

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

SARAIVA S.A. LIVREIROS EDITORES

BALANCE SHEETS AS OF DECEMBER 31, 2007 AND 2006

(In thousands of Brazilian reais - R\$)

ASSETS	Note	Company		Consolidated		LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Company		Consolidated	
		2007	2006	2007	2006			2007	2006	2007	2006
<b>CURRENT ASSETS</b>						<b>CURRENT LIABILITIES</b>					
Cash and cash equivalents	6	108.474	97.094	119.627	109.004	Trade accounts payable		29.301	41.452	106.673	97.933
Trade accounts receivable	7	92.162	71.054	177.255	123.379	Financing	12	10.909	737	15.122	2.097
Inventories	8	59.994	63.427	131.032	115.515	Accrued vacation and related charges		4.557	4.592	8.289	7.442
Recoverable taxes		4.228	5.311	6.559	5.715	Taxes payable	17	1.354	598	6.262	4.226
Deferred income and social contribution taxes	15 (a)	788	636	4.619	4.280	Provision for income and social contribution taxes		9.800	5.141	12.090	5.286
Dividends receivable	9	4.335	1.572	-	-	Copyrights payable		8.559	4.617	8.610	4.617
Loans to subsidiary	14	5.743	-	-	-	Management profit sharing		3.517	3.600	5.397	4.336
Other receivables		1.823	1.496	3.521	1.910	Dividends and interest on capital	18 (c)	18.887	13.988	18.891	13.988
Prepaid expenses		196	4.047	460	4.137	Other payables		4.813	2.358	13.013	8.221
Total current assets		<u>277.743</u>	<u>244.637</u>	<u>443.073</u>	<u>363.940</u>	Total current liabilities		<u>91.697</u>	<u>77.083</u>	<u>194.347</u>	<u>148.146</u>
<b>NONCURRENT ASSETS</b>						<b>NONCURRENT LIABILITIES</b>					
Long-term assets:						Long-term liabilities:					
Loans to subsidiary	14	14.736	5.008	-	-	Financing	12	20.686	18.578	31.420	22.759
Deferred income and social contribution taxes	15 (a)	783	753	4.831	5.761	Deferred income and social contribution taxes	15 (a)	4.340	4.755	7.647	4.755
Escrow deposits		1.335	1.237	1.669	2.042	Reserve for contingencies	16	112	112	114	1.729
Receivables for sale of property, plant and equipment	10	4.973	5.725	4.973	5.725	Taxes payable	17	2.003	2.030	5.043	7.044
Other receivables		331	90	1.511	102	Other payables		2.797	-	3.244	-
Total long-term assets		<u>22.158</u>	<u>12.813</u>	<u>12.984</u>	<u>13.630</u>	Total noncurrent liabilities		<u>29.938</u>	<u>25.475</u>	<u>47.468</u>	<u>36.287</u>
Permanent assets:						MINORITY INTEREST					
Investments:											
In subsidiaries	9	69.769	58.402	-	-	SHAREHOLDERS' EQUITY					
Goodwill on acquisition of investment	9	17.434	-	-	-	Capital	18 (a)	147.774	147.774	147.774	147.774
Other		408	408	543	543	Treasury shares	18 (b)	(2.870)	(2.870)	(2.870)	(2.870)
Property, plant and equipment	10	13.528	13.516	44.348	31.202	Profit reserves	18 (e)	136.615	85.295	136.615	85.295
Intangible assets	10	2.634	3.312	22.485	4.994	Retained earnings		1.237	1.237	1.237	1.237
Deferred charges	11	717	906	1.201	1.611	Total shareholders' equity		282.756	231.436	282.756	231.436
Total permanent assets		<u>104.490</u>	<u>76.544</u>	<u>68.577</u>	<u>38.350</u>						
Total noncurrent assets		<u>126.648</u>	<u>89.357</u>	<u>81.561</u>	<u>51.980</u>						
<b>TOTAL ASSETS</b>		<u>404.391</u>	<u>333.994</u>	<u>524.634</u>	<u>415.920</u>	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u>404.391</u>	<u>333.994</u>	<u>524.634</u>	<u>415.920</u>

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

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SARAIVA S.A. LIVREIROS EDITORES

STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006  
(In thousands of Brazilian reais – R\$, except earnings per share)

