7- AMOUNT OF NEXT BEFORE LAST FISCAL YEAR (Thousand Reais)	8- AMOUNT OF SECOND BEFORE LAST FISCAL YEAR (Thousand Reais)
01	PARTICIPATIONS – DEBENTURE HOLDERS	0	0	0
02	PARTICIPATIONS – EMPLOYEES	0	0	0
03	PARTICIPATIONS – OFFICERS	3,599	3,383	2,023
04	PARTICIPATIONS – FOUNDERS' SHARES	0	0	0
05	CONTRIBUTIONS TO ASSISTANCE FUND	0	0	0
06	CONTRIBUTIONS TO SOCIAL SECURITY FUND	0	0	0
07	OTHER CONTRIBUTIONS	0	0	0
08	NET PROFIT IN FISCAL YEAR	46,409	40,025	18,206
09	NET LOSS IN FISCAL YEAR	0	0	0

01.01 - IDENTIFICATION

1 – CVM CODE 01047-2	2 – CORPORATE NAME SARAIVA SA LIVREIROS EDITORES	3 - CNPJ 60.500.139/0001-26
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07.03 – PARTICIPATION IN CONTROLLED AND/OR ASSOCIATED COMPANIES

1- ITEM	2- NAME OF CONTROLLED/ASSOCIATED COMPANY	3- CNPJ (Brazilian Registry of Legal Entities)	4- CLASSIFICATION	5- % PARTICIPATION IN THE CAPITAL OF INVESTED COMPANY	6- % SHAREHOLDERS' EQUITY OF INVESTED COMPANY
7- TYPE OF COMPANY		8- BEGINNING OF LAST FISCAL YEAR	9- END OF LAST FISCAL YEAR		10- QUANTITY OF SHARES IN LAST FISCAL YEAR (Units)
11- BEGINNING OF NEXT BEFORE LAST FISCAL YEAR	12- END OF NEXT BEFORE LAST FISCAL YEAR	13- QUANTITY OF SHARES IN NEXT BEFORE LAST FISCAL YEAR (Units)	14- BEGINNING OF SECOND BEFORE LAST FISCAL YEAR	15- END OF SECOND BEFORE LAST FISCAL YEAR	16- QUANTITY OF SHARES IN SECOND BEFORE LAST FISCAL YEAR (Units)

01	LIVRARIA E PAPELARIA SARAIVA S/A	61.254.454/0001-83	CLOSED CONTROLLED	99.91	25.23
COMMERCIAL, INDUSTRIAL COMPANY AND OTHERS		01/01/2006	12/31/2006		57,539,843
01/01/2005	12/31/2005	57,539,843	01/01/2004	12/31/2004	57,539,843

09.01 – BRIEF HISTORY OF COMPANY

We operate in the business of publication of books and commercialization of content, through Editora, and of commercialization to retail of books and other articles, through Livraria, which counts on a network of 34 physical stores and the website Saraiva.com. Our businesses are synergic and supplementary. In the fiscal year closed on December 31 2006, 43% of net revenue originated from Editora's activities and 57% from Livraria's activities. As regards Adjusted EBITDA, 74% originated from Editora's activities, with a margin of 23.1%, and 26% originated from Livraria's activities, with a margin of 6.5%.

Editora. Editora is one of the main book editors in Brazil, in respect of sales, it being leader in the segment of Legal Books (27.3% of our net revenue in fiscal year 2006) with a significant participation in the segment of administration, economics and account text-books (2.6% of our net revenue in fiscal year 2006) and ranks among the leaders in the segments of Didactic Books (64% of our net revenue in fiscal year 2006) and Para-Didactic Books (4% of our net revenue in fiscal year 2006). Editora also commercializes computerized legal content in CD-ROM media and offers computerized legal products content by the Internet, through the website Portal SaraivaJur, which offers also other related services to visitors, such as agenda of events of the legal community, information on courses and updating of legislation codes. Recently, Editora started activities in the market of teaching from afar under the brand ViaSaraiva.

Editora has a network of 12 branches, located in important cities in the states of the Country, and 17 authorized resellers.

Livraria. Livraria is the largest network of bookstores in the Country in respect of sales. It being a reference in the trade of books, Livraria introduced into Brazil the concept of Mega Store and was one of the pioneers in electronic commerce in Brazil. With a network of 34 stores, distributed in 14 important Brazilian cities, of which 18 are Mega Stores and 16 are Traditional Stores, Livraria counts on a total sales area of 22.6 thousand sq. m.. In 2006, annual sales were approximately R\$ 12.6 thousand per sq. m., with a growth of 11% in comparison with 2005. The Average Ticket in respect of gross revenues in 2006 was R\$ 68.98, with a growth of 17% in comparison with 2005.

Livraria's sales are conducted through (a) Mega Stores, which have sales areas of 460 sq. m. to 1,800 sq. m. and offer up to 54 thousand registered items, in categories books, CDs, DVDs, periodical publications, multimedia software, stationery items, electronic items and educational toys, (b) Traditional Stores, having sales areas of 110 sq. m. to 480 sq. m. and offer up to 26 thousand registered items, including books and stationery items, and (c) electronic commerce, through the website Saraiva.com, which has over 300 thousand registered products, in 10 different categories: books, CDs, DVDs, stationery, electro-electronic, electronic games, software, toys and magazines.

History and Development

Our history demonstrates our tradition, pioneering and flexibility in the operation in book editorial and retail markets in Brazil.

Our history began in 1914, when Mr. Joaquim Ignácio da Fonseca Saraiva, a Portuguese immigrant, founded at Largo do Ouvidor, in São Paulo, a small bookshop intended for the commerce of second-hand books. By virtue of the bookshop localization, very close to the Law School of Largo São Francisco, of the personal interest and knowledge on legal literature held by Mr. Joaquim Saraiva, the then named "Livraria Acadêmica" became known by professors and students of law who used to

09.01 – BRIEF HISTORY OF COMPANY

visit the region and specialized in the commerce of legal books, which represent, until present days, an important segment of our businesses.

As time went by, Mr. Joaquim Saraiva began to commercialize new books, stationery items and, as from 1917, to edit Legal Books.

In 1947, Editora became a corporation. As from 1970, we started to edit Didactic Books and Para-Didactic Books and, in 1972, Editora became an open company.

In the 80's, the expansion process of Livraria's network of establishments was initiated, with the opening of several stores in other Brazilian states and at shopping centers.

In 1993, the activities of Saraiva Data Ltda., a company organized by Editora for the purpose of commercializing computerized editorial products in the legal area, were initiated.

In 1996, the first Livraria's Mega Store was inaugurated and, in the same year, Saraiva Data Ltda. was merged into Editora, for the purpose of rationalization gains and resource optimization.

In 1998, the website Saraiva.com was created and Editora acquired Editora Atual, specialized in the segment of Didactic Books which was merged into Editora in 1999.

In 2000, Editora was the first Brazilian open company to guarantee tag-along rights to the holders of shares of preferred stock, thus preceding the provisions of corporate legislation enacted in 2001. In the same year, Editora launched its Level 1 ADR program in the United States over-the-counter market. Still in 2000, Editora built, in Guarulhos, a new book distribution center and acquired the editorial assets of Editora Renascer; and Livraria inaugurated, in São Paulo, a distribution center exclusive for the product acquired by Internet.

In 2001, PortalSaraivaJur was launched.

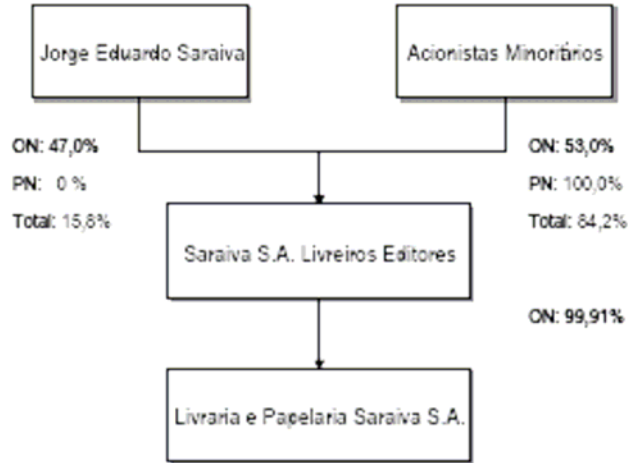
In 2003, Editora acquired Editora Formato, specialized in the segment of Didactic Books and Para-Didactic Books, which was merged in 2004.

In 2006:

- According to Annual Shareholders' Meeting decision, held on January 6, 2006, a bonus was approved, with the attribution of 2,326,920 preferred shares to the common and/or preferred shareholders, in the proportion of 0.10 preferred share for each held preferred or ordinary share;
- Adhesion, in March 2006, to the Differentiate Practices of Corporate Governance Level 2 of Bovespa*;
- Successful performance, on April 2006, of a primary distribution of three million of preferred shares, strengthening the Company's financial position for the studies development and implementation of investment projects;
- Secondary distribution of shares, also on April 2006, held by a few preferred shareholders, which benefited the dilution of the investor's basis.

09.01 – BRIEF HISTORY OF COMPANY

Corporate Structure



09.02 –OPERATING SECTOR CHARACTERISTICS

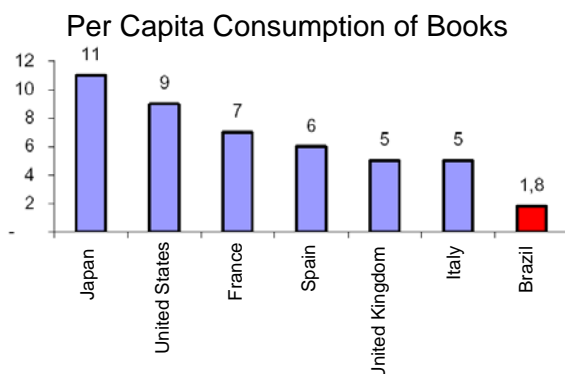
Brazilian Market

Brazil is the fifth largest country of the world in population and the largest in Latin America and has approximately 184 million inhabitants. The Brazilian GNP was R\$ 1.9 trillion in 2005. In 2006 the Brazilian actual GNP increased 2.9%, *real* appreciated against dollar. In spite of the Brazilian economy being historically characterized by volatility, in recent past, economic performance has been generally positive:

- IPCA dropped from 5.7% in 2005 to 3.1% in 2006;
- *balança comercial* (trade balance) showed a record positive balance of US\$ 46.7 billion in 2006; and
- *real* appreciated 8.52% against dollar in 2006.

Editorial Market in Brazil

In spite of being prominent within the regional scope – Brazil is the largest editorial market in South America – the per capita consumption of books in Brazil still is extremely low when compared with the per capita consumption verified in developed countries, such as the United States and some European countries. The average per capita consumption in the Country was, in 2004, only 1.8 book per year (including didactic books), as compared with 9 books per capita per year in the United States and 11 books per capita per year in Japan. The chart below demonstrates such relation:



Source: "A Economia da Cadeia Produtiva do Livro" [The Economy of Book Productive Chain] (BNDES).

Such level of consumption may be ascribed, among other factors, to the low level of education of Brazilian population, to low per capita income, to poorly developed reading habits and to shy performance of libraries that, in Brazil, are about 4 thousand, against 10 and 15 thousand in Spain and Italy, respectively. However, the Brazilian Government has invested consistently in education. At present, about 97% of children between 7 and 14 years old are already enrolled with elementary education schools. The rate of enrolment with schools of young people between 15 and 17 years old was 33% in 2000 and reached 81% in 2005, according to data from the School Census conducted by INEP [National Institute for Educational Studies and Researches] in co-partnership with MEC [Ministry of Education and Culture].

The improvement in the Brazilian educational standard may be further observed in the number of years of individuals' average education life. In 1993, Brazilians remained in school for 4.5 years in the average, quite less than the average of the neighbor countries, such as Chile,

09.02 – OPERATING SECTOR CHARACTERISTICS

which presented an average of 7.5 years, and Argentina, which presented 8.7 years as an average at the same period. With higher investments, by the Federal Government, in education and programs such as PNLD, school life was increased to an average of 6.5 years in 2003.

Besides the increase of years of study per student, enrolments with Brazilian schools have also showed an improvement of educational level. The chart below demonstrates the growth in the number of enrolments from 1994 to 2004 in elementary, high school and university educational level:

Year	Number of Enrolments (thousand students)		
	Elementary Education	High School	University
1994	32,008	4,936	1,661
.....			
2006	33,283	8,907	4,453
.....			
CAGR (%) 1994 to 2006.....	0.3%	5.1%	9.1%

Source: MEC, INEP and SEEC [State Culture Office]

Improvement in the Brazilian educational standard will be further reinforced by initiatives of the Federal Government for acquisition of didactic books to be allocated to students of high school education at public schools. In Brazil, there are about 9.2 million youngsters enrolled with that educational level, of whom 8 million in public schools. It is estimated that 1 million actually acquire, on their own, the books requested by teachers at classroom. For further information on governmental programs for purchase of didactic books. [sic]

The Federal Government, through Law No. 11.033, of December 21 2004, reduced to zero PIS and COFINS rates on the sale of books in Brazil as from December 2004. Such reduction in tax burden is intended to stimulate production chain and commercialization of books in Brazil.

In the future, editing companies and bookstores will contribute to a fund to be managed by class entities and Federal Government, for the purpose of promoting reading in Brazil through several initiatives. Such contribution will correspond to 1% of the sales of books and is presently in the process of being regulated.

Segments of Editorial Market in Brazil

Editorial market in Brazil may be divided into 4 large segments: didactic and para-didactic books, as intended for education of children in preschool phase, elementary education and high school; general interest books; religious books; and scientific, technical and professional books.

The chart below describes the performance of each of those segments in 2005 and 2004, as regards sales and number of books produced and sold in Brazil.

Editorial Segment	Sales (R\$)		Variation	Units Produced (thousand)		Variation	Units Sold (thousand)		Variation
	2004	2005	2005/2004	2004	2005	2005/2004	2004	2005	2005/2004
Didactic	1,351,598	1,394,043	3.1%	185,669	171,531	-7.6%	191,650	157,659	-17.7%
General Works	540,874	562,502	4.0%	87,556	78,445	-10.4%	51,500	57,220	11.1%
Religious	238,077	231,291	-2.9%	29,830	36,348	21.9%	28,650	35,539	24.0%
Scientific, technical and professional	346,483	384,696	11.0%	17,037	20,138	18.2%	16,875	19,966	18.3%
Total ⁽¹⁾	2,476,731	2,572,532	3.9%	320,094	320,094	-4.3%	288,675	270,384	-6.3%

Source: CBL [Brazilian Chamber of Book]

⁽¹⁾ The figures presented in the chart above are approximate, since the large majority of companies operating in the Brazilian editorial market are closed-capital companies and do not disclose data/information to the market.

The most significant segment of the editorial market in Brazil, in sales and number of units sold, is that of didactic books. In 2005, according to data from CBL and SNEL – National Union of

09.02 –OPERATING SECTOR CHARACTERISTICS

Book Editors, sales of didactic books reached R\$ 1.394 billion (or 54.2% of total sales of the editorial market), equivalent to the sale of 157.7 million units.

In the segment of didactic book editing, we should consider the relevant participation of PNLD and, recently, of PNLEM, through which the Ministry of Education, under coordination of FNDE [National Fund for Education Development], acquires didactic books intended for students of elementary and high school education for about 165 thousand public schools all over the Country. Through those programs, the Federal Government and the State of São Paulo Government acquired, in 2005, a total of 87.8 million units. Government programs represented sales of R\$ 448.5 million in 2005, equivalent to 32.2% of the total in the segment of didactic books. For further information on governmental programs for purchase of didactic books. [*sic*]

The segment of scientific, technical and professional book editing is the third largest in the Brazilian editorial market. In 2005, the sales of those books reached R\$ 384.7 million (or 15.0% of total sales in editorial market), equivalent to the sale of 20.0 million units. Law, administration, economics and account books are classified in this segment.

Sales in the segment of editing of general interest books, in 2005, reached R\$ 562.5 million (or 21.9% of total sales in editorial market), equivalent to the sale of 57.2 million units. Finally, religious works account for 9.6% of the Brazilian editorial market.

History and Operation of Government Purchase Programs

Since 1929, when the Brazilian Government created a specific body to legislate on the policy for Didactic Books, the National Institute of Book (INL), federal performance in this area has improved, for the purpose of supplying schools in federal, state, municipal and Federal District networks with qualified didactic and para-didactic works and dictionaries. At present, such policy is mainly contained in PNLD and PNLEM.

PNLD

PNLD distributes, at no cost, didactic works for all students from 1st to 8th grades of elementary education public network. As from 2003, special education public schools and private institutions defined by school census as communitarian and philanthropic were included in the program.

Through PNLD, the Federal Government acquires books for students from 1st to 8th grades of elementary education in approximately 143 thousand public schools participating in the program. PNLD consists of a three-year cycle, of which, in the first year new books are acquired for students from 1st to 4th grades of elementary education, in the second year new books are acquired for students from 5th to 8th grades and for students of 1st grade (the only ones to whom is permitted to write on the books, thus making them useless for future reuse), and in third year, only books for replacement of the units bought in the preceding years and which are useless are acquired. Due to PNLD's cyclic characteristic, sales of Brazilian editors that deal with Didactic Books follow such seasonality. In the year of book replacement, sales under PNLD are naturally smaller.

PNLD is kept by FNDE with financial funds from the Federal General Budget and from education allowance collection. In PNLD's whole history, there have never been problems with default by the Federal Government.

09.02 –OPERATING SECTOR CHARACTERISTICS

PNLD admits two forms of operation: centralized (the steps are entirely incumbent upon FNDE) and decentralized (steps developed by the Federation Units, through the transfer of funds from the Federal Government, through covenant with FNDE).

São Paulo is the only State that presently chooses the decentralization. Therefore, FNDE transfers financial resources to the São Paulo State Education Office, which is in charge of the entire operation of the program.

We present below the main steps in the operation of PNLD.

The notice establishing the rules for enrolment of the Didactic Book is published in the Federal Official Gazette and made available at FNDE's website in the Internet (www.fnde.gov.br). The notice further establishes the term for submission of works by the companies holding copyrights. In order to analyze whether the works submitted conform with technical and physical requirements of the notice, a screening is conducted by the Institute of Technological Researches of the State of São Paulo (IPT). The selected books are sent to SEB [Basic Education Office], in charge of pedagogic evaluation.

SEB selects the specialists to analyze the works, as per criteria disclosed in the notice. The specialists define which books conform with the notice and prepare summaries of the books approved, which then compose the directory of didactic books. FNDE makes such directory available at its website in the Internet and sends the same printing material to the schools registered with the school census. Didactic books undergo a democratic process of selection, based on the directory of didactic books. Principals and teachers of each school analyze and choose the works to be used in their classrooms.

FNDE then starts the negotiation process with editors, after informing them of the books selected by the teachers and the corresponding quantities. The acquisition is conducted without requirement of a bid, as provided for in Law No. 8.666, of June 21 1993, since the selection of books is made by the teachers. Upon conclusion of the negotiation, FNDE executes the agreement with editors, which start producing the books, under supervision of FNDE's technicians.

PNLEM

PNLEM is a pioneer initiative of the Federal Government, starting from a pilot project in year 2004, when Portuguese and Mathematics books were acquired to be used in public schools of middle education in North and Northeast regions, in school year 2005. The Government of the State of Minas Gerais, in the same year, also acquired Portuguese and Mathematics books for students of middle education of its public schools for use during school year 2005. Within the scope of the pilot project, the Federal Government and the Government of the State of Minas Gerais acquired a total of 4.4 million books from all editors enrolled with the program.

In 2005, the Federal Government incremented the purchase of Portuguese and Mathematics books for middle education for all public schools in Brazil, except those already benefited by the pilot project in the preceding year.

In PNLD and PNLEM, the definition of the quantity of unities to be acquired is provided by schools themselves, in co-partnership with education state and municipal offices. The data disclosed by the school census conducted by INEP serve as parameter for all of FNDE's steps, including for Didactic Books.

09.02 –OPERATING SECTOR CHARACTERISTICS

The results of the selection process are published in the Federal Official Gazette, for knowledge of States and Municipalities. In case of non-conformity, States and Municipalities may request alterations, provided that the occurrence of mistake is duly proved.

Other Programs

Besides acquiring books for Elementary Education in regular bases and for High School Education as a pioneer in 2004, 2005 and 2006, the Federal Government conducts all non-recurrent programs for the purchase of books for public schools and libraries. The most important are PNLD Dictionaries, through which the Federal Government acquires dictionaries for use in public schools of elementary and high school education, and PNBE, through which the Federal Government acquires compilations of literature works for students of elementary education and of literature and information for students of youngsters and adults' education.

FUNDEB

The House of Representatives approved, on January 24 2006, Proposal for Amendment to the Constitution creating FUNDEB, intended to finance elementary education (kindergarten, preschool, elementary and high school education). The new fund shall be effective for 14 years and will be gradually implanted.

According to the text, the Union will transfer to FUNDEB R\$ 2 billion in the first year, R\$ 2.9 billion in the second year, R\$ 3.7 billion in the third and R\$ 4.5 billion as from the fourth year of effectiveness thereof.

FUNDEB will replace FUNDEF and will serve students of infantile, elementary, high school education and youngsters and adults education. FUNDEF entails the investment of funds only to elementary education and expires in September 2006 when it reaches 10 years of creation.

