

## Index

---

### 1. Responsible for the Form

1.1 - Declaration and Identification of those responsible	1
---	---

### 2. Independent Auditors

2.1/2.2 - Identification and Remuneration of the Auditors	2
2.3 - Other relevant information	3

### 3. Selected Financial Information

3.1 - Financial Information	4
3.2 - Non-accounting measurements	5
3.3 - Events after the latest financial statements	6
3.4 - Policy for allocation of results	7
3.5 - Distribution of dividends and net retention	8
3.6 - Declaration of dividends to the retained profits or reserves account	9
3.7 - Level of debt	10
3.8 - Bonds according to nature and maturity	11
3.9 - Other relevant information	12

### 4. Risk factors

4.1 - Description of risk factors	13
4.2 - Comments on expected changes in risk factor exposure	20
4.3 - Non-confidential and relevant legal, administrative or arbitral proceedings	21
4.4 - Non-confidential legal, administrative or arbitral proceedings whose counterparts are administrators, former administrators, controllers, former controllers or investors	25
4.5 - Confidential relevant lawsuits	
4.6 - Concerted non-confidential and relevant, repetitive and connected legal, administrative, or arbitral proceedings	26
4.7 - Other relevant contingencies	
4.8 - Rules of the country of origin and the country in which the securities are protected	27

### 5. Market risk

5.1 - Description of main market risks	30
5.2 - Description of market risk management policy	32
5.3 - Significant changes in main market risks	33
5.4 - Other relevant information	34

## Index

---

### 6. Issuing agent history

6.1 / 6.2 / 6.4 - Constitution of the issuing agent, duration and registration date with CVM	35
6.3 - Brief History	36
6.5 - Main corporate events taking place at the issuing agent, affiliated or associated companies	38
6.6 - Information about bankruptcy filing based on the relevant value or judicial or extra-judicial recovery	39
6.7 - Other relevant information	40

### 7. Issuing agent activities

7.1 - Description of the issuing agent and its associated companies' activities	41
7.2 - Information about operational segments	43
7.3 - Information about products and services relative to the operational segments	45
7.4 - Customers responsible for over 10 percent of the total net revenue	55
7.5 - Relevant effects of state regulation of the activities	56
7.6 - Relevant revenue from abroad	57
7.7 - Effects of foreign regulation of the activities	58
7.8 - Relevant long-term relationships	59
7.9 - Other relevant information	60

### 8. Economic group

8.1 - Description of the Economic Group	61
8.2 - Economic Group's Organizational Chart	62
8.3 - Restructuring operations	63
8.4 - Other relevant information	64

### 9. Relevant assets

9.1 - Relevant non-current assets - other	65
9.1 - Relevant non-current assets / 9.1.a - Fixed assets	67
9.1 - Relevant non-current assets / 9.1.b - Patents, trademarks, licenses, concessions, franchises, and technology transfer agreements	68
9.1 - Relevant non-current assets / 9.1.c - Participation in joint ventures	69
9.2 - Other relevant information	70

## Index

---

### 10. Board of Directors' Comments

10.1 - General Financial and Property Conditions	71
10.2 - Operational and Financial Result	77
10.3 - Events with significant effects, having occurred and expected, in the financial statements	86
10.4 - Significant changes in accounting practices - Disclaimers and emphases on the auditor's report	87
10.5 - Critical accounting policies	93
10.6 - Internal controls relative to the drafting of financial statements - Level of efficiency and deficiency and recommendations made in the auditor's report	95
10.7 - Allocation of public funding resources and eventual deviations	96
10.8 - Relevant items not demonstrated in financial statements	97
10.9 - Comments on items not demonstrated in the financial statements	98
10.10 - Business Plan	99
10.11 - Other factors with relevant influence	102

### 11. Projections

11.1 - Disclosed projections and premises	103
11.2 - Monitoring and changes in disclosed projections	104

### 12. Assembly and administration

12.1 - Description of the administrative structure	105
12.2 - Rules, policies, and practices relative to general assemblies	108
12.3 - Dates and newspapers to publish the information required by Law No. 6404/76	110
12.4 - Rules, policies, and practices relative to the Administration Council	111
12.5 - Description of the arbitration clause to settle disputes through arbitration	112
12.6 / 8 - Membership and professional experience in management and supervisory board	113
12.7 - Membership of statutory committees and audit, financial and remuneration committees	117
12.9 - Existence of marital relationship or stable relationship up to the 2nd degree, related to the issuing agency, affiliated and associated company's administrators	118
12.10 - Subordinate relations, service rendering or control between administrators and affiliates, controllers and others	120
12.11 - Agreements, including insurance policies, for payment or reimbursement of expenses incurred by administrators	122
12.12 - Other relevant information	123

## Index

---

### 13. Administrators' remuneration

13.1 - Description of the remuneration policy or practice, including non-statutory board of directors	124
13.2 - Total remuneration of the administrative board, statutory board and supervisory board	126
13.3 - Variable remuneration of the administrative board, statutory board and supervisory board	129
13.4 - Administrative Board and Statutory Board's share-based remuneration plan	130
13.5 - Investments in stocks, shares and other convertible securities owned by the administrative and supervisory board - per department	133
13.6 - Administrative Board and Statutory Board's share-based remuneration	134
13.7- Information about outstanding options held by the board of directors and the statutory board	137
13.8 - Options exercised and shares delivered relative to the stock-based compensation of the board of directors and the statutory board	138
13.9 - Information necessary for understanding the data disclosed in items 13.6 to 13.8 - Pricing method of the value of shares and options	139
13.10 - Information about pension plans granted to members of the board of directors and statutory board	141
13.11 - Maximum, minimum, and average individual remuneration of the administrative board, statutory board, and supervisory board	142
13.12 - Remuneration or compensation mechanisms for administrators in case of dismissal from office or retirement	143
13.13 - Percentage in total compensation held by directors and supervisory directors who are parties associated with controlling	144
13.14 - Remuneration of directors and supervisory board members, grouped by department, received for any reason other than the position they occupy	145
13.15 - Remuneration of directors and supervisory directors recognized in the results of controllers, direct or indirect, in corporations under joint control and of issuing agencies and affiliated companies	146
13.16 - Other relevant information	147

### 14. Human Resources

14.1 - Description of Human Resources	148
14.2 - Relevant Changes - Human Resources	152
14.3 - Description of employee remuneration policy	153
14.4 - Description of the relationship between the issuer and the labor unions	154

### 15. Control

15.1 / 15.2 - Capital Structure	155
15.3 - Distribution of capital	160
15.4 - Shareholder Organizational Chart	161
15.5 - Shareholder Agreement filed at the issuing agency's headquarters or, of which the controller is part	162
15.6 - Relevant changes in the participation of members of the control group and issuing agency's administrators	163
15.7 - Other relevant information	

## Index

---

### 16. Transactions with related parts

16.1 - Description of issuing agency's rules, policies and practices as to transactions with related parts	165
16.2 - Information about transactions with related parts	166
16.3 - Identification of the measures taken to deal with conflict of interests and demonstration of the strictly commutative nature of the agreed conditions or the proper compensatory payment	167

### 17. Capital

17.1 - Information about capital	168
17.2 - Capital increases	169
17.3 - Information about splits, reverse splits and bonus shares	170
17.4 - Information about capital reductions	171
17.5 - Other relevant information	172

### 18. Securities

18.1 - Share rights	173
18.2 - Description of eventual statutory rules that limit voting rights of significant shareholders or that requires them to make a public offer	175
18.3 - Description of exceptions and suspensive clauses relative to property or political rights provided for the statute	176
18.4 - Transaction volume and higher and lower prices of traded securities	177
18.5 - Description of other securities issued	179
18.6 - Brazilian markets in which securities are allowed to be traded	180
18.7 - Information about the class and type of securities allowed to be traded in foreign markets	181
18.8 - Takeover bids of distribution made by the issuer or by third parties, including controllers and associated companies and subsidiaries, relative to issuer's securities	182
18.9 - Description of takeover bids made by the issuer relative to shares issued by third parties	183
18.10 - Other relevant information	184

### 19. Repurchase plans / treasury

19.1 - Information about plans to repurchase issuer shares	185
19.2 - Transaction of securities held in treasury	186
19.3 - Information on securities held in treasury on the closing date of the last fiscal year	187
19.4 - Other relevant information	188

## Index

---

### 20. Negotiation Policy

20.1 - Information about the policy of trading securities	189
20.2 - Other relevant information	190

### 21. Disclosure Policy

21.1 - Description of the standards, rules or internal procedures relative to information disclosure	191
21.2 - Description of the disclosure policy regarding actions or relevant facts and procedures relative to maintaining confidentiality about undisclosed relevant information	192
21.3 - Administrators responsible for implementing, maintaining, evaluating, and monitoring the information disclosure policy	193
21.4 - Other relevant information	194

### 22. Extraordinary business

22.1 - Acquisition or disposal of any relevant asset that is not classified as issuer's normal operating business	195
22.2 - Significant changes in the way the issuer conducts business	196
22.3 - Relevant contracts signed by the issuer and its subsidiaries, which are not directly related to its operational activities	197
22.4 - Other relevant information	198

## 1.1 - Declaration and Identification of those responsible

<b>Name of the person responsible for the form content</b>	João Luis Ramos Hopp
<b>Position of the Person in Charge</b>	Director of Investor Relations
<b>Name of the person responsible for the form content</b>	José Luiz Machado Alvim de Próspero
<b>Position of the Person in Charge</b>	CEO

**The directors qualified above, declare that:**

- a. they have reviewed the reference form
- d. all information contained in the form comply with the provisions in CVM Instruction No. 480, especially articles 14 to 19
- c. the collection of information contained in it is a true, accurate and complete picture of the issuer's economic-financial situation and also of the risks inherent to its activities and the securities issued by it

**2.1/2.2 - Identification and remuneration of the Auditors**

Is there an auditor? YES

CVM Code 385-9

Auditor type National

Name / Corporate Name Deloitte Touche Tohmatsu Auditores Independentes

CPF/CNPJ 49.928.567/0001-11

Period of service 01/14/2004

Description of the hired service Audit of the Annual Financial Statements and Quarterly Information Review

Total remuneration amount for independent auditors separated per service The total remuneration amount paid in the last fiscal year was of R\$494 per audit service

Replacement justification The company did not replace the audit firm.

Reason given by the auditor in case of disagreement with the issuer's justification The company did not replace the audit firm.

Name of the technician in charge	Period of service	CPF	Address
Eduardo Franco Tenório	10/01/2010	132.142.498-19	Rua Alexandre Dumas, 1981, Chácara Sto. Antonio, São Paulo, SP, Brazil, Zip Code 04719-030, Phone (11) 51861332, Fax (11) 51861333, e-mail: <a href="mailto:eftenorio@deloitte.com">eftenorio@deloitte.com</a>
Maurício Pires de Andrade Resende	01/14/2004 to 06/30/2010	603.835.426-34	Rua Alexandre Dumas, 1981, Chácara Sto. Antonio, São Paulo, SP, Brazil, Zip Code 04719-030, Phone (11) 51861332, Fax (11) 51861333
Reynaldo Awad Saad	07/01/2010 to 09/30/2010	091.000.448-06	Rua Alexandre Dumas, 1981, Chácara Sto. Antonio, São Paulo, SP, Brazil, Zip Code 04719-030, Phone (11) 51861332, Fax (11) 51861333

### **2.3 - Other relevant information**

Deloitte Touche Tohmatsu Auditores Independentes, hired by the company since 01/14/2004, had Mr. Maurício Pires Resende, CPF No. 603.835.426-34, as partner in charge up to the review of the Quarterly Information - ITR of June/2010. The quarterly review of Information - ITR of September/2010 had Mr. Reynaldo Awad Saad, CPF No. 091.000.448-06 as a transitory partner in charge, and after the audit of Annual Accounting Statements for 2010, the partner in charge became Mr. Eduardo Franco Tenório, CPF 132.142.498-19. The replacement of Mr. Maurício Pires de Andrade Resende occurred because of his 5-year period as partner in charge in the company's external audit activities - CFC Resolution No. 1034 of 08/26/2005.