	Note	Company		Consolidated	
		2007	2006	2007	2006
GROSS SALES REVENUE		309.265	247.770	779.375	587.290
DEDUCTIONS					
Sales taxes (ICMS, PIS, Cofins and ISS)		(184)	(263)	(45.883)	(36.349)
NET SALES REVENUE		309.081	247.507	733.492	550.941
COST OF PRODUCTS AND SERVICES		(106.749)	(79.819)	(370.522)	(267.963)
GROSS PROFIT		202.332	167.688	362.970	282.978
OPERATING (EXPENSES) INCOME					
Selling expenses		(89.555)	(69.976)	(189.348)	(148.445)
General and administrative expenses		(36.395)	(39.430)	(56.596)	(54.174)
Management fees		(3.622)	(3.600)	(5.503)	(5.463)
Depreciation and amortization		(4.320)	(5.084)	(10.359)	(10.034)
Equity in subsidiaries	9	17.732	7.330	-	-
Other operating income (expenses), net		401	137	1.753	(1.090)
		(115.759)	(110.623)	(260.053)	(219.206)
INCOME FROM OPERATIONS BEFORE FINANCIAL INCOME (EXPENSES)		86.573	57.065	102.917	63.772
FINANCIAL INCOME (EXPENSES)					
Financial income	20	15.374	12.065	14.126	12.192
Financial expenses	20	(7.092)	(9.787)	(10.695)	(12.205)
		8.282	2.278	3.431	(13)
INCOME FROM OPERATIONS		94.855	59.343	106.348	63.759
NONOPERATING INCOME, NET		72	5.530	65	5.501
INCOME BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES		94.927	64.873	106.413	69.260
INCOME AND SOCIAL CONTRIBUTION TAXES					
Current	15 (b)	(21.798)	(14.619)	(27.309)	(16.031)
Deferred	15 (b)	595	(185)	(3.484)	(2.418)
INCOME BEFORE MANAGEMENT PROFIT SHARING		73.724	50.069	75.620	50.811
MANAGEMENT PROFIT SHARING		(3.517)	(3.600)	(5.397)	(4.336)
INCOME BEFORE MINORITY INTEREST		70.207	46.469	70.223	46.475
MINORITY INTEREST		-	-	(16)	(6)
NET INCOME		70.207	46.469	70.207	46.469
EARNINGS PER SHARE - R\$		2,49	1,65		
NUMBER OF OUTSTANDING SHARES (IN THOUSANDS)		28.230	28.230		

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

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SARAIVA S.A. LIVREIROS EDITORES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (COMPANY)

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(In thousands of Brazilian reais - R\$, except per share data)

			<u>Capital reserves</u>		<u>Revenue reserves</u>				
	<u>Note</u>	<u>Capital</u>	<u>Treasury shares</u>	<u>Share premium reserve</u>	<u>Other reserves</u>	<u>Legal reserve</u>	<u>Reserve for future capital increase</u>	<u>Retained earnings</u>	<u>Total</u>
BALANCES AS OF DECEMBER 31, 2005		46.405	(2.870)	8.653	5.294	9.892	64.344	1.237	132.955
Resolution of Extraordinary Shareholders' Meeting on January 6, 2006- Bonus for capitalization of reserves of 0.10 preferred share per preferred or common share		35.369	-	(8.653)	(5.294)	-	(21.422)	-	-
Resolution of Board of Directors' Meeting on April 11, 2006- Primary offering of shares with issue of 3,000,000 preferred shares at R\$22.00 per share		66.000	-	-	-	-	-	-	66.000
Net income		-	-	-	-	-	-	46.469	46.469
Proposed allocation of net income:									
Legal reserve	18 (d)	-	-	-	-	2.323	-	(2.323)	-
Transfer to profit reserves	18 (e)	-	-	-	-	-	30.158	(30.158)	-
Interest on capital	18 (c)	-	-	-	-	-	-	(13.988)	(13.988)
BALANCES AS OF DECEMBER 31, 2006		<u>147.774</u>	<u>(2.870)</u>	<u>-</u>	<u>-</u>	<u>12.215</u>	<u>73.080</u>	<u>1.237</u>	<u>231.436</u>
Net income		-	-	-	-	-	-	70.207	70.207
Proposed allocation of net income:									
Legal reserve	18 (d)	-	-	-	-	3.510	-	(3.510)	-
Transfer to profit reserves	18 (e)	-	-	-	-	-	47.810	(47.810)	-
Interest on capital	18 (c)	-	-	-	-	-	-	(14.754)	(14.754)
Dividends	18 (c)	-	-	-	-	-	-	(4.133)	(4.133)
BALANCES AS OF DECEMBER 31, 2007		<u>147.774</u>	<u>(2.870)</u>	<u>-</u>	<u>-</u>	<u>15.725</u>	<u>120.890</u>	<u>1.237</u>	<u>282.756</u>

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

SARAIVA S.A. LIVREIROS EDITORES

STATEMENTS OF CHANGES IN FINANCIAL POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(In thousands of Brazilian reais - R\$)

