

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

Saraiva S.A.
Livreiros Editores

*Individual and Consolidated Interim Financial
Information for the Quarter Ended September
30, 2011 and Report on Review of Interim
Financial Information*

Deloitte Touche Tohmatsu Auditores Independentes

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the interim individual and consolidated financial information of Saraiva S.A. Livreiros Editores (“Editora”) contained in the Interim Financial Statements (ITR) Form for the quarter ended September 30, 2011, which comprise the balance sheet as of September 30, 2011 and the related statements of income for the quarter and nine-month period then ended, changes in equity and cash flows for the nine-month period then ended, including the explanatory notes.

Management is responsible for the preparation of this interim individual financial information in accordance with technical pronouncement CPC 21 - Interim Financial Reporting, and interim consolidated financial information in accordance with technical pronouncement CPC 21 and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of this information in conformity with the standards issued by the Brazilian Securities and Exchange Commission (CVM), which are applicable to the preparation of the Interim Financial Statements (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with accounting practices adopted in Brazil and International Standard on Review Engagements (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the interim individual financial statements

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim individual financial information included in the Interim Financial Statements (ITR) is not prepared, in all material respects, in accordance with CPC 21, applicable to the preparation of the Interim Financial Statements (ITR), and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM).

Conclusion on the interim consolidated financial statements

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information included in the Interim Financial Statements (ITR) is not prepared, in all material respects, in accordance with CPC 21 and IAS 34, applicable to the preparation of the Interim Financial Statements (ITR), and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM).

Other matters

Statements of value added

We have also reviewed the interim individual and consolidated statements of value added (DVA) for the nine-month period ended September 30, 2011, the presentation of which is required by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of interim financial information and considered supplemental information by IFRS, which does not require the presentation of a DVA. These statements were subject to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they are not fairly presented, in all material respects, in relation to the interim individual and consolidated financial statements taken as a whole.

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

São Paulo, November 10, 2011

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Eduardo Franco Tenório
Engagement Partner

Interim Financial Statements - 9/30/2011 - Saraiva S.A. Livreiros Editores

CAPITAL

NUMBER OF SHARES (THOUSANDS)	1 - CURRENT QUARTER 9/30/2011		
Paid-up Capital			
1 - Common	9,622		
2 - Preferred	18,974		
3 - Total	28,596		
Treasury Shares			
4 - Common	0		
5 - Preferred	291		
6 - Total	291		

DIVIDENDS APPROVED AND/OR PAID DURING AND AFTER THE QUARTER

1 - ITEM	2 - EVENT	3 - DATE OF APPROVAL	4 - TYPE	5 - BEGINNING OF PAYMENT	6 - TYPE OF SHARE	7 - AMOUNT PER SHARE
01	Annual Shareholders' Meeting	4/25/2011	Interest on Capital	4/29/2011	Registered common	0.78629
02	Annual Shareholders' Meeting	4/25/2011	Interest on Capital	4/29/2011	Registered preferred	0.78629

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SARAIVA S.A. LIVREIROS EDITORES AND SUBSIDIARY

BALANCE SHEETS AS OF SEPTEMBER 30, 2011

(In thousands of Brazilian reais - R\$)

<u>ASSETS</u>	<u>Note</u>	<u>Editora -</u>		<u>Consolidated -</u>	
		<u>BR GAAP</u>		<u>IFRS & BR GAAP</u>	
		<u>9/30/11</u>	<u>12/31/10</u>	<u>9/30/11</u>	<u>12/31/10</u>
CURRENT ASSETS					
Cash and cash equivalents	5	824	58,672	4,460	65,991
Trade receivables	6	82,250	79,767	227,731	284,908
Inventories	7	171,811	119,821	413,960	355,930
Recoverable taxes	8	14,487	6,904	83,761	63,907
Other receivables		13,751	11,597	17,903	15,340
Prepaid expenses		21,762	146	23,007	379
Total current assets		<u>304,885</u>	<u>276,907</u>	<u>770,822</u>	<u>786,455</u>
NONCURRENT ASSETS					
Long-term assets:					
Intragroup loans	10.a)	-	16,550	-	-
Deferred income tax and social contribution	9.a)	706	1,776	40,761	39,015
Escrow deposits	20	15,423	16,126	28,528	28,740
Recoverable taxes	8	-	-	33,922	17,888
Receivables for sale of property and equipment		-	-	-	-
Prepaid expenses		-	-	403	-
Other		30	183	43	195
		<u>16,159</u>	<u>34,635</u>	<u>103,657</u>	<u>85,838</u>
Investments:					
In subsidiary	11	273,669	240,689	-	-
Other		605	430	565	565
Property, plant and equipment	12	34,380	34,994	125,147	124,731
Intangible assets	13	9,057	7,167	40,549	27,621
Goodwill	14	14,596	14,596	77,267	77,267
Total noncurrent assets		<u>348,466</u>	<u>332,511</u>	<u>347,185</u>	<u>316,022</u>
TOTAL ASSETS		<u><u>653,351</u></u>	<u><u>609,418</u></u>	<u><u>1,118,007</u></u>	<u><u>1,102,477</u></u>

Interim Financial Statements - 9/30/2011 - Saraiva S.A. Livreiros Editores

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SARAIVA S.A. LIVREIROS EDITORES AND SUBSIDIARY

BALANCE SHEETS AS OF SEPTEMBER 30, 2011

(In thousands of Brazilian reais - R\$)

<u>LIABILITIES AND EQUITY</u>	<u>Note</u>	<u>Editora -</u>		<u>Consolidated -</u>	
		<u>BR GAAP</u>		<u>IFRS & BR GAAP</u>	
		<u>9/30/11</u>	<u>12/31/10</u>	<u>9/30/11</u>	<u>12/31/10</u>
CURRENT LIABILITIES					
Trade payables	17	52,471	34,997	238,666	279,076
Borrowings and financing	15	36,100	3,486	109,869	96,875
Accrued payroll and related charges	19	10,430	7,204	22,860	17,147
Taxes payable	18	1,342	9,232	3,525	13,810
Copyrights payable		5,109	18,117	5,820	18,828
Management profit sharing	10.b)	1,965	5,485	1,965	5,485
Dividends and interest on capital	21.c)	68	11,723	68	11,723
Deferred revenue - loyalty program	16	-	-	6,505	7,615
Operating lease - store rentals	27	540	505	6,910	8,727
Other payables		316	3,134	9,182	11,353
Total current liabilities		<u>108,341</u>	<u>93,883</u>	<u>405,370</u>	<u>470,639</u>
NONCURRENT LIABILITIES					
Borrowings and financing	15	49,857	66,431	201,209	144,137
Intragroup loans	10.a)	28,663	-	-	-
Deferred income tax and social contribution	9.a)	22,996	15,377	49,210	37,043
Provision for tax, civil and labor contingencies	20	8,750	8,813	21,971	20,265
Taxes payable	18	44	435	44	435
Other payables		11	66	5,462	5,494
Total noncurrent liabilities		<u>110,321</u>	<u>91,122</u>	<u>277,896</u>	<u>207,374</u>
EQUITY					
Capital		203,653	190,978	203,653	190,978
Treasury shares		(4,372)	(1,965)	(4,372)	(1,965)
Earnings reserves		206,447	216,326	206,447	216,326
Valuation adjustments to equity		11,279	11,279	11,279	11,279
Proposed additional dividends	21.c)	-	7,795	-	7,795
Retained earnings		17,682	-	17,682	-
Equity attributable to owners of the Company		434,689	424,413	434,689	424,413
Noncontrolling interests		-	-	52	51
Total equity		<u>434,689</u>	<u>424,413</u>	<u>434,741</u>	<u>424,464</u>
TOTAL LIABILITIES AND EQUITY		<u><u>653,351</u></u>	<u><u>609,418</u></u>	<u><u>1,118,007</u></u>	<u><u>1,102,477</u></u>

The accompanying notes are an integral part of these financial statements.

Interim Financial Statements - 9/30/2011 - Saraiva S.A. Livreiros Editores

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

SARAIVA S.A. LIVREIROS EDITORES AND SUBSIDIARY

STATEMENTS OF INCOME
FOR THE PERIOD ENDED SEPTEMBER 30, 2011
(In thousands of Brazilian reais - R\$, except earnings per share)

	Note	Editora - BR GAAP				Consolidated - IFRS & BR GAAP			
		7/1/11 to 9/30/11	1/1/11 to 9/30/11	7/1/10 to 9/30/10	1/1/10 to 9/30/10	7/1/11 to 9/30/11	1/1/11 to 9/30/11	7/1/10 to 9/30/10	1/1/10 to 9/30/10
NET OPERATING REVENUE	22	80.599	250.186	42.668	207.437	419.205	1.239.955	321.951	1.025.480
COST OF SALES AND SERVICES		(26.427)	(65.642)	(12.731)	(52.656)	(251.802)	(717.346)	(199.524)	(588.181)
GROSS PROFIT		<u>54.172</u>	<u>184.544</u>	<u>29.937</u>	<u>154.781</u>	<u>167.403</u>	<u>522.609</u>	<u>122.427</u>	<u>437.299</u>
OPERATING (EXPENSES) INCOME									
Selling expenses		(33.708)	(102.216)	(24.286)	(87.108)	(113.814)	(339.563)	(92.474)	(290.790)
General and administrative expenses		(13.978)	(47.079)	(11.668)	(41.896)	(31.633)	(101.027)	(26.782)	(86.562)
Depreciation and amortization		(1.439)	(4.212)	(1.234)	(3.557)	(8.478)	(24.348)	(7.127)	(20.026)
Equity in subsidiary	11	(600)	2.905	67	3.984	-	-	-	-
Other operating expenses	24	(268)	(538)	(614)	(673)	(1.171)	(3.927)	(2.967)	(3.434)
Other operating income	25	<u>162</u>	<u>1.005</u>	<u>87</u>	<u>717</u>	<u>1.374</u>	<u>9.666</u>	<u>5.341</u>	<u>8.566</u>
		(49.831)	(150.135)	(37.648)	(128.533)	(153.722)	(459.199)	(124.009)	(392.246)
OPERATING PROFIT BEFORE FINANCIAL INCOME (EXPENSES)		<u>4.341</u>	<u>34.409</u>	<u>(7.711)</u>	<u>26.248</u>	<u>13.681</u>	<u>63.410</u>	<u>(1.582)</u>	<u>45.053</u>
FINANCIAL INCOME (EXPENSES)									
Financial income	26	516	4.973	810	3.111	505	4.230	614	2.324
Financial expenses	26	(4.099)	(12.088)	(2.643)	(8.834)	(13.366)	(38.614)	(8.186)	(24.459)
		(3.583)	(7.115)	(1.833)	(5.723)	(12.861)	(34.384)	(7.572)	(22.135)
PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		758	27.294	(9.544)	20.525	820	29.026	(9.154)	22.918
INCOME TAX AND SOCIAL CONTRIBUTION									
Current	9.b)	5.239	(923)	6.387	(2.545)	5.239	(923)	6.387	(2.545)
Deferred	9.b)	(6.343)	(8.689)	(3.376)	(4.022)	(6.405)	(10.420)	(3.766)	(6.414)
PROFIT FOR THE PERIOD		<u>(346)</u>	<u>17.682</u>	<u>(6.533)</u>	<u>13.958</u>	<u>(346)</u>	<u>17.683</u>	<u>(6.533)</u>	<u>13.959</u>
Attributable to:									
Owner of the Company						(346)	17.682	(6.533)	13.958
Noncontrolling interests						-	1	-	1
						<u>(346)</u>	<u>17.683</u>	<u>(6.533)</u>	<u>13.959</u>
EARNINGS PER SHARE - R\$									
Basic	28					(0.01222)	0.62424	(0.23095)	0.49343
Diluted	28					(0.01220)	0.62367	(0.23061)	0.49270

Editora does not have amounts to be disclosed as comprehensive income for the current year and the prior year.

The accompanying notes are an integral part of these financial statements.

Interim Financial Statements - 9/30/2011 - Saraiva S.A. Livreiros Editores

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SARAIVA S.A. LIVREIROS EDITORES AND SUBSIDIARY

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED SEPTEMBER 30, 2011

(In thousands of Brazilian reais - R\$)

	Note	Capital	Treasury shares	Earnings reserves		Valuation adjustments to equity	Proposed additional dividends	Retained earnings	Attributable to		Total equity (IFRS & BR GAAP)	
				Legal reserve	Reserve for future capital increase				Reserve for stock option plan	owners of Editora (BR GAAP)		Noncontrolling interests
BALANCE AT DECEMBER 31, 2010		190,978	(1,965)	25,028	187,858	3,440	11,279	7,795	-	424,413	51	424,464
Capital increase		12,675	-	-	(12,675)	-	-	-	-	-	-	-
Profit for the period		-	-	-	-	-	-	-	17,682	17,682	1	17,683
Stock option plan		-	-	-	-	586	-	-	-	586	-	586
Acquisition of treasury shares		-	(3,092)	-	-	-	-	-	-	(3,092)	-	(3,092)
Sale of treasury shares		-	685	-	2,210	-	-	-	-	2,895	-	2,895
Proposed additional dividends		-	-	-	-	-	-	(7,795)	-	(7,795)	-	(7,795)
BALANCE AT SEPTEMBER 30, 2011		<u>203,653</u>	<u>(4,372)</u>	<u>25,028</u>	<u>177,393</u>	<u>4,026</u>	<u>11,279</u>	<u>-</u>	<u>17,682</u>	<u>434,689</u>	<u>52</u>	<u>434,741</u>

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STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED SEPTEMBER 30, 2010

(In thousands of Brazilian reais - R\$)

	Note	Earnings reserves					Valuation adjustments to equity	Proposed additional dividends	Retained earnings	Attributable to owners of Editora (BR GAAP)	Noncontrolling interests	Total equity (IFRS & BR GAAP)
		Capital	Treasury shares	Legal reserve	Reserve for future capital increase	Reserve for stock option plan						
BALANCE AT DECEMBER 31, 2009		190,978	(2,870)	21,977	150,424	2,206	11,279	-	-	373,994	63	374,057
Profit for the period		-	-	-	-	-	-	13,958	13,958	-	-	13,958
Stock option plan		-	-	-	-	944	-	-	944	-	-	944
Acquisition of noncontrolling interest		-	-	-	-	-	-	-	-	(12)	-	(12)
Sale of treasury shares		-	905	-	1,751	-	-	-	2,656	-	-	2,656
BALANCE AT SEPTEMBER 30, 2010		<u>190,978</u>	<u>(1,965)</u>	<u>21,977</u>	<u>152,175</u>	<u>3,150</u>	<u>11,279</u>	<u>-</u>	<u>13,958</u>	<u>391,552</u>	<u>51</u>	<u>391,603</u>

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SARAIVA S.A. LIVREIROS EDITORES AND SUBSIDIARY

STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED SEPTEMBER 30, 2011
(In thousands of Brazilian reais - R\$)

	Note	Editora - BR GAAP		Consolidated - IFRS & BR GAAP	
		9/30/11	9/30/10	9/30/11	9/30/10
CASH FLOW FROM OPERATING ACTIVITIES					
Profit before income tax and social contribution		27,294	20,525	29,026	22,918
Adjustments to reconcile profit before income tax and social contribution to net cash provided by (used in) operating activities:					
Depreciation and amortization (including the amount allocated to cost)	12 and 13	4,438	3,759	25,747	21,180
Allowance for doubtful accounts	6.b)	1,060	1,586	1,547	2,574
Equity in subsidiary adjustment to profit on Livraria's inventory - ICPC 09	11	(2,905)	(3,984)	-	-
Proceeds from sale of property and equipment		(15)	(34)	(3,459)	156
Financial charges and exchange differences on intragroup balances, financing, borrowings and taxes payable		1,295	3,265	5,296	6,339
Stock option plan	21.e)	586	944	586	944
Other operating provisions		3,054	(295)	22,452	10,641
Decrease (increase) in operating assets:					
Trade receivables		(3,879)	21,398	55,630	13,453
Receivables from subsidiary due to product sales		336	(3,399)	-	-
Inventories		(51,990)	(39,146)	(58,030)	(26,172)
Other operating assets		(30,086)	(28,667)	(60,706)	(68,497)
Increase (decrease) in operating liabilities:					
Trade payables		17,474	3,421	(40,414)	(6,207)
Income tax and social contribution paid		(5,084)	(3,248)	(5,084)	(3,248)
Interest on borrowings and financing paid		(1,614)	(1,226)	(12,065)	(6,339)
Other operating liabilities		(17,833)	(7,088)	(19,309)	(7,150)
Cash provided by (used in) operating activities		<u>(57,869)</u>	<u>(32,189)</u>	<u>(58,783)</u>	<u>(39,408)</u>
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of property and equipment and intangible assets		(5,829)	(4,436)	(39,516)	(29,056)
Receipts from sale of property, plant and equipment		130	6,929	3,884	6,981
Contribution of capital in a jointly-controlled entity		(250)	-	-	-
Purchase of shares from noncontrolling shareholders		-	(35)	-	(35)
Net cash used (provided by) in investing activities		<u>(5,949)</u>	<u>2,458</u>	<u>(35,632)</u>	<u>(22,110)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Sale of treasury shares		2,895	2,656	2,895	2,656
Payment of dividends and interest on capital	21.c)	(19,450)	(20,683)	(19,450)	(20,683)
Financing	15	11,388	18,520	84,807	68,114
Loans to subsidiary less amounts returned	10.a)	(12,113)	8,327	-	-
Acquisition of Treasury Shares		(3,092)	-	(3,092)	-
Borrowing with Subsidiary		28,447	-	-	-
Amortization of borrowings and financing		(2,105)	(8,384)	(32,276)	(23,796)
Net cash provided by (used in) financing activities		<u>5,970</u>	<u>436</u>	<u>32,884</u>	<u>26,291</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(57,848)</u>	<u>(29,295)</u>	<u>(61,531)</u>	<u>(35,227)</u>
STATEMENT OF CHANGES IN CASH AND CASH EQUIVALENTS					
Cash and cash equivalents at beginning of period		58,672	30,063	65,991	38,762
Cash and cash equivalents at end of period		824	768	4,460	3,535
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(57,848)</u>	<u>(29,295)</u>	<u>(61,531)</u>	<u>(35,227)</u>

The accompanying notes are an integral part of these financial statements.

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SARAIVA S.A. LIVREIROS EDITORES AND SUBSIDIARY

STATEMENTS OF VALUE ADDED
FOR THE PERIOD ENDED SEPTEMBER 30, 2011
(In thousands of Brazilian reais - R\$)

	Note	Editora - BR GAAP		Consolidated - IFRS & BR GAAP	
		9/30/11	9/30/10	9/30/11	9/30/10
CREATION OF WEALTH					
Sales of products and services		250,268	207,490	1,300,853	1,076,008
Allowance for doubtful accounts, less reversals	6.b)	(1,060)	(1,586)	(1,547)	(2,574)
Other operating income		1,005	1,512	9,666	9,527
		<u>250,213</u>	<u>207,416</u>	<u>1,308,972</u>	<u>1,082,961</u>
INPUTS PURCHASED FROM THIRD PARTIES (includes recoverable and unrecoverable taxes)					
Cost of sales and services		(10,070)	(8,635)	(729,351)	(600,840)
Supplies, power, outside services and other		(133,794)	(111,913)	(266,740)	(223,609)
Other operating expenses		(115)	(795)	(425)	(961)
		<u>106,234</u>	<u>86,073</u>	<u>312,456</u>	<u>257,551</u>
GROSS VALUE ADDED					
RETENTIONS					
Depreciation and amortization	12 and 13	(4,292)	(3,609)	(25,562)	(21,030)
		<u>101,942</u>	<u>82,464</u>	<u>286,894</u>	<u>236,521</u>
WEALTH CREATED					
WEALTH RECEIVED IN TRANSFER					
Equity in subsidiary	11	2,905	3,984	-	-
Financial income	26	4,973	3,111	4,230	2,324
		7,878	7,095	4,230	2,324
		<u>109,820</u>	<u>89,559</u>	<u>291,124</u>	<u>238,845</u>
DISTRIBUTION OF WEALTH					
WEALTH DISTRIBUTED					
Personnel - payroll and related taxes		57,536	48,985	140,246	115,376
Government - taxes and fees		17,538	13,570	57,938	53,546
Lenders - financial expenses, less CPMF and IOC	27	11,924	8,757	37,762	23,329
Lessors - rentals		5,140	4,289	37,495	32,635
Noncontrolling interests		-	-	1	-
Shareholders - retained earnings/recognition of income reserve		17,682	13,958	17,682	13,959
		<u>109,820</u>	<u>89,559</u>	<u>291,124</u>	<u>238,845</u>

The accompanying notes are an integral part of these financial statements.

COMMENTS ON QUARTER'S CONSOLIDATED PERFORMANCE

The Saraiva Group operates in the editorial sector through Saraiva S.A. Livreiros Editores (Editora or Companhia) and in the retail sector through Saraiva e Siciliano S.A. (Livraria or Companhia). The accounting information contained in the Quarterly Information is presented according to the accounting practices adopted by Brazil and refer to the third quarter of 2011 and the first nine months of 2011 (3Q11 and 9M11), except where otherwise indicated, with comparisons made in relation to the same periods of the previous year. Any and all non-accounting information or information derived from non-accounting numbers has not been reviewed by independent auditors.

HIGHLIGHTS

Investments on many business fronts have led to a 20.9% increase in the consolidated net revenue of the Saraiva Group in the first nine months and 30.2% in the third quarter of 2011.

In 3Q11, Editora concluded the textbook supply negotiations with the National Education Development Fund (FNDE) under the scope of the National Textbook Programs (PNLD) for Elementary and High Schools for the 2012 school year. The total amount of the contract (including new choices and replacements) reached R\$ 205.5 million, of which part of this amount (R\$ 35.8 million) was invoiced and delivered in 3Q11. In the comparison between this year's program (PNLD 2012) and PNLD 2009 (the most comparable year since it involves the selection of new books for the same level - High School), a significant growth of R\$ 62.4 million or 43.6% was registered.