**3.1 - Financial Information - Consolidated**

(Brazilian Reais) Equity	Fiscal year (12/31/2010) 424,464,000.00	Fiscal year (12/31/2009) 374,057,000.00	Fiscal year (12/31/2008) 0.00
Total Assets	1,102,477,000.00	873,590,000.00	0.00
Net Revenue Intermediary Financial Revenue Insurance premiums Earnings	1,564,936,000.00	1,248,353,000.00	0.00
Gross Income	674,854,000.00	558,029,000.00	0.00
Net Income	61,023,000.00	51,478,000.00	0.00
Number of Shares, former treasury (units)	28,345,573	28,230,373	0
Share Asset Value (Reais Unit)	14.974600	13.250200	0.000000
Net Income per Share	2.157200	1.823400	0.000000
Net diluted income per share	2.15	1.82	0.00

### 3.2 - Non-accounting measurements

The following table demonstrates the evolution of consolidated EBITDA in the previous year.

<i>Consolidated (R\$ thousand)</i>	<i>2010</i>	<i>2009</i>	<i>Var.</i>
Operational Results	84,558	71,531	18.2%
(+) Administrators' Share	5,485	4,065	34.9%
(+) Depreciation and Amortization Expenses	27,273	21,420	27.3%
(+) Net Financial Expenses (Income)	32,726	20,548	59.3%
(=) EBITDA	150,042	117,564	27.6%
EBITDA Margin	9.6%	9.4%	0.2 pp

In 2010, EBITDA totaled R\$ 150.0 million, against R\$ 117.6 million in 2009, an increase of 27.6%. The EBITDA margin reached 9.6% in 2010 against 9.4% in 2009.

EBITDA represents the net profit before financial results, social contributions, income tax, depreciation and amortization. It is not a measure used according to accounting practices adopted in Brazil or in generally accepted accounting principles from other countries and do not represent the cash flow for the periods being presented, and must not be considered as an alternative to net profit as company's operational performance indicator or an alternative to cash flow as a liquidity indicator. EBITDA does not have a standardized meaning, and this definition of EBITDA may not be comparable to EBITDA as defined by other companies.

### 3.3 - Events after the latest financial statements

1. In April and May of 2011, the Bookstore contracted loans in foreign currency (US Dollars), through Law 4.131/62 of the Banco Central do Brasil (Central Bank of Brazil), to be invested in the financing of its operational working capital needs. For these loans, a derivative operation was hired, changing the foreign exchange and interest rate indexers to CDI prefixed and post-fixed rates as demonstrated below:

Financial Institution	Date	Values (Thousands)		Period
		US\$	R\$	
Santander Bank	04/06/2011	12,487	20,000	1096 days
Itaú Bank	05/02/2011	22,293	35,000	721 days

2. Sale of commercial property for R\$ 3.25 million on 03/21/2011.
3. In May/2011 the Company created, in association with Artmed Editora S.A., Atlas S.A. and GEN - Grupo Editorial Nacional Participações S.A., a new partnership called "Minha Biblioteca Ltda.", which will be dedicated to the publication, distribution and wholesale and retail sale of e-books and other contents both nationwide and abroad. The Company controls an equity stake in the new company representing 25% of the capital.

### 3.4 - Policy for the allocation of results

a. profit retention rules:

As described in article 35 of the Bylaws, after ensuring the shareholders' mandatory dividend referred to in article 34, "a" of the aforementioned bylaws, the fiscal year's net income balance, if any, can be allocated by the General Assembly to the following reserves :

- a) reserve for future capital increase, aimed at securing the capitalization of the Company, which may not exceed, during any given fiscal year, the share capital paid;
- b) reserve for contingencies, under article 195 of Law No. 6404/76;
- c) reserve of profits retention, according to the budget approved in the General Assembly, which cannot exceed, in any given fiscal year, the share capital paid;
- d) reserve of unrealized revenue, under the terms of article 197 of Law 6404/76, with wording given by Law 10303/01.

b. dividend distribution rules:

Dividend distribution rules are described in article 34 of the Bylaws, which ensure that the shareholders will receive the corresponding mandatory dividend (except in the case of article 202, § 4, of Law 6404/76):

- a) 25% of the fiscal year's net profit under the terms of article 202 of Law 6404/76, with wording given by Law 10303/01; plus
- b) the fiscal year's net profit balance, if any, remaining after the allocations mentioned in articles 193 to 197 of Law 6404/76, with wording given by Law 10303/01, in compliance with articles 33 and 35 of the Bylaws.

c. frequency of dividend distribution:

The distribution of dividends will be made annually, within the next fiscal year, according to the date designated for the payment established during the Ordinary General Assembly.

- d. eventual restrictions to dividends distribution, imposed by law or special regulation applicable to the issuer, as well as contracts, court, administrative, or arbitral decisions

There are no eventual restrictions to dividends distribution, imposed by law or special regulation applicable to the issuer, as well as contracts, court, administrative or arbitral decisions

**3.5 - Distribution of dividends and net retention**

<b>(Brazilian Reais)</b>	<b>Fiscal year (12/31/2010)</b>	<b>Fiscal year 12/31/2009</b>	<b>Fiscal year 12/31/2008</b>
Adjusted net profit	57,971,000.00	50,537,000.00	68,431,000.00
Dividend distributed regarding the adjusted net profit	38.450000	41.150000	28.900000
Rate of return in terms of the issuer's equity	5.250000	5.540000	5.890000
Total distributed dividend	22,287,821.89	20,723,975.82	19,775,670.17
Retained net profit	35,683,000.00	29,633,000.00	49,521,000.00
Date of retention approval	04/25/2011	04/20/2010	04/23/2009

<b>Retained net profit</b>	<b>Amount</b>	<b>Dividend payment</b>	<b>Amount</b>	<b>Dividend payment</b>	<b>Amount</b>	<b>Dividend payment</b>
<b>Capital interest rates</b>						
<b>Ordinary</b>	7,565,922.14	04/30/2011	7,063,760.08	04/30/2010	6,062,138.12	<b>04/30/2009</b>
<b>Preferential</b>	14,721,899.75	04/30/2011	13,660,215.74	04/30/2010	11,723,234.29	<b>04/30/2009</b>
<b>Mandatory Dividend</b>						
<b>Ordinary</b>					678,392.31	<b>04/30/2009</b>
<b>Preferential</b>					1,311,905.45	<b>04/30/2009</b>

### **3.6 - Declaration of dividends to the retained profits or reserves account**

No dividends were declared in the retained profit or reserves account.

**3.7 - Level of debt**

<b>Fiscal Year</b>	<b>Total debt of any nature</b>	<b>Type of index</b>	<b>Rate of Debt</b>	<b>Description index and reason for the use of other indebtedness</b>
12/31/2010	241,012,000.00	Rate of Debt	1.59733923	

**3.8 - Bonds according to nature and maturity**

<b>Fiscal year (12/31/2010)</b>					
<b>Type of debt</b>	<b>Less than one year</b>	<b>One to three years</b>	<b>Three to five years</b>	<b>Exceeding five years</b>	<b>Total</b>
<b>Floating Guarantee</b>	96,875,000.00	101,207,000.00	42,930,000.00	0.00	241,012,000.00
<b>Total</b>	96,875,000.00	101,207,000.00	42,930,000.00	0.00	241,012,000.00
<b>Observation</b>					

### **3.9 - Other relevant information**

For the first time, the Company has adopted the international accounting standards for consolidated financial statements presented for the fiscal year ending on December 31, 2010. Thus, information relative to the fiscal year ending on December 31 of 2008 was not presented in item 3.1 due to lack of comparability.

## 4.1 - Description of risk factors

*a. for the issuer:*

***The spread of copyright infringement could adversely affect our performance***

Saraiva Group is subject to certain third party practices, which violate copyrights, such as unauthorized copies of books, the illegal reproduction of CD's and DVD's, as well as the dissemination of digital libraries, which illegally market the Publishing House's proprietary content. An increase in the dissemination of such practices may adversely affect our results.

***Our books may not be approved by the PNLD - National Elementary Education Textbook Program (Elementary and High School), as well as other official public book purchasing programs.***

In order to supply Textbooks within the scope of PNLD (Elementary and High School), publishers must submit the content of their works in advance to be pedagogically evaluated by the Basic Education Office of the Ministry of Education and Culture ("MEC"), according to criteria published in edicts. The books that are approved in this evaluation process are included in the Textbook Guide and submitted to be chosen by public school teachers participating in the programs to be adopted in the classroom. The rejection of our textbooks by MEC may adversely affect the Publishing House's results.

***The relationship with our authors and the market in general may be adversely affected if certain changes in the Copyright Act are approved.***

In Brazil, intellectual property is governed primarily by Law No. 9610/98 ("The Copyright Act") and also by other laws and sparse standards. Bills to alter relevant parts of the current Copyright Act are constantly being submitted to National Congress. Additionally, the Ministry of Culture released for public hearing on June 14 of 2010, the Copyright Reform Law ("Draft") to be sent to National Congress soon in order to be analyzed. This Draft includes significant changes to the legal regime of intellectual property in Brazil.

***Our production processes and upgrading of the works may be delayed, with negative effects on our sales.***

The textbook publishing market requires that publishers plan in advance. The works must be ready in time to be included in the NPDB (Elementary and High School) and before the beginning of classes. In the same manner, Law Books, especially those whose content deals with legislation, must be produced and updated within a reasonable period of time so they can be well-received at the time of release. Failure or delay in the production schedule and editorial update of the lines in which the Publishing House operates may therefore impair its performance in such markets.

***The temporary irregularity of our registration status before the System of Unified Supplier Registry (SICAF) may prevent our participation in governmental programs and signing contracts with public agencies, or to defer receipt of amounts owed to us under these programs and contracts.***

## 4.1 - Description of risk factors

SICAF is an electronic system that registers and centralizes the major federal tax clearance certificates issued by certain public agencies (INSS, Brazil's Federal Revenue and the General Attorney of the National Treasury, among others). The absence of such certificates implies in irregularity before SICAF and preclude the participation of the respective interested party in government programs and the signing of contracts with public agencies, which may delay or prevent the receipt of amounts owed to it within the scope of these programs and contracts.

In case any of the Publishing House's certificates has expired, unless it can obtain new certificates in a timely manner, it will be irregular before the SICAF, and cannot participate in government programs, contracts with public agencies or receive values that is entitled within the scope of these programs and contracts, which could adversely affect the Publishing House's results.

***Relevant authors that provide content to be published and sold by the company may terminate the Publishing Contract, negatively impacting our sales.***

The publishing contracts with major authors may be terminated at any time. The Company may not be able to replace such authors or offer alternative publications, reducing its competitiveness and significantly impacting its profitability.

***Intensification of the competitive environment.***

We may be subject to increased competition in the segments in which we operate due to the following factors: (i) increase in the number of companies, and (ii) the acquisition of operations in Brazil by capitalized companies, whether domestic or foreign. Increased competition could adversely impact our results.

***The seasonality of our publishing segments can cause inventory excess and loss.***

The Publisher operates in the Brazilian publishing market segments that are seasonal (approximately 82% of the Publishing House's sales are concentrated in 1st and 4th quarters of the fiscal years, when there is a concentration of sales of Textbooks, Paradidactic Books, and Law Books). In order to create large volumes of book deliveries during specific times of the year, the Publishing House anticipates its production throughout the year, forming a significant inventory and increasing the need for working capital. In case an event that might negatively impact the Publishing House's capacity to acquire customers, it cannot achieve the planned sale of the entire inventory, which was formed earlier, resulting in the need for higher provisioning for loss of inventory, which could adversely affect the results of its operations.