FUNDEB will be formed by 20% of resources from state and federal taxes, as distributed among each State and Municipalities thereof, in proportion to the number of students of the several degrees and modalities of basic education, as enrolled with the relevant public education networks. The minimum expenditure per student under FUNDEB shall not be lower than as established by FUNDEF.

FUNDEB represents a great improvement in comparison with FUNDEF, as it enlarges significantly the funds for education and the offer of places in public network for students of all educational levels.

Other Performing Sectors

The market of learning from afar, where Editora is investing through ViaSaraiva, mainly e-learning, is the educational sector that grows most in the world. In Brazil, according to data of Folha on-line, there is over 1.1 million of students in teaching from afar, a large majority in under-graduation and graduation courses.

Book Retail Market

The book retail market in Brazil is quite fragmented, it being characterized by the co-existence of small bookshops and large store networks. At present, there are approximately 1,500 bookstores all over Brazil, more than 70% of which are located in South and Southeast regions of the Country. The States of São Paulo and Rio de Janeiro represent about 65% of book retail

09.02 –OPERATING SECTOR CHARACTERISTICS

sales in Brazil. While the average consumption per capita in the Country is only 1.8 book per year (including didactic books), the United States have a consumption of 9 books per year and Japan, a consumption of 11 books.

The distribution of bookstores in the Brazilian territory is extremely uneven, of the 5,700 Brazilian municipalities, only 10.5%, that is, 600 thereof, have regularly installed bookstores. In addition to a very uneven distribution in the Brazilian territory, the number of bookstores in Brazil is much lower when compared with other countries, even those in development.

In addition to using bookstores, the book retail market develops in other distribution and sales vehicles, such as, for instance, stationery stores, bazaars and schools, which has been increasingly changing into points of sales in school periods. Newsstands also have been a vehicle for the sale and dissemination of low-cost books. However, one of the sales vehicles that has called most the attention of professionals in the book retail market is Internet. Electronic commerce has developed all over the world, in all sectors of economy, by virtue of the comfort, agility and easiness for purchasing goods, without need to go to the stores. Such trend is also verified in the Brazilian market, among large bookstores.

An import characteristic involving Editora's operations is the seasonality of editorial market, where it operates.

In 2006, about 81% of Editora's sales are concentrated in the first and last quarters of each year, respectively, in the "return to class" period and in the period of sales of didactic books within the scope of PNLD and PNLEM. The chronology of the sales of didactic books within the scope of PNLD, however, may undergo slight variations, concentrating more in the end of the year or beginning of the following year.

Under PNLD/2007 (a program contracted in late 2006, under which books were acquired for school year 2007), for instance, 74.5% of Editora's sales for the program occurred in the 4th quarter of 2006, the remaining 25.5% being realized as revenue in the 1st quarter of 2007. The market seasonality where Editora operates prevents a comparative analysis from one quarter to the other in the same fiscal year. The sales revenue in the scope of the programs is accounted for to the extent that Editora delivers the books contracted.

Editora's sales in the remaining portion of the year are distributed almost evenly, although the 3rd quarter may present higher amounts on account of the beginning of classes in law, administration, economics and accounting schools, whose school period is most times half yearly.

FEDERAL PUBLIC SERVICE
 CVM - SECURITIES COMMISSION
 IAN - annual information Base Date - 12/31/2006
 COMMERCIAL, INDUSTRIAL COMPANY AND OTHERS
 New presentation by CVM Requirement No.GEA-1/271/2007

External Disclosure

01.01 – IDENTIFICATION

1 – CVM CODE 01047-2	2 – CORPORATE NAME SARAIVA SA LIVREIROS EDITORES	3 - CNPJ 60.500.139/0001-26
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10.01 – PRODUCTS AND SERVICES OFFERED

1 - ITEM	2 – MAIN PRODUCTS AND/OR SERVICES	3% – NET REVENUE
01	Didactic and Para-Didactic Books	68.55
02	Legal Books	27.23
03	Computerized Legal Products	0.49
04	General Interest Books	1.16
05	Economics and Administration Books	2.57

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10.02 – RAW MATERIALS AND SUPPLIERS

1- ITEM	2- RAW MATERIAL	3- IMPORT	4- AMOUNT OF IMPORT (Thousand Reais)	5- AVAILABLE LOCAL MARKET	6- AVAILABLE EXTERNAL MARKET
7- NAME OF SUPPLIER		8- TYPE OF SUPPLIER		9- % SUPPLY ON COMPANY TOTAL PURCHASES	
01	PAPER	NO	0	YES	YES
VCP – VOTORANTIN CELULOSE E PAPEL		NOT RELATED			75.90
02	PAPER	NO	0	YES	YES
RIPASA S/A CELULOSE E PAPEL		NOT RELATED			14.00
03	PAPER	NO	0	YES	YES
SUZANO BAHIA SUL PAPEL E CELULOSE S/A		NOT RELATED			10.10

FEDERAL PUBLIC SERVICE
 CVM - SECURITIES COMMISSION
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10.03 – MAIN CLIENTS PER PRODUCTS AND/OR SERVICES

1- ITEM	2- ITEM	3- NAME OF PRODUCT/NAME OF CLIENT	4- % OF CLIENT'S PARTICIPATION IN NET REVENUE
001		DIDACTIC BOOKS	
001	001	FNDE (NATIONAL FUND FOR EDUCATION DEVELOPMENT)	31.44
002		DIDACTIC, UNIVERSITY, ECON./ADM., BOOKS, CD ROM, GENERAL INT.	
002	002	OTHERS (NONE CORRESPONDING TO MORE THAN 10%)	68.56

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

11.01 – PRODUCTION PROCESS

Editing activity consists, mainly, in organizing and formatting proprietary content for publication.

Authors of books intended for elementary, high school and university levels of education regularly send their originals to our pertinent editorial departments, for the purpose of publication thereof.

In parallel, we constantly seek for new talents who may complete possible gaps in our catalogue, in addition to authors of works whose content may be used in the edition of books in segments related to economics, administration and accounting, such as tourism, hotel administration, international relations, social communication and businesses. Such process has ensured, in the last years, the permanent updating of our catalogue.

After a first contact with the authors, the editing effort starts with the content definition and a working proposal. Editing projects are first analyzed from the point of view of their teaching methodologies and proposals, as well as in respect of their market potentialities. A great editing effort is focused on the feasibility of such projects, in a process that requires constant interaction between editors and authors.

After evaluation of its content, the text approved for editing still needs to receive a special treatment from production and art sectors. The formatting of a work to be edited also involves the work of personnel specialized in copy desk, composition, diagramming activities, review of proofs, illustration and photoliths. Once the electronic editing is completed, the photoliths are produced or made available in the digital files of the works, they being the base for printing the units of books.

11.02 – COMMERCIALIZATION PROCESS, DISTRIBUTION, MARKETS AND EXPORTS

Business areas

Editora's Businesses

Products

At present, Editora develops the following editing lines: Didactic Books, Para-Didactic Books, Law Books, Economics Books, Administration and Accounting Books and General Interest Books. Editora further commercializes electronic legal publications in CD-ROM and through portal SaraivaJur, and is developing a segment of teaching from afar, identified by the mark ViaSaraiva.

Editing of Didactic Books and Para-Didactic Books for students of elementary and high school levels consists in one of Editora's most important businesses. The editing line of Didactic Books and Para-Didactic Books accounted for 28.2% of total consolidated sales of Saraiva Group in 2006.

The projects of didactic – and para-didactic – nature under Saraiva, Atual and Formato seals include the launching of comprehensive content works, in line with the several pedagogic directions, including MEC directives. Almost all disciplines of the school curriculum are served by Editora's catalogue: biology, physics, chemistry, mathematics, geography, history, Portuguese, philosophy, arts, English, Spanish, in addition to reference works, such as geographic atlas and dictionaries.

Editora is the most traditional editor of legal content in the Country, it believing to lead the sector with approximately 40% of the market, the remaining of the market being divided into many competitors. In 2006, the law book segment represented 10.1% of total consolidated sales of Saraiva Group.

The editing line of Editora's law books may be subdivided into 3 distinct segments: the segment focusing university public (law students), the segment focusing law professionals (acting lawyers, justice attorneys, judges and others) and legal legislation and codes. Among the three, the university market is the one that grows most.

Editora also seeks to edit books in areas related to administration, economics and accounting. Related areas are understood as being complementary and/or ancillary disciplines in administration, economics and accounting courses, such as, for instance, tourism and hotel administration.

In addition to books sales, Editora also edits and commercializes legal information in electronic media in retail networks or under subscription. This editorial line, which bears the mark Saraiva Data consists of several products in CD-ROM format: LIS (Saraiva Computerized Legislation), JUIS (Saraiva Computerized Case Law), the Contests Line and the so called Legal Models.

The LIS contains all higher-level federal legislation in force and lower-level norms, and is commercialized in spare editions or through half-yearly or yearly subscriptions, with bi-monthly updating. The JUIS consists in the compilation of case law abstracts, as obtained based on agreements executed with several courts in the Country. The commercialization is similar to LIS' and updating is quarterly. The Contests Line is intended for preparation to public careers and

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the Legal Models are petition models intended to help the law professional in labor, criminal and civil areas.

Editora is also a pioneer in the commercialization of legal content through electronic means in the Internet. Portal SaraivaJur offers to its clients, in addition to computerized legal products that are commercialized in CD-ROM – LIS and JUIS, with the advantage of a daily updating, works by Editora's authors, labor case law and a series of services to law operators, such as agenda of events of the legal community, information on Contests, jurists' articles, classified articles, updating of codes, clipping, abstracts of publications selected from the Federal Official Gazette and information from Editora's catalogue of legal books.

Suppliers

The main raw material used by Editora is paper. Paper industry has a cyclic nature, being sensitive to changes in demand and offer, which are affected by worldwide and Brazilian economic conditions. The price of the paper produced by Editora's suppliers follows the prices of paper applied in the remnant of the world. For those reasons, Editora does not execute medium and long-term contracts with its paper suppliers. During year 2006, paper accounted for approximately 44% of Editora's costs.

Presently, Editora's supply chain is formed by three main domestic suppliers of paper, namely, Votorantim Celulose e Papel S.A. (VCP), Ripasa S.A. Celulose e Papel (Ripasa) and Suzano Bahia Sul Papel e Celulose S.A. (Suzano). It should be noted that, in 2005, VCP, together with Suzano, acquired Ripasa's control. The operation conclusion is still pending approval by the applicable public bodies.

In additional to paper, Editora contracts graphic services in the market. In view of the reasonable offer of graphic services in the market, Editora does not depend significantly on any supplier of graphic services. In 2006, the main providers of graphic services to Editora were: Editora Parma Ltda., Prol Editora Gráfica Ltda., Artes Gráficas e Editora SESIL Ltda., Oceano Indústria Gráfica e Editora Ltda. and Yangraf Gráfica e Editora Ltda.

Editing Process

Editing activity consists, mainly, in organizing and formatting proprietary content for publication.

Authors of books intended for elementary, high school and university levels of education regularly send their originals to our pertinent editorial departments, for the purpose of publication thereof.

In parallel, we constantly seek for new talents who may complete possible gaps in our catalogue, in addition to authors of works whose content may be used in the edition of books in segments related to economics, administration and accounting, such as tourism, hotel administration, international relations, social communication and businesses. Such process has ensured, in the last years, the permanent updating of our catalogue.

After a first contact with the authors, the editing effort starts with the content definition and a working proposal. Editing projects are first analyzed from the point of view of their teaching methodologies and proposals, as well as in respect of their market potentialities. A great editing

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effort is focused on the feasibility of such projects, in a process that requires constant interaction between editors and authors.

After evaluation of its content, the text approved for editing still needs to receive a special treatment from production and art sectors. The formatting of a work to be edited also involves the work of personnel specialized in copy desk, composition, diagramming activities, review of proofs, illustration and photoliths. Once the electronic editing is completed, the photoliths are produced or made available in the digital files of the works, they being the base for printing the units of books.

Our relationship with authors is formalized upon execution of copyright contracts.

Distribution of Printed Books and Logistics

- Governmental Purchases

Editora participate actively in the official programs for purchase of books. The most important are PNLD, PNLEM and PNBE. In contracts for supply of books within the scope of those programs, terms are established for dispatch by Mail Service, which compels to prior logistic planning, whose processes are widely mastered by Editora. To produce and deliver the books related to such purchases, Editora hires temporary personnel, who help in book mixing and dispatch tasks.

The mixing process consists in the preparation of books packs under the standards required by the Mail Service, so that each school receives, as duly packed, the exact quantity of previously requested books. Such books are directly dispatched from Editora's premises to the schools, by Mail Service, which occasionally installs special assistant stations at Editora's distribution center, in periods of higher demand.

- Private Market

Sales to private market, the traditional channel for book distribution to retail market is Editora's branch network and its authorized representatives. The latter work only with Didactic Books and Para-Didactic Books, mainly due to the seasonal characteristic of this editorial segment.

Editora was one of the first editors in the Country that chose for distribution of its books by using branches instead of the traditional commercial representatives or distributors. The strategy of replacing representatives by branches, which count on personnel trained and qualified in serving the clients all over the country, enabled Editora to win a higher market share, in particular for the legal-book editorial line.

Editora's branches are equipped with premises of their own for sales operations to local retail and distributors, as well as to promote the titles with teachers of elementary, high school and university education. Each branch holds a show room for the products of Editora's editorial lines, professionals specialized in sales and disclosure of the company's catalogue and space to receive professors from university and high school and elementary education areas. The disseminators, who are sales professionals acting with professors and schools, work in cars supplied by Editora in their visits to schools and universities of almost the entire Brazilian territory.

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Editora's distribution policy is directed to quickly supply and replace the supply to its clients as spread out all over Brazil.

Therefore, Editora counts on a distribution center located in Guarulhos, in charge of receiving, storing, handling and dispatching all titles of its catalogue to its 12 branches.

Editora's branches are strategically located all over the Country and hold warehouses capable of storing and supplying the sales for their respective regions. Some of these branches further count on the support of 17 authorized resellers. These resellers only commercialize Didactic Book and Para-Didactic Books, the most seasonal segment and whose demand is concentrated in a certain period of the year.

Editora's system for product delivery is quite simple, functional and economic. The books are transferred to the branches by outsourced carriers, under exigency standards that gather price, delivery times, quality and safety. Thus, Editora has full flexibility in respect of the volumes transported without using capital to acquire fixed assets.

Usually, the orders are prepared and dispatched at an interval of 4 to 24 hours. In the "return to class" period, such time is extended to 24 and 48 hours, as applied to any product available.

For distribution of Law Books and Economics, Administration and Accounting Books, Editora counts, in each branch, on a team of specialized professionals, which helps in the dissemination of the contents with educational establishments and professors. The branches enable a differentiated service to each region of the Country, subject to the peculiarities and needs of each of them.

- Content Distribution through Electronic Media

Content in CD-ROM (LIS, JUIS, Legal Models and Contests Line) and updates thereof are made available to subscribers through remittance by Mail Service and also by retail sales. Content made available in the Internet (LIS and JUIS) is commercialized through sales by subscription.

Sales

In 2006, Editora accounted for 40.0% of Saraiva Group's gross sales.

In 2006, about 80.5% of Editora's sales concentrated between its last quarter and the first quarter of the following year, in consequence of the seasonality that characterizes the editorial market where Editora operates. Such concentration, as recurrent in Editora's operations, is caused by two main factors: (i) the "return to class" period, in the 1st quarter of each year, and (ii) the sale of Didactic Books within the scope of PNLD and PNLEM, which generally occurs between the 4th quarter of a year and the 1st quarter of the following year.

Sales within the scope of programs of Didactic Book and Para-Didactic Book purchases may also oscillate from one fiscal year to the other, concentrating more in the 4th quarter or the 1st quarter of the following year. In PNLD/2006, whose contract was executed in 2005, for supply of books to be used in school year 2006, approximately 78% of Editora's sales occurred in the 4th quarter of 2005, with the remaining 22% being appropriated in the 1st quarter of 2006. As regards PNLD/2007, a program whose contract was executed in 2006, for supply of Didactic

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Books for school year 2007, 77% of Editora's sales within the scope of PNLD occurred in the 4th quarter of 2006, with the remaining 23% being realized as revenue in the 1st quarter of 2007.

Editora's sales in the remnant of the year are almost evenly distributed, although the 3rd quarter may present higher amounts because of the beginning of classes at law, administration, economics and accounting schools, whose school period is most times half yearly.

Clients

Editora's main clients in Didactic Book and Para-Didactic Book segments are the Federal Government and the Government of the State of São Paulo, which contributed, in 2006, with 31.4% of Editora's total gross revenue and with 46.3% of gross revenue from sales of Didactic Books and Para-Didactic Books. Another important client of Editora in this segment is Livraria itself that, in 2006, accounted for 5.1% of Editora's sales, of which total, 1.0% were products from the editorial line Didactic Books and Para-Didactic Books. We also performed sales of Didactic Books and Para-Didactic Books to our authorized resellers.

Law Books, Administration, Economics and Accounting Books and General Interest Books are primarily sold to bookstores, through our branches.

On its turn, the target public for electronic media content is lawyer firms, companies, lawyers, judges, public attorneys, among others.

Marketing

Our marketing policy in respect of our editorial lines is mainly based on the disclosure of our publications with teachers of elementary and high school education, both from public and private schools, as well as with university professors interested in our editorial lines. In Brazil, the adoption of books in elementary and high school levels of education is decided by the teachers, for which reason the presence of a well-dimensioned and country-encompassing network of branches and representatives is important.

Therefore, we count on a register of approximately 130 thousand names of teachers of elementary and high school education, who receive direct mails with information on our launchings and Editora's news. The marketing policy further includes actions in specialized printed media, telemarketing and promotional material in our points of sales. Additionally, we offer, at no cost, units of Didactic Books and Para-Didactic Books, so that teachers become aware of the content of each work.

Actions with university market are directed to professors of this educational level. Our register counts on approximately 30.1 thousand professionals in the areas of administration, economics and accounting and 21.3 thousand names of law professors. These professors, receive, at no cost, some of our publications in their respective areas. Additionally, we have a register of 131 thousand operators and professionals of law, who receive periodically the BIS – Boletim Informativo Saraiva (Saraiva's Information Report). This bulletin supplies information on our books catalogue. In addition of the work of dissemination to teacher of the titles of our editorial lines, we offer assistance thereto by making available periodical updates of books and structured presentations on relevant academic themes, which may be accessed in the websites SaraivaJur and SaraivaUni.

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Portal SaraivaUni's target public is university professors of administration, economics and accounting areas. This electronic address counts on 39 thousand registered professors and offers support material to the content of our edited books and high aggregate value services, such as, the "Bank of Tests", a customized automated system containing a large quantity of extra questions for formatting evaluations to be applied in classroom, among others.

In order to disseminate our editorial lines with clients all over the Country, we count on a team of approximately 80 disseminators, distributors and our network of 12 branches spread out all over the Country.

Credit Policy

Our financial area establishes a credit limit for our clients according to objective criteria, such as economic-financial capacity, capitalization, indebtedness, sales, liquidity ratio, margins and shareholders' equity. It also adopts a credit policy involving the evaluation of the history of orders, past performance and clients' risk ranking.

As a general rule, our sales are accomplished in installments and we grant credit for approximately 35 days for editorial lines of Didactic Books and Para-Didactic Books and for 45 to 60 days for the other editorial lines.

In case of default, we first block the client's sales limit and, next, we send a collection letter or request a position from client by telephone. After 60 days, we send the case to officers specialized in collection. As a last resource, the cases are evaluated from the legal point of view for remittance of the request for execution or bankruptcy.

Competitors

At present, the main segments of the editorial market where we operate are the following: Didactic Books and Para-Didactic Books, where we hold, based on our estimates for 2005, a share of about 17%, Law Books, where we hold a share of about 40%, and Administration, Economics and Account Books, where we hold an estimated share of 16% in the text-book market.

- Didactic Books and Para-Didactic Books

Editora's editorial line of Didactic Books and Para-Didactic Books is the fourth largest in the Country in sales, it ranking behind of editorial groups Ática-Scipione, FTD and Moderna only. The 3rd place in sales is held by Editora Moderna and the 5th place, by Editora do Brasil.

- Law Books

Editora is the most traditional editor of legal content in the Country, leading such sector with approximately 40% of the market, with the remnant of the market being divided among several competitors.

Editora's main competitors in this segment are Editora Revista dos Tribunais (RT), Editora Atlas, Editora Forense, Editora Malheiros and Editora LTR.

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- Administration, Economics and Accounting Books

In the segment Economics, Administration and Accounting, Editora's main competitors are Editora Atlas, Editora Campos (Reed Elsevier), Editora Pearson, among others.

- SaraivaJur

Portal SaraivaJur's competitors are grouped in 3 different groups: (a) traditional editors of legal content (such as Revista dos Tribunais and Forense), (b) public websites (such as the websites www.planalto.gov.br, www.stf.gov.br and www.stj.gov.br) and (c) websites for service provision and office automation (such as www.jusnavigandi.com.br and www.direito.com.br), which may be direct or indirect competitors.

Livraria's Businesses

Products

At Livraria, we commercialize through our Traditional Stores, Mega Stores and the website Saraiva.com: books, CDs, DVDs, periodical publications, multimedia software, stationery items, toys, data processing articles, electro-electronics, electronic games, software and magazines.

