

*(Convenience Translation into English from the  
Original Previously Issued in Portuguese)*

***Saraiva S.A.***  
***Livreiros Editores***

*Interim Financial Statements for the Quarter and  
Nine-month Period Ended September 30, 2005 and  
Independent Accountants' Review Report*

Deloitte Touche Tohmatsu Auditores Independentes

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

1. We have performed a special review of the accompanying interim financial statements of Saraiva S.A. Livreiros Editores and subsidiary (Company and Consolidated), consisting of the balance sheets as of September 30, 2005, and the related statements of operations for the quarter and nine-month period then ended and the performance report, all expressed in Brazilian reais and prepared in accordance with Brazilian accounting practices under the responsibility of the Company's management.
2. We conducted our review in accordance with specific standards established by the Brazilian Institute of Independent Auditors (IBRACON), together with the Federal Accounting Council, which consisted principally of: (a) inquiries of and discussions with persons responsible for the accounting, financial and operating areas as to the criteria adopted in preparing the interim financial statements, and (b) review of the information and subsequent events that had or might have had material effects on the financial position and results of operations of the Company and its subsidiary.
3. Based on our special review, we are not aware of any material modifications that should be made to the interim financial statements referred to in paragraph 1 for them to be in conformity with Brazilian accounting practices and standards established by the Brazilian Securities Commission (CVM), specifically applicable to the preparation of mandatory interim financial statements.
4. We had previously reviewed the Company and consolidated balance sheets as of June 30, 2005 and the Company and consolidated statements of operations for the quarter and nine-month period ended September 30, 2004, presented for comparative purposes, and issued unqualified review reports thereon, dated August 11, 2005 and November 12, 2004, respectively.
5. The accompanying interim financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, November 9, 2005

DELOITTE TOUCHE TOHMATSU  
Auditores Independentes

Maurício Pires de Andrade Resende  
Engagement Partner

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FEDERAL PUBLIC SERVICE  
BRAZILIAN SECURITIES COMMISSION (CVM)  
INTERIM FINANCIAL STATEMENTS (ITR) - 09/30/2005  
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES

Corporate Law

**REGISTRATION WITH THE CVM DOES NOT IMPLY ANY ANALYSIS OF THE COMPANY. COMPANY MANAGEMENT IS RESPONSIBLE FOR THE ACCURACY OF THE INFORMATION PROVIDED.**

**01.01 - IDENTIFICATION**

1 - CVM CODE 001047-2	2 - COMPANY NAME SARAIVA S.A. LIVREIROS EDITORES	3 - Federal Corporate Taxpayers' Registration Number (CNPJ) 60.500.139/0001-26
64 - State Registration Number (NIRE) 35300025300		

**01.02 - HEAD OFFICE**

1 - ADDRESS Av. Marquês de São Vicente n. 1697		2 - SUBURB OR DISTRICT Barra Funda		
3 - POSTAL CODE 01139-904	4 - MUNICIPALITY São Paulo		5 - STATE SP	
6 - AREA CODE 011	7 - TELEPHONE 3611-3344	8 - TELEPHONE -	9 - TELEPHONE -	10 - TELEX
11 - AREA CODE 011	12 - FAX 3611-3308	13 - FAX -	14 - FAX -	
15 - E-MAIL <a href="http://www.editorasaraiva.com.br">http://www.editorasaraiva.com.br</a>				

**01.03 - INVESTOR RELATIONS OFFICER (Company Mail Address)**

1 - NAME João Luís Ramos Hopp				
2 - ADDRESS Rua Edgar Teotônio Santana, 206			3 - SUBURB OR DISTRICT Barra Funda	
4 - POSTAL CODE 01140-030	5 - MUNICIPALITY São Paulo		6 - STATE SP	
7 - AREA CODE 011	8 - TELEPHONE 3611-3344	9 - TELEPHONE -	10 - TELEPHONE -	11 - TELEX
12 - AREA CODE 011	13 - FAX 3619-3062	14 - FAX -	15 - FAX -	
16 - E-MAIL <a href="mailto:jlhopp@editorasaraiva.com.br">jlhopp@editorasaraiva.com.br</a>				

**01.04 - GENERAL INFORMATION / INDEPENDENT ACCOUNTANT**

CURRENT YEAR		CURRENT QUARTER			PRIOR QUARTER		
1 - BEGINNING	2 - END	3 - QUARTER	4 - BEGINNING	5 - END	6 - QUARTER	7 - BEGINNING	8 - END
01/01/2005	12/31/2005	3	07/01/2005	09/30/2005	2	04/01/2005	06/30/2005
9 - INDEPENDENT ACCOUNTANT Deloitte Touche Tohmatsu Auditores Independentes					10 - CVM CODE 00385-9		
11 - PARTNER RESPONSIBLE Maurício Pires de Andrade Resende					12 - INDIVIDUAL TAXPAYERS' REGISTRATION NUMBER OF THE PARTNER RESPONSIBLE 603.835.426-34		

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01.05 - CAPITAL COMPOSITION

NUMBER OF SHARES (THOUSAND)	1 - CURRENT QUARTER 09/30/2005	2 - PRIOR QUARTER 06/30/2005	3 - SAME QUARTER IN PRIOR YEAR 09/30/2004
Paid-up Capital			
1 - Common	9,622	9,622	9,622
2 - Preferred	13,647	13,647	13,647
3 - Total	23,269	23,269	23,269
Treasury Shares			
4 - Common	0	0	0
5 - Preferred	333	333	333
6 - Total	333	333	333

01.06 - CHARACTERISTICS OF THE COMPANY

1 - TYPE OF COMPANY Commercial, Industrial and Other Companies
2 - SITUATION Operating
3 - NATURE OF OWNERSHIP Domestic Private
4 - ACTIVITY CODE 110 - Printing and Publishing Houses
5 - MAIN ACTIVITY Publishing and printing of books
6 - TYPE OF CONSOLIDATION Full
7 - TYPE OF REPORT OF INDEPENDENT ACCOUNTANT Unqualified

01.07 - COMPANIES EXCLUDED FROM THE CONSOLIDATED FINANCIAL STATEMENTS

1 - ITEM	2 - CNPJ	3 - NAME
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01.08 - DIVIDENDS APPROVED AND/OR PAID DURING AND AFTER THE QUARTER

1 - ITEM	2 - EVENT	3 - APPROVAL	4 - INCOME	5 - BEGINNING OF THE PAYMENT	6 - SHARE TYPE	7 - INCOME PER SHARE
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01.09 - SUBSCRIBED CAPITAL AND ALTERATIONS IN THE CURRENT YEAR

1 - ITEM	2-DATE OF ALTERATION	3 -CAPITAL (In thousands of Brazilian reais - R\$)	4 - AMOUNT OF THE ALTERATION (In thousands of Brazilian reais - R\$)	5 - NATURE OF ALTERATION	7 - NUMBER OF SHARES ISSUED (Thousands)	7 - SHARE PRICE ON ISSUE DATE (Reais)
01	04/26/2005	46,405	4,428	Profit Reserve	0	0.0000000000

01.10 - INVESTORS RELATIONS OFFICER

1 - DATE 09/11/2005	2 - SIGNATURE
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02.01 - BALANCE SHEETS - ASSETS (In thousands of Brazilian reais - R\$)

Code	Description	09/30/2005	06/30/2005
1	Total assets	176,323	171,114
1.01	Current assets	98,693	94,968
1.01.01	Cash and cash equivalents	1,237	10,146
1.01.01.01	Cash and banks	1,007	481
1.01.01.02	Temporary cash investments	230	9,665
1.01.02	Receivables	28,074	24,068
1.01.02.01	Trade accounts receivable	18,651	16,990
1.01.02.02	Dividends receivable from subsidiary	0	0
1.01.02.03	Recoverable taxes	7,441	6,842
1.01.02.05	Other	1,982	236
1.01.03	Inventories	67,848	59,397
1.01.03.01	Finished products	31,622	26,584
1.01.03.02	Products for resale	24	18
1.01.03.03	Work in process	19,911	16,936
1.01.03.04	Raw materials	15,921	15,264
1.01.03.05	Packing and consumption materials	370	595
1.01.04	Other	1,534	1,357
1.01.04.01	Deferred charges	1,389	1,331
1.01.04.02	Other	145	26
1.02	Long-term assets	1,861	839
1.02.01	Sundry receivables	0	0
1.02.02	Intercompany receivables	0	0
1.02.02.01	Affiliates	0	0
1.02.02.02	Subsidiaries	0	0
1.02.02.03	Other related parties	0	0
1.02.03	Other	1,861	839
1.02.03.01	Tax incentive deposits	0	0
1.02.03.02	Escrow deposits	1,289	244
1.02.03.03	Deferred income and social contribution taxes	532	520
1.02.03.04	Recoverable taxes	0	0
1.02.03.05	Other	40	75
1.03	Permanent assets	75,769	75,307
1.03.01	Investments	49,981	48,825
1.03.01.01	In affiliates	0	0
1.03.01.02	In subsidiaries	49,573	48,417
1.03.01.02.01	Livraria e Papelaria Saraiva S.A.	49,573	48,417
1.03.01.03	Other investments	408	408
1.03.01.03.01	Tax incentives	352	352
1.03.01.03.02	Other	56	56
1.03.02	Property, plant and equipment	23,448	23,943
1.03.02.01	Land	2,029	2,029
1.03.02.02	Buildings	4,907	4,980
1.03.02.03	Furniture, fixtures and installations	3,334	3,481
1.03.02.04	Vehicles	1,920	1,418
1.03.02.05	Machinery and equipment	3,015	3,213

