

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

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

*Interim Financial Statements for the  
Quarter Ended September 30, 2007 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, consisting of the individual (Company) and consolidated balance sheets as of September 30, 2007, 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. The individual (Company) and consolidated statements of cash flows, included as supplementary information, for the quarters and nine-month periods ended September 30, 2007 and 2006, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such statements have been subject to the same review procedures described in paragraph 2 and, based on our review, we are not aware of any material modifications that should be made for them to be fairly presented, in all material respects, in relation to the interim financial statements taken as a whole.
5. We had previously reviewed the individual (Company) and consolidated balance sheets as of June 30, 2007 and the consolidated statements of operations for the quarter and nine-month period ended September 30, 2006, presented for comparative purposes, and issued unqualified special review reports thereon, dated August 13, 2007 and November 10, 2006, respectively.

Deloitte Touche Tohmatsu

6. The accompanying interim financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, November 12, 2007

DELOITTE TOUCHE TOHMATSU  
Auditores Independentes

Maurício Pires de Andrade Resende  
Engagement Partner

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BRAZILIAN SECURITIES COMMISSION (CVM)  
INTERIM FINANCIAL STATEMENTS (ITR) - 09/30/2007  
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 <b>001047-2</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>
64 - State Registration Number (NIRE) <b>35300025300</b>		

#### 01.02 - HEAD OFFICE

1 - ADDRESS <b>Av. Marquês de São Vicente, 1.697</b>		2 - SUBURB OR DISTRICT <b>Barra Funda</b>		
3 - POSTAL CODE <b>01139-904</b>	4 - MUNICIPALITY <b>São Paulo</b>		5 - STATE <b>SP</b>	
6 - AREA CODE <b>011</b>	7 - TELEPHONE <b>3611-3344</b>	8 - TELEPHONE <b>-</b>	9 - TELEPHONE <b>-</b>	10 - TELEX
11 - AREA CODE <b>011</b>	12 - FAX <b>3611-3308</b>	13 - FAX <b>-</b>	14 - FAX <b>-</b>	
15 - E-MAIL <b>http://www.saraivari.com.br</b>				

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

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

#### 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
01/01/2007	12/31/2007	3	07/01/2007	09/30/2007	2	04/01/2007	06/30/2007
9 - INDEPENDENT ACCOUNTANT <b>Deloitte Touche Tohmatsu Auditores Independentes</b>					10 - CVM CODE <b>00385-9</b>		
11 - PARTNER RESPONSIBLE <b>Maurício Pires de Andrade Resende</b>					12 - INDIVIDUAL TAXPAYERS' REGISTRATION NUMBER OF THE PARTNER RESPONSIBLE <b>603.835.426-34</b>		

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01.05 - CAPITAL COMPOSITION

NUMBER OF SHARES (THOUSANDS)	1 - CURRENT QUARTER 09/30/2007	2 - PRIOR QUARTER 06/30/2007	3 - SAME QUARTER IN PRIOR YEAR 09/30/2006
1.1. Paid-up Capital			
1 - Common	9,622	9,622	9,622
2 - Preferred	18,974	18,974	18,974
3 - Total	28,596	28,596	28,596
1.2. Treasury Shares			
4 - Common	0	0	0
5 - Preferred	366	366	366
6 - Total	366	366	366

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)
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**01.10 - INVESTORS RELATIONS OFFICER**

1 - DATE 11/12/2007	2 - SIGNATURE
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02.01 - BALANCE SHEETS - ASSETS (In thousands of Brazilian reais - R\$)

Code	Description	09/30/2007	06/30/2007
1	Total assets	344,054	330,620
1.01	Current assets	235,494	216,645
1.01.01	Cash and cash equivalents	100,942	107,691
1.01.02	Receivables	39,377	34,448
1.01.02.01	Trade accounts receivable	30,725	28,622
1.01.02.02	Other accounts receivable	8,652	5,826
1.01.02.02.01	Dividends receivable from subsidiary	0	0
1.01.02.02.02	Recoverable taxes	4,138	3,018
1.01.02.02.03	Deferred income and social contribution taxes	0	0
1.01.02.02.04	Accounts receivable - sales of fixed assets	1,211	1,179
1.01.02.02.05	Advances for copyrights	2,617	976
1.01.02.02.06	Other	686	653
1.01.03	Inventories	81,650	61,718
1.01.04	Other	13,525	12,788
1.01.04.01	Deferred advertising expenses	13,390	12,762
1.01.04.02	Prepaid expenses	135	26
1.02	Noncurrent assets	108,560	113,975
1.02.01	Long-term assets	22,113	31,397
1.02.01.01	Sundry receivables	0	0
1.02.01.02	Intercompany receivables	14,918	24,323
1.02.01.02.01	Affiliates	0	0
1.02.01.02.02	Subsidiaries	14,918	24,323
1.02.01.02.03	Other related parties	0	0
1.02.01.03	Other	7,195	7,074
1.02.01.03.01	Escrow deposits	1,302	1,290
1.02.01.03.02	Deferred income and social contribution taxes	777	769
1.02.01.03.03	Accounts receivable - sales of fixed assets	4,846	4,715
1.02.01.03.04	Other	270	300
1.02.02	Permanent assets	86,447	82,578
1.02.02.01	Investments	70,638	66,329
1.02.02.01.01	In affiliates	0	0
1.02.02.01.02	In affiliates - goodwill	0	0
1.02.02.01.03	In subsidiaries	70,230	65,921
1.02.02.01.04	In subsidiaries - goodwill	0	0
1.02.02.01.05	Other investments	408	408
1.02.02.02	Property, plant and equipment	12,400	12,618
1.02.02.03	Intangible assets	2,757	2,934
1.02.02.04	Deferred charges	652	697

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

Code	Description	09/30/2007	06/30/2007
2	Total liabilities and shareholders' equity	344,054	330,620
2.01	Current liabilities	49,091	41,616
2.01.01	Loans and financing	8,092	4,551
2.01.02	Debentures	0	0
2.01.03	Trade accounts payable	25,841	19,332
2.01.04	Taxes payable	11,929	15,444
2.01.04.01	Income tax	5,030	9,405
2.01.04.02	Social contribution tax	5,872	5,044
2.01.04.03	Other taxes	1,027	995
2.01.05	Dividends payable	35	40
2.01.05.01	Interest on capital	35	40
2.01.06	Provisions	2,688	1,823
2.01.07	Intercompany payables	0	0
2.01.08	Other	506	426
2.01.08.01	Copyright payable	0	0
2.01.08.02	Management profit sharing	0	0
2.01.08.03	Other	506	426
2.02	Noncurrent liabilities	27,264	23,095
2.02.01	Long-term liabilities	27,264	23,095
2.02.01.01	Loans and financing	20,323	17,823
2.02.01.02	Debentures	0	0
2.02.01.03	Provisions	6,941	5,272
2.02.01.03.01	Reserve for contingencies	112	112
2.02.01.03.02	Deferred income and social contribution taxes	4,749	3,097
2.02.01.03.03	Taxes payable	2,080	2,063
2.02.01.04	Intercompany payables	0	0
2.02.01.05	Advances to future capital increase	0	0
2.02.01.06	Other	0	0
2.02.02	Deferred income	0	0
2.04	Shareholders' equity	267,699	265,909
2.04.01	Capital	147,774	147,774
2.04.02	Capital reserves	0	0
2.04.03	Revaluation reserves	0	0
2.04.03.01	Owned assets	0	0
2.04.03.02	Subsidiaries/affiliates	0	0
2.04.04	Profit reserves	82,425	82,425
2.04.04.01	Legal reserve	12,215	12,215
2.04.04.02	Statutory reserve	0	0
2.04.04.03	Reserve for contingencies	0	0
2.04.04.04	Unrealized profit reserve	0	0
2.04.04.05	Profit retention reserve	0	0
2.04.04.06	Special reserve for undistributed dividends	0	0
2.04.04.07	Other profit reserves	70,210	70,210
2.04.04.07.01	Reserve for capital increase	73,080	73,080
2.04.04.07.02	Treasury stock	(2,870)	(2,870)
2.04.05	Retained earnings/accumulated deficit	37,500	35,710
2.04.06	Advances to future capital increase	0	0

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

Code	Description	3-07/01/2007 to 09/30/2007	4-01/01/2007 to 09/30/2007	5-07/01/2006 to 09/30/2006	6-01/01/2006 to 09/30/2006
3.01	Gross revenue from sales and/or services	29,213	169,945	25,021	156,827
3.02	Deductions from gross revenue	(46)	(125)	(47)	(189)
3.03	Net revenue from sales and/or services	29,167	169,820	24,974	156,638
3.04	Cost of sales and/or services	(9,312)	(46,944)	(9,378)	(41,721)
3.05	Gross profit	19,855	122,876	15,596	114,917
3.06	Operating (expenses) income	(18,187)	(70,314)	(19,038)	(78,799)
3.06.01	Selling expenses	(14,562)	(57,064)	(11,797)	(49,241)
3.06.02	General and administrative expenses	(9,017)	(29,342)	(10,040)	(31,629)
3.06.02.01	Management compensation	(865)	(2,688)	(922)	(2,653)
3.06.02.02	Other	(8,152)	(26,654)	(9,118)	(28,976)
3.06.03	Financial	2,077	7,047	2,168	1,311
3.06.03.01	Financial income	3,599	12,066	3,791	8,185
3.06.03.02	Financial expenses	(1,522)	(5,019)	(1,623)	(6,874)
3.06.04	Other operating income	73	536	75	397
3.06.05	Other operating expenses	(1,067)	(3,319)	(1,260)	(4,088)
3.06.05.01	Depreciation and amortization	(1,053)	(3,299)	(1,253)	(3,916)
3.06.05.02	Other	(14)	(20)	(7)	(172)
3.06.06	Equity in subsidiary	4,309	11,828	1,816	4,451
3.07	Income (loss) from operations	1,668	52,562	(3,442)	36,118
3.08	Nonoperating income (expenses)	34	72	242	285
3.08.01	Income	34	72	242	285
3.08.02	Expenses	0	0	0	0
3.09	Income before taxes and profit sharing	1,702	52,634	(3,200)	36,403
3.10	Provision for income and social contribution taxes	2,598	(13,076)	2,346	(11,009)
3.11	Deferred income tax	(1,645)	(607)	(615)	357

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Code	Description	3-07/01/2007 to 09/30/2007	4-01/01/2007 to 09/30/2007	5-07/01/2006 to 09/30/2006	6-01/01/2006 to 09/30/2006
3.12	Profit sharing/contributions	(865)	(2,688)	(844)	(2,575)
3.12.01	Profit sharing	(865)	(2,688)	(844)	(2,575)
3.12.02	Contributions	0	0	0	0
3.13	Reversal of interest on capital	0	0	0	0
3.15	Net income (loss)	1,790	36,263	(2,313)	23,176
	NUMBER OF SHARES, EX-TREASURY (THOUSANDS)	28,230	28,230	28,230	28,230
	EARNINGS PER SHARE (BRAZILIAN REAIS)	0.06341	1.28456	0	0.82097
	LOSS PER SHARE (BRAZILIAN REAIS)	0	0	(0.08193)	0

## 1. OPERATIONS

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

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

Livraria e Papelaria Saraiva S.A. (“Livraria”), a subsidiary of the Company, is engaged in retail sale of books, DVDs, music, stationery, and computer and electro-electronic products. Distribution is conducted through an Internet-based sales platform and a chain of 36 stores, of which 19 are megastores and 17 are conventional stores.

## 2. PRESENTATION OF INTERIM FINANCIAL STATEMENTS

The individual and consolidated financial statements of the Company have been prepared and are presented in conformity with Brazilian accounting practices and standards established by the Brazilian Securities Commission (CVM). These financial statements reflect the changes introduced by Accounting Standard and Procedure (NPC) No. 27, “Presentation and Disclosures”, and NPC No. 22, “Provisions, Liabilities, Contingent Liabilities and Contingent Assets”, both issued by the Brazilian Institute of Independent Auditors (IBRACON) on October 3, 2005, and approved by CVM Resolutions No. 488 and No. 489, respectively, on the same date. The main changes resulting from applying these standards are as follows:

- Presentation of the group “Noncurrent” in assets and liabilities.
- Presentation of the account “Intangible assets”, classified in the group “Noncurrent assets”.
- Reclassification of escrow deposits, previously classified in assets, to liabilities, as a reduction of the account “Reserve for contingencies”, when applicable.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of deferred tax assets and liabilities, provisions and contingent liabilities, considering the best available evidence and assumptions at the balance sheet dates. Actual results could differ from those estimates.

### 3. SIGNIFICANT ACCOUNTING PRACTICES

#### a) General principles

Results of operations are determined on the accrual basis of accounting. Sales revenues and the corresponding costs are recorded upon the transfer of risks and benefits.