Suppliers

The main suppliers of books, stationery items and audio and video products for resale are Editora, Editora Ática S.A., Editora FTD S.A., Editora Moderna S.A., Editora Scipione Ltda., Cia. Das Letras, Sony Music do Brasil Ltda., BMG do Brasil Ltda., Polygram do Brasil Ltda., Disal S.A., Editora Atlas S.A., Editora Record S.A., Rocco and Warner. None of the suppliers accounts for more than 10% of our total purchases. About 5.3% of Livraria's purchase volume are conducted with Editora.

Our Stores

- Traditional Stores

Our Traditional Stores have areas of sales oscillating between 110 sq. m. and 480 sq. m. and operate with an average of 13 employees. The number of items offered at a Traditional Store is less than at a Mega Store and is basically concentrated in stationery items and books. As an average, a Traditional Store has 26 thousand registered items.

- *Mega Stores*

In 1996, we introduced in the Country the Mega Stores, which brings a new concept of bookstore. Out of our 18 Mega Stores, 17 are located at shopping centers and have areas oscillating between 460 sq. m. and 1,800 sq. m.. Such stores operate with an average of 52 employees. All stores are computerized and have optical reading terminals spread out through the ambient, which enable consumer to locate products and consult prices. Mega Stores offer to our consumers a more complete product mix than Traditional Stores. In addition to books and stationery items, Mega Stores offer CDs, DVDs, periodical publications, software, multimedia articles, toys and electronic articles. The number of registered items offered in one of our Mega Stores reaches 54 thousand.

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The concept of Mega Store seeks to *fidelize* client by means of a pleasant and well-dimensioned physical space. Therefore, our Mega Stores offer areas with a pleasant lighting, suitable signaling, differentiated treatment and cybercafes, where our clients may also access the Internet. Cybercafes are operated by specialized companies that rent the spaces of the stores. Mega Store purpose is to appreciate the purchase experience of our clients, by keeping them more time at the stores and stimulating purchases by impulse.

- Saraiva.com

We were one of the first Brazilian companies to enter in the electronic commerce of books, CDs and DVDs through our website Saraiva.com. Presently, our website offers to Internet users over 300 thousand products, in 10 different categories: books, CDs, DVDs, stationery, data processing, electro-electronics, electronic games, software, toys and magazines.

In spite of counting on product categories still limited, Saraiva.com ranks between the three largest electronic commerce operators in Brazil, in number of orders, in the consumption goods category, with a share of about 3.4%.

The sales of our unit for operations in the Internet represented 27.6% of Livraria's sales in 2006, or R\$ 97.3 million.

Product Distribution and Logistics

There is much synergy between the operations at our Physical Stores and our online operations. With over 90 years of history, we are a mark acknowledged by Brazilian consumers, which facilitates the capture of clients without a need of high investments in marketing. Additionally, the scale of operations at our Physical Stores allows privileged negotiations with suppliers, not only regarding prices but also in the easiness of treatment on account of the relationship we constructed with the editorial market.

Editorial market is much pulverized in Brazil and there is not a large book wholesaler, which requires from retailers an additional relationship effort with over 1,000 Brazilian editors. Such process is widely mastered by Livraria, which understands it as being one of its competitive advantages.

On the other hand, investments in inventory at Saraiva.com are minimized by the use of the inventory available at Physical Stores. Goods not available at Saraiva.com's warehouses are automatically requested to the stores, which segregate them and send them to the warehouse for online operations, the place where they are prepared for remittance to clients. For this reason, Saraiva.com minimizes the capital invested in inventory. Any products that, for some reason, are not available in stores' inventory are directly ordered to our suppliers.

Physical Stores, on the other hand, benefit from the geographical scope of the website Saraiva.com, which may be accessed from any part of the world. Electronic commerce is further an important instrument for sales capture at Physical Stores. When a product is not available at one store, the client may order it through Saraiva.com at the very store and receive it in the

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comfort of his house or at the address suitable thereto. We believe that this process exceeds our clients' expectations, as their purchase experience is appreciated at most.

We operate with two warehouses, basically: the cross-docking, in charge of supplying the Physical Stores, which does not store relevant inventory (only segregates purchase orders for distribution among the network stores) and the central warehouse of Saraiva.com, which only stores most sold items and those having a quick turn-over. Saraiva.com's orders that are not available at its warehouse are automatically requested to the stores through Livraria's systems.

All requests for a new supply at the stores are automatically made by Livraria's systems and managed by the central administration. Centralization in the supply to stores enables scale purchases, thus reducing costs and rationalizing the management of available items.

The transport from Livraria's distribution center to each of its stores is provided by outsourced freight services.

Saraiva.com's distribution system includes an exclusive distribution center and uses the structure of the other business units of Livraria. Whenever an order is processed, the system conducts a search of the item requested in the distribution centers and network stores, dispatching the order to client by mail, within the shortest time possible.

Clients

Our base of clients consists of a wide and diversified public, which looks at our stores and our website for leisure, culture and entertainment.

We receive approximately 20 million visits per year in our 34 Physical Stores, which generate about 6 million business transactions.

Marketing

The strategic purpose of our marketing efforts is to fix our mark with our clients. Therefore, our publicity campaigns look for differentiation of attributes, such as, price, product variety and purchase experience. In view of the sector where we operate, every year, between the months of January and March, we conduct a "return to class" special campaign, a period when our stores undergo a significant increase in sales. Our intention is to continue investing consistently in marketing campaigns.

Internet is also an important marketing and business intelligence tool, to the extent that our administrators may access, on an organized base, the profile of Saraiva's client, anticipating his needs according to consumption cross information.

One of our important initiatives was the introduction of a fidelization card for clients named SaraivaPlus. The card's logics consist in the accumulation of points that may be converted into discounts in future purchases. However, more than a simple discount and fidelization program, SaraivaPlus may become, as time goes by, an important tool for relations with our clients at Physical Stores and Internet. We have conditions to identify purchase habits and preferences of each of SaraivaPlus' users, maximizing the investment in marketing and thus aggregating higher value to our clients' purchase experience.

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We obtain data on our clients by enrollment with SaraivaPlus, as well as at the time of purchase at Physical Stores and Internet. We use this data to send direct mail, containing information on news and promotions, with clients' prior agreement.

Credit Policy

In 2006, 38.4% of our sales were made at sight, 59.5% by credit card and 2.1% in installments. Regarding sales through Saraiva.com, 85.0% were made by credit card.

Competitors

We believe that we are the largest network of bookstores in the Country, both regarding area and sales. Our main competitors in Physical Stores are the following: Livraria Cultura, Livraria Siciliano, Livraria Sodiler, Livraria Nobel, Livraria Laselva, FNAC, among others.

Through our business unit Saraiva.com, we are one of the leaders in the book electronic commerce market. In virtual operations, our main competitors are Livraria Siciliano, FNAC, Livraria Cultura, Submarino and Lojas Americanas.

The virtual market is extremely competitive, but has not presented important growth rates in the last years. We intend to diversify our current product line in the Internet, whose leading product is presently the book, benefiting from the potentialities still offered by the Brazilian online market, in terms of growth in next years.

Exports

Not applicable to the Company.

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Overview

We operate in the business of book editing and content commercialization, through Editora, and of retail commercialization of books and other articles, through Livraria, which counts on a network of 34 Physical Stores and the website Saraiva.com. Our operations are synergic and supplementary. In fiscal year ended on December 31 2006, 43% of net revenue originated from Editora's activities and 57% from Livraria's activities. Regarding Adjusted EBITDA, 74% originated from Editora's activities, with a margin of 23.1% and 26% originated from Livraria's activities, with a margin of 6.5%.

(in thousand R\$, except Adjusted EBITDA margin)	Fiscal year ended on December 31						Variation 2005/ 2004	Variation 2006/ 2005
	2004 ⁽³⁾		2005 ⁽³⁾		2006 ⁽³⁾			
Total Net Revenue⁽¹⁾⁽²⁾	437,688		477,246		550,941		9.0%	15.4%
Editora.....	222,769	50.0%	233,330	48.0%	247,507	42.6%	4.7%	6.1%
Livraria.....	223,153	50.0%	253,115	52.0%	316,116	57.4%	13.4%	24.9%
Total Adjusted EBITDA	50,379		76,333		77,786		51.6%	6.1%
Editora.....	45,228	89.8%	60,350	79.1%	57,226	74.0%	33.4%	-5.2%
Livraria.....	5,151	10.2%	15,983	20.9%	20,560	26.0%	210.4%	28.6%
Total Adjusted EBITDA Margin	11.5%		16.0%		14.1%		4.5 p.p.	-1.9 p.p.
Editora.....	20.3%		25.9%		23.1%		5.6 p.p.	-2.8 p.p.
Livraria.....	2.3%		6.3%		6.5%		4.0 p.p.	0.2 p.p.

⁽¹⁾ Sales from Editora to Livraria are excluded from total consolidated sales.

⁽²⁾ The amount expressed in *reals* are nominal, thus they do not include inflation in the period.

⁽³⁾ The percentages are calculated by taking into account the total net revenue, including sales from Editora to Livraria.

Editora. Editora is one of the main book editors in Brazil, in respect of sales, it being leader in the Law Books (27.3% of our net revenue in fiscal year 2006), with a prominent share in the segment of administration, economics and accounting text-books (2.6% of our net revenue in fiscal year 2006), and ranking among the leaders in the segments of Didactic Books (64.0% of our net revenue in fiscal year 2006) and Para-Didactic Books (4.0% of our net revenue in fiscal year 2006). Editora also commercializes computerized legal content through CD-ROM media and offers the content of computerized legal products by the Internet, through the website Portal SaraivaJur, which also offers other related services to visitors, such as agenda of events of the legal community, information on contests and updates of legislation codes. Recently, Editora started activities in the market of teaching from afar under the mark ViaSaraiva.

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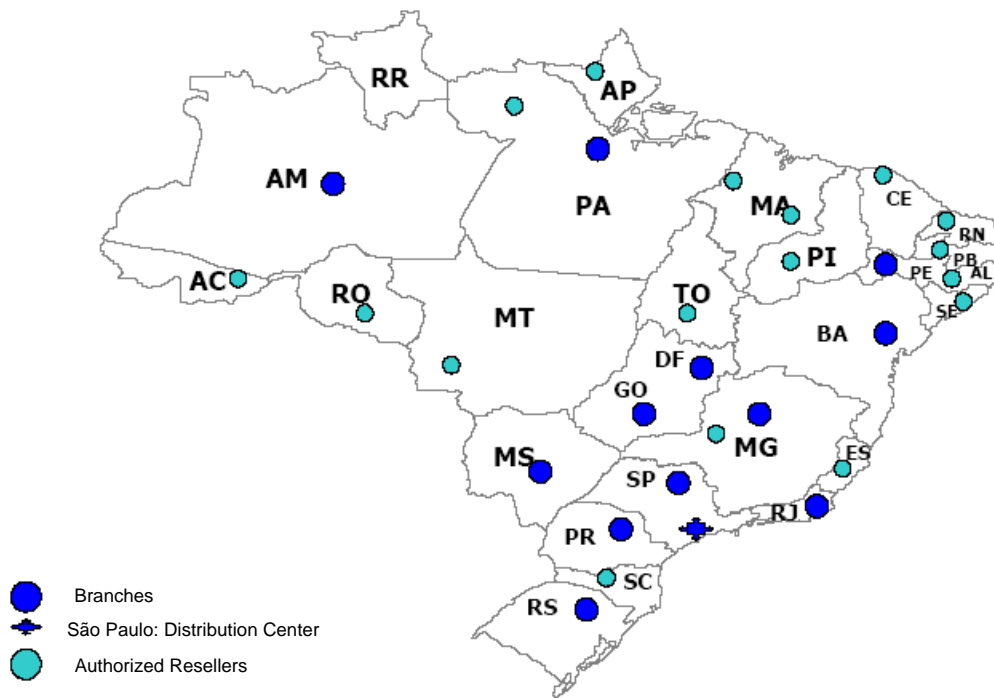
The chart below presents Editora's results for years 2004 to 2006.

(in R\$ thousand, except gross margin and Adjusted EBITDA margin)	Fiscal year ended on December 31			Variation 2005/2004	Variation 2006/2005
	2004	2005	2006		
Net Revenue ⁽¹⁾	222,769	233,330	247,507	4.7%	6.1%
Gross Profit.....	147,234	161,594	167,688	9.8%	3.8%
Gross Margin.....	66.1%	69.3%	67.8%	-3.2 p.p.	-1.5 p.p.
Adjusted EBITDA.....	45,228	60,350	57,226	33.4%	-5.2%
Adjusted EBITDA Margin.....	20.3%	25.9%	23.1%	5.6 p.p.	-2.8 p.p.

⁽¹⁾ The amounts expressed in *reais* are nominal, thus they do not include inflation in the period.

Editora has a network of 12 branches, located in important cities of the Country States, and 17 authorized resellers.

The map below shows the distribution of branches and resellers in Brazil.



Livraria. Livraria is the largest network of bookstores in the Country in respect of sales. It being a reference in the trade of books, Livraria introduced into Brazil the concept of Mega Store and was one of the pioneers in electronic commerce in Brazil. With a network of 34 stores, distributed in 14 important Brazilian cities, of which 18 are Mega Stores and 16 are Traditional Stores, Livraria counts on a total sales area of 22.6 thousand sq. m.. In 2006, annual sales were approximately R\$ 12.6 thousand per sq. m., with a growth of 11.0% in comparison with 2005. The Average Ticket in respect of gross revenues in 2005 was R\$ 68.98, with a growth of 17% in comparison with 2005.

Livraria's sales are conducted through (a) Mega Stores, which have sales areas of 460 sq. m. to 1,800 sq. m. and offer up to 54 thousand registered items, in the following categories, books,

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CDs, DVDs, periodical publications, multimedia software, stationery items, electronic items and educational toys, (b) Traditional Stores, having sales areas of 110 sq. m. to 480 sq. m. and offer up to 26 thousand registered items, including books and stationery items, and (c) electronic commerce, through the website Saraiva.com, which has over 300 thousand registered products, in 10 different categories: books, CDs, DVDs, stationery, electro-electronic, electronic games, software, toys and magazines.

(in thousand R\$, except Same Store Sales ⁽¹⁾ and Average Ticket ⁽²⁾⁽³⁾)	Fiscal year ended on December 31			Variation 2005/2004	Variation 2006/2005
	2004	2005	2006		
Net Revenue					
Physical Stores	179,813	194,574	229,242	8.2%	17.8%
Saraiva.com	43,339	58,542	86,874	35.1%	48.4%
Adjusted EBITDA	5,149	15,983	20,560	210.4%	28.9%
Physical Stores	2,471	7,448	9,659	201.4%	29.7%
Saraiva.com	2,678	8,535	10,901	218.7%	27.7%
Adjusted EBITDA Margin					
Physical Stores	1.4%	3.8%	4.2%	2.4 p.p.	0.4 p.p.
Saraiva.com	6.2%	14.6%	12.5%	8.4 p.p.	-2.1 p.p.
Same Store Sales (Net Revenue)					
Physical Stores	-3.1%	9.9%	12.5%	13.0 p.p.	2.6 p.p.
Same Store Sales (Gross Revenue)					
Physical Stores	1.7%	4.2%	11.8%	2.5 p.p.	7.6 p.p.
Average Ticket (R\$) (Net Income)					
Physical Stores	39.66	44.73	49.46	12.8%	10.6%
Saraiva.com	62.51	74.32	99.89	18.9%	34.0%
Average Ticket (R\$) (Gross Income)					
Physical Stores	46.66	49.89	54.98	6.9%	10.2%
Saraiva.com	73.42	81.03	111.93	10.4%	38.1%

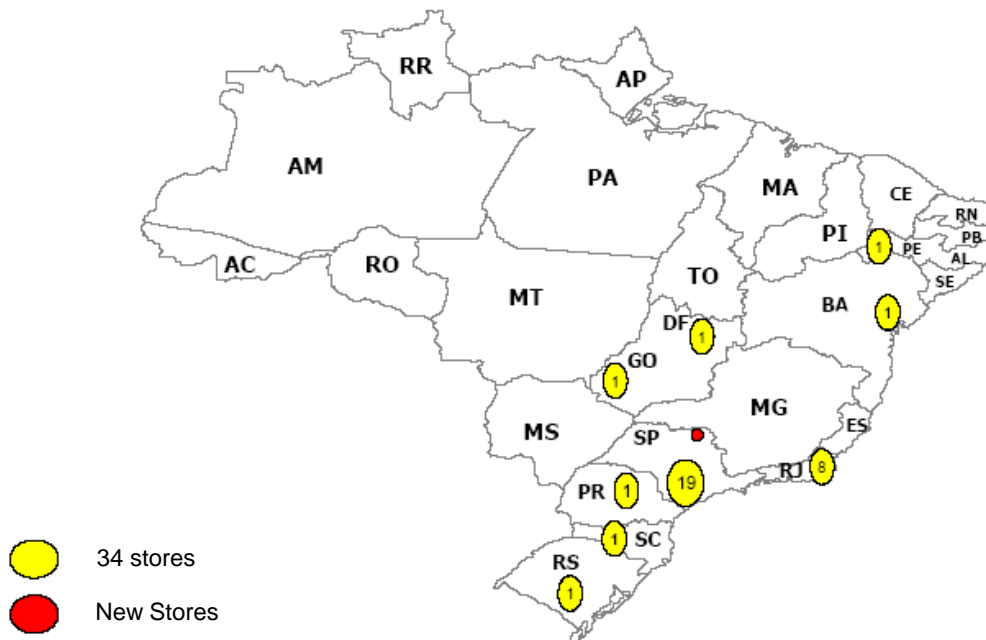
⁽¹⁾ The Same Store Sales growth in a certain period is calculated by dividing total sales of the stores that are open in the period, by total sales of the same stores that were opened on the same date of the preceding period under analysis. Such number may be different from the number that would result by dividing total sales of the stores opened in such period, by total sales of the stores that were opened on the same date of the preceding period under analysis.

⁽²⁾ Revenue (gross or net) in the period, divided by the number of bills of sales issued in the same period.

⁽³⁾ The amounts expressed in *reais* are nominal, thus, they do not include inflation in the period.

11.03 – POSITIONING IN COMPETITION PROCESS

The map below indicates the distribution of Physical Stores in Brasil:



Our Strong Points

We believe that Saraiva Group's strong points are the following:

- Leadership.** In 2006, we were leaders in the internal market of book retail sales, in number of books sold and net sales. We are a reference in edition and commercialization of law books in Brazil. Our books integrate the life of most of law operators since their entry into university, accompanying them during their whole career. Our leadership derives from the creditworthiness conquered by offering selected quality products in addition to the constant updating of our catalogue. **Tradition associated to pioneering.** We have operated for over 90 years in Brazil, with a strong presence in editorial market and in book retail market. During this period, we constructed a strong mark, of acknowledged quality, in the Country. We believe that the strength and acknowledgment of our mark, associated to our flexibility in answering market trends and our clients' requirements, are a competitive advantage that triggers our businesses and lead to the maintenance of a solid base of consumers. We are pioneers in several of the areas where we operate. In editorial activities, we were the first to commercialize legal content in CD-ROM media and one of the first, in the Internet. In 2005, we entered into the business of teaching from afar and started commercializing customized editions of books in co-partnerships with educational institutions. At present, we are studying the possibility of selling books per chapter in the electronic media. In retail activities, we introduced in Brazil the concept of Mega Store and, in electronic commerce, we knew how to benefit from the demand for the sale of products in the Internet, thus expanding our product mix. Regarding corporate governance, we were the first Brazilian open company to guarantee tag-along rights to holders of shares of preferred

11.03 – POSITIONING IN COMPETITION PROCESS

stock and one of the first to provide, in our Articles of Incorporation, for a differentiated policy for dividend distribution.

- *Domestic presence.* We have a service network in a large portion of Brazil. In editorial activities, we count on 12 branches spread out all over Brazil and on the support of 17 authorized resellers. Such distribution and logistics structure enables us to keep an inventory sufficient to meet the local demand for books in our catalogue and to support our dissemination effort with professors. Our bookstores are strategically located. We have 34 stores located in some of the main Brazilian cities, such as São Paulo, Rio de Janeiro, Brasília, Recife, Porto Alegre, Florianópolis, Salvador and Curitiba. Out of our 18 Mega Stores, 17 are located in important shopping malls of the Country, and our 16 Traditional Stores are located in some of the main commercial points in those localities. Our website Saraiva.com allows the access to and delivery of our products to consumers all over the world.
- *Exclusive and differentiated catalogue.* We offer an exclusive catalogue of law books and have a digital law library. Our catalogue in didactic book and paradidactic book editorial segment is complete and supplies all grades of elementary and high school education. Since 1998, we edit Economics, Administration and Accounting Books, and our catalogue already holds a prominent position in this market. The creditworthiness of our publications is due to the search for editorial quality and the constant updating of the published works. We are requested by Brazilian authors, domestically and internationally known, for publication of their works under the Saraiva seal.
- *Complementary feature of our business model.* Editora and Livraria act jointly in the identification of trends and needs of editorial sector, granting us a competitive advantage before our competitors. Additionally, the service provided by our administrative areas (financial, human resources and legal, among others) are shared, serving the whole Saraiva Group. The integration of Livraria's operations with those of the website Saraiva.com optimizes, on the one side, our investment in inventory and enables, on the other, a prompt assistance and comfort to our clients.
- *Appreciation of purchase experience.* We seek to offer to our clients a unique purchase experience at Physical Stores and Saraiva.com. We work to ensure their satisfaction, by supplying technical training to our collaborators, seeking to keep them motivated, at all times, to develop a high degree of empathy with our clients. With pleasant and well- dimensioned spaces, our stores are highly computerized, having optical reading terminals spread out in the ambient, which enable consumer to locate products and consult prices, quickly and efficiently. At Saraiva.com, we offer a large variety of products and ensure a quick purchase process, with a quick delivery for our clients.
- *Alignment of interests between officers and shareholders.* We count on an experienced and professional management, concerned about the generation of value. We count on an objective system for management and evaluation of people (GVA^a), which seeks to align officers' conduct with shareholders' interests.