***The Publishing House may not be able to produce content in new technologies that may be adopted by those who buy and consume such content.***

The transformations introduced in the marketplace through digital platforms may require that traditional publishers master new technologies and / or develop skills other than those already mastered for publishing the printed content. The Publishing House may not be able to compete in

a market that has the premise of mastering such technologies. Similarly, the introduction of proprietary technologies may eventually determine profound changes in current business models, including the publishing segment's economic model and a decrease in the Company's competitive ability.

#### 4.1 - Description of risk factors

***We may not be able to execute our business strategy.***

Our ability to implement our business strategy depends on a number of factors, including our ability to (i) attract new authors, (ii) purchase new publishers and catalogs, (iii) optimize the distribution network, (iv) the development of new media, (v) the strengthening of relationships with teachers, (vi) increase in operational efficiency, and (vii) publishing relevant and technically suitable content for its consumers.

*b. for its controller, directly or indirectly, or for the controlling group:*

***We will continue to be controlled by our controlling shareholder, whose interests may differ from those of other shareholders***

As long as shareholder Jorge Eduardo Saraiva, directly or indirectly, controls the Company, he will be entitled, without requiring the consent of other shareholders, to:

- elect a majority of the Administration Council and dismiss members of the council;
- control the Company's administration and policies;
- determine the outcome of a large part of our corporate operations or other matters submitted to shareholders, including mergers, consolidations and sale of all or a substantial portion of our assets, or
- determine dividend distribution policies, subject to the mandatory minimum dividend provided by law.

Shareholder Jorge Eduardo Saraiva's interests may differ from those of other Company shareholders.

*c. for its shareholders:*

***The relative volatility and lack of liquidity of the Brazilian securities market, coupled with the reduced marketability of our shares on the market, may substantially limit the ability of share investors to sell them for the price and at the time they wish.***

The investment in securities traded in emerging markets such as Brazil's, frequently involves greater risks in comparison to other world markets, such investments are generally considered more speculative in nature. The Brazilian securities market is substantially smaller, with less liquidity and more concentrated and can be more volatile than major worldwide securities markets.

Additionally, the Publishing House's shares circulating in the market are held by approximately 850 shareholders and have a low level of marketability.

Therefore we can not guarantee that there will be significant increase in the liquidity of our shares, which could seriously limit the ability of purchasers to sell our shares for the desired price and at the desired time.

## 4.1 - Description of risk factors

### ***We might not pay dividends to holders of our Shares.***

According to our Bylaws, we must pay our shareholders at least 25% of our annual adjusted net profit in the form of dividends. Net profit can be capitalized, used to absorb losses or otherwise retained as required by the Corporation Act and is not available for dividend payments. We might not pay dividends to our shareholders in any given fiscal year, if our Administration Council determines that such payment would be inadvisable in view of our financial situation.

### ***We may need additional resources in the future, which may be obtained by increasing our capital. Obtaining additional resources by these means may dilute participation in our capital.***

We may need additional resources, and in case of public or private financing achieved through debt are not available, or if thus decided by the shareholders, additional resources can be obtained by increasing our capital. Any additional resources obtained through the increase of our capital may dilute the investor's participation.

*d. for its affiliates and subsidiaries:*

### ***Our eventual inability to implement actions related to Internet business may affect our results.***

The success of Internet companies is linked, among other factors, to their ability to (i) attract and retain a large number of users on their websites, (ii) expand the content and services on their websites, (iii) increase their brand recognition and continue to win the loyalty of users, (iv) maintain and increase the number of customers, (v) increase its e-commerce business, and (vi) respond effectively to competitive pressures. If we do not succeed in implementing any of the factors above, our results could be adversely affected.

### ***The expansion of our physical Bookstore network might not be successful.***

The strategy of physical Bookstore network growth is currently based on the implementation of Mega Stores and Traditional Stores and stores modeled after the Apple Premium Resellers with the iTown brand. The results of the Bookstore might be adversely affected if (i) initiatives do not reach their expected profitability, and (ii) if it cannot comply with the timetable for the opening of stores scheduled for 2011. (iii) the ability to compete profitably in the segment of computers and electronics through iTown stores.

### ***We may not be able to execute our business strategy.***

Our ability to implement the Bookstore business strategy depends on a number of factors, including our ability to (i) expand our network of physical stores, (ii) enhance the activities of Saraiva.com (iii) introduce new categories of products, (iv) make strategic acquisitions, (v) optimize working capital, (vi) strengthen the Saraiva brand, and (vii) meet the demand for digital products.

We can not guarantee that any of these goals are fully achievable. A critical element of this strategy is our ability to identify establishments with

significant sales growth potential of the physical stores and develop e-commerce activities in a competitive scenario.

***We can not assure the maintenance of our prominent position among companies that operate in the e-commerce sector.***

Maintaining our position in e-commerce demands investments and the adoption of specific strategies to gain more space in this market. We can not guarantee that the bookstore will have, whenever necessary, the means to ensure its market position and continue to present growth rates in the e-commerce activity, which may adversely affect the bookstore's results.

***Intensification of the competitive environment (retail).***

We might be subjected to increased competition in the segments in which we operate due to the following factors: (i) increase in the number of companies, (ii) the acquisition of operations in Brazil by capitalized companies, whether domestic or foreign and (iii) consolidation in the electronic retail segment. Increased competition could adversely impact our results.

***We may be forced to vacate some of the physical stores that were leased from third parties, thus losing certain commercial spots.***

Under the legislation governing urban leases (Law No. 8.245/91), in the event that the property leased to third parties is sold, and the tenant did not exercise his/her preemptive right, it is up to the buyer, who has 90 days after the acquisition document registration with Property Registry to maintain the lease in force, or terminate it, without the tenant having any right to compensation. The buyer is only obliged to respect the lease if the contract has (i) a determined time period, (ii) a clause to ensure its validity in case of transfer and (iii) is properly registered with the competent Real Estate Registry.

Most of the buildings where our physical stores are located from third parties and a significant number of the lease contracts do not meet the requirements to maintain their validity in case of transfer of the leased properties. Because of this, we may be forced to vacate the leased properties.

Additionally, some of our physical store leases whose terms, or the sum of subsequent periods, does not reach 5 years, do not give us the right to compulsory renewal, which may create a situation at the end of their leases, where we will not be able to renew them and be forced to vacate the respective physical stores, without any compensation.

***The spread of music content, movies, books and newspaper sales in new media, particularly digital, may adversely affect the company's sales.***

The commercialization of music in digital media accounts for a significant portion of total revenue in the music industry, which has faced a drop in CD sales for some time now. This paradigm shift is being driven by sales of portable digital devices and the downloading of music via the Internet. The Internet, coupled with search websites, allows free access to content that is often made available in the form of books. The spread of these tools may increasingly affect the sale of books. Digital convergence and other technological innovations can also produce significant changes in the marketing of books, newsletters and films, with impacts in their production chains.

We cannot anticipate the impact of technologies that allow access to content with electronic devices, or make reliable forecasts about how such a shift to other media will affect the publishing, book, music, movies and games markets in Brazil, and consequently, the impact to our results.

***The economic downturn and a drop in consumer confidence could adversely affect the performance of our retail activities.***

We cannot anticipate the impact of the cooling down of the economy and the consequent drop in consumer confidence, or make reliable forecasts about how the evolution of such indicators will affect the publishing and book markets in Brazil and consequently, the impact on our results.

***Classification of the products marketed by the company controlled in the Tax Substitution Regime in effect in the state of São Paulo***

The Tax Substitution Regime requires the anticipated payment of the tax on goods and services - ICMS, which is owed as a result of sales, the purchase of goods on the assumption that sales will be made within the state. The operations for transferring goods purchased by the Distribution Center located in the state of São Paulo for the subsidiary establishments located in other states of the federation, generate credit related to the tax paid in advance, which will be refunded subject to compliance with legal provisions established in ICMS Regulation for the state of São Paulo. The calculation of the credit requires the adoption of highly complex operational procedures and their use requires a lengthy and rigorous process conducted by tax authorities.

*e. for its suppliers:*

***The cyclical nature and concentration of suppliers in the paper industry may affect our costs in a relevant manner.***

With book publishing as its main activity, paper is the most important raw material for the Publishing House. The paper industry has a cyclical nature, where its production and pricing are sensitive to changes in demand and supply, which are affected by economic conditions both worldwide and in Brazil. The price of the products manufactured by the Publishing House's paper suppliers typically follows paper prices practiced in the rest of the world. In the event that the rising price of paper worldwide and/or the devaluation of the Brazilian Real, the Publishing House's book production costs would also increase significantly, a factor that might negatively affect the Company's profit margins and/or the total value of its sales.

The Brazilian market might experience a consolidation of paper suppliers, which could result in pricing practices that increase our book production costs.

*f. for its clients:*

***The discontinuity of government programs for the purchase of books may cause a negative impact on our results.***

In 2010, approximately 8.6% of consolidated gross sales accounted for revenue originating from the sale of textbooks to the Federal Government within the PNLD scope.

As to the PNLD, a possible interruption or reduction in book purchases by the Federal Government might have a negative impact on the Publishing House's results.

***Lines of Credit for our customers***

The granting of longer terms for payment in certain product lines sold in our retail activities may require greater investments to our working capital and compromise our cash flow.

*g. for the sectors of the economy in which the issuer operates:*

***The population's level of education is a limiting factor in the demand of publishing and book markets.***

The sales of part of our products is linked to the Brazilian population's education, which in turn, depends on public and private investments in education. The interruption or substantial reduction of these investments may adversely affect Saraiva Group's results.

*h. the regulation of industries in which the issuer operates:*

***Changes in taxation of the book productive chain may significantly increase our costs.***

The federal government, through Law no. 11.033 of December 21 of 2004, reduced PIS and COFINS to zero percent on revenues resulting from the sale of books in Brazil starting in December 2004. This tax reduction is meant to stimulate the production chain and marketing of books in Brazil. However, we cannot guarantee that this exemption will be maintained, nor predict changes in the way the productive chain of books will be taxed in the future. If such an exemption is revoked or PIS and COFINS percentages are increased, the Saraiva Group's results may be adversely affected.

*i. for foreign countries where the issuer operates:*

the issuer does not operate in foreign countries.

## **4.2 - Comments on expected changes in risk factor exposure**

If certain bills currently under analysis in the National Congress are approved or in case the text of the Draft is approved as proposed, the legal regime of intellectual property in Brazil may be changed, which may adversely affect the relationship the Company has with its authors and the market in general.

### 4.3 - Non-confidential and relevant legal, administrative or arbitral proceedings *Labor Litigation.*

#### ***Labor Litigation.***

There is no labor litigation that is individually relevant to the company.

#### ***Tax Litigation.***

1)

**Case Information:** Declaratory Action No. 2008.61.00.016217-6, before the 20<sup>th</sup> Federal Court of SP, 1<sup>st</sup> Instance, distributed on 07/08/2008, Saraiva S/A Livreiros Editores vs. Federal Government.

**Lawsuit Value:** R\$ 1,440 thousand.

**Object:** To declare the absence of tax credits in favor of the Defendant regarding the Administrative Procedures No. 13804.001947/2003/85 and 13804.001557/2003-13, for in the request for compensation in these two cases, the Defendant saw fit to include a third Administrative Procedure, No. 13804.000568/2001-14, when the Defendant understood that there had been excessive compensation, partially glossing annotated in the author's bookkeeping, generating undue credit.

**Status:** The lawsuit has been concluded and is awaiting sentencing since 04/06/2010.

**Chance of Losing:** Possible

**Impact in case of loss:** conversion of the amount deposited in favor of the Federal Government Federal.

**Provision:** no.

**Judicial Deposit:** R\$ 2,524 thousand (updated until Dec/10).

2)

**Case Information:** Declaratory Action combined with Annulment No. 2008.61.00.018841-4 in proceedings before the 8th Federal Court of SP, 1st Instance was distributed on 08/05/2008, Saraiva S/A Livreiros Editores vs. Federal Government. It is currently at the second Instance in the Federal Court of the 3rd Region.