#### b) Current and long-term assets

- Cash and cash equivalents

Represented by cash on hand, unblocked bank accounts, and liquidity temporary cash investments, as explained at note 5. Temporary cash investments are stated at cost plus income earned through the balance sheet dates.

- 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, less provision for write-down to market value, when market value is lower.

- Other noncurrent assets

Stated at net realizable value.

- 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 and amortization are computed under the straight-line method based on the useful lives of the assets.

- Deferred charges

Stated at cost, less amortization, and include unamortized goodwill, preoperating costs and expenses incurred before the start-up of the subsidiary's stores opened through 2001. Beginning 2002, expenses incurred before the start-up of Livraria's new stores are recorded directly in income for the current year.

Preoperating expenses are amortized beginning upon the start-up of stores' commercial operations, over five years or according to the provisions of the properties' lease contracts.

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 noncurrent liabilities

- Copyrights

Calculated and recognized as operating expenses when sales are made and, in some cases, as production cost when the work is published.

- Other current and noncurrent liabilities

Stated at known or estimated amounts plus charges and monetary or exchange variations incurred through the balance sheet dates.

d) Income and social contribution taxes

Taxes on income 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 taxable income.

Deferred income and social contribution taxes are recorded in current and noncurrent assets and current and noncurrent liabilities, as stated in Note 14.a), to reflect future tax effects on temporary differences between the carrying amount and the tax basis of assets and liabilities, and tax loss carryforwards.

Deferred tax assets are based on expected future taxable income at the tax rates in effect at the balance sheet dates, and are reviewed annually and adjusted to reflect any substantial change in expected profits.

e) Earnings (loss) per share

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

01047-2 - SARAIVA S.A. LIVREIROS EDITORES

60.500.139/0001-26

04.01 - NOTES TO THE INTERIM FINANCIAL STATEMENTS

#### 4. CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The consolidated financial statements include the accounts of the Company and Livraria, in which the Company has equity interest of 99.91%. The financial statements of Livraria as of the same date and prepared in accordance with the accounting practices described in Note 3 were used in the preparation of the consolidated financial statements.

The consolidated financial statements comprise the following procedures:

- Elimination of intercompany balances and transactions.
- Elimination of the Company's investment against the subsidiary's shareholders' equity.
- Minority interest in shareholders' equity and net income of Livraria is recorded in a separate caption in the balance sheets and statements of income, respectively.

#### 5. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	09/2007	06/2007	09/2007	06/2007
Cash and banks	1,595	640	3,934	6,454
Bank certificates of deposit (CDBs)	82,093	83,218	82,093	83,218
Investment funds (FIF)	<u>17,254</u>	<u>23,833</u>	<u>17,254</u>	<u>23,833</u>
	<u>100,942</u>	<u>107,691</u>	<u>103,281</u>	<u>113,596</u>

#### 6. TRADE ACCOUNTS RECEIVABLE

	Company		Consolidated	
	09/2007	06/2007	09/2007	06/2007
Trade accounts receivable	23,791	20,007	24,260	20,354
Receivables from Livraria	4,874	4,996	-	-
Credit cards	98	66	74,583	67,320
Checks receivable	3,300	4,544	4,038	5,344
Allowance for doubtful accounts	<u>(1,338)</u>	<u>(991)</u>	<u>(1,575)</u>	<u>(1,158)</u>
	<u>30,725</u>	<u>28,622</u>	<u>101,306</u>	<u>91,860</u>

04.01 - NOTES TO THE INTERIM FINANCIAL STATEMENTS

Aging list of accounts receivable:

	Company		Consolidated	
	<u>09/2007</u>	<u>06/2007</u>	<u>09/2007</u>	<u>06/2007</u>
Current	28,114	24,756	98,302	87,730
Past due:				
Up to 60 days	1,236	2,718	1,418	2,877
Over 60 days	<u>1,375</u>	<u>1,148</u>	<u>1,586</u>	<u>1,253</u>
	<u>30,725</u>	<u>28,622</u>	<u>101,306</u>	<u>91,860</u>

7. INVENTORIES

	Company		Consolidated	
	<u>09/2007</u>	<u>06/2007</u>	<u>09/2007</u>	<u>06/2007</u>
Finished products	41,787	27,266	41,787	27,266
Goods for resale	118	56	58,598	64,301
Work in process	26,842	17,358	26,842	17,358
Raw materials	12,369	16,500	12,369	16,500
Packing and consumption materials	<u>534</u>	<u>538</u>	<u>850</u>	<u>837</u>
	<u>81,650</u>	<u>61,718</u>	<u>140,446</u>	<u>126,262</u>

8. INVESTMENTS IN SUBSIDIARY

Investments in subsidiary refer to the equity interest in Livraria and the main information is as follows:

	<u>09/2007</u>	<u>06/2007</u>
Number of shares - thousands	57,540	57,540
Number of shares held - thousands	57,490	57,490
Ownership interest - %	99.91%	99.91%
Percentage of this investment in the Company's shareholders' equity	26.23%	24.79%
Capital	51,210	51,210
Shareholders' equity	70,291	65,978
Investment value	70,230	65,921

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Corporate Law

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Equity result as of September 30:

	<u>07/01/2007 to 09/30/2007</u>	<u>01/01/2007 to 09/30/2007</u>	<u>07/01/2006 to 09/30/2006</u>	<u>01/01/2006 to 09/30/2006</u>
Net income	4,313	11,839	1,817	3,780
Adjustments not recorded in profit and loss	-	-	-	674
Base	<u>4,313</u>	<u>11,839</u>	<u>1,817</u>	<u>4,454</u>
Equity result	<u>4,309</u>	<u>11,828</u>	<u>1,816</u>	<u>4,451</u>

The balance sheets as of September 30 and June 30, 2007 are as follows:

	<u>09/2007</u>	<u>06/2007</u>		<u>09/2007</u>	<u>06/2007</u>
<u>ASSETS</u>	<u>176,142</u>	<u>178,595</u>	<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	<u>176,142</u>	<u>178,595</u>
CURRENT ASSETS	<u>143,336</u>	<u>147,410</u>	CURRENT LIABILITIES	<u>71,033</u>	<u>67,635</u>
Cash and cash equivalents	2,340	5,905	Trade accounts payable	54,479	53,091
Trade accounts receivable	75,460	68,235	Financing	3,395	2,422
Inventories	58,796	64,544	Accrued vacation and related charges	3,695	3,390
Recoverable taxes	2,171	4,101	Taxes payable	2,935	2,743
Deferred income and social contribution taxes	3,307	3,515	Other payables	6,529	5,989
Others	1,262	1,110			
NONCURRENT	<u>32,806</u>	<u>31,185</u>	NONCURRENT	<u>34,818</u>	<u>44,982</u>
Long-term assets	<u>4,930</u>	<u>5,395</u>	Financing	11,976	12,129
Escrow deposits	511	841	Reserve for contingencies	1,613	1,613
Deferred income and social contribution taxes	4,407	4,542	Taxes payable	6,311	6,917
Others	12	12	Loans from parent company	14,918	24,323
PERMANENT ASSETS	<u>27,876</u>	<u>25,790</u>	SHAREHOLDERS' EQUITY	<u>70,291</u>	<u>65,978</u>
Investments	135	135	Capital	51,210	51,210
Property, plant and equipment	25,664	23,430	Capital reserves	2,190	2,190
Intangible assets	1,538	1,631	Profit reserves	5,052	5,052
Deferred charges	539	594	Retained earnings	11,839	7,526

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## 9. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Annual depreciation/ amortization rate - %	Company			
		09/2007	06/2007		
		Accumulated depreciation/ amortization	Net book value	Net book value	
		Cost			
Land	-	2,011	-	2,011	2,011
Buildings and constructions	4	8,172	(3,850)	4,322	4,395
Machinery and equipment	10	1,564	(1,216)	348	370
Furniture, fixtures and installations	10	21,667	(19,293)	2,374	2,499
Vehicles	20	3,505	(2,334)	1,171	1,054
IT equipment	20	10,065	(8,372)	1,693	1,854
Advances to suppliers	-	481	-	481	435
		<u>47,465</u>	<u>(35,065)</u>	<u>12,400</u>	<u>12,618</u>
Intangible assets:					
Assignment of rights	20	1,246	(893)	353	414
Software	20	13,193	(10,974)	2,219	2,335
Trademarks and patents	-	185	-	185	185
		<u>14,624</u>	<u>(11,867)</u>	<u>2,757</u>	<u>2,934</u>
		Consolidated			
	Annual depreciation/ amortization rate - %	09/2007	06/2007		
		Accumulated depreciation/ amortization	Net book value	Net book value	
		Cost			
Land	-	2,014	-	2,014	2,014
Buildings and constructions	4	9,613	(4,521)	5,092	5,179
Machinery and equipment	10	1,853	(1,488)	365	390
Furniture, fixtures and installations	10	81,474	(59,813)	21,661	19,951
Vehicles	20	3,985	(2,516)	1,469	1,512
IT equipment	20	21,421	(16,444)	4,977	5,133
Advances to suppliers	-	2,419	-	2,419	1,869
		<u>122,779</u>	<u>(84,782)</u>	<u>37,997</u>	<u>36,048</u>
Intangible assets:					
Goodwill	20	12,472	(11,604)	868	949
Assignment of rights	20	1,246	(893)	353	414
Software	20	15,191	(12,301)	2,890	2,950
Trademarks and patents	-	252	-	252	252
		<u>29,161</u>	<u>(24,798)</u>	<u>4,363</u>	<u>4,565</u>

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10. DEFERRED CHARGES

	Company		Consolidated	
	09/2007	06/2007	09/2007	06/2007
Preoperating expenses and other deferred charges	1,498	1,438	11,797	11,737
Accumulated amortization	(1,438)	(1,438)	(11,199)	(11,143)
Unamortized goodwill	2,091	2,091	2,091	2,091
Amortization of goodwill	(1,499)	(1,394)	(1,499)	(1,394)
	<u>652</u>	<u>697</u>	<u>1,190</u>	<u>1,291</u>

The unamortized goodwill balance refers to the acquisition of Formato Editorial Ltda., transferred to deferred charges due to the merger of this company on February 3, 2004, and adjusted to R\$2,091 on March 14, 2006, according to contractual provisions related to the acquisition.

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

11. FINANCING

	Company		Consolidated	
	09/2007	06/2007	09/2007	06/2007
Current-				
In local currency - BNDES (a) - FINEM (b)	<u>8,092</u>	<u>4,551</u>	<u>11,487</u>	<u>6,972</u>
Noncurrent-				
In local currency - BNDES - FINEM	<u>20,323</u>	<u>17,823</u>	<u>32,298</u>	<u>29,952</u>

(a) BNDES - National Bank for Economic and Social Development

(b) FINEM - Financing for Projects

The noncurrent portion matures as follows:

	2008	2009	2010	2011	Total
Company	<u>2,345</u>	<u>9,380</u>	<u>8,598</u>	<u>-</u>	<u>20,323</u>
Consolidated	<u>3,593</u>	<u>14,370</u>	<u>12,996</u>	<u>1,339</u>	<u>32,298</u>

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Additional information on financing is as follows:

<u>Financing</u>	<u>Purpose</u>	<u>Guarantees</u>	<u>Maturity</u>	<u>Charges</u>
Company- BNDES - FINEM - contract of 11/05	Publishing Plan - 2005 to 2007 and information systems	Mortgage of property, plant and equipment items and bank guarantee	11/2010	4% + TJLP (*)
Livraria: BNDES - FINEM - contract of 11/06	Projects for investment for opening of 11 stores, renovation and modernization of 19 stores of the chain, and centralization of logistics operations	Company's guarantee	08/2010	3.1% + TJLP
BNDES - FINEM - contract of 04/00	Project for investment in megastores and modernization of conventional stores	Company's guarantee	04/2008	3.5% + TJLP

Credit releases:

	<u>Company</u>		<u>Consolidated</u>	
	<u>09/2007</u>	<u>06/2007</u>	<u>09/2007</u>	<u>06/2007</u>
Release on March 27	957	957	3,623	3,623
Release on June 26	2,012	2,012	8,750	8,750
Release on September 27	<u>6,001</u>	<u>-</u>	<u>7,119</u>	<u>-</u>
Total	<u>8,970</u>	<u>2,969</u>	<u>19,492</u>	<u>12,373</u>

(\*) TJLP - Long-term interest rate

## 12. LOYALTY PROGRAM - SARAIVA PLUS

In 2005, Livraria implemented a customer loyalty program ("Saraiva Plus") whereby purchases made by customers in stores and the Company's website earn points that can be discounted in future purchases. Accumulated points, net of redemptions, are accrued considering redemption estimates. As of September 30, 2007, Livraria has a provision for the loyalty program in the amount of R\$2,428 (R\$2,843 on June 30, 2007), recorded under the caption "Other payables".