Livraria opened four new stores in 9M11. The e-book sales platform accounted for a library of 240 thousand imported titles and more than 6 thousand local titles by the end of September. In the electronic retail sector, the highlights of the nine-month period were the startup in the sales of small appliances, as well as lines of sporting goods, travel and courses, sold under the marketplace concept. The sales of the e-commerce also registered a boost of around 32.2% in the quarter. In the year, the growth was 23.2%.

Revenue - Saraiva Group's consolidated net revenue totaled R\$ 1.2 billion in 9M11 and R\$ 419.2 million in 3Q11, representing a growth of respectively 20.9% and 30.2%. These results were positively influenced by the strong revenue growth of both Editora and Livraria.

Editora - Net revenue totaled R\$ 250.2 million in 9M11 and R\$ 80.6 million in 3Q11, respectively 20.6% and 88.9% higher than that posted in the same year-ago periods. In 3Q11, the strong growth derived mainly from the greater recognition of government sales (PNLD 2012), around R\$ 35.8 million. In 2010, revenues under the scope of PNLD were almost entirely recognized in 4Q10, since the delivery of this program occurred on that quarter.

Livraria - Livraria's net revenue in 9M11 was R\$ 1.0 billion, up 20.0% as compared with the same period last year as a result of both the growth of retail stores (+17.2%) and of electronic retail (+24.9%). In 3Q11, Livraria's net revenue summed R\$ 349.3 million and grew 20.5% quarter on quarter. In 9M11, Saraiva.com's operations accounted for 37.4% of Livraria's revenue.

EBITDA¹ - The consolidated EBITDA totaled R\$ 87.8 million in the first nine months of the year (R\$ 65.1 million in 9M10) and R\$ 22.2 million in 3Q11 (R\$ 5.5 million in 3Q10).

¹ EBITDA represents net income before financial result, social contribution, income tax, depreciation and amortization. It is not a measure used according to the adopted accounting practices in Brazil or in the generally-accepted accounting principles of other countries and does not represent the cash flow for the periods shown and must not be considered as an alternative for net profit as an indicator of operational performance of the company or as an alternative for cash flow as an indicator of liquidity. EBITDA has no standard definition and our definition of EBITDA may not be comparable with that of other companies.

COMMENTS ON QUARTER'S CONSOLIDATED PERFORMANCE

Net income - Consolidated net income in 9M11 reached R\$ 17.7 million, up 26.7% in comparison with the same period in 2010. A net loss of R\$ 0.3 million was registered in 3Q11, which when compared with the result of 3Q10 (loss of R\$ 6.5 million), represents a positive variation of R\$ 6.2 million.

CONSOLIDATED

The following table shows the major consolidated economic and financial performance data:

<i>Consolidated (R\$ thousand)</i>	<i>3Q11</i>	<i>3Q10</i>	<i>Chg.</i>	<i>9M 11</i>	<i>9M 10</i>	<i>Chg.</i>
Net Revenue	419,205	321,951	30.2%	1,239,955	1,025,480	20.9%
Gross Profit	167,403	122,427	36.7%	522,609	437,299	19.5%
Gross Margin	39.9%	38.0%	191 b.p.	42.1%	42.6%	-50 b.p.
Operating Expenses before Depreciation and Amortization Expenses	145,244	116,882	24.3%	434,851	372,220	16.8%
EBITDA	22,159	5,545	299.6%	87,758	65,079	34.8%
EBITDA Margin	5.3%	1.7%	356 b.p.	7.1%	6.3%	73 b.p.
Depreciation and Amortization Expenses	8,478	7,127	19.0%	24,348	20,026	21.6%
Income from Operating (EBIT)	13,681	(1,582)	-	63,410	45,053	40.7%
EBIT Margin	3.3%	-0.5%	375 b.p.	5.1%	4.4%	72 b.p.
Net Financial (Revenue) Expenses	12,861	7,572	69.8%	34,384	22,135	55.3%
Income from Operations after Net Financial Income	820	(9,154)	-	29,026	22,918	26.7%
Net Income (Loss)	(346)	(6,533)	-94.7%	17,682	13,958	26.7%
Total Assets	1,118,007	917,514	21.9%	1,118,007	917,514	21.9%
Shareholders' Equity	434,741	391,603	11.0%	434,741	391,603	11.0%
Net Debt	(306,618)	(225,097)	36.2%	(306,618)	(225,097)	36.2%

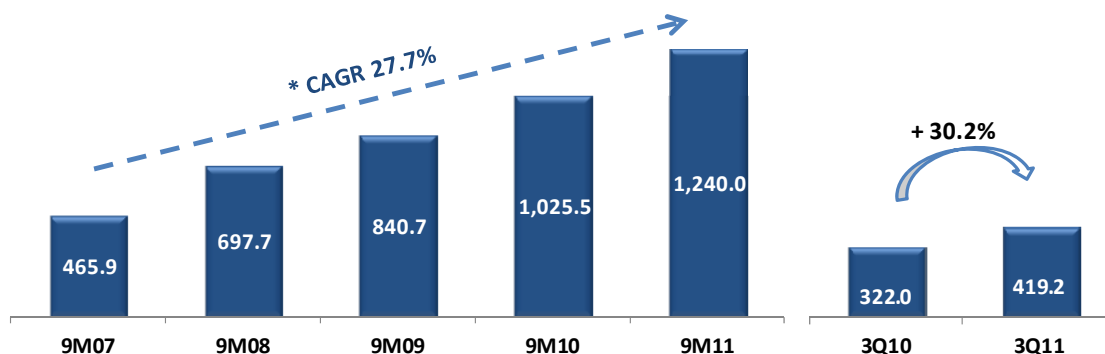
Consolidated Net Revenue Mix (%)**9M11****9M10****Net Revenue**

In 3Q11, consolidated net revenue reached R\$ 419.2 million, up 30.2% in relation to the comparable periods. This result was driven by the strong growth of the publishing operations (+88.9%) and the performance of retail (+20.5%).

Consolidated net revenue in 9M11 amounted to R\$ 1.2 billion, 20.9% higher than that in 9M10. The share of retailing activities in the group's consolidated figure was 82.7% in 9M11, against 83.4% in 9M10.

COMMENTS ON QUARTER'S CONSOLIDATED PERFORMANCE

Consolidated Net Revenue (R\$ million)



CAGR:

Compound Annual Growth Rate

Gross Profit

Consolidated gross profit totaled R\$ 167.4 million in 3Q11 and R\$ 522.6 million in 9M11, representing increases of respectively 36.7% and 19.5%.

The gross margin increased from 38.0% in 3Q10 to 39.9% in 3Q11, largely due to the rise in sales under the scope of PNLD, which boosted Editora's share in the gross profit of the quarter (editorial operations have higher margins than those of retail operations). The accumulated margin was 42.1% in 2011, slightly under the result for the same year-ago period (42.6% in 9M10).

EBITDA

EBITDA reached R\$ 22.2 million in 3Q11, against R\$ 5.5 million in 3Q10. Likewise to that which occurred in the Revenue of the period, the result, when compared with the same period of the previous year, was strongly influenced by the textbook sales to the government under PNLD. The consolidated EBITDA was R\$ 87.8 million in 9M11, against R\$ 65.1 million in 9M10, representing an increase of 34.8%.

Consolidated EBITDA Mix (%)

9M11

9M10



COMMENTS ON QUARTER'S CONSOLIDATED PERFORMANCE

Operating Result

The operating profit before Net Financial Result (EBIT) in 3Q11 was positive by R\$ 13.7 million versus a negative result of R\$ 1.6 million in 3Q10. This performance reflects the increased recognition of revenues by Editora due to sales for the government (See the "Editora" section). The result of 9M11 reached R\$ 63.4 million, against R\$ 45.1 million in the same period of the previous year.

Capital Structure/Financial Result

The consolidated financial position went from a net debt of R\$ 225.1 million in 9M10 to R\$ 306.6 million at the end of September 2011. Therefore, the Net Debt/EBITDA ratio dropped slightly, going from 1.9x in September 2010 to 1.8x in September 2011.

As a result, the net financial result in the quarter was an expense of R\$ 12.9 million, higher than the R\$ 5.3 million registered in the same year-ago period (3Q10 at R\$ 7.6 million). In the first nine months, the financial result went from a net financial expense of R\$ 22.1 million in 2010 to R\$ 34.4 million in 2011. This variation, in the quarter as well as in the nine-month period, derived mainly from the Group's greater indebtedness, despite it having a slightly lower leverage, which is necessary to support the growth of Editora's as well as Livraria's operations.

Net Income

Saraiva Group registered a loss of R\$ 0.3 million in 3Q11, against a loss of R\$ 6.5 million in 3Q10. This positive change was mainly due to rise in sales under the scope of PNLD in 3Q11 (sales to the government are usually recognized in the fourth quarter). Consolidated net profit totaled R\$ 17.7 million in the first nine months of 2011, against a profit of R\$ 14.0 million in the same period of 2010.

Investments

Investments summed R\$ 14.3 million in 3Q11. During 9M11, R\$ 39.5 million was invested to expand and remodel Livraria's store chain and on information technology projects.

COMMENTS ON QUARTER'S CONSOLIDATED PERFORMANCE

EDITORA (SARAIVA S/A LIVREIROS EDITORES)

Editora is the parent company of Livraria with 99.98% of its shares. The companies have different activities and titles.

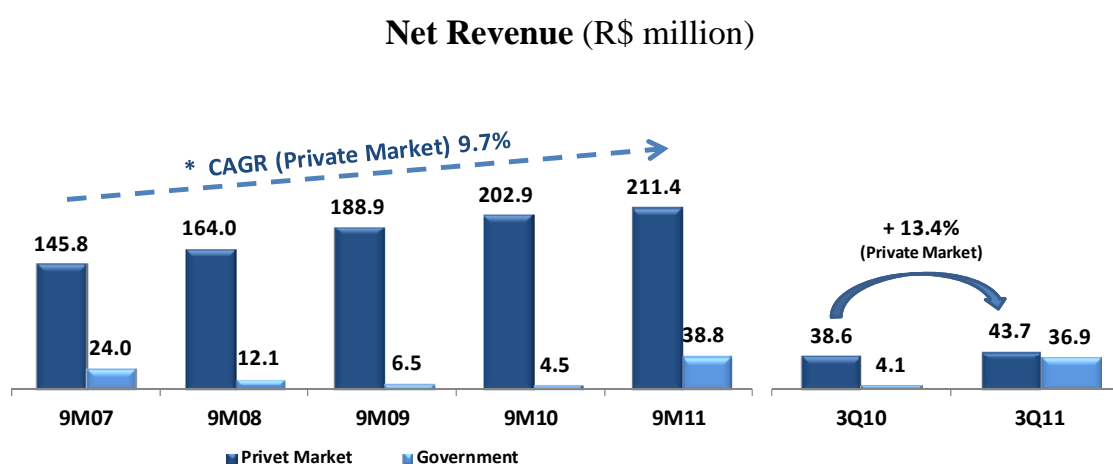
The following table summarizes Editora's main economic-financial performance indicators:

<i>Editora (R\$ thousand)</i>	3Q11	3Q10	Chg.	9M11	9M10	Chg.
Net Revenue	80,599	42,668	88.9%	250,186	207,437	20.6%
Gross Profit	54,172	29,937	81.0%	184,544	154,781	19.2%
Gross Margin	67.2%	70.2%	-295 b.p.	73.8%	74.6%	-85 b.p.
Operating Expenses before Depreciation and Amortization Expenses	47,792	36,481	31.0%	148,828	128,960	15.4%
EBITDA	6,380	(6,544)	-	35,716	25,821	38.3%
EBITDA Margin	7.9%	-15.3%	2,325 b.p.	14.3%	12.4%	183 b.p.
Depreciation and Amortization Expenses	1,439	1,234	16.6%	4,212	3,557	18.4%
Income from Operating (EBIT)	4,941	(7,778)	-	31,504	22,264	41.5%
EBIT Margin	6.1%	-18.2%	2,436 b.p.	12.6%	10.7%	186 b.p.
Net Financial (Revenue) Expenses	3,583	1,833	95.5%	7,115	5,723	24.3%
Income from Operations before Equity Income	1,358	(9,611)	-	24,389	16,541	47.4%
Net Income (Loss) Before Equity in Subsidiaries	254	(6,600)	-	14,777	9,974	48.2%
Net Income (Loss)	(346)	(6,533)	-94.7%	17,682	13,958	26.7%

Net Revenue

In 3Q11, Editora's net revenue reached R\$ 80.6 million, up 88.9% over that registered in the same period of 2010. The highlight was the positive impact on the revenue recognition of part of the sales under PNLD 2012 amounting to R\$ 35.8 million. In 2010, revenue under the scope of PNLD was almost entirely recognized in 4Q10, since the delivery of this program focused on that quarter. In addition, private markets sales rose 13.4% in 3Q11 (R\$ 43.7 million vs. R\$ 38.6 million). In 9M11, Editora's net revenue reached R\$ 250.2 million, up 20.6% in relation to the comparable period in 2010.

The following graph shows Editora's performance on the private and public markets.



CAGR: Compound Annual Growth Rate

COMMENTS ON QUARTER'S CONSOLIDATED PERFORMANCE

Private Market

Book sales to the private market increased 13.4% in 3Q11, driven by the performance of different editorial lines, in particular the Teaching Systems (+88.7%) and the readers books (65.1%) - this good sales performance is the result of Editora's sales actions, which partially offset the impact of the prohibition to use doctrine and commented code books in the second stage of the Brazilian Bar Exam and piracy (replacing purchase content for unauthorized copies in universities).

Net revenue in the nine-month period reached R\$ 211.4 million representing a growth of 4.2%.

Government

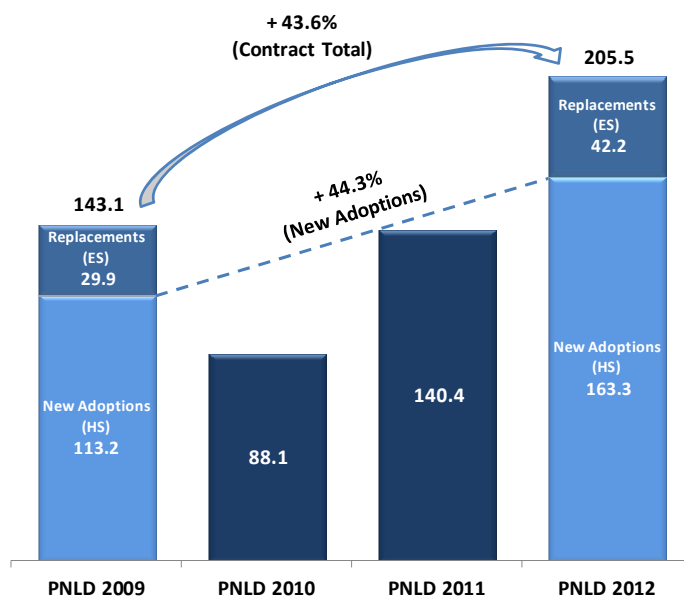
Editora negotiated textbook supply contracts with FNDE in 3Q11, under the scope of PNLD 2012, comparable to PNLD 2009 (both aimed at the replacement of High School textbooks).

The novelty in PNLD 2012 was the inclusion of foreign language, sociology and philosophy courses. In addition to the other courses, which were already included on the last cycle, there was also an increase in the total amount of books acquired. Those elements boosted high school textbook sales to the Federal Government from 43.1 million in PNLD 2009 to 91.7 million in PNLD 2012 (2011).

Editora's market share was 24.6%, and the overall contract value reached R\$ 205.5 million, of which R\$ 35.8 million was recognized in 3Q11.

Sales to the government totaled R\$ 38.8 million in 9M11, against R\$ 4.5 million in the same period of last year.

New Cycle PNLD (R\$ million)



HS - High School

ES - Elementary School

COMMENTS ON QUARTER'S CONSOLIDATED PERFORMANCE

Gross Profit

In 3T11, gross profit totaled R\$ 54.2 million, 81.0% higher than in 3Q10. The gross margin went from 70.2% in 3Q10 to 67.2% in 3Q11. This result stems from Editora's greater share in government sales, considering that the PNLD textbook supply contracts have enabled gross margins that are lower than those of the private market. In 9M11, gross profit reached R\$ 184.5 million, up 19.2% over that posted in 9M10, representing a gross margin of 73.8%, against 74.6% in 9M10.

EBITDA

Livraria's EBITDA reached R\$ 6.4 million in 3Q11, against a negative result of R\$ 6.5 million in 3Q10. In 9M11, EBITDA totaled R\$ 35.7 million, up 38.3% over that registered in 2010. The EBITDA margin was 14.3%, against 12.4% in 9M10, which stemmed mostly from the effect of diluting fixed costs related to rising government sales.

Without considering the depreciation and amortization expenses, operating expenses in 9M11 totaled R\$ 148.8 million and accounted for 59.5% of net sales, representing a decrease of 268 basis points over the same period of the last year, when this indicator reached 62.2%.

Operating Result

The operating result before Net Financial Result totaled R\$ 4.9 million in 3Q11 against a negative operating result of R\$ 7.8 million in the same year-ago period. In the first nine months of 2011, this operating result reached R\$ 31.5 million, representing a growth of 41.5% as compared with the same period last year.

Financial Result / Capital Structure

Editora's financial result in 3Q11 reached R\$ 3.6 million in net financial expenses, against an expense of R\$ 1.8 million in 3Q10. In 9M11, the financial result registered a net financial expense of R\$ 7.1 million over the R\$ 5.7 million registered in 9M10.

On September 30, 2011, the net debt was R\$ 85.1 million, against R\$ 64.4 million at the end of September 2010.

In 3Q11, the Company obtained approval by the National Economic and Social Development Bank (BNDES) for a new credit line of R\$ 86.9 million to fund its investments until December 2012.

Net Income

Net income before equity income of the subsidiary Livraria reached R\$ 14.8 million in 9M11 against a result of R\$ 10.0 million in 9M10. Net income after equity totaled R\$ 17.7 million in 9M11, compared with a profit of R\$ 14.0 million in 9M10.

Investments

Investments aimed mainly to information technology projects summed R\$ 5.8 million and R\$ 1.4 million in 9M11 and 3Q11, respectively.

COMMENTS ON QUARTER'S CONSOLIDATED PERFORMANCE**Teaching Systems**

The operation of the Ético teaching system ("Ético") continues to grow at a rapid pace and its pedagogical solutions have already been adopted by 487 schools (401 schools by September of 2010). The amount of students that use Ético has reached the milestone of 99.4 thousand in September 2011, representing an increase of 36.5% in the comparison between periods.

LIVRARIA (Saraiva e Siciliano S.A.)

Livraria operates predominantly in the retail of books, DVDs, CDs, stationery, information technology, electronic goods and digital content - books and movies.

By the end of September, Livraria had 97 own stores, which comprise a total sales area of 51.7 thousand m².

The following table shows the Company's major economic and financial performance data:

<i>Livraria (R\$ thousand)</i>	3Q11	3Q10	Chg.	9M11	9M10	Chg.
Net Revenue	349,333	289,944	20.5%	1,025,887	855,020	20.0%
Gross Profit	113,536	92,739	22.4%	338,053	282,580	19.6%
Gross Margin	32.5%	32.0%	52 b.p.	33.0%	33.0%	-10 b.p.
Operating Expenses before Depreciation and Amortization Expenses	97,460	80,406	21.2%	286,268	243,276	17.7%
EBITDA	16,076	12,334	30.3%	51,785	39,304	31.8%
EBITDA Margin	4.6%	4.3%	35 b.p.	5.0%	4.6%	45 b.p.
Depreciation and Amortization Expenses	7,039	5,892	19.5%	20,136	16,469	22.3%
Income from Operating (EBIT)	9,037	6,442	40.3%	31,649	22,835	38.6%
EBIT Margin	2.6%	2.2%	37 b.p.	3.1%	2.7%	41 b.p.
Net Financial (Revenue) Expenses	9,282	5,739	61.7%	27,273	16,412	66.2%
Income from Operations after Net Financial Income	(245)	703	-	4,376	6,423	-31.9%
Net Income (Loss)	(307)	313	-	2,645	4,031	-34.4%

Net Revenue

Livraria's net revenue in 3Q11 reached R\$ 349.3 million, 20.5% over that posted in 3Q10. The strong sales performance in this period was positively influenced by the growth in electronic retail (+26.8%), as well as, by the increment in revenue from retail stores (+16.8%). Under the same-store concept, the growth index in 3Q11 was 8.1%.

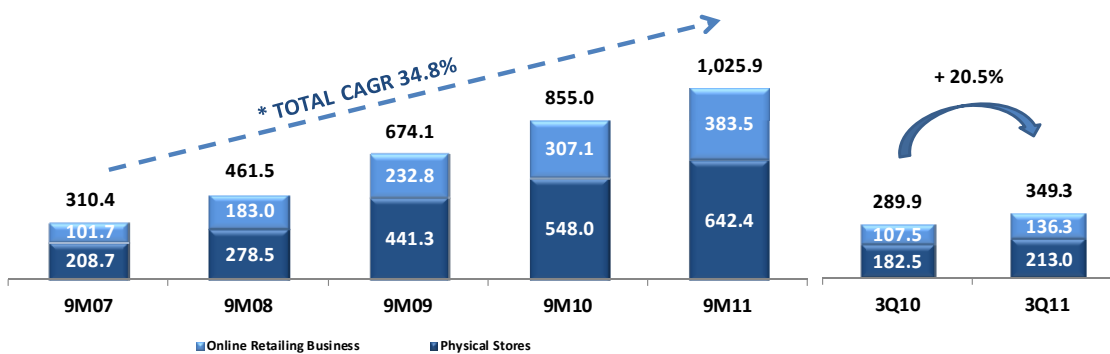
In 9M11, Livraria's net revenue totaled R\$ 1.0 billion, up 20.0% as compared with that in 9M10. Retail stores in the same period registered an increase in net revenue of 17.2% and the e-commerce division of 24.9%.