**Lawsuit Value:** R\$ 3,192 thousand.

**Object:** To compel the Defendant to consider the compensation as stated in the Administrative Procedures No. 13804.002253/2006-16, originated from the compensation statement No. 13804.002894/2006-62 and Administrative Procedure No. 13804.002254/2006-52 and attachments Nos. 13804.003812/2006-05, 13804.004193/2006-68, 13804.003420/2006-38 and 13804.004537/2006-39 in view that the statement could only be considered as undeclared compensation in case of § 12, Article 74 of Law No. 9430/96 and in this case, were considered as undeclared under the plea of the need to meet accessory obligation by sending documents electronically through PER/DCOMP and not by means of the physical form, as it occurred.

**Status:** The suit was dismissed at first instance, currently awaiting trial of the appeal filed by the Company on 10/21/2009.

**Chance of Losing:** Possible

**Impact in case of loss:** conversion of the amount deposited in favor of the Federal Government.

**Provision:** no.

**Judicial Deposit:** R\$ 4,021 thousand (updated until 03/2011).

3)

**Case Information:** Declaratory Action No. 1999.61.00.026073-0, pending before the 23<sup>rd</sup> Federal Court of SP, 1<sup>st</sup> Instance was distributed on 06/10/1999, Saraiva S/A Livreiros Editores vs. Federal Government.

**Lawsuit value:** R\$ 50 thousand.

**Object:** Move to expand the calculation basis and the increase of the percentage rate (from 2% to 3%) introduced by Law No. 9.718/98 in the system that calculates COFINS.

**Status:** The case was concluded with the Supreme Court's decision to only recognize the unconstitutionality of expanding CONFINS' calculation basis. Due to problems obtaining of a clearance certificate before the Brazilian Internal Revenue Service, the Plaintiff requested the Court to transfer the judicial deposits made at Banco do Brasil to Caixa Econômica, with the proper Selic adjustment. Banco do Brasil has made the transfer with its respective Selic adjustment, in January 2010, but opposed Third Party Embargos No. 2010.61.00.002790-5 to discuss this update.

**Chance of Losing:** Probable, in terms of increase of CONFINS percentage rate. Impact in case of loss: conversion of the amount deposited in favor of the Federal Government. Provision: yes - R\$ 7,651 thousand (value in Feb/2011).

**Judicial Deposit:** R\$ 28,715 thousand (updated until 04/2011), with R\$ 15,879 thousand (historic value) having been deposited by Banco do Brasil.

4)

**Case Information:** Declaratory Action No. 1999.61.00.026071-7, pending before the 21<sup>st</sup> Federal Court of SP, 2<sup>nd</sup> Instance, distributed on 06/10/1999, Saraiva e Siciliano S/A vs. União Federal.

**Lawsuit value:** R\$ 50 thousand.

**Object:** Move to expand the calculation basis and the increase of the percentage rate (from 2% to 3%) introduced by Law No. 9.718/98 in the system that calculates COFINS.

**Status:** The lawsuit hasn't become final, and we are currently awaiting the completion of the trial by the 3<sup>rd</sup> Region Regional Federal Court (TRF), of the Federal Government's appeal against the sentence originated from the 1<sup>st</sup> judicial instance. Due to problems obtaining a clearance certificate before the Brazilian Internal Revenue Service, the Plaintiff requested the Court to transfer the judicial deposits made at Banco do Brasil to Caixa Econômica, with the proper Selic adjustment. The Court has ruled on this transfer, but without updating the Selic, in December/2009.

**Chance of Losing:** Probable, in terms of increase of CONFINS percentage rate.

**Impact in case of loss:** conversion of the amount deposited in favor of the Federal Government.

**Provision:** yes - R\$ 8,765 thousand.

**Judicial Deposit:** R\$ 11,839 thousand (updated until 03/2011).

**Case Information:** Declaratory Action No. 89.0006847-4, pending before the 9th Federal Court of Brasília, 1st Instance was distributed on 08/23/1989, Saraiva S/A Livreiros Editores and Livraria e Papelaria Saraiva S/A vs. Federal Government.

**Lawsuit Value:** NCZ\$ 20,000.00.

**Object:** Discussion about the unconstitutionality of LC 7/70, concerning the payment of PIS, due to the Federal Constitution of 1988.

**Status:** The case has become final. The judicial deposits made during the lawsuit were calculated, as decided by the Court.

However, since the Plaintiffs were unsuccessful, the calculated values were returned,

and the value of R\$ 99 thousand was deposited on 02/25/2010 by the Publishing House and R\$ 1,237 thousand by the Bookstore. The Plaintiffs are currently awaiting the manifestation of the Federal Government on the deposits that were made.

Observations: Certain administrative procedures regarding the Publishing House were generated

and have already been settled.

**Chance of Losing:** Probable.

**Impact in case of loss:** conversion of the amount deposited in favor of the Federal Government.

**Provision:** yes - R\$ 1,050 thousand (Publishing House) and R\$ 1,573 thousand (Bookstore), 12/31/2010 values.

**Judicial Deposit:** R\$ 109 thousand (Publishing House) and R\$ 1,370 thousand (Bookstore), 03/2011 values.

6)

**Case Information:** Infraction Notice No. 3.119.153-8, in proceedings before the Tax Court of the State of São Paulo - State Treasury Department - Guarulhos Unit, 1st Instance, distributed on 08/24/2009, State Revenue Department vs. Saraiva S/A Livreiros Editores.

**Lawsuit Value:** R\$ 1,278 thousand

**Object:** Notice of infraction due to non-payment of ICMS for the periods of 2006 and 2007, as a result of the differences verified between the shipping and return operation of merchandise for industrialization by third parties, based on article 509 of RICMS/00. The ICMS required refers to the alleged misuse of operations supported by the tax exemption provided for in article 7, paragraph XIII of RICMS/00.

**Status:** We presented our defense on 09/20/2009. On 02/02/2010 the verdict was handed down upholding the notice of infraction, which caused an ordinary appeal to be filed on 03/01/2010. At the trial on 06/23/2010, the President of the 10th Chamber considered that the decision should be annulled and all the subsequent actions in pursuit of the truth prior to the delivery of the new decision, fiscal agent decision had to manifest about the reporting judge's decision. The decision was published on 11/19/2010 upholding the Notice of Infraction. On 12/15/2010 an appeal was filed, which is awaiting a decision.

**Chance of Losing:** Possible

**Impact in case of loss:** the payment of the amount stated in the notice of infraction of approximately R\$ 1,278 thousand.

**Provision:** no.

**Judicial deposit:** no.

7)

**Case Information:** Notices of Infraction Nos. 37.242.470-8, 37.242.469-4, 37.242.471-6 and 37.198.957-4, pending before the Brazilian Revenue Service, 1st instance distributed on 09/15/2009, Brazilian Revenue Service vs. Saraiva S/A Livreiros Editores.

**Lawsuit Value:** R\$ 1,337 thousand (total value of all Notices of Infraction).

**Object:** Notices of Infraction due to alleged pension contribution debts, intended for Social Security, related to PLR - Profit and Results Participation payments -, made in 2005, which would be in disagreement with Law No 10.101/00.

**Status:** An appeal was filed on 11/18/2010, awaiting decision.

**Chance of Losing:** Possible

**Impact in case of loss:** payment of the amount of the notice of infraction in the approximate amount of R\$ 1,248 thousand or litigate the issue.

**Provision:** no.

**Judicial deposit:** no.

### Civil Lawsuits.

1)

**Case Information:** Compensation Lawsuit No. 2009.200807-0, pending before the 39th Central Civil Court of São Paulo, 1st Instance, distributed on 09/25/2009, Livraria Cultura S/A and Fernando Faria de Castro Brandão vs. Saraiva S/A Livreiros Editores, Saraiva e Siciliano S/A et al.

**Lawsuit Value:** R\$ 1,200 thousand.

**Object:** Discussion about alleged plagiarism of an architectural project, unauthorized reproduction of a set of images and possible parasitic competition. Status: Defense was presented in Feb/2010. The lawsuit is currently being analyzed by experts.

**Chance of Losing:** Possible.

**Impact in case of loss:** payment of the compensation demanded.

**Provision:** no.

**Judicial deposit:** no.

**4.4 - Non-confidential legal, administrative or arbitral proceedings whose counterparts are administrators, former administrators, controllers, former controllers or investors**

There are no non-confidential legal, administrative or arbitral proceedings whose counterparts are administrators, former administrators, controllers, former controllers or investors

#### **4.5 - Confidential relevant lawsuits**

There are no confidential relevant lawsuits.

**4.6 - Concerted non-confidential and relevant, repetitive and connected legal, administrative or arbitral proceedings**

There are no concerted non-confidential and relevant, repetitive and connected legal, administrative or arbitral proceedings

#### **4.7 - Other relevant contingencies**

There are no other relevant contingencies

#### **4.8 - Rules of the country of origin and the country in which the securities are protected**

There are no rules of the country of origin and the country in which the securities are protected

## 5.1 - Description of the main market risks

***The government has exercised and continues to exercise significant influence over the Brazilian economy. This influence, as well as Brazilian political and economic conditions, could cause a relevant adverse effect to our business and the market price of our Shares.***

The federal government frequently intervenes in the economy of the country and occasionally makes significant changes in policies and standards. The measures taken by the Federal Government to control inflation, besides other policies and standards, frequently imply in an increase in interest rates, changes in tax policies, price control, currency devaluation, capital control and restrictions on imports, among other measures. Our activities, financial condition and operational results could be adversely affected in a significant manner by changes in policies or regulations involving or affecting factors such as:

- interest rates;
- currency fluctuations;
- inflation;
- liquidity of financial markets and domestic capital;
- tax policy; and
- other political, social and economic problems that may occur in Brazil or affect it.

Uncertainties as to the implementation of changes by the Federal Government's policies or rules that may affect these or other factors may contribute to future economic uncertainty in Brazil and to heightened volatility in the Brazilian securities market and those issued abroad by Brazilian companies.

***Inflation and the Federal Government's efforts to fight inflation, including increased official interest rates might contribute significantly to economic uncertainty in Brazil and could harm our business and the market value of our Shares.***

Brazil has recorded extremely high rates of inflation in the past. Inflation and certain Federal Government measures to control it, combined with speculation about possible government measures to be adopted, have had significant negative effect on the Brazilian economy in the past, contributing to economic uncertainty that exists in Brazil and the increase of the volatility of Brazilian securities. Federal Government measures to control inflation have often included maintaining a restrictive monetary policy with high interest rates, thereby restricting the availability of credit and reducing economic growth.

Future steps made by the Federal Government, including the reduction of interest rates, intervention in the currency exchange market and actions to adjust or fix the value of the Brazilian Real may trigger an increase in inflation. If Brazil experiences high inflation in the future, we may not be able to adjust the prices we charge our customers in order to compensate the effects of inflation on our cost structure. In the event of increased inflation, the Federal Government may opt to raise the official interest rates.

The high interest rates directly impacts the cost to raise funds, as well as the cost of financing our customers and may even affect their ability to pay and cause an increase in default payments. In assuming a rise in interest rates, as described above, our business could be adversely affected.

***Exchange rate instability may harm our financial condition and our operating results and the market value of our Shares.***

Due to various pressures, Brazilian currency has been devalued against the dollar and other strong currencies over the last four decades. Throughout this period, the Federal Government has implemented various economic plans and used various exchange rate policies, including sudden devaluations, periodic mini-devaluations where the frequency of adjustments has ranged from a daily to a monthly basis, floating exchange rate market systems, exchange rate controls and dual exchange rate market. From time to time, there have been significant fluctuations in the exchange rate between Brazilian Real and U.S. Dollar and other currencies.

Devaluations of the real against the dollar could create additional inflationary pressures in Brazil and lead to increases in interest rates, which may negatively affect the Brazilian economy as a whole. In addition, a significant devaluation of the real could affect our ability to cover our costs and, consequently, cause an adverse material effect to our operational results.