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01.01 - IDENTIFICATION

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02.01 - BALANCE SHEETS - ASSETS (In thousands of Brazilian reais - R\$)

Code	Description	09/30/2005	06/30/2005
1.03.02.06	Software and IT equipment	7,327	7,980
1.03.02.07	Other	916	842
1.03.03	Deferred charges	2,340	2,539
1.03.03.01	Unamortized goodwill	1,459	1,565
1.03.03.02	Other	881	974

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02.02 - BALANCE SHEETS - LIABILITIES (In thousands of Brazilian reais - R\$)

Code	Description	09/30/2005	06/30/2005
2	Total liabilities and shareholders' equity	176,323	171,114
2.01	Current liabilities	46,543	38,674
2.01.01	Loans and financing	6,001	6,399
2.01.02	Debentures	0	0
2.01.03	Trade accounts payable	23,129	16,468
2.01.04	Taxes payable	1,452	1,392
2.01.04.01	Income tax	0	0
2.01.04.02	Social contribution tax	0	0
2.01.04.03	Payroll charges	1,452	1,392
2.01.05	Dividends payable	0	0
2.01.06	Provisions	11,272	13,056
2.01.06.01	Accrued vacation and related charges	3,054	2,725
2.01.06.02	Income tax provision	4,190	6,447
2.01.06.03	Social contribution tax provision	777	1,742
2.01.06.04	Management profit sharing	2,200	1,732
2.01.06.05	Provision for 13th salary and related charges	1,051	410
2.01.07	Intercompany payables	3,088	0
2.01.07.01	Intercompany loan	3,088	0
2.01.08	Other	1,601	1,359
2.01.08.01	Accounts and expenses payable	620	464
2.01.08.02	Copyright payable	248	445
2.01.08.03	Interest on capital	35	35
2.01.08.04	Management profit sharing payable	0	0
2.01.08.05	Losses on derivatives	698	415
2.02	Long-term liabilities	6,092	5,563
2.02.01	Loans and financing	0	58
2.02.02	Debentures	0	0
2.02.03	Provisions	6,092	5,505
2.02.03.01	Reserve for contingencies	2,311	2,273
2.02.03.02	Deferred income and social contribution taxes	3,781	3,232
2.02.04	Intercompany payables	0	0
2.02.04.01	Subsidiary	0	0
2.02.05	Other	0	0
2.03	Deferred income	0	0
2.05	Shareholders' equity	123,688	126,877
2.05.01	Capital	46,405	46,405
2.05.02	Capital reserves	13,947	13,947
2.05.02.01	Tax incentive reserve	4,427	4,427
2.05.02.02	Share premium reserve	8,653	8,653
2.05.02.03	Working capital reserve	724	724
2.05.02.04	Other	143	143
2.05.03	Revaluation reserves	0	0
2.05.03.01	Owned assets	0	0
2.05.03.02	Subsidiaries/affiliates	0	0
2.05.04	Profit reserves	42,298	42,298
2.05.04.01	Legal reserve	7,890	7,890

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02.02 - BALANCE SHEETS - LIABILITIES (In thousands of Brazilian reais - R\$)

Code	Description	09/30/2005	06/30/2005
2.05.04.02	Statutory reserve	0	0
2.05.04.03	Reserve for contingencies	0	0
2.05.04.04	Unrealized profit reserve	0	0
2.05.04.05	Profit retention reserve	0	0
2.05.04.06	Special reserve for undistributed dividends	0	0
2.05.04.07	Other profit reserves	34,408	34,408
2.05.04.07.01	Reserve for capital increase	37,278	37,278
2.05.04.07.02	Treasury stock	(2,870)	(2,870)
2.05.05	Retained earnings/accumulated deficit	21,038	24,227

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03.01 - STATEMENTS OF OPERATIONS (In thousands of Brazilian reais - R\$)

Code	Description	3-07/01/2005 to 09/30/2005	4-01/01/2005 to 09/30/2005	5-07/01/2004 to 09/30/2004	6-01/01/2004 to 09/30/2004
3.01	Gross revenue from sales and/or services	22,949	153,451	21,454	153,982
3.02	Deductions from gross revenue	(44)	(147)	(1,985)	(11,868)
3.03	Net revenue from sales and/or services	22,905	153,304	19,469	142,114
3.04	Cost of sales and/or services	6,461	(44,247)	(4,853)	(40,195)
3.05	Gross profit	16,444	109,057	14,616	101,919
3.06	Operating (expenses) income	(21,146)	(77,788)	(24,062)	(91,049)
3.06.01	Selling expenses	(11,048)	(46,453)	(9,770)	(45,458)
3.06.02	General and administrative expenses	(8,865)	(29,784)	(9,824)	(31,229)
3.06.02.01	Management compensation	(805)	(2,537)	(811)	(2,748)
3.06.02.02	Other	(8,060)	(27,247)	(9,013)	(28,481)
3.06.03	Financial	(919)	(1,730)	(1,486)	(5,168)
3.06.03.01	Financial income	293	1,848	(48)	868
3.06.03.02	Financial expenses	(1,212)	(3,578)	(1,438)	(6,036)
3.06.04	Other operating income	29	1,743	63	166
3.06.05	Other operating expenses	(1,499)	(4,559)	(1,956)	(6,070)
3.06.05.01	Depreciation and amortization	(1,482)	(4,534)	(1,945)	(6,002)
3.06.05.02	Other	(17)	(25)	(11)	(68)
3.06.06	Equity in subsidiary	1,156	2,995	(1,089)	(3,290)
3.07	Income (loss) from operations	(4,702)	31,269	(9,446)	10,870
3.08	Nonoperating income (expenses)	27	104	8	(90)
3.08.01	Income	27	104	0	0
3.08.02	Expenses	0	0	8	(90)
3.09	Income before taxes and profit sharing	(4,675)	31,373	(9,438)	10,780
3.10	Provision for income and social contribution taxes	2,395	(10,425)	6,588	(912)
3.11	Deferred income tax	(441)	1,053	(4,004)	(3,967)

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03.01 - STATEMENTS OF OPERATIONS (In thousands of Brazilian reais - R\$)

Code	Description	3-07/01/2005 to 09/30/2005	4-01/01/2005 to 09/30/2005	5-07/01/2004 to 09/30/2004	6-01/01/2004 to 09/30/2004
3.12	Profit sharing/contributions	(468)	(2,200)	685	(590)
3.12.01	Profit sharing	(468)	(2,200)	685	(590)
3.12.01.01	Management profit sharing	(468)	(2,200)	685	(590)
3.12.02	Contributions	0	0	0	0
3.13	Reversal of interest on capital	0	0	0	0
3.15	Net income (loss)	(3,189)	19,801	(6,169)	5,311
	NUMBER OF SHARES, EX-TREASURY (THOUSANDS)	22,936	22,936	22,936	22,936
	EARNINGS PER SHARE		0.86332		0.23156
	LOSS PER SHARE	(0.13904)		(0.26897)	

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09/30/2005

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**010470-2 SARAIVA S.A. LIVREIROS E EDITORES**

**60.500.139/0001-26**

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**04.01 - NOTES TO THE INTERIM FINANCIAL STATEMENTS**

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(Amounts in thousands of Brazilian reais - R\$)

**1. Operations**

Saraiva S.A. Livreiros Editores (the “Company”) is engaged in publishing elementary and high school textbooks, supplementary textbooks, legal textbooks and economics/management textbooks.

The Company experiences seasonality in its business, with 80% of its sales concentrated between the last quarter of the year and the first quarter of the subsequent year. This sales concentration is due to two factors: (a) the back-to-school period in the first quarter; and (b) the sale of textbooks to the government in the fourth and first quarters of the year.

**2. Presentation of interim financial statements**

The accompanying interim financial statements have been prepared in accordance with Brazilian accounting practices and standards established by the Brazilian Securities Commission (CVM).

**3. Significant accounting practices**

*a) Current and long-term assets*

- **Temporary cash investments**

Stated at cost plus income earned through the balance sheet date.

- **Allowance for doubtful accounts**

Recorded in an amount considered sufficient to cover potential losses on the realization of trade accounts receivable. Uncollectible receivables are charged directly to income.

- **Inventories**

Stated at average acquisition or production cost, which does not exceed market value.

- **Other**

Stated at net realizable value.

**04.01 - NOTES TO THE INTERIM FINANCIAL STATEMENTS**

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*b) Permanent assets*

- **Investments**

Investment in subsidiary is accounted for using the equity method, and other investments are stated at cost less valuation allowance.

- **Property, plant and equipment**

Recorded at acquisition or construction cost plus monetary restatement through December 31, 1995. Depreciation is computed under the straight-line method based on the useful lives of the assets.

- **Deferred charges**

Stated at cost less amortization and refers to unamortized goodwill and preoperating expenses associated with commercial assignment and expenses incurred prior to the start-up of the new stores. Preoperating expenses are amortized over five years or over the terms of the lease contracts, beginning upon the start-up of the new stores.

Goodwill resulting from the acquisition of investments is based on the projected earnings capacity of the acquired business over the estimated period for return on investment and is amortized using the straight-line method in 60 monthly installments.

*c) Current and long-term liabilities*

- **Copyrights**

Recognized when sales are made and, in some cases, when publication rights are acquired. In the first case, copyrights are considered selling expenses and, in the second case, production cost.

- **Other**

Stated at known or estimated amounts plus charges, monetary and/or exchange variations incurred through the balance sheet date, if applicable.

**04.01 - NOTES TO THE INTERIM FINANCIAL STATEMENTS**

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*d) Income and social contribution taxes*

Deferred income and social contribution taxes are recorded in current assets, long-term assets and long-term liabilities, as stated in Note 12, to reflect future tax effects on temporary differences between the reported amounts of assets and liabilities and their tax bases, and tax loss carryforwards.