11.03 – POSITIONING IN COMPETITION PROCESS

Strategy

Editora

- *Growth and consolidation of our market position.* We intend to enlarge our share in the market of Didactic Books and Para-Didactic Books, Law Books and Administration, Economics and Accounting Books. Our growth will be mainly based on the following initiatives:
 - Acquisition of other editors and editorial catalogue, preferably in the segments where we already operate, to the extent that opportunities arise, when we may use our integration experience, as obtained from the acquisition of Editora Atual, in 1998, of the editorial assets of Editora Renascer, in 2000, and of Formato Editorial, in 2003. Such strategy will enable us to enlarge the catalogue offered to our clients and to maximize the use of the already existing structure.
 - Exploitation of our distribution network, with investments in new launchings; identification of new authors and strengthening of the relationship with our present authors.
 - Utilization of new medias and creative solutions, so as to exceed the expectations of our clients, such as, for instance, the business line of teaching from afar and commercialization of customized editions of books, in co-partnership with educational institutions. We understand that such initiatives will help us to fight against non-authorized reproduction of the content of books edited by us and to increase the access to Editora's catalogue. We are developing a technology for the sale of fractioned content of our works and, presently, we study the best way of accomplishing it.
- *Strengthening of relationship with professors.* Professors are the main individuals in charge of selecting the books to be adopted at schools and universities. Thus, we plan to strengthen our relationship with professors in all levels of education, in the markets where we operate, investing in the qualification of our dissemination force through training actions.
- *Increase of operating efficiency.* We intend to invest in information technology projects, for the purpose of rationalizing administrative and commercial processes, thus enabling a higher productivity and agility in the operations. We plan to unify our corporate activities – presently conducted in different premises – within one only physical space, thus permitting cost reduction, a better communication among the areas and higher agility in decision process.

Livraria

- *Growth and consolidation of our market position.* Our growth strategy will be conducted through the following initiatives:
 - *Expansion of Saraiva.com's operations.* We plan to increase our sales conducted by electronic commerce. Electronic retail market in Brazil

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11.03 – POSITIONING IN COMPETITION PROCESS

has grown at rates higher than those of the traditional retail market. To such effect, we intend to consolidate our position in the categories of products that we already commercialize and to diversify even more our product mix.

- *Expansion of Physical Stores network.* We intend to open new stores under the Mega Store and Traditional Store models. We anticipate to open new stores in the period between years 2005 and 2008.
- *Strategic acquisitions.* There is space for consolidation of the book retail market in Brazil. We will continue to study regularly opportunities for acquisitions that may aggregate value to our business.
- *New categories of products and stores.* Concerned with the dynamics of the markets where we operate, we see the opportunity to exploit new categories of products as associated to our image of culture, leisure and entertainment. To such effect, we intend to enlarge our sales of electro-electronic items and hold a more active position in the imported book market, which shows attractive gross margins. We further have an intention to continue introducing new categories of products in our Traditional Stores, such as CDs, DVDs and selected multimedia articles, benefiting from such products as a complement to the area of books.
- *Efficiency in working capital administration.* We intend to keep our strategies of development of co-partnerships with suppliers, to exclude from the product mix items presenting lower profitability and to increase the Average Ticket through the enlargement of the variety of offered items and through the adoption of more aggressive sales policies.
- *Strengthening of our mark.* We intend to conquer a differentiated position with our clients, associating more and more the mark Saraiva with the concepts of leisure, culture and entertainment. For such purpose, our publicity campaigns will seek for a differentiation in attributes such as, price, product variety and purchase experience. Another of our initiatives is the card for clients' fidelization, the so called SaraivaPlus. We understand that SaraivaPlus will become an important tool in the relationship with clients of our Physical Stores and Saraiva.com, thus enabling to identify purchase habits and preferences of each of the program users, to aggregate more value to our clients' purchase experience, to anticipate the satisfaction of their needs and, thus, to leverage our sales.

Competitors in Editorial Line of Didactic and Para-Didactic Books

Editora's editorial line of Didactic Books and Para-Didactic Books is the fourth largest in the Country in sales, it ranking behind of editorial groups Ática-Scipione, FTD and Moderna only. The 3rd place in sales is held by Editora Moderna and the 5th place, by Editora do Brasil.

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11.03 – POSITIONING IN COMPETITION PROCESS

Competitors in Legal Editorial Line

Editora is the most traditional editor of legal content in the Country, leading such sector with approximately 40% of the market, with the remnant of the market being divided among several competitors.

Editora's main competitors in this segment are Editora Revista dos Tribunais (RT), Editora Atlas, Editora Forense, Editora Malheiros and Editora LTR.

Competitors in Editorial Line of Administration, Economics and Accounting Books

In the segment Economics, Administration and Accounting, Editora's main competitors are Editora Atlas, Editora Campus (Reed Elsevier), Editora Pearson, among others.

Competitors in Portal SaraivaJur

Portal SaraivaJur's competitors are grouped in 3 different groups: (a) traditional editors of legal content (such as Revista dos Tribunais and Forense), (b) public websites (such as the websites www.planalto.gov.br, www.stf.gov.br and www.stj.gov.br) and (c) websites for service provision and office automation (such as www.jusnavigandi.com.br and www.direito.com.br), which may be direct or indirect competitors.

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12.01 – MAIN PATENTS, TRADEMARKS AND FRANCHISES

Editora and Livraria own several marks and domain names, which are regularly registered with INPI [Brazilian Institute for Industrial Property] and FAPESP [Foundation for Support to Research of the State of São Paulo], respectively. Some of Editora and Livraria’s domain names are also the subject of registration abroad.

The charts below present the main Editora and Livraria’s marks and domain names:

Marks

Description of Mark or its Word Element	Type	Title
Editora Saraiva	Combined	Editora
Atual	Combined	Editora
Saraiva	Word	Livraria
Saraiva	Design	Livraria
Saraiva Virtual	Combined	Editora
JUIS	Word	Editora
JUIS –Saraiva’s Computerized Case Law	Word	Editora
LIS	Word	Editora
LIS – Saraiva’s Computerized Legislation	Word	Editora
Saraiva Data	Combined	Editora
Livraria Saraiva	Combined	Livraria
Saraiva Mega Store	Word	Livraria
Saraiva Mega Site	Word	Livraria

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12.01 – MAIN PATENTS, TRADEMARKS AND FRANCHISES

Domain Names

Domain Name	Registration Body	Title
juis-br.com.br	FAPESP	Livraria
livrariasaraiva.com.br	FAPESP	Livraria
megasite.com.br	FAPESP	Livraria
musichall.com.br	FAPESP	Livraria
saraivamegastore.com.br	FAPESP	Livraria
atualeditora.com.br	FAPESP	Editora
editorasaraiva.com.br	FAPESP	Editora
formatoeditorial.com.br	FAPESP	Editora
lisonline.com.br	FAPESP	Editora
longlifelearning.com.br	FAPESP	Editora
nobrescolegas.com.br	FAPESP	Editora
paginadaeducacao.com.br	FAPESP	Editora
saraiva.com.br	FAPESP	Editora
saraivadata.com.br	FAPESP	Editora
saraivaeduca.com.br	FAPESP	Editora
saraivajur.com.br	FAPESP	Editora
saraivari.com.br	FAPESP	Editora
saraivauni.com.br	FAPESP	Editora
vivereaprender.com.br	FAPESP	Editora
saraivajur.net	FAPESP	Editora
saraivauni.net	FAPESP	Editora
editorasaraiva.com	Network Solutions	Editora
formatoeditorial.com	Network Solutions	Editora
saraivadata.com	Network Solutions	Editora
saraivajur.com	Network Solutions	Editora
saraivauni.com	Network Solutions	Editora
viasaraiva.com	Network Solutions	Editora
saraiva.com	Network Solutions	Livraria

01.01 – IDENTIFICATION

1 – CVM CODE 01047-2	2 – CORPORATE NAME SARAIVA SA LIVREIROS EDITORES	3 - CNPJ 60.500.139/0001-26
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13.01 – RELEVANT PROPERTIES

1- ITEM	2- TYPE OF PROPERTY							3- ADDRESS		
4- MUNICIPALITY	5- UF	6- TOTAL AREA (THOUSAND SQ. M.)	7- BUILD AREA (THOUSAND SQ. M.)	8- AGE (YEARS)	9- INSURANCE	10- MORTGAGE	11- LEASED FROM THIRD PARTIES	12- DATE OF AGREEMENT	13- EXPIRATION OF LEASE	
14- REMARK										

01	BUILDING								AV. MARQUÊS DE SÃO VICENTE 1697		
SÃO PAULO	SP	6,384.000	6,812.000	30	YES	NO	NO				

02	SHELTER								RUA AMANCIO GAIOLLI, 1146		
GUARULHOS	SP	28,621.000	17,529.000	14	YES	NO	NO				

03	LAND								ESTRADA MUNICIPAL S/N		
GUARULHOS	SP	37,000.000	0.000	0	NO	NO	NO				

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14.03 – OTHER INFORMATION DEEMED RELEVANT FOR A BETTER UNDERSTANDING ON COMPANY

Item 16.01 Judicial Actions in amount higher than 5% of Shareholders' Equity or Net Profits (The amounts regard the consolidated data).

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14.05 – INVESTMENT PROJECTS

Capital Investment Activities

Main Investments

Our main investments have been basically accomplished as follows, in the appointed fiscal years:

Fixed Investments	Fiscal year ended on December 31			Variation 2005/2004	Variation 2006/2005
	2004	2005	2006		
(in thousand R\$)					
Information Systems.....	2,747	2,617	2,260	-4.7%	-13.6%
Opening of Stores.....	-	3,291	2,320	-	-29.5%
Replacement of Sundry Assets.....	2,674	2,460	2,020	-8.0%	-17.9%
Total.....	5,421	8,368	6,600	54.4%	-21.1%

Editora's main investments in years 2004, 2005 and 2006 were directed to information systems, in the amounts of R\$ 1.9 million, R\$ 1.7 million and R\$ 1.1 million, respectively.

Livraria's main investments in years 2004, 2005 and 2006 were directed to information systems and opening of stores, in the amounts of R\$ 0.9 million, R\$ 4.2 million and R\$ 3.5 million, respectively.

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15.01 – ENVIRONMENTAL PROBLEMS

The Group activities do not imply significant environmental impacts, as they are based on the edition of books and commerce of books and other products.

These activities, excepting those carried out by Editora's printer, do not require licenses or authorizations by authorities responsible for the environment. In respect of the printer, all licenses and authorizations as necessary to its operation were obtained and are in a regular standing.

01.01 – IDENTIFICATION

1 - CVM CODE 01047-2	2 - CORPORATE NAME SARAIVA SA LIVREIROS EDITORES	3 - CNPJ 60.500.139/0001-26
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16.01 – JUDICIAL ACTIONS IN AMOUNT HIGHER THAN 5% OF SHAREHOLDERS' EQUITY OR NET PROFITS

1- ITEM	2- DESCRIPTION	3- % SHAREHOLDERS' EQUITY	4- % NET PROFITS	5- PROVISION	6- AMOUNT PROVISIONED (Thousand R\$)	7- TOTAL AMOUNT OF SHARES (Thousand R\$)
8- REMARK						
01	LABOR	0.00	0.00		0	0
02	TAX/TRIBUTARY	8.07	40.20	YES	18.682	18.682
03	OTHERS	0.00	0.00		0	0

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17.01 – OPERATIONS WITH RELATED COMPANIES

Editora controls 99.91% of Livraria. The relevant transactions between related parties encompass commercial operations of purchase, sale and money loans. Editora sells books to Livraria, which, in 2006, accounted for approximately 5.3% of Editora's sales. There is not any supply contract as formally executed between Editora and Livraria, but the operations conducted between them are subject to the usual market conditions. Editora and Livraria executed a loan agreement in force with undetermined maturity date and interests equivalent to 101% of the CDI variation fall on.

18.01 – ARTICLES OF INCORPORATION

SARAIVA S.A. LIVREIROS EDITORES

Public traded company
Brazilian Registry of Legal Entities (CNPJ/MF) 60.500.139/0001-26
NIRC (Registry Commerce Number) 35300025300

MINUTES OF THE EXTRAORDINARY AND ANNUAL SHAREHOLDERS' MEETINGS HELD ON APRIL 26, 2007

1. **DATE, TIME AND PLACE:** on April 26, 2007 at 04:00 p.m., at the Executive Board building, at Rua Dr. Edgar Theotônio Santana, 206, 3o andar [floor], Barra Funda, São Paulo/ SP.
2. **NOTICE, QUORUM AND ATTENDANCE:** Notices published in DOESP (Official Gazette of the State of São Paulo) and Gazeta Mercantil newspapers on April 11, 12 and 13, 2007. The management's report and the financial statements with opinion of independent auditors concerning the fiscal year ended on December 31, 2006 were published in the newspapers mentioned above on March 15, 2007. The shareholders representing more than two thirds of the voting capital stock are present, as well as the directors Jorge Eduardo Saraiva, Ruy Mendes Gonçalves, Maria Cecília Saraiva Mendes Gonçalves and Jorge Saraiva Neto, and the following statutory officers: José Luiz Machado Alvim de Próspero, João Luís Ramos Hopp, Antônio Luiz de Toledo Pinto and Sônia Regina Alves dos Santos and Nilson Lepera. Also present Mr. Eduardo Franco Tenório, bearer of the Identification Card (R.G.) No. 24.923.631-X, representative of the contracted independent auditors, Deloitte Touche Tohmatsu Auditores Independentes.
3. **MANAGING BOARD:** - Chairman – Jorge Eduardo Saraiva
- Secretary – Ruy Mendes Gonçalves
4. **AGENDA:**
 - 4.1. **EXTRAORDINARY SHAREHOLDERS' MEETING:** 4.1.1. Articles of Incorporation amendment, in order to extinguish the office of Superintendent Executive Officer. 4.1.2. Articles of Incorporation amendment, in order to change the office denomination of the Chief Electronic Publication Officer into Chief Sales Officer. 4.1.3. Articles of Incorporation amendment, in order to exclude clause "a", of § 3rd, of Article 17 (erroneously typed as 16 in the notices). 4.1.4. Amendment of item 6.1. "a" of the Call Option Plan of Company's Shares, in order to modify from 90 to 30 the number of last auctions previous to the option sanction used as reference for computing the price of the underlying stock of each Program. 4.1.5. Articles of Incorporation consolidation.
 - 4.2. **ANNUAL SHAREHOLDERS' MEETING:** 4.2.1. Verification, discussion and voting of the management's report and the financial statements with opinion from the independent auditors, regarding the fiscal year ended on 12/31/2006. 4.2.2. Approval of the officers' interest in the Company's profit. 4.2.3. Income destination. 4.2.4. Establishment of a payment date for interests on own capital and for officers' interest in

18.01 – ARTICLES OF INCORPORATION

the Company's profit. 4.2.5. Election of the Board of Directors members and determination of the compensation as a whole of the Directors.

5. RESOLUTIONS OF THE EXTRAORDINARY SHAREHOLDERS' MEETING:

5.1. Approved the extinguishment of the Superintendent Executive Officer, office consequently including (i) the reduction of the number of the Executive Board members (from 6 to 5) contained on § 1st, of Article 16 of the Articles of Incorporation; and (ii) suppression of the references to the Superintendent Executive Officer on §§ 3rd and 4th of Article 17 of the Articles of Incorporation.

5.2. Approved the amendment of the office denomination from Chief Electronic Publication Officer into Chief Sales Officer, with a consequent amendment on art. 16, § 1st, of the Articles of Incorporation.

5.3. Approved the exclusion of clause “a” of § 3rd of art. 17 of the Articles of Incorporation, including the consequent (i) renumber of the clauses of this article; and (ii) elimination of the reference to this clause existing on clause “g” of § 4th of art. 17, of the Articles of Incorporation.

5.4. Amendment of item 6.1. “a” of the Company’s Shares Call Option Plan, in order to modify from 90 (ninety) to 30 (thirty) the number of the last auctions previous to the option sanction used as reference to compute the price of the underlying stock of each Program, having now this provision the following text:

“6.1. The basic price of Shares to be acquired by the members of the Plan recurring from the option exercise will be fixed by the Committee, case to case, followed the legal parameters, in the date of the option grant, met the following principles:

- a) regardless the underlying stock species or class of each Program, its price will be determined in the current currency of the Country, from the weighed average quotation of the operations with shares of the Company practiced in the Stock Market of São Paulo in 30 (thirty) auctions previous to the option grant;*
- b) (...)*
- c) (...)*

5.5 Approved the Articles of Association Consolidation so that it incorporates all the alterations approved in the ESM, as well as the alterations due to the capital increase deliberated in a Board of Directors’ meeting held on April 11, 2006, having now the Articles of Incorporation the following text:

18.01 – ARTICLES OF INCORPORATION

ARTICLES OF INCORPORATION

SARAIVA S.A. LIVREIROS E EDITORES CNPJ/MF 60.500.139/0001-26

CHAPTER I – Name, Principal Place of Business, Corporate Purpose and Duration

Article 1) Saraiva S.A. Livreiros Editores is an open-capital company, governed by these Articles of Incorporation and the legislation in force in the Country.

Sole paragraph) Company, which originally adopted the name “Saraiva & Cia.”, was organized by agreement filed with the Commercial Registry of the State of São Paulo under No. 41.411, in session of 01/24/1933, and was transformed into a corporation on 10/15/1947, by public deed filed with the Commercial Registry of the State of São Paulo under No. 34.497, in session of 10/21/1947.

Article 2) Company has its principal place of business and jurisdiction at Av. Marquês de São Vicente, No. 1697, Barra Funda, CEP 01139-904, in the City of São Paulo – State of São Paulo, Federative Republic of Brazil.

Sole paragraph) At this Executive Board’s discretion, Company may open, keep, transfer and close branches, anywhere in the Brazilian territory and abroad.

Article 3) Company’s corporate purpose is:

- I) publishing, industry and commerce of books and publications generally;
- II) purchase and sale of stationery items, appliances and office materials, school articles, toys and similar products, CD-ROMs, audio and video records, electronic equipment, computers and programs therefore, photographic articles and equipment, as well as service of processing of photograph material, in addition to cafeteria services;
- III) organization, systematization, receipt and transmission and filing of data, information and texts, and commercialization thereof in the Country and abroad, in particular by transmission through electric, electronic, optical and magnetic means, as well as commercialization of equipment, accessories and components as necessary for the use of those products, in addition to creation of other related programs;
- IV) import and export of the products and services included in the corporate purpose, it being registered therefore with the applicable bodies, the Central Bank of Brazil and other entities that control Foreign Trade;
- V) participation in other companies as partner, shareholder or quotaholder.

Article 4) Company is organized for an indefinite period of time.

CHAPTER II – Stock Capital and Shares

18.01 – ARTICLES OF INCORPORATION

Article 5) Stock capital is one hundred and forty-seven million, seven hundred and seventy-four thousand, one hundred and eighty-four *reais* (R\$ 147,774,184.00), fully paid-in and divided into twenty-eight million, five hundred and ninety-six thousand, one hundred and twenty-three (28,596,123) shares, without a par value, of which nine million, six hundred and twenty-two thousand, three hundred and thirteen (9,622,313) are shares of common stock and eighteen million, nine hundred and seventy-three thousand, eighty hundred and ten (18,973,810) are shares of preferred stock.

Paragraph 1) The following are rights or advantages ensured to holders of Company shares of preferred stock:

- a) right to restrict vote, as described in article 6 below;
- b) right to dispose of the shares of preferred stock in the event of Disposal of Control Power as regards Company, pursuant to Chapter VI of these Articles of Incorporation.
- c) dividends equal to those ascribed to shares of common stock;
- d) participation in the distribution of bonus shares derived from capitalization of reserves, accumulated profits and any other funds, in equal conditions with the holders of shares of common stock.

Paragraph 2) Conversion of shares of common stock into shares of preferred stock and *vice versa* is not permitted.

Article 6) Company's shares of preferred stock, whose number may correspond, as per section 8, § 1, III, of Law No. 10.303/01, to up to two thirds (2/3) of the total number of issued shares, shall grant to the holders thereof the right to vote on the following subjects:

- I) Company's transformation, merger into, consolidation with or spin-off of;
- II) approval of agreements between Company and Controlling Shareholder (as defined in paragraph one, article 22 hereof), either directly or through third parties, as well as of other companies where Controlling Shareholders has an interest, whenever, by virtue of provisions of law or of these Articles of Incorporation, they are resolved at a Shareholders' Meeting;
- III) appraisal of assets intended to pay an increase of Company's capital;
- IV) selection of a specialized company or institution for determination of Company's Economic Value, in the evens set forth in articles 28 and 29 hereof;
- V) amendment to or modification of the provisions of the Articles of Incorporation that alter or modify any of the following provisions:
 - a) compliance with the provisions of Chapter VI hereof;
 - b) observance, as regards the election of the Board of Directors, of the unified term of office of a maximum of two (2) years, and the other provisions relating to the Board of Directors and to the Audit Committee, as contained in the Regulation of Corporate Governance Differentiated Practices – Level 2;
 - c) compliance with the provisions of Chapter VIII hereof;
 - d) any of the rights set forth in article 5, § 1 and in article 6, I through IV hereof.