	Note	Company		Consolidated	
		2007	2006	2007	2006
<b>SOURCES OF FUNDS</b>					
From operations:					
Net income		70.207	46.469	70.207	46.469
Items not affecting working capital:					
Depreciation and amortization (including amount allocated to cost)		4.468	5.592	10.715	10.764
Net book value of property, plant and equipment written off		116	2.924	521	3.655
Write-off of deferred charges		-	43	-	43
Deferred income and social contribution taxes	15 (a)	(445)	838	3.822	1.862
Equity in subsidiaries, net of dividends receivable	9	(13.397)	(5.758)	-	-
Financial charges and exchange and monetary variations on long-term assets and liabilities		(1.922)	(457)	(109)	792
Reversal of reserve for contingencies	16	-	-	(1.613)	-
Provision for investment losses		-	120	-	168
Minority interest in subsidiary		-	-	16	5
		<u>59.027</u>	<u>49.771</u>	<u>83.559</u>	<u>63.758</u>
From third parties:					
Capital increase by public subscription		-	66.000	-	66.000
Financing	12	13.190	11.388	23.711	15.815
Increase in long-term liabilities		2.868	1.038	3.839	1.038
Decrease in long-term assets		1.243	-	1.441	-
Total sources		<u>76.328</u>	<u>128.197</u>	<u>112.550</u>	<u>146.611</u>
<b>USES OF FUNDS</b>					
Purchases of property, plant and equipment and intangible assets		3.699	1.502	23.999	6.628
Business acquisition	9	15.404	-	17.434	-
Loans to subsidiary net of receipts	14	8.126	4.341	-	-
Transfer from noncurrent to current liabilities		11.340	1.038	17.730	4.262
Dividends and interest on capital	18 (c)	18.887	13.988	18.891	13.988
Increase in long-term assets		380	6.560	1.564	6.701
Decrease in long-term liabilities		-	-	-	216
Total uses		<u>57.836</u>	<u>27.429</u>	<u>79.618</u>	<u>31.795</u>
<b>INCREASE IN WORKING CAPITAL</b>		<u>18.492</u>	<u>100.768</u>	<u>32.932</u>	<u>114.816</u>
<b>REPRESENTED BY</b>					
Change in current assets		33.106	106.097	79.133	137.461
Change in current liabilities		14.614	5.329	46.201	22.645
<b>INCREASE IN WORKING CAPITAL</b>		<u>18.492</u>	<u>100.768</u>	<u>32.932</u>	<u>114.816</u>

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SARAIVA S.A. LIVREIROS EDITORES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(Amounts in thousands of Brazilian reais - R\$, unless otherwise stated)

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1. OPERATIONS

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

Livraria e Papelaria Saraiva S.A. (“Livraria”), a subsidiary of the Company, is engaged in retail sale of books, DVDs, music, periodicals, stationery, multimedia, and computer and electro-electronic products. Distribution is conducted through an Internet-based sales platform and a chain of 36 stores, of which 20 are megastores and 16 are conventional stores.

Pigmento Editorial S.A. (“Ético”), a subsidiary acquired on December 7, 2007 (note 9), is responsible for the sale of “Ético Sistema de Ensino” (Ético Teaching System), consisting of teaching material for elementary and high schools, and preparation courses for college admission test, as well as a service line that meets the needs of the accredited schools, including pedagogical and administrative support, which enrich the educational practice and facilitate the work of teachers and managers.

2. PRESENTATION OF FINANCIAL STATEMENTS

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

Estimates used in the preparation of financial statements for deferred tax assets and liabilities, provisions and contingent liabilities, were based on the best available evidence and assumptions at the balance sheet dates. Actual results could differ from those estimates.

### 3. SIGNIFICANT ACCOUNTING PRACTICES

#### a) General principles

Results of operations are determined on the accrual basis. Sales revenues and costs are recorded upon the transfer of risks and benefits associated to the products and services.

#### b) Current and noncurrent assets

- Cash and cash equivalents

Represent cash, banks and highly liquid cash investments, as stated in note 6. Cash investments are stated at cost, plus income earned through the balance sheet date.

- Allowance for doubtful accounts

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

- Inventories

Stated at average acquisition or production cost, less provision for write-down to market value, when market value is lower.

- Other noncurrent assets

Stated at net realizable value.

- Investments

Investments in subsidiaries are accounted for under the equity method, and other investments are stated at cost, less a valuation allowance.

- Property, plant and equipment and intangible assets

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

- Deferred charges

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

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

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

c) Current and noncurrent liabilities

- Copyrights

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

- Other current and noncurrent liabilities

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

d) Income and social contribution taxes

Taxes on income include current and deferred amounts.

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

Deferred income and social contribution taxes are recorded in current and noncurrent assets and in noncurrent liabilities, as stated in note 15 (a) to reflect future tax effects on temporary differences between the carrying amount and the tax basis of assets and liabilities, and tax loss carryforwards.

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

e) Earnings per share

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

4. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the accounts of the Company, Livraria and Ético, in which the Company has equity interest of 99.91% and 100.00%, respectively. The financial statements of Livraria and Ético as of the same date and prepared in accordance with the accounting practices described in note 3 were used in the preparation of the consolidated financial statements.