Deferred tax assets are based on expected future taxable income at the tax rates in effect at the balance sheet date and are reviewed and adjusted annually in the event there is any substantial change in expected profits.

*e) Use of estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

*f) Earnings per share*

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

**4. Consolidated financial statements**

The consolidated financial statements include the accounts of the Company and its subsidiary, as follows:

	<b><u>Ownership interest - %</u></b>
Livraria e Papelaria Saraiva S.A.	99.91

The consolidated financial statements have been prepared in accordance with Brazilian accounting practices and standards established by the CVM, which comprise:

- Elimination of intercompany balances and transactions.

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**010470-2 SARAIVA S.A. LIVREIROS E EDITORES**

**60.500.139/0001-26**

**04.01 - NOTES TO THE INTERIM FINANCIAL STATEMENTS**

- Elimination of the Company's investment against the subsidiary's shareholders' equity.
- Minority interest in shareholders' equity and in net income of the subsidiary is reported separately in the balance sheets and statements of operations, respectively.

**5. Trade accounts receivable**

	<u>Company</u>	<u>Consolidated</u>
Trade accounts receivable	17,150	16,771
Credit cards	91	17,399
Post-dated checks receivable	2,460	3,369
Allowance for doubtful accounts	<u>(1,050)</u>	<u>(1,346)</u>
	<u>18,651</u>	<u>36,193</u>

**6. Inventories**

	<u>Company</u>	<u>Consolidated</u>
Finished products	31,622	31,622
Products for resale	24	32,895
Work in process	19,911	19,911
Raw materials	15,921	15,921
Packing and consumption materials	<u>370</u>	<u>651</u>
	<u>67,848</u>	<u>101,000</u>

**7. Investments**

	<u>Company</u>	<u>Consolidated</u>
Investment in subsidiary	49,573	-
Other investments	1,810	2,480
Valuation allowance	<u>(1,402)</u>	<u>(1,937)</u>
	<u>49,981</u>	<u>543</u>

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The investment in subsidiary refers to the equity interest in Livraria e Papelaria Saraiva S.A., as detailed below:

Number of shares - thousands	57,540
Number of shares held - thousands	57,490
Ownership interest - %	99.91
Capital - R\$	51,210
Shareholders' equity - R\$	49,616
Investment - R\$	<u>49,573</u>
Net income, calculation basis for equity in subsidiary	2,998
Equity in subsidiary	<u>2,995</u>

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LIVRARIA E PAPELARIA SARAIVA S.A.

BALANCE SHEET AS OF SEPTEMBER 30, 2005  
(In thousands of Brazilian reais - R\$)

<b>ASSETS</b>	<b>106,009</b>	<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>106,009</b>
<b>CURRENT ASSETS</b>	<b>69,660</b>	<b>CURRENT LIABILITIES</b>	<b>36,214</b>
Cash and cash equivalents	13,568	Loans and financing	2,833
Trade accounts receivable	18,073	Trade accounts payable	27,727
Inventories	33,152	Taxes payable	958
Recoverable taxes	278	Provision for income and social contribution taxes	11
Loans to parent company	3,088	Accrued vacation and related charges	1,507
Deferred income and social contribution taxes	1,327	Accounts and expenses payable	2,845
Other receivables	66	Management profit sharing	333
Prepaid expenses	108		
<b>LONG-TERM ASSETS</b>	<b>16,848</b>	<b>LONG-TERM LIABILITIES</b>	<b>20,179</b>
Escrow deposits	9,200	Loans and financing	1,336
Deferred income and social contribution taxes	7,646	Reserve for contingencies	18,843
Other receivables	2		
<b>PERMANENT ASSETS</b>	<b>19,501</b>	<b>SHAREHOLDERS' EQUITY</b>	<b>49,616</b>
Investments	135	Capital	51,210
Property, plant and equipment	16,776	Capital reserves	2,190
Deferred charges	2,590	Accumulated deficit	(3,784)

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**8. Property, plant and equipment**

	Annual depreciation rate - %	Company		
		Cost	Depreciation	Net
Buildings	4	8,171	(3,264)	4,907
Machinery and equipment	10	14,954	(11,939)	3,015
Furniture, fixtures and installations	10	21,500	(18,166)	3,334
Vehicles	20	3,565	(1,645)	1,920
Software and IT equipment	20	23,555	(16,228)	7,327
Land	-	2,029	-	2,029
Advances to suppliers	-	16	-	16
Other	-	900	-	900
		<u>74,690</u>	<u>(51,242)</u>	<u>23,448</u>

	Annual depreciation rate - %	Company		
		Cost	Depreciation	Net
Buildings	4	9,613	(3,823)	5,790
Machinery and equipment	10	15,239	(12,170)	3,069
Furniture, fixtures and installations	10	66,383	(52,550)	13,833
Vehicles	20	3,722	(1,758)	1,964
Software and IT equipment	20	36,522	(25,946)	10,576
Land	-	2,032	-	2,032
Advances to suppliers	-	442	-	442
Other	-	2,518	-	2,518
		<u>134,073</u>	<u>(96,247)</u>	<u>40,224</u>

**9. Deferred charges**

	Company	Consolidated
Preoperating expenses and other deferred charges	2,691	25,403
Unamortized goodwill	10,066	10,066
Accumulated amortization	(10,417)	(30,539)
	<u>2,340</u>	<u>4,930</u>

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**10. Loans and financing**

	<u>Company</u>	<u>Consolidated</u>
Current:		
Financing:		
In local currency-		
BNDES - FINEM	772	3,605
In foreign currency-		
International Finance Corporation - IFC	<u>5,229</u>	<u>5,229</u>
	<u>6,001</u>	<u>8,834</u>
Long-term-		
Financing-		
In local currency-		
BNDES - FINEM	=	<u>1,336</u>

BNDES - National Economic and Social Development Bank

FINEM - Business Financing

Financing from the BNDES - FINEM is collateralized by mortgage and bears interest of 3.5% per year plus TJLP (Brazilian long-term interest rate). Financing obtained by the subsidiary Livraria e Papelaria Saraiva S.A. from the BNDES - FINEM is 100% guaranteed by the Company and bears interest of 3% to 3.5% per year, plus TJLP. With respect to the financing obtained by the Company, pursuant to the contract amendment made on July 29, 2002, the use and grace periods of the remaining subloans were extended, and additional covenants were included, such as: the Company may not reduce capital; may not participate in merger, spin-off or consolidation processes; and may not encumber or sell its permanent assets without prior authorization of the BNDES.

Financing from the IFC is subject to U.S. dollar variation and interest of 3% per year above LIBOR. The agreement is not secured by any collateral and, until the financing is fully repaid, the Company must maintain the current ownership interest in Livraria e Papelaria Saraiva S.A. and the controlling shareholders must together hold at least 50% of the Company's common shares with voting rights. The agreement also requires compliance with performance indicators related to: (a) current ratio; (b) indebtedness ratio; and (c) interest coverage ratio. In the period, the Company complied with the performance indicators established in the agreement.

Financing from the BNDES - FINEM has been used for the acquisition and implementation of an integrated business management system (ERP) and to build a distribution center. Financing obtained by the Company from the IFC and financing obtained by the subsidiary from the BNDES - FINEM was used for investment in megastores and modernization of the subsidiary's conventional stores.

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**11. Related-party transactions**

Transactions with related parties include purchase, sale, consignment and intercompany loan operations, made under usual market conditions. Loans payable to the subsidiary Livraria e Papelaria Saraiva S.A., which were obtained in the prior year, will be repaid in 2005. The main balances and transactions with related parties are as follows:

	<u>Livraria e Papelaria Saraiva S.A.</u>
Current assets-	
Receivables	597
Current liabilities-	
Accounts payable	3,088
Sales of products	7,968
Purchases of products	6
Financial expenses	241

**12. Deferred income and social contribution taxes**

Taxes on net income (loss) include current and deferred amounts.

Income tax is calculated at the rate of 15% on taxable income plus a 10% surtax, and social contribution tax is calculated at the rate of 9% on adjusted net income.

Deferred income and social contribution taxes are derived from:

	<u>Company</u>	<u>Consolidated</u>
Current assets	<u>237</u>	<u>1,564</u>
Long-term assets:		
Tax loss carryforwards	-	2,572
Reserve for contingencies	<u>532</u>	<u>5,606</u>
	<u>532</u>	<u>8,178</u>
Long-term liabilities:		
Provision for book inventory losses - Law No. 10,753/03	3,586	3,586
Deferral of accelerated depreciation	30	30
Unamortized goodwill - article 7 of Law No. 9,532/97	<u>165</u>	<u>165</u>
	<u>3,781</u>	<u>3,781</u>

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The Company, based on the opinion of its outside attorneys, considered the tax incentive established by Law No. 10,753/03, amended by Law No. 10,833/03, as a temporary difference between the tax basis and the respective book value, recognizing the tax effect in accordance with CVM Regulatory Instruction No. 371/02.

The Company and its subsidiary Livraria e Papelaria Saraiva S.A., based on the expectation of future taxable income and positive cash flows discounted to present value and pursuant to CVM Instruction No. 371/02, maintained in their financial statements the deferred tax asset.

Management considers the carrying amount of the Company's deferred tax assets for temporary differences realizable in proportion to the final resolution of lawsuits.