COMMENTS ON QUARTER'S CONSOLIDATED PERFORMANCE

Net Revenue (R\$ million)

CAGR 2007 - 2011 (Stores): 32.5%

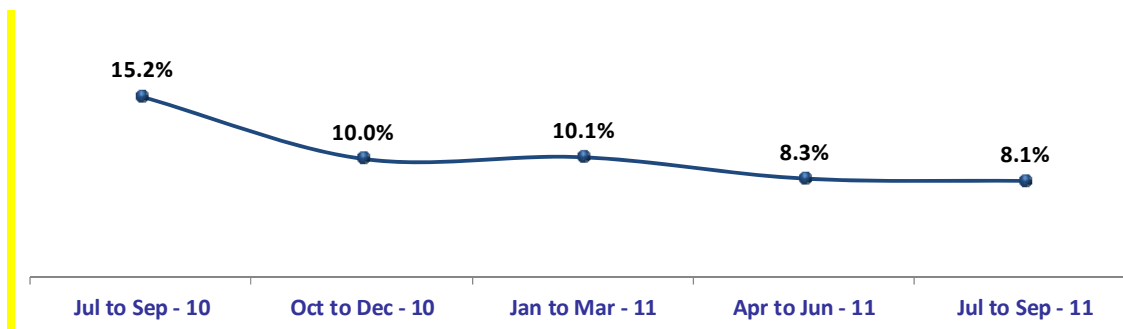
CAGR 2007 - 2011 (Electronic Retail): 39.4%



CAGR: Compound Annual Growth Rate

The graph below shows the quarterly evolution of growth in Livraria's same-store sales.

Nominal Growth of Same-Stores - by Quarter (%)

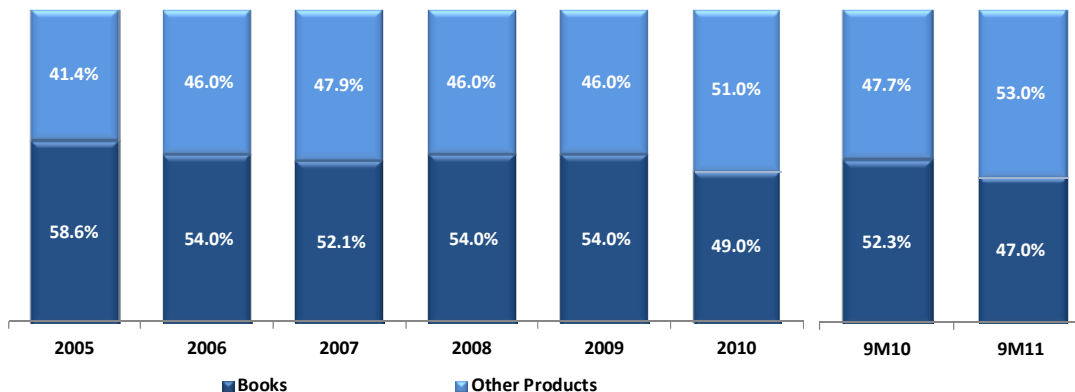


The introduction of new product families in the sales mix, as well as the diversification of products in total sales contributed to the increased revenue in the period.

It is notable to highlight that the category Books keeps the growth in sales volumes and through this way is the main line of product in Livraria (growth of 7.6% in 9M11), despite the decrease in the revenue mix.

COMMENTS ON QUARTER'S CONSOLIDATED PERFORMANCE

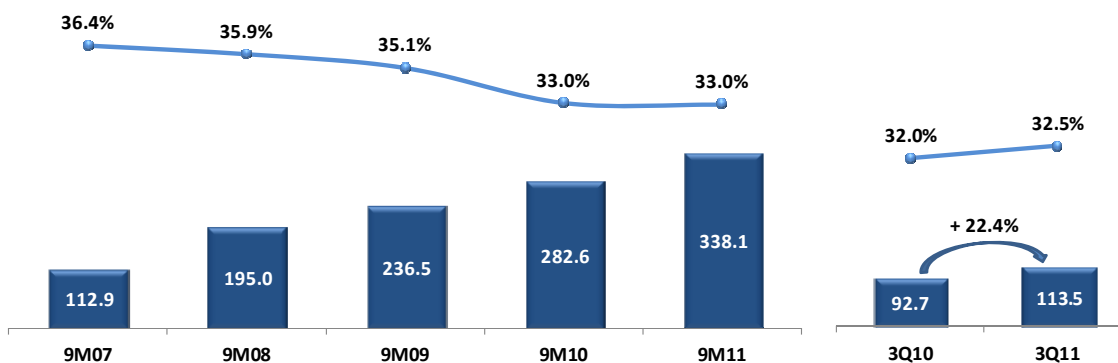
Net Revenue Mix Evolution (%)



Gross Profit

Gross profit in 3Q11 summed R\$ 113.5 million, up 22.4% in relation to 3Q10. The gross margin declined 52 basis points and reached 32.5% in 3Q11. In the nine-month period, gross profit reached R\$ 338.1 million, up 19.6% over 9M10, and the gross margin was 33.0%, the same as that registered in 9M10.

Gross Profit (R\$ million) and Gross Margin (%)

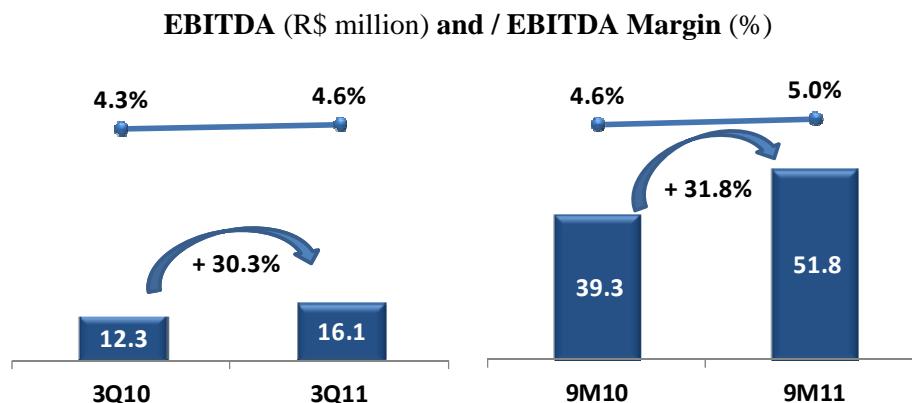


EBITDA

In 3Q11, EBITDA totaled R\$ 16.1 million, against R\$ 12.3 million in 3Q10, up 30.3%. EBITDA reached R\$ 51.8 million in 9M11, representing a growth of 31.8% as compared with the same year-ago period. The EBITDA margin rose from 4.6% in 9M10 to 5.0% in 9M11.

The growth in EBITDA stems from the boost in sales resulting from greater volumes and the diversification of product lines.

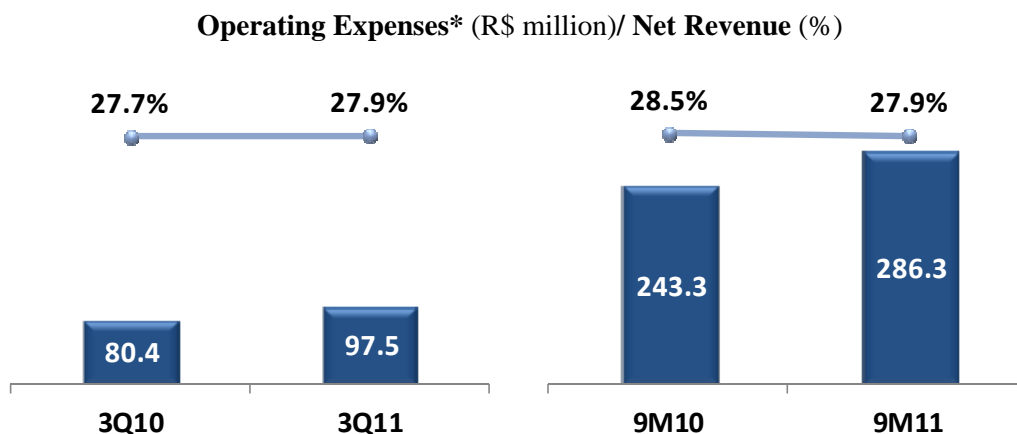
COMMENTS ON QUARTER'S CONSOLIDATED PERFORMANCE



Operating Result

Livraria's operating result before Financial Result (EBIT) totaled R\$ 9.0 million in 3Q11 and R\$ 31.6 million in 9M11, representing an evolution of respectively 40.3% and 38.6%.

Without considering the depreciation and amortization expenses, the operating expenses on net revenue ratio registered a drop of 55 basis points in 9M11, and an increase of 17 basis points in 3Q11, as shown in the graph below.



(*) It does not include Depreciation and Amortization

Financial Result / Capital Structure

Net financial expenses registered R\$ 9.3 million in 3Q11, up 61.7% over the R\$ 5.7 million posted in 3Q10. The net financial debt rose from R\$ 160.7 million at the end of 3Q10 to R\$ 221.7 million by the end of 3Q11.

COMMENTS ON QUARTER'S CONSOLIDATED PERFORMANCE

In 3Q11, Livraria was approved by the board of the National Economic and Social Development Bank (BNDES) to contract a loan of R\$ 69.4 million. The proceeds from this new credit line will be assigned to build a capital structure suited to the new investments on the pipeline, which includes the expansion of the store chain, information technology systems projects in order to enhance and expand the digital channel as well as to the project of upgrading the logistics network.

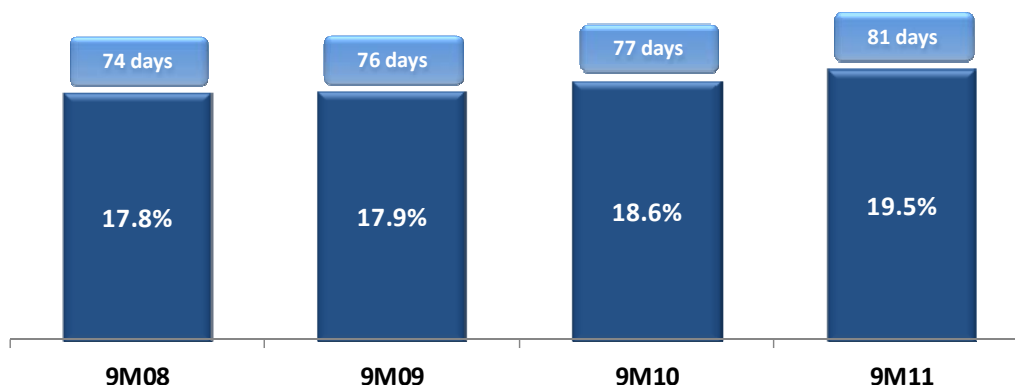
Working Capital

The working capital on net revenue ratio went from 18.6% in 9M10 to 19.5% in 9M11. Livraria's average operating cycle reached 81 days in the 12-month period ended on September 30, 2011, against 77 days in the same period ended in September 2010.

"Accounts Receivable" reached 57 days in the 12-month period ended on September 30, 2011, against 51 days in the 12-month period ended on September 30, 2010.

The average term of inventory coverage remained stable at 89 days in the 12-month period ended on September 30, 2010 and 2011.

The supplier payment period improved by 2 days, changing from 63 days in the 12-month period ended on September 30, 2010 to 65 days in the 12-month period ended on September 30, 2011.

Working Capital (1) / Net Revenue (2) and Operating Cycle (days)

(1) Inventory + Customers - Suppliers (monthly average in the past 12 months)

(2) Net Revenue in the past 12 months

Net Income

In 9M11, Livraria registered a net income of R\$ 2.6 million, down from R\$ 4.0 million for the same period last year. Livraria's net income in 9M11 was pressured by greater financial expenses resulting from the heated growth in operations and, as a result, the increase in the company's indebtedness.

COMMENTS ON QUARTER'S CONSOLIDATED PERFORMANCE

Investments

A total of R\$ 33.7 million was invested in 9M11 (R\$ 12.8 million of which in 3Q11) mainly in:

- Opening of new stores:
 - iTown - Goiânia Shopping mall - Goiás (03/17/2011)
 - Super Store - Iguatemi Alphaville in the city and state of São Paulo (04/28/2011)
 - Nova Tradicional in Tamboré Shopping mall in the city and state of São Paulo (04/28/2011).
 - iTown - Recife Shopping mall - Pernambuco (05/03/2011)
- Stores scheduled to open in the fourth quarter:
 - In Sao Caetano at the Park São Caetano Shopping mall in November 2011;
 - In São Paulo at the Mooça Shopping mall in November 2011;
 - In Aracaju (Sergipe) at the Riomar Shopping mall in December 2011.
- Information systems: The investments made in Livraria's information systems are aimed at improving the the ERP (Enterprise Resource Planning) operational system in order to facilitate the launching of new business and product line platforms; the development of applications for the sale of digital books and customer relationship management tools (CRM).

Marketing/Partners

The "Saraiva Plus" loyalty program had a membership base of 5.6 million customers at the end of September 2011, representing growth of 19.7% over December 2010 and 27.7% over September 2010. The "Saraiva Plus" program has consolidated itself as one of the most efficient programs for retaining customers in local retail due to a methodology that facilitates the accumulation of bonus points and simplifies their redemption.

The Saraiva credit card, which is a partnership between Saraiva, Banco do Brasil and Visa, it had a membership base of 142.2 thousand active cards at the end of September 2011, up 7.5% as compared with the active cards base in June 2011 and 44.6% in relation to September of last year. This credit card offers several benefits to Livraria's customers, which, besides accumulating bonus points for the "Saraiva Plus" program, are exempt from the payment of administrative fees and can accumulate air mileage points through a prominent airline company.

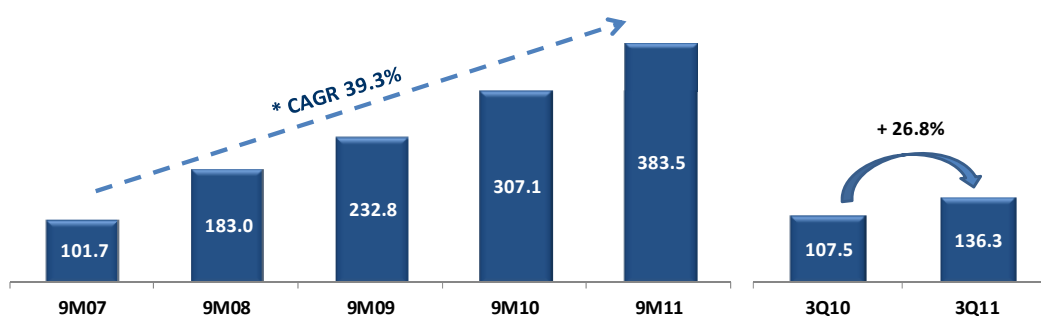
Online Retailing Business (Saraiva.Com)

Net revenue in 3Q11 totaled R\$ 136.3 million, up 26.8% over that in 3Q10. In 9M11, net revenue totaled R\$ 383.5 million, 24.9% higher than that registered in the same period of the previous year.

In 3Q11, the e-commerce site www.saraiva.com.br now has two new product categories: Sports & Leisure and Courses. These two categories will offer new products under the marketplace concept, where Livraria mediates the transaction between consumers and suppliers of goods, receiving a portion of the sale as commission.

COMMENTS ON QUARTER'S CONSOLIDATED PERFORMANCE

Net Revenue (R\$ million)



CAGR:

Compound Annual Growth Rate

E-commerce has been gaining more importance in Livraria's operations. With a steady growth in sales terms, the share of total gross revenue from the Saraiva.com website's operations in relation to the Group's overall retailing operations was 37.4% in 9M11.

Saraiva.com (R\$ thousand)	3Q11	3Q10	Chg.	9M11	9M10	Chg.
Net Revenue	136,293	107,478	26.8%	383,483	307,066	24.9%
Active Customers (thousand) ¹	1,759	1,676	5.0%	1,759	1,676	5.0%
% of Net Revenue - Livraria Saraiva Consolidated	39.0%	37.1%	195 b.p.	37.4%	35.9%	147 b.p.
Average Ticket (R\$)	178.0	215.3	-17.4%	168.6	177.2	-4.8%

(1) Active

costumers: user that made at least one purchase in the last two years.

CAPITAL MARKETS

The amount and volume of trades registered significant progress in the comparison, which reflects a liquidity increase in the shares issued by the Company.

Below is a market summary of Saraiva's shares in 9M11 in comparison with 9M10 at the Sao Paulo Stock Exchange (BM&FBOVESPA).

Indicators*	9M11	9M10	Chg.
Number of trades ¹	30,927	17,657	75.2%
Participation in trading sessions ¹	100.0	100.0	-
Quantity traded - thousand shares ¹	12,455	9,332	33.5%
Volume trades - R\$ thousand ¹	415,424	336,499	23.5%
Share Price - R\$ ¹	25.22	36.49	-30.9%
Total shares outstanding - thousand	28,306	28,346	-0.1%
Market Value - R\$ milion	713.9	1,034.3	-31.0%

Source: BM&FBOVESPA

(1) Referring to preferred shares (SLED4)

(*) Not reviewed by independent auditors

COMMENTS ON QUARTER'S CONSOLIDATED PERFORMANCE

Saraiva's preferred shares (SLED4) in the past 12 months followed the downward trend in the Ibovespa index (-24.6%) and depreciated 30.9% in the period. On 09/30/11, Saraiva's market value was R\$ 713.9 million.

SLED4 versus Ibovespa

From (basis 100) 09/30/2010 to 09/30/2011

**SUBSEQUENT EVENTS**

In October 2011, Editora received the first disbursement of the loan under the financing contracted in September 2011 from the National Economic and Social Development Bank (BNDES). The value of the disbursement was R\$ 42.1 million, representing 48.4% of the contract's overall value. Additionally, it was concluded the signature of the financing contract to support Livraria's expansion, amounting to R\$ 69.4 million, where the first disbursement will be made soon.

Livraria Saraiva's franchise operation was ended in November 2011, and after negotiating new lease agreements with the owners of the existing establishments, the three remaining stores were taken over by the company. They are:

- ✓ Traditional stores located in Natal (Rio Grande do Norte state) in the Midway Shopping Mall;
- ✓ Traditional stores located in Natal (Rio Grande do Norte state) in the Natal Shopping Mall;
- ✓ Traditional stores located in Mossoró (Rio Grande do Norte state) in the Mossoró West Shopping Mall;

The inclusion of these three points of sale has enabled Saraiva to reach a total of 100 retail stores in its network.

In October 2011, it has launched a new product category, Beauty & Health, on the electronic channel www.saraiva.com.br, moving forward with diversified product offering initiatives.

COMMENTS ON QUARTER'S CONSOLIDATED PERFORMANCE

OUTLOOK

The marketing and distribution of content has changed due to the ongoing development of new technologies, and **Editora** strives to consistently provide products and solutions aligned to this new dynamic.

One of the products developed is the "Saraiva Conecte" (Saraiva Connect) launched in 2Q11, of which the sales are scheduled to take place in the 2012 school year. This is a solution that integrates the traditional printed book and digital content for High Schools. In addition to the offer of content, the assessment of content and learning in "Saraiva Acompanha" (Saraiva Accompanies) is also available.

An important movement was kicked off in 2Q11 for universities through the "Minha Biblioteca" (My Library) initiative aiming at distributing digital content to schools, through an association with other important producers of content in the area of STP books. The platform in charge of the content distribution has been selected and hired and the project is in the pre-operational phase.

In the "Teaching Systems," Saraiva is very close to the mark of 100 thousand students served by the system in the private market through the Ético imprint and it has already developed the "Agora" imprint, which is in the sales stage and is aimed at offering a solution for public schools.

In the market of printed books for the public sector, in addition to the record contract under PNL D 2012, of which the remaining R\$ 169 million will be invoiced in 4Q11, the company is already under development plans to supply the PNL D 2013 program, with the replacement of books for Elementary Schools.

At **Livraria**, the project to expand the physical store chain, scheduled for the 2011/2012 period is moving ahead as planned. In 4Q11, three Saraiva stores will be opened:

- ✓ In Sao Caetano at the Park São Caetano Shopping mall in November 2011.
- ✓ In São Paulo at the Mooca Shopping mall in November 2011.
- ✓ In Aracaju (Sergipe) at the Riomar Shopping mall in December 2011.

After the significant growth in operations both in the physical stores as well as in the electronic channel, initiatives that contribute to improving profitability are being considered once a new level and scale has been reached. In line with these studies, a new distribution center will be opened soon (probably in early 2012) in Salvador, which includes, in addition to the offering better customer services, the optimization of the logistics network with reduced costs.

In order to expand the product categories, new services have been added to those already offered in the store chain, such as technical support services and the sale of mobile phone credits.

In electronic retailing, the range of products and services has increased through small appliances and with the Help Desk Saraiva, launched in 2011, in addition to the products and services under the marketplace concept in the categories of courses, sporting goods and travel.

COMMENTS ON QUARTER'S CONSOLIDATED PERFORMANCE

It is present through the offering of digital products an initiative designed to attend the customers who are looking for this new product mode. This initiative provides a wide catalog of e-books, with more than 6 thousand titles in native language and around 240 thousand in foreign language, which might bring the leadership on this segment for Saraiva in Brazil. Despite the revenue share of this initiative being currently incipient when compared to the printing books, it has already been noticed that some titles in e-books reached a share of 20% of the total sales, which shows the relevance of the strategy of development and presence in new technologies, in order to capture a portion of the revenues that may be reduced from the selling of conventional books by this new sort of reading.