***Developments and the perception of risk in other countries, especially emerging economies, may adversely affect the Brazilian securities market price, including the value of our shares.***

The market value of securities issued by Brazilian companies is influenced, in varying degrees, by economic and market conditions in other countries, including Latin American countries and emerging economies. Although economic conditions in these countries is significantly different from the economic conditions in Brazil, investors' reaction to developments in these other countries may cause an adverse effect to the market value of Brazilian companies' securities. Crises in other emerging economies may reduce investor interest in Brazilian companies' securities, including those that we issue. This could affect the trading price of our Shares, and hinder our access to capital markets and the financing of our operations in the future, in acceptable or absolute terms.

## 5.2 - Description of market risk management policy

### *(i) Derivatives*

Most of the Company's business transactions are made in Brazilian currency. However, in cases where such transactions are conducted in foreign currency, the exchange rate risk management policy is usually defined by Management is the protection through hedge operations, since the Company has no revenue tied to foreign currencies. Furthermore, hedge is only used as an instrument of value protection and not as an instrument of speculation.

### *(ii) Debt and fixed rates*

The policy for managing terms and interest rates for loans and financing defined by the company's management is to obtain its loans with fixed rates before and after, thus generating a watering of risk since it does not have revenues linked to the Selic interest rate variation.

The policy of extending short-term debts was adopted to protect us from possible impacts due to the worsening of the economic situation in certain European Community countries such as Portugal, Spain, and Greece.

### *(iii) Debt extension*

The policy of extending short-term debts was adopted to protect us from possible impacts due to the worsening of the global economic situation.

### **5.3 - Significant changes in main market risks**

No significant changes in main market risks.

#### **5.4 - Other relevant information**

There is no other relevant information.

**6.1 / 6.2 / 6.4 - Incorporation of the issuing agent, duration and registration date with CVM**

**Issuing Agent's Incorporation Date** 01/24/1933

**Issuing Agent's Incorporation Form** General partnership (later transformed into a corporation).

**Country of Incorporation** Brazil

**Duration** Undetermined

**CVM Registration Date** 07/20/1977

### 6.3 - Brief History

The company was established in 1914, when Mr. Joaquim Ignácio da Fonseca Saraiva, a Portuguese immigrant established, at the Largo do Ouvidor, in São Paulo, a small bookstore for the sale of used books. Due to the location of the bookstore, which was near the Largo São Francisco Law School, and due to Mr. Joaquim Saraiva's personal interest and knowledge of legal literature, the bookstore, at the time called "Livraria Acadêmica" became known to Law teachers and students who frequented the neighborhood and became specialized in law book sales, which represents, to this day, an important segment of our business.

Over the years, Mr. Joaquim Saraiva began to sell new books, stationery, and since 1917, has been publishing Legal Books.

In 1947, the Publishing House became a joint-stock company. In 1970, we began to publish textbooks and paradidactic books, and in 1972, the Publishing House became a public company.

In the 80's, the process of expanding the bookstore chain began with the inauguration of several bookstores in other Brazilian states and in shopping malls.

In 1993, Saraiva Data Ltda.'s activities began, a corporation established by the Publishing House with the objective of selling digital publishing products for the Legal segment.

In 1996, the first Mega Store was inaugurated, and later that same year, the Publishing House incorporated Saraiva Data Ltda., with the purpose of obtaining rationalization and optimization gains of resources.

In 1998, the Saraiva.com website was created and the Publishing House acquired the Atual Publishing House, which is specialized in the textbook segment and was incorporated by the Publishing House in 1999.

In 2000, the Publishing House was the first public company in Brazil to guarantee preference shareholder tag-along rights, anticipating the corporate law provisions established in 2001. That same year, the Publishing House launched its Level-1 ADRs program in the US OTC market. Also in 2000, the Company built a new center for the distribution of books in Guarulhos and purchased Renascer Publishing's published collection, and the Bookstore opened a distribution center in São Paulo exclusively for products purchased via the Internet.

In 2003, the Company acquired Formato Publishing, specialized in the textbook and paradidactic books segment, which was incorporated in 2004.

In January of 2006, a stock dividend bonus was approved, with the allocation of 2,326,920 preference shares to holders of ordinary and/or preference shares, in the proportion of 0.10 preference share for each preference or ordinary share held. Then, in March of 2006, the Company adhered to Bovespa's Level-2 Corporate Governance for Differentiated Practices. In April of 2006, the following distribution was made: (i) primary of three million preference shares, strengthening the Company's financial position for the development of studies and the implementation of investment projects; and (ii) secondary, which benefited the watering of the investor base.

### 6.3 - Brief History

In 2007, Editora Saraiva acquired Pigmento Editorial S/A, responsible for marketing the Ético Sistema de Ensino (Ético Educational System), consisting of a line of published material with an absolutely strict concept, and a line of educational support services of recognized quality. Saraiva has maintained the management of this business unit under the responsibility of the Pigmento founder itself, José Arnaldo Favaretto, a professional with extensive experience in the educational field, having worked as a teacher, textbook author and director of renowned publishers in the segment of textbooks and educational solutions. With this acquisition, Saraiva entered the educational market, which according to company estimates, is of approximately R\$ 500 million annually in Brazil. In 2008, Pigmento Editorial, responsible for the development of the Ético Sistema de Ensino, was incorporated. That same year, Livraria e Papelaria Saraiva SA, a subsidiary of the Publishing House, acquired the shares representing the entire share capital of Siciliano SA, becoming its controlling shareholder. Siciliano S.A., a traditional company in the Brazilian book retail market, established in 1928, had 63 stores, 52 of which were owned by the company and 11 were franchises. In November of 2008, Siciliano S.A. incorporated, at accounting values, the Livraria e Papelaria Saraiva SA, creating Saraiva e Siciliano S.A., ("Livraria Saraiva"), without accounting impacts to the publisher's financial statements.

In 2009, Livraria Saraiva (Saraiva Bookstore) launched two platforms - Saraiva Digital and Saraiva Conteúdo - for the marketing of digital products and the strengthening of customer relationships, respectively.

In 2010, the Bookstore practically concluded the transformation of the Siciliano chain of stores to "Saraiva" format.

In June of 2010, the Bookstore launched Saraiva Digital Reader, a platform that allows the sale of e-books.

In May/2011 the Company created, in association with Artmed Editora S.A., Atlas S.A. and GEN - Grupo Editorial Nacional Participações S.A., a new partnership called "Minha Biblioteca Ltda.", which will be dedicated to the publication, distribution and wholesale and retail sales of e-books both nationwide and abroad. The Company controls an equity stake in the new company representing 25% of the capital.

## **6.5 - Main corporate events taking place at the issuing agent, affiliated or associated companies**

### **Acquisition of Siciliano S.A.**

On 03/06/2008, Livraria e Papelaria Saraiva S.A. ("Livraria Saraiva"), a Company subsidiary, acquired the shares representing the entire share capital of Siciliano S.A., ("Siciliano"), becoming its controlling shareholder. Siciliano, a traditional company in the Brazilian book retail market, established in 1928, had 63 stores, 52 of which were owned by the company and 11 were franchises.

The purchase price of the shares issued by Siciliano was of R\$ 60,030, subject to price adjustment according to an analysis of variations in net debt position and Siciliano's operating working capital between the statements analyzed on 11/30/2007 and 03/06/2008. Of the total price negotiated, an installment of R\$ 8,890 was withheld as guarantee for the payment to compensate events, foreseen in the contract, to be paid to the sellers within 6 years from the date of acquisition. On October 15 of 2009, the purchase price was reduced by R\$ 5,374, according to contract provisions for price adjustment.

With this acquisition, Livraria Saraiva (i) expanded its customer base in order to provide them with a great experience and satisfaction when making purchases, (ii) obtained gains in scale and the watering of general and administrative expenses, and (iii) has strengthened its position in the Brazilian retail market linked to culture and entertainment.

On 11/30/2008, Siciliano incorporated, at accounting values, Livraria Saraiva, originating Saraiva e Siciliano S.A. ("Livraria"), without accounting impacts to Publishing House's financial statements

### **The sale of the Marques de São Vicente - MSV Unit 1697**

On 06/29/2009, Saraiva sold the building where its headquarters was located for R\$ 11,080. The building was transferred to the buyer on 02/28/2009 and the full price has already been paid to the Company.

### **Establishment of "Minha Biblioteca Ltda."**

In May/2011 the Company created, in association with Artmed Editora S.A., Atlas S.A. and GEN - Grupo Editorial Nacional Participações S.A., a new partnership called "Minha Biblioteca Ltda.", which will be dedicated to the publication, distribution and wholesale and retail sales of e-books both nationwide and abroad. The Company controls an equity stake in the new company representing 25% of the capital.

**6.6 - Information about bankruptcy filing based on the relevant value or judicial or extra-judicial recovery**

There is no information about bankruptcy filing based on the relevant value or judicial or extra-judicial recovery

## **6.7 - Other relevant information**

The sale of commercial property for R\$ 3.25 million on 03/21/2011.

## 7.1 - Description of the issuing agent and its associated companies' activities

The Publishing House's operations are characterized by the formatting and marketing of proprietary content in any media. Nowadays, the Publishing House's revenue originates from educational, technical, scientific, professional, fiction and nonfiction book sales from kindergarten to higher educational levels. The content produced by the Company are adopted in basic education schools (elementary and high school) and higher education, which makes the business less susceptible to adverse economic cycles, since the adoption of these books is usually mandatory. The Publishing House has an extensive catalog of content designed for basic public and private schools. Published content in this segment are sold through "Saraiva", "Atual" and "Formato" publishing houses.

Since December of 2007, through the acquisition of Pigmento Editorial, Saraiva provides content in the form of educational system. This format's solutions are sold to the private sector through the "Ético" Teaching Systems trademark. The company has recently started the production of similar solutions aimed at public schools under the "Agora" Teaching Systems trademark. In addition, Saraiva has an extensive Benvirá, best achievement of the year, fiction and nonfiction catalog, with the release of 32 titles. Besides David Bowie and Ozzy Osbourne biographies and children's content from Disney's "Baby Einstein" series, Benvirá released books based on blockbusters such as "Mega Mind," "Tangled," "Shrek 3D" and "The Penguins of Madagascar". The publisher has also published three major books by renowned author Paulo Coelho, in adapted versions for public schools: "The Alchemist", "Veronika Decides to Die" and "The Devil and Miss Prym."

The Publishing House also provides structured digital solutions in Math and English through "Saraiva Educação Multimídia" (Saraiva Multimedia Education).

The Company also has book catalogs aimed at higher education levels, with emphasis on legal, economics, administration, accounting and business content. Besides this content, the Publishing House also sells works that are targeted to professionals in various fields of knowledge, especially those who practice the law and related areas.

Saraiva was one of the first Brazilian publishers to sell interactive books for the Apple iPad platform. In October 2010, the bestseller "Se Criança Governasse o Mundo" (If Children Ruled the World), by Marcelo Xavier, was released in electronic version, including among other attributes, audio and animation especially designed to engage readers.

Publishing activities are characterized by investments in intellectual capital and do not require high fixed investments. Within publishing process, there is a great interaction between Publishing House's professionals and authors, who work in a coordinated manner to produce differentiated content with great marketing appeal.

### ***Livraria Saraiva Activities (affiliated).***

Saraiva e Siciliano S/A is one of the largest book retail chains in Brazil. Besides its traditional retail operations, the Bookstore operates an e-commerce website (Saraiva.com), which can be accessed at [www.saraiva.com.br](http://www.saraiva.com.br). In December of 2010, the website operations represented 35% of Saraiva Group's retail sales.

## 7.1 - Description of the issuing agent and its associated companies' activities

The Bookstore's business proposal tries to make the customers' shopping experience in multichannel and multi-format concepts. The first concept refers to a presence in multiple sales channels, including traditional retail operations through the network of stores, the Saraiva.com e-commerce website, the sales through the call center, operations on mobile platforms, such as iPhones and similar, plus the ability to buy digital media content, especially movies, which can be rented or purchased in the "download" format; and books in the e-book format. The Library also maintains a social networking site, through which it keeps customers informed about cultural activities related to music, literature and cinema, the Saraiva Conteúdo ([www.saraivaconteudo.com.br](http://www.saraivaconteudo.com.br)).