In the event of a definitive decision on the lawsuits, the subsidiary's deferred tax asset is expected to be realized as follows:

	<u>Realization of deferred tax asset</u>	<u>Deferred tax asset</u>
September 30, 2005	-	8,973
December 31, 2005	2,397	6,576
December 31, 2006	4,347	2,229
December 31, 2007	2,229	-

Reconciliation of the expense calculated by applying the combined tax rate and the tax expense charged to income is as follows:

	<u>Company</u>	<u>Consolidated</u>
Income before taxes on income	31,373	33,377
Combined tax rate - %	34.00	34.00
Taxes computed at the combined tax rate	(10,668)	(11,349)
Permanent additions- Nondeductible expenses	(107)	(145)
Permanent deductions:		
Equity in subsidiary	1,019	-
Other deductions	198	228
Other	186	226
	<u>(9,372)</u>	<u>(11,040)</u>
Income and social contribution taxes:	(10,425)	(11,808)
Current	1,053	(768)
Deferred	<u>(9,372)</u>	<u>(11,040)</u>
Effective tax rate - %	<u>29.9</u>	<u>33.1</u>

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**04.01 - NOTES TO THE INTERIM FINANCIAL STATEMENTS**

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**13. Reserve for contingencies**

The Company and its subsidiary Livraria e Papelaria Saraiva S.A. are challenging in court the constitutionality of federal taxes, such as PIS and COFINS (taxes on revenue), IR (income tax) and CSLL (social contribution tax). Escrow deposits were made for the subsidiary's PIS/COFINS lawsuit and classified in long-term assets.

The residual contingent liability is composed of:

	<u>Company</u>	<u>Consolidated</u>
PIS/COFINS - expansion of tax basis and rate increase	192	9,137
IR/CSLL - "Plano Real" (economic plan) - Law No. 8,880/94	<u>2,119</u>	<u>12,017</u>
Total	<u>2,311</u>	<u>21,154</u>

Due to a Supreme Federal Court decision that acknowledged the constitutionality of the increase in the COFINS rate, as established by Law No. 9,718/98, the Company, based on the opinion of its attorneys, reversed on December 31, 2003 part of the liabilities against the respective escrow deposits. The subsidiary's PIS/COFINS lawsuit is still pending court decision and the respective contingency reserve has been maintained.

**14. Shareholders' equity**

*a) Capital*

A capital increase to R\$46,405 was approved at the Extraordinary Shareholders' Meeting on April 26, 2005, through the absorption of the profit reserve in the amount of R\$4,428, without any change in the number of shares.

Fully paid-up capital as of September 30, 2005 is R\$46,405, represented by 23,269,203 shares, of which 9,622,313 are common and 13,646,890 are preferred without par value. The Company is authorized to increase its capital by up to 10,000,000 shares through the issuance of new shares for subscription, regardless of amendment to the bylaws.

Preferred shares cannot exceed 2/3 of total shares issued; are nonvoting, except in the circumstances specified by law or the bylaws; are nonconvertible into common shares; and entitle their holders to: (a) special treatment in the event of sale of control of the Company, according to the terms of the bylaws; (b) dividends equal to those paid on common shares; and (c) share in the distribution of bonus shares resulting from capitalization of reserves, retained earnings and any other funds, under the same conditions as the holders of common shares.

**04.01 - NOTES TO THE INTERIM FINANCIAL STATEMENTS**

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Any change in preference, rights and advantages of preferred shares is subject to prior approval, or ratification for a nonextendible term of one year, of the holders of more than half of these shares at a special meeting.

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

The remaining balance of retained earnings was recorded prior to the effective date of Law No. 6,404/76.

***b) Treasury shares - CVM Instructions No. 10/80 and No. 298/97 (included under the caption “Profit reserves”)***

At the Board of Directors’ meeting on September 22, 2005 and according to the bylaws, the Company was authorized to acquire 500,000 of its own preferred shares to be held in treasury.

In the nine-month period ended September 30, 2005 there was no share purchase transaction. Treasury shares as of September 30, 2005 total 332,500, acquired for the amount of R\$2,870, with market value of R\$3,890 (R\$11.70 per share as of September 30, 2005).

## **15. Financial instruments**

### ***a) Derivatives***

The Company enters into operations recorded in balance sheet accounts in order to meet its operating needs and hedge against risks of foreign currency and interest rate changes. The operations are conducted with sound financial institutions and managed by the finance area by setting position and exposure limits and monitoring the risks involved.

Derivatives operations conducted by the Company in the quarter were as follows:

- Foreign exchange hedge contract - noncash swap to hedge the amortization of the financing with the International Finance Corporation - IFC. The operation was contracted in August 2004 and April and September 2005, in the amount of US\$3,590,000, and matures in June and December 2005 and June 2006, respectively. A loss of R\$1,227 was incurred in the period.
- Interest rate swap agreements linked to loans obtained under BACEN Resolution No. 2770 in 2003 and 2004 and settled in January 2005. Financial expenses recorded in the quarter were R\$70, equivalent to the variation of the CDI (interbank deposit rate).
- The fair values for hedge and swap agreements on September 30, 2005 approximate carrying amounts and there are no significant differences.

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***b) Other financial instruments***

The carrying amounts and fair values of the financial instruments recorded in the consolidated balance sheet as of September 30, 2005 are as follows:

	<u>Carrying amount</u>	<u>Fair value</u>
Cash and banks	14,806	14,806
Loans and financing:		
Local currency	4,941	5,938
Foreign currency	5,229	5,229

***Criteria, assumptions and limitations used in calculating fair values***

***a) Cash and cash equivalents***

Cash and cash equivalents are represented by unrestricted bank deposits.

***b) Loans and financing***

The carrying amounts of loans and financing correspond substantially to financing from the BNDES and IFC. The fair value of this financing does not significantly differ from the carrying amounts as of September 30, 2005.

***c) Limitations***

The fair values were estimated at a specific time, based on relevant market information. Changes in assumptions can significantly affect those estimates.

**16. Financial expenses**

Financial expenses are composed of:

	<u>Company</u>	<u>Consolidated</u>
Financial expenses - operations under BACEN Resolution No. 2,770	70	70
Loss on temporary cash investments - hedge	1,227	1,227
Interest, monetary and exchange variations on loans and financing	(794)	(291)
Other interest and monetary variation	1,812	2,125
CPMF (tax on bank transactions)/IOC (tax on credit operations)	907	1,736
Other financial expenses	356	770
	<u>3,578</u>	<u>5,637</u>

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**17. Insurance**

As of September 30, 2005, the Company and its subsidiary had insurance coverage against fire and sundry risks for fixed assets and inventories, in amounts considered sufficient to cover potential losses.

**18. Subsequent event**

On November 1, 2005 a credit facility agreement was signed with the BNDES to obtain a loan in the amount of R\$32,500 for investment in the Publishing Plan for the period from 2005 to 2007 and in information systems. The loan, which will be guaranteed by mortgage and bank guarantee, will be subject to interest of 4% per year, plus the TJLP (Brazilian long-term interest rate).

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**05.01 - COMMENTS ON COMPANY'S PERFORMANCE FOR THE QUARTER**

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See Comments on Consolidated Performance - 08.01/ITR.

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1 - CVM CODE <b>01047-2</b>	2 - COMPANY NAME SARAIVA S.A. LIVREIROS EDITORES	3 - Federal Corporate Taxpayers' Registration Number (CNPJ) <b>60.500.139/0001-26</b>
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**06.01 - CONSOLIDATED BALANCE SHEETS - ASSETS ( In thousands of Brazilian reais - R\$)**

Code	Description	09/30/2005	06/30/2005
1	Total assets	229,141	220,010
1.01	Current assets	164,735	156,578
1.01.01	Cash and cash equivalents	14,806	22,300
1.01.01.01	Cash and banks	1,653	1,006
1.01.01.03	Temporary cash investments	13,153	21,294
1.01.02	Receivables	47,287	42,719
1.01.02.01	Trade accounts receivable	36,193	33,666
1.01.02.02	Recoverable taxes	9,046	8,640
1.01.02.04	Other	2,048	413
1.01.03	Inventories	101,000	90,178
1.01.03.01	Finished products	64,517	57,100
1.01.03.02	Work in process	19,911	16,936
1.01.03.03	Raw materials	15,921	15,264
1.01.03.04	Packing and consumption materials	651	878
1.01.04	Other	1,642	1,381
1.01.04.01	Deferred charges	1,389	1,331
1.01.04.02	Other	253	50
1.02	Long-term assets	18,709	17,627
1.02.01	Sundry receivables	0	0
1.02.02	Intercompany receivables	0	0
1.02.02.01	Affiliates	0	0
1.02.02.02	Subsidiaries	0	0
1.02.02.03	Other related parties	0	0
1.02.03	Other	18,709	17,627
1.02.03.01	Tax incentive deposits	0	0
1.02.03.02	Escrow deposits	10,489	9,229
1.02.03.03	Deferred income and social contribution taxes	8,178	8,320
1.02.03.04	Recoverable taxes	0	0
1.02.03.05	Other	42	78
1.03	Permanent assets	45,697	45,805
1.03.01	Investments	543	543
1.03.01.01	In affiliates	0	0
1.03.01.02	In subsidiaries	0	0
1.03.01.02.01	Goodwill from investment in subsidiary	0	0
1.03.01.03	Other investments	543	543
1.03.01.03.01	Tax incentives	487	487
1.03.01.03.02	Other	56	56
1.03.02	Property, plant and equipment	40,224	39,971
1.03.02.01	Land	2,032	2,032
1.03.02.02	Buildings	5,790	5,878
1.03.02.03	Furniture, fixtures and installations	13,833	14,315
1.03.02.04	Vehicles	1,964	1,468
1.03.02.05	Machinery and equipment	3,069	3,274
1.03.02.06	Software and IT equipment	10,576	11,426