## 13. RELATED-PARTY TRANSACTIONS

Related-party transactions include purchases, sales and intercompany loans. Loans granted to Livraria in 2006 have indeterminate maturity and bear interest of 101% of the CDI.

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Loans granted to Livraria - recorded in noncurrent assets:

	<u>09/2007</u>	<u>06/2007</u>
Balance receivable as of December 31	5,008	5,008
Loans granted net of payments	8,699	18,705
Financial income	<u>1,211</u>	<u>610</u>
Balance receivable as of September 30	<u>14,918</u>	<u>24,323</u>

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

	<u>09/2007</u>	<u>06/2007</u>
Balances:		
Assets:		
Trade accounts receivable (current)	4,874	4,996
Loans granted - loan agreement (noncurrent)	14,918	24,323
Liabilities-		
Trade accounts payable (current)	5	0

Transactions:

	<u>07/01/2007 to</u> <u>09/30/2007</u>	<u>01/01/2007 to</u> <u>09/30/2007</u>	<u>07/01/2006 to</u> <u>09/30/2006</u>	<u>01/01/2006 to</u> <u>09/30/2006</u>
Sale of products	4,096	14,355	2,949	10,474
Purchase of products	5	14	29	35
Financial income	601	1,211	359	458
Financial expenses	-	-	-	127

#### 14. INCOME AND SOCIAL CONTRIBUTION TAXES

##### a) Deferred

Deferred income and social contribution taxes are derived from:

	<u>Company</u>		<u>Consolidated</u>	
	<u>09/2007</u>	<u>06/2007</u>	<u>09/2007</u>	<u>06/2007</u>
Current assets	<u>-</u>	<u>-</u>	<u>3,307</u>	<u>3,515</u>
Noncurrent assets:				
Tax loss carryforwards	-	-	27	86
Reserve for contingencies	<u>777</u>	<u>769</u>	<u>5,157</u>	<u>5,225</u>
	<u>777</u>	<u>769</u>	<u>5,184</u>	<u>5,311</u>
Noncurrent liabilities-				
Provision for book inventory losses - Law No. 10,753/03	<u>4,749</u>	<u>3,097</u>	<u>7,547</u>	<u>6,025</u>

The Company, based on the opinion of its outside lawyers, considered the tax incentive established by Law No. 10,753/03, amended by Law No. 10,833/03, relating to the deductibility of the provision for inventory losses, as a temporary difference between the carrying amount and the tax basis of assets and liabilities, recognizing the tax effect in accordance with CVM Instruction No. 371/02.

The Company and Livraria, 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 from temporary differences realizable in proportion to the final resolution of lawsuits.

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

<u>Balance sheet date</u>	<u>Realization of deferred tax asset</u>
December 31, 2007	5,404
December 31, 2008	<u>2,310</u>
	<u>7,714</u>

b) Expense reconciliation

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

	Company			
	<u>07/01/2007 to 09/30/2007</u>	<u>01/01/2007 to 09/30/2007</u>	<u>07/01/2006 to 09/30/2006</u>	<u>01/01/2006 to 09/30/2006</u>
Income before income and social contribution taxes	1,702	52,634	(3,200)	36,403
Combined tax rate - %	<u>34</u>	<u>34</u>	<u>34</u>	<u>34</u>
Taxes computed at the combined tax rate	(581)	(17,898)	1,088	(12,377)
Permanent additions - nondeductible expenses	(31)	(117)	(44)	(64)
Permanent deductions:				
Equity in subsidiary	1,465	4,022	618	1,514
Other deductions	78	242	76	232
Other items	<u>22</u>	<u>68</u>	<u>(7)</u>	<u>43</u>
	<u>953</u>	<u>(13,683)</u>	<u>1,731</u>	<u>(10,652)</u>
Income and social contribution taxes:				
Current	2,598	(13,076)	2,346	(11,009)
Deferred	<u>(1,645)</u>	<u>(607)</u>	<u>(615)</u>	<u>357</u>
	<u>953</u>	<u>(13,683)</u>	<u>1,731</u>	<u>(10,652)</u>
Effective tax rate on net income - %	<u>(56.0)</u>	<u>26.0</u>	<u>54.1</u>	<u>29.3</u>

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	Consolidated			
	07/01/2007 to 09/30/2007	01/01/2007 to 09/30/2007	07/01/2006 to 09/30/2006	01/01/2006 to 09/30/2006
Income before income and social contribution taxes	4,453	60,429	(1,978)	38,971
Combined tax rate - %	<u>34</u>	<u>34</u>	<u>34</u>	<u>34</u>
Taxes computed at the combined tax rate	(1,517)	(20,549)	675	(13,250)
Permanent additions - nondeductible expenses	(45)	(162)	(48)	(88)
Permanent deductions:				
Equity in subsidiary	121	360	94	270
Other deductions	<u>125</u>	<u>198</u>	<u>(8)</u>	<u>272</u>
	<u>(1,316)</u>	<u>(20,153)</u>	<u>713</u>	<u>(12,796)</u>
Income and social contribution taxes:				
Current	532	(15,819)	2,346	(11,009)
Deferred	<u>(1,848)</u>	<u>(4,334)</u>	<u>(1,633)</u>	<u>(1,787)</u>
	<u>(1,316)</u>	<u>(20,153)</u>	<u>713</u>	<u>(12,796)</u>
Effective tax rate on net income - %	<u>29.6</u>	<u>33.3</u>	<u>36.0</u>	<u>32.8</u>

## 15. RESERVE FOR CONTINGENCIES

The Company and Livraria are challenging in court certain aspects related to federal taxes, such as taxes on revenue (PIS and COFINS), income tax (IR) and social contribution tax (CSLL), as follows:

	Company				
	06/2007	Recognition	Escrow deposits	Reversal	09/2007
PIS/COFINS - increase in tax basis	192	4	-	-	196
IR/CSLL - "Plano Real" (economic plan) - Law No. 8,880/94	861	-	-	-	861
Civil and labor contingencies	112	-	-	-	112
Escrow deposits	<u>(1,053)</u>	<u>-</u>	<u>(4)</u>	<u>-</u>	<u>(1,057)</u>
	<u>112</u>	<u>4</u>	<u>(4)</u>	<u>-</u>	<u>112</u>
	Consolidated				
	06/2007	Recognition	Escrow deposits	Reversal	09/2007
PIS/COFINS - increase in tax basis	8,987	20	-	-	9,007
IR/CSLL - "Plano Real" (economic plan) - Law No. 8,880/94	2,475	-	-	-	2,475
Civil and labor contingencies	112	-	-	-	112
Escrow deposits	<u>(9,848)</u>	<u>-</u>	<u>(20)</u>	<u>-</u>	<u>(9,868)</u>
	<u>1,726</u>	<u>20</u>	<u>(20)</u>	<u>-</u>	<u>1,726</u>

## 16. TAXES PAYABLE

	Company		Consolidated	
	09/2007	06/2007	09/2007	06/2007
IR and CSLL (i)	-	-	5,423	5,894
CSLL (ii)	2,600	2,579	2,600	2,579
ICMS (State VAT)	-	-	695	480
PIS/COFINS	27	19	103	110
Other	480	460	733	726
	<u>3,107</u>	<u>3,058</u>	<u>9,554</u>	<u>9,789</u>
Current liabilities	1,027	995	3,962	3,738
Noncurrent liabilities	<u>2,080</u>	<u>2,063</u>	<u>5,592</u>	<u>6,051</u>
	<u>3,107</u>	<u>3,058</u>	<u>9,554</u>	<u>9,789</u>

- (i) Request filed with the National Treasury Attorney General in October 2005 for the installment payment of the accrued amounts related to lawsuits brought to discuss the effects of IR and CSLL arising from “Plano Real” - Law No. 8,880/94.
- (ii) In October 2006, the Company was informed of the denial of the administrative appeal related to the tax delinquency notice which established the CSLL tax credit related to the deduction of interest on capital from the CSLL tax basis for 1996. As decided by management, the Company recognized a provision and will file a request for installment payment of the debt as soon as the tax credit is acknowledged as debt to the Federal Revenue Service.

## 17. SHAREHOLDERS' EQUITY

### a) Capital

Fully paid-up capital as of September 30, 2007, in the amount of R\$147,774 (R\$147,774 as of June 30, 2007), is represented by 28,596,123 shares, of which 9,622,313 are common shares and 18,973,810 are preferred shares, without par value.

The Company's bylaws to São Paulo Stock Exchange (BOVESPA) Level 2 of Differentiated Corporate Governance Practices were approved.

The Company is authorized to increase capital, through the issuance of new shares for subscription and regardless of any amendment to the bylaws, by up to 4,000,000 shares. Of this total amount, up to 500,000 shares may be granted as stock options, pursuant to the bylaws.

The Company's preferred shares, whose number may not surpass 2/3 of the total shares issued, grant their holders the following rights or advantages:

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

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

The remaining balance of retained earnings is prior to the enactment of Law No. 6,404/76.

b) Treasury shares - CVM Instructions No. 10/80 and No. 298/97

The Company holds 365,750 (365,750 as of June 30, 2007) preferred shares in treasury, acquired for R\$2,870, with a fair value of R\$11,814 (R\$32.30 per share - quotation on September 28, 2007). On September 30, 2007 and 2006 no new acquisitions of shares were conducted.

c) Interest on capital and dividends

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

The Company cannot, unless authorized by a majority vote in a special preferred shareholders' meeting, retain, for more than four successive quarters, cash and cash equivalents in an amount greater than 25% of total assets, provided that its economic and financial situation allows this. Cash and cash equivalents will correspond to the amounts recorded under the caption "Cash and cash equivalents" exceeding the sum of the amounts recorded under the caption "Financing" in current and noncurrent liabilities.

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

d) Stock option plan

On March 5, 2007, the Company's Stock Option Plan was approved, granting stock options of 123,800 preferred shares to 19 officers and employees to be exercised between March 8, 2010 and May 7, 2010. The price established for each share is R\$21.50, subject to adjustment based on the extended consumer price index (IPCA). The options will be exercised by means of the issuance of new shares and/or the sale of treasury shares held by the Company.

## 18. FINANCIAL INSTRUMENTS

### a) Derivative transactions

During the quarter ended September 30, 2007, the Company and Livraria have not entered into new derivative transactions.

In 2006, the derivative transaction conducted by the Company was a swap contract to hedge against foreign exchange variation, without cash, for coverage of the last installment of the financing with the IFC, resulting in a loss of R\$183 classified as financial expenses.

### b) Other financial instruments

The carrying amounts and fair values of the financial instruments recorded in the consolidated balance sheets as of September 30, 2007 are as follows:

<u>Description</u>	<u>Carrying amount</u>	<u>Fair value</u>
Cash and cash equivalents	103,281	103,281
Financing in local currency	43,785	43,785

Criteria, assumptions and limitations used in calculating fair values are as follows:

- Cash and cash equivalents

Cash and cash equivalents are represented by unrestricted bank deposits and highly-liquid investments.

- Financing

The carrying amounts of financing correspond to funds obtained from the BNDES. The financing is specific and has different interest rates, impairing the comparison with fair values, assuming conventional loan rates for the calculation. Thus, the fair values of this financing do not differ significantly from the carrying amounts as of September 30, 2007.

- Limitations

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

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c) Market risks

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

19. FINANCIAL INCOME (EXPENSES)

Financial income and expenses are as follows:

	Company			
	07/01/2007 to 09/30/2007	01/01/2007 to 09/30/2007	07/01/2006 to 09/30/2006	01/01/2006 to 09/30/2006
Financial income:				
Income from temporary cash investments	2,700	9,895	3,254	6,767
Interest on loans to subsidiary	601	1,211	-	-
Interest received from customers	282	881	118	461
Interest on recoverable taxes	-	17	56	464
Other financial income	<u>16</u>	<u>62</u>	<u>363</u>	<u>493</u>
	<u>3,599</u>	<u>12,066</u>	<u>3,791</u>	<u>8,185</u>
Financial expenses:				
Loss on temporary cash investments - hedge	-	-	-	(183)
Interest, monetary and exchange variations on financing	(564)	(1,566)	(424)	(1,118)
Other interest and monetary variation	(368)	(1,264)	(694)	(1,124)
CPMF (tax on banking transactions)/IOC (tax on credit operations)	(169)	(1,023)	(137)	(1,065)
Stock Issue Rate (IPO)	-	-	-	(2,422)
Other financial expenses	<u>(421)</u>	<u>(1,166)</u>	<u>(368)</u>	<u>(962)</u>
	<u>(1,522)</u>	<u>(5,019)</u>	<u>(1,623)</u>	<u>(6,874)</u>
	<u>2,077</u>	<u>7,047</u>	<u>2,168</u>	<u>1,311</u>

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	Consolidated			
	07/01/2007 to 09/30/2007	01/01/2007 to 09/30/2007	07/01/2006 to 09/30/2006	01/01/2006 to 09/30/2006
Financial income:				
Income from temporary cash investments	2,700	9,937	3,268	7,360
Interest received from customers	289	899	128	484
Interest on recoverable taxes	-	17	56	464
Other financial income	<u>103</u>	<u>282</u>	<u>31</u>	<u>135</u>
	<u>3,092</u>	<u>11,135</u>	<u>3,483</u>	<u>8,443</u>
Financial expenses:				
Loss on temporary cash investments - hedge	-	-	-	(183)
Interest, monetary and exchange variations on financing	(897)	(2,227)	(465)	(1,312)
Other interest and monetary variation	(443)	(1,470)	(618)	(1,526)
CPMF (tax on banking transactions)/IOC (tax on credit operations)	(722)	(2,492)	(459)	(2,069)
Finance commission	-	-	-	(2,422)
Other financial expenses	<u>(493)</u>	<u>(1,355)</u>	<u>(648)</u>	<u>(1,172)</u>
	<u>(2,555)</u>	<u>(7,544)</u>	<u>(2,190)</u>	<u>(8,684)</u>
	<u>537</u>	<u>3,591</u>	<u>1,293</u>	<u>(241)</u>

## 20. INSURANCE

As of September 30, 2007, the Company and Livraria have insurance coverage against fire and sundry risks for fixed assets and inventories, in amounts considered sufficient to cover potential losses.