The following procedures were adopted in the preparation of the consolidated financial statements:

- Elimination of intercompany balances and transactions.
- Elimination of the Company's investment against the subsidiary's shareholders' equity.
- Minority interest in shareholders' equity and net income of Livraria is recorded in a separate caption in the balance sheets and statements of income, respectively.
- Reclassification of goodwill paid on the acquisition of Ético to intangible assets considering the expected future earnings from the acquired investment.

5. AMENDMENT TO BRAZILIAN CORPORATE LAW, EFFECTIVE JANUARY 2008

On December 28, 2007, Law No. 11638/07 was enacted, altering, revoking and adding new provisions to the Brazilian Corporate Law, especially with respect to chapter XV, Fiscal Year and Financial Statements. This Law is effective for fiscal years beginning on or after January 1, 2008 and was designed primarily to update the Brazilian Corporate Law, so as to enable the convergence of Brazilian accounting practices with international accounting standards (IFRS) and allow the Brazilian Securities Commission (CVM) to issue new accounting standards and procedures, in conformity with such international accounting standards.

The main changes that may affect the Company and its subsidiaries are summarized as follows:

- a) Replacement of the statement of changes in financial position by the statement of cash flows.
- b) A new requirement for the presentation of a statement of value added.

- c) Possibility of maintaining separate accounting records for purposes of complying with tax legislation and reflecting necessary adjustments in order to prepare the financial statements in conformity with Brazilian Corporate Law.
- d) Creation of new account groups: (i) intangible assets and (ii) valuation adjustments to shareholders' equity, in order to record certain fair value adjustments, mainly for financial instruments.
- e) Requirement of periodic analysis of the recoverability of amounts recorded in property, plant and equipment, intangible assets and deferred charges.
- f) Requirement that certain long-term assets and liabilities be recorded at present value, and, if material, for certain other short-term assets and liabilities.
- g) Requirement to record under the caption property, plant and equipment those rights in tangible assets that are maintained or used in the operations of the Company's business, including those rights received as a result of transactions that transfer the benefits, risks and control of such assets to the Company (e.g., capital leases);
- h) Requirement that investments in subsidiaries and affiliates be accounted for under the equity method, whenever there is significant influence on the affiliate's management, or interest in voting capital is 20% or more.
- i) Requirement that assets and liabilities as a result of a merger, spin-off or consolidation between unrelated parties with transfer of control be accounted for at fair value.

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

## 6. CASH AND CASH EQUIVALENTS

	<u>Company</u>		<u>Consolidated</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Cash and banks	717	1,565	11,870	10,467
Bank Certificates of Deposit (CDBs)	89,175	80,956	89,175	83,964
Investment Funds (FIF)	<u>18,582</u>	<u>14,573</u>	<u>18,582</u>	<u>14,573</u>
	<u>108,474</u>	<u>97,094</u>	<u>119,627</u>	<u>109,004</u>

## 7. TRADE ACCOUNTS RECEIVABLE

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

Aging list of accounts receivable:

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

## 8. INVENTORIES

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

## 9. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries consist of investments in Livraria and Ético, the main information on which is as follows:

	2007			2006
	<u>Livraria</u>	<u>Ético</u>	<u>Total</u>	<u>Livraria</u>
Number of shares – in thousands	57,540	5,107		57,540
Number of shares held - in thousands	57,490	5,107		57,490
Ownership interest	99.91%	100.00%		99.91%
Percentage of this investment in the Company's shareholders' equity (includes intercompany loans)	30.35%	7.31%		27.39%
Capital	51,210	5,107		51,210
Dividends payable	4,338	-		1,574
Shareholders' equity (deficit), net of dividends payable	72,337	(2,505)		58,452
Dividends receivable	4,335	-	4,335	1,572
Investment value (net of dividends receivable)	72,274	(2,505)	69,769	58,402
Goodwill on acquisition of investment	-	17,434	17,434	-
Calculation basis for equity in subsidiaries:				
Net income of subsidiaries	18,223	(475)	17,748	6,662
Adjustments to shareholders' equity of subsidiaries not recorded in income for the year – prior year adjustment (*)	-	-	-	674
Total	<u>18,223</u>	<u>(475)</u>	<u>17,748</u>	<u>7,336</u>
Equity in subsidiaries	<u>18,207</u>	<u>(475)</u>	<u>17,732</u>	<u>7,330</u>

(\*) The Annual Shareholders' Meeting held on April 27, 2006 did not approve the profit sharing of Livraria's management for 2005.