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06.01 - CONSOLIDATED BALANCE SHEETS - ASSETS (In thousands of Brazilian reais - R\$)

Code	Description	09/30/2005	06/30/2005
1.03.02.07	Other	2,960	1,578
1.03.03	Deferred charges	4,930	5,291
1.03.03.01	Unamortized goodwill	1,459	1,565
1.03.03.02	Other	3,471	3,726

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**06.02 - CONSOLIDATED BALANCE SHEETS - LIABILITIES AND SHAREHOLDERS' EQUITY (In thousands of Brazilian reais - R\$)**

Code	Description	09/30/2005	06/30/2005
2	Total liabilities and shareholders' equity	229,141	220,010
2.01	Current liabilities	79,138	67,126
2.01.01	Loans and financing	8,834	9,558
2.01.02	Debentures	0	0
2.01.03	Trade accounts payable	50,325	36,263
2.01.04	Taxes payable	2,411	2,767
2.01.04.01	Income tax	0	0
2.01.04.02	Social contribution tax	0	0
2.01.04.03	Payroll charges	2,411	2,767
2.01.05	Dividends payable	0	0
2.01.06	Provisions	13,727	14,979
2.01.06.01	Accrued vacation and related charges	4,561	4,227
2.01.06.02	Income tax provision	4,190	6,447
2.01.06.03	Social contribution tax provision	787	1,742
2.01.06.04	Management profit sharing	2,533	1,937
2.01.06.05	Provision for 13th salary and related charges	1,656	626
2.01.07	Intercompany payables	0	0
2.01.08	Other	3,841	3,559
2.01.08.01	Accounts and expenses payable	1,256	1,107
2.01.08.02	Copyright payable	248	445
2.01.08.03	Proposed interest on capital	35	35
2.01.08.05	Loss on derivatives	698	415
2.01.08.06	Rents payable	1,604	1,557
2.01.08.07	Management profit sharing payable	0	0
2.02	Long-term liabilities	26,271	25,965
2.02	Loans and financing	1,336	1,819
2.02.02	Debentures	0	0
2.02.03	Provisions	24,935	24,146
2.02.03.01	Reserve for contingencies	21,154	20,914
2.02.03.02	Deferred income and social contribution taxes	3,781	3,232
2.02.04	Intercompany payables	0	0
2.02.05	Other	0	0
2.03	Deferred income	0	0
2.04	Minority interest	44	42
2.05	Shareholders' equity	123,688	126,877
2.05.01	Capital	46,405	46,405
2.05.01.01	Updated capital	46,405	46,405
2.05.02	Capital reserves	13,947	13,947
2.05.02.01	Tax incentive reserve	4,427	4,427
2.05.02.02	Share premium reserve	8,653	8,653
2.05.02.03	Working capital reserve	724	724
2.05.02.04	Other	143	143
2.05.03	Revaluation reserves	0	0
2.05.03.01	Owned assets	0	0
2.05.03.02	Subsidiaries/affiliates	0	0

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01.01 - IDENTIFICATION

1 - CVM CODE <b>01047-2</b>	2 - COMPANY NAME <b>SARAIVA S.A. LIVREIROS EDITORES</b>	3 - Federal Corporate Taxpayers' Registration Number (CNPJ) <b>60.500.139/0001-26</b>
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06.02 - CONSOLIDATED BALANCE SHEETS - LIABILITIES AND SHAREHOLDERS' EQUITY (In thousands of Brazilian reais - R\$)

Code	Description	09/30/2005	06/30/2005
2.05.04	Profit reserves	42,298	42,298
2.05.04.01	Legal reserve	7,890	7,890
2.05.04.02	Statutory reserve	0	0
2.05.04.03	Reserve for contingencies	0	0
2.05.04.04	Unrealized profit reserve	0	0
2.05.04.05	Profit retention reserve	0	0
2.05.04.06	Special reserve for undistributed dividends	0	0
2.05.04.07	Other profit reserves	34,408	34,408
2.05.04.07.01	Reserve for capital increase	37,278	37,278
2.05.04.07.02	Treasury stock	(2,870)	(2,870)
2.05.05	Retained earnings/accumulated deficit	21,038	24,227

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**010470-2 SARAIVA S.A. LIVREIROS E EDITORES**

**60.500.139/0001-26**

**01.01 - IDENTIFICATION**

1 - CVM CODE <b>01047-2</b>	2 - COMPANY NAME SARAIVA S.A. LIVREIROS EDITORES	3 - Federal Corporate Taxpayers' Registration Number (CNPJ) <b>60.500.139/0001-26</b>
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**07.01 - CONSOLIDATED STATEMENTS OF OPERATIONS (In thousands of Brazilian reais - R\$)**

Code	Description	3-07/01/2005 to 09/30/2005	4-01/01/2005 to 09/30/2005	5-07/01/2004 to 09/30/2004	6-01/01/2004 to 09/30/2004
3.01	Gross revenue from sales and/or services	82,169	339,305	77,648	333,128
3.02	Deductions from gross revenue	(5,912)	(17,938)	(10,839)	(39,360)
3.03	Net revenue from sales and/or services	76,257	321,367	66,809	293,768
3.04	Cost of sales and/or services	37,062	(143,657)	(32,948)	(132,096)
3.05	Gross profit	39,195	177,710	33,861	161,672
3.06	Operating expenses	(43,108)	(144,244)	(43,794)	(152,385)
3.06.01	Selling expenses	(27,140)	(95,744)	(25,003)	(93,532)
3.06.02	General and administrative expenses	(12,563)	(39,786)	(13,319)	(41,009)
3.06.02.01	Management compensation	(1,225)	(3,447)	(1,041)	(3,599)
3.06.02.02	Other	(11,338)	(36,339)	(12,278)	(37,410)
3.06.03	Financial	(861)	(2,539)	(2,217)	(7,568)
3.06.03.01	Financial income	982	3,098	(3)	988
3.06.03.02	Financial expenses	(1,843)	(5,637)	(2,214)	(8,556)
3.06.04	Other operating income	212	2,405	355	865
3.06.05	Other operating expenses	(2,756)	(8,580)	(3,610)	(11,141)
3.06.05.01	Depreciation and amortization	(2,609)	(8,179)	(3,471)	(10,683)
3.06.05.02	Other	(147)	(401)	(139)	(458)
3.06.06	Equity in subsidiary	0	0	0	0
3.07	Income from operations	(3,913)	33,466	(9,933)	9,287
3.08	Nonoperating (expenses) income	(8)	(89)	(8)	100
3.08.01	Income	27	104	0	0

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01.01 - IDENTIFICATION

1 - CVM CODE 01047-2	2 - COMPANY NAME SARAIVA S.A. LIVREIROS EDITORES	3 - Federal Corporate Taxpayers' Registration Number (CNPJ) 60.500.139/0001-26
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07.01 - CONSOLIDATED STATEMENTS OF OPERATIONS (In thousands of Brazilian reais - R\$)

Code	Description	3-07/01/2005 to 09/30/2005	4-01/01/2005 to 09/30/2005	5-07/01/2004 to 09/30/2004	6-01/01/2004 to 09/30/2004
3.08.02	Expenses	(35)	(193)	(8)	(100)
3.09	Income before taxes/profit sharing	(3,921)	33,377	(9,941)	9,187
3.10	Provision for income and social contribution taxes	1,889	(11,808)	6,588	(912)
3.11	Deferred income tax	(559)	768	(3,502)	(2,377)
3.12	Profit sharing/contributions	(596)	(2,533)	685	(590)
3.12.01	Profit sharing	(596)	(2,533)	685	(590)
3.12.01.01	Management profit sharing	(596)	(2,533)	685	(590)
3.12.02	Contributions	0	0	0	0
3.13	Reversal of interest on capital	0	0	0	0
3.14	Minority interest	(2)	(3)	1	3
3.15	Net income/loss	(3,189)	19,801	(6,169)	5,311
	NUMBER OF SHARES, EX-TREASURY (THOUSANDS)	22,936	22,936	22,936	22,936
	EARNINGS PER SHARE		0.86332		0.23156
	LOSS PER SHARE	(0.13904)		(0.26897)	

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## **COMMENTS ON CONSOLIDATED PERFORMANCE FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2005**

Saraiva Group operates in the book publishing segment through Saraiva S.A. Livreiros Editores (the “Company”) and in the bookstore industry through Livraria e Papelaria Saraiva S.A. The Company’s operational and financial information refers to the first nine months of 2005 (9M05) and is consolidated, expressed in Brazilian reais and prepared in conformity with Brazilian corporate law, unless otherwise stated. All comparisons were made with the first nine months of 2004 (9M04), unless otherwise specified. Please note that, due to the high seasonality experienced by the book publishing segment, isolated analysis of the third quarter is not representative in relation to the year-to-date result.

### **HIGHLIGHTS**

The results for the first nine months of 2005 show the improvement achieved in increasing operating efficiency and competitiveness of the Saraiva Group companies, allowing the Company to substantially improve its profitability margins.

**Revenue** - Consolidated gross revenue totaled R\$339.3 million, representing an increase of 1.9% in relation to 9M04. Net revenue increased 9.4%, due to the reduction to zero of the PIS/COFINS (taxes on revenue) rates on book sales (beginning December 2004).

**EBITDA** - Consolidated gross cash flow (EBITDA) grew 60.4% and totaled R\$44.2 million. The EBITDA margin increased from 9.4% in 9M04 to 13.7%.

**Net income** - Consolidated net income for the nine-month period achieved a new record of R\$19.8 million, an increase of 273% in relation to the same period of the preceding year.