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## 04.01 - NOTES TO THE INTERIM FINANCIAL STATEMENTS

## 21. STATEMENTS OF CASH FLOWS FOR THE QUARTERS ENDED SEPTEMBER 30, 2007 AND 2006

	Company				Consolidated			
	07/01/2007	01/01/2007	07/01/2006	01/01/2006	07/01/2007	01/01/2007	07/01/2006	01/01/2006
	to	to	to	to	to	to	to	to
	09/30/2007	09/30/2007	09/30/2006	09/30/2006	09/30/2007	09/30/2007	09/30/2006	09/30/2006
From operations:								
Net income	1,790	36,263	(2,313)	23,176	1,790	36,263	(2,313)	23,176
Items not affecting working capital:								
Depreciation and amortization (including amount allocated to cost)	1,093	3,415	1,375	4,317	2,728	7,892	2,669	8,184
Deferred income and social contribution taxes	1,644	606	615	(357)	1,856	4,342	1,633	1,787
Allowance for doubtful accounts	320	965	300	480	381	1,129	423	714
Equity in subsidiary	(4,309)	(11,828)	(1,816)	(4,451)	-	-	-	-
Net book value of property, plant and equipment written off	(35)	(72)	(243)	(286)	(10)	(38)	(219)	(153)
Financial charges and exchange and monetary variations on noncurrent assets and liabilities	(720)	(1,411)	71	231	(60)	(66)	208	696
Other operations accruals	555	1,516	377	1,263	493	1,939	2,017	3,047
Minority interest in subsidiary	-	-	-	-	3	10	2	4
	338	29,454	(1,634)	24,373	7,181	51,741	4,420	37,453
CHANGES IN OPERATING ASSETS								
Trade accounts receivable	(391)	40,321	2,652	36,338	(9,827)	20,944	(3,453)	22,194
Trade accounts receivable from subsidiary	(2,032)	(957)	(3,630)	(2,638)	-	-	-	-
Inventories	(19,932)	(18,223)	(13,935)	(5,632)	(14,184)	(24,931)	(17,511)	(9,556)
Other assets	(3,527)	(8,806)	(3,513)	(14,732)	(1,449)	(12,658)	(4,168)	(16,591)
Increase (decrease) in operating liabilities:								
Suppliers	6,509	(15,611)	12,625	13,229	8,015	(22,492)	20,077	(23)
Income and social contribution taxes	(4,375)	(111)	(3,870)	(2,034)	(4,375)	(256)	(3,870)	(5,169)
Other liabilities	1,800	(5,684)	1,554	(8,126)	3,250	(5,435)	1,277	(9,478)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(21,610)	20,383	(9,751)	40,778	(11,389)	6,643	(3,228)	18,832
CASH FLOWS FROM INVESTING ACTIVITIES								
Purchase of property, plant and equipment	(675)	(1,594)	(474)	(1,069)	(4,618)	(14,141)	(1,186)	(2,876)
Proceeds from sale of property, plant and equipment	57	176	377	636	254	544	394	656
NET CASH USED IN INVESTING ACTIVITIES	(618)	(1,418)	(97)	(433)	(4,364)	(13,597)	(792)	(2,220)
CASH FLOWS FROM FINANCING ACTIVITIES								
Payment of capital	-	-	-	66,000	-	-	-	66,000
Dividends	(5)	(13,953)	-	(11,016)	(5)	(13,954)	-	(11,016)
Loans and financing	6,001	8,970	2,000	9,001	7,119	19,492	2,000	9,001
Loans to subsidiary	10,006	(8,699)	3,212	(7,160)	-	-	-	-
Amortization of loans and financing	-	-	65	(14,636)	(856)	(2,346)	(970)	(6,691)
Payment of interest on loans and financing	(523)	(1,435)	(449)	(953)	(820)	(1,961)	(349)	(990)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	15,479	(15,117)	4,828	41,236	5,438	1,231	681	56,304
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,749)	3,848	(5,020)	81,581	(10,315)	(5,723)	(3,339)	72,916
REPRESENTED BY								
Cash at beginning of period	107,691	97,094	95,242	8,641	113,596	109,004	96,449	20,194
Cash at end of period	100,942	100,942	90,222	90,222	103,281	103,281	93,110	93,110
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,749)	3,848	(5,020)	81,581	(10,315)	(5,723)	(3,339)	72,916

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05.01 - COMMENTS ON THE COMPANY PERFORMANCE

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SEE COMMENTS ON THE CONSOLIDATED PERFORMANCE FOR THE QUARTER AND NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2007 - 08.01/ITR.

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

Code	Description	09/30/2007	06/30/2007
1	Total assets	430,168	413,974
1.01	Current assets	373,950	359,057
1.01.01	Cash and cash equivalents	103,281	113,596
1.01.02	Receivables	116,554	106,377
1.01.02.01	Trade accounts receivable	101,306	91,860
1.01.02.02	Other accounts receivable	15,248	14,517
1.01.02.02.01	Recoverable taxes	6,310	7,119
1.01.02.02.02	Deferred income and social contribution taxes	3,307	3,515
1.01.02.02.03	Accounts receivable - sales of fixed assets	1,211	1,179
1.01.02.02.04	Advances for copyrights	2,617	976
1.01.02.02.05	Advances to employees	461	561
1.01.02.02.06	Other	1,342	1,167
1.01.03	Inventories	140,446	126,262
1.01.04	Other	13,669	12,822
1.01.04.01	Deferred advertising expenses	13,390	12,762
1.01.04.02	Prepaid expenses	279	60
1.02	Noncurrent assets	56,218	54,917
1.02.01	Long-term assets	12,125	12,470
1.02.01.01	Sundry receivables	0	0
1.02.01.02	Intercompany receivables	0	0
1.02.01.02.01	Affiliates	0	0
1.02.01.02.02	Subsidiaries	0	0
1.02.01.02.03	Other related parties	0	0
1.02.01.03	Other	12,125	12,470
1.02.01.03.01	Deferred income and social contribution taxes	5,184	5,311
1.02.01.03.02	Escrow deposits	1,813	2,132
1.02.01.03.03	Accounts receivable - sales of fixed assets	4,846	4,715
1.02.01.03.04	Other	282	312
1.02.02	Permanent assets	44,093	42,447
1.02.02.01	Investments	543	543
1.02.02.01.01	In affiliates	0	0
1.02.02.01.02	In affiliates - goodwill	0	0
1.02.02.01.03	In subsidiaries	0	0
1.02.02.01.04	In subsidiaries - goodwill	0	0
1.02.02.01.05	Other investments	543	543
1.02.02.02	Property, plant and equipment	37,997	36,048
1.02.02.03	Intangible assets	4,363	4,565
1.02.02.04	Deferred charges	1,190	1,291

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

Code	Description	09/30/2007	06/30/2007
2	Total liabilities and shareholders' equity	430,168	413,974
2.01	Current liabilities	115,245	104,253
2.01.01	Loans and financing	11,487	6,972
2.01.02	Debentures	0	0
2.01.03	Trade accounts payable	75,441	67,426
2.01.04	Taxes payable	18,557	21,577
2.01.04.01	Income tax	5,030	9,405
2.01.04.02	Social contribution tax	9,565	8,434
2.01.04.03	Other taxes	3,962	3,738
2.01.05	Dividends payable	35	40
2.01.05.01	Interest on capital	35	40
2.01.06	Provisions	4,003	2,659
2.01.07	Intercompany payables	0	0
2.01.08	Other	5,722	5,579
2.01.08.01	Copyright payable	0	0
2.01.08.02	Payable rentals	1,731	1,617
2.01.08.03	Fidelity program	2,428	2,843
2.01.08.04	Advances from clients	785	459
2.01.08.05	Consignment loans	187	193
2.01.08.06	Insurance payable	333	0
2.01.08.07	Other liabilities	258	467
2.02	Noncurrent liabilities	47,163	43,754
2.02.01	Long-term liabilities	47,163	43,754
2.02.01.01	Loans and financing	32,298	29,952
2.02.01.02	Debentures	0	0
2.02.01.03	Provisions	14,865	13,802
2.02.01.03.01	Deferred income and social contribution taxes	7,547	6,025
2.02.01.03.02	Reserve for contingencies	1,726	1,726
2.02.01.03.03	Taxes payable	5,592	6,051
2.02.01.04	Intercompany payables	0	0
2.02.01.05	Advances to future capital increase	0	0
2.02.01.06	Other	0	0
2.02.02	Deferred income	0	0
2.03	Minority interest	61	58
2.04	Shareholders' equity	267,699	265,909
2.04.01	Capital	147,774	147,774
2.04.02	Capital reserves	0	0
2.04.03	Revaluation reserves	0	0
2.04.03.01	Owned assets	0	0
2.04.03.02	Subsidiaries/affiliates	0	0
2.04.04	Profit reserves	82,425	82,425
2.04.04.01	Legal reserve	12,215	12,215
2.04.04.02	Statutory reserve	0	0
2.04.04.03	Reserve for contingencies	0	0
2.04.04.04	Unrealized profit reserve	0	0
2.04.04.05	Profit retention reserve	0	0

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Code	Description	09/30/2007	06/30/2007
2.04.04.06	Special reserve for undistributed dividends	0	0
2.04.04.07	Other profit reserves	70,210	70,210
2.04.04.07.01	Reserve for capital increase	73,080	73,080
2.04.04.07.02	Treasury stock	(2,870)	(2,870)
2.04.05	Retained earnings/accumulated deficit	37,500	35,710
2.04.06	Advances to future capital increase	0	0

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

Code	Description	3-07/01/2007 to 09/30/2007	4-01/01/2007 to 09/30/2007	5-07/01/2006 to 09/30/2006	6-01/01/2006 to 09/30/2006
3.01	Gross revenue from sales and/or services	144,163	495,549	101,812	397,300
3.02	Deductions from gross revenue	(10,449)	(29,683)	(8,075)	(24,842)
3.03	Net revenue from sales and/or services	133,714	465,866	93,737	372,458
3.04	Cost of sales and/or services	(74,878)	(230,080)	(51,171)	(173,882)
3.05	Gross profit	58,836	235,786	42,566	198,576
3.06	Operating (expenses) income	(54,386)	(175,394)	(44,763)	(160,432)
3.06.01	Selling expenses	(38,499)	(127,771)	(29,405)	(107,460)
3.06.02	General and administrative expenses	(13,605)	(44,072)	(13,955)	(43,874)
3.06.02.01	Management compensation	(1,312)	(4,086)	(1,394)	(4,020)
3.06.02.02	Other	(12,293)	(39,986)	(12,561)	(39,854)
3.06.03	Financial	537	3,591	1,293	(241)
3.06.03.01	Financial income	3,092	11,135	3,483	8,443
3.06.03.02	Financial expenses	(2,555)	(7,544)	(2,190)	(8,684)
3.06.04	Other operating income	396	1,269	83	556
3.06.05	Other operating expenses	(3,215)	(8,411)	(2,779)	(9,413)
3.06.05.01	Depreciation and amortization	(2,633)	(7,609)	(2,490)	(7,616)
3.06.05.02	Other	(582)	(802)	(289)	(1,797)
3.06.06	Equity in subsidiary	0	0	0	0
3.07	Income (loss) from operations	4,450	60,392	(2,197)	38,144
3.08	Nonoperating income (expenses)	3	37	219	827
3.08.01	Income	34	72	243	960
3.08.02	Expenses	(31)	(35)	(24)	(133)
3.09	Income before taxes and profit sharing	4,453	60,429	(1,978)	38,971
3.10	Provision for income and social contribution taxes	532	(15,819)	2,346	(11,009)
3.11	Deferred income tax	(1,848)	(4,334)	(1,633)	(1,787)
3.12	Profit sharing/contributions	(1,344)	(4,003)	(1,046)	(2,995)

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Code	Description	3-07/01/2007 to 09/30/2007	4-01/01/2007 to 09/30/2007	5-07/01/2006 to 09/30/2006	6-01/01/2006 to 09/30/2006
3.12.01	Profit sharing	(1,344)	(4,003)	(1,046)	(2,995)
3.12.02	Contributions	0	0	0	0
3.13	Reversal of interest on capital	0	0	0	0
3.14	Minority interest	(3)	(10)	(2)	(4)
3.15	Net income (loss)	1,790	36,263	(2,313)	23,176
	NUMBER OF SHARES, EX-TREASURY (THOUSANDS)	28,230	28,230	28,230	28,230
	EARNINGS PER SHARE (BRAZILIAN REAIS)	0.06341	1.28456	0	0.82097
	LOSS PER SHARE (BRAZILIAN REAIS)	0	0	(0.08193)	0

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08.01 - COMMENTS ON THE CONSOLIDATED PERFORMANCE FOR THE QUARTER

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Saraiva Group operates in the publishing segment, through Editora Saraiva (Saraiva S.A. Livresiros Editores), and in the retail segment, through Livraria Saraiva (Livraria e Papelaria Saraiva S.A.). The Company's operating and financial information is consolidated, presented in Brazilian reais, in accordance with Corporate Law, and refers to the first nine months of 2007 (9M07), unless otherwise stated. All comparisons were made in relation to the first nine months of 2006 (9M06), unless otherwise stated.