The multi-format concept, on the other hand, has the objective of adapting the Bookstore's operations to various target markets, meeting each one of them in an optimized manner by means of stores with adequate sizes and lines of products. Thus, the Bookstore's physical retail operations rely on traditional and semi-traditional stores, superstores and specialized stores, such as the stores dedicated to Apple products and that use their own "iTown" brand.

The Bookstore offers its customers many product categories related to the concepts of culture, leisure and entertainment. Therefore, the Bookstore sells a full line of CD's, DVD's and Blu-Rays, stationary, multimedia and games, electronics, computer equipment and, in February of 2011, launched "**Saraiva Viagens**" (Saraiva Trips), a website that offers tour packages, hotels and plane tickets, at competitive prices, for the most visited destinations in Brazil and abroad. The customer loyalty is stimulated by a relationship program that is unique in the market, SaraivaPlus. The Bookstore customers, who are part of this relationship program, accumulate points in all sales channels of the bookstore and can redeem them at any of these channels according to the number of points accumulated. The points are converted into quite attractive discounts, which helps to maintain a loyal customer base. In December of 2010, the SaraivaPlus program had 4.7 million members.

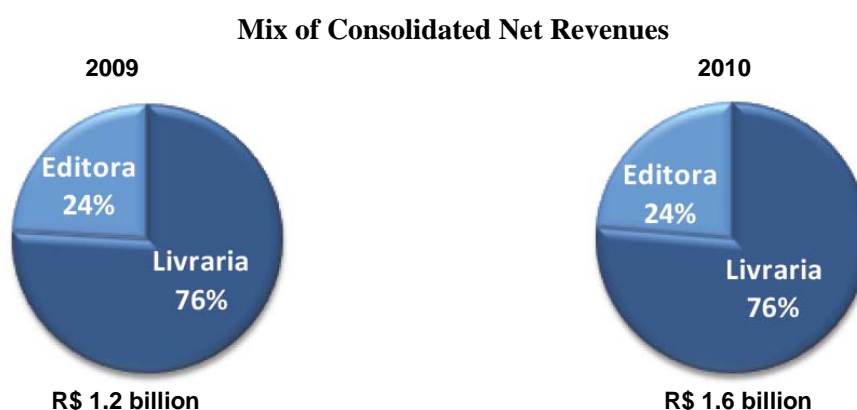
## 7.2 - Information about operational segments

For the first time, the Company has adopted the international accounting standards for consolidated financial statements presented for the fiscal year ending on December 31, 2010. Thus, the information relative to the fiscal year ending on December 31 of 2008 was not presented in item 3.1 due to lack of comparability.

a. *products and services sold:*

See item 7.1. in this Reference Form

b. *revenue originated from the segment and its share in the issuer's net revenue:*



c. *profit or loss resulting from the segment and its participation in the issuer's net profit*

	Consolidated - IFRS and GAAP			
	12/31/10			
	Publishing House	Bookstore	Eliminations	Consolidated
Net revenue	415,491	1,196,954	(47,509)	1,564,936
Products cost, of sold goods and services	(129,946)	(806,432)	46,296	(890,082)
Gross profit	285,545	390,522	(1,213)	674,854
Operational expenses	(195,316)	(357,405)	(4,849)	(557,570)
Operational profit before financial result	90,229	33,117	(6,062)	117,284
Financial results	(9,099)	(23,627)	-	(32,726)
Profit before income taxes and social contribution	81,130	9,490	(6,062)	84,558

**7.2 - Information about operational segments**

	Consolidated - IFRS and GAAP			
	12/31/09			
	Publishing House	Bookstore	Eliminations	Consolidated
Net revenue	335,625	950,178	(37,450)	1,248,353
Products cost, of sold goods and services	(103,708)	(622,287)	(35,671)	(690,324)
Gross profit	231,917	327,891	(1,779)	558,029
Operational expenses	(158,070)	(304,124)	(3,756)	(465,950)
Operational profit before financial result	73,847	23,767	(5,535)	92,079
Financial results	(6,442)	(14,106)	-	(20,548)
Profit before income tax and social contributions	67,405	9,661	(5,535)	71,531

### **7.3 - Information about products and services relative to Editora Saraiva's operational segments.**

The publishing industry mainly consists of organizing and formatting proprietary content to be published. One of the Company's main characteristics, as a company linked to the production of intellectual content, is to demand little investment in fixed assets. The production process of literary works is briefly described below.

Authors of books intended for primary, secondary and higher educational levels, regularly send in their original manuscripts to our editorial departments in order to have them published. In parallel, we are constantly seeking for new talent that can fill any gaps in our catalog.

After a first contact with the authors, the editorial effort starts with the definition of the content and working proposal. The editorial projects are first analyzed in terms of their methodologies and technical adaptation, as well as regarding their marketing potential. There is a major editorial effort aimed at the feasibility of such projects, in a process that requires constant interaction between editors and authors.

After evaluating its content, the text approved for publishing still needs to receive special treatment of the production and art departments. The formatting of a publication involves the work of staff that is specialized in copy desk, composition, layout, proofreading, image and cover activities. Once the digital publishing phase is concluded, digital files containing the works are prepared, which are the basis for the printing of the books or for their digital distribution.

The books prepared by the Company are produced by several third party printing companies and, at the end, they are sent to our Distribution Center located in Guarulhos.

In addition to the editorial production of an original work, there is also an extensive process of review and reformulation of works that are already in the catalog, especially as a result didactic and pedagogical adaptation in case of textbooks, and legislative update, in case of law books.

#### ***Livraria Saraiva.***

The Bookstore operates in the retail segment. Therefore, its operations are characterized by the marketing of third party products without value increase by any production process.

*b. characteristics of the distribution process:*

#### ***Editora Saraiva.***

##### **Governmental Purchases**

The Company actively participates in the official programs for the purchase of books. The most important are the PNLD and PNBE (National School Library Program). In contracts for the supply of books under these programs, there are deadlines for mail dispatches, which require planning in advance, whose processes are widely mastered by the Publishing House. The production of books is done on demand, following the quantities requested in each contract signed with the government.

For the production and delivery of books related to these purchases, the Company hires temporary employees who assist in the mixing and dispatching of the books.

The mixing process consists of the preparation of packages of books in standards required by the post office, so that each school receives them properly packaged with the exact quantity of books requested in advance. These books are shipped directly from the Publishing House's facilities to schools through the post office, which eventually installs special postal facilities at the publisher's distribution center during times of greater demand.

### Private Market

For sales to the private market, the traditional channel of book distribution to retailers is the Publishing' Houses chain of branches and its authorized representatives. The Company was among the first publishers in the country to opt for the distribution of its books through the use of branches, instead of the traditional representatives or commercial distributors.

The Publishing House's branches are equipped with adequate facilities for the sales operations to retailers and local distributors, as well as to promote books with primary, secondary and higher education teachers. Each branch has a showroom with the Publishing House's line of products, professionals specialized in sales and the promotion of the company's catalog, and facilities to receive college professors and elementary and high school teachers. The promoters, who are sales professionals that work with teachers and schools, work with the vehicles provided by the publisher on their visits to practically all of country's schools and universities.

The Publishing House's distribution policy is directed to quickly supply and resupply its customers, spread throughout Brazil.

The Company has a distribution center located in Guarulhos for this purpose, which is responsible for receiving, storing, handling and shipping all the titles in its catalog to its 12 branches.

The Publishing House's branches are strategically located throughout the country and have warehouses with capacity for storing and meeting the sales of their respective regions. Besides the branches, the Company also relies on the support of 15 authorized dealers. These dealers exclusively sell textbooks and paradidactic books, a segment whose demand is more seasonal and is concentrated at certain times of the year.

The Publishing House's system of delivering products is quite simple, functional and economical. The books are transferred to the branches by third party transportation companies, selected within exacting standards that combine price, delivery deadlines, quality and safety. Thus, the Company has total flexibility in terms of volumes transported without the immobilization of capital.

For the distribution of Law Books and Books in Economics, Administration and Accounting, the Company relies, at each branch, on a team of specialized professionals who assist in the distribution of content with schools and teachers. The branches provide a differentiated service to each region of the country, respecting the peculiarities and needs of each region.

**Livraria Saraiva.**

The Bookstore's operations include a distribution center ("DC") that carries out cross-docking activities, in other words, the receiving, separation, classification, and shipping of goods to the stores; as well as customer services dealing with purchases made on Saraiva.com e-commerce website. In the latter case the products are separated at the warehouse and sent directly to customers by mail and/or outsourced companies. Customers' orders, made through Saraiva.com website, which cannot be met directly by the DC, are automatically routed to the chain of stores where the goods are separated and sent back to the DC to be shipped to the customers. If the stores are not able to meet Saraiva.com orders, a vendor then contacts the Company's suppliers. The Bookstore also relies on an outsourced logistics operation for the storage and distribution of items of greater value, in particular product categories such as electronics and computer products.

*c. characteristics of the markets of operation, in particular:*

*i. participation in each market:*

**Editores Saraiva.**

The publishing market in Brazil can be divided into four major segments: Textbooks and Paradidactic Books for the education of children in preschool, elementary and high school education, books about general subjects, Religious books, and Scientific, Technical and Professional books. The following table describes the production performance of each of these segments in 2009 and 2008.

Production Sub-sector	Titles			Copies		
	2009	2008	Variation	2009	2008	Variation
Didactic	19,721	18,082	9.1%	204,261,296	177,553,165	15.0%
General Subjects	13,526	14,600	-7.4%	100,708,844	91,228,221	10.4%
Religious	4,914	5,292	-7.1%	55,172,222	47,426,128	16.3%
Scientific, Technical and Professional	14,348	13,155	9.1%	26,224,774	24,066,681	9.0%
<b>TOTAL</b>	<b>52,509</b>	<b>51,129</b>	<b>2.7%</b>	<b>386,367,136</b>	<b>340,274,195</b>	<b>13.5%</b>

Source: CBL

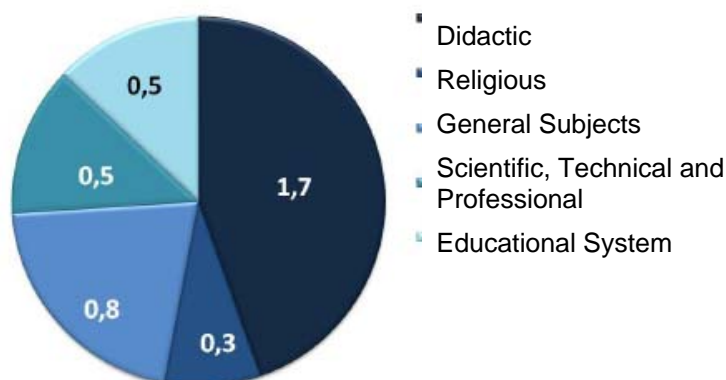
The sales and revenue volume of the publishing market in 2009 showed growth rates of respectively 11.3% and 2.1% in comparison to 2008, according to the following table:

R\$ million Sub-sector	Sales			Copies Sold		
	2009	2008	Variation	2009	2008	Variation
Didactic	1,030.8	1,001.2	3.0%	84.3	73.5	14.7%
General Subjects	684.0	642.2	6.5%	62.8	63.6	-1.2%
Religious	319.7	321.2	-0.5%	53.1	50.3	5.6%
Scientific, Technical and Professional	507.0	472.0	7.4%	28.5	24.2	18.0%
<b>Private Market TOTAL</b>	<b>2,541.5</b>	<b>2,436.6</b>	<b>4.3%</b>	<b>228.7</b>	<b>211.5</b>	<b>8.1%</b>
<b>Government TOTAL</b>	<b>834.7</b>	<b>869.4</b>	<b>-4.0%</b>	<b>142.2</b>	<b>121.7</b>	<b>16.9%</b>
<b>GENERAL TOTAL</b>	<b>3,376.2</b>	<b>3,306.0</b>	<b>2.1%</b>	<b>370.9</b>	<b>333.3</b>	<b>11.3%</b>

Source: CBL

### 7.3 - Information about products and services relative to the operational segments

#### Publishing Market in Brazil - 2009 Composition of Gross Sales: R\$ 3.8 billion



Source: Brazilian Book Chamber (CBL) and Saraiva

#### **Livraria Saraiva.**

According to CBL (Brazilian Book Chamber), the book retail market in Brazil totaled R\$ 4.4 billion in 2009. Therefore, the Bookstore's market share is of approximately 12%.