Management is continuously assessing the adoption of products and services that complement the mix offered and can bring a positive perception to the shopping experience of Saraiva's customers. Any new changes will be shared in due course.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(Convenience Translation into English from the Original Previously Issued in Portuguese)
(Amounts in thousands of Brazilian reais - R\$, unless otherwise stated)

1. GENERAL INFORMATION

The Saraiva Group is engaged in book publishing, including the sale of books and contents through Saraiva S.A. Livreiros Editores (“Editora”), and the retail of cultural, leisure, and information products, through Saraiva e Siciliano S.A. (“Livraria”).

Editora is the controlling shareholder of Livraria by directly holding 99.98% of its common shares. Editora is a company controlled by the Saraiva family.

Editora, founded in 1914, is a Brazilian publicly-held company, with registered office at Rua Henrique Schaumann, 270, São Paulo, State of São Paulo, listed on BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros (São Paulo stock exchange) under ticker symbol SLED4, and in Level 2 of Corporate Governance.

Editora is mainly engaged in: (a) publishing elementary and high school textbooks, supplementary textbooks, legal books and economics and management books; (b) development of digital content; and (c) development of textbook content for the “Ético” system for private schools and the “Agora” system for public schools. Editora’s operations are quite seasonal as approximately 82% of its sales are concentrated in the first and last quarters, 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 last quarter.

Livraria is a Brazilian publicly-held company, with head office in the city of São Paulo, State of São Paulo, which is mainly engaged in the retail of books, periodicals, DVDs, music, stationery, multimedia, IT, electrical and electronic products, and digital content. Distribution is undertaken using a web-based sales platform and a chain of 100 stores, of which 43 are megastores, 5 are iTown format stores, 49 are conventional stores, and 3 are franchises. These 3 franchises were cancelled in November 2011 and, in the same physical space, 3 new stores were open.

On May 23, 2011, Editora, under a joint agreement with Artmed Editora S.A., Atlas S.A. and GEN - Grupo Editorial Nacional Participações S.A., organized Minha Biblioteca Ltda. Editora’s ownership interest in the business is 25% and the entity is jointly controlled by the venturers in accordance with the Shareholders’ Agreement.

Minha Biblioteca, a limited liability company headquartered in São Paulo, São Paulo State, is engaged mainly in editing, distributing and selling digital books (e-books) and other content, in the wholesale and retail market, both in Brazil and abroad.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

2. PRESENTATION OF THE INTERIM FINANCIAL STATEMENTS

2.1. Declaration of conformity

Editora's interim financial information contained in the Interim Financial Information Form (ITR) for the quarter and nine-month period ended September 30, 2011 comprises:

- The consolidated interim financial information prepared in accordance with CPC 21 and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, and presented in conformity with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Interim Financial Information (ITR), identified as "Consolidated - IFRS & BR GAAP".
- The Company's individual interim financial information prepared in accordance with CPC 21 - Interim Financial Reporting and presented in conformity with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Interim Financial Information (ITR), identified as "Editora - BR GAAP".

The Brazilian accounting practices comprise the policies set out in Brazilian Corporate Law and the pronouncements, instructions, and interpretations issued by the CPC and approved by the CVM.

The individual interim financial information presents the valuation of investments in subsidiaries under the equity method, pursuant to prevailing Brazilian laws. Accordingly, these individual financial statements are not in accordance with IFRS, which require the measurement of such investments in the Company's separate financial statements, at their fair values or at cost.

As there is no difference between the consolidated equity and the consolidated profit attributable to the owners of Editora, disclosed in the consolidated interim financial information and statements prepared in accordance with CPC 21 and IAS 34, and Editora's equity and profit disclosed in the individual interim financial information and statements prepared in accordance with CPC 21, Editora elected to present these individual and consolidated financial statements as a single set of information.

2.2. Basis of preparation

The interim financial statements have been prepared based on the historical cost, except for certain financial instruments measured at fair value, as described in Note 3. The historical cost is generally based on the fair value of the consideration paid in exchange for an asset.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

3. MAIN ACCOUNTING POLICIES

The significant accounting policies described below were consistently applied for all periods reported in the individual and consolidated interim financial information of Editora, Livraria and Minha Biblioteca.

a) General principles

Revenues and expenses are recognized on the accrual basis. Sales revenues and related costs are recorded upon the transfer of risks and rewards incidental to ownership of goods and products sold.

Service revenue is recognized on an accrual basis according to the substance of each agreement, when it is probable that the future economic benefits will flow to Editora and Livraria and the revenue amount can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable, less any expected returns and trade discounts.

Sales resulting in the delivery of awards to customers of Livraria's customer loyalty program ("Saraiva Plus") are accounted for as deferred revenue at the fair value of the consideration received or receivable, on sales date. Deferred revenue is recognized in profit or loss when the credits are redeemed by the customers or the obligations are settled.

b) Functional and reporting currency

The functional and reporting currency used to measure the items of Editora, Livraria and Minha Biblioteca in the individual and consolidated interim financial information is the Brazilian real (R\$).

c) Foreign currency-denominated transactions and balances

Foreign currency-denominated transactions are translated into Editora's, Livraria's and Minha Biblioteca's functional currency using the exchange rates prevailing on the transaction dates. Balance sheet items are translated at the exchange rates prevailing at the end of the reporting periods. Foreign exchange gains and losses resulting from the settlement of such transactions and the translation of monetary assets and monetary liabilities denominated in foreign currency are recognized in profit or loss.

d) Basis of consolidation and investments in subsidiaries and jointly-owned subsidiaries

The consolidated interim financial statements include the interim financial statements of Editora, Livraria and Minha Biblioteca, on the same reporting date. In the individual interim financial statements of Editora the financial information on Livraria and Minha Biblioteca is recognized under the equity method.

The jointly controlled subsidiary is recognized under the proportionate consolidation method, according to its ownership interest, by combining its share of each of the assets, liabilities, income and expenses with similar items, line by line, in its consolidated interim financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

The interim financial statements of Livraria and Minha Biblioteca are adjusted to conform their accounting policies to those adopted by Editora. All intercompany transactions, balances, revenue, and expenses are fully eliminated in consolidation.

e) Financial assets

The financial assets held by Editora, Livraria and Minha Biblioteca are classified according to the intention for which they were acquired into the following categories:

(i) Financial assets measured at fair value through profit or loss

The financial assets measured at fair value through profit or loss are the short-term financial assets held for trading. Derivatives are also classified under this category.

(ii) Financial assets held to maturity

Comprise nonderivative financial assets with defined maturities acquired to be realized on maturity, measured at cost of acquisition, plus income earned according to the contractual terms and conditions.

(iii) Financial assets available for sale

Comprise nonderivative financial assets, such as securities and/or shares quoted in active markets, or which are not quoted in an active market but whose fair values can be reasonably estimated.

(iv) Loans and receivables

Comprise nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. This category includes cash and cash equivalents, trade accounts receivable, and other receivables.

Regular purchases and sales of financial assets are recognized on the trading date.

Financial assets are initially recognized and measured at fair value through profit or loss and transaction costs are charged to the statement of income. Loans and receivables are accounted for at the amortized cost.

Gains or losses resulting from changes in the fair value are recognized in the statement of income on an accrual basis, in line items "Financial income" or "Financial expenses", respectively, when realized or incurred.

A financial asset is derecognized when, and only when, the contractual rights from the financial asset expire or the financial asset and substantially all the risks and rewards of ownership are transferred to another entity.

f) Financial liabilities

Financial liabilities are classified as follows:

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(i) Fair value through profit or loss

Comprises liabilities held for trading measured at fair value and whose gains or losses are directly recognized in profit or loss.

(ii) Other financial liabilities

Comprise liabilities measured under the amortized cost method, with the allocation of effective interest incurred over the related contractual term.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating its interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash flows over the estimated useful life of the financial liability or, when appropriate, for a shorter period on initial recognition of the net carrying amount.

Financial liabilities are derecognized when, and only when, the obligations are discharged and cancelled, or when they expire. The difference between the carrying amount of the derecognized financial liability and the consideration paid and payable is recognized in profit or loss.

g) Derivatives

Comprise transactions with assets whose amounts change in response to changes in a specific interest rate of the underlying assets, settled in future dates. Derivative assets are recognized at fair value on inception and adjusted to fair value at the end of the reporting period. Gains and losses are recognized in profit or loss on the accrual basis.

h) Current assets

- Cash and cash equivalents

Comprise cash, bank deposits and short-term investments that can be immediately converted into a known cash amount and subject to insignificant risk of change in value. Short-term investments are carried at cost plus income earned through the end of each reporting period, which does not exceed their fair or realizable values.

- Trade accounts receivable and allowance for doubtful accounts

Trade accounts receivable are recorded at their original amounts and controlled by aging range. The allowance for doubtful accounts is recognized for receivables past due for more than 180 days and uncollectible receivables are charged directly to profit or loss.

Trade accounts receivable are not adjusted to present value as they have a short-term maturity and do not materially impact the interim financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

- Inventories

Carried at average cost of acquisition or publishing, less an allowance for adjustment to net realizable value, when lower, or an allowance for losses on nonmoving, excessive, or unrealizable items, based on periodic analyses conducted by Management.

In the case of Editora, inventories are periodically analyzed and the cost of any damaged books or discontinued editions identified is charged directly to profit or loss.

- Unrecognized advertising expenses

Refer to advertising and publicity costs incurred to participate in the National Textbook Program (PNLD), amortized proportionately to the delivery of textbooks sold to the government.

i) Noncurrent assets

- Investments

Subsidiary

Investments in Livraria are accounted for under the equity method. Unrealized profit arising from the sale of Livraria's products is eliminated from the calculation of equity in subsidiary on consolidation.

Joint venture

A joint venture is a contractual arrangement whereby the Company agrees to engage in an economic activity that is subject to joint control, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Editora's share in jointly-controlled assets and jointly-incurred liabilities is recognized in the jointly-controlled entity's financial statements and classified according to its nature.

Investments in Minha Biblioteca are measured under the equity method in the individual interim financial statements and under the proportionate consolidation method, according to its ownership interest, by combining its share in each of the assets, liabilities, income and expenses with similar items, line by line, in its consolidated interim financial statements.

- Property, plant and equipment

Stated at acquisition, production or construction cost, less accumulated depreciation and, when applicable, an allowance for impairment. Depreciation is calculated on a straight-line basis at rates that take into consideration the estimated useful life of the assets. Facilities and leasehold improvements in Editora's and Livraria's units are depreciated over the lower of the lease term or the estimated economic useful lives of the assets, as indicated in Note 12.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Borrowing costs are not included in the acquisition cost of property, plant and equipment since the average time to set up and open a store is approximately three months and thus they are not qualifying assets.

Assets held under finance leases are depreciated over their expected useful lives in the same manner as own assets, or for a shorter period, if applicable, under the terms of the underlying lease agreement.

- Intangible assets

Separately acquired

Separately acquired intangible assets with finite useful life are carried at cost less accumulated amortization and, when applicable, accumulated impairment losses. Amortization is recognized on a straight-line basis, based on the estimated useful life of the assets.

Expenses on goodwill paid by Livraria when commercial property leases are signed are classified as intangible assets on the date the agreements are executed and amortized on a straight-line basis over the lease period.

Internally generated

Expenditure on research is recognized as an expense when incurred.

An internally generated intangible asset arising from expenditure on software development is recognized if, and only if, all of the following can be demonstrated: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (ii) the intention to complete the intangible asset and use or sell it; (iii) the ability to use or sell the intangible asset, the generation of probable future economic benefits, and the availability of adequate technical, financial and other resources to complete the development; and (iv) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized corresponds to the sum of the costs incurred since the time an intangible asset met the recognition criteria above. Subsequently, assets are recognized at production cost, less amortization and, where applicable, impairment losses.

- Goodwill

Beginning 2010, goodwill recorded on business acquisitions is the excess of the amount paid on the acquisition over the interest in the fair value of the identifiable assets, liabilities and contingent liabilities of acquirees recognized as of the acquisition date. Goodwill initially recognized at fair value is subsequently tested for impairment. In the nine-month period ended September 30, 2011, no new acquisitions were made that would result in the application of business combination criteria.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Goodwill presented in the individual and consolidated interim financial statements arises from the acquisition and merger of acquirees from 2003 to 2008 and was amortized on a straight-line basis at the rate of 20% per year through December 31, 2008. Beginning January 1, 2009, goodwill is no longer amortized but tested for impairment on a periodic basis.

The cash-generating units (“CGUs”), i.e., the lowest levels for which there are separately identifiable cash flows, as defined by Management, to which goodwill was allocated, and used to test goodwill for impairment, correspond to the operation of the stores purchased from Siciliano S.A. (“Siciliano”) and Ético’s operations. If the recoverable value of a CGU is lower than its carrying amount, the impairment loss is firstly allocated to write down the carrying amount of goodwill, and subsequently to the other assets of the CGU. Any goodwill impairment loss is recognized directly in profit or loss and cannot be reversed in subsequent periods.

Goodwill is annually tested for impairment irrespective of whether there is any indication that it may be impaired.

- Impairment of property, plant and equipment and intangible assets, except goodwill

Property, plant and equipment items, intangible assets with finite useful lives, and, when applicable, other noncurrent assets are tested for impairment annually or whenever events or significant changes in circumstances indicate that their carrying amount might be impaired. The impairment loss, corresponding to the higher of an asset’s value in use and net selling price, is recognized in profit or loss, when identified.

For impairment test purposes, assets are grouped in the CGUs defined by Management and used to evaluate the recoverability of the carrying amount of the underlying assets, corresponding to the operations of Editora and each one of its stores, including the website Saraiva.com of Livraria. The assessment process uses operating and financial performance indicators established by Management and, when there is indication of an impairment loss, a comparative analysis for each CGU is performed between the amount determined by the cash flow discounted to present value and the related carrying amount. If the recoverable amount of a CGU is lower than its carrying amount, an impairment loss is recognized in profit or loss.

j) Current and noncurrent liabilities

- Borrowings and financing

Initially recognized at fair value when funds are received, less transaction costs where applicable, and subsequently measured at the amortized cost under the effective interest method, corresponding to cost plus contractual charges, interest, inflation adjustments and exchange rate changes incurred through the end of each reporting period.

Foreign currency-denominated borrowings are translated into Brazilian reais at the exchange rate prevailing at the balance sheet dates, for which the Company has a zero basis risk swap, recorded at fair value on an accrual basis. Gains earned or losses incurred under these contracts are recognized as adjustments in financial income and expenses.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

- Copyrights

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

- Provisions for tax, civil and labor contingencies

Reserves are recognized when there is a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and its amount can be reliably estimated at the end of the reporting period.

Reserves are recognized at the estimated loss amount when loss is assessed as probable, considering the nature of each contingency, based on the opinion of the legal counsel of Editora and Livraria. The bases for and nature of the reserve for contingencies are described in Note 20.

k) Other current and noncurrent assets and liabilities

Stated at their realizable values (assets) and known or estimated amounts (liabilities), plus interest, inflation adjustments, and charges, when applicable.

l) Lease

Leases are classified as finance leases when lease agreement terms substantially transfer all the risks and rewards of asset ownership to the lessee. All other leases are classified as operating leases.

- Operating leases

Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term. Contingent payments (variable portion based on sales revenue) are recognized as expenses when incurred.

- Finance leases

Capitalized in property, plant and equipment at the inception of the lease at the fair value of the leased asset or, if lower, the present value of minimum lease payments, as a balancing item of the related obligations, less financial charges, which are recognized in current and noncurrent liabilities, according to the lease term.

m) Current and deferred income tax and social contribution

- Current

The provisions for corporate income tax (IRPJ) and social contribution on net income (CSLL) are calculated pursuant to the prevailing tax law, based on accounting profit adjusted by additions and deductions of recognized nontaxable and nondeductible expenses and income.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

- Deferred

Deferred income tax and social contribution are calculated on tax loss carryforwards of Livraria and temporary differences of Editora and Livraria. Deferred income tax and social contribution assets are recognized in the probable amount future taxable income will be sufficient to deduct all temporary differences and tax loss carryforwards, and are stated in noncurrent assets and liabilities.

Deferred income tax and social contribution are calculated at the tax rates effective in the period when the asset or the liability on which they are calculated is realized or settled, respectively. Deferred taxes are recognized as income or expenses, and allocated to profit or loss. The recovery of deferred tax assets is reviewed at the end of each reporting period and, when it is no longer probable that future taxable income will be available to allow the recovery of all or part of the assets, the asset balance is adjusted based on the expected recoverable amount.

n) Deferred income

Sales revenue obtained by the customer loyalty program is recognized in line item "Deferred revenue" at the fair value of the accumulated points and recognized in profit or loss as credits are redeemed, the right to use such credits expires, and part of the balance of the provision related to the expected expiry of the right to redeem points is amortized, calculated at the historical base of occurrences.

o) Share-based compensation

The share-based compensation plan of Editora and Livraria is measured at the fair value of the equity instruments on grant date. Details on the determination of the fair value are described in Note 21.e).

The fair value of stock options granted set on grant date is recognized on a straight-line basis as expenses in profit or loss over the vesting period, based on estimates on which granted options will be exercised. Management reviews its estimates at the end of each reporting period and the impact compared to the initial estimates, if any, is recognized in profit or loss for the reporting period, reflecting the revised estimates.

p) Dividends and interest on capital

The proposed distribution of dividends, which include interest on capital paid by Editora's Management that does not exceed the portion equivalent to the mandatory minimum dividends, is recognized as a liability in line item "Dividends and interest on capital" as it is considered as a statutory obligation of Editora. On the other hand, the portion of dividends exceeding mandatory minimum dividends, declared by Management after the end of the reporting period, but before the authorization for the issue of the financial statements, is recognized in line item "Proposed additional dividends".

q) Presentation of earnings per share

Earnings per share are presented as basic and diluted, as prescribed by CPC 41 - Earnings per Share (IAS 33), as described in Note 28.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

r) Statement of value added (“DVA”)

The purpose of the DVA presented by Editora is to disclose the wealth created by the Company and its distribution over a certain reporting period, as required by the Brazilian Corporate Law, as an integral part of its individual financial statements, and as supplemental information to the consolidated financial statements, since this statement is not required by IFRS. The DVA was prepared using information obtained in the same accounting records used to prepare the financial statements and pursuant to the provisions of CPC 09 - Statement of Value Added.

s) New standards, and amendments to and interpretation of standards

The CPC has not yet issued the pronouncements and amendments related to the new and revised IFRS below. Because of CPC’s and CVM’s commitment to keep the set of standards issued up-to-date as changes are made by the IASB, such pronouncements and amendments are expected to be issued by CPC and approved by CVM by the date they become effective.

Standards effective on September 30, 2011

Interpretations of and amendments to the standards below were issued and effective on September 30, 2011. However, they have not significantly affected Editora’s interim financial statements:

<u>Standard</u>	<u>Description</u>	<u>Effective to annual periods beginning on or after</u>
Amendments to IAS 32	Classification of Rights Issues	02/01/2010
Amendments to IFRS 14	Prepayments of Minimum Funding Requirements	01/01/2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	07/01/2010
IFRIC 13	Customer Loyalty Program	07/01/2010
Amendments to IAS 24	Related-party Disclosures	01/01/2011

Standards and interpretations of and amendments to standards effective beginning July 1 and which were not early adopted by Editora and Livraria

The following standards and amendments to existing standards below were published and are mandatory for reporting periods beginning on or after July 1, 2011, or thereafter. However, Editora did not early adopt these standards and revised standards.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Standard	Description	Effective to annual periods beginning on or after
Amendments to IFRS 1	Elimination of Fixed Dates for First-time Adopters of IFRS	07/01/2011
Amendments to IFRS 7	Disclosures - Transfer of Financial Assets	07/01/2011
IFRS 9 (as amended in 2010)	Financial Instruments	01/01/2013
Amendments to IAS 12	Deferred Taxes - recovery of underlying assets when the asset is measured under the fair value framework of IAS 40	01/01/2012
Amendments to IAS 19	Employee Benefits - eliminates the corridor approach and establishes that impacts from remeasuring the benefits plan be directly recognized in comprehensive income, and introduces other improvements	01/01/2013
Package of five	IFRS 10 - Consolidated Financial Statements (replaces the consolidation guide of IAS 27 and SIC 12); IFRS 11 - Joint Ventures (replaces IAS 31); IFRS 12 - Disclosure of Interest in Other Entities; amendments to IAS 27; and amendments to IAS 28 to align with IFRS 10, 11 and 12	01/01/2013
IFRS 13	Fair Value Measurement - replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance	01/01/2013

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing the interim financial information and statements, Management is required to make judgments, estimates and assumptions based on historical experience and other factors that are considered to be relevant, that affect the reported amounts of assets and liabilities. Actual results may differ from these estimates.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

The estimates and underlying assumptions are reviewed on an ongoing basis and the related effects are recognized in the period in which the estimate is revised.

a) Impairment of assets

Where there are indications that property, plant and equipment items and intangible assets with finite useful lives might be impaired, based on financial and economic factors, taking into consideration the maturity of investments, their carrying amounts are annually reviewed, through a detailed study of each CGU, by calculating discounted future cash flows and using a rate of discount to present value, to ensure that a possible allowance for impairment losses is recognized in profit or loss for the reviewed period.

b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill was allocated. The calculation of the value in use requires Management to estimate the expected future cash flows arising from the CGUs and an adequate discount rate to calculate the present value.

c) Allowance for inventory losses of Livraria

The allowance for inventory losses is estimated based on the history of losses identified during physical inventory counts of the stores and distribution centers, to cover probable losses when physical inventories are counted.

d) Allowance for inventory losses

The allowance for impairment of inventory is related to the obsolescence of inventories. In the case of Livraria, the allowance corresponds to unsellable inventories due to deterioration or turnover below estimates. In the case of Editora, the allowance corresponds to the cost of any damaged books or discontinued editions, charged directly to profit or loss.

e) Allowance for doubtful accounts

Trade accounts receivable are controlled by aging range, and an allowance for doubtful accounts is recognized for receivables past due for more than 180 days. Uncollectible receivables are recognized directly in profit or loss.

f) Provision for tax, civil and labor contingencies

Provisions recognized for lawsuits that represent probable losses can be reliably estimated. The likelihood of loss is assessed based on the opinion of Editora's and Livraria's legal counsel.

g) Deferred taxes

Deferred tax assets and liabilities are calculated based on a study of the expected realization of future taxable income, discounted to present value and less all temporary differences, annually reviewed and approved by Management. Future earnings projections take into consideration the main performance variables of the Brazilian economy, the volume and price of sales, and tax rates.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

h) Livraria's customer loyalty program

Under the program's regulations effective beginning April 1, 2011, a customer has the right to a R\$15.00 discount in purchases in any store of Livraria for every 1,000 points obtained. The points can be used to purchase any product. Points expire after 12 months. All customers holding the necessary points according to the regulation effective through March 31, 2011 retained the right to the R\$15.00 discount.