## HIGHLIGHTS

Saraiva once again surpasses its own record, with the best operating performance in its history for the first nine months of the year. The consistent revenue growths, aligned with an efficient cost control, has allowed it to reach actual profitability gains. The Company is prepared to make new investments aligned with its expansion plan.

**Revenue** - Consolidated gross revenue totaled R\$495.5 million, with growth of 24.7% in relation to 9M06.

**EBITDA** - Consolidated adjusted EBITDA (earnings before interest, taxes, depreciation and amortization, and provision for redemption of "Saraiva Plus" bonuses) totaled R\$64.2 million, representing a 34.8% increase in relation to the same period of the prior year.

**Net income** - Consolidated net income for 9M07 was R\$36.3 million, an increase of 56.5%.

**Livraria** - In the first nine months of 2007 there was a strong expansion of the retail industry. Gross revenue grew 35.5% and reflected the good performance in both electronic retail (57.4%) and in-store sales (26.7% of total and 16.1% under the comparable sales concept). This growth, aligned with efficient cost control, resulted in a 103.8% increase in EBITDA and a 213.2% increase in net income.

## EDITORIA SARAIVA (SARAIVA S.A. LIVREIROS EDITORES)

Editoria Saraiva is the parent company of Livraria Saraiva, with 99.91% of its shares - the companies have different activities and corporate names. Due to the highly seasonal nature of the publishing business, the isolated analysis of the third quarter is not very representative in relation to the year-to-date results, and therefore our comments include year-to-date results.

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

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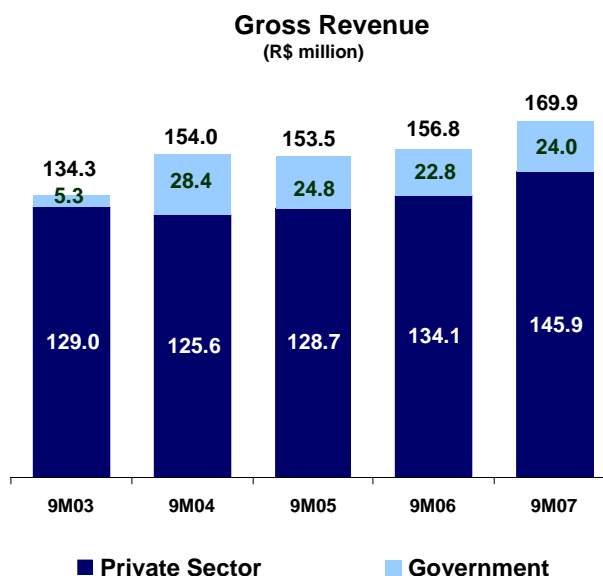
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08.01 - COMMENTS ON THE CONSOLIDATED PERFORMANCE FOR THE QUARTER

	9M07		9M06		HA %
	R\$ 000	VA %	R\$ 000	VA %	
Gross Revenue	169,945	100.1	156,827	100.1	8.4
Net Revenue	169,820	100.0	156,638	100.0	8.4
Gross Profit	122,876	72.4	114,917	73.4	6.9
Operating Expenses	89,705	52.8	84,786	54.1	5.8
EBITDA	36,986	21.8	34,272	21.9	7.9
Financial Income (Expenses), Net	7,047	4.1	1,311	0.8	679.9
Net Income before Equity in Subsidiary	24,435	14.4	18,725	12.0	30.5
Net Income	36,263	21.4	23,176	14.8	56.5

## Gross Revenue

Gross revenue totaled R\$169.9 million, with growth of 8.4% in relation to 9M06. The graph below shows the evolution in gross revenue in the first nine months of the last five years, segregating the share of revenues from sales to the government from sales to the private sector.



### Private Sector

Book sales to the private sector rose 8.8%, especially legal books (+13.1%) and economics, business administration and business books (+42.4%).

### Government

Revenue from sale of textbooks increased 5.5% as compared to 9M06. In 3Q07, Saraiva negotiated with the National Education Development Fund (FNDE) the contracts for supply of

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08.01 - COMMENTS ON THE CONSOLIDATED PERFORMANCE FOR THE QUARTER

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textbooks for school year 2008, under the PNLD (elementary schools) and PNLEM (high schools) programs. The total amount negotiated sets a new record for the Company.

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Saraiva's market share in textbooks adopted by elementary schools for the 5<sup>th</sup> to 8<sup>th</sup> grades (PNLD/08) was 13.1%, in line with the market share in PNLD/05 (previous program for these grades of elementary education). As regards the purchase of textbooks for high school students, PNLEM/08 includes new textbooks for the subjects History and Chemistry. Saraiva obtained a market share of 22.4% of the total History textbooks (Saraiva had no market share in Chemistry textbooks).

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

Program by School Year		Recorded Sales by Fiscal Year			
Elementary & High School(1)	Total Sales (Amount of Contracts)	R\$ million			
		9M06	4Q06	9M07	4Q07 (E)
2006	65.7	15.5			
2007	84.4	7.3	56.2	20.9	
2008(2)	99.4			3.1	96.3
<b>Total</b>		<b>22.8</b>	<b>56.2</b>	<b>24.0</b>	<b>96.3</b>

(1) Includes PNLD, PNLEM, "Book in School" Program - SEE/MG, and PNBE (National School Library Program).

(2) Includes PNLD (R\$ 67.4M), PNLEM (R\$ 31.1M) and PNBE (R\$ 0.9M – at final contracting stage).

## Gross Profit

Gross profit totaled R\$122.9 million, a 6.9% increase over the same period of the prior year. Gross margin - profit/net revenue ratio - decreased one percentage point, from 73.4% in 9M06 to 72.4% in 9M07. This percentage decrease is basically due to the higher volume of books distributed to publicize Saraiva publications in the context of the PNLD/07 (purchase of books for the first to fourth grades) in comparison to the PNLD/06 (purchase of books for replacement).

## Operating Expenses

Operating expenses totaled R\$89.7 million, a growth of 5.8% as compared to 9M06. The better operating expenses to net revenue ratio, which decreased to 52.8% in 9M07 from 54.1% in 9M06, reflected cost rationalization.

## EBITDA

EBITDA totaled R\$37.0 million, 7.9% higher than in 9M06. EBITDA margin was 21.8% and remained practically at the same level of 9M06, at 21.9%.

Reconciliation of EBITDA R\$ 000	9M07	9M06	Var.
Income from Operations after Financial Income (Expenses), Net	40,734	31,667	28.6%
(+) Depreciation and Amortization	3,299	3,916	-15.8%
(+) Financial Expenses, Net	(7,047)	(1,311)	437.5%
(=) EBITDA	36,986	34,272	7.9%

## **Financial Income (Expenses)/Capital Structure**

Financial income (expenses) reflected a better cash position in the period and showed strong growth from net financial income of R\$1.3 million in 9M06 to net financial income of R\$7.0 million in 9M07.

Net cash (cash and cash equivalents less loans) evolved from R\$77.8 million at the end of 2006 to R\$72.5 million at the end of 9M07.

In 3Q07, an additional R\$6.0 million was released from the BNDES financing for the 2005-2007 investment plan. Of the total contracted amount of R\$32.5 million, R\$27.9 million has already been released.

## **Net Income**

Net income before equity in subsidiary Livraria Saraiva totaled R\$24.4 million, representing a 30.5% increase. Net income after equity in subsidiary totaled R\$36.3 million, 56.5% higher than the result for 9M06.

## **Investments**

Investments made in 9M07 reached R\$1.6 million. The highlight in the period was the launching of the label “**Editora Saraiva Educação Multimídia**”, an initiative of Editora Saraiva intended to bring to classrooms complete, pedagogically tested multimedia solutions that can facilitate the learning process.

The first products being launched in this new segment are multimedia teaching materials for Mathematics and English containing digital teaching solutions that follow world trends on the use of new technologies in education for more dynamic teaching and learning in schools. The project, the result of a partnership with Riverdeep, one of the world’s leading companies in educational software, comprises total investments of R\$4 million and sales are scheduled to start in 2008. Saraiva expects to cover all subjects in the coming years and sell these products in private elementary and high schools and be able to negotiate possible contracts with the Government in the future to sell this product line to public schools. The Company’s management believes that this innovation has good medium- and long-term return prospects, in line with these products’ success trend in the North American and European markets.

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

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

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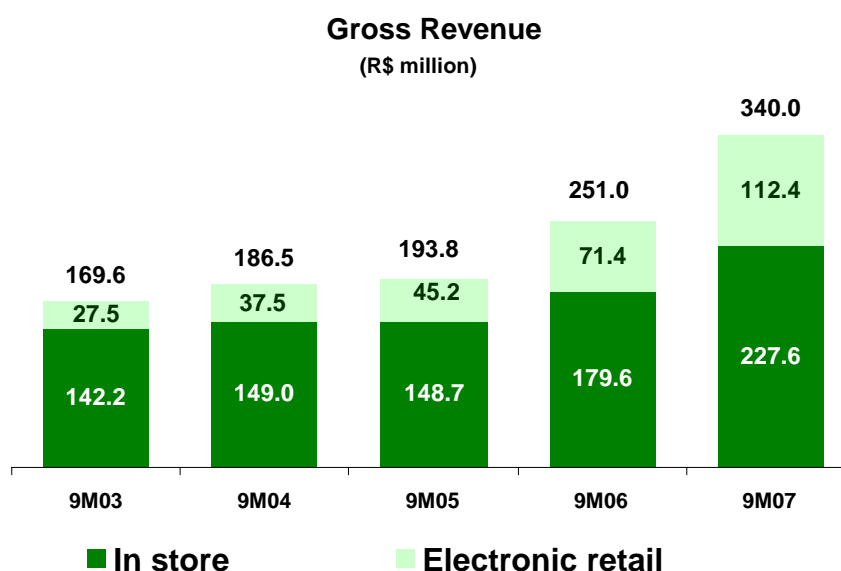
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The table below presents the main data on economic and financial performance:

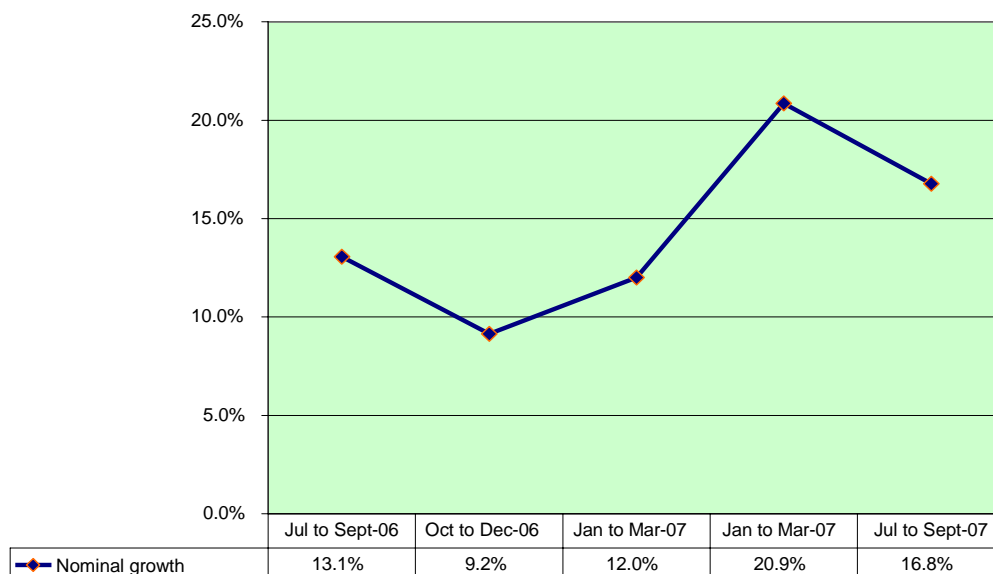
	3Q07		3Q06		HA %	9M07		9M06		HA %
	R\$ 000	VA %	R\$ 000	VA %		R\$ 000	VA %	R\$ 000	VA %	
Gross Revenue	119,053	109.6	79,769	111.2	49.2	339,974	109.5	250,982	110.9	35.5
Net Revenue	108,648	100.0	71,741	100.0	51.4	310,415	100.0	226,329	100.0	37.2
Gross Profit	38,985	35.9	26,998	37.6	44.4	112,924	36.4	83,694	37.0	34.9
Operating Expenses	30,109	27.7	22,787	31.8	32.1	89,761	28.9	74,199	32.8	21.0
Adjusted EBITDA	9,797	9.0	5,457	7.6	79.5	27,169	8.8	13,331	5.9	103.8
Financial Income (Exp.), Net	(1,541)	-1.4	(876)	-1.2	75.9	(3,456)	-1.1	(1,552)	-0.7	122.7
Net Income	4,313	4.0	1,817	2.5	137.4	11,839	3.8	3,780	1.7	213.2



Livraria's gross revenue increased 49.2% in 3Q07 in relation to 3Q06, to R\$119.1 million. In 9M07, gross revenue totaled R\$340.0 million, up 35.5% in relation to 9M06. Both in-store sales - 36.8% in 3Q07 and 26.7% in 9M07 - and e-retail sales - 81.9% in 3Q07 and 57.4% in 9M07 - recorded a significant increase.

The analysis of comparable sales (excluding stores opened in 2007) shows a growth of 16.8% in 3Q07 and 16.1% in 9M07. The graph below shows the sales growth evolution for the quarter, against the same prior of the prior year for comparable stores.

#### Nominal growth of comparable stores – by quarter



This good sales performance has been driven by several factors. Among such factors are the positive economic scenario evidenced by the increase in income and credit indicators, the continuous success of the “Saraiva Plus” customer loyalty program, the introduction of new product categories, and the competent implementation of the store chain expansion program.

In addition to a successful sales mix expansion strategy, especially the sale of IT products (+184.2% in 3Q07 and +218.5% in 9M07), the book segment, the Company’s flagship division, continues to post strong growth, reaching 46.2% in 3Q07 and 29.7% in 9M07.

The nominal growth index in the book, newspaper, magazine and stationery sector, released by the IBGE (Brazilian Institute of Geography and Statistics) in the monthly survey of commerce (January to August 2007), showed a growth of 9.2%. These segments grew 28.0% at Saraiva in the same period, which shows an important gaining of market share.

#### Gross Profit

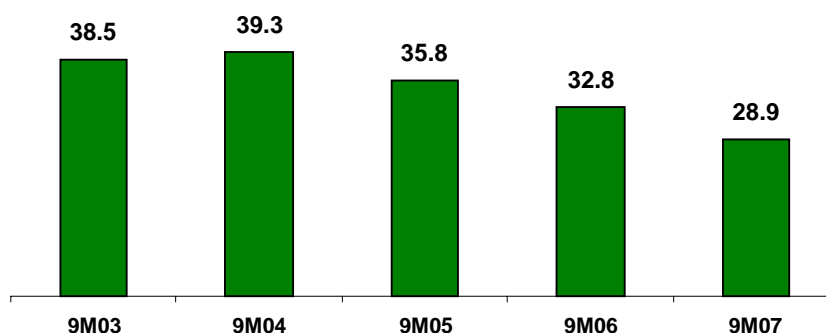
Gross profit reached R\$39.0 million in 3Q07, growing 44.4% when compared to 3Q06. Gross profit for 9M07 totaled R\$112.9 million, a 34.9% increase. Gross margin in 3Q07 was 35.9%, lower than in 3Q06 when it reached 37.6%. Gross margin for 9M07 was 36.4% against 37.0% in 9M06. This reduction results from the advancement of the inventory taking date for September 2007 (in 2006 inventory was taken in October). Excluding this effect, margins in 3Q07 and 9M07 would be practically the same as those for the same periods of the prior year.

## Income from Operations

A major focus of the Company's Management is the increase in operating efficiency through cost reduction actions. The effectiveness in cost control is crucial to ensure that the increase in revenue results in actual profitability gains.

The operating expenses to net revenue ratio improved significantly, dropping to 27.7% in 3Q07 from 31.8% in 3Q06. In the first nine months, this ratio dropped to 28.9% in 2007 from 32.8% in 2006. Even with the impact of R\$1.0 million in preoperating expenses related to the opening of stores in the period, the increase in operating efficiency through cost reduction actions allowed Saraiva to reach positive results. The graph below shows the evolution of this important indicator.

Operating Expenses/Net Revenue Ratio - %



## EBITDA

Adjusted EBITDA reached R\$9.8 million in 3Q07, a 79.5% increase. EBITDA for 9M07 was R\$27.2 million, up 103.8% in relation to 9M06. EBITDA margin was 9.0% in 3Q07 and 8.8% in 9M07 against 7.6% and 5.9% in 3Q06 and 9M06, respectively.

Reconciliation of EBITDA - R\$ 000	9M07	9M06	Var.
Income from Operations after Financial Expenses, Net	19,658	6,477	203.5%
(+) Depreciation and Amortization	4,310	3,700	16.5%
(+) Financial Expenses, Net	3,456	1,552	122.7%
(=) EBITDA	27,424	11,729	133.8%
(+) Provision for Redemption of "Saraiva Plus" Bonuses (1)	(255)	1,602	-115.9%
(=) Adjusted EBITDA	27,169	13,331	103.8%

(1) Refers to the provision for future redemption of bonuses, which does not represent actual cash outflow.

## Financial Expenses/Capital Structure

Net financial expenses for 3QT07 totaled R\$1.5 million, against R\$876 thousand for 3Q06. Net financial expenses for the first nine months reached R\$3.5 million in 2007 and R\$1.6 million in 2006.

Net cash evolved from R\$6.4 million at the end of 2006 to a net debt of R\$13.0 million at the end of September 2007.

Changes in financial expenses and net debt result from the intensification of investments in store chain expansion and the increase in working capital requirements due to the rapid sales growth.

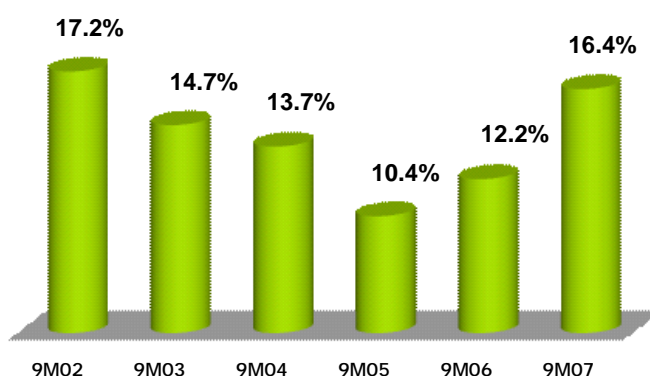
In 3Q07, an additional R\$1.1 million was released from the BNDES financing for the 2005-2008 store chain expansion investment plan. Of the total contracted amount of R\$22.1 million, R\$14.9 has already been released.

## Working capital

The increasing share of the IT products segment in the sales mix and the expansion of customer financing have contributed decisively to the rapid sales growth. At the same time these factors have resulted in higher working capital requirements. The working capital to gross sales ratio was 16.4% in 9M07 against 12.2% in the same period of the prior year.

Management is still focused on developing actions that result in gains on inventory turnover, which may support the strategy of financing sales to customers with even greater efficiency.

### Working Capital (1)/Gross Revenue (2)



(1) Inventories + Trade accounts receivable - Trade accounts payable (monthly average for the last 12 months)

(2) Gross sales in the last 12 months

## **Net Income**

The good sales performance and the efficient cost control resulted in significant improvements in net income. Net income for 3Q07 was R\$4.3 million against R\$1.8 million in 3Q06. Net income for the first nine months totaled R\$11.8 million in 2007, a 213.2% increase in relation to the R\$3.8 million obtained in 2006.

## **Investments/Subsequent Events**

Total amount invested in 9M07 was R\$12.5 million. The main highlight for the period was the opening of six new stores, which consolidated even further Saraiva's leadership in the main consumer markets, such as São Paulo and Rio de Janeiro, and permitted the entry in high potential markets such as Salvador and Florianópolis. The new stores have the following characteristics:

- Norte shopping mall in the city of Rio de Janeiro, with 620m<sup>2</sup> of sales area, opened in January 2007.
- Building of the IBMEC college, in the city of Rio de Janeiro, with a total area of 200m<sup>2</sup>, opened at the end of February 2007.
- Iguatemi shopping mall in Florianópolis, with 610m<sup>2</sup> of sales area, opened in April 2007.
- Salvador shopping mall, with 1.280m<sup>2</sup> of sales area, the largest book store in Salvador, opened in May 2007.
- Novo Shopping, an important trading center in the city of Ribeirão Preto, with 400m<sup>2</sup> of sales area, opened in June 2007.
- Santana shopping mall, with 450m<sup>2</sup> of sales area, in the city of São Paulo, opened in October 2007.

Another important investment in 9M07 was the renovation of the Mega Store in Iguatemi shopping mall in Campinas, São Paulo. With cutting-edge interior design and an atmosphere that favors the comfort of customers, the store was renovated according to the current layout design and product mix standards defined by Management, a model that has been a success in recently opened stores.

## **Marketing/Partnerships**

The "Saraiva Plus" customer loyalty program, launched in the second half of 2005, already has 1,616,000 members, a 10.4% growth as compared to the customer base at the end of June 2007. With a system that facilitates point earning and simplifies point redemption, this program has been a success in retaining old customers and attracting new ones.

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In 3Q07, Saraiva entered into an agreement with Banco do Brasil to launch the **Saraiva credit card**. It is an international card with characteristics that differentiate it from other credit cards, such as a broad range of benefits and appeals, which will help increasing the institutional value of the Saraiva brand and allow it to have an even closer relationship with customers. The project started with a pilot operation in October and the first indicators allow anticipating good results.

### Saraiva.com - Livraria Saraiva's Electronic Retail Division

Indicators - Saraiva.com	3Q07	3Q06	Var.	9M07	9M06	Var.
Gross Revenue (R\$ 000)	40,136	22,065	81.9%	112,368	71,408	57.4%
Operating Expenses (SG&A)	7,021	4,032	74.1%	19,934	14,471	37.8%
Adjusted EBITDA (R\$ 000) <sup>(1)</sup>	4,345	3,143	38.2%	14,038	8,945	56.9%
Active customers (000) <sup>(2)</sup>	1,131	989	14.4%	1,131	989	14.4%
% of Livraria's Gross Revenue	33.7%	27.7%	6.0 p.p.	33.1%	28.5%	4.6 p.p.
Average Ticket (R\$)	146.91	115.61	27.1%	133.29	111.80	19.2%

<sup>(1)</sup> Adjusted EBITDA: includes in the calculation the provision for future redemption of "Saraiva Plus" bonuses which does not represent cash outflow.

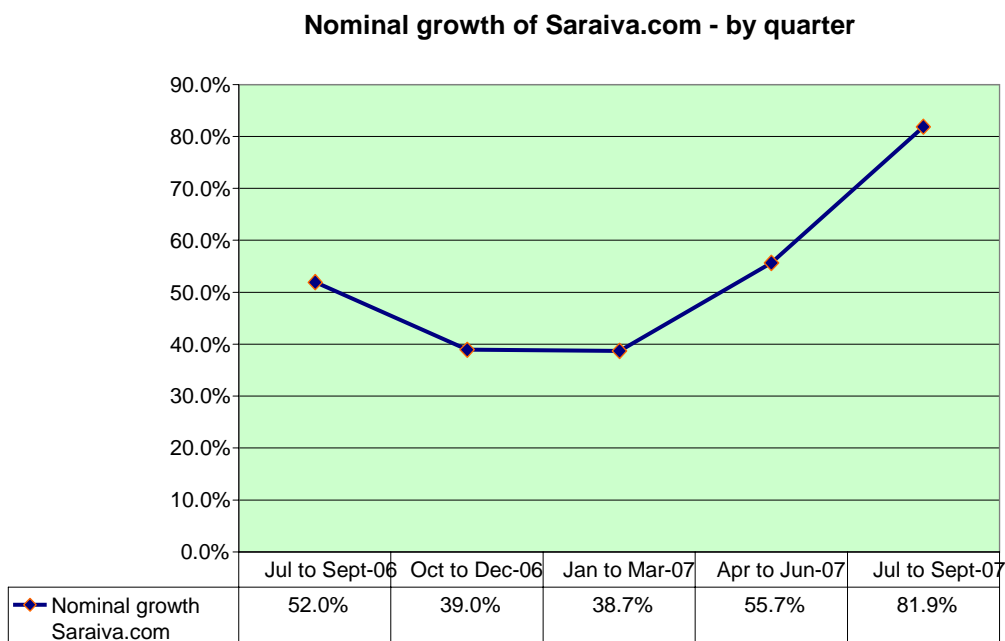
<sup>(2)</sup> Active customers: users who have made at least one purchase per year in the last two years.