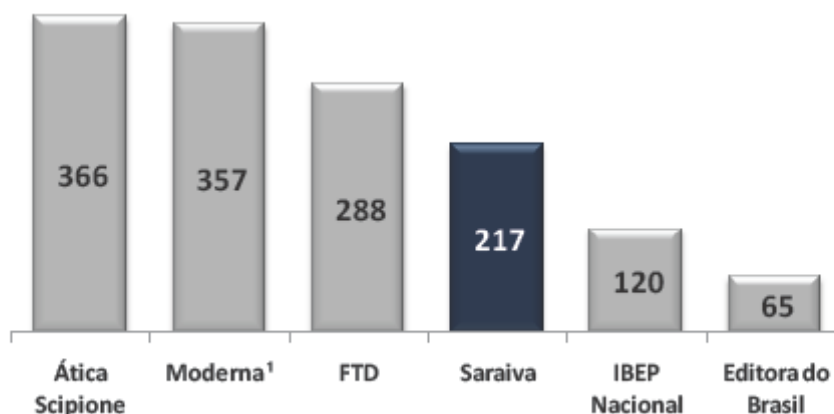
*ii. competitive market conditions:*

#### **Editora Saraiva.**

Editora Saraiva offers complete catalogs in the textbook and paradidactic books, legal and administration, economy, business and accounting markets. Therefore, Editora Saraiva has competitors in each of these specific areas.

In the textbooks and paradidactic books market, Saraiva's main competitors are Ática/Scipione, Moderna and FTD Publishing Houses. The sales of these companies in the textbook and paradidactic books market is distributed as follows:

**Textbooks and Paradidactic Books Market- 2009**  
**Main Publishers per Gross Sales (R\$ million)**



<sup>1</sup>2008

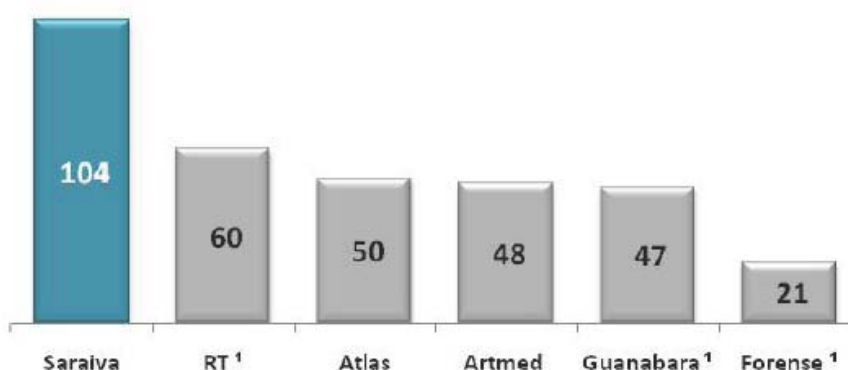
Source: CBL, the Companies' balance statements, Serasa Experian and Saraiva

The most significant segment in the publishing market in Brazil, in terms of sales and number of copies sold, is the textbook segment. In 2009, according to the CBL and SNEL - National Association of Book Publishers, textbooks sales reached R\$ 1,865 billion (or 55.3% of total sales of the publishing industry), equivalent to the sale of 226.5 million copies.

In the textbook publishing segment, one should consider the important participation of the PNLD program through which the Ministry of Education, coordinated by FNDE, purchases textbooks for primary and secondary education students for approximately 183 thousand public schools nationwide (Source: MEC). Through these programs, the Federal Government purchased a total of 135,7 million copies in 2010, which represented, for all publishers who participated in government programs, sales of R\$ 880,3 million in 2010.

The publishing of scientific, technical and professional books is the third largest segment in the Brazilian publishing market. In 2009, sales of these books reached R\$ 507,0 million (or 15.0% of total sales in the publishing industry), equivalent to the sale of 28,5 million copies. It is within this segment that the law, administration, economics and accounting books are classified.

### Scientific, Technical and Professional Book Market - 2009 Main Publishers per Gross Sales (R\$ million)

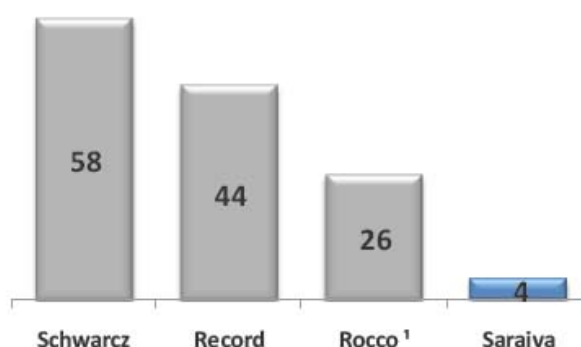


<sup>1</sup> 2008 Data

Source: Serasa Experian, "Diário Oficial" (Official Gazette) and Saraiva

In 2009, the sales of the segment of general books reached R\$ 684,0 million (or 20.3% of the publishing market's total sales), equivalent to the sale of 62.8 million copies. Finally, religious books are responsible for 9.5% of the sales in the Brazilian publishing market.

### General Subject Book Market - 2009 Main Publishers per Gross Sales (R\$ million)



<sup>1</sup> 2008 Data

Source: Serasa Experian, "Diário Oficial" (Official Gazette) and Saraiva

### Operation of the Government Purchasing Programs

Since 1929, when the Brazilian government created a specific agency to legislate on textbook policy, the National Book Institute (INL), the federal performance in this area has been improving, with the purpose of providing federal, state and municipal schools, plus those of the Federal District, with quality textbooks, paradidactic books and dictionaries. This policy is currently embodied mainly in the PNLD.

### PNLD

The PNLD distributes free textbooks to all public school students in Basic Education (Elementary and High School). Since 2003, public schools for special education and private institutions as defined by the school census as being philanthropic and belonging to the community were also included in the program.

Through the PNLD, the federal government buys books for elementary school students from approximately 183 thousand public schools belonging to the program. The PNLD has a three-year cycle where, during the first year, new books are adopted for students in 1st to 5th grades of elementary education, during the second year, new books are adopted for students in 6th to 9th grades; and during the third year, new books are adopted for students in the 10th to 12th grade of high school. Due to PNLD's cyclic characteristic, the sales of those publisher's that work with Textbooks follow this seasonality.

PNLD is maintained by FNDE with funding allocated from the Federal Budget and the revenue from the educational-salary program. Throughout the history of PNLD, there have never been problems due to lack of payment by the Federal Government.

Below are the main actions for the implementation of PNLD.

The proclamation establishing the rules for the implementation of the PNLD, including the pedagogical and technical specifications for the presentation of the books to be evaluated by the Government, is published in the Official Gazette and posted on FNDE's website on the Internet ([www.fnde.gov.br](http://www.fnde.gov.br)). The proclamation also determines the deadline for the presentation of the books by the copyright-holding companies. In order to analyze if the books presented fit the proclamation's technical and physical requirements, a screening is conducted by the Institute for Technological Research of São Paulo (IPT). The selected books are sent to MEC, which is responsible for pedagogic evaluation.

MEC selects the experts to analyze the works, according to the criteria disclosed in the proclamation. The experts define which books are in accordance with the proclamation and draft the book reviews, which will be included in the textbook guide. MEC makes the guide available on its website and sends the printed material to the schools participating in the program. The textbooks go through a democratic process of choice, based on the textbook guide. Principals and teachers from each school analyze and choose the books that will be used in their classrooms.

MEC tabulates the books adopted per publisher and then starts the process of negotiating after informing them about the books that have been chosen by the teachers and their respective quantities. The purchase is done by the non-requirement of bids, provided by Law No. 8.666, of June 21, 1993, considering that the textbook choices are made by the teachers. Once the negotiation is concluded, MEC signs the contract with the publishers, which begin production of the books, under the technical supervision of MEC.

In PNLD program, the definition of copies quantity to be purchased is done by the schools themselves, in partnership with the state and municipal boards of education. Data made available by the school census conducted by INEP, serve as parameter for MEC actions, including Textbooks.

The results of the selection process are published in the Official Gazette to inform states and municipalities. In the event of non-conformities, the states and municipalities can request changes, as long as errors are properly verified.

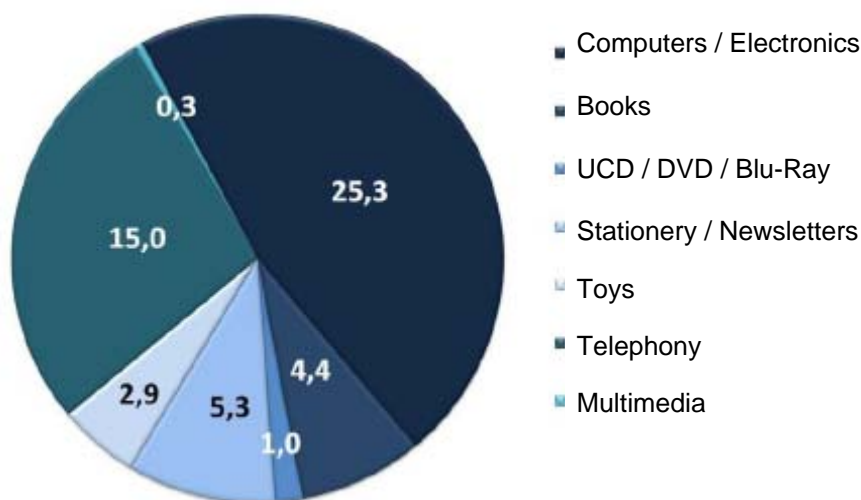
***Livraria Saraiva.***

The book retail market in Brazil is highly fragmented, characterized by the coexistence of small bookstores and major chains of stores. Currently, there are approximately 2,980 bookstores (source ANL - National Bookstore Association - Bookstore Industry Diagnosis Survey) in Brazil, with more than 75% of them located in the Southern and Southeastern regions of Brazil. The states of São Paulo and Rio de Janeiro represent approximately 38% of retail book sales in Brazil. While the average per capita consumption in Brazil is only of 1.8 books per year (including textbooks), the United States has a consumption of 9 books a year and Japan has a consumption of 11 books per year (source: BNDES Sectoral Studies).

The distribution of bookstores nationwide is extremely uneven, where out of the 5,700 Brazilian municipalities, only 10.5%, or 600 of them, have regularly installed bookstores. Besides having a very uneven distribution nationwide, the number of bookshops in Brazil is much lower when compared to other countries. Besides the use of bookstores, the book retail market is developing in other sales and distribution vehicles; for example: large retailers, stationery stores, bazaars and schools, which have been increasingly becoming points-of-sale during the school terms. Newspaper stands have also been a vehicle for sale and distribution of books at low cost. However, one of the vehicle for the sale of books, which attracted most of the attention of professionals in the book retail market, is the Internet. E-commerce has been developing around the world in all sectors of economy, due to convenience, speed and ease of buying goods without the need of going to stores.

This trend is also observed in the Brazilian market among the major bookstores. It is worth noting that currently over 50% of Bookstore sales comes from the marketing of other product categories, mainly stationery, CDs, DVDs and Blu-Rays, multimedia and games, and electronics and computer products. The chart below shows the estimated size of Bookstore markets. Data was obtained from Serasa, the Official Gazette, Papel e Arte Magazine and Nielsen, besides CBL.