Fair value is calculated based on the award credits obtained by customers when they complete a purchase, adjusted by an amount related to the expected redemption and another portion related to expected expiry, which are amortized proportionally to the actual redemption of the points.

5. CASH AND CASH EQUIVALENTS

	Editora - BR GAAP		Consolidated - IFRS & BR GAAP	
	9/30/11	12/31/10	9/30/11	12/31/10
Cash and banks	795	471	4,192	7,790
Temporary cash investments (*)	<u>29</u>	<u>58,201</u>	<u>268</u>	<u>58,201</u>
	<u>824</u>	<u>58,672</u>	<u>4,460</u>	<u>65,991</u>

(*) Short-term investments consist of Bank Certificates of Deposit (CDBs), yielding interest at rates ranging from 100% to 101% of the Interbank Deposit Rate (CDI), can be immediately converted into a known cash amount, and are subject to an insignificant risk of change in value.

6. TRADE ACCOUNTS RECEIVABLE

	Editora - BR GAAP		Consolidated - IFRS & BR GAAP	
	9/30/11	12/31/10	9/30/11	12/31/10
Trade notes receivable	69,263	69,672	74,820	74,473
Trade notes receivable - Livraria	10,623	8,406	-	-
Credit cards	48	56	151,984	210,799
Checks receivable	<u>4,296</u>	<u>5,065</u>	<u>5,593</u>	<u>6,551</u>
	84,230	83,199	232,397	291,823
Allowance for doubtful accounts	<u>(1,980)</u>	<u>(3,432)</u>	<u>(4,666)</u>	<u>(6,915)</u>
	<u>82,250</u>	<u>79,767</u>	<u>227,731</u>	<u>284,908</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Maximum exposure to credit risk at the end of the reporting period is the carrying amount of each aging range, as shown in the aging list below:

a) Aging list of receivables

	Editora - BR GAAP		Consolidated - IFRS & BR GAAP	
	9/30/11	12/31/10	9/30/11	12/31/10
	Current	79,294	76,404	224,420
Past-due:				
Up to 60 days	2,120	1,671	2,411	1,926
From 61 to 90 days	305	542	328	552
From 91 to 180 days	531	1,150	572	1,163
More than 180 days	<u>1,980</u>	<u>3,432</u>	<u>4,666</u>	<u>6,915</u>
	<u>84,230</u>	<u>83,199</u>	<u>232,397</u>	<u>291,823</u>

b) Changes in the allowance for doubtful accounts

	Editora - BR GAAP		Consolidated - IFRS & BR GAAP	
	9/30/11	12/31/10	9/30/11	12/31/10
	Opening balances	(3,432)	(1,909)	(6,915)
Write-off of receivables assessed as uncollectible	2,724	1,544	4,019	4,339
Receivables assessed as uncollectible in the period/year	(1,575)	(2,724)	(2,136)	(3,953)
Reversal of prior-year allowance	708	365	943	494
Allowance for the period/year	<u>(405)</u>	<u>(708)</u>	<u>(577)</u>	<u>(943)</u>
Closing balances	<u>(1,980)</u>	<u>(3,432)</u>	<u>(4,666)</u>	<u>(6,915)</u>

The amount recognized in profit or loss is as follows:

	Editora - BR GAAP				Consolidated - IFRS & BR GAAP			
	7/1/11 to 9/30/11	1/1/11 to 9/30/11	7/1/10 to 9/30/10	1/1/10 to 9/30/10	7/1/11 to 9/30/11	1/1/11 to 9/30/11	7/1/10 to 9/30/10	1/1/10 to 9/30/10
	Receivables assessed as uncollectible in the period	(422)	(1,575)	(605)	(2,029)	(695)	(2,136)	(876)
Allowance for the year less reversal of prior period allowance	588	303	20	177	662	366	8	172
Recovery of receivables assessed as uncollectible	<u>(550)</u>	<u>212</u>	<u>32</u>	<u>266</u>	<u>(503)</u>	<u>222</u>	<u>45</u>	<u>292</u>
	<u>(384)</u>	<u>(1,060)</u>	<u>(553)</u>	<u>(1,586)</u>	<u>(536)</u>	<u>(1,548)</u>	<u>(823)</u>	<u>(2,574)</u>

Management did not recognize any adjustment to present value since all transactions are short term and the effect of such adjustment is considered irrelevant when compared to the interim financial statements taken as a whole.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

7. INVENTORIES

	Editora - BR GAAP		Consolidated - IFRS & BR GAAP	
	<u>9/30/11</u>	<u>12/31/10</u>	<u>9/30/11</u>	<u>12/31/10</u>
Goods for resale	432	579	246,716	241,370
Finished products	122,205	62,677	122,205	62,677
Work in process	40,011	42,449	40,011	42,449
Raw materials	8,361	13,368	8,361	13,368
Packing and consumption materials	<u>802</u>	<u>748</u>	<u>2,318</u>	<u>2,210</u>
	171,811	119,821	419,611	362,074
Allowance for inventory obsolescence	-	-	-	(157)
Unrealized profit on inventories (sale of Editora products to Livraria)	<u>-</u>	<u>-</u>	<u>(5,651)</u>	<u>(5,987)</u>
	<u>171,811</u>	<u>119,821</u>	<u>413,960</u>	<u>355,930</u>

8. RECOVERABLE TAXES

	Editora - BR GAAP		Consolidated - IFRS & BR GAAP	
	<u>9/30/11</u>	<u>12/31/10</u>	<u>9/30/11</u>	<u>12/31/10</u>
Tax on revenues (COFINS)	6,876	4,963	45,350	33,737
Tax on revenues (PIS)	1,572	1,732	10,578	8,633
Corporate income tax (IRPJ)	2,785	-	5,777	2,792
Social contribution on net income (CSLL)	2,363	199	3,538	1,394
Withholding income tax (IRRF)	881	-	983	-
State VAT (ICMS) (*)	-	-	51,379	35,229
Other	<u>10</u>	<u>10</u>	<u>78</u>	<u>10</u>
	<u>14,487</u>	<u>6,904</u>	<u>117,683</u>	<u>81,795</u>
Current assets	14,487	6,904	83,761	63,907
Noncurrent assets	<u>-</u>	<u>-</u>	<u>33,922</u>	<u>17,888</u>
	<u>14,487</u>	<u>6,904</u>	<u>117,683</u>	<u>81,795</u>

(*) Beginning 2008, the reverse charge ICMS system effective in the State of São Paulo started to include most of the products sold by several companies of the retail industry, requiring the application of specific procedures so that appropriate tax records are kept, necessary for the recovery of the tax credits generated in transactions conducted outside the State of São Paulo.

Part of the products sold by Livraria are subject to the reverse charge system in subsequent transactions, as follows:

- Audio and video products - beginning April 2008.
- Videogame-related products - beginning September 2008.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

- Console-related products - beginning May 2009.
- Stationery and toys - beginning May 2009.
- Information Technology - IT, telephone and electrical and electronic products - beginning June 2009.

Under the reverse charge system, ICMS due on Livraria's sales transactions is prepaid when merchandise is purchased and it is recognized as inventory cost assuming that the sales to nontaxpayers of ICMS will take place in the State of São Paulo. In transferring such merchandise from the distribution center located in the State of São Paulo to stores in other States, the prepaid ICMS is claimed as a tax credit to be recovered from the State of São Paulo, as provided for by State legislation.

The recovery process is provided for by the São Paulo ICMS Regulations, Decree 45490/00, and Tax Administration Board Coordinating Committee Administrative Rule 17/99, and requires highly complex work and, among other activities to calculate the credit, the development of software to extract historical data and format such data into the required formats.

The calculation of tax credits also requires detailed certification work of the historical data currently obtained with the same data reported in other tax documentation filed for the periods when the products are subject to such system, and the preparation of reports and media containing electronic files to be submitted to the State tax authority for recovery.

The determined credit will only be recovered as provided for by prevailing legislation after the approval of the data filed. The recovery period and the amounts that will be recovered depend on their approval by the tax authorities.

Management initiated in 2010 all the actions necessary to ensure the approval and confirmation of the credit amounts, which include: (a) discussions with trade associations and public administration agencies; (b) engagement of a specialized consulting company; and (c) investments in technology and human resources.

The credit estimated and recognized between January 1 and September 30, 2011 is R\$41,207 and is subject to the compliance with the requirements above and a review at the time the work is completed. The credit amount for transactions conducted in 2008 and 2009 is still to be determined and will be reasonably known when the calculation activities are completed.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

9. INCOME TAX AND SOCIAL CONTRIBUTION

a) Deferred income tax and social contribution

	Editora - BR GAAP		Consolidated - IFRS & BR GAAP	
	<u>9/30/11</u>	<u>12/31/10</u>	<u>9/30/11</u>	<u>12/31/10</u>
Noncurrent assets:				
Tax loss carryforwards	-	-	25,005	14,638
Reserve for contingencies and taxes payable	568	662	5,063	4,556
Accrued sale costs of products received on consignment	-	52	7,547	14,975
Saraiva Plus customer loyalty program	-	-	2,212	2,589
Provision for inventory obsolescence	-	-	-	54
Allowance for doubtful accounts	-	241	796	1,081
Other provisions	<u>138</u>	<u>821</u>	<u>138</u>	<u>1,122</u>
	<u>706</u>	<u>1,776</u>	<u>40,761</u>	<u>39,015</u>
Noncurrent liabilities:				
Provision for book inventory losses (*)	13,899	7,169	23,210	17,990
Tax amortization of goodwill on business acquisitions	3,284	2,395	18,171	13,240
Deemed cost of property, plant and equipment - "land"	5,810	5,810	5,810	5,810
Other	<u>3</u>	<u>3</u>	<u>2,019</u>	<u>3</u>
	<u>22,996</u>	<u>15,377</u>	<u>49,210</u>	<u>37,043</u>

(*) Editora and Livraria, based on the opinion of their outside legal counsel, considered the tax incentive established by Law 10753/03, as amended by Law 10833/03, concerning the deductibility of the provision for inventory losses, as a direct adjustment to the taxable base, thus recognizing the related deferred income tax liability.

Management considers the carrying amount of the deferred tax assets recognized by Editora, realizable as final and unappealable decisions of the lawsuits filed are issued; with respect to the deferred tax assets on tax loss carryforwards and temporary differences of Livraria, Management assesses their realization based on future taxable income, as follows:

<u>End of the reporting period</u>	<u>Realization of deferred tax asset of Livraria</u>
December 31, 2011	4,454
December 31, 2012	11,101
December 31, 2013	7,013
December 31, 2014	7,939
December 31, 2015	7,592
December 31, 2016	<u>1,956</u>
	<u>40,055</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

b) Reconciliation of actual income tax and social contribution expense

	Editora - BR GAAP				Consolidated - IFRS & BR GAAP			
	7/1/11 to 9/30/11	1/1/11 to 9/30/11	7/1/10 to 9/30/10	1/1/10 to 9/30/10	7/1/11 to 9/30/11	1/1/11 to 9/30/11	7/1/10 to 9/30/10	1/1/10 to 9/30/10
Accounting profit before income tax and social contribution	758	27,294	(9,544)	20,525	820	29,026	(9,154)	22,918
Combined tax rate	<u>34%</u>	<u>34%</u>	<u>34%</u>	<u>34%</u>	<u>34%</u>	<u>34%</u>	<u>34%</u>	<u>34%</u>
Income tax and social contribution at combined tax rate	(258)	(9,280)	3,245	(6,979)	(279)	(9,869)	3,112	(7,792)
Permanent additions - nondeductible expenses	(462)	(1,384)	(25)	(1,059)	(607)	(1,627)	(134)	(1,269)
Permanent exclusions - equity in subsidiary	(204)	988	22	1,354	-	-	-	-
Unrealized profit on Livreria's inventories	-	-	-	-	(74)	115	(83)	(15)
Other	<u>(180)</u>	<u>64</u>	<u>(230)</u>	<u>117</u>	<u>(206)</u>	<u>38</u>	<u>(274)</u>	<u>117</u>
	<u>(1,104)</u>	<u>(9,612)</u>	<u>3,012</u>	<u>(6,567)</u>	<u>(1,166)</u>	<u>(11,343)</u>	<u>2,621</u>	<u>(8,959)</u>
Income tax and social contribution in the statement of income:								
Current	5,239	(923)	6,387	(2,545)	5,239	(923)	6,387	(2,545)
Deferred	<u>(6,343)</u>	<u>(8,689)</u>	<u>(3,376)</u>	<u>(4,022)</u>	<u>(6,405)</u>	<u>(10,420)</u>	<u>(3,766)</u>	<u>(6,414)</u>
	<u>(1,104)</u>	<u>(9,612)</u>	<u>3,011</u>	<u>(6,567)</u>	<u>(1,166)</u>	<u>(11,343)</u>	<u>2,621</u>	<u>(8,959)</u>
Effective tax rate on profit	<u>145.65%</u>	<u>35.22%</u>	<u>31.55%</u>	<u>32.00%</u>	<u>142.20%</u>	<u>39.08%</u>	<u>28.63%</u>	<u>39.09%</u>

10. RELATED PARTIES

a) Business transactions and intercompany loans

Related-party transactions include business purchase and sale transactions, donations, and intercompany loans.

Editora's book sale transactions to Livreria are conducted at the books' cover prices, less usual discounts granted to booksellers and volume discounts. Receivables are settled with the transfer of Livreria funds to Editora within the deadline set in each purchase order.

Loans granted to Livreria have indefinite maturity and bear interest equivalent to 101% of CDI.

Loans received from Livreria have indeterminate maturity and bear interest equivalent to 101% of CDI.

On June 1, 2011, Editora paid in the total capital increase of Livreria using funds arising from the intercompany loan.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Changes in loans granted are as follows:

	<u>9/30/11</u>	<u>12/31/10</u>
Balance at beginning of period/year	16,550	6,964
Loans less repayments	12,113	8,098
Transfer - capital increase	(30,000)	-
Financial expenses	<u>1,337</u>	<u>1,488</u>
Balance at end of period/year	<u>-</u>	<u>16,550</u>

Changes in borrowings are as follows:

	<u>9/30/11</u>
Balance at beginning of period/year	-
Loans less repayments	28,447
Financial expenses	<u>216</u>
Balance at end of period/year	<u>28,663</u>

The main balance and transactions with Livraria are as follows:

	<u>9/30/11</u>	<u>12/31/10</u>		
Balances:				
Assets:				
Receivables (current)	10,623	8,375		
Loans - intercompany loan agreement (noncurrent)	-	16,550		
Liabilities:				
Trade payables (current)	10	31		
Loans - intercompany loan agreement (current)	28,663	-		
	<u>7/1/11 to</u>	<u>1/1/11 to</u>	<u>7/1/10 to</u>	<u>1/1/10 to</u>
	<u>9/30/11</u>	<u>9/30/11</u>	<u>9/30/10</u>	<u>9/30/10</u>
Transactions:				
Product sales	11,112	36,503	10,196	36,492
Product purchases	87	324	3	16
Financial income	150	1,337	447	1,368
Financial expenses	216	216	4	4

Donations are made in cash to Instituto Jorge Saraiva, founded in 2004, which is engaged in social and community work. In the nine-month period ended September 30, 2011, donations made totaled R\$600 (R\$300 as of September 30, 2010).

NOTES TO THE INTERIM FINANCIAL STATEMENTS

b) Management and Board of Directors compensation

The officers' and directors' compensation on a consolidated basis is broken down as follows:

<u>Compensation</u>	<u>7/1/11 to 9/30/11</u>	<u>1/1/11 to 9/30/11</u>	<u>7/1/10 to 9/30/10</u>	<u>1/1/10 to 9/30/10</u>
Directors' salaries	895	2,473	751	2,098
Officers' salaries	<u>1,990</u>	<u>6,164</u>	<u>1,870</u>	<u>5,692</u>
Subtotal	2,885	8,637	2,621	7,790
Profit sharing	(38)	1,965	(688)	1,567
Share-based compensation	<u>167</u>	<u>586</u>	<u>291</u>	<u>944</u>
	<u>3,014</u>	<u>11,188</u>	<u>2,224</u>	<u>10,301</u>

Editora does not grant postemployment and severance benefits. Under the Brazilian Corporate Law and Editora's bylaws, shareholders are responsible for setting, at the Annual Shareholders' Meeting, the overall compensation of the Board of Directors and the Executive Committee. Management is also entitled to a profit sharing of up to 10% of profit.

11. INVESTMENTS

The interest held in subsidiaries and their main information are as follows:

	<u>9/30/11</u>		<u>12/31/10</u>
	<u>Saraiva e Siciliano S.A.</u>	<u>Minha Biblioteca Ltda.</u>	<u>Saraiva e Siciliano S.A.</u>
Number of shares - in thousands	216,490	1,000	193,053
Number of shares held - in thousands	216,450	250	193,013
Equity interest	99.98%	25.00%	99.98%
Percentage of this investment in the Company's shareholders' equity (includes intercompany loans)	62.96%	0.04%	60.39%
Paid-in capital	326,317	1,000	296,317
Shareholders' equity	279,372	700	246,727
(-) Unrealized profit	<u>(5,651)</u>	<u>-</u>	<u>(5,987)</u>
Calculation basis of investment	<u>273,721</u>	<u>700</u>	<u>240,740</u>
Total investment	<u>273,669</u>	<u>175</u>	<u>240,689</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

The calculation basis of equity in subsidiaries recognized by Editora is broken down as follows:

	Editora - BR GAAP			
	<u>7/1/11 to 9/30/11</u>	<u>1/1/11 to 9/30/11</u>	<u>7/1/10 to 9/30/10</u>	<u>1/1/10 to 9/30/10</u>
Calculation basis of equity in subsidiary:				
Livraria's profit (loss)	(307)	2,645	313	4,031
Minha Biblioteca Ltda.'s profit (loss)	(300)	(300)	-	-
Unrealized profit on inventories on sales to Livraria	(217)	<u>336</u>	(245)	<u>(46)</u>
Adjusted calculation basis of equity in subsidiary	<u>(824)</u>	<u>2,681</u>	<u>68</u>	<u>3,985</u>
Equity in subsidiary	<u>(600)</u>	<u>2,905</u>	<u>67</u>	<u>3,984</u>

The changes in investments were as follows:

	Editora - BR GAAP	
	<u>9/30/11</u>	<u>12/31/10</u>
Balance at beginning of period/year	240,689	235,722
Capital increase in subsidiary through intercompany loan - Saraiva & Siciliano S.A.	30,000	-
Acquisition of shares from noncontrolling shareholders	-	13
Contribution of capital to jointly-controlled entity - Minha Biblioteca Ltda.	250	-
Unrealized profit on inventories on sales to Livraria	336	(1,108)
Interest in Livraria	2,644	6,062
Interest in Minha Biblioteca	<u>(75)</u>	<u>-</u>
Balance at end of period/year	<u>273,844</u>	<u>240,689</u>

The main information on Livraria and Minha Biblioteca is as follows:

<u>Line item</u>	<u>Livraria</u>		<u>Minha Biblioteca</u>	
	<u>9/30/11</u>	<u>12/31/10</u>	<u>9/30/11</u>	<u>12/31/10</u>
Total assets	783,262	764,691	739	-
Current and noncurrent liabilities	503,890	517,964	39	-
Shareholders' equity	279,372	246,727	700	-
Net revenue	1,025,887	1,196,954	-	-
Profit (loss) for the period/year	2,645	6,063	(300)	-

NOTES TO THE INTERIM FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT

	Annual depreciation/ amortization rate - %	Editora - BR GAAP					
		9/30/11			12/31/10		
		Cost	Accumulated depreciation/ amortization	Net	Cost	Accumulated depreciation/ amortization	Net
Land	-	18,527	-	18,527	18,527	-	18,527
Buildings and constructions	4	7,364	(4,215)	3,149	7,361	(3,996)	3,365
Machinery and equipment	10	1,881	(1,617)	264	1,913	(1,631)	282
Furniture, fixtures and installations	10	18,855	(12,663)	6,192	18,263	(11,519)	6,744
Vehicles	20	7,303	(4,620)	2,683	6,753	(3,794)	2,959
IT equipment	20	14,455	(11,014)	3,441	13,542	(10,551)	2,991
Property, plant and equipment in progress	-	<u>124</u>	<u>-</u>	<u>124</u>	<u>126</u>	<u>-</u>	<u>126</u>
		<u>68,509</u>	<u>(34,129)</u>	<u>34,380</u>	<u>66,485</u>	<u>(31,491)</u>	<u>34,994</u>