18.01 – ARTICLES OF INCORPORATION

Sole paragraph) The right to vote provided for in item V of this article shall prevail while the adoption of the Agreement for Adoption of Corporate Governance Differentiated Practices – Level 2 remains in force.

Article 7) Company is authorized to increase its share capital implying increase in the number of shares of preferred stock in disproportion to the species and classes of shares then existing.

Article 8) Company is authorized to increase its share capital through the issuance of new shares for subscription, by resolution of the Board of Directors and irrespective of an amendment to its Articles of Incorporation, in up to four million (4,000,000) shares, even without observance of the proportion existing between the several species of classes of shares, and from such number up to five hundred thousand (500,000) shares may be allocated to call options, in accordance with § 3 below.

Paragraph 1) The Board of Directors shall establish the conditions for issuance and subscription, including price and time for payment and time and form for exercise of shareholders' preferential right.

Paragraph 2) Company may issue shares, by resolution of the Board of Directors, within the limit of authorized capital, for placement for sale at stock exchange or public subscription, or through exchange for shares, at public offer of control acquisition, pursuant to sections 257 and 263 of Law No. 6.404/76, without ascribing the preferential right for former shareholders or establishing a time for the exercise of such right lower than that referred to in section 171, § 4, of Law No. 6.404/76.

Paragraph 3) Company may, within the limit of authorized capital, grant option for the purchase of shares to its officers, employees or individuals who provide services thereto or to its controlled company, in accordance with the plan approved by Shareholders' Meeting.

Paragraph 4) Board of Directors' resolutions dealt with in this article shall observe the quorum set forth in the final portion of § 3, of article 14 below.

Article 9) Company's shares adopt the book-entry form and shall remain in deposit accounts, in the name of the holders thereof, with a financial institution selected by the Board of Directors.

Paragraph 1) The financial institution to be selected as depository of the shares may charge from shareholders, pursuant to § 3, of section 35, of Law No. 6.404/76, the cost of services related to transfer of title to book-entry shares.

Paragraph 2) Company may, by resolution of the Board of Directors and upon communication to the stock exchanges where its shares are negotiated, suspend, for periods not exceeding fifteen days each, nor the ninety days during the year, share transfer services.

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Article 10) Except as provided for in article 8, §§ 2 and 3 hereof, shareholders shall have a preferential right to subscribe for shares issued in consequence of an increase in the share capital, in proportion to the number of shares then owned thereby.

Sole paragraph) The term for exercise of the preferential right is always an expiration time and shall be thirty (30) days, except: **a)** in case a longer term is fixed by Shareholders' Meeting or Board of Directors, as applicable; or **b)** in the event of article 8, § 2 hereof.

Article 11) Each share of common stock is entitled to one vote in the resolutions of Shareholders' Meetings.

CHAPTER III – Management

Article 12) Company shall be administered by the Board of Directors and the Executive Board.

Paragraph 1) The compensation of the members of the Board of Directors and the Executive Board shall be established by Shareholders' Meeting, which may fix only the aggregate limit or render it individual as regards one or more officers.

Paragraph 2) Officers are ascribed, subject to the provisions of the Articles of Incorporation and section 152 of Law No. 6.404/76, a participation of up to ten percent (10%) in the profits in the fiscal year.

Paragraph 3) The aggregate amount of the participation in each fiscal year shall be approved by the Annual Shareholders' Meeting when voting the allocation of profit/loss, subject, in the distribution among the management bodies and the individualization per officer, the provisions of articles 15, VIII and 18, I hereof.

Article 13) The Board of Directors is a collegiate resolution body and shall consist of a minimum of five (5) and a maximum of seven (7) members, named as Directors, all of them being shareholders, residents in the Country, elected at the Shareholders' Meeting, for a term of office of one (1) year, with successive reelections being permitted.

Paragraph 1) Starting with the Annual Shareholders' Meeting of 2006, at least twenty percent (20%) of the Directors shall be independent, that is, each of them shall be subject to the following: (i) not to have any bond with Company, except participation in the share capital; (ii) not to be Controlling Shareholder (as defined in article 22, below), spouse or relative thereof up to the second degree of kindred, or not to have been, in the last three (3) years, entailed to a company or entity related to the Controlling Shareholder (persons entailed to educational and/or research public institutions are excluded from this restraint); (iii) not to have been, in the last three (3) years, an employee or executive officer of Company, of Controlling Shareholder or a company controlled by Company; (iv) not to be a supplier or purchaser, either direct or indirect, of Company's services and/or products in a magnitude implying loss of

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independence; (v) not to be an employee or officer of a company or an entity that is offering services and/or products to Company or requesting services and/or products therefrom; (vi) not to be spouse or relative up to the second degree of kindred of any Company's officer; (vii) not to receive a compensation from Company other than as Director (proceeds in cash derived from participation in the capital are excluded from this restraint).

Paragraph 2) In case the observance of the percentage referred to in the preceding paragraph results in a fractional number of members of the Board of Directors, such number shall be rounded to the immediately next whole number (i) upwards, when the fraction is equal to or higher than five tenths (0.5); or (ii) downwards, when the fraction is lower than five tenths (0.5).

Paragraph 3) Board of Directors' members shall be installed in office by executing the instrument drawn up in the pertinent book. Board of Directors' members shall remain in office and in the exercise of their functions until their substitutes are elected, except as otherwise resolved by the Shareholders' Meeting. The installation shall be conditional upon the execution of the Instrument of Officers' Consent, pursuant to the provisions in the Regulation of Corporate Governance Differentiated Practices – Level 2.

Article 14) The Chairman and the Vice Chairman of the Board of Directors shall be selected by the Shareholders' Meeting.

Paragraph 1) It shall be incumbent upon the Chairman of the Board of Directors to call and preside over the meetings of the body, and to the Vice Chairman, to replace the former in his impediments or occasional absences.

Paragraph 2) In the event of an office vacancy or temporary impediment of a Director, the substitute shall be appointed by the remaining Directors, to hold office up to the next Shareholders' Meeting, which shall decide on the subject.

Paragraph 3) The Board of Directors shall meet as often as necessary, upon attendance of at least three (3) of its members, and shall resolve by majority of votes, except on the subjects dealt with in Article 8 hereof, when the Board shall only resolve upon the affirmative vote of at least four (4) Directors, among whom the Chairman of the Board of Directors.

Paragraph 4) In the event of a parity of votes in the Board of Directors' resolutions, the vote of the Chairman, or of the Vice Chairman when replacing the former, shall prevail, subject to the provisions in the preceding paragraph.

Paragraph 5) Minutes of the meetings shall be written by one of the Board of Directors' members appointed by the Chairman, shall be drawn up in the pertinent books and signed by those present thereat, and published when required by law.

Article 15) It shall be incumbent upon the Board of Directors:
1) to establish the general directions of Company's business;

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- II) to elect and divest Company's executive officers, and to fix the attributions thereof, subject to the norms provided for in Article 17 hereof;
- III) to watch over executive officers' management, examining, periodically, Company's books and papers, requesting information on agreements and other documents related to corporate affairs;
- IV) to call Shareholders' Meetings, subject to the rules contained in the Articles of Incorporation and in law;
- V) to authorize the Executive Board to dispose of items of permanent assets, create real-estate encumbrances on corporate assets and grant sureties to third parties' obligations, without such authorization being necessary in the events provided for in Article 17, § 1, "f", § 2, "b", and § 3, "e" and "f", hereof;
- VI) to authorize the acquisition, disposal, cancellation or permanence in treasury of shares issued by Company;
- VII) to select and divest the independent auditors;
- VIII) to define, when the Shareholders' Meeting fixes officers' compensation as a whole, the portion corresponding to the Board of Directors, as well as to individualize it in respect of the members thereof.

Article 16) It shall be incumbent upon the Executive Board the widest management powers, Company's representation and management, as necessary for full achievement of corporate purposes, subject to the rules of Article 17 and the attributions granted by the Board of Directors pursuant to Article 15 hereof, in the order above.

Paragraph 1) The Executive Board shall consist of five (5) members, either shareholders or not, resident in the country, they being named: Chief Executive Officer, Chief Financial Officer, Chief Sales Officer, Chief Legal Publishing Officer and Chief Human Resource Officer, all of them being elected by the Board of Directors for a term of office of one (1) year, with successive reelections being permitted. The installment of Executive Officers shall be conditional upon the execution of the Instrument of Consent of Directors, under the terms of the provisions in the Regulation of Corporate Governance Differentiated Practices – Level 2.

Paragraph 2) In the absences or temporary impediments of executive officers, the Board of Directors may distribute the functions of the absent or impeded executive officer among the other members of the body, however keeping compliance with the provisions in Article 17.

Paragraph 3) In the event of a vacancy or permanent impediment of any executive officer, the Board of Directors shall decide on the matter, appointing the substitute to complete the term of office of the replaced member or keeping the position vacant, distributing, in such event, the functions of the impeded or removed executive officer among the other members of the body, subject to the rules of Article 17.

Paragraph 4) The Board of Directors shall appoint one of the executive officers to exercise, cumulatively, the position of Chief Officer for Relations with Investors.

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Article 17) The Executive Board, in the exercise of its management, representation and administration powers, subject at all times to the conditions established in the next paragraphs.

Paragraph 1) Individually, any of the executive officers holding office may: a) draw, endorse for bank collection and settle trade bills; b) endorse checks and payment orders, provided that for deposit on Company's bank current accounts; c) sign lists of securities for discount, pledge and collection; d) sign correspondence, forms for payment of taxes and tax contributions, requests and petitions addressed to Federal, State and Municipal Public Departments and Autarchies, banks and institutions, in respect of payment of taxes, fees and social tax contributions or administrative procedures of any nature; e) hire and dismiss employees, salesmen, commercial representatives and agents; f) acquire, dispose of or encumber items of permanent assets, including real estate, provided that the individual amount thereof does not exceed one percent (1%) of Company's shareholders' equity, as appearing in the Financial Statements for fiscal years as most recently published; g) receive service of summons or notifications in judicial or administrative proceedings.

Paragraph 2) Any two (2) executive officers holding office, jointly, may: a) issue checks, authorize debits to bank accounts, execute financing agreements with banking entities and leasing agreements with companies organized for such purpose; b) issue, accept, encumber or dispose of promissory notes and bills of exchange, provided that for bank discount or to guarantee obligations undertaken in financing and leasing agreements, as well as appoint attorneys-in-fact specifically therefore; c) endorse any commercial papers, including but not limited to trade bills, promissory notes, bills of exchange and custody certificates, excepting for checks; d) keep custody of bonds and other movable property or withdraw them from custody; e) appoint attorneys, granting them the powers of the *ad judicium and extra* clause, as well as to receive service of summons, confess, compromise, waive, receive and grant release; f) execute agreements, inclusive those relating to publishing, sale or co-partnership with governmental or private bodies, and those relating to the lease of movable and immovable property or services; g) grant surety to directly or indirectly controlled companies and co-signature to bonds under the responsibility of those companies; h) acquire, subscribe for, dispose of or redeem fixed and variable income securities, including but not limited to shares and debentures, provided that not issued by Company or any company controlled thereby, either directly or indirectly, further subject to the provisions of § 4, item "e".

Paragraph 3) Any of the executive officers holding office may, jointly with the Chief Executive Officer: a) endorse checks; b) appoint attorneys-in-fact, granting them the powers vested on the formers; c) represent Company before controlled companies; d) acquire, dispose of or encumber items of permanent assets, including real estate, provided that the individual amount thereof does not exceed twenty percent (20%) of Company's shareholders' equity, as appearing in the previous Financial Statements for the fiscal year as most recently published; e) grant surety to individuals when intended to guarantee the lease of residential property for settlement of manager to Company or a company controlled thereby, in a municipality other than that of his domicile, and where the establishment for whose management he was appointed is located.

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Paragraph 4) Any of the executive officers holding office may, jointly with the Chief Executive Officer upon the Board of Directors' prior and express authorization: a) acquire, dispose of or encumber shares or quotas in directly or indirectly controlled companies; b) acquire, dispose of or encumber items of permanent assets, including real estate, when the individual amount thereof exceeds twenty percent (20%) of Company's shareholders' equity, as appearing in the Financial Statements for the fiscal year as most recently published; c) execute agreements implying encumbrance of corporate assets, in an amount exceeding twenty percent (20%) of Company's shareholders' equity, as appearing in the Financial Statements for the fiscal year as most recently published, without prejudice to the other provisions in this article; d) grant surety to individuals, except in the events provided for in item "g" of § 3 of this article, or to legal entities other than directly or indirectly controlled companies, and co-signature to securities under the responsibility of those persons, provided that Company has an interest in such documents; e) promote Company's participation, aiming at the control, either alone or shared, in any other company, through acquisition or subscription for quotas or shares, as well as to provide Company's withdrawal from these companies; f) to appoint attorneys-in-fact, granting them the powers vested on the formers; g) to issue and accept other commercial papers, including promissory notes and bills of exchange, subject to the exception contained in clauses "b" of paragraphs 2 above.

Article 18) It shall be incumbent upon the Executive Board:

- I) To individualize the Executive Officers' compensation, whenever the Shareholders' Meeting fixes officers' compensation as a whole and after the exercise, by the Board of Directors, of the attribution referred to in Article 15, VIII hereof;
- II) to resolve on the opening, maintenance, transfer or closing of branches; and
- III) to resolve on administrative matters, subject to the determinations of the General Meeting and the Board of Directors, if any.

Article 19) The Executive Board shall always meet upon attendance of at least three (3) executive officers and provided that it is called by the Chief Executive Officer, to whom it shall be incumbent to establish the agenda, direct the works and appoint the Secretary.

Paragraph 1) [Minutes of] the meeting shall be drawn up in the pertinent book.

Paragraph 2) Resolutions shall be taken by majority vote of Executive Officers present thereat and, in the event of a parity of votes, the vote of the Chief Executive Officer shall prevail.

CHAPTER IV – Audit Committee

Article 20) Company's Audit Committee shall consist of a minimum of three (3) and a maximum of five (5) members, and their respective alternates, shall operate in fiscal years for which it is installed by resolution of the Shareholders' Meeting, in the events provided for in law.

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Paragraph 1) The Shareholders' Meeting resolving on the installation of the Audit Committee shall establish the number of members thereof, shall elect them and establish their compensation.

Paragraph 2) The members of the Audit Committee shall be installed upon execution of an instrument to be drawn up in the pertinent book. The installation shall be conditional upon the execution of the Instrument of Consent of Members of the Audit Committee, pursuant to the provisions of the Regulation of Corporate Governance Differentiated Practices – Level 2.

Paragraph 3) The Internal Regulation of the Audit Committee shall be approved by the Shareholders' Meeting.

CHAPTER V – Shareholders' Meeting

Article 21) Shareholders' Meeting shall meet, ordinarily, in the first four months following the closing of the fiscal year and, extraordinarily, whenever Company's interests require so, by call on the terms of law.

Paragraph 1) Shareholders' Meeting shall be presided over by the Chairman of the Board of Directors, by the Vice Chairman holding office as Chairman of the Board of Directors or, in the absence of both, by the shareholder appointed by the Shareholders' Meeting. The Chairman of the Shareholders' Meeting shall select one of those present to be his secretary and to form the Presiding Committee.

Paragraph 2) Those present at the Meeting shall prove their condition as shareholder, it being incumbent upon the holders of book-entry shares or of those under custody as per section 41 of Law No. 6.404/76, to deposit with Company therefore, evidence issued by the depository financial institution, in conformity with the call notice, except in case the Chairman of the Shareholders' Meeting deems another verification means to be sufficient.

CHAPTER VI – Disposal of Equity Control, Cancellation of the Registry as Open Company and Discontinuance of Corporate Governance Differentiated Practices – Level 2

Article 22) The Disposal of Company's Control Power, both in a single operation or by successive operations shall be contracted under the condition, either suspensive or resolute that the control acquirer agrees to conduct a public offer for acquisition of the shares of the other shareholders, subject to the conditions and terms provided for in the legislation in force and in the Regulation of Corporate Governance Differentiated Practices – Level 2 and monetary restatement as provided for in § 5 below, so as to ensure them the same treatment as to the Selling Controlling Shareholder, subject to the provisions contained in Article 24.

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Paragraph 1) For the purposes hereof, the words below, as initiated by capital letters will have the following meanings:

“Controlling Shareholder” means (i) the shareholder who exercises Company’s Control Power; (ii) shareholders not bonded by shareholders’ agreement who exercise Company’s Control Power; or (iii) the group of shareholders bonded by shareholders’ agreement or under common control, which exercises Company’s Control Power.

“Selling Controlling Shareholder” means the Controlling Shareholder when promoting the Disposal of Company’s Control Power.

“Control Shares” means the block of shares that ensure, either directly or indirectly, to their holders, the individual and/or shared Company’s Control Power.

“Outstanding Shares” means all shares issued by Company, except the shares held by the Controlling Shareholder, by bonded persons, by Company’s officers and those in treasury.

“Disposal of Company’s Control” means the transfer to a third party, for a consideration, of Control Shares.

“Control Power” means the power actually used to instruct corporate activities and direct the operation of Company’s bodies, either directly or indirectly, on a factual or a legal base. There is relative assumption that the following person(s) hold(s) the title to control: person(s) or group of persons bonded by shareholders’ agreement or under common control (control group), who own shares granting him (them) absolute majority of the votes of shareholders present to the last three Company’s Shareholders’ Meetings, even if not being the owner(s) of the shares that ensured him (them) absolute majority of the voting capital.

“Economic Value” means the value of Company and its shares, as determined by a specialized company, through the use of acknowledged methodology or as based on another criterion as defined by the Securities Committee (“CVM”).

Paragraph 2) The negotiation of Control Shares between the Controlling Shareholders identified in the Agreement of Corporate Governance Differentiated Practices – Level 2 and his legal heirs and, further, among these heirs, provided that they exercise Company’s Control Power, even in case such implies consolidation of Control Power in one only shareholder, does not constitute Disposal of Control Power and, thus, does not lead to the obligation of conducting a public offer, pursuant to the main provision of this article and the main provision of Article 24 below.

Paragraph 3) In the event of disposal of shares belonging to one or more shareholders exercising the Control Power to third party(ies), the public offer provided

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for in the main provision of this article and in the main provision of Article 24 below shall be only required in case of disposal of the number of shares necessary for the exercise of the Control Power by such third party(ies).

Paragraph 4) The following conditions do not characterize Disposal of Control Power: a) the payment, with Company's shares, of share capital in companies that, on account of such payment, become Company's controller and is controlled by the Controlling Shareholder; and b) reduction in the capital of the mentioned controlling company, with return of shares or dissolution of that company or, further, in case of spin-off of that company, provided that the resulting companies, to which the title to shares of common stock in the Company, are formed only by the Controlling Shareholder.

Paragraph 5) For the purposes of this Chapter, monetary restatement shall be provided in accordance with the following rules: a) the index to be used shall be IGP-M (General Index of Market Prices), as calculated and disclosed by Fundação Getúlio Vargas (FGV) or the index replacing it; b) in case the IGP-M for the month in course is not known, the last one disclosed shall be used; c) the restatement index shall applied on a *pro rata die* base; d) monetary restatement shall begin on the date(s) of payment(s) made to the Selling Controlling Shareholder for the acquisition of the Control Shares and shall end on the date(s) of the payment(s) made in favor of other shareholders holding shares of common and/or preferred stock; e) whenever monetary restatement is due, also interest shall be due, to be paid at the Savings Account rate, without inclusion of the Referential Rate – TR or any index replacing it.

Article 23) The public offer referred to in the preceding article shall be further conducted :

- I) in case of onerous assignment of rights to subscription for shares and other bonds or rights related to securities convertible into shares, which results in the Disposal of Company's Control; and
- II) in case of disposal of the control of Company's Controlling Shareholder and, in this event, the Selling Controlling Shareholder shall be compelled to declare to the São Paulo Stock Exchange – BOVESPA ("BOVESPA") the amount ascribed to Company in this disposal and to attach documentation evidencing it.

Article 24) The public offer to the holders of shares of common stock shall be conducted at an amount corresponding to one hundred percent (100%) of the amount paid for Control Shares, and the public offer to the holders of shares of preferred stock shall be conducted at a minimum amount of ninety percent (90%) of the amount paid for Control Shares.

Sole paragraph) Any modification in this article of the Articles of Incorporation, in respect of the public offer to be conducted for holders of shares of preferred stock shall only be resolved by the Shareholders' Meeting, upon prior approval of shareholders owing more than a half of the shares of preferred stock, as gathered at a special meeting.

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Article 25) Anyone who, as already holding Company's shares, acquires the Control Power, by virtue of a share purchase private agreement entered into with the Controlling Shareholder, involving any quantity of shares, shall be compelled to:

- I) conduct the public offer referred to in Article 22 hereof; and
- II) reimburse the shareholders from whom he bought shares at a stock exchange in the six (6) months preceding the date of Disposal of Company's Control, by paying thereto any possible difference between the price paid to the Selling Controlling Shareholder and the amount paid at the stock exchange for Company's shares in the same period, both amounts to be restated pursuant to § 5 of Article 22 above.