**The Bookstore Market and Other Categories in which the Bookstore operates - Composition of Gross Sales 2009: R\$ 54.2 billion**



Source: CBL, the Companies' balance statements, Serasa Experian and Saraiva

In the stationery, multimedia and games, CD, DVD and Blu-Ray categories, the competitive environment is very fragmented, as occurs with the book market. The electronics and computing market is quite competitive, since the marketing of such products relies on the participation of large retail chains.

*d. eventual seasonality:*

**Editora Saraiva.**

An important feature that involves the Publishing House's business is the seasonality of the publishing market in which it operates.

In 2010, about 82% of the Publishing House's sales were concentrated in the first quarter and last quarter of each year, respectively; from "back to school" and textbook sale periods within the scope of the PNLD program. The chronology of textbook sales within the scope of the PNLD program, however, may suffer small variations, being more concentrating towards the end of the year or early in the following year.

During PNLD/2011 (the program hired in late 2010, in which textbooks were purchased for 2011 school term), for example, 100% of the Publishing House's sales for this program occurred during the fourth quarter of 2010. This seasonality of the market where the Company operates, has hindered the comparative analysis from one quarter to another within the same fiscal year. Sales revenue from the programs is recorded as the Publishing House delivers the books that were contracted.

The publisher's sales in the 2nd and 3rd quarter are distributed almost uniformly, although the 3rd quarter may show higher values due to the start of classes in law, business, economics and accounting schools, whose school period is usually semi-annual.

**Livraria Saraiva.**

Bookstore's seasonality has been mitigated over the years due to the introduction of new product categories. However, Bookstore revenues are still concentrated in the first quarter of the year due to the "back to school" period, when books are purchased by students enrolled in elementary school and college (26.5% of total revenues in 2010), and in the fourth quarter due to Christmas (28.8% of total revenues in 2010).

*e. key inputs and raw materials, informing:*

*i. description of the relationships maintained with suppliers, including whether they are subject to governmental control or regulation, identifying the agencies and the respective applicable legislation:*

The key raw material is paper, which is normally bought from domestic suppliers, with the issuer having sufficient scale to make its purchases directly from manufacturers.

*ii. eventual dependence on few suppliers*

There is no eventual dependence on few suppliers

*iii. eventual volatility in prices*

There is no eventual volatility in prices

**7.4 - Customers responsible for over 10% of the total net revenue**

*a. total amount of revenue from customer:*

<b>Government</b>	<b>2009</b>	<b>2010</b>
<b>Total Revenue Percentage</b>	27.0%	34.0%
<b>R\$ Thousand</b>	90,711	141,166

*b. operating segments affected by revenue from the customer:*

Publishing Segment (Editora Saraiva).

## 7.5 - Relevant effects of state regulation of the activities

*a. the need for government authorization for the exercise of activities and historical relationship with the government in order to obtain such permits:*

There is no need for government authorization for the exercise of activities and historical relationship with the government in order to obtain such permits;

*b. environmental policy of the issuer and costs incurred for compliance with environmental regulation and, if appropriate, other environmental practices, including adherence to international standards of environmental protection;*

In 2010, the Saraiva Group (Publishing House and Bookstore) created a Sustainability Committee to map and plan the Group's possible actions in this area. The Committee is multidisciplinary and consists of professionals in engineering, law, human resources, marketing and purchasing.

At the Publishing House, the main initiatives, still in preliminary studies, so far include: the structuring of a catalog and a "green" literary label; requirements necessary so that the Distribution Center, located in Guarulhos, can join the custody chain of certified paper purchased from third parties, and thus the Company's products can be certified by the Forest Stewardship Council (FSC); and the possible replacement of some of the raw materials used in the production of books for recycled material, depending on our suppliers' availability. At the Bookstore, the most important concern has been the replacement of plastic bags, the possible development of a sustainable store model and book donations to partnering organizations in each city where the bookstores are installed.

From a corporate perspective, the Group's actions in the field of sustainability to date has been: the investment in digital content and media, thus reducing paper usage; awareness in terms of garbage collection, which has already been put in practice at the Group since 2005, and the channeling of resources to Jorge Saraiva Institute (IJS its acronym in Portuguese). The IJS has the objective of providing assistance and promoting social inclusion of low-income children, teenagers and seniors and those with disabilities, in order to ensure social, cultural, professional and economic value of these people.

*c. reliance on patents, trademarks, licenses, concessions, franchises, royalty contracts, which are relevant for the development of activities;*

The Company has thousands of publishing contracts signed with book authors for the development of its activities. Such contracts are in line with current legislation, and most have the following conditions: (i) the Company's exclusivity over the work, in other words, even the author cannot publish the same book with another publisher, while the contract is in effect; (ii) in the event of contract termination by the author, there may be a grace period for the company to publish the respective book and, if necessary, hire a new author to replace him/her; and (iii) indeterminate duration.

Since 2000, many of the Publishing House's contracts with the authors foresee the availability of book content on electronic media, including on the Internet. The contracts signed before that date may be changed, depending on the case.

## **7.6 - Relevant revenue from abroad**

There is no relevant revenue from abroad

## **7.7 - Effects of foreign regulation of the activities**

There are no effects of foreign regulation of the activities

## **7.8 - Relevant long-term relationships**

There are no relevant long-term relationships.

## **7.9 - Other relevant information**

There is no other relevant information.

## 8.1 - Description of the Economic Group

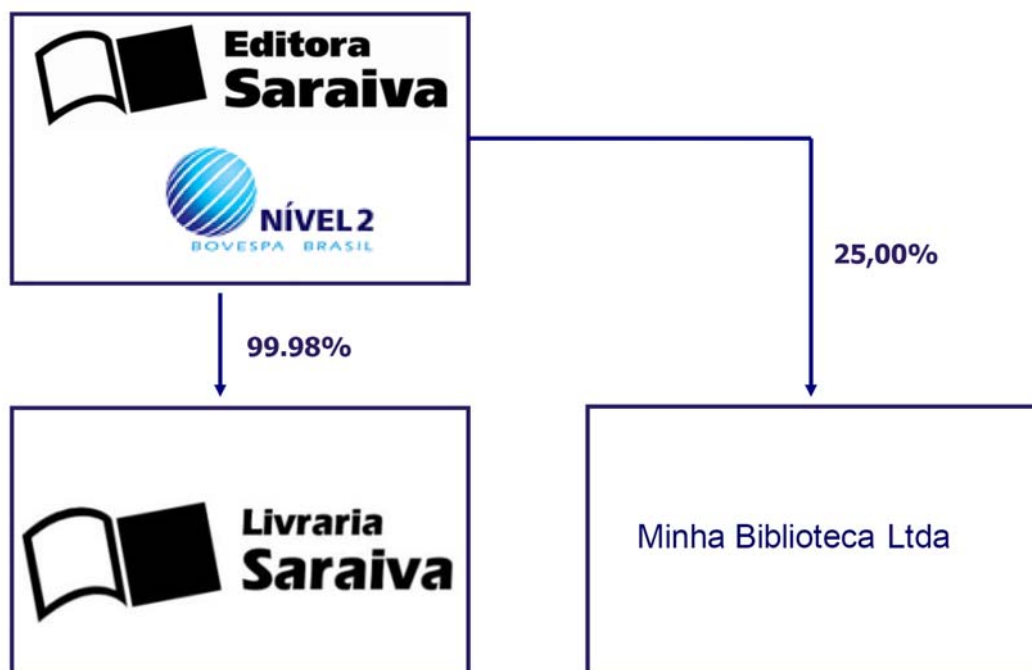
a. *direct and indirect controllers:*

Jorge Eduardo Saraiva.

b. *subsidiaries and affiliates:*

Saraiva e Siciliano S/A (Livraria Saraiva).

c. *issuer's shares in the group's corporations:*



d. *group's corporations shares in the issuing agency:*

There are no corporation shares in the issuing agency.

e. *companies under common control:*

There are no companies under common control.

**8.2 - Economic Group's Organizational Chart**



### 8.3 - Restructuring operations

**Transaction date** 06/29/2009

**Corporate event** Other

**Description of the "Other" corporate event** The sale of Marques de São Vicente Unit

**Description of the operation** On 06/29/2009, Editora Saraiva sold the building where its headquarters had been located up to 2008 for R\$ 11,080 thousand. The building was transferred to the buyer on 02/28/2009 and the full price has already been paid to the Company.

---

**Transaction date** 11/30/2008

**Corporate event** Incorporation

**Description of the operation** On 11/30/2008, Siciliano incorporated, at accounting values, Livraria e Papelaria Saraiva S.A., originating Saraiva e Siciliano S.A., without accounting impact to the Publishing House's financial statements.

---

**Transaction date** 03/06/2008

**Corporate event** Acquisition and sale of important assets

**Description of the operation** On 03/06/2008, Livraria e Papelaria Saraiva S.A., a company controlled by the Publishing House, purchased the shares representing the entire capital share of Siciliano S.A. ("Siciliano"), becoming its controlling shareholder. Siciliano, a traditional company in the Brazilian book retail market, established in 1928, had 63 stores, 52 of which were owned by the company and 11 were franchises.

The purchase price of the shares issued by Siciliano was of R\$ 60,030 thousand, subject to price adjustment according to an analysis of variations in net debt position and Siciliano's operating working capital between the statements analyzed on 11/30/2007 and 06/03/2008. Of the total price negotiated, an installment of R\$ 8,890 was withheld as guarantee for the payment to compensate events, foreseen in the contract, to be paid to the sellers within 6 years from the date of acquisition. The purchase price was reduced by R\$ 3,000 (base date 03/06/2008), which represented R\$ 5,374 on 10/15/2009, when negotiations for adjustment were concluded.

With this acquisition, Livraria Saraiva (i) expanded its customer base in order to provide them with a great experience and satisfaction when making purchases, (ii) obtained gains in scale and the watering of general and administrative expenses, and (iii) has strengthened its outstanding position in the Brazilian cultural and entertainment retail market.

---

**Transaction date** 02/01/2008

**Corporate event** Incorporation

**Description of the operation** On 02/01/2008 the Publishing House approved the merger to Pigmento's accounting values.

---

#### **8.4 - Other relevant information**

In May/2011 the Company created, in association with Artmed Editora S.A., Atlas S.A. and GEN - Grupo Editorial Nacional Participações S.A., a new partnership called "Minha Biblioteca Ltda.", which will be dedicated to the publication, distribution and wholesale and retail sales of e-books both nationwide and abroad. The Company controls an equity stake in the new company representing 25% of the capital.

**9.1 - Relevant non-current assets - other**

a.

Location	<u>Lots, Buildings and Construction</u>	<u>Hardware</u>	<u>Software</u>	<u>Improvements</u>	<u>Furniture, Fixtures and Facilities</u>	<u>Vehicles</u>	<u>Total</u>
SP	25,798	12,147	16,914	7,219	6,253	3,482	71,813
RJ	-	176	3	669	124	774	1,746
MG	-	149	24	708	99	310	1,290
PE	-	131	3	390	86	435	1,045
PR	-	127	3	375	83	349	937
RS	-	173	3	413	161	101	851
BA	90	82	3	113	113	334	735
MT	-	138	8	213	60	247	666
DF	-	109	3	241	48	223	624
GO	-	125	6	240	84	182	637
PA	-	75	3	195	65	162	500
AM	-	85	3	216	49	124	477
CE	-	19	-	4	4	30	57
AL	-	6	-	29	9	-	44
	25,798	13,542	16,976	11,025	7,238	6,753	81,422

b. *patents, trademarks, licenses, concessions, franchises and contracts of technology transfer, informing:*

- i. *duration*
- ii. *region reached*
- iii. *events that may cause loss of rights relative to such assets*
- iv. *possible consequences of the loss of such rights for the issuer*

Saraiva's main trademarks are registered under the processes Nos. 819194654 and 006606083; Classes 16:10:-20-30 and 40:15; valid up to 11/10/2018 and 10/10/2017, both with nationwide scope. Besides the aforementioned brands, the Publishing House and Bookstore have several other trademarks.

c. *the companies in which the issuer has shares and informs