	Annual depreciation/ amortization rate - %	Consolidated - IFRS & BR GAAP					
		9/30/11			12/31/10		
		Cost	Accumulated depreciation/ amortization	Net	Cost	Accumulated depreciation/ amortization	Net
Land	-	18,530	-	18,530	18,530	-	18,530
Buildings and constructions	4	8,805	(5,110)	3,695	8,802	(4,849)	3,953
Machinery and equipment	10	2,872	(2,463)	409	2,914	(2,465)	449
Furniture, fixtures and installations	10	199,206	(120,391)	78,815	182,996	(103,513)	79,483
Vehicles	20	8,213	(5,000)	3,213	7,373	(4,092)	3,281
IT equipment	20	45,806	(31,817)	13,989	42,738	(29,298)	13,440
Leased assets	20	2,029	-	2,029	-	-	-
Property, plant and equipment in progress	-	<u>4,467</u>	<u>-</u>	<u>4,467</u>	<u>5,595</u>	<u>-</u>	<u>5,595</u>
		<u>289,928</u>	<u>(164,781)</u>	<u>125,147</u>	<u>268,948</u>	<u>(144,217)</u>	<u>124,731</u>

Changes in line item "Property, plant and equipment" were as follows:

	Editora - BR GAAP				
	<u>12/31/10</u>	<u>Additions</u>	<u>Write-offs</u>	<u>Transfers</u>	<u>9/30/11</u>
Cost:					
Land	18,527	-	-	-	18,527
Buildings and construction	7,361	3	-	-	7,364
Machinery and equipment	1,913	39	(71)	-	1,881
Furniture, fixtures and facilities	18,263	597	(5)	-	18,855
Vehicles	6,753	693	(143)	-	7,303
IT equipment	13,542	1,315	(402)	-	14,455
Constructions in progress	<u>126</u>	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>124</u>
Total cost	<u>66,485</u>	<u>2,645</u>	<u>(621)</u>	<u>-</u>	<u>68,509</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

	Editora - BR GAAP				
	<u>12/31/10</u>	<u>Additions</u>	<u>Write-offs</u>	<u>Transfers</u>	<u>9/30/11</u>
Accumulated depreciation:					
Buildings and construction	(3,996)	(219)	-	-	(4,215)
Machinery and equipment	(1,631)	(57)	71	-	(1,617)
Furniture, fixtures and facilities	(11,519)	(1,147)	3	-	(12,663)
Vehicles	(3,794)	(862)	36	-	(4,620)
IT equipment	(10,551)	(859)	396	-	(11,014)
Total depreciation	<u>(31,491)</u>	<u>(3,144)</u>	<u>506</u>	<u>-</u>	<u>(34,129)</u>
Net	<u>34,994</u>	<u>(499)</u>	<u>(115)</u>	<u>-</u>	<u>34,380</u>
	Consolidated - IFRS & BR GAAP				
	<u>12/31/10</u>	<u>Additions</u>	<u>Write-offs</u>	<u>Transfers</u>	<u>9/30/11</u>
Cost:					
Land	18,530	-	-	-	18,530
Buildings and construction	8,802	3	-	-	8,805
Machinery and equipment	2,914	39	(81)	-	2,872
Furniture, fixtures and facilities	182,996	11,425	(502)	5,287	199,206
Vehicles	7,373	1,039	(199)	-	8,213
IT equipment	42,738	3,759	(914)	223	45,806
Leased assets	-	2,029	-	-	2,029
Constructions in progress	<u>5,595</u>	<u>4,270</u>	<u>-</u>	<u>(5,398)</u>	<u>4,467</u>
Total cost	<u>268,948</u>	<u>22,564</u>	<u>(1,696)</u>	<u>112</u>	<u>289,928</u>
Accumulated depreciation:					
Buildings and construction	(4,849)	(261)	-	-	(5,110)
Machinery and equipment	(2,465)	(79)	81	-	(2,463)
Furniture, fixtures and facilities	(103,513)	(17,308)	430	-	(120,391)
Vehicles	(4,092)	(961)	53	-	(5,000)
IT equipment	<u>(29,298)</u>	<u>(3,421)</u>	<u>902</u>	<u>-</u>	<u>(31,817)</u>
Total depreciation	<u>(144,217)</u>	<u>(22,030)</u>	<u>1,466</u>	<u>-</u>	<u>(164,781)</u>
Net	<u>124,731</u>	<u>534</u>	<u>(230)</u>	<u>112</u>	<u>125,147</u>

Impairment tests are conducted on an annual basis or if there are indications of impairment, as described in Notes 3 and 4. Management did not identify any events that could indicate that assets might be impaired as of the quarter ended September 30, 2011.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

13. INTANGIBLE ASSETS

	Annual amortization rate - %	Editora - BR GAAP					
		9/30/11			12/31/10		
		Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Assignment of rights	20	3,057	(2,129)	928	2,932	(1,992)	940
Software	20	19,313	(14,894)	4,419	16,976	(13,995)	2,981
Trademarks and patents	-	188	-	188	188	-	188
Other intangible assets	20	1,722	(948)	774	1,722	(690)	1,032
Intangibles in progress	-	<u>2,748</u>	<u>-</u>	<u>2,748</u>	<u>2,026</u>	<u>-</u>	<u>2,026</u>
		<u>27,028</u>	<u>(17,971)</u>	<u>9,057</u>	<u>23,844</u>	<u>(16,677)</u>	<u>7,167</u>

	Annual amortization rate - %	Consolidated - IFRS & BR GAAP					
		9/30/11			12/31/10		
		Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Goodwill	20	26,224	(23,203)	3,021	25,732	(22,812)	2,920
Assignment of rights	20	3,057	(2,129)	928	2,932	(1,992)	940
Software	20	36,172	(26,547)	9,625	32,404	(24,401)	8,003
Trademarks and patents	-	323	(66)	257	323	(65)	258
Other intangible assets	20	1,722	(948)	774	1,722	(690)	1,032
Leased intangibles	20	1,215	(522)	693	1,139	-	1,139
Intangible in progress	-	<u>25,251</u>	<u>-</u>	<u>25,251</u>	<u>13,329</u>	<u>-</u>	<u>13,329</u>
		<u>93,964</u>	<u>(53,415)</u>	<u>40,549</u>	<u>77,581</u>	<u>(49,960)</u>	<u>27,621</u>

Changes in line item "Intangible assets" were as follows:

	Editora - BR GAAP				
	12/31/10	Additions	Write-offs	Transfers	9/30/11
Cost:					
Assignment of rights	2,932	125	-	-	3,057
Software	16,976	1,966	-	371	19,313
Trademarks and patents	188	-	-	-	188
Other intangible assets	1,722	-	-	-	1,722
Intangibles in progress	<u>2,026</u>	<u>1,093</u>	<u>-</u>	<u>(371)</u>	<u>2,748</u>
Total cost	<u>23,844</u>	<u>3,184</u>	<u>-</u>	<u>-</u>	<u>27,028</u>
Accumulated amortization:					
Assignment of rights	(1,992)	(137)	-	-	(2,129)
Software	(13,995)	(899)	-	-	(14,894)
Other intangible assets	<u>(690)</u>	<u>(258)</u>	<u>-</u>	<u>-</u>	<u>(948)</u>
Total amortization	<u>(16,677)</u>	<u>(1,294)</u>	<u>-</u>	<u>-</u>	<u>(17,971)</u>
Net	<u>7,167</u>	<u>1,890</u>	<u>-</u>	<u>-</u>	<u>9,057</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

	Consolidated - IFRS & BR GAAP				9/30/11
	12/31/10	Additions	Write-offs	Transfers	
Cost:					
Goodwill	25,732	-	(457)	949	26,224
Assignment of rights	2,932	125	-	-	3,057
Software	32,404	3,210	-	558	36,172
Trademarks and patents	323	-	-	-	323
Other intangible assets	1,722	-	-	-	1,722
Leased intangible	1,139	76	-	-	1,215
Intangible in progress	<u>13,329</u>	<u>13,541</u>	<u>-</u>	<u>(1,619)</u>	<u>25,251</u>
Total cost	<u>77,581</u>	<u>16,952</u>	<u>(457)</u>	<u>(112)</u>	<u>93,964</u>
Accumulated amortization:					
Goodwill	(22,812)	(653)	262	-	(23,203)
Assignment of rights	(1,992)	(137)	-	-	(2,129)
Software	(24,401)	(2,146)	-	-	(26,547)
Trademarks and patents	(65)	(1)	-	-	(66)
Other intangible assets	(690)	(258)	-	-	(948)
Leased intangible	<u>-</u>	<u>(522)</u>	<u>-</u>	<u>-</u>	<u>(522)</u>
Total amortization	<u>(49,960)</u>	<u>(3,717)</u>	<u>262</u>	<u>-</u>	<u>(53,415)</u>
Net	<u>27,621</u>	<u>13,235</u>	<u>(195)</u>	<u>(112)</u>	<u>40,549</u>

Impairment tests are conducted on an annual basis or if there are indications of impairment, as described in Notes 3 and 4. Management did not identify any events that could indicate that assets might be impaired as of the quarter ended September 30, 2011.

14. GOODWILL

	Acquisition date	Editora - BR GAAP	
		9/30/11	12/31/10
Goodwill on business acquisition:			
Formato	8/4/2003	70	70
Ético	12/7/2007	<u>14,526</u>	<u>14,526</u>
		<u>14,596</u>	<u>14,596</u>
	Acquisition date	Consolidated - IFRS & BR GAAP	
		9/30/11	12/31/10
Goodwill on business acquisition:			
Formato	8/4/2003	70	70
Ético	12/7/2007	14,526	14,526
Siciliano	3/6/2008	<u>62,671</u>	<u>62,671</u>
		<u>77,267</u>	<u>77,267</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Impairment tests are conducted on an annual basis, regardless of whether or not there are indications of impairment, as described in Notes 3 and 4.

Editora measures annually the recoverable amount of goodwill and concluded that the amounts recognized are not impaired as of December 31, 2010. The recoverable amounts of Siciliano's CGUs, included in the Livraria segment, and Ético's, included in the Editora segment, were measured based on their value in use, using a discount rate of 11.2% per year for Ético and 14.7% per year for Siciliano.

15. BORROWINGS AND FINANCING

	Editora - BR GAAP		Consolidated - IFRS & BR GAAP	
	9/30/11	12/31/10	9/30/11	12/31/10
Local currency:				
BNDES - FINEM	85,957	69,917	173,702	154,449
Working capital loans	-	-	74,375	85,424
Finance leasing	-	-	3,412	1,139
	<u>85,957</u>	<u>69,917</u>	<u>251,489</u>	<u>241,012</u>
In foreign currency-				
Working capital loans	-	-	59,589	-
	<u>85,957</u>	<u>69,917</u>	<u>311,078</u>	<u>241,012</u>
Current liabilities	36,100	3,486	109,869	96,875
Noncurrent liabilities	49,857	66,431	201,209	144,137
	<u>85,957</u>	<u>69,917</u>	<u>311,078</u>	<u>241,012</u>

Summary of the characteristics of borrowings and financing

Financing	Purpose	Guarantees	Maturity	Charges
Editora:				
BNDES - FINEM February 2009 agreement subloans E/F	Publishing plan - 2008-2010/ working capital	None	September 2014	2.32% + TJLP (a)
BNDES - FINEM February 2009 agreement subloans A/B/C/D	Publishing plan - 2008-2010/ working capital	None	September 2014	2.32% + BNDES rate (b)
Livraria:				
BNDES - FINEM - November 2006 agreement	Investment projects to open 11 stores, renovate and modernize 19 chain stores, and centralize logistics operations	Editora's guarantee	May 2012	3.1% + TJLP (a)
BNDES - FINEM February 2009 agreement subloans A/B/C	Expansion of store chain/ working capital	Editora's guarantee	September 2014	2.32% + BNDES rate (b)
BNDES - FINEM February 2009 agreement subloans E/F	Expansion of store chain/ working capital	Editora's guarantee	September 2014	2.32% + TJLP (a)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Financing	Purpose	Guarantees	Maturity	Charges
BNDES - FINEM February 2009 agreement subloan D	Expansion of stores chain	Editora's guarantee	September 2014	1.42% + TJLP (a)
Banco do Brasil S.A.: September 2011 agreement	Working capital	Receivables - credit card	March 2012	108% of CDI
June 2011 agreement	Working capital	Receivables - credit card	January 2012	108% of CDI
Banco do Itaú S.A.: February 2011 agreement	Working capital	Without guarantee	January 2013	14.82% p.y.
March 2011 agreement	Working capital	Without guarantee	March 2013	14.95% p.y.
May 2011 agreement in US\$ with Interbank Deposit Rate (CDI) swap	Working capital	Editora	April 2013	104.5% p.y.
Banco Bradesco S.A.: February 2011 agreement	Working capital	Without guarantee	February 2013	14.97% p.y.
February 2011 agreement	Working capital	Without guarantee	February 2013	14.97% p.y.
Banco Santander S.A.- April 2011 agreement in US\$ with fixed rate swap	Working capital	Editora	April 2014	15.09% p.y.
Banco IBM S.A.	Acquisition of software	None	October 2012	CDI fluctuation
Banco IBM S.A.	Acquisition of software	None	September 2016	CDI fluctuation

(a) The Long-term Interest Rate (TJLP) for the period ended September 30, 2011 was 6% (6% as of December 31, 2010).

(b) Benchmark rate disclosed by National Bank for Economic and Social Development (BNDES) on the date subloans are disbursed, which will correspond to the average borrowing costs of unrestricted funds and onlendings under special terms and conditions, and BNDES and BNDES Participações S.A. - BNDESPAR derivatives indexed to the Extended Consumer Price Index (IPCA).

In February 2009, Editora and Livraria entered into agreements with BNDES totaling R\$71,900 and R\$69,700, respectively, of which R\$83,364 were released in 2009. In 2010, BNDES released R\$19,758 to Editora and R\$27,756 to Livraria, and, in the nine-month period ended September 30, 2011, R\$11,388 was released to Editora and R\$810 to Livraria. The funds are used for working capital purposes, the development of new publishing lines, and the renovation and expansion of Livraria's store chain.

Besides the BNDES financing, Livraria borrowed R\$133,964 as of September 30, 2011 (R\$85,424 as of December 31, 2010), whose funds are used to finance its working capital requirements resulting from the growth in sales and changes in sales terms and conditions. Financial charges are calculated based on the Interbank Deposit Rate (CDI) fluctuation, fixed rates and changes. Foreign currency-denominated borrowings with Banco Itaú and Banco Santander (Resolution 4131/62) are subject to fluctuations in the U.S. dollar and interest rates. Swap transactions were contracted for these borrowings in order to swap exchange rate changes for the CDI fluctuation in connection with the borrowing from Itaú and for a fixed rate in connection with the borrowing from Santander.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

The amounts recorded in financial expenses relating to borrowings and financing are as follows:

	Editora - BR GAAP				Consolidated - IFRS & BR GAAP			
	7/1/11 to 9/30/11	1/1/11 to 9/30/11	7/1/10 to 9/30/10	1/1/10 to 9/30/10	7/1/11 to 9/30/11	1/1/11 to 9/30/11	7/1/10 to 9/30/10	1/1/10 to 9/30/10
BNDES - FINEM	2,338	8,208	1,464	5,613	4,770	16,961	3,197	11,792
Working capital loans	-	-	-	-	13,295	18,328	2,183	5,055
Swap	-	-	-	-	(8,084)	(5,930)	-	-
Finance leasing	-	-	-	-	26	104	-	-
	<u>2,338</u>	<u>8,208</u>	<u>1,464</u>	<u>5,613</u>	<u>10,007</u>	<u>29,463</u>	<u>5,380</u>	<u>16,847</u>

Contractual covenants for Editora and Livraria

Editora and Livraria are required to meet covenants set out in the financing agreements entered into with the BNDES. Editora and Livraria are compliant with such covenants for each of the years specified in the respective agreements, as summarized below:

- Editora is required to maintain the following financial ratios: (a) current liquidity of 1.5 or higher in 2009 and 1.7 or higher beginning 2010; (b) capitalization ratio of 0.43 or higher; and (c) debt ratio of 0.22 or lower.
- Both Editora and Livraria must provide periodic information, such as: (a) audited annual financial statements; (b) maintenance of headcount; and (c) store operating permits.

16. DEFERRED REVENUE - CUSTOMER LOYALTY PROGRAM

The Saraiva Plus customer loyalty program promotes purchases made by customers at the stores and the website, which are converted into award credits (points) to be used as discounts in future purchases.

Sales revenues leveraged by the loyalty program are recognized as “Deferred revenue” in profit or loss as described in Note 3.

As of September 30, 2011, deferred revenue of the loyalty program, recognized in a specific line item in consolidated, is R\$6,505 (R\$7,615 as of December 31, 2010).

17. TRADE ACCOUNTS PAYABLE

	Editora - BR GAAP		Consolidated - IFRS & BR GAAP	
	9/30/11	12/31/10	9/30/11	12/31/10
Domestic	51,290	32,750	235,472	274,083
Foreign	<u>1,181</u>	<u>2,247</u>	<u>3,194</u>	<u>4,993</u>
	<u>52,471</u>	<u>34,997</u>	<u>238,666</u>	<u>279,076</u>

Management did not recognize any adjustment to present value since all transactions are short term and the effect of such adjustment is considered irrelevant when compared to the interim financial statements taken as a whole.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

18. TAXES PAYABLE

	Editora - BR GAAP		Consolidated - IFRS & BR GAAP	
	<u>9/30/11</u>	<u>12/31/10</u>	<u>9/30/11</u>	<u>12/31/10</u>
State VAT (ICMS)	-	-	-	923
Income tax	-	4,161	-	4,161
Social contribution installment plan (a)	584	972	584	972
Withholding income tax (IRRF)	709	3,787	1,297	4,427
Taxes on revenue (PIS and COFINS)	42	39	457	413
Enrollment with tax installment plan - Law 11941/09 (b)	-	660	798	3,008
Other	<u>51</u>	<u>48</u>	<u>433</u>	<u>341</u>
	<u>1,386</u>	<u>9,667</u>	<u>3,569</u>	<u>14,245</u>
Current liabilities	1,342	9,232	3,525	13,810
Noncurrent liabilities	<u>44</u>	<u>435</u>	<u>44</u>	<u>435</u>
	<u>1,386</u>	<u>9,667</u>	<u>3,569</u>	<u>14,245</u>

(a) Application filed with the Federal Revenue Service in November 2007 for the payment in installments of the debt resulting from the overruling of the administrative appeal filed against the tax assessment collecting underpaid social contribution due to the deduction of interest on capital from this tax's taxable base in 1996.

(b) Editora and Livraria's Management joined the plan created by Law 11941/09 for the payment of taxes related to administrative and legal proceedings assessed by Management, based on the opinion of its legal counsel, as probable loss. On June 30, 2011, under the Joint Ordinance PGFN/RFB 2 of June 3, 2011, Editora and Livraria consolidated debts as set forth in Law 11941/09 and made the payments pursuant to the alternatives given.

19. ACCRUED PAYROLL AND RELATED TAXES

	Editora - BR GAAP			
	<u>12/31/10</u>	<u>Expense</u>	<u>Payment</u>	<u>9/30/11</u>
Vacation pay	3,675	4,298	(3,131)	4,842
13 th salary	-	3,136	(2,220)	916
Payroll	-	32,635	(32,630)	5
Severance pay fund (FGTS)	754	4,082	(4,034)	802
Social security tax (INSS)	2,775	11,812	(10,722)	3,865
Profit sharing	-	<u>4,518</u>	<u>(4,518)</u>	-
	<u>7,204</u>	<u>60,481</u>	<u>(57,255)</u>	<u>10,430</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

	Consolidated - IFRS & BR GAAP			
	<u>12/31/10</u>	<u>Expense</u>	<u>Payment</u>	<u>9/30/11</u>
Vacation pay	8,797	9,769	(8,496)	10,070
13 th salary	-	6,981	(4,863)	2,118
Payroll	-	76,598	(76,593)	5
Severance pay fund (FGTS)	1,715	8,994	(8,960)	1,749
Social security tax (INSS)	6,635	26,044	(23,761)	8,918
Profit sharing	-	8,224	(8,224)	-
	<u>17,147</u>	<u>136,610</u>	<u>(130,897)</u>	<u>22,860</u>

20. PROVISION FOR TAX, CIVIL AND LABOR CONTINGENCIES

The changes in and breakdown of the provision for tax, civil and labor contingencies are as follows:

	Editora - BR GAAP		
	<u>12/31/10</u>	<u>Recognition/ payment</u>	<u>9/30/11</u>
PIS/COFINS - broadening of tax base (a)	7,520	(78)	7,442
PIS - Supplementary Law 7/70 (b)	1,050	15	1,065
Civil and labor contingencies	<u>243</u>	<u>-</u>	<u>243</u>
	<u>8,813</u>	<u>(63)</u>	<u>8,750</u>

	Consolidated - IFRS & BR GAAP		
	<u>12/31/10</u>	<u>Recognition/ payment</u>	<u>9/30/11</u>
PIS/COFINS - broadening of tax base (a)	17,399	171	17,570
PIS - Supplementary Law 7/70 (b)	2,623	42	2,665
Civil and labor contingencies	243	-	243
ICMS - tax assessment notice (c)	-	1,493	1,493
	<u>20,265</u>	<u>1,706</u>	<u>21,971</u>

- (a) Editora and Livraria are challenging in courts the broadening of PIS and COFINS tax base and the increase in the COFINS tax rate. The lawsuits were filed in 1999 and are guaranteed by escrow deposits amounting to R\$17,962, classified in noncurrent assets. On February 22, 2011, the lawsuit filed by Editora challenging the broadening of the PIS tax base received a final and unappealable favorable decision. The amount of the reserve reversed to income (loss) was R\$91.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

- (b) Editora and Livraria filed in 1989 a lawsuit requesting the court to annul the legal obligation of paying PIS pursuant to Supplementary Law 7/70. The escrow deposits made from April 1989 to May 1992 were withdrawn under court authorization. The final decision on the case matter acknowledges the validity and applicability of Supplementary Law 7/70 and, as the appeal filed by the National Treasury was upheld, the lawsuit is now at the stage of calculation of the amounts due to the Federal Government. Therefore, Editora and Livraria recognized the related amounts as a provision, based on the opinion of the legal counsel handling the case and considering the best estimate made at the end of the reporting period to calculate the disbursement necessary to settle tax credits. On February 19, 2010, Editora and Livraria were ordered to increase escrow deposits, pursuant to the final and unappealable decision, by R\$99 and R\$1,237, respectively. The amount that settles the tax credit is still under discussion.
- (c) Livraria challenges at administrative level tax assessment notices issued in April and May 2011, relating to ICMS credits. The amount recognized is R\$1,493.