Article 26) Company will not register any transfer of shares to the purchaser of the Control Power or to shareholder(s) who become(s) holder(s) of the Control Power, while he/they do(es) not execute the Instrument of Officers' Consent, pursuant to the provisions in the Regulation of Corporate Governance Differentiated Practices – Level 2, to be promptly sent to BOVESPA.

Article 27) No shareholders' agreement providing for the exercise of Control Power may be registered at Company's principal place of business, unless the signatories thereof executed the Instrument of Officers' Consent, to be promptly sent to BOVESPA.

Article 28) At the public offer of acquisition of shares to be held for cancellation of the Company's registry as open company, the minimum price to be offered shall correspond to the Economic Value as appraised in an appraisal report.

Article 29) In the event that the shareholders, as gathered at an Extraordinary Shareholders' Meeting, decide for: (i) discontinuance of the Corporate Governance Differentiated Practices – Level 2, so that Company's shares may be registered for negotiation outside Level 2, or (ii) corporate reorganization, of which the resulting company does not rank as holding the standard of Corporate Governance – Level 2, the shareholder or group of shareholders holding Company's Control Power shall conduct the public offer for acquisition of shares belonging to the other Company's shareholders, whose minimum price to be offered shall correspond to the Economic Value as appraised in an appraisal report, subject to the applicable legal and regulatory norms.

Article 30) The appraisal report set forth in Articles 28 and 29 hereof shall be prepared by a specialized company, confirmedly experienced and independent from Company, its officers and controllers, and the report shall further meet the requisites of paragraph 1, of section 8, of Law No. 6.404/76 and contain the responsibility provided for in paragraph 6 of the same article of the law.

Paragraph 1) The selection of the specialized company in charge of determining Company's Economic Value will be incumbent upon the Shareholders' Meeting, upon submission of a triple list by the Board of Directors, and the respective resolution, without inclusion of blank votes and each share, irrespective of the species or class and subject to the provisions in Article 6, IV, being entitled to one vote, shall be

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taken by majority of votes of shareholders representing Outstanding Shares present at the Shareholders' Meeting, which, if installed at the first call, shall count on attendance by shareholders representing, at least, twenty percent (20%) of total Outstanding Shares or, if installed at the second call, may count on the attendance by any number of shareholders representing Outstanding Shares.

Paragraph 2) The costs for preparation of the required appraisal report shall be fully borne by the offeror.

CHAPTER VII – Fiscal Year, Profits, Reserves and Dividends

Article 31) The fiscal year shall end on December 31 of each year, the date on which the financial statements required in law or regulation will be prepared.

Article 32) From the result in the fiscal year, accumulated losses and the provision for income and social contribution taxes shall be deducted and, from the resulting amount, up to ten percent (10%) shall be allocated to officers' participation, provided that, in the same fiscal year, at least the mandatory dividend referred to in Article 34, "a", hereof is provided to shareholders.

Article 33) From the net profit in the fiscal year, corresponding to the result after the deductions and participations provided for in Article 32 hereof, five percent (5%) shall be allocated to the legal reserve, while the legal limit is not reached.

Article 34) Except in the event of section 202, § 4, of Law No. 6.404/76, shareholders are ensured the mandatory dividend corresponding to:

- a) 25% of net profits in the fiscal year, as adjusted pursuant to section 202 of Law No. 6.404/76, with the wording of Law No. 10.303/01; plus
- b) the balance of net profits in the fiscal year, if any, as remaining after the allocations referred to in sections 193 to 197 of Law No. 6.404/76, with the wording of Law No. 10.303/01, subject to Articles 33 and 35 hereof.

Article 35) After shareholders being ensured the mandatory dividend referred to in Article 34, "a" hereof, the balance of the net profit in the fiscal year, if any, may be allocated by the Shareholders' Meeting to the following reserves:

- a) reserve for future capital increase, intended to ensure Company's capitalization, which shall not exceed, in any fiscal year, the realized share capital;
- b) reserve for contingencies, pursuant to section 195 of Law No. 6.404/76;
- c) reserve for profit retention, according to the budget approved at Shareholders' Meeting, which shall not exceed, in any fiscal year, the realized share capital;
- d) reserve for realizable profits, pursuant to section 197 of Law No. 6.404/76, with the wording of Law No. 10.303/01.

Article 36) At the Board of Directors' discretion, Company may pay or credit to shareholders, wholly or partly, the amount equivalent to interests on own capital, to be calculated in accordance with the legislation in force, up to the amount that would result

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from application of Long-Term Interest Rate – TJLP, *pro rata die*, to the pertinent period.

Sole paragraph) Interests on own capital, when paid or credited to shareholders, shall be ascribed, at the net amount of income tax, to mandatory dividends.

Article 37) Dividends and interests on own capital shall be paid by deposit on bank account in shareholder's name and as indicated thereby, except in case, in the preceding ten (10) days, he requested in writing that they are paid at Company's treasury, by nominative check.

Article 38) Company, unless authorized by majority vote at a special Meeting of the shareholders owing shares of preferred stock, shall not retain, for more than four successive quarters, financial availability in an amount exceeding twenty-five percent (25%) of its total assets, provided that its economic-financial condition allows so.

Paragraph 1) For the purposes of application of this provision: a) the amounts to be taken into account shall be those corresponding to the last day of each quarter, as per balance sheet prepared on the pertinent dates; and b) the financial availability shall correspond to addition of the amounts accounted for under the titles "cash and banks" and "financial investments", with subtraction of the addition of the amounts accounted for under the titles "loans and financings" in current liabilities and "loans and financings" in long-term liabilities.

Paragraph 2) From the amounts that exceed, in each quarter, the percentage of retention of the financial availability provided for in this article, it shall be distributed as dividend, or paid as interest on capital, the amount corresponding to the quarter showing the lowest retention excess, with the dividends or interest on capital as already declared and not paid yet being deducted from such excess.

Paragraph 3) In the event described in the preceding paragraph, the clause of the articles of incorporation expressed in this article shall only be applied again as from the four quarters following the last of the quarters involved in the appraisal of the retention excess.

Paragraph 4) Distribution of dividends or payment of interest on capital shall be accomplished within the fiscal year following the last of the quarters involved in the appraisal of the retention excess.

Paragraph 5) Company shall not, unless authorized by more than a half of shareholders owing shares of preferred stock, organize a subsidiary for the sole purpose of managing its own resources.

Paragraph 6) The modification in this clause of the articles of incorporation shall only be resolved by the Shareholders' Meeting upon prior approval of shareholders owing more than a half of the shares of preferred stock, as gathered at a special Meeting.

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CHAPTER VIII – Arbitration Proceeding

Article 39) Company, its shareholders, officers and the members of the Audit Committee hereby agree to decide, by arbitration, pursuant to the Regulation of BOVESPA's Chamber of Arbitration of the Market ("Arbitration Regulation"), any and all dispute or controversy that may arise among them, as related to or derived from, in particular, the application, validity, effectiveness, interpretation, violation and effects thereof, of the provisions contained in Law No. 6.404/76, in Company's Articles of Incorporation, in the norms issued by the Brazilian Monetary Council, by the Central Bank of Brazil and by CVM, as well as in the other norms applicable to the operation of the capital market generally, in addition to those contained in the Regulation of Corporate Governance Differentiated Practices – Level 2, the Agreement for Adoption of Corporate Governance Differentiated Practices – Level 2 and the Arbitration Regulation.

Sole paragraph) The Brazilian law shall be the only one applicable to the merits of any and all controversy, as well as to the enforcement, interpretation and effectiveness of this commitment clause. The arbitration procedure shall be held in the City of São Paulo, State of São Paulo, the place where the arbitration decision shall be delivered. The arbitration shall be administered by the Chamber of Arbitration of the Market itself, being conducted and judged in accordance with the provisions pertinent to the Arbitration Regulation.

CHAPTER IX – General Provisions

Article 40) Company may be dissolved and liquidated in the events and manner provided for in law.

Article 41) The events not provided for hereunder shall be regulated by the legal provisions in force, as applicable to the species.

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6. RESOLUTIONS OF THE ANNUAL SHAREHOLDERS' MEETING

- 6.1. Approved, without reservations, the management's report and the financial statements with opinion from the independent auditors, related to the fiscal year ended on December 31, 2006.
- 6.2. Approved the officers' year profit sharing, in the amount of R\$ 3,599,254.00 (three million, five hundred and ninety-nine thousand and two hundred and fifty-four *reais*), to be distributed among them on 05/31/2007, according to the decisions to be adopted in meetings of the Board of Directors and Executive Board.
- 6.3. Approved the destination of 5% (five per cent) of the net profit, that is, R\$ 910,315.72 (nine hundred and ten thousand and three hundred and fifteen *reais* and seventy-two *centavos*) for legal reserve.
- 6.4. Approved the own capital remuneration, whose payment was imputed to the mandatory dividend payment, under the terms approved by the Board of Directors in a meeting held on 02/28/2007, in the amount of R\$ 13,987,946.85 (thirteen million, nine hundred and eighty-seven thousand, nine hundred and forty-six *reais* and eighty-five *centavos*), corresponding to the gross amount of R\$ 0.49549281 per share, to be taxed under the legislation in force.
- 6.5. Approved the remaining net profit transfer, that is, R\$ 30,158,173.63 (thirty million, one hundred and fifty-eight thousand, one hundred and seventy-three *reais* and sixty-three *centavos*) to the reserve for future capital increase.
- 6.6. The date for payment of remuneration of own capital was determined, under the terms of item 6.4. above, it should be performed since 05/31/2007, according to a notification that will be opportunely published.
- 6.7. Elected, for a one year term of office, until the Annual Shareholders' Meeting to be performed in 2008, for the Board of Directors, by unanimity of the shareholders of shares of common stock attending, **Jorge Eduardo Saraiva**, Brazilian citizen, judicially divorced, Businessman, bearer of the Identification Card (R.G.) No. 2.517.633-SSP/SP, Brazilian Registry of Individuals (CPF/MF) No. 516.543.778-72, **Ruy Mendes Gonçalves**, Brazilian citizen, divorced, Economist, bearer of the Identification Card (R.G.) No. 1.602.183-SSP/SP, Brazilian Registry of Individuals (CPF/MF) No. 069.082.418-15, **Jorge Saraiva Neto**, Brazilian citizen, single, student, bearer of the Identification Card (R.G.) No. 34.906.000-9-SSP/SP, Brazilian Registry of Individuals (CPF/MF) No. 330.515.258-39, and **Maria Cecília Saraiva Mendes Gonçalves**, Brazilian citizen, married, Businesswoman, bearer of the Identification Card (R.G.) No. 12.208.813-X-SSP/SP, Brazilian Registry of Individuals (CPF/MF) No. 173.319.848-29, all domiciled in the Capital, at Av. Marquês de São Vicente, 1697. By means of the separated voting procedure provided on art. 141, § 4º, II, of Law No. 6.404/76, for a one-year term of office, until the Annual Shareholders' Meeting to be performed in 2008, it was elected for the

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independent member office of the Board of Directors, by unanimity of shareholders of referential shares here attending, **Arthur Eduardo Sá de Villemor Negri**, Brazilian citizen, married, Technician in Data Processing, bearer of the Identification Card (R.G.) No. 4.346.431-2-IFP/RJ, Brazilian Registry of Individuals (CPF/MF) No. 759.844.157-04, domiciled at Av. Ministro Gabriel de Rezende Passos, 433, 10^o andar, Moema, São Paulo/SP. The amount of R\$ 150,000.00 (one hundred and fifty thousand *reais*) was determined as the monthly and whole compensation limit since 05/01/2007, to be distributed among the directors according to decision to be adopted in such body meeting. The amount of R\$ 270,000.00 (two hundred and seventy thousand *reais*) was also established as monthly and whole compensation limit to the Executive Board, since 05/01/2007, to be distributed among the officers according to decision to be taken in an Executive Board meeting. Following, the four first members of the Board of Directors mentioned above were vested, drawing up on the office, of the competent term on the meetings minutes book of this body. The meeting proceeded with the election of the Chairman and Vice Chairman of the Board of Directors, being elected, by unanimity of the present, for **Board of Director's Chairman Mr. Jorge Eduardo Saraiva**, qualified above, and for Vice Chairman, **Mr. Ruy Mendes Gonçalves**, also qualified above. The Board of Directors' members promoted, after that, the election of the executive officers, for a term of office of one year, until the Annual Shareholders' Meeting to be performed in 2008, communicating their choice to the Shareholders' Meeting, being elected: **Chief Executive Officer, José Luiz Machado Alvim de Próspero**, Brazilian citizen, married, Business Administrator, bearer of the Identification Card (R.G.) No. 5.692.531-SSP/SP, Brazilian Registry of Individuals (CPF/MF) No. 756.712.398-34; **Chief Financial Officer, João Luís Ramos Hopp**, Brazilian citizen, married, Civil Engineer, bearer of the Identification Card (R.G.) No. 8.570.559-7-SSP/SP, Brazilian Registry of Individuals (CPF/MF) No. 082.070.288-90, to whom is attributed the position of Chief Officer for relations with investors; **Chief Sales Officer, Nilson Lepera**, Brazilian citizen, Economist, judicially divorced, bearer of the Identification Card (R.G.) No. 4.381.720-SSP/SP, Brazilian Registry of Individuals (CPF/MF) No. 537.346.708-10; **Chief Legal Publishing Officer, Antônio Luiz de Toledo Pinto**, Brazilian citizen, married, Lawyer, bearer of the Identification Card (R.G.) No. 2.018.580-SSP/SP, Brazilian Registry of Individuals (CPF/MF) No. 272.712.008-78; and **Chief Human Resources Director, Sônia Regina Alves dos Santos**, Brazilian citizen, single, Psychologist, bearer of the Identification Card (R.G.) No. 13.073.889-SSP/SP, Brazilian Registry of Individuals (CPF/MF) No. 013.934.748-88, all of them are domiciled at Av. Marquês de São Vicente, 1697, in this Capital.

- 6.8. The installation of the Audit Committee was released for this year.
7. **VOTING:** All the resolutions were taken by voting unanimity of the present shareholders, holders of voting right in the corresponding voting, abstaining to vote, in the competent subjects, the ones legally impeded.
8. **PROPOSALS AND DOCUMENTS:** The Management's proposals for the resolutions decided in the Shareholders' meeting are in the financial statements,

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18.01 – ARTICLES OF INCORPORATION

management's report and in the call notices published and in the minutes book of the Board of Directors. The proposals presented in written to the Extraordinary/ Annual Shareholders' Meeting were authenticated by the board and filed in the Company. There was voting declaration of shareholder The EMM Umbrella Funds, which was duly authenticated by the board and filed in the Company.

- 9. MINUTES APPROVAL:** The minutes, written as foreseen by Art. 130, Paragraph 1, of Law 6404/76, was read, approved and transcribed in proper book, being signed by the present shareholders, who authorize its publication with their signatures not appearing. **São Paulo, April 26, 2007. Ruy Mendes Gonçalves – Secretary**

19.01 – COMPETITIVE PROCESS POSITIONING

Controlled/Associated Company: LIVRARIA E PAPELARIA SARAIVA S.A.

Livraria is the largest network of bookstores in the Country in respect of sales. Being a reference in the trade of books, Livraria introduced into Brazil the concept of Mega Store and was one of the pioneers in electronic commerce in Brazil. With a network of 34 stores, distributed in 14 important Brazilian cities, of which 18 are Mega Stores and 16 are Traditional Stores, Livraria counts on a total sales area of 22.6 thousand sq. m.. In 2006, annual sales were approximately R\$ 12.6 thousand per sq. m., with a growth of 11% in comparison with 2005. The Average Ticket in respect of gross revenues in 2006 was R\$ 68.98, with a growth of 17% in comparison with 2005.

Livraria's sales are conducted through (a) Mega Stores, which have sales areas of 460 sq. m. to 1,800 sq. m. and offer up to 54 thousand registered items, in books, CDs, DVDs, periodical publications, multimedia software, stationery items, electronic items and educational toys categories, (b) Traditional Stores, having sales areas of 110 sq. m. to 480 sq. m. and offer up to 26 thousand registered items, including books and stationery items, and (c) electronic commerce, through the website Saraiva.com, which has over 300 thousand registered products, in 10 different categories: books, CDs, DVDs, stationery, electro-electronic, electronic games, software, toys and magazines.

Our main competitors in Physical Stores are the following: Livraria Cultura, Livraria Siciliano, Livraria Sodiler, Livraria Nobel, Livraria Laselva, FNAC, among others.

Through our business unit Saraiva.com, we are one of the leaders in the book electronic commerce market. In virtual operations, our main competitors are Livraria Siciliano, FNAC, Livraria Cultura, Submarino and Lojas Americanas.

The virtual market is extremely competitive, but has not presented important growth rates in the last years. We intend to diversify our current product line in the Internet, whose the most important business is presently the book, benefiting from the potentialities still offered by the Brazilian online market, in terms of growth in next years. In late 2004 and during year 2005, Saraiva.com tested the "electronic portable" category and, sharply, electric appliance line, the latter in co-partnership with suppliers. On December 31, 2006, the electronic and electric appliance category accounted for 3.2% of Livraria's annual sales.

19.03 – RAW MATERIALS AND SUPPLIERS

Products

At Livraria, we commercialize through our Traditional Stores, Mega Stores and the website Saraiva.com: books, CDs, DVDs, periodical publications, multimedia software, stationery items, toys, data processing articles, electro-electronics, electronic games, software and magazines.

Suppliers

The main suppliers of books, stationery items and audio and video products for resale are Editora Saraiva, Elsevier, Atlas, Moderna, Schwarcz, Ática, Catavento, FTD, Objetiva, Scipione, RT, Rocco, Microservice, Videolar, Warner Music, A Universal e Eletronic Art. None of the suppliers accounts for more than 10% of our total purchases. About 5.3% of Livraria's purchase volume are conducted with Editora.

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19.04 – MAIN CLIENTS FOR PRODUCTS AND/OR SERVICES

Our base of clients consists of a wide and diversified public, which looks at our stores and our website for leisure, culture and entertainment.

We receive approximately 20 million visits per year in our 34 Physical Stores, which generate about 6 million business transactions.

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19.05 – OPERATIONS WITH RELATED COMPANIES

Livraria acquires books from Editora Saraiva. About 5.3% of its amount of purchases is accomplished with Editora. There is any supply agreement formally executed between Editora and Livraria, but transactions conducted between them are subject to usual market conditions.

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CONTROLLED/ASSOCIATED COMPANY

CORPORATE NAME LIVRARIA E PAPELARIA SARAIVA S.A.

19.06.01 – BALANCE SHEET – ASSETS (Thousand Reais)

1- CODE	2- DESCRIPTION	3 – 12/31/2006	4 – 12/31/2005	5 – 12/31/2004
1	Total Assets	150,831	136,943	108,355
1.01	Current Assets	124,798	100,426	70,125
1.01.01	Availabilities	11,910	11,553	1,846
1.01.02	Credits	56,662	43,445	33,712
1.01.02.01	Clients	56,247	31,872	21,771
1.01.02.02	Miscellaneous Credits	415	11,573	11,941
1.01.03	Inventory	52,088	40,378	33,031
1.01.04	Others	4,138	5,050	1,536
1.02	Non-Current Assets	26,033	36,517	38,230
1.02.01	Long-Term Realizable Assets	5,825	15,532	16,960
1.02.01.01	Miscellaneous Credits	5,825	15,532	16,960
1.02.01.02	With Related Persons	0	0	0
1.02.01.02.01	With Associated/ Affiliated	0	0	0
1.02.01.02.02	With Subsidiaries	0	0	0
1.02.01.02.03	With Other Related Persons	0	0	0
1.02.01.03	Others	0	0	0
1.02.02	Permanent Assets	20,208	20,985	21,270
1.02.02.01	Investments	135	135	135
1.02.02.01.01	Interests in Associated/ Affiliated	0	0	0
1.02.02.01.02	Interests in Associated/ Affiliated– Premium	0	0	0
1.02.02.01.03	Interests in Subsidiaries	0	0	0
1.02.02.01.04	Interests in Subsidiaries – Premium	0	0	0
1.02.02.01.05	Other Investments	0	0	0
1.02.02.02	Property, plant and equipment	18,291	18,422	17,977
1.02.02.03	Intangible	0	0	0
1.02.02.04	Deferred	1,782	2,428	3,158

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CONTROLLED/ASSOCIATED COMPANY

CORPORATE NAME LIVRARIA E PAPELARIA SARAIVA S.A.