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

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

	<u>2007</u>	<u>2006</u>
GROSS SALES REVENUE	487,376	352,202
Deductions	(45,699)	(36,086)
NET SALES REVENUE	<u>441,677</u>	<u>316,116</u>
Cost of products and services	(281,012)	(200,772)
GROSS PROFIT	<u>160,665</u>	<u>115,344</u>
Operating expenses	(126,141)	(101,308)
INCOME FROM OPERATIONS BEFORE FINANCIAL INCOME (EXPENSES)	<u>34,524</u>	<u>14,036</u>
Financial income (expenses)	(4,824)	(2,290)
INCOME FROM OPERATIONS	<u>29,700</u>	<u>11,746</u>
Nonoperating expenses, net	(7)	(703)
INCOME BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES	<u>29,693</u>	<u>11,043</u>
Income and social contribution taxes	(9,590)	(3,645)
INCOME BEFORE MANAGEMENT PROFIT SHARING	<u>20,103</u>	<u>7,398</u>
MANAGEMENT PROFIT SHARING	(1,880)	(736)
NET INCOME	<u><u>18,223</u></u>	<u><u>6,662</u></u>

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

	Company			
		2007		2006
		Annual depreciation/amortization rate %	Cost	Accumulated depreciation/amortization
Property, plant and equipment:				Net book value
Land	-	2,011	-	2,011
Buildings and constructions	4	8,172	(3,923)	4,249
Machinery and equipment	10	1,564	(1,239)	325
Furniture, fixtures and installations	10	21,704	(19,454)	2,250
Vehicles	20	4,792	(2,476)	2,316
IT equipment	20	10,402	(8,577)	1,825
Property, plant and equipment in progress	-	<u>552</u>	<u>-</u>	<u>552</u>
		<u>49,197</u>	<u>(35,669)</u>	<u>13,528</u>
Intangible assets:				
Assignment of rights	20	1,246	(954)	292
Software	20	13,406	(11,249)	2,157
Trademarks and patents	-	<u>185</u>	<u>-</u>	<u>185</u>
		<u>14,837</u>	<u>(12,203)</u>	<u>2,634</u>
				<u>3,312</u>

(Tentative and preliminary. Only for discussion.)

	Consolidated				
	Annual depreciation/am ortization rate %	2007		2006	
		Cost	Accumulated depreciation/a mortization	Net book value	Net book value
Property, plant and equipment:					
Land	-	2,014	-	2,014	2,032
Buildings and constructions	4	9,613	(4,608)	5,005	5,353
Machinery and equipment	10	2,139	(1,603)	536	443
Furniture, fixtures and installations	10	85,675	(61,110)	24,565	14,231
Vehicles	20	5,269	(2,671)	2,598	1,496
IT equipment	20	22,814	(17,078)	5,736	5,259
Property, plant and equipment in progress	-	<u>3,894</u>	<u>-</u>	<u>3,894</u>	<u>2,388</u>
		<u>131,418</u>	<u>(87,070)</u>	<u>44,348</u>	<u>31,202</u>
Intangible assets:					
Goodwill on acquisition of investment	-	17,434	-	17,434	-
Goodwill	20	13,213	(11,707)	1,506	1,077
Assignment of rights	20	1,246	(954)	292	536
Software	20	15,638	(12,640)	2,998	3,129
Trademarks and patents	-	<u>255</u>	<u>-</u>	<u>255</u>	<u>252</u>
		<u>47,786</u>	<u>(25,301)</u>	<u>22,485</u>	<u>4,994</u>

In December 2006, the Company sold its printing machines for R\$7,870, of which R\$4,973 (R\$5,725 in 2006) is recorded under a specific caption in noncurrent assets. This balance receivable is adjusted based on 100% of the CDI (interbank deposit rate). This transaction resulted in a gain of R\$5,768, recorded in "Nonoperating income" for 2006.

## 11. DEFERRED CHARGES

	Company		Consolidated	
	2007	2006	2007	2006
Preoperating expenses and other deferred charges	1,667	1,445	11,966	11,744
Accumulated amortization	(1,438)	(1,445)	(11,253)	(11,039)
Unamortized goodwill	2,091	2,091	2,091	2,091
Goodwill amortization	<u>(1,603)</u>	<u>(1,185)</u>	<u>(1,603)</u>	<u>(1,185)</u>
	<u>717</u>	<u>906</u>	<u>1,201</u>	<u>1,611</u>

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

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

## 12. FINANCING

	<u>Company</u>		<u>Consolidated</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current liabilities:				
In local currency - BNDES (a) - FINEM (b)	10,909	737	14,933	2,097
Other financing	<u>-</u>	<u>-</u>	<u>189</u>	<u>-</u>
	<u>10,909</u>	<u>737</u>	<u>15,122</u>	<u>2,097</u>
Noncurrent liabilities -				
In local currency - BNDES - FINEM	<u>20,686</u>	<u>18,578</u>	<u>31,420</u>	<u>22,759</u>

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

(b) FINEM - Financing for Projects The noncurrent portion matures as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Total</u>
Company	<u>10,792</u>	<u>9,894</u>	<u>-</u>	<u>20,686</u>
Consolidated	<u>15,786</u>	<u>14,294</u>	<u>1,340</u>	<u>31,420</u>

Additional information on financing is as follows:

<u>Financing</u>	<u>Purpose</u>	<u>Guarantees</u>	<u>Maturity</u>	<u>Charges</u>
Company- BNDES - FINEM – contract of 11/05	Publishing Plan - 2005 to 2007, and information systems	Pledge of property, plant and equipment items and bank guarantee	11/10	4% + TJLP
Livraria: BNDES - FINEM – contract of 11/06	Investment projects for opening of 11 stores, renovation and modernization of 19 stores of the chain, and centralization of logistics operations	Company's guarantee	08/10	3,1% + TJLP
BNDES - FINEM – contract of 04/00	Investment projects for megastores and modernization of conventional stores	Company's guarantee	04/08	3,5% + TJLP

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

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

## 13. LOYALTY PROGRAM - SARAIVA PLUS

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

## 14. RELATED-PARTY TRANSACTIONS

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

Loans granted:

	2007			2006
	Livraria	Ético	Total	Livraria
Balance as of December 31 of the prior year	5,008	-	5,008	-
Loans to subsidiary, net of receipts	8,126	5,743	13,869	4,341
Financial income	<u>1,602</u>	<u>-</u>	<u>1,602</u>	<u>667</u>
Balance receivable as of December 31	<u>14,736</u>	<u>5,743</u>	<u>20,479</u>	<u>5,008</u>
Current assets	-	5,743	5,743	-
Noncurrent assets	<u>14,736</u>	<u>-</u>	<u>14,736</u>	<u>5,008</u>
Total	<u>14,736</u>	<u>5,743</u>	<u>20,479</u>	<u>5,008</u>

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

	2007			2006
	Livraria	Ético	Total	Livraria
Balances:				
Assets:				
Trade accounts receivable (current)	4,941	-	4,941	3,916
Loans to subsidiary (noncurrent and current)	14,736	5,743	20,479	5,008
Liabilities-				
Trade accounts payable (current)	5	-	5	6
Transactions:				
Sale of products	17,245	-	17,245	12,627
Purchase of products	31	-	31	55
Financial income	1,602	-	1,602	667
Financial expenses	-	-	-	127

## 15. INCOME AND SOCIAL CONTRIBUTION TAXES

## a) Deferred taxes

Deferred income and social contribution taxes are derived from:

	<u>Company</u>		<u>Consolidated</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current assets	<u>788</u>	<u>636</u>	<u>4,619</u>	<u>4,280</u>
Noncurrent assets:				
Tax loss carryforwards	-	-	27	387
Reserve for contingencies and taxes payable	<u>783</u>	<u>753</u>	<u>4,804</u>	<u>5,374</u>
	<u>783</u>	<u>753</u>	<u>4,831</u>	<u>5,761</u>
Noncurrent liabilities:				
Provision for book inventory losses - Law No. 10753/03	4,340	4,753	7,647	4,753
Deferral of accelerated depreciation	<u>-</u>	<u>2</u>	<u>-</u>	<u>2</u>
	<u>4,340</u>	<u>4,755</u>	<u>7,647</u>	<u>4,755</u>

The Company and Livraria, based on the opinion of their outside attorneys, considered the tax incentive established by Law No. 10753/03, amended by Law No. 10833/03, concerning the deductibility of the provision for inventory losses, as a temporary difference between the carrying amount and the tax basis of assets and liabilities, recognizing the tax effect in accordance with CVM Instruction No. 371/02.

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

Management believes that the carrying amount of the Company's and Livraria's deferred tax assets from temporary differences is realizable in proportion to the final resolution of lawsuits and the settlement of liabilities.

## b) Expense reconciliation

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

	<u>Company</u>		<u>Consolidated</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Income before income and social contribution taxes	94,927	64,873	106,413	69,260
Combined tax rate	<u>34%</u>	<u>34%</u>	<u>34%</u>	<u>34%</u>
Taxes computed at the combined tax rate	(32,275)	(22,057)	(36,180)	(23,549)
Permanent additions - nondeductible expenses	(381)	(183)	(464)	(224)
Permanent deductions:				
Interest on capital	4,928	4,672	4,928	4,672
Equity in subsidiaries	6,029	2,493	-	-
Other deductions	317	324	686	390
Deferred taxes not recorded by subsidiary due to uncertainties concerning their realizability	-	-	(161)	-
Other items	<u>179</u>	<u>(53)</u>	<u>398</u>	<u>262</u>
	<u>(21,203)</u>	<u>(14,804)</u>	<u>(30,793)</u>	<u>(18,449)</u>
Income and social contribution taxes:				
Current	(21,798)	(14,619)	(27,309)	(16,031)
Deferred	<u>595</u>	<u>(185)</u>	<u>(3,484)</u>	<u>(2,418)</u>
	<u>(21,203)</u>	<u>(14,804)</u>	<u>(30,793)</u>	<u>(18,449)</u>
Effective tax rate on net income	<u>22.3%</u>	<u>22.8%</u>	<u>28.9%</u>	<u>26.6%</u>

#### 16. RESERVE FOR CONTINGENCIES

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

According to a Decision of the Federal Revenue Service, dated August 21, 2006, Livraria was required to pay part of the accrued amount for the lawsuit challenging the Real Plan (Brazilian economic plan) - Law No. 8880/94, in the amount of R\$4. The same decision tacitly approved the credit under discussion represented by the reserve of R\$1,613, which was reversed and recorded in 2007 under the caption "Other operating income (expenses)".