### **EDITORA SARAIVA (SARAIVA S.A. LIVREIROS EDITORES)**

Editora Saraiva is the controlling shareholder of Livraria Saraiva, holding 99.91% of the shares - two different business activities and corporate names.

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The table below summarizes the main financial and economic performance data:

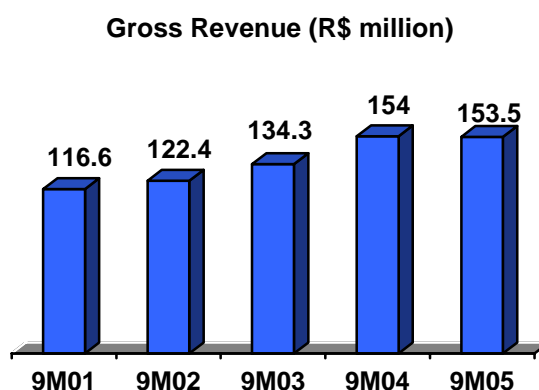
Description	9M05		9M04		HA %
	R\$ 000	VA %	R\$ 000	VA %	
Gross revenue	153,451	100.1	153,982	108.4	-0.3
Net revenue	153,304	100.0	142,114	100.0	7.9
Gross profit	109,057	71.1	101,919	71.7	7.0
Operating expenses	80,771	52.7	82,689	58.2	-2.3
EBITDA	34,538	22.5	25,330	17.8	36.4
Financial expenses, net	1,730	1.1	5,168	3.6	-66.5
Income before equity in subsidiary	16,806	11.0	8,601	6.1	95.4
Net income	19,801	12.9	5,311	3.7	272.8

VA - vertical analysis

HA - horizontal analysis

### Gross Revenue

Gross revenue totaled R\$153.5 million in 9M05, practically the same as in 9M04, decreasing 0.3%.



The higher revenue from sales in the private market offset the lower revenue from sales to the government under the PNLD (National Textbook Program), as shown below:

PNLD by school year	Total sales (contract value) R\$ million	Allocation of sales by fiscal year R\$ million			
		4Q03	9M04	4Q04	9M05
2004	85.5	57.4	28.1		
2005	83.3			58.6	24.7

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Net revenue increased 7.9%, due to the reduction to zero of the PIS/COFINS rates on book sales. This tax rate reduction affects 99% of the mix of products sold by the Company.

### **Government Textbook Purchase Programs**

**PNLD** - Government purchases of elementary school textbooks are based on three-year cycles, according to the table below:

#### **PNLD - Cycle for Purchases of Elementary School Textbooks**

<b>YEAR</b>	<b>NEW PURCHASES (1)</b>	<b>REPLACEMENT</b>
1	1 <sup>st</sup> to 4 <sup>th</sup> Grade Books	Prior Year's 5 <sup>th</sup> to 8 <sup>th</sup> Grade Books
2	5 <sup>th</sup> to 8 <sup>th</sup> Grade Books	1 <sup>st</sup> Grade Books - full replacement 2 <sup>nd</sup> to 4 <sup>th</sup> Grade Books - partial replacement
3	-	1 <sup>st</sup> Grade Books - full replacement 2 <sup>nd</sup> to 8 <sup>th</sup> Grade Books - partial replacement

(1) New books purchased to be used for three years.

As shown in the table, the total volume of books purchased by the government is always lower in the third year of the cycle, since it only provides for the purchase of books for replacement, in a quantity sufficient to handle the increase in the number of school applications and the replacement of damaged copies. The PNLD/06 is the third year of the cycle and, accordingly, has a sales volume lower than the last two years of the PNLD.

**PNLEM** - The National High School Textbook Program is in its second year. As announced by the FNDE (National Education Development Fund), the program's expansion has been gradual. In 2004 (PNLEM/05), the program purchased a total of 2.7 million books; in 2005 (PNLEM/06), 12.6 million books are being purchased.

Saraiva is very well positioned in this segment: it was leader in billings in the PNLEM/06 with a 25.1% share. The FNDE's planning establishes the expansion of the program until it reaches all public high school students, in all subjects. In addition, it is practically an incremental market, since public school students buy few books in the private market.

We present below a summary of the principal ongoing programs:

<b>Program/ School Year</b>	<b>Total Sales (Contract Amount) R\$ million</b>	<b>Status</b>	<b>Scheduled Appropriation of Sales</b>
PNLD/06 - Brazil (1)	24.5	Contracted	4Q05/1Q06
PNLD/06 - São Paulo (2)	5.0	Being contracted	4Q05/1Q06
PNLD/06 Dictionaries	2.4	Being contracted	4Q05/1Q06
PNLEM/06 (3)	30.4	Contracted	4Q05/1Q06
PNBE/06 (4)	1.5	Being contracted	4Q05/1Q06
<b>PARTIAL TOTAL</b>			

- (1) National Textbook Program - Encompasses all of Brazil except São Paulo State.
- (2) Contract under the PNLD/06 - Uses São Paulo State government funds as well as federal funds.
- (3) National High School Textbook Program.
- (4) National School Library Program.

### Gross Profit

Gross profit was R\$109.1 million, which represents an increase of 7.0% in relation to 9M04. The tax relief benefit on book sales contributed significantly to the increase in gross income in the period. Gross margin remained practically unchanged: 71.1% in 9M05 and 71.7% in 9M04.

### Income from Operations

The operating expenses/net revenue ratio decreased significantly, from 58.2% (9M04) to 52.7% (9M05). This performance is the direct result of the rationalization measures based on the cash management program implemented in 2004. To achieve constant gains in operating efficiency, all the Company's management continues to strive for improvements. Considering just the actions adopted with the new cash management program for 2005, estimated savings total R\$1.8 million.

### Cash Flow

Gross cash flow (EBITDA) increased 36.4%, amounting to R\$34.5 million in 9M05, compared to R\$25.3 million in the same period of 2004. The EBITDA margin was 22.5% (9M05), increasing almost 5 percentage points.

<b>EBITDA Reconciliation - R\$ 000</b>	<b>9M05</b>	<b>9M04</b>	<b>Var.</b>
Income from operations after net financial expenses	28,274	14,160	99.7%
(+) Depreciation and amortization	4,534	6,002	-24.5%
(+) Net financial expenses	1,730	5,168	-66.5%
(=) EBITDA	34,538	25,330	36.4%

### Financial Expenses/Capital Structure/Subsequent Events

Net financial expenses fell significantly, by 66.5%, from R\$5.2 million (9M04) to R\$1.7 million (9M05). Strong cash flow in the period, the appreciation of the Brazilian real in relation to the U.S. dollar (with a positive effect on dollar-denominated liabilities) and the fact that the Company has not entered into long-term financing in recent years have contributed to the significant reduction in net debt, from R\$39.9 million at the end of 9M04 to R\$5.5 million at the end of 9M05.

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Recently, the BNDES approved financing of R\$32.5 million for the Company's investment plan for the period from 2005 to 2007. The funds will be invested in the publishing plan and information systems. The actual contracting of the loan occurred in early November and was the first financing released by the BNDES under the "Pró-Livro" Program, recently established to develop the book production chain.

### **Net Income**

Net income before equity in the subsidiary Livraria Saraiva surpassed the result for 9M04 by 95.4%, reaching R\$16.8 million. This performance reflects the strong decrease in operating and financial expenses, in addition to the positive effect with the tax relief on book sales.

The growth in income after equity in subsidiary was even greater, reaching 273%, from R\$5.3 million (9M04) to R\$19.8 million (9M05).

### **Investments**

Total investments in 9M05 were R\$2.2 million, allocated mainly to information technology projects.

### **New Business**

After conducting feasibility studies, Editora Saraiva identified the opportunity to enter the distance learning segment and created **Via Saraiva**.

Based on the experience built over more than 90 years of noteworthy leadership and recognized excellence in the legal publishing market, and committed to constant evolution to promote the most qualified educational support content, the Company entered into a partnership with the companies ENAD Plataforma Educacional, responsible for generating and transmitting programs and infrastructure support, and the IBAJ (Brazilian Legal Development Institute), headed by the renowned professor Edilson Mougnot Bonfim, responsible for coordinating the content given by a select group of professors composing the teaching staff.

Based on this alliance, Via Saraiva's first product was developed: "Saraiva Legal Conferences", a course transmitted by satellite, offering law schools a solution to meet the need to improve the performance of students at all stages of their academic careers, including preparation for bar exams.

In the second semester of 2005, the project's pilot phase is underway. Beginning in 2006, the stage of full commercialization of the product will begin.

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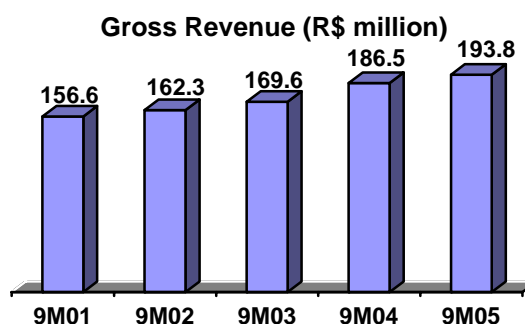
## LIVRARIA SARAIVA (LIVRARIA E PAPELARIA SARAIVA S.A.)

Shown below are the main financial and economic performance data:

Description	9M05		9M04		HA %
	R\$ 000	VA %	R\$ 000	VA %	
Gross revenue	193,828	110.1	186,466	117.3	3.9
Net revenue	176,037	100.0	158,974	100.0	10.7
Gross profit	68,659	39.0	59,761	37.6	14.9
Operating expenses	62,943	35.8	62,541	39.3	0.6
EBITDA	9,648	5.5	2,209	1.4	336.8
Financial expenses, net	810	0.5	2,402	1.5	-66.3
Net income	2,998	1.7	(3,293)	-2.1	-191.0

### Gross Revenue

Gross sales revenue of Livraria Saraiva increased 3.9% in 9M05, totaling R\$193.8 million. In terms of same-store sales, the increase was 6.5%.