19.06.02 – BALANCE SHEET – LIABILITIES (Thousand Reais)

1- CODE	2- DESCRIPTION	3 – 12/31/2006	4 – 12/31/2005	5 – 12/31/2004
2	Total Liabilities	150,831	136,943	108,355
2.01	Current Liabilities	76,558	66,234	40,084
2.01.01	Loans and Financings	1,360	2,324	3,112
2.01.02	Debentures	0	0	0
2.01.03	Suppliers	60,403	50,203	29,786
2.01.04	Taxes, Fees and Tax Contributions	4,492	7,332	2,545
2.01.05	Dividends Payable	1,574	0	0
2.01.06	Provisions	0	0	0
2.01.07	Debts with Related Persons	0	0	0
2.01.08	Others	8,729	6,375	4,641
2.02	Non-Current Liabilities	15,821	18,019	21,653
2.02.01	Long-term Liabilities	15,821	18,019	21,653
2.02.01.01	Loans and Financings	4,182	1,081	3,273
2.02.01.02	Debentures	0	0	0
2.02.01.03	Provisions	1,617	10,525	18,261
2.02.01.04	Debts with Related Persons	0	0	0
2.02.01.05	Advance for Future Capital Increase	0	0	0
2.02.01.06	Others	10,022	6,413	119
2.02.02	Results of Future Years	0	00	0
2.04	Shareholder's Equity	58,452	52,690	46,618
2.04.01	Paid-in Capital	51,210	51,210	51,210
2.04.02	Capital Reserves	2,190	2,190	2,190
2.04.03	Revaluation Reserves	0	0	0
2.04.03.01	Own Assets	0	0	0
2.04.03.02	Subsidiaries/ Associated/ Affiliated	0	0	0
2.04.04	Profit Reserves	5,052	0	0
2.04.04.01	Legal	0	0	0
2.04.04.02	Statutory	0	0	0
2.04.04.03	For Contingencies	0	0	0
2.04.04.04	From unrealized Profits	0	0	0
2.04.04.05	Profits Retention	0	0	0
2.04.04.06	Special for Non-Distributed Dividends	0	0	0
2.04.04.07	Other Profits Reserves	5,052	0	0
2.04.05	Accrued Profits/ Losses	0	(710)	(6,782)

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2.04.06	Advance for Future Capital Increase	0	0	0
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CONTROLLED/ASSOCIATED COMPANY

CORPORATE NAME LIVRARIA E PAPELARIA SARAIVA S.A.

19.07 – INCOME STATEMENT (Thousand Reais)

1- CODE	2- DESCRIPTION	3 – 01/01/2006 to 12/31/2006	4 – 01/01/2005 to 12/31/2005	5 – 01/01/2004 to 12/31/2004
3.01	Gross Revenue from Sales and/or Services	352,202	281,306	261,890
3.02	Deductions from Gross Revenue	(36,086)	(28,191)	(38,737)
3.03	Net Revenue from Sales and/or Services	316,116	253,115	223,153
3.04	Cost of Goods and/or Services Sold	(200,772)	(154,277)	(140,732)
3.05	Gross Profit/(Loss)	115,344	98,838	82,421
3.06	Operating Expenses/Revenues	(103,598)	(88,599)	(86,516)
3.06.01	With Sales	(78,522)	(68,444)	(65,213)
3.06.02	Overhead and Administrative	(21,559)	(18,802)	(18,833)
3.06.03	Financial	(2,290)	(879)	(3,137)
3.06.03.01	Financial Revenues	923	2,174	181
3.06.03.02	Financial Expenses	(3,213)	(3,053)	(3,318)
3.06.04	Other Operating Revenues	0	0	667
3.06.05	Other Operating Expenses	(1,227)	(474)	0
3.06.06	Result of Equity Equivalence	0	0	0
3.07	Operating Income	11,746	10,239	(4,095)
3.08	Non-Operating Income	(703)	(194)	(107)
3.08.01	Revenues	0	0	0
3.08.02	Expenses	(703)	(194)	(107)
3.09	Profit/(Loss) Before Taxation/Participations	11,043	10,045	(4,202)
3.10	Provision for Income and Social Contribution Taxes	(3,645)	(3,299)	1,344
3.11	Deferred Income Tax	0	0	0
3.12	Statutory Participations/Contributions	(736)	(674)	0
3.12.01	Participations	(736)	(674)	0
3.12.02	Contributions	0	0	0
3.13	Reversal of Interest on Own Capital	0	0	0
3.15	Profit/(Loss) in the Fiscal Year	6,662	6,072	(2,858)
	NUMBER OS SHARES, EX-TREASURY (Units)	57,539,843	57,539,843	57,539,843
	PROFIT PER SHARE (Reais)	0.11578	0.10553	
	LOSS PER SHARE (Reais)			(0.04967)

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CONTROLLED/ASSOCIATED COMPANY

CORPORATE NAME LIVRARIA E PAPELARIA SARAIVA S.A.

19.08.01 – STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FROM 01/01/2006 TO 12/31/2006 (Thousand Reais)

1- CODE	2- DESCRIPTION	3- SHARE CAPITAL	4- CAPITAL RESERVES	5- REVALUATION RESERVES	6- PROFIT RESERVES	7- PROFIT/LOSS ACCUMULATED	8- TOTAL SHAREHOLDERS' EQUITY
5.01	Initial Balance	51,210	2,190	0	0	(710)	52,690
5.02	Adjustments to Previous Fiscal Years	0	0	0	0	674	674
5.03	Increase/Reduction of Share Capital	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 in the Fiscal Year	0	0	0	0	6,662	6,662
5.07	Allocations	0	0	0	4,721	(6,295)	(1,574)
5.08	Others	0	0	0	331	(331)	0
5.09	Final Balance	51,210	2,190	0	5,052	0	58,452

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CONTROLLED/ASSOCIATED COMPANY

CORPORATE NAME LIVRARIA E PAPELARIA SARAIVA S.A.

19.08.02 – STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FROM 01/01/2005 TO 12/31/2005 (Thousand Reais)

1- CODE	2- DESCRIPTION	3- SHARE CAPITAL	4- CAPITAL RESERVES	5- REVALUATION RESERVES	6- PROFIT RESERVES	7- PROFIT/LOSS ACCUMULATED	8- TOTAL SHAREHOLDERS' EQUITY
5.01	Initial Balance	51,210	2,190	0	0	(6,782)	46,618
5.02	Adjustments to Previous Fiscal Years	0	0	0	0	0	0
5.03	Increase/Reduction of Share Capital	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 in the Fiscal Year	0	0	0	0	6,072	6,072
5.07	Allocations	0	0	0	0	0	0
5.08	Others	0	0	0	0	0	0
5.09	Final Balance	51,210	2,190	0	0	(710)	52,690

01.01 – IDENTIFICATION

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CONTROLLED/ASSOCIATED COMPANY

CORPORATE NAME LIVRARIA E PAPELARIA SARAIVA S.A.

19.08.03 – STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FROM 01/01/2004 TO 12/31/2004 (Thousand Reais)

1- CODE	2- DESCRIPTION	3- SHARE CAPITAL	4- CAPITAL RESERVES	5- REVALUATION RESERVES	6- PROFIT RESERVES	7- PROFIT/LOSS ACCUMULATED	8- TOTAL SHAREHOLDERS' EQUITY
5.01	Initial Balance	51,210	2,190	0	0	(3,924)	49,476
5.02	Adjustments to Previous Fiscal Years	0	0	0	0	0	0
5.03	Increase/Reduction of Share Capital	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 in the Fiscal Year	0	0	0	0	(2,858)	(2,858)
5.07	Allocations	0	0	0	0	0	0
5.08	Others	0	0	0	0	0	0
5.09	Final Balance	51,210	2,190	0	0	(6,782)	46,618

19.10 PERFORMANCE REPORT

19.09 OPERATING SECTOR CHARACTERISTICS

Controlled/Associated Company: LIVRARIA E PAPELARIA SARAIVA S.A.

Book Retail Market

The book retail market in Brazil is quite fragmented, it being characterized by the co-existence of small bookshops and large store networks. At present, there are approximately 1,500 bookstores all over Brazil, more than 70% of which are located in South and Southeast regions of the Country. The States of São Paulo and Rio de Janeiro represent about 65% of book retail sales in Brazil. While the average consumption per capita in the Country is only 1.8 book per year (including didactic books), the United States have a consumption of 9 books per year and Japan, a consumption of 11 books per year.

The distribution of bookstores in the Brazilian territory is extremely uneven, of the 5,700 Brazilian municipalities, only 10.5%, that is, 600 thereof, have regularly installed bookstores. In addition to a very uneven distribution in the Brazilian territory, the number of bookstores in Brazil is much lower when compared with other countries, even those in development.

In addition to using bookstores, the book retail market develops in other distribution and sales vehicles, such as, for instance, stationery stores, bazaars and schools, which has been increasingly changing into points of sales in school periods. Newsstands also have been a vehicle for the sale and dissemination of low-cost books. However, one of the sales vehicles that has called most the attention of professionals in the book retail market is Internet. Electronic commerce has been developed all over the world, in all sectors of economy, by virtue of the comfort, agility and easiness for purchasing goods, without a need to go to the stores. Such trend is also verified in the Brazilian market, among large bookstores.

19.10 PERFORMANCE REPORT

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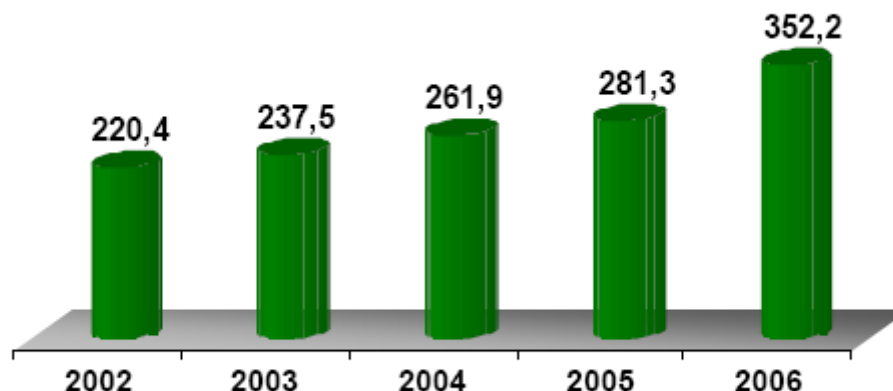
The table below presents the main data on economic-financial performance:

Description	2006		2005		AH %
	R\$ million	AV %	R\$ million	AV %	
Gross Revenue	352,202	111.4	281,306	111.1	25.2
Net Revenue	316,116	100.0	253,115	100.0	24.9
Gross Profit	115,344	36.5	98,838	39.0	16.7
Operating Expenses	100,081	31.7	87,246	34.5	14.7
EBITDA	20,560	6.5	17,091	6.8	20.3
Net Financial Expenses	2,290	0.7	879	0.3	160.5
Net Profit	6,662	2.1	6,072	2.4	9.7

Gross Profit

Livraria's gross revenue totaled R\$ 352.2 million, equivalent to an increase of 25.2% in comparison with 2005.

Gross Revenue (R\$ million)



The sales growth was supported by the development in the electronic retail division (+52.5%) and in the physical stores (+17.2%). The analysis of comparable sales (physical stores + Saraiva.com) also registered a positive performance, with a growth of 21.1%. The comparable sale only of physical stores indicated an increase of 11.8%.

The nominal growth index of the books, newspapers and magazines sector, disclosed by IBGE in the monthly research of commerce, indicated variation of 5.6% in 2006, inferior to the increase of Saraiva in these segments, that reached 13.7% and demonstrates the profit in market share.

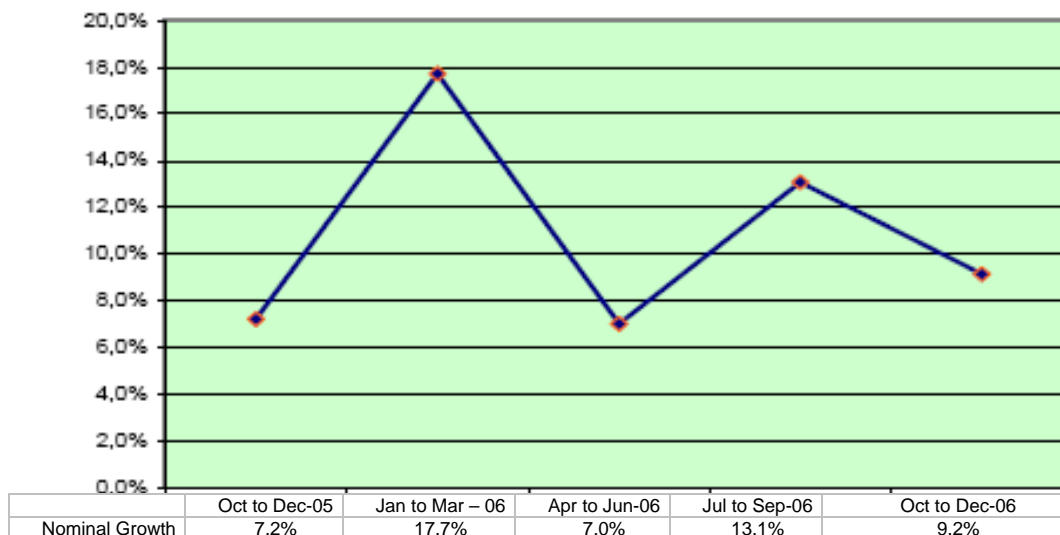
The sales growth obtained in 2006 is a direct result of a set of actions adopted since 2005. New products categories were added in the sales mix, standing out the computing, electric electronic and imported books areas, which, added up, represented 12.4% of the sales total of the Company. In addition to this, the marketing investments were remodeled and intensified, being created the successful fidelization program "Saraiva Plus", and the payment terms offered to the clients were also enlarged. Moreover, the investments in staff recruitment and training were

19.10 PERFORMANCE REPORT

reinforced, aiming at the adaptation of the profile of the store attendants to the target public of each unit.

The chart below shows the sales evolution of comparable physical stores, analyzing the growth of the quarterly revenue on the same period of the previous year.

Nominal Growth of comparable stores – per quarter



Gross Profit

Gross profit accumulated R\$ 115.3 million, an amount 16.7% higher than the recorded in the previous year. Gross margin evolved from 39.0% in 2005 to 36.5%, due to a larger participation of the computing and electro-electronic categories in the sales mix. According to the Management' plans, the introduction of these segments added important value to the gross profit growth in absolute amounts, even when regards to products that present margins inferior to the books.

With the fast growth observed in the sales volume of these categories, Saraiva to start having higher representation before its suppliers, which provides opportunities to intensify the partnerships and, possibly, enlarge the trade margins.

Operating Result

As a result of the rationalization actions, effected since the programs of cash management developed in the last years and the profits of scale obtained with the expressive increase on sales, the relation "operating expenses on net revenue" presented significant decrease, as per below.

Ratio %	2003	2004	2005	2006
Operating Expenses on Net Revenue	37.9%	37.7%	34.5%	31.7%

The actions adopted in the program of cash management in 2006 resulted in annual savings estimated in R\$ 1.5 million. The Company's Management understand that the effective control of expenses is essential to achieve competitive capacity in segments of high competition. For this purpose, other actions are under analysis, besides being foreseen for 2007 the

19.10 PERFORMANCE REPORT

implementation of one more program of cash management so that the operating development be continuously improved.

Ebitda

The adjusted Ebitda reached R\$ 20.6 million, which corresponds to an increase of 20.3% compared to the previous year. The adjusted Ebitda margin came from 6.8% to 6.5%.

Reconciliation EBITDA – R\$ thousand	2006	2005	Var.
Operating Result after Net Financial Expense	11,746	10,239	14.7%
(+) Depreciation and Amortization	4,950	4,865	1.7%
(+) Net Financial Expense	2,290	879	160.5%
(=) EBITDA	18,986	15,983	18.8%
(+) Provision for redemption of "Saraiva Plus" bonus (1)	1,574	1,108	42.1%
(=) Adjusted EBITDA	20,560	17,091	20.3%

(1) It refers to the provision related to the future redemption of bonus. It does not represent effective exit of cash.

Financial Result/ Capital Structure

Net financial expenses increased R\$ 0.9 million in 2005 and R\$ 2.3 million in 2006. The financial position in the end of 2006 was similar to a net cash of R\$ 6.4 million, before the R\$ 8.1 million verified in the 2005 closing.

Within the strategy designed to the sales and average ticket increase, a tool that demonstrated efficiency is the offer of different conditions to the clients, increasing the payment terms. As expected, this action also caused the verified alteration in the financial income and in the net financial position.

With the purpose of optimizing the capital structure in order to fund new investments, Livraria obtained a BNDES funding, in the amount of R\$ 22.1 million, destined to the expansion program (under execution) of the physical stores network within the period 2005/2008 and to the project of restoration and modernization of some important units of the network. The first resources release took place in December 2006 in the amount of R\$ 4.4 million.

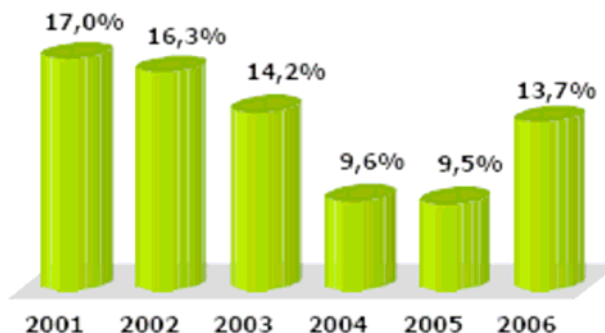
Working Capital

Last years the Company has been strongly investing to gain efficiency in the working capital management. Efforts were undertaken in the logistic improvement, in a better adjustment of the products mix of each store, besides the renegotiation and intensification of partnerships with suppliers. This work had results that made possible the adoption of a more aggressive policy in the term of accounts receivable, integrating a group of actions that are providing expressive interest profits of market.

The chart below shows the evolution of the relation of working capital invested on gross revenue in the last years. After several years of expressive profits, the 2006 result was impacted by the new policy of medium term of payment granted to the clients, which was amplified to 18 days, when comparing to the previous year. The Company's Management understand that there are opportunities of new profits in the inventories rotation, which can efficiently support even more the strategy of funding the sales to clients.

19.10 PERFORMANCE REPORT

Working Capital (1) / Gross Revenue (2)



(1) Inventory + Clients – Suppliers (monthly average last 12 months)
(2) Gross Sales in the last 12 months

Net Profit

The net profit reached R\$ 6.7 million which meant an elevation of 9.7% related to the previous year.

Marketing/ Partnership

The year of 2006 was marked by important events in the marketing area and by the settled partnerships, as per below:

- The fidelization program “Saraiva Plus” was consolidated as an important tool of attraction and retention of clients. The clients associated basis increased 124% and counted, in the end of December 2006, with 1,146 thousand clients associated.
- In line with the pioneer history in its business, it was celebrated a partnership with Starbucks, worldwide leader retail brand of special coffees. It was launched, in December 2006, one of the first two Starbucks stores in Brazil inside Saraiva Mega Store of Shopping Morumbi, in São Paulo.
- Realization of more than two thousand cultural events in the stores network, among books, CDs, DVDs release, pocket shows, chats, small courses, debates and infantile activities, which represented an increase of 110% related to the quantity of events of the previous year and contributed to attract a higher flow of people to the stores.
- Contracting of the publicity agency Taterka, which started to respond for the organization of the communication with clients and for the increment of the visual identity of the stores and the website.
- Release of the magazine “Almanaque”. With monthly printing of 70 thousand copies, this publication points out the main Saraiva’s events, besides the most important releases of the editorial, musical and movies business.
- Increase of the partnership with Ticketmaster, a leader company in the sale of tickets for shows and events. Presently, Ticketmaster is performing in five Saraiva’s stores, which reinforces the Company’s view to offer the most modern matters in entertainment, culture and convenience.

Saraiva.com – Electronic retail division

The national electronic commerce is still growing at effusive rates (the amount of people buying through Internet has grown 46%) and Saraiva has actively participated in this process. The scale profit obtained in 2006 was expressive.

19.10 PERFORMANCE REPORT

Indicators Saraiva.com	2006	2005	Var.
Gross Revenue (R\$ thousand)	97,349	63,826	52.5%
operating Expenses (SG&A)	19,307	14,228	35.7%
Adjusted EBITDA (R\$ thousand) ⁽¹⁾	10,901	8,787	24.1%
Active clients (thousand) ⁽²⁾	941	851	10.5%
% on Livraria's Gross Revenue	27.6%	22.7%	21.8%
Average Ticket (R\$)	111.93	81.03	38.1%

(1) Adjusted Ebitda: sum in the calculation the provision for future redemption of "Saraiva plus" bonus (R\$ 256 thousand in 2006 and R\$ 252 thousand in 2005) that does not represent cash exit.

(2) Active clients: user that performed at least one purchase per year in the last two years.

The strategy to increase the products category, initiated in the second semester of 2005 and intensified along 2006, has significantly contributed to the sales growth, with eminence for the areas of computing, electro-electronics and imported books areas. These segments, added up, represented 23.6% of the sales total in the website in 2006, against 7.6% in 2005. Presently, more than 1.5 million available items are registered for sale.

Another important action adopted in 2006 was the strategy to perform with emphasis in the didactic books segment, having benefits of the recognition that Saraiva has for being the most complete Livraria, specially in the back to class period. The company's management will develop efforts to intensify this action in 2007.

United with the factors mentioned above, the clients' basis increase and the enlargement of marketing actions, including the increment of partnerships with the main search websites, promoted an elevation of 38.1% in the average ticket and contributed for the increase of 52.5% in the gross revenue.

The chart below shows the quarterly evolution of the sales growth when comparing to the same quarter of the previous year.