Reserve for contingencies is as follows:

	Company				2007
	2006	Recognition	Escrow deposits	Payments/ Reversal	
PIS/Cofins - increase in tax basis	186	11	-	-	197
IR/CSLL - Real Plan – Law No. 8880/94	861	-	-	-	861
Civil and labor contingencies	112	-	-	-	112
Escrow deposits	(1,047)	-	(11)	-	(1,058)
	<u>112</u>	<u>11</u>	<u>(11)</u>	<u>=</u>	<u>112</u>
	Consolidated				2007
	2006	Recognition	Escrow deposits	Payments/ Reversal	
PIS/Cofins - increase in tax basis	8,961	275	-	-	9,236
IR/CSLL - Real Plan – Law No. 8880/94	2,478	-	-	(1,617)	861
Civil and labor contingencies	112	-	-	-	112
Escrow deposits	(9,822)	-	(273)	-	(10,095)
	<u>1,729</u>	<u>275</u>	<u>(273)</u>	<u>(1,617)</u>	<u>114</u>

## 17. TAXES PAYABLE

	Company		Consolidated	
	2007	2006	2007	2006
IR (income tax) and CSLL (social contribution tax) (i)	-	-	4,954	6,837
CSLL (ii)	2,571	2,538	2,571	2,538
IRRF (withholding income tax)	727	40	1,183	95
ICMS (state VAT)	-	4	2,396	1,652
PIS/Cofins (taxes on revenue)	44	26	128	93
Other	15	20	73	55
	<u>3,357</u>	<u>2,628</u>	<u>11,305</u>	<u>11,270</u>
Current liabilities	1,354	598	6,262	4,226
Noncurrent liabilities	2,003	2,030	5,043	7,044
	<u>3,357</u>	<u>2,628</u>	<u>11,305</u>	<u>11,270</u>

- (i) Request filed with the National Treasury Attorney General in October 2005 for the installment payment of the accrued amounts related to lawsuits brought to discuss the effects of IR and CSLL arising from the Real Plan - Law No. 8880/94.
- (ii) Request filed with Federal Revenue Service in November 2007 for the installment payment of the debt arising from the denial of the administrative appeal against the tax delinquency notice related to the deduction of interest on capital from the CSLL tax basis for 1996.

## 18. SHAREHOLDERS' EQUITY

### a) Capital

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

The Company's bylaws comply with São Paulo Stock Exchange's (BOVESPA) Level 2 Differentiated Corporate Governance Practices.

The Company is authorized to increase capital, through a new issue of 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.

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

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

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

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

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

The Company holds 365,750 (365,750 in 2006) preferred shares in treasury, acquired for R\$2,870, with market value of R\$12,801 (R\$35.00 per share - quotation as December 28, 2007). In 2007 and 2006, there were no new acquisitions of shares.

### c) Interest on capital and dividends

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

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

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

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

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

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

Proposed dividends are as follows:

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

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

d) Legal reserve

In accordance with Brazilian Corporate Law and the Company's bylaws, 5% of net income for each year will be allocated for the recognition of a legal reserve.

e) Recognition of profit reserves

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

f) Company's stock option plan

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

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

## 19. FINANCIAL INSTRUMENTS

a) Derivative transactions

As of December 31, 2007, the Company and its subsidiaries did not enter into derivative transactions.

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

b) Other financial instruments

The carrying amounts of the financial instruments recorded in the balance sheet as of December 31, 2007, presented below, do not differ significantly from fair values:

	<u>Carrying amount</u>
Cash and cash equivalents	119,628
Financing in local currency	46,542

- Cash and cash equivalents

The carrying amounts of cash and cash equivalents, represented by unrestricted bank deposits and highly-liquid cash investments, do not differ significantly from fair values.