With the PIS/COFINS rate reduction to zero for book sales, which applies to about 61.6% of Livraria Saraiva's product mix in 9M05, net revenue increased 10.7%.

After starting the year with a scenario of decreased sales in physical stores, it is already possible to observe a trend of recovery starting in the second quarter, growing sharper in the third quarter of the year, as shown in the graph below:

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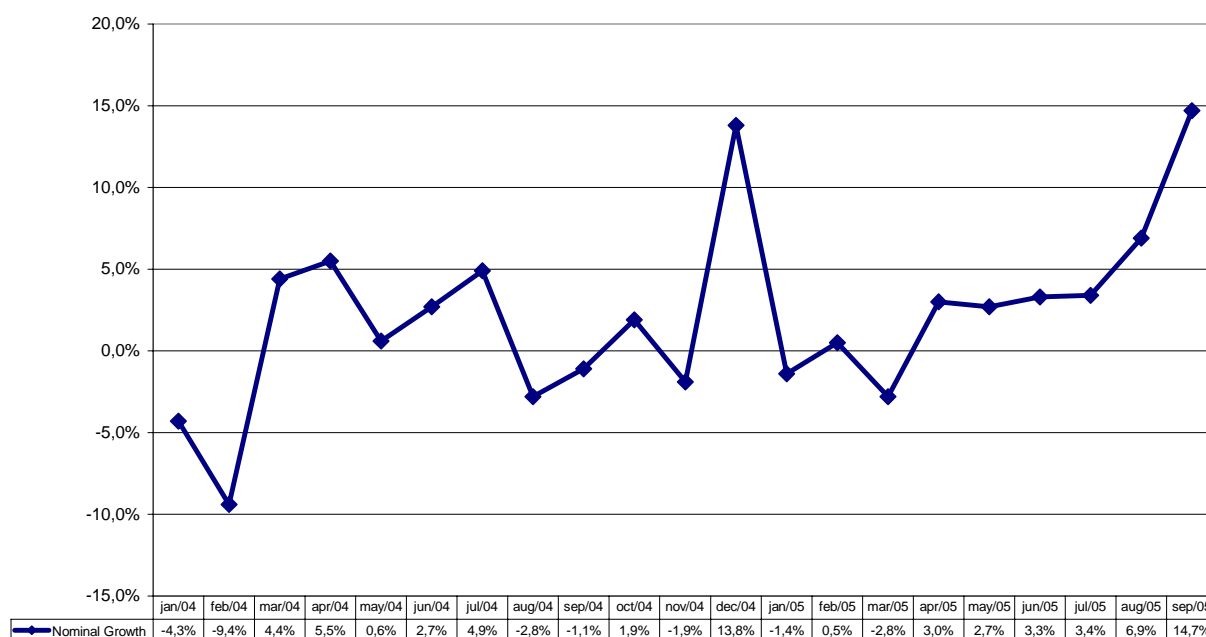
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Comparable Growth of Stores - only physical stores  
Current month x Similar month of previously period



We point out that the growth in same-store sales (physical stores) in 3Q05 reached 8.2%, much better performance than in 1Q05 (-1.2%) and 2Q05 (3.0%).

## Gross Profit

Gross profit in 9M05 was R\$68.7 million, growing 14.9% over 9M04, when it was R\$59.8 million. As a result of changes in the mix of products sold and intensification of some partnerships with suppliers, gross margin increased from 37.6% to 39.0%.

## Income from Operations

The operating expenses/net revenue ratio showed a significant improvement, decreasing from 39.3% in 9M04 to 35.8% in 9M05. This performance is the result of expense rationalization actions and renegotiation of lease agreements for stores, implemented beginning in 2004.

It is part of management's strategy to seek increased operating efficiency, since obtaining continuous gains with strict control of expenses is fundamental to the retail activity's success.

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## Cash Flow

Gross cash flow (EBITDA) grew sharply, by 336.8%, amounting to R\$9.6 million in 9M05, as a result of operating efficiency gains. The EBITDA margin increased from 1.4% to 5.5%, the best performance in the last six years.

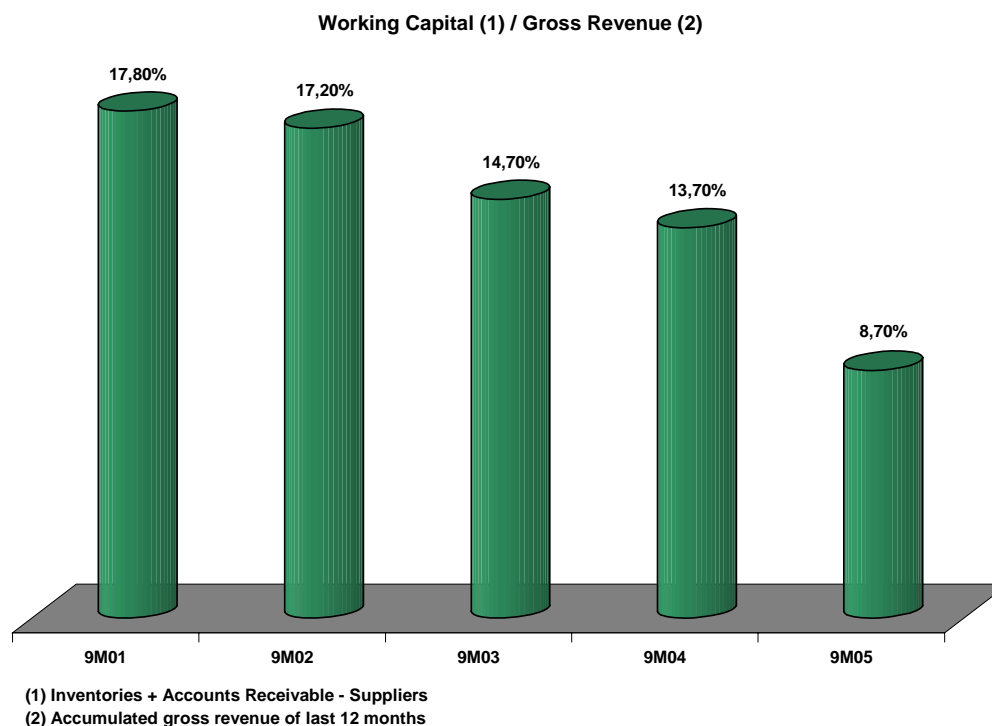
<b>EBITDA Reconciliation - R\$ 000</b>	<b>9M05</b>	<b>9M04</b>	<b>Var. - %</b>
Income from operations after net financial expenses	5,192	(4,873)	-206.5
(+) Depreciation and amortization	3,646	4,680	-22.1
(+) Net financial expenses	810	2,402	-66.3
(=) EBITDA	9,648	2,209	336.8

## Financial Expenses/Capital Structure

Net financial expenses experienced a significant 66.3% decrease, dropping from R\$2.4 million in 9M04 to R\$0.8 million in 9M05. This decrease is due to lower working capital needs in the period and the reduced level of indebtedness, since the Company has not contracted long-term financing in recent years. The closing cash position also improved significantly: from net debt of R\$5.8 million at the end of 9M04 to net cash of R\$9.4 million at the end of 9M05.

## Working Capital

Efficient management of the working capital invested is one of the Company's priorities. The efforts have provided a consistent reduction in the working capital used, as presented below:



## Net Income

The combination between greater operating efficiency, tax relief and a better financial result provided a significant improvement in the final result. Together, these factors reversed the R\$3.3 million loss for 9M04 to a net income of R\$3.0 million for 9M05.

## Personnel Strategy

In order to implement ambitious projects for growth and strengthening of retail activities, Livraria Saraiva hired another important reinforcement for its team of executives: Ricardo Daumas, an experienced marketing professional in retail.

## Investments/Subsequent Events

Investments in 9M05 totaled R\$2.5 million, directed towards IT projects and mainly towards the opening of two new units in October 2005:

- Mega Store Shopping Recife, located in the city of Recife's largest and best commercial location, with over 1,000 m<sup>2</sup> of sales area.

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- Traditional format store, located in SuperShopping Osasco, in Greater São Paulo, with 300 m<sup>2</sup> of sales area.

Total investments (capex) in the opening of these stores, without considering working capital and preoperating expenses, should total R\$3.2 million. With these openings, the total sales area of Livraria Saraiva reached 19,800 m<sup>2</sup>, 7.1% more than the total as of June 30, 2005.

## Marketing

Launched in the second half of 2005, the Saraiva Plus Loyalty Program is a hit: in a short period of time in full operation, over 155,000 customers enrolled. It is a differentiated, modern loyalty program, representing a valuable instrument to leverage sales and enhance customer relationship.

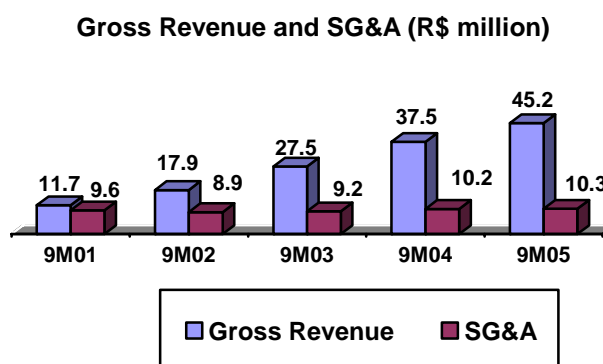
## Saraiva.com - e-commerce Division (On-line Retail Sales)

The results achieved in 9M05 demonstrate the strong generation of value, with significant increases in revenue, margins and cash flow.