Editora and Livraria's Management did not consider necessary to recognize a provision to cover possible losses on ongoing lawsuits, totaling R\$48,899, for which, in the opinion of its legal counsel, the likelihood of loss is possible.

Escrow deposits

Taxes and labor obligations discussed in administrative courts and courts of law guaranteed by escrow deposits are as follows:

	Editora - BR GAAP		Consolidated - IFRS & BR GAAP	
	<u>9/30/11</u>	<u>12/31/10</u>	<u>9/30/11</u>	<u>12/31/10</u>
PIS/COFINS (a)	7,892	7,874	17,962	17,735
Administrative proceedings - tax offsets and other (b)	4,363	5,224	4,363	5,224
Other lawsuits and administrative proceedings	2,014	2,014	4,454	4,454
Labor lawsuits	<u>1,154</u>	<u>1,014</u>	<u>1,749</u>	<u>1,327</u>
	<u>15,423</u>	<u>16,126</u>	<u>28,528</u>	<u>28,740</u>

- (a) See comment in item (a) above.
- (b) On May 5, 2011, escrow deposits made to guarantee the lawsuits filed by Editora to challenge the effects from the "Plano Real" - Law 8880/94 in the amount of R\$1,439 were withdrawn.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

21. SHAREHOLDERS' EQUITY

a) Capital

As of September 30, 2011, Editora's capital is R\$203,653, represented by 28,596,123 shares, of which 9,622,313 are common shares and 18,973,810 are preferred shares without par value and with the right to vote in Shareholders' Meetings.

The Extraordinary Shareholders' Meeting held on April 25, 2011 approved the increase of capital to R\$203,653 using R\$12,675 of the earnings reserve, without changing the number of shares.

The Extraordinary Shareholders' Meeting held on April 23, 2010 approved the increase of capital to R\$190,978 using R\$43,204 of the earnings reserve, without changing the number of shares.

Editora's bylaws comply with the Level 2 Differentiated Corporate Governance Practices of BM&FBOVESPA.

Editora 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, up to 500,000 shares can be granted as stock options, pursuant to the bylaws.

Editora's preferred shares, which cannot exceed two thirds of the total shares issued, entitle their holders to the following rights or advantages:

- Restricted voting rights, pursuant to the bylaws.
- Right to sell the preferred shares in the case of sale of Editora's control, pursuant to the bylaws.
- Dividends equal to those paid on common shares.
- Share in the distribution of bonus shares out of capitalization of reserves, retained earnings and any other funds, under the same terms and conditions granted to common shareholders.

Common shares cannot be converted into preferred shares, and vice versa.

b) Treasury shares - CVM Instructions 0/80 and 298/97

Editora holds 290,550 preferred shares in treasury (250,550 as of December 31, 2010), with carrying amount of R\$4,372 (R\$1,965 as of December 31, 2010) and fair value of R\$7,328 (R\$25.22 per share - September 30, 2011 quotation).

The Board of Directors' meeting of August 17, 2011 authorized, under the bylaws, the purchase of 150,000 book-entry preferred shares issued by the Company to be held in treasury. In the nine-month period ended September 30, 2011, the Company acquired 127,300 shares at the average price of R\$24.29 per share. On October 4 and 5, 2011, 22,700 shares were bought at an average price of R\$24.29 per share. On October 5, 2011, the Share Buyback Program started on August 18, 2011 was concluded.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

In the nine-month period ended September 30, 2011, 87,300 treasury shares were sold to the beneficiaries of the 4th Stock Option Plan, for a total of R\$2,895, of which R\$685 correspond to the average purchase cost and R\$2,210 to the appreciation of these shares recorded in “Earnings reserve”.

c) Dividends and interest on capital

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

Editora cannot, unless authorized by a majority vote in a special preferred shareholders’ meeting, hold, for more than four successive quarters, cash and cash equivalents in an amount greater than 25% of total assets. Cash and cash equivalents will correspond to the amounts recorded in line item “Cash and cash equivalents” exceeding the sum of the amounts recorded in line item “Borrowings and financing” in current and noncurrent liabilities. Pursuant to the bylaws, the amount of interest on capital for purposes of calculation of mandatory dividends is net of income tax.

The Annual Shareholders’ Meeting held on April 25, 2011 approved the payment of interest on capital, attributable to mandatory dividends, as approved by the Board of Directors at the meeting held on December 2, 2010, amounting to R\$22,288 (R\$0.78628934 per share), to be taxed pursuant to prevailing legislation. Shareholders were paid beginning April 29, 2011.

d) Legal reserve

As of December 31, 2010, Editora recognized a legal reserve in the amount of R\$3,051, as prescribed by article 193 of the Brazilian Corporate Law. The allocation was submitted to and approved at the Annual Shareholders’ Meeting held on April 25, 2011.

e) Stock option plan of Editora

The options under the plans approved by the Board of Directors were granted to officers and employees and will be exercised by means of the issuance of new shares and/or sale of treasury shares held by Editora, at the discretion of the Board of Directors at the time of exercise.

The fair value of stock option plans was calculated on the grant date of each plan and based on the binomial pricing model. The effects were reflected in profit or loss, in line item “Operating expenses”, and in shareholders’ equity, in line item “Earnings reserve”, as follows:

<u>Grant year and plan</u>	<u>Amounts recognized</u>			<u>Amounts to be recognized in future years</u>
	<u>In year ended 12/31/10</u>	<u>In quarter ended 9/30/11</u>	<u>Total</u>	
2007 - 3 rd Plan	1,330	-	1,330	-
2008 - 4 th Plan	1,389	90	1,479	-
2009 - 5 th Plan	<u>721</u>	<u>496</u>	<u>1,217</u>	<u>291</u>
	<u>3,440</u>	<u>586</u>	<u>4,026</u>	<u>291</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

The table below shows the changes in stock option grants in the nine-month period ended September 30, 2011:

	<u>3rd Plan</u>	<u>4th Plan</u>	<u>5th Plan</u>
Total number of stock options granted - thousands	123,800	124,600	125,000
(-) Stock options exercised - thousands (*)	(115,200)	(87,300)	-
(-) Unvested stock options - thousands	(2,200)	(2,100)	-
(-) Unexercised and expired options	<u>(6,400)</u>	<u>(35,200)</u>	-
(=) Current balance of stock options at September 30, 2011- thousands	<u> -</u>	<u> -</u>	<u>125,000</u>

(*) In the period from April 29 to May 6, 2011, stock options equivalent to 87,300 shares of the 4th Plan were exercised through the sale of treasury shares for the amount of R\$2,895.

In the period from April 23 to May 7, 2010, stock options equivalent to 115,200 shares of the 3rd Plan were exercised through the sale of treasury shares for the amount of R\$2,656.

In determining the fair value of stock options, the following economic assumptions were used:

	<u>3rd Plan</u>	<u>4th Plan</u>	<u>5th Plan</u>
Grant date	3/5/2007	2/28/2008	11/30/2009
Beginning of option exercise period	3/8/2010	3/8/2011	3/8/2012
End of option exercise period	5/7/2010	5/7/2011	5/7/2012
Risk-free interest rate	12.01%	12.45%	12.20%
Number of eligible managers and employees	19	22	27
Price set - R\$	21.50	30.00	27.00
Index	IPCA	IPCA	IPCA
Number of outstanding options	<u> -</u>	<u> -</u>	<u>125,000</u>
Option fair value on grant date - per option - R\$	<u>11.20</u>	<u>12.61</u>	<u>12.06</u>
Option value for the year, adjusted by the IPCA and dividends distributed up to September 30, 2011 - R\$	<u> -</u>	<u> -</u>	<u>28.34</u>

f) Recognition of reserve for future capital increase

Out of the remaining balance of net income for the year ended December 31, 2010, after the allocation to the legal reserve amounting to R\$3,051, and the proposed payment of interest on capital and dividends amounting to R\$22,288, R\$35,683 was allocated to the reserve for future capital increase, as prescribed by the bylaws. The allocation was submitted to and approved at the Annual Shareholders' Meeting held on April 25, 2011.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

g) Noncontrolling interest

	<u>9/30/11</u>	<u>12/31/10</u>
Balance at beginning of period/year	51	63
Noncontrolling interests in profit for the period/year	1	1
Purchase of shares from noncontrolling shareholders	<u>-</u>	<u>(13)</u>
Balance at end of period/year	<u>52</u>	<u>51</u>

22. NET OPERATING REVENUE

	Editora - BR GAAP				Consolidated - IFRS & BR GAAP			
	7/1/11 to 9/30/11	1/1/11 to 9/30/11	7/1/10 to 9/30/10	1/1/10 to 9/30/10	7/1/11 to 9/30/11	1/1/11 to 9/30/11	7/1/10 to 9/30/10	1/1/10 to 9/30/10
Gross operating revenue:								
Products and services	88,304	287,661	49,425	243,746	456,883	1,364,989	348,539	1,135,256
(-) Taxes levied	(20)	(82)	(25)	(53)	(22,953)	(60,898)	(12,770)	(50,528)
(-) Returns	(7,685)	(37,393)	(6,732)	(36,256)	(15,473)	(64,539)	(13,186)	(57,599)
(-) Revenue from sale of products in Livraria's inventory	-	-	-	-	(484)	(708)	(449)	(469)
(-) Deferral of revenue - Saraiva Plus	-	-	-	-	264	1,111	(183)	(1,180)
	<u>80,599</u>	<u>250,186</u>	<u>42,668</u>	<u>207,437</u>	<u>419,205</u>	<u>1,239,955</u>	<u>321,951</u>	<u>1,025,480</u>

23. EXPENSES BY NATURE

	Editora - BR GAAP				Consolidated - IFRS & BR GAAP			
	7/1/11 to 9/30/11	1/1/11 to 9/30/11	7/1/10 to 9/30/10	1/1/10 to 9/30/10	7/1/11 to 9/30/11	1/1/11 to 9/30/11	7/1/10 to 9/30/10	1/1/10 to 9/30/10
Cost of sales	(26,427)	(65,594)	(12,704)	(52,629)	(250,187)	(712,845)	(198,343)	(585,797)
Cost of services	-	(48)	(27)	(27)	(1,615)	(4,501)	(1,181)	(2,384)
Personnel expenses and charges	(16,331)	(55,619)	(13,963)	(47,598)	(46,736)	(153,546)	(39,106)	(127,657)
Management compensation	(1,534)	(4,597)	(1,456)	(4,366)	(2,885)	(8,637)	(2,621)	(7,790)
Profit sharing	38	(1,965)	688	(1,567)	38	(1,965)	688	(1,567)
Copyrights	(7,886)	(27,852)	(5,037)	(25,094)	(8,020)	(28,010)	(5,148)	(25,210)
Advertising and publicity	(5,695)	(10,923)	(4,010)	(7,906)	(10,993)	(26,204)	(9,191)	(21,247)
Rental expense	(1,641)	(4,403)	(1,092)	(3,653)	(12,027)	(36,642)	(10,387)	(31,906)
Common area maintenance fees and promotion funds	(235)	(703)	(215)	(648)	(6,036)	(17,561)	(5,274)	(15,162)
Freight and packaging	(2,143)	(5,674)	(1,497)	(4,548)	(16,676)	(46,878)	(13,641)	(40,913)
IT services	(1,710)	(5,122)	(1,345)	(4,056)	(4,262)	(11,942)	(2,908)	(9,281)
Travel and lodging	(1,271)	(3,126)	(771)	(2,124)	(1,714)	(4,438)	(1,524)	(3,723)
Write-off of obsolete books and discontinued editions	(812)	(6,166)	(584)	(7,199)	(812)	(6,166)	(584)	(7,199)
Expenses on credit cards, bank payment slips and collection	(58)	(294)	(86)	(415)	(5,305)	(15,604)	(5,096)	(15,837)
Allowance for doubtful accounts	(384)	(1,060)	(554)	(1,586)	(535)	(1,547)	(823)	(2,574)
Other	(8,024)	(21,791)	(6,032)	(18,244)	(29,484)	(81,450)	(23,641)	(67,286)
	<u>(74,113)</u>	<u>(214,937)</u>	<u>(48,685)</u>	<u>(181,660)</u>	<u>(397,249)</u>	<u>(1,157,936)</u>	<u>(318,780)</u>	<u>(965,533)</u>
Classified as:								
Cost of sales and services	(26,427)	(65,642)	(12,731)	(52,656)	(251,802)	(717,346)	(199,524)	(588,181)
Selling expenses	(33,708)	(102,216)	(24,286)	(87,108)	(113,814)	(339,563)	(92,474)	(290,790)
General and administrative expenses	(13,978)	(47,079)	(11,668)	(41,896)	(31,633)	(101,027)	(26,782)	(86,562)
	<u>(74,113)</u>	<u>(214,937)</u>	<u>(48,685)</u>	<u>(181,660)</u>	<u>(397,249)</u>	<u>(1,157,936)</u>	<u>(318,780)</u>	<u>(965,533)</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

24. OTHER OPERATING EXPENSES

	Editora - BR GAAP				Consolidated - IFRS & BR GAAP			
	7/1/11 to 9/30/11	1/1/11 to 9/30/11	7/1/10 to 9/30/10	1/1/10 to 9/30/10	7/1/11 to 9/30/11	1/1/11 to 9/30/11	7/1/10 to 9/30/10	1/1/10 to 9/30/10
Write-off of long-lived assets sold	(113)	(115)	-	-	(423)	(425)	140	-
Loss of goods	-	-	-	-	(32)	(567)	-	-
Reserve for contingencies	-	-	-	-	(1)	(1,481)	-	-
Enrollment with tax installment plan - Law 11941/09	-	-	(608)	(608)	-	-	(2,903)	(2,903)
PIS and COFINS on other operating income	(2)	(12)	(6)	(17)	(84)	(261)	(69)	(263)
Write-off of copyrights	-	(211)	-	-	-	(211)	-	-
Private label card	-	-	-	-	(217)	(341)	-	-
Other operating expenses	(153)	(200)	-	(48)	(414)	(641)	(135)	(268)
	<u>(268)</u>	<u>(538)</u>	<u>(614)</u>	<u>(673)</u>	<u>(1,171)</u>	<u>(3,927)</u>	<u>(2,967)</u>	<u>(3,434)</u>

25. OTHER OPERATING INCOME

	Editora - BR GAAP				Consolidated - IFRS & BR GAAP			
	7/1/11 to 9/30/11	1/1/11 to 9/30/11	7/1/10 to 9/30/10	1/1/10 to 9/30/10	7/1/11 to 9/30/11	1/1/11 to 9/30/11	7/1/10 to 9/30/10	1/1/10 to 9/30/10
Proceeds from sale of long-lived assets	130	130	16	34	402	3,885	(174)	(156)
Royalties on franchise operations	-	-	-	-	16	230	132	393
Gift cards and other advances unredeemed by Livraria customers	-	-	-	-	715	2,185	466	1,467
Indemnities for product losses	-	-	-	-	70	758	46	381
Sale of balances - obsolete products	30	124	49	117	72	281	93	235
Recovered expenses	-	-	-	375	-	-	-	375
Withdrawal of escrow deposits	-	669	-	93	-	669	128	221
Unredeemed customer award credits	-	-	-	-	-	-	14	857
Recoverable State VAT (ICMS)	-	-	-	-	-	-	2,814	2,814
Reversal of operational reserves	-	-	-	-	-	1,292	1,500	1,500
Other operating income	<u>2</u>	<u>82</u>	<u>22</u>	<u>98</u>	<u>99</u>	<u>366</u>	<u>322</u>	<u>479</u>
	<u>162</u>	<u>1,005</u>	<u>87</u>	<u>717</u>	<u>1,374</u>	<u>9,666</u>	<u>5,341</u>	<u>8,566</u>

26. FINANCIAL INCOME (EXPENSES)

	Editora - BR GAAP				Consolidated - IFRS & BR GAAP			
	7/1/11 to 9/30/11	1/1/11 to 9/30/11	7/1/10 to 9/30/10	1/1/10 to 9/30/10	7/1/11 to 9/30/11	1/1/11 to 9/30/11	7/1/10 to 9/30/10	1/1/10 to 9/30/10
Financial income:								
Income from short-term investments	131	2,474	3	734	141	2,595	19	781
Interest on loans to subsidiaries	150	1,337	447	1,368	-	-	-	-
Interest received from customers	196	942	294	792	205	966	301	807
Interest on recoverable taxes	12	42	-	32	105	321	95	280
Financial discounts obtained	8	46	2	83	13	101	96	245
Non-Deliverable Forwards - NDFs	-	20	-	-	-	20	-	-
Other	<u>19</u>	<u>112</u>	<u>64</u>	<u>102</u>	<u>41</u>	<u>227</u>	<u>103</u>	<u>211</u>
	<u>516</u>	<u>4,973</u>	<u>810</u>	<u>3,111</u>	<u>505</u>	<u>4,230</u>	<u>614</u>	<u>2,324</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

	Editora - BR GAAP				Consolidated - IFRS & BR GAAP			
	7/1/11 to 9/30/11	1/1/11 to 9/30/11	7/1/10 to 9/30/10	1/1/10 to 9/30/10	7/1/11 to 9/30/11	1/1/11 to 9/30/11	7/1/10 to 9/30/10	1/1/10 to 9/30/10
Financial expenses:								
Interest and inflation adjustment on borrowings and financing	(2,338)	(8,208)	(1,464)	(5,613)	(18,091)	(35,393)	(5,380)	(16,847)
Interest borrowings granted by the parent	(216)	(216)	(5)	(5)	-	-	-	-
Unrealized loss on swap transactions	-	-	-	-	8,855	7,287	-	-
Fair value - swap transaction	-	-	-	-	(771)	(1,357)	-	-
Financial discounts granted	(214)	(844)	(373)	(1,206)	(496)	(1,786)	(632)	(1,756)
Other interest and inflation adjustment losses	(1,160)	(2,292)	(569)	(1,612)	(2,489)	(5,657)	(1,392)	(3,848)
Tax on lending transactions (IOC)	(146)	(163)	(26)	(77)	(385)	(851)	(409)	(1,130)
Other financial commissions	(21)	(301)	(25)	(74)	(22)	(478)	(27)	(78)
Non-Deliverable Forwards - NDFs	-	(18)	(157)	(158)	-	(18)	(157)	(158)
Other financial expenses	(4)	(46)	(24)	(89)	34	(360)	(189)	(642)
	<u>(4,099)</u>	<u>(12,088)</u>	<u>(2,643)</u>	<u>(8,834)</u>	<u>(13,365)</u>	<u>(38,613)</u>	<u>(8,186)</u>	<u>(24,459)</u>
	<u>(3,583)</u>	<u>(7,115)</u>	<u>(1,833)</u>	<u>(5,723)</u>	<u>(12,860)</u>	<u>(34,383)</u>	<u>(7,572)</u>	<u>(22,135)</u>

27. OPERATING LEASE - STORE RENTALS

As of September 30, 2011, Livraria had 96 lease agreements with third parties for its stores. Management reviewed these agreements and concluded that they qualify as operating leases. Most of the store lease agreements provide for a variable rental expense, based on sales, or a minimum amount adjusted to inflation on an annual basis by several indexes, are effective for five years, subject to renewal, and are usually guaranteed by Editora through pledge. Rentals under lease agreements for Livraria's logistics and administrative areas and Editora's stores are fixed, with annual adjustments to inflation according to the fluctuation of the main indices.