Gross revenue for 3Q07 totaled R\$40.1 million, an increase of 81.9% in relation to 3Q06. Gross revenue for 9M07 totaled R\$112.4 million, 57.4% higher than in 9M06.

The strategy to increase the range of product categories has proven correct and has resulted in a steady increase in the average ticket, which grew 27.1% in 3Q07 and 19.2% in 9M07. The total number of active items registered for sale reached 1,443,000 at the end of 9M07 a 34.4% increase in relation to the end of 9M06.

The highlight of the new categories is still the IT products segment, with a growth of 275% in 3Q07 and 268% in 9M07. The cellphone line, the sale of which started in 3Q07, has already accounted for 2.9% of total electronic retail sales in the period.

Electronic retail has represented an increasing share in Livraria's operations. The share of the electronic retail division in Livraria's total gross revenue reached 33.7% in 3Q07 and 33.1% in 9M07. The graph below shows the sales growth evolution for the quarter compared to the same quarter of the prior year.



Management has invested strongly in actions that result in the continuous enhancement of customer service, so that Saraiva's e-retail division may participate with the maximum efficiency in the favorable scenario for e-commerce in Brazil. In recognition for this effort, Saraiva received again from e-bit (company specialized in the Internet) the "Excellence in B2C Electronic Commerce Quality - 2007" award, and was elected by consumers as one of the best on-line stores in terms of service standard.

The remarkable sales performance together with an efficient cost control has allowed the Company to obtain important gains of scale, as shown in the graph below.

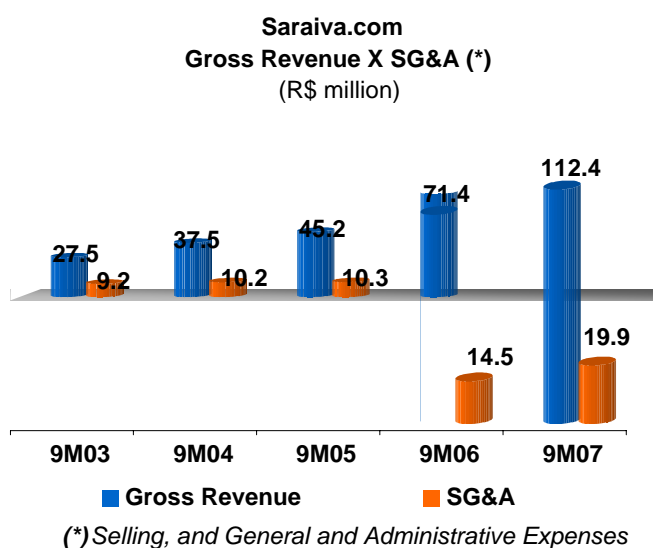
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## CONSOLIDATED

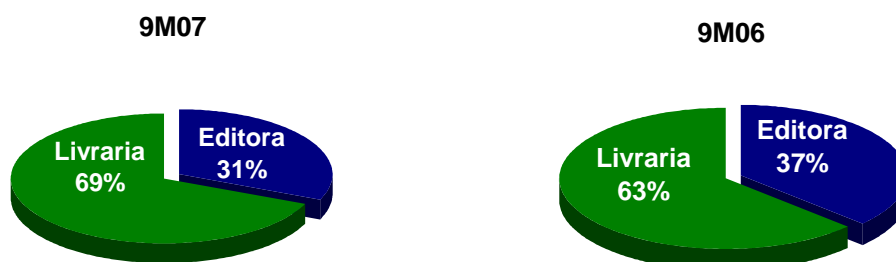
The table below presents the main indicators of the consolidated economic and financial performance.

R\$ 000	3Q07	3Q06	Var.	9M07	9M06	Var.
Gross Revenue	144,163	101,812	41.6%	495,549	397,300	24.7%
Net Revenue	133,714	93,737	42.6%	465,866	372,458	25.1%
Gross Profit	58,836	42,566	38.2%	235,786	198,576	18.7%
<b>Gross Margin</b>	<b>44.0%</b>	<b>45.4%</b>		<b>50.6%</b>	<b>53.3%</b>	
Income from Operations (EBIT) (a)	3,913	(3,490)	-212.1%	56,801	38,385	48.0%
<b>Operating Margin</b>	<b>2.9%</b>	<b>-3.7%</b>		<b>12.2%</b>	<b>10.3%</b>	
Financial Income (Expenses)	537	1,293	-58.5%	3,591	(241)	-1590.0%
Net Income	1,790	(2,313)	-177.4%	36,263	23,176	56.5%
<b>Net Margin</b>	<b>1.3%</b>	<b>-2.5%</b>		<b>7.8%</b>	<b>6.2%</b>	
Adjusted EBITDA (b)	6,131	(717)	-955.1%	64,155	47,603	34.8%
<b>EBITDA Margin</b>	<b>4.6%</b>	<b>-0.8%</b>		<b>13.8%</b>	<b>12.8%</b>	
Total Assets	430,168	358,678	19.9%	430,168	358,678	19.9%
Shareholders' Equity	267,699	222,131	20.5%	267,699	222,131	20.5%
Net Cash/(Indebtedness)	59,496	74,862	-20.5%	59,496	74,862	-20.5%

(a) Earnings before interest and taxes

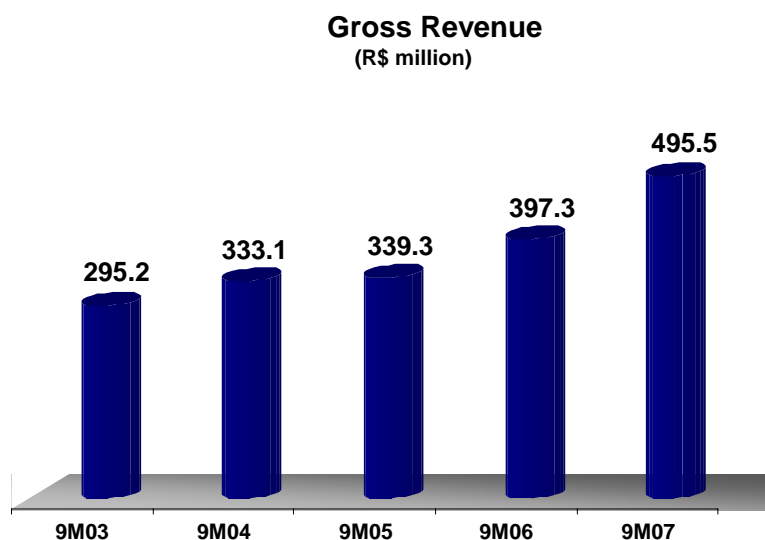
(b) Earnings before interest, taxes, depreciation and amortization and provision for redemption of "Saraiva Plus" bonuses

### Mix of Consolidated Gross Revenue



### Gross Revenue

Gross revenue totaled R\$144.2 million, an increase of 41.6% in relation to 3Q06. Gross revenue for 9M07 was R\$495.5 million, a 24.7% increase boosted by the significant increase in Livraria's revenue, which accounted for 69% of total consolidated revenue.



### Gross Profit

Consolidated gross profit totaled R\$58.8 million in 3Q07, increasing 38.2%. Gross profit for 9M07 totaled R\$235.8 million, an increase of 18.7% over 9M06. Gross margin was 44.0% in 3Q07 against 45.4% in 3Q06. Gross margin for the first nine months was 50.6% in 2007 and 53.3% in 2006. This drop reflects mainly the higher weighted share of Livraria in consolidated.

## Income from Operations

Income from operations before financial income/expenses (EBIT) was positive by R\$3.9 million in 3Q07 and negative by R\$3.5 million in the same period of the prior year. Income from operations for 9M07 reached R\$56.8 million, an increase of 48.0%.

## EBITDA

Adjusted EBITDA was positive by R\$6.1 million in 3Q07 and negative by R\$717 thousand in 3Q06. Adjusted EBITDA for 9M07 was R\$64.2 million, an increase of 34.8%.

Reconciliation of EBITDA - R\$ 000	9M07	9M06	Var.
Income from Operations after Financial Expenses, Net	60,392	38,144	58.3%
(+) Depreciation and Amortization	7,609	7,616	-0.1%
(+) Financial Expenses, Net	(3,591)	241	-1590.0%
(=) EBITDA	64,410	46,001	40.0%
(+) Provision for Redemption of "Saraiva Plus" Bonuses (1)	(255)	1,602	-115.9%
(=) Adjusted EBITDA	64,155	47,603	34.8%

(1) Refers to the provision for future redemption of bonuses, which does not represent actual cash outflow.

## Financial Income (Expenses)/Capital Structure

Financial income (expenses) recorded net financial income of R\$537 thousand in 3Q07 against net financial income of R\$1.3 million in 3Q06. Financial income (expenses) for the first nine months went from net financial expenses of R\$241 thousand in 2006 to net financial income of R\$3.6 million in 2007, reflecting the increase in Editora's financial income.

The consolidated financial position went from net cash of R\$84.1 million at the end of 2006 to R\$59.5 million at the end of September 2007, explained mainly by the strong pace of investment in Livraria's store chain expansion.

In 3Q07 the Company received an additional R\$7.1 million from the BNDES long-term financing. In 9M07, R\$19.5 million has already been released, on a consolidated basis.

## Net Income

The good results of Livraria more than offset the effect of seasonality typical of the publishing segment at this time of the year. Net income for 3Q07 was R\$1.8 million against net loss of R\$2.3 million in 3Q06. This evolution is significant since for the first time in its recent history Saraiva records income for the third quarter. Net income for 9M07 was R\$36.3 million, a 56.5% increase in relation to 9M06.

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## CAPITAL MARKET

The following indicators summarize the trading of Saraiva's shares in 9M07 as compared to 9M06:

Indicators	9M07	9M06	Var.
Number of Trades <sup>(1)</sup>	12,584	20,187	-37.7%
Participation in Trading Sessions - % <sup>(1)</sup>	100.0	100.0	
Quantity Traded - 000 <sup>(1)</sup>	14,618	13,460	8.6%
Volume Traded - R\$ 000 <sup>(1)</sup>	387,959	270,322	43.5%
Share Price - R\$ <sup>(1) (2)</sup>	32.30	18.70	72.7%
Total Shares Outstanding - 000 <sup>(2) (3)</sup>	28,230	28,230	0.0%
<b>Market Value - R\$ million <sup>(2) (4)</sup></b>	<b>911.8</b>	<b>527.9</b>	<b>72.7%</b>

Source: Bovespa (São Paulo Stock Exchange)

(1) Referring to preferred shares (SLED4)

(2) At end of period

(3) 3,000,000 preferred shares were issued in April 2006.

(4) Estimated calculation based on preferred share quotation also for common shares

Saraiva is aware of the importance of the capital market for its business strategy. The commitment to its business soundness and the clear determination to only make investments aligned with the Company's growth strategy and an expectation of adequate return to shareholders have resulted in a positive perception from investors and a consistent evolution of the Company's shares liquidity indicators.

The valuation of the preferred shares (SLED4) reached 72.7% in the last 12 months, surpassing Ibovespa's performance of 65.9% for the period.