The gain of scale has been significant: in the last four years, revenue grew at a compound annual rate of 40.2%, while operating expenses increased by 1.7% per year.

Even with the gains obtained, the sales growth results for 9M05 fall short of the parameters for excellence observed in local e-commerce. To return to a compatible growth rate, management has begun a strategic plan involving the adoption of more aggressive marketing actions, more options in sales terms, expansion in the product categories sold and intensified partnerships with suppliers.

Indicators	9M05	9M04	VAR.
Gross revenue (R\$ 000)	45,158	37,513	20.4%
EBITDA (R\$ 000)	6,458	2,105	206.8%
Customers (000)	1,700	1,336	27.3%
% of Livraria's gross revenue	23.3%	20.1%	15.8%
Average purchase amount (R\$)	80.73	75.80	6.5%



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COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES

Corporate Law  
09/30/2005

01047-2 SARAIVA S.A. LIVREIROS EDITORES

60.500.139/0001-26

## CONSOLIDATED

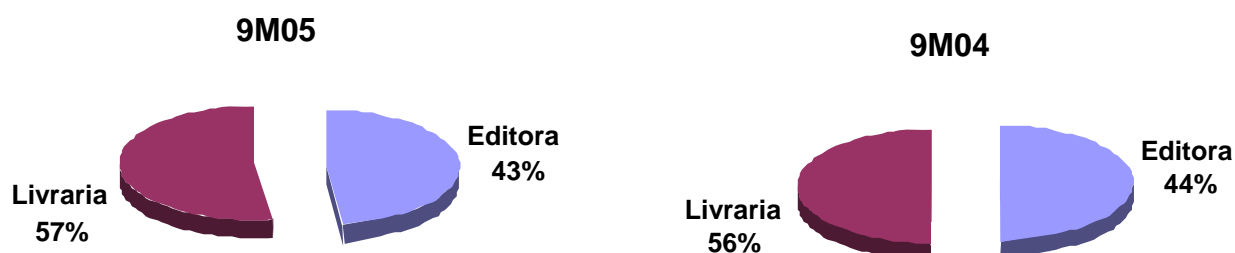
The table below shows the principal consolidated financial and economic performance data:

R\$ 000	9M05	9M04	VAR.
Gross revenue	339,305	333,128	0.9%
Net revenue	321,367	293,768	9.4%
Gross profit	177,710	161,672	9.9%
<i>Gross margin</i>	55.3%	55.0%	
Income from operations (EBIT) (a)	36,005	16,855	113.6%
<i>Operating margin</i>	11.2%	5.7%	
Financial expenses	(2,539)	(7,568)	-66.5%
Net income	19,801	5,311	272.8%
<i>Net margin</i>	6.2%	1.8%	
EBITDA (b)	44,184	27,538	60.4%
<i>EBITDA margin</i>	13.7%	9.4%	
Total assets	229,141	233,538	-1.9%
Shareholders' equity	123,688	100,343	23.3%
Cash/(indebtedness), net	3,938	(45,645)	-108.6%

(a) Before financial income (expenses).

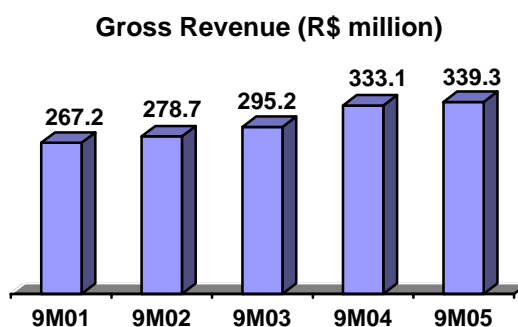
(b) Income (loss) from operations before interest, taxes, depreciation and amortization.

### Consolidated Gross Revenue



### Gross Revenue

Consolidated gross revenue was R\$333.3 million in 9M05, an increase of 1.9% compared to 9M04. Net revenue increased 9.4%, amounting to R\$321.4 million, as a result of the zero rate of PIS and COFINS.



### Gross Profit

Gross profit totaled R\$177.7 million in 9M05, increasing 9.9% in relation to the R\$161.7 million figure for the same period in 2004. Gross margin was practicably stable, rising from 55.0% in 9M04 to 55.3% in 9M05.

### Income from Operations

Income from operations before financial expenses (EBIT) was R\$36.0 million, which represents a 113.6% increase compared with 9M04. This significant increase is directly related to the savings achieved in the cash management programs in Editora and in Livraria.

### Cash Flow

Gross cash flow (EBITDA) increased 60.4%, reaching R\$44.2 million in 9M05. The EBITDA margin also had an improvement, growing from 9.4% in 9M04 to 13.7% in 9M05.

<b>EBITDA Reconciliation - R\$ 000</b>	<b>9M05</b>	<b>9M04</b>	<b>Var. - %</b>
Income from operations after net financial expenses	33,466	9,287	260.4
(+) Depreciation and amortization	8,179	10,683	-23.4
(+) Net financial expenses	2,539	7,568	-66.5
(=) EBITDA	44,184	27,538	60.4

### Financial Expenses

Financial expenses dropped sharply, from R\$7.6 million in 9M04 to R\$2.5 million in 9M05, due to:

- An increase in cash flow in the period, benefited by the rationalization of expenses and a significant reduction in debt, as well as a decrease in working capital used by Livraria.

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- Sharp appreciation of the Brazilian real in relation to the U.S. dollar, reversing financial expenses on exchange variation on the dollar-denominated liabilities of Editora.

## Net Income

Consolidated net income achieved a new record of R\$19.8 million, representing an increase of 272.8% over 9M04. This performance is the result of the evolution of income from operations of Editora and Livraria, along with the tax relief on book sales and the drop in net financial expenses.

## CAPITAL STRUCTURE

The consolidated financial position evolved from net indebtedness of R\$45.6 million at the end of 9M04 to net cash of R\$3.9 million at the end of 9M05. The significant consolidated cash flow and the lack of contracting of new long-term financing since 2000 resulted in the strong reduction in indebtedness.

In light of the comfortable cash position and the outlook for new investment projects with expectations of attractive return, Editora obtained approval for financing from the BNDES, in the amount of R\$32.5 million, with quite favorable conditions in terms of rate (TJLP + 4.0% per year), grace period and repayment period.

For dollar-denominated liabilities, the last two installments of the long-term financing obtained from the IFC, due in December 2005 and June 2006, are hedged against exchange variations.

## CAPITAL MARKET

INDICATORS	9M05	9M04	Var. %
Number of trades <sup>(1)</sup>	706	384	83.9%
Participation in trading sessions - % <sup>(1)</sup>	70.7	52.7	34.2%
Quantity traded - thousand shares <sup>(1)</sup>	2,744	2,466	11.3%
Amount traded - R\$ 000 <sup>(1)</sup>	30,087	26,058	30.8%
Share price - R\$ <sup>(1)</sup> <sup>(2)</sup>	11.70	12.30	-4.9%
Total shares outstanding - thousands <sup>(2)</sup>	22,937	22,937	0.0%
Market value - R\$ million <sup>(2)</sup>	268.4	282.1	-4.9%

Source: Bovespa

(1) Refers to registered preferred shares (SLED4).

(2) At the end of the period.

In the consolidated figures for the period, it is important to highlight:

- The evolution of liquidity indicators: the quantity traded grew 11.3%, the volume traded increased 30.8% and preferred shares were traded in 70.7% of Bovespa's trading sessions.
- Repurchase of shares: the Board of Directors authorized the repurchase of up to 500,000 preferred shares (by the end of 9M05, no repurchase had been conducted), in order to generate greater shareholder value by reducing the quantity of papers on the market.

Another highlight was the *Bovespa Goes to You* event held at the mega store in Shopping Morumbi, with the purpose of popularizing stock market concepts, an initiative that demonstrates the Company's disposition to form a closer relationship with the market.

## OUTLOOK

The operating gains achieved by the Company strengthen the strategic positioning of the Group's companies, and favor the acceleration of sustained growth. In terms of the market, the expected increase in workers' disposable income, which should be directed towards consumption, and expanded investments in education provide for the generation of value to the Company.

In **Editora**, the main outlooks are based on:

- Continued generation of savings, through cash management plans.
- Expansion of government book purchase programs, especially the recently-created PNLEM.
- The exploitation of new market niches that present synergies with current operations, such as the entry into the distance learning market.
- The work of readjusting the product mix, filling some gaps in the main publishing lines in order to strengthen market share.
- Favorable conditions of the current capital structure, with the recent financing obtained from the BNDES.
- The study of new opportunities for acquisitions or alliances.
- Government projects currently underway, such as the expansion of elementary education, and the significant increase in investments in education, through the creation of FUNDEB (Maintenance and Development Fund for Basic Education).
- The tax relief on book sales, benefiting the sector's results and investment capacity.

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In **Livraria**, the outlooks are based on:

- Resumption of the store expansion project, in order to achieve major gains in scale - the strategic plan provides for opening nine stores, between 2005 and 2007, including the two units opened in October 2005.
- Expense rationalization initiatives, which have provided significant savings.
- Efforts to continue the optimization of working capital invested.
- Reinforcement of the human resources area, with the recent hiring of executives specialized in retail.
- Expansion of the mix of products sold, maintaining the Company's core business by selling content linked to culture, education and entertainment in a wide variety of forms.
- Potential growth of e-commerce.
- Improvement in macroeconomic conditions, with the decline in interest rates and increase in disposable income for consumption, with positive effects on retail.
- Tax relief on book sales, benefiting the profitability of the main product line sold.