The lease amount for properties is always the higher of: (a) the equivalent to 2% to 10% of a store's gross monthly sales; or (b) a minimum monthly amount annually adjusted using certain inflation indices, as applicable. Said lease agreements are effective for indeterminate or determinate periods; in the latter case, these periods range from five to ten years, subject to amicable or court-ordered (renewal lawsuit) renewal. Rental expenses, net of recoverable taxes, are as follows:

	Editora - BR GAAP				Consolidated - IFRS & BR GAAP			
	7/1/11 to 9/30/11	1/1/11 to 9/30/11	7/1/10 to 9/30/10	1/1/10 to 9/30/10	7/1/11 to 9/30/11	1/1/11 to 9/30/11	7/1/10 to 9/30/10	1/1/10 to 9/30/10
Rental expenses	<u>1,641</u>	<u>4,403</u>	<u>1,092</u>	<u>3,653</u>	<u>12,027</u>	<u>36,642</u>	<u>10,387</u>	<u>31,906</u>

The balance of "Operating leases - store rentals" included in current liabilities as of September 30, 2011 is R\$540 (R\$505 as of December 31, 2010), in Editora, and R\$6,910 (R\$8,727 as of December 31, 2010) in consolidated.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Future obligations (consolidated), arising from these agreements at September 30, 2011 values, totaled a minimum amount of R\$135,079, as follows:

<u>Maturity</u>	<u>Amount</u>
Up to 9/30/2012	44,891
From 10/1/2012 to 9/30/2013	32,445
From 10/1/2013 to 9/30/2014	22,903
From 10/1/2014 to 9/30/2015	14,725
From 10/1/2015 to 9/30/2016	9,439
Other maturities up to 2018	<u>10,676</u>
Total	<u>135,079</u>

28. EARNINGS PER SHARE

Editora's bylaws ensure preferred shareholders dividends equal to those of common shares; accordingly, earnings per share are the same for common and preferred shares. The table below shows the calculation of earnings per share pursuant to CPC 41 and IAS 33:

	<u>7/1/11 to 9/30/11</u>			<u>1/1/11 to 9/30/11</u>		
	<u>Common shares</u>	<u>Preferred shares</u>	<u>Total</u>	<u>Common shares</u>	<u>Preferred shares</u>	<u>Total</u>
Profit (loss) attributed to Editora's shareholders	(118)	(228)	(346)	6,009	11,673	17,682
Weighted average of outstanding common and preferred shares (in thousands)	9,622	18,703	28,325	9,622	18,703	28,325
Shares considered as issued without any consideration related to executive stock options	<u>-</u>	<u>(17)</u>	<u>(17)</u>	<u>-</u>	<u>(17)</u>	<u>(17)</u>
	<u>9,622</u>	<u>18,686</u>	<u>28,308</u>	<u>9,622</u>	<u>18,686</u>	<u>28,308</u>
Basic earnings per share - R\$	(0.01222)	(0.01222)		0.62424	0.62424	
Diluted earnings per share - R\$	(0.01222)	(0.01220)		0.62424	0.62367	

NOTES TO THE INTERIM FINANCIAL STATEMENTS

	7/1/10 to 9/30/10			1/1/10 to 9/30/10		
	Common shares	Preferred shares	Total	Common shares	Preferred shares	Total
Profit (loss) attributed to Editora's shareholders	(2,222)	(4,311)	(6,533)	4,748	9,210	13,958
Weighted average of outstanding common and preferred shares (in thousands)	9,622	18,666	28,288	9,622	18,666	28,288
Shares considered as issued without any consideration related to executive stock options	<u>-</u>	<u>(27)</u>	<u>(27)</u>	<u>-</u>	<u>(27)</u>	<u>(27)</u>
	<u>9,622</u>	<u>18,639</u>	<u>28,261</u>	<u>9,622</u>	<u>18,639</u>	<u>28,261</u>
Basic earnings per share - R\$	(0.23095)	(0.23095)		0.49343	0.49343	
Diluted earnings per share - R\$	(0.23095)	(0.23061)		0.49343	0.49270	

29. FINANCIAL INSTRUMENTS**a) Capital risk management**

Editora's objectives in managing its capital are to ensure the continuity of operations to generate return to shareholders, and maintain an appropriate capital structure to minimize the related costs.

Editora's capital structure comprises financial liabilities with financial institutions (Note 15), cash and cash equivalents (Note 5), and shareholders' equity (Note 21).

The debt ratios are summarized as follows:

	Editora - BR GAAP		Consolidated - IFRS & BR GAAP	
	<u>9/30/11</u>	<u>12/31/10</u>	<u>9/30/11</u>	<u>12/31/10</u>
Total borrowings	85,957	69,917	311,078	241,012
(-) Cash and cash equivalents	<u>(824)</u>	<u>(58,672)</u>	<u>(4,460)</u>	<u>(65,991)</u>
Net debt	85,133	11,245	306,618	175,021
Total equity	<u>434,689</u>	<u>424,413</u>	<u>434,741</u>	<u>424,464</u>
Total capital	519,822	435,658	741,359	599,485
Net debt ratio	16.38%	2.58%	41.36%	29.20%

Periodically, Management reviews the capital structure and its ability to settle its liabilities, monitors on a timely basis the average term of trade accounts receivable, trade accounts payable and inventories, and takes the necessary actions to maintain them at levels considered adequate for financial management purposes.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

b) Significant accounting policies

Information on the significant accounting policies and methods adopted, including the criteria for recognition and measurement of income and expenses for each class of financial assets and financial liabilities, in addition to shareholders' equity, is contained in Note 3.

c) Categories of financial instruments

	Editora - BR GAAP	
	<u>9/30/11</u>	<u>12/31/10</u>
	Carrying amount	Carrying amount
Financial assets-		
Loans and receivables:		
Cash and cash equivalents	824	58,672
Trade accounts receivable	<u>82,250</u>	<u>79,767</u>
	<u>83,074</u>	<u>138,439</u>
Financial liabilities:		
Borrowings and financing	85,957	69,917
Trade accounts payable	52,471	34,997
Non-Deliverable Forwards - NDFs	-	162
	<u>138,428</u>	<u>105,076</u>
	Consolidated - IFRS & BR GAAP	
	<u>9/30/11</u>	<u>12/31/10</u>
	Carrying amount	Carrying amount
Financial assets-		
Loans and receivables:		
Cash and cash equivalents	4,460	65,991
Trade accounts receivable	<u>227,731</u>	<u>284,908</u>
	<u>232,191</u>	<u>350,899</u>
Financial liabilities:		
Borrowings and financing	307,666	239,873
Trade accounts payable	238,666	279,076
Finance leases	3,412	1,139
Non-Deliverable Forwards - NDFs	-	162
	<u>549,744</u>	<u>520,250</u>

Management believes that the financial instruments, which are recognized in the individual and consolidated financial statements at their carrying amounts, approximate their fair values at the end of each reporting period.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

The balance of line item “Borrowings and financing” is adjusted for inflation based on market indices (CDI and TJLP) and contractual rates (Note 15) and variable interest because of market conditions; therefore, the outstanding balance recognized at the end of each reporting period approximates its fair value.

However, considering that there is no active market for these instruments, differences might arise should these amounts be settled in advance.

d) Financial risks

Editora’s and Livraria’s activities are exposed to some financial risks, such as the market risk, the credit risk, the liquidity risk, and the risk limited to the amount of the premium paid for the derivative intended to hedge against currency fluctuations.

Risk management is carried out by Editora’s Management in accordance with the policies approved by the Executive Committee. Editora’s treasury area identifies, measures, and hedges it against possible financial risks in cooperation with Editora’s operational units.

e) Interest rate risk management

Editora and Livraria are exposed to usual market risks arising from changes in interest rates on borrowings.

The sensitivity analysis was developed based on the exposure to CDI fluctuation, which is the main index applicable to Livraria’s borrowings and the investments of cash surpluses. Management expects no significant fluctuations in this index.

f) Currency risk management

Editora’s and Livraria’s revenues are denominated in Brazilian reais; the currency risk arises from possible business transactions consisting mainly of product and service imports denominated in U.S. dollars. The currency risk management policy set by Editora’s Management requires that any import transactions be hedged by U.S. dollar Non-Deliverable Forwards - NDFs, used only as a value hedging instrument and never as speculative instrument, which can be carried out for transactions exposed to foreign exchange fluctuation with a financial impact on Editora, even though they are not designated as hedges.

Once a material import transaction is approved, the currency price that would permit the sale of the imports in the domestic market within the expected profit margin and probable delivery terms is used as basis; subsequently, the exercise price and maturity that will be used as basis to purchase U.S. dollar put options are defined.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

In 2010, NDF transactions were entered into with Banco do Brasil S.A., without physical delivery of U.S. dollars, as follows:

<u>Contract</u>	<u>Maturity</u>	<u>Exchange rate - R\$</u>		<u>Notional amount (US\$ 000)</u>	<u>Gain (loss) Recognized (R\$ 000)</u>	
		<u>On contract date</u>	<u>Maturity</u>		<u>2011</u>	<u>2010</u>
1/15/2010	3/26/2010	1.7970	1.8008	840	-	3
1/15/2010	4/26/2010	1.8080	1.7624	840	-	(38)
1/15/2010	5/26/2010	1.8205	1.8811	840	-	51
6/23/2010	10/21/2010	1.8585	1.6735	300	-	(55)
10/4/2010	11/30/2010	1.7184	1.7271	300	-	3
9/2/2010	1/18/2011	1.7906	1.6818	1,300	20	(162)
5/17/2011	6/27/2011	1.6545	1.5988	300	(18)	-
				<u>4,720</u>	<u>2</u>	<u>(198)</u>

As of September 30, 2011 there were no outstanding transactions. The final transaction was settled on June 27, 2011.

g) Foreign currency borrowings

Livraria raised interest-bearing foreign currency-denominated loans (U.S. dollar) with Banco Itaú BBA and Banco Santander, for which it entered into swap transactions to hedge against currency fluctuation, swapping contracted interest rate and foreign currency exchange rate change for CDI plus fixed rate.

The transaction matches a loan agreement to a swap transaction entered into on the same date, with the same maturity and counterparty and that should be settled at its net value. The transaction is basically a local currency-denominated loan plus a specific interest rate determined based on the CDI fluctuation. The accounting treatment and respective disclosures reflect the substance of the transaction.

As of September 30, 2011, outstanding swap contracts are as follows:

<u>Bank</u>	<u>Maturity</u>	<u>Notional amount</u>	<u>Bank</u>		<u>Livraria</u>		<u>Net adjustment</u>
			<u>Index</u>	<u>Interest</u>	<u>Index</u>	<u>Interest</u>	
Itaú	04/22/2013	35,000	US\$	4.35% p.y.	CDI	104.50%	(220)
Santander	04/08/2014	<u>20,000</u>	US\$	5.13% p.y.	PRE	15.09% p.y.	(1,137)
		<u>55,000</u>					<u>(1,357)</u>

In view of the above, Editora and Livraria are not subject to currency risk and, therefore, there are no risks related to exchange rate change to be measured through a sensitivity analysis, considering that the Company and its subsidiaries are solely and exclusively exposed to CDI fluctuation on loan agreements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

- h) Supplementary sensitivity analysis of financial instruments pursuant to CVM Instruction 475/08

Editora presents below the additional disclosures on its financial instruments required by CVM Instruction 475 of December 17, 2008, specifically on the supplementary sensitivity analysis required by IFRS and the accounting practices adopted in Brazil.

In preparing this sensitivity analysis, Editora adopted the following assumptions:

- Identify the market risks that can result in material losses for Editora.
- Outline a probable risk scenario (Scenario I).
- Outline two additional scenarios with stresses of at least 25% and 50% in the risk variable considered (Scenario II and Scenario III, respectively).
- Present the impact of the scenarios outlined on the fair values financial instruments.

Interest rate risk (*)

<u>Operation</u>	<u>Risk</u>	<u>Amounts in R\$ 000</u>		
		<u>Scenario I</u>	<u>Scenario II</u>	<u>Scenario III</u>
Short-term investments pegged to CDI:				
Editora	CDI increase	29	29	29
Livraria	CDI increase	72	72	74
Minha Biblioteca	CDI increase	<u>172</u>	<u>173</u>	<u>174</u>
		<u>273</u>	<u>274</u>	<u>277</u>
Trade accounts payable pegged to CDI - Editora	CDI increase	(35,117)	(35,538)	(35,955)
Working capital loans subject to CDI - Livraria	CDI increase	(160,885)	(164,441)	(167,996)
Finance leases pegged to CDI - Livraria	CDI increase	(4,463)	(4,733)	(5,020)
Net loss		<u>(200,192)</u>	<u>(204,438)</u>	<u>(208,694)</u>

(*) Assets and liabilities with interest recalculated according to previously outlined scenarios.

- i) Credit risk management

The sales and credit policies of Editora and Livraria are subject to the credit policies established by their Management and are intended to minimize possible problems arising from the default of their customers. This objective is attained through a careful selection of the customer portfolio, which considers the customer ability to pay (credit rating).

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Editora recognizes an allowance for doubtful accounts amounting to R\$1,980 and R\$4,666 in consolidated (R\$3,432 in Editora and R\$6,915 in consolidated as of December 31, 2010), to cover credit risks.

j) Liquidity risk management

Management monitors the continuous estimates of liquidity requirements of Editora to ensure it has sufficient cash to meet its operational needs.

Because of the dynamics of their business, Editora and Livraria maintain a borrowing flexibility by maintaining credit facilities at some financial institutions.

The table below shows in detail the maturity of outstanding financial liabilities:

<u>Transaction</u>	<u>Consolidated - IFRS & BR GAAP</u>				<u>Total</u>
	<u>Up to 1 year</u>	<u>Up to 2 years</u>	<u>From 3 to 5 years</u>	<u>More than 5 years</u>	
Trade accounts payable	238,666	-	-	-	238,666
Bank financing	108,659	151,670	47,337	-	307,666
Finance leases	1,210	565	1,637	-	3,412

k) Risk concentration

The financial instruments that potentially expose Editora and Livraria to concentration of credit risk consist basically of banks, short-term investments, and trade accounts receivable. The balance of line item "Trade accounts receivable" of Livraria is substantially distributed among credit card companies. The total balance of trade accounts receivable is denominated in Brazilian reais (R\$).

l) Credit facilities

	<u>Consolidated - IFRS & BR GAAP</u>	
	<u>9/30/11</u>	<u>12/31/10</u>
Borrowings:		
Used	139,893	85,424
Unused	260,107	214,576
Financing:		
Used	141,600	129,402
Unused	-	12,198

NOTES TO THE INTERIM FINANCIAL STATEMENTS

m) Fair value

Interest rate swap agreements were classified as held-to-maturity financial assets and as Level 1 for calculation of their fair value based on negotiations in an active market for similar instruments, and their effects are recorded directly in income (loss) for the period.

	Consolidated - IFRS & BR GAAP
	<u>9/30/11</u>
Fair value	59,589
Adjusted value	<u>58,232</u>
Mark-to-market	<u>1,357</u>

n) Collaterals obtained and granted

	Consolidated - IFRS & BR GAAP
	<u>9/30/11</u>
Collaterals granted-	
Letter of guarantee (*)	<u>5,000</u>

(*) The letter of guarantee granted generated financial expenses totaling R\$7.

On October 7, 2011, Livraria increased the collateral by granting a new letter of guarantee of R\$5,000.

30. SEGMENT REPORTING

The financial and operating management of the Saraiva Group business is divided into the segments called “Editora” and “Livraria”, using management reports and internal controls, with separate information on revenues, expenses, and investments. These reports are periodically reviewed by the Executive Committee and Board of Directors to assess performance and for decision-making on the allocation of resources and/or investments.

The Editora segment consists of the production and distribution of content in book, digital, and teaching systems formats. Distribution is carried out through 12 branches and representatives strategically located in the South, Southeast, Mid-west, North, and Northeast regions.

The Livraria segment refers to the retail business of cultural, leisure, and information products. Distribution is carried out through a chain of stores located in the main Brazilian cities and the ecommerce website saraiva.com.br.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

a) Assets and liabilities

	Consolidated - IFRS & BR GAAP	
	<u>9/30/11</u>	<u>12/31/10</u>
Segment assets:		
Editora	653,536	609,418
Livraria	783,262	764,691
Elimination of intersegment transactions	<u>(318,791)</u>	<u>(271,632)</u>
Total consolidated assets	<u>1,118,007</u>	<u>1,102,477</u>
Segment liabilities:		
Editora	218,672	185,005
Livraria	503,890	517,964
Elimination of intersegment transactions	<u>(39,296)</u>	<u>(24,956)</u>
Total consolidated liabilities	<u>683,266</u>	<u>678,013</u>

b) Profit or loss

	Consolidated - IFRS & BR GAAP							
	<u>7/1/11 to 9/30/11</u>				<u>1/1/11 to 9/30/11</u>			
	<u>Editora</u>	<u>Livraria</u>	<u>Eliminations</u>	<u>Consolidated</u>	<u>Editora</u>	<u>Livraria</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net revenue	80,599	349,333	(10,727)	419,205	250,186	1,025,887	(36,118)	1,239,955
Cost of sales and services	<u>(26,427)</u>	<u>(235,797)</u>	<u>10,422</u>	<u>(251,802)</u>	<u>(65,642)</u>	<u>(687,834)</u>	<u>36,130</u>	<u>(717,346)</u>
Gross profit	54,172	113,536	(305)	167,403	184,544	338,053	12	522,609
Operating expenses	<u>(49,902)</u>	<u>(104,499)</u>	<u>679</u>	<u>(153,722)</u>	<u>(150,206)</u>	<u>(306,404)</u>	<u>(2,589)</u>	<u>(459,199)</u>
Operating profit before financial income (expenses)	4,270	9,037	374	13,681	34,338	31,649	(2,577)	63,410
Financial income (expenses)	<u>(3,579)</u>	<u>(9,282)</u>	-	<u>(12,861)</u>	<u>(7,111)</u>	<u>(27,273)</u>	-	<u>(34,384)</u>
Profit (loss) before income tax and social contribution	<u>(691)</u>	<u>(245)</u>	<u>374</u>	<u>820</u>	<u>27,227</u>	<u>4,376</u>	<u>(2,577)</u>	<u>29,026</u>

	Consolidated - IFRS & BR GAAP							
	<u>7/1/10 to 9/30/10</u>				<u>1/1/10 to 9/30/10</u>			
	<u>Editora</u>	<u>Livraria</u>	<u>Eliminations</u>	<u>Consolidated</u>	<u>Editora</u>	<u>Livraria</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net revenue	42,668	289,944	(10,661)	321,951	207,437	855,020	(36,977)	1,025,480
Cost of sales and services	<u>(12,731)</u>	<u>(197,205)</u>	<u>10,412</u>	<u>(199,524)</u>	<u>(52,656)</u>	<u>(572,440)</u>	<u>36,915</u>	<u>(588,181)</u>
Gross profit	29,937	92,739	(249)	122,427	154,781	282,580	(62)	437,299
Operating expenses	<u>(37,648)</u>	<u>(86,297)</u>	<u>(64)</u>	<u>(124,009)</u>	<u>(128,533)</u>	<u>(259,745)</u>	<u>(3,968)</u>	<u>(392,246)</u>
Operating profit (loss) before financial income (expenses)	(7,711)	6,442	(313)	(1,582)	26,248	22,835	(4,030)	45,053
Financial income (expenses)	<u>(1,833)</u>	<u>(5,739)</u>	-	<u>(7,572)</u>	<u>(5,723)</u>	<u>(16,412)</u>	-	<u>(22,135)</u>
Profit before income tax and social contribution	<u>(9,544)</u>	<u>703</u>	<u>(313)</u>	<u>(9,154)</u>	<u>20,525</u>	<u>6,423</u>	<u>(4,030)</u>	<u>22,918</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

c) Origin of segment revenue

	Consolidated - IFRS & BR GAAP			
	<u>7/1/11 to 9/30/11</u>	<u>1/1/11 to 9/30/11</u>	<u>7/1/10 to 9/30/10</u>	<u>1/1/10 to 9/30/10</u>
Editora:				
Sales to market	43,704	211,219	38,591	202,934
Sales to government	<u>36,895</u>	<u>38,967</u>	<u>4,077</u>	<u>4,503</u>
	<u>80,599</u>	<u>250,186</u>	<u>42,668</u>	<u>207,437</u>
Livraria:				
Physical stores	213,036	642,405	181,602	547,090
Website	<u>136,297</u>	<u>383,482</u>	<u>108,342</u>	<u>307,930</u>
	<u>349,333</u>	<u>1,025,887</u>	<u>289,944</u>	<u>855,020</u>
Total	429,932	1,276,073	332,612	1,062,457
Eliminations	<u>(10,727)</u>	<u>(36,118)</u>	<u>(10,661)</u>	<u>(36,977)</u>
	<u>419,205</u>	<u>1,239,955</u>	<u>321,951</u>	<u>1,025,480</u>

31. INSURANCE

Editora and Livraria have an insurance policy that considers risk concentration and their materiality, taking into consideration the nature of their activities and the advice of insurance brokers.

As of September 30, 2011 and December 31, 2010, insurance coverage is as follows:

	<u>9/30/11</u>	<u>12/31/10</u>
Loss of profits	45,000	45,000
Fire - maximum amount per store	54,535	54,509
Vehicles - only civil liability - maximum amount per vehicle	1,025	1,025

32. SUPPLEMENTAL CASH FLOW INFORMATION

Editora's Management defines as "cash and cash equivalents" amounts maintained for the purpose of meeting short-term commitments and not for investment or any other purposes. Short-term investments can be immediately converted into a known cash amount and are not subject to significant changes in value. This line item is broken down as described in Note 5.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Changes in assets and liabilities not impacting cash flows are as follows:

	Editora - BR GAAP		Consolidated - IFRS & BR GAAP	
	9/30/11	9/30/10	9/30/11	9/30/10
Portion of recoverable taxes installment transferred to noncurrent assets	-	-	16,034	-
Portion of recoverable taxes installment transferred to current assets	-	1,161	-	143
Receivables for sale of property, plant and equipment transferred to current assets	135	-	135	-
Portion of financing transferred to current liabilities	30,198	1,943	61,898	690
Portion of working capital loans transferred to noncurrent assets	-	-	49,000	-
Capital increase with conversion of loans granted to Livraria	30,000	-	30,000	-
Portion of other liabilities transferred to current liabilities	-	564	-	-

33. EVENTS AFTER THE REPORTING PERIOD

On September 14, 2011 and October 5, 2011, Editora and Livraria entered into new agreements with BNDES totaling R\$86,988 and R\$69,393, respectively. On October 13, 2011, R\$42,094 was released to Editora. The funds will be used to build up Editora's new digital segment-related business, expand the book library, open and renovate stores and expand Livraria's new digital segment-related business.

In October 2011, Editora contracted NDF transactions with Banco do Brasil S.A., without physical delivery of U.S. dollars, as follows:

<u>Contract</u>	<u>Maturity</u>	<u>Exchange rate - R\$</u>	<u>Reference value (US\$ thousand)</u>
10/4/11	10/31/11	1.9040	1,430
10/4/11	11/30/11	1.9180	<u>480</u>
			<u>1,910</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

34. AUTHORIZATION FOR COMPLETION OF THE INTERIM FINANCIAL STATEMENTS

These individual and consolidated interim financial statements, which include events subsequent to September 30, 2011, were approved for disclosure and issuance at the Executive Committee's meeting held on November 10, 2011.