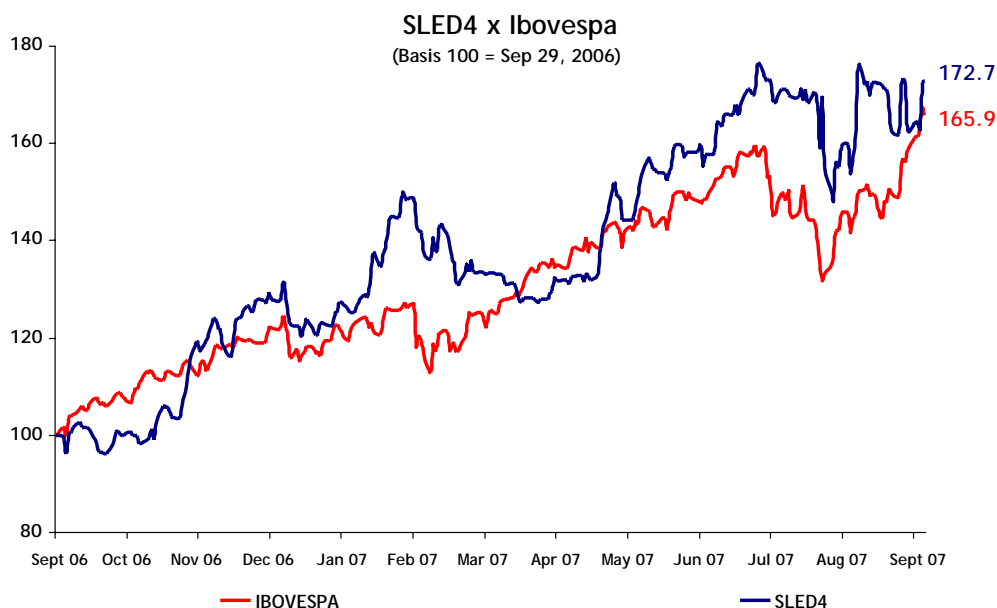
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## OUTLOOK

Saraiva is living a special moment in its almost 93-year history. There is a combination of positive factors that favor the growth prospects in the main segments where Saraiva Group companies operate.

The Company has clearly shown its concern about a quality education as the main road for the country to achieve sustained economic development. The tangible side of this trend can be noted in the initiatives to expand government investments, such as the approval of Fundeb (Basic Education Maintenance and Development and Education Professionals Valuing Fund), the launching of the More Culture Program, covering all subjects with high schools textbooks starting 2009, and the intention to include new subjects in Government procurement of textbooks.

**Editora Saraiva** is developing an intense base work in its main publishing lines, by increasing its staff resources and launching new products, which we expect will produce good results in the coming years.

The contracts negotiated with FNDE (National Education Development Fund) to supply textbooks to elementary and high schools in 2008 total R\$98.5 million, which is the highest sales volume related to the PNLD and PNLEM in the history of Saraiva's participation in these programs.

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In addition to the possibilities of organic growth, Editora is still focused on studying possible strategic acquisition or association opportunities, in addition to exploring other niches, such as the entry in the multimedia educational content segment.

At **Livraria**, the continuity of economic growth and the recovery of the population's income foster value generation through several growth opportunities.

Regarding possible strategic acquisitions, as disclosed in the significant event notice of August 16, 2007, we are negotiating the acquisition of all the shares of Livraria Siciliano.

In the store chain expansion project, six new stores were opened from January to October 2007. Another Mega Store will be opened in November 2007 to replace the traditional format store located in Paulista shopping mall in São Paulo. Two other units are currently at final contracting stage. One of the stores starts the expansion strategy in the Minas Gerais market and the other store expands Saraiva's presence in the Rio Grande do Sul market. There is also the possibility of surpassing the initial goal of eleven stores opened in 2007-2008 if Management finds good investment opportunities.

The focus of the electronic retail division will still be on the increase of operations by including new product categories that permit efficient and profitable growth.

*Adjusted EBITDA represents earnings before interest, taxes, depreciation, amortization, and the provision for redemption of "Saraiva Plus" bonuses. EBITDA is not a measure used under Brazilian accounting practices or under accounting principles generally accepted in other countries, not representing cash flows for the reporting periods, and should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flows as an indicator of liquidity. EBITDA does not have a standardized meaning and this definition of EBITDA may not be comparable to EBITDA as defined by other companies.*

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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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**09.01- SUBSCRIBED CAPITAL AND ALTERATIONS IN THE CURRENT YEAR**

01 - ITEM 01	2- COMPANY NAME LIVRARIA E PAPELARIA SARAIVA S.A.	3 - Federal Corporate Taxpayers' Registration Number (CNPJ) 61.254.454/0001-83	5 - % Interest in the subsidiary equity 99.91	6- % Liquid investment of the company 23.70
7- Company Commercial company, manufacturing and others	8- Number of shares in the six-month period 57,490	9- Number of shares in the quarter 57,490		

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16.01 - OTHER RELEVANT INFORMATION

Additional Requirements for Level 2 of Corporate Governance Practices

**1. Shareholders with more than 5% of shares of each type and class - ITR**

<b>SHAREHOLDING POSITION OF HOLDERS OF MORE THAN 5% OF EACH CATEGORY AND CLASS OF SHARES OF THE COMPANY, UP TO THE LEVEL OF INDIVIDUAL</b>						
<b>Company SARAIVA S.A. LIVREIROS EDITORES</b>					<b>Position as of 09/30/2007 (in thousands of shares)</b>	
<b>Shareholder</b>	<b>Common shares</b>		<b>Preferred shares</b>		<b>Total</b>	
	<b>Quantity</b>	<b>%</b>	<b>Quantity</b>	<b>%</b>	<b>Quantity</b>	<b>%</b>
Jorge Eduardo Saraiva	4,520	46.98	-	-	4,520	15.81
Olga Maria Barbosa Saraiva	1,131	11.76	-	-	1,131	3.96
Maria Eugênia Saraiva M. Golçalves	494	5.13	-	-	494	1.73
Maria Henriqueta Saraiva M. Golçalves	494	5.13	-	-	494	1.73
Maria Cecília Saraiva M. Golçalves	494	5.13	-	-	494	1.73
Maria Sylvia Saraiva M. Golçalves	494	5.13	13	0.07	507	1.77
HSBC Global Investment Funds (i)	-	-	2,027	10.68	2,027	7.08
Hatteras LLC (i)	1	0.01	1,288	6.79	1,289	4.51
IRB Brasil Resseguros S.A. (ii)	-	-	980	5.16	980	3.43
Treasury shares	-	-	366	1.93	366	1.28
Other	1,994	20.73	14,300	75.37	16,294	56.97
<b>Total</b>	<b>9,622</b>	<b>100.00</b>	<b>18,974</b>	<b>100.00</b>	<b>28,596</b>	<b>100.00</b>

(i) Shareholder with head office abroad.

(ii) Information up to the level of individual was not disclosed by IRB Brasil Resseguros S.A.

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16.01 - OTHER RELEVANT INFORMATION

**2. Position of controlling shareholders and management, and outstanding shares**

<b>CONSOLIDATED POSITION OF CONTROLLING SHAREHOLDERS AND MANAGEMENT, AND OUTSTANDING SHARES</b>						
<b>Position as of 09/30/2007</b>						
<b>Shareholder</b>	<b>Number of common shares (in units)</b>	<b>%</b>	<b>Number of preferred shares (in units)</b>	<b>%</b>	<b>Total number of shares (in units)</b>	<b>%</b>
Controlling shareholder	4,520,326	46.98	-	-	4,520,326	15.81
<b>Management</b>						
Board of Directors	649,593	6.75	13,501	0.07	663,094	2.32
Officers	-		82,609	0.44	82,609	0.29
Fiscal Council (iii)	-		-			
Treasury shares	-		365,750	1.93	365,750	1.28
Other shareholders	4,452,394	46.27	18,511,950	97.56	22,964,344	80.30
Total	9,622,313	100.00	18,973,810	100.00	28,596,123	100.00
Outstanding shares	4,452,394	46.27	18,511,950	97.56	22,964,344	80.30

<b>CONSOLIDATED POSITION OF CONTROLLING SHAREHOLDERS AND MANAGEMENT, AND OUTSTANDING SHARES</b>						
<b>Position as of 09/30/2006 (12 months earlier)</b>						
<b>Shareholder</b>	<b>Number of common shares (in units)</b>	<b>%</b>	<b>Number of preferred shares (in units)</b>	<b>%</b>	<b>Total number of shares (in units)</b>	<b>%</b>
Controlling shareholder	4,520,326	46.98	-	-	4,520,326	15.81
<b>Management</b>						
Board of Directors	649,594	6.75	50,500	0.26	700,094	2.45
Officers	-		82,609	0.44	82,609	0.29
Fiscal Council (iii)	-		-			
Treasury shares	-		365,750	1.93	365,750	1.28
Other shareholders	4,452,393	46.27	18,474,951	97.37	22,927,344	80.17
Total	9,622,313	100.00	18,973,810	100.00	28,596,123	100.00
Outstanding shares	4,452,393	46.27	18,474,951	97.37	22,927,344	80.17

(iii) The Company did not establish the Fiscal Council.

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16.01 - OTHER RELEVANT INFORMATION

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### **3. Arbitration commitment clause**

The Company, its controlling shareholders, board of directors and members of fiscal council are linked to the Market Arbitration Chamber, pursuant to the Commitment Clause in the bylaws.

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17.01 - INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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(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, consisting of the individual (Company) and consolidated balance sheets as of September 30, 2007, 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. The individual (Company) and consolidated statements of cash flows, included as supplementary information, for the quarters and nine-month periods ended September 30, 2007 and 2006, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such statements have been subject to the same review procedures described in paragraph 2 and, based on our review, we are not aware of any material modifications that should be made for them to be fairly presented, in all material respects, in relation to the interim financial statements taken as a whole.
5. We had previously reviewed the individual (Company) and consolidated balance sheets as of March 31, 2007 and the consolidated statements of operations for the quarter and nine-month period ended September 30, 2006, presented for comparative purposes, and issued unqualified special review reports thereon, dated August 13, 2007 and November 10, 2006, respectively.

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17.01 - INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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6. The accompanying interim financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, November 12, 2007

DELOITTE TOUCHE TOHMATSU  
Auditores Independentes

Maurício Pires de Andrade Resende  
Engagement Partner

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

Code	Description	3-07/01/2007 to 09/30/2007	4-01/01/2007 to 09/30/2007	5-07/01/2006 to 09/30/2006	6-01/01/2006 to 09/30/2006
3.01	Gross revenue from sales and/or services	119,053	339,974	79,769	250,982
3.02	Deductions from gross revenue	(10,405)	(29,559)	(8,028)	(24,653)
3.03	Net revenue from sales and/or services	108,648	310,415	71,741	226,329
3.04	Cost of sales and/or services	(69,663)	(197,491)	(44,743)	(142,635)
3.05	Gross profit	38,985	112,924	26,998	83,694
3.06	Operating (expenses) income	(31,894)	(93,266)	(23,937)	(77,217)
3.06.01	Selling expenses	(23,942)	(70,721)	(17,636)	(58,254)
3.06.02	General and administrative expenses	(4,587)	(14,730)	(3,914)	(12,245)
3.06.02.01	Management compensation	(446)	(1,398)	(472)	(1,368)
3.06.02.02	Other	(4,141)	(13,332)	(3,442)	(10,877)
3.06.03	Financial	(1,541)	(3,456)	(876)	(1,552)
3.06.03.01	Financial income	94	280	49	842
3.06.03.02	Financial expenses	(1,635)	(3,736)	(925)	(2,394)
3.06.04	Other operating income	324	733	8	159
3.06.05	Other operating expenses	(2,148)	(5,092)	(1,519)	(5,325)
3.06.05.01	Depreciation and amortization	(1,580)	(4,310)	(1,237)	(3,700)
3.06.05.02	Other	(568)	(782)	(282)	(1,625)
3.06.06	Equity in subsidiary	0	0	0	0
3.07	Income (loss) from operations	7,091	19,658	3,061	6,477
3.08	Nonoperating income (expenses)	(30)	(34)	(24)	(133)
3.08.01	Income	0	0	0	0
3.08.02	Expenses	(30)	(34)	(24)	(133)
3.09	Income before taxes and profit sharing	7,601	19,624	3,037	6,344
3.10	Provision for income and social contribution taxes	(2,066)	(2,743)	0	0
3.11	Deferred income tax	(203)	(3,727)	(1,018)	(2,144)

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

Code	Description	3-07/01/2007 to 09/30/2007	4-01/01/2007 to 09/30/2007	5-07/01/2006 to 09/30/2006	6-01/01/2006 to 09/30/2006
3.12	Profit sharing/contributions	(479)	(1,315)	(202)	(420)
3.12.01	Profit sharing	(479)	(1,315)	(202)	(420)
3.12.02	Contributions	0	0	0	0
3.13	Reversal of interest on capital	0	0	0	0
3.15	Net income (loss)	4,313	11,839	1,817	3,780
	NUMBER OF SHARES, EX-TREASURY (THOUSANDS)	57,540	57,540	57,540	57,540
	EARNINGS PER SHARE	0.07496	0.20575	0.03158	0.06569
	LOSS PER SHARE				

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18.02 - PERFORMANCE REPORT OF THE SUBSIDIARY/AFFILIATE

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**Subsidiary/Affiliate: LIVRARIA E PAPELARIA SARAIVA S.A.**

SEE CONSOLIDATED PERFORMANCE REPORT FOR THE QUARTER - 08.01/ITR.