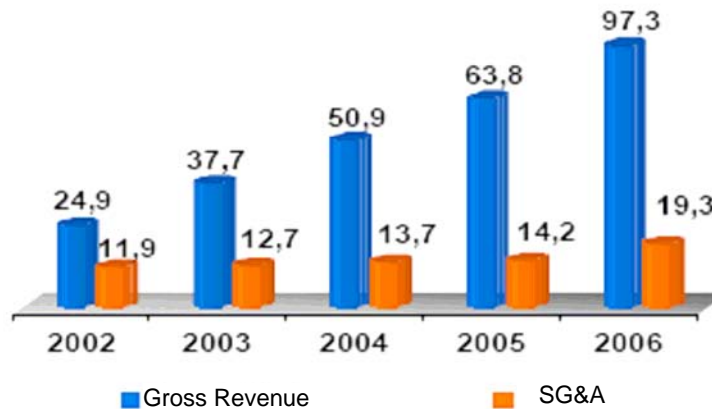
19.10 PERFORMANCE REPORT

Nominal growth of Saraiva.com – per quarter



The chart below clearly shows the scale profits obtained with the operations increment, in the last years.

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



On August 2006, Saraiva.com received the classification of “Diamond” company (the highest available), in an assessment regarding the quality and excellence of the support, held by the e-bit company, specialized in Internet.

20.00 INFORMATION ON CORPORATE GOVERNANCE

According to IBGC [Brazilian Institute for Corporate Governance], corporate governance is the system by which companies are managed and monitored, involving the relationships among shareholders, board of directors, executive board, independent auditors and audit committee. The basic principles guiding this practice are: (i) transparency; (ii) equity; (iii) accountability; and (iv) corporate responsibility.

According to the principle of transparency, it is understandable that the management should cultivate the wish to inform, not only the Company's economic-financial performance, but also other factors (even if intangible) that guide entrepreneurial action. Equity is understood as being a fair and even treatment for all minority groups, collaborators, clients, suppliers or creditors. Accountability, on its turn, is characterized by rendering of accounts regarding the performance of corporate governance agents to whoever elected them, with full responsibility of the formers for all acts performed thereby. Finally, corporate responsibility represents a wider view of entrepreneurial strategy, with the incorporation of considerations regarding social and environmental order into the definition of businesses and operations.

Among corporate governance practices recommended by IBGC in its Code of the Best Corporate Governance Practices, we adopted, among others, the following:

- (i) shares of preferred stock grant a voting right to the holders thereof, in the following events: (a) transformation, merger, spin-off and consolidation involving the Company directly; (b) approval of contracts between Company and its Controlling Shareholder, either directly or through third parties, as well as with other companies where Controlling Shareholder holds an interest, whenever, by virtue of legal or statutory provisions, they are decided at our Shareholders' Meeting; (c) evaluation of assets allocated to payment of Company's capital increase; (d) appointment of specialized company to appraise the economic value of shares issued by Company, for the purpose of public offer for acquisition of shares, to be conducted for cancellation of Company's registry as an open company, for Company's discontinuance from BOVESPA's Corporate Governance Differentiated Practices – Level 2, or for corporate reorganization from which the resulting company does not rank as holder of corporate governance – Level 2 standard; and (e) alteration or modification of provisions in our Articles of Incorporation which alter or modify any of the requirements provided for in item 4.1 of Level 2 Regulation, save that such voting right shall prevail while the Contract of Adhesion to Level 2 is in force;
- (ii) maintenance and disclosure of a register containing the quantity of shares held by each partner, identifying them by name;
- (iii) engagement of independent audit firm for analyses of its balance sheets and financial statements;
- (iv) necessity that, in the offer for purchase of shares that results in transfer of the corporate control to all partners and not only to the holders of the control block. All shareholders shall be allowed to sell their shares under the same conditions.

20.00 INFORMATION ON CORPORATE GOVERNANCE

The control transfer shall be accomplished at a transparent price. In the event of disposal of totality of the control block, the acquirer must address the public offer to all shareholders under the same conditions as the controller's (tag-along);

- (v) provision in the Articles of Incorporation for installation of the Audit Committee;
- (vi) clear definition in the Articles of Incorporation of the form of election, divestiture and term of office of the member of the Board of Directors and the Executive Board;
- (vii) non-election of alternate directors;
- (viii) transparency in public disclosure of the management annual report;
- (ix) free access to Company's information and premises by the members of the Board of Directors; and
- (x) solution of conflicts that may arise between Company, its shareholders, its officers and members of the Audit Committee, by arbitration.

BOVESPA has three different levels corporate governance practices, Level 1, Level 2 and New Market. They differ by the level of requirement of such practices. The New Market is the most rigorous of them, requiring that the maximum of corporate governance practices are adopted by the company. On February 6 2006, changes carried out by BOVESPA in these three segments became effective.

On March 20 2006, we entered into the Contract of Adhesion to Level 2 with BOVESPA, for the purpose of meeting the necessary requisites so that we become a company listed in Level 2, and such contract became effective after the election of the members of our Board of Directors, occurred on April 6 2006.

Board of Directors

The Board of Directors of companies authorized to have their shares negotiated in Level 2 shall consist of a minimum 5 members, as elected by the Shareholders' Meeting, for a unified term of office of 2 years at most, with reelection being permitted. According to Level 2 Regulation, which became effective on February 6 2006, at least 20% of the members of our Board of Directors shall be independent directors, with independent director meaning a director who:

- (i) has not any bond with us, except equity participation,
- (ii) is not the controlling shareholder (as defined in Level 2 Regulation), spouse or relative thereof up to the 2nd degree of kindred, or is not or was not, in the last 3 years, entailed to a company or entity related to the Controlling Shareholder

20.00 INFORMATION ON CORPORATE GOVERNANCE

(persons entailed to educational and/or research public institutions are excluded from this restraint),

- (iii) was not, in the last 3 years, our employee or executive officer or the employee or executive officer of controlling shareholders or a company controlled by us,
- (iv) is not a supplier or purchaser, either direct or indirect, of our services and/or products in a magnitude implying loss of independence,
- (v) is not an employee or officer of a company or entity that is offering or requesting our services and/or products,
- (vi) is not the spouse or a relative up to the second degree of kindred of any of our officers, or
- (vii) does not receive a compensation from us other than as a director (proceeds in cash derived from participation in the capital are excluded from this restraint).

According to our Articles of Incorporation, our Board of Directors shall have from 5 to 7 members. Directors are elected at Shareholders' Meeting for a unified term of office of 1 year, and may be reelected and divested, at any time, by our shareholders as gathered at a Shareholders' Meeting.

All members of the Board of Directors and the Executive Board shall execute an Instrument of Officers' Consent, conditioning the installation in their respective offices to the execution of this document, whose copy shall be promptly sent to BOVESPA. Through the Instrument of Officer's Consent, our officers are personally responsible for acting in conformity with the Contract of Adhesion to Level 2, with the Arbitration Regulation and with the Regulation of Level 2.

Audit Committee

Our Audit Committee is a body independent from our management and our external auditors. Likewise the Board of Directors, the members of the audit committee, through the Instrument of Consent of the Member of the Audit Committee, undertake personal responsibility for acting in accordance with the Contract of Adhesion to Level 2, with the Arbitration Regulation and with the Regulation of Level 2, with the installation thereof in their pertinent offices being conditional upon the execution of this document, whose copy shall be promptly sent to BOVESPA.

Our Audit Committee operates on a non-permanent base, but may be installed in any fiscal year upon request by shareholders, pursuant to the legislation in force. At present, our Audit Committee is not installed.

Minimum Percentage of Outstanding Shares after Capital Increase

20.00 INFORMATION ON CORPORATE GOVERNANCE

The Regulation of Level 2 establishes that, in the event of an increase of capital that was not fully subscribed for by whoever holds a preference right or did not count on a sufficient number of persons interested in the respective public distribution, the total or partial subscription for such capital increase by the Controlling Shareholder shall compel him to take the measures necessary to restore the minimum percentage of outstanding shares, within the 6 months subsequent to the subscription ratification.

Disposal of Control

The Regulation of Level 2 establishes that the disposal of our control, both through a sole operation and through successive operations, shall be contracted under the suspensive or resolutive condition that the acquirer agrees to conduct the public offer for acquisition of the shares held by our other shareholders, subject to the conditions and times provided for in the legislation in force and in Regulation of Level 2, so as to ensure them a treatment equal to that ascribed to the selling controlling shareholder, with the declaration containing price and other conditions of the operation for disposal of our control to be delivered to BOVESPA.

This offer shall be further required (i) in case of assignment of rights of subscription for shares and other securities or rights relating to securities convertible into shares, for a consideration, which assignment results in disposal of control, and (ii) in case of disposal of control of company holding control power over us and, in this event, the selling controlling shareholder will be compelled to declare to BOVESPA the amount ascribed to us in such disposal and to attach documentation evidencing such amount.

According to our Articles of Incorporation, the selling controlling shareholder shall not transfer the ownership of his shares while the purchaser does not execute the Instrument of Controllers' Consent, which shall be promptly submitted to BOVESPA.

Acquisition of Control through Successive Acquisitions

According to the Regulation of Level 2, anyone who, as already holding shares in a company, acquires the equity control, by virtue of a share purchase private agreement entered into with the controlling shareholders, involving any quantity of shares, shall be compelled to conduct the public offer according to the above mentioned model, and to reimburse the shareholders from whom he bought shares at a stock exchange in the 6 months preceding the date of disposal of control, by paying thereto any possible difference between the price paid to the selling controlling shareholder and the amount paid at the stock exchange for shares issued by us in the same period, as duly restated.

Negotiations of Securities and Derivatives thereof by Controlling Shareholders, Officers and Member of the Audit Committee

Our Controlling Shareholder, our officers and members of our Audit Committee shall communicate to BOVESPA, shortly after the acquisition of our control or their

20.00 INFORMATION ON CORPORATE GOVERNANCE

installation at the office, as applicable, the quantity and characteristics of the securities issued by us and held by them, either directly or indirectly, including derivatives thereof.

Still according to the rules of Regulations of Level 2, our Controlling Shareholder is compelled to disclose to BOVESPA: (i) the quantity and characteristics of the securities issued by us and held by him, either directly or indirectly, including derivatives thereof, and (ii) any negotiations conducted in respect of securities and derivatives thereof, in detail, informing also price, within 10 days as from the end of the month when the negotiations occur.

Cancellation of Company's Registration

According to the rules of Regulation of Level 2 and our Articles of Incorporation, the cancellation of Company's registration as an open company will require the preparation of a report of appraisal of its shares according to their economic value, to be prepared by a specialized institution or company and to meet the legal requirements.

Such specialized company will be selected at a Shareholders' Meeting, by majority of votes of shareholders representing the outstanding shares present thereat, which meeting, if installed at the first call, shall count on attendance of shareholders representing, at least, 20% of total outstanding shares or, if installed at the second call, may count on attendance of any number of shareholders representing outstanding shares, with the costs to be borne by the offeror.

The economic value of the shares, as indicated in the appraisal report, shall be the minimum price to be offered by the controlling shareholder or by us at the public offer for acquisition of shares for cancellation of our registration as an open company.

When the decision of providing the cancellation of the registration as an open company is informed to the market, the offeror shall disclose the maximum amount per share or batch of one thousand shares at which he will conduct the public offer. The public offer shall be conditional on the amount appraised in the appraisal report not being higher than the amount disclosed by the offeror.

In the event that the economic value of the share is higher than as informed by the offeror, the decision to provide the cancellation of the registration as an open company shall be revoked, unless the offeror expressly agrees to formulate a public offer at the economic value.

In the other events, the procedure of cancellation for registration as an open company shall follow the procedures and other requirements established by the legislation in force, the norms issued by CVM and the Regulation of Level 2.

Withdrawal from Level 2

20.00 INFORMATION ON CORPORATE GOVERNANCE

We are allowed to discontinue the exercise of corporate governance practices of Level 2, provided that the withdrawal is approved at a Shareholders' Meeting and communicated to BOVESPA, in writing, 30 days in advance. Withdrawal from Level 2 does not imply loss of the condition as an open company registered with BOVESPA.

Offer by Controlling Shareholder

When Company's withdrawal from Level 2 is provided so that the securities issued thereby are thereafter registered for negotiations outside Level 2, the Controlling Shareholder shall conduct the public offer for acquisition of shares belonging to our other shareholders, at least, at the pertinent economic value to be appraised as provided for in Section X of the Regulation of Level 2, subject to the applicable legal and regulatory norms. The news on the conduction of the public offer shall be communicated to BOVESPA and disclosed to the market promptly after the holding of our Shareholders' Meeting that approved such withdrawal.

Corporate Reorganization

In the event that discontinuance from Level 2 occurs on account of a corporate reorganization operation, where the company resulting therefrom is not admitted for negotiation in Level 2, (i) we, together with our officers and our Controlling Shareholder, shall be subject to the formalities set forth in Section XI of the Regulation of Level 2; (ii) our Controlling Shareholder shall conduct the public offer for acquisition of shares belonging to our other shareholders, at least, at the pertinent economic value to be appraised as provided for in Section X of the Regulation of Level 2, subject to the applicable legal and regulatory norms. The news on the conduction of the public offer shall be communicated to BOVESPA and disclosed to the market promptly after the holding of our Shareholders' Meeting that approved such reorganization.

Obligations upon Withdrawal

Discontinuance from Level 2 will not release us, our officers and our Controlling Shareholder from complying with the obligations and meeting the requirements derived from the Contract of Adhesion to Level 2, the commitment clause contained in our Articles of Incorporation, the Arbitration Regulation and the Regulation of Level 2, as originating from facts preceding the withdrawal.

Disposal of Company's Control upon Withdrawal

Disposal of our control occurring in the 12 months subsequent to withdrawal from Level 2 shall compel our selling Controlling Shareholders and the purchaser, jointly and collectively, to offer to the other shareholders the acquisition of their shares at the price and under the conditions obtained by the selling Controlling Shareholders in the disposal of their own shares, as duly restated, subject to the same rules applicable to disposal of control provided for in Regulation of Level 2.

Return Barred

20.00 INFORMATION ON CORPORATE GOVERNANCE

After discontinuance from Level 2, Company's securities cannot be negotiated again in Level 2 for a minimum period of 2 years as from the date when the discontinuance was formalized, except in case our equity control was disposed of after formalization of our withdrawal from Level 2.

Policy for Disclosure of Information to the Market

We further have, as per Instruction CVM No. 358, a Policy for Disclosure of Information consisting in the disclosure of relevant information and maintenance of secrecy on that information that was not disclosed to the public yet.

Relevant information is any decision by the controlling shareholder, resolution by Shareholders' Meeting or by bodies of our administration, or any other act or fact of a political-administrative, technical, business or economic-financial nature occurred or related to our businesses, which may considerably influence (i) the quotation of securities; (ii) decision by investors to purchase, sell or keep securities; or (iii) determination for investors to exercise any rights inherent to the condition of security owners.

It is incumbent upon the Chief Officer for Relations with Investor to disclose and communicate to CVM and stock exchanges any relevant act or fact occurred or related to our businesses that is deemed to be a relevant information, as well to watch over the wide and prompt dissemination of the relevant information at stock exchanges and to the public generally (by announcement published in the newspaper, etc.).

Arbitration

According to the Regulation of Level 2, we, our Controlling Shareholder, our officers and member of our Audit Committee, shall decide, by arbitration, any and all dispute or controversy that may arise among us, as related to or resulting from, in particular, the application, validity, effectiveness, construction, violation and effects thereof, of the provisions contained in the Corporation Law, in our Articles of Incorporation, in the norms issued by CMN [Brazilian Monetary Council], by BACEN and by CVM, as well as in the other norms applicable to the operation of the capital market generally, in addition to those contained in the Regulation of Level 2, the Arbitration Regulation, the Market Arbitration Chamber and in the Contract Adhesion to Level 2.

Periodical Information

Cash Flow Statements

The Regulation of Level 2 establishes that Company's financial statements and consolidated statements to be prepared at the end of each quarter and each fiscal year, shall include the alterations occurred in the balance of cash and cash equivalents, as segregated in operation, financing and investment flows.

20.00 INFORMATION ON CORPORATE GOVERNANCE

According to Regulation of Level 2, we must present cash flow statements 6 months after the execution of the Contract of Adhesion to Level 2.

Financial Statements Prepared in Conformity with International Standards

The Regulation of Level 2 establishes that, upon closing of each fiscal year, Company shall prepare (i) financial statements or consolidated statements in conformity with the international standards US GAAP [Accounting Principles Generally Accepted in the United States] or IFRS [International Financial Reporting Standards], which shall be disclosed in their entirety, in English. They shall be further accompanied by the management report, explanatory notes, which inform also the net profit and shareholders' equity as appraised at the end of the fiscal year according to the Brazilian accounting principles and the proposal for allocation of the result, and by the opinion of the independent auditors; or (ii) disclose, in English, the full content of financial statements, management report and explanatory notes demonstrating the conciliation of the result in the fiscal year with the shareholders' equity, appraised under the Brazilian accounting criteria and under the international standards US GAAP or IFRS, evidencing the main difference between the accounting criteria and the opinion of independent auditors (as registered with CVM and confirmedly experienced in the examination of financial statements prepared in accordance with the international standards US GAAP or IFRS).

According to the Regulation of Level 2, the adoption of such criteria should begin as from the disclosure of financial statements related to the second fiscal year following the execution of the Contract of Adhesion to Level 2.

Quarterly Information – ITR in English or Prepared in Conformity with International Standards

According to this rule, we must present the full content of Quarterly Information – ITR as translated into English or present financial statements or consolidated statements in accordance with the international standards US GAAP or IFRS.

Such Information, to be accompanied by an opinion or special report of review by the independent auditors, shall be presented as from the disclosure of the first financial statement prepared in conformity with international standards.

Additional Requisites for Quarterly Information - ITR

The Regulation of Level 2 establishes some complementary information to be included in the ITR. They are: (i) to submit the consolidated balance sheet, consolidated income statement and comment on consolidated performance, in case it is compelled to submit consolidated statements at the end of the fiscal year; (ii) to inform the equity position of anyone holding more than 5% of each species and class of shares of our stock capital, either directly or indirectly, up to the level of individuals; (iii) to inform, on a consolidated base, the quantity and characteristics of securities issued by us as owned, either directly or indirectly, by the groups of controlling shareholder, officers and member of

20.00 INFORMATION ON CORPORATE GOVERNANCE

our Audit Committee; (iv) to inform the evolution of the participation of the persons referred to in item iii, in respect of the relevant securities, in the preceding twelve months; (v) to inform the quantity of outstanding shares and percentage thereof in comparison with the total issued shares; (vi) to inform the existence of and entailment to the Commitment Clause regarding arbitration.

Additional Requisites for Annual Information - IAN

Also the inclusion of items (iii), (iv) and (vi) of item "Additional Requisites for Quarterly Information" in our Annual Information in Chart "Other Information Deemed to be Relevant by Company", are requisites of Level 2 as well.

Public Meeting with Analysts

The Regulation of Level 2 establishes that, at least once a year, we must hold a public meeting with analysts and any other interested parties, to disclosure information regarding the respective economic-financial condition, projects and perspectives.

Annual Calendar

The Regulation of Level 2 establishes that companies and officers shall send to BOVESPA and disclose, by the end of January of each year, an annual calendar informing on programmed corporate events, containing information about us, the event, date and time of the holding thereof, publication and remittance of the documents dealt with at the event to BOVESPA.

Contracts with the same group

According to Regulation of Level 2, we must send to BOVESPA and disclose information on any and all contract entered into between us, our controllers, officers and controlled and associated companies of officers and of our controlling shareholder, as well as with other companies that, together with any of these persons, are part of the same group, on a factual or legal base, whenever an amount equal to or higher than R\$ 200 thousand, or an amount equal to or higher than 1% of our shareholders' equity, whichever is higher, is reached, under one only contract or under successive contracts, with or without the same purpose, in any period of one year.

Such disclosed information shall describe the subject of the contract, time, amount, conditions for rescission or termination and any possible influence of the contract on the management or conduction of our businesses.

20.01 – DESCRIPTION OF MODIFIED INFORMATION

Complementing it with the following information required by CVM: on table 03.02 (page 8), add BBM Gestão de Recursos Ltda, as being holder of 1,996,100 shares of preferred stock, that represent 10.52% of this speciae, according to official report attached.

01047-2

SARAIVA S.A. LIVREIROS EDITORES

60.500.139/0001-26

20.00 INFORMATION ON CORPORATE GOVERNANCE

According Office/CVM/Cep/GEA-1/271/2007.

OFFICIAL REPORT OF ACQUISITION OF RELEVANT INTEREST

BBM GESTÃO DE RECURSOS LTDA., a company headquartered in the City of Salvador, State of Bahia, and branch in the City and State of Rio de Janeiro, enrolled in the Brazilian Registry of Legal Entities (CNPJ/MF) under the No. 08.127.399/0001-79, acting as investment funds ("FUNDS") manager, in fulfillment of the requirements of the Instruction CVM No. 358/02, communicates that the FUNDS under its management reached an interest of 10.52% (ten point fifty-two percent) of the shares of preferred stock issued by Saraiva S.A. Livreiros Editores, the "Company", being right that with such acquisition of FUNDS they started to have 1,996,100 (one million, nine hundred and ninety-six thousand and one hundred) shares of preferred stock (SLED4). It also communicates that the FUNDS do not settled any agreement or contract regulating the voting right exercise or purchase and sale of securities of issuance of the Company. Rio de Janeiro, July 5, 2007.
BBM Gestão de Recursos LTDA.

01.01 – IDENTIFICATION

1 – CVM CODE 01047-2	2 – CORPORATE NAME SARAIVA SA LIVREIROS EDITORES	3 – CNPJ 60.500.139/0001-26
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