- Financing

The carrying amounts of financing correspond to funds obtained from the BNDES (National Bank for Economic and Social Development). The financing is specific and has different interest rates, impairing the comparison with fair values, assuming conventional loan rates for the calculation.

c) Market risks

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

## 20. FINANCIAL INCOME (EXPENSES)

Financial income and expenses are as follows:

	Company		Consolidated	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Financial income:				
Income from temporary cash investments	12,542	9,475	12,584	10,086
Interest on loans to subsidiary	1,602	667	-	-
Interest on trade accounts receivable	1,143	628	1,168	654
Interest on recoverable taxes	17	1,247	17	1,247
Other financial income	<u>70</u>	<u>48</u>	<u>357</u>	<u>205</u>
	<u>15,374</u>	<u>12,065</u>	<u>14,126</u>	<u>12,192</u>
Financial expenses:				
Loss on temporary cash investments - hedge	-	183	-	183
Interest, monetary and exchange variations on financing	2,324	1,570	3,330	1,806
Other interest and monetary variation	1,810	3,175	2,099	3,696
CPMF (tax on banking transactions)/IOC (tax on credit operations)	1,416	1,275	3,425	2,646
Financial intermediation commission	-	2,422	-	2,422
Other financial commissions	223	179	223	214
Financial discounts	1,217	831	1,217	831
Other financial expenses	<u>102</u>	<u>152</u>	<u>401</u>	<u>407</u>
	<u>7,092</u>	<u>9,787</u>	<u>10,695</u>	<u>12,205</u>
	<u>8,282</u>	<u>2,278</u>	<u>3,431</u>	<u>(13)</u>

## 21. INSURANCE (UNAUDITED)

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

## 22. SUBSEQUENT EVENTS

## a) Business acquisition

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

The purchase price was R\$60,030, based on shareholders' equity as of November 30, 2007 of R\$3,914 (unaudited). As part of the transaction, Livraria assumed Siciliano's net debt, which amounted to approximately R\$13,600 as of December 31, 2007 (unaudited).

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

b) Merger of subsidiary

At the Extraordinary Shareholders' Meeting held on February 1, 2008, the shareholders confirmed the purchase of all shares and approved the agreement for merger of Ético based on the independent specialists' book value appraisal report on Ético's net assets as of January 2, 2008 (note 9).

c) Interest on capital to shareholders (note 18 c).

d) Approval of the Fourth Stock Option Plan of the Company (note 18 f).

## 23. STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>Company</u>		<u>Consolidated</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income for the year	70.207	46.469	70.207	46.469
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization (including amount allocated to cost)	4.468	5.592	10.715	10.764
Deferred income and social contribution taxes	(597)	184	3.483	2.417
Allowance for doubtful accounts	1.664	1.044	1.991	1.343
Equity in subsidiaries	(17.732)	(7.330)	-	-
Proceeds from sale of property, plant and equipment	(72)	(5.649)	(65)	(4.961)
Financial charges and exchange variation on intercompany balances, financing, loans and taxes payable	(1.922)	(330)	(109)	792
Other provisions	4.585	4.320	3.905	6.022
Minority interest in subsidiary	-	-	16	5
	<u>60.601</u>	<u>44.300</u>	<u>90.143</u>	<u>62.851</u>
Decrease (increase) in assets:				
Trade accounts receivable	(21.747)	(10.010)	(55.867)	(34.678)
Receivables from subsidiary for sales of goods	(1.025)	(2.875)	-	-
Inventories	3.433	(988)	(15.517)	(12.698)
Other receivables	4.324	(9.008)	(29)	(9.674)
Increase (decrease) in liabilities:				
Trade accounts payable	(12.151)	20.592	8.740	27.911
Income and social contribution taxes	4.659	(1.663)	6.804	(4.653)
Other payables	7.348	(4.887)	11.890	(4.071)
Net cash provided by operating activities	<u>45.442</u>	<u>35.461</u>	<u>46.164</u>	<u>24.988</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchases of property, plant and equipment	(3.699)	(1.502)	(23.999)	(6.628)
Business acquisition	(15.404)	-	(17.434)	-
Purchase of tax incentive investments - long-term assets	-	(30)	-	(42)
Dividends received from subsidiary	1.572	-	-	-
Sale of property, plant and equipment	1.333	1.703	1.731	1.746
Receivables from sale of property, plant and equipment	-	6.870	-	6.870
Net cash provided by (used in) investing activities	<u>(16.198)</u>	<u>7.041</u>	<u>(39.702)</u>	<u>1.946</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Capital increase by public subscription	-	66.000	-	66.000
Financing	13.190	11.388	29.392	15.815
Loans granted	(46.694)	(4.400)	-	(60)
Repayment of financing	(896)	(3.190)	(7.834)	(7.414)
Repayment of loans to subsidiary	32.825	(11.573)	-	-
Payment of interest on financing	(2.337)	(1.226)	(3.443)	(1.418)
Payment of dividends and interest on capital	(13.952)	(11.048)	(13.954)	(11.047)
Net cash provided by (used in) financing activities	<u>(17.864)</u>	<u>45.951</u>	<u>4.161</u>	<u>61.876</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u><u>11.380</u></u>	<u><u>88.453</u></u>	<u><u>10.623</u></u>	<u><u>88.810</u></u>
<b>REPRESENTED BY:</b>				
Balance at beginning of year	97.094	8.641	109.004	20.194
Balance at end of year	108.474	97.094	119.627	109.004
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u><u>11.380</u></u>	<u><u>88.453</u></u>	<u><u>10.623</u></u>	<u><u>88.810</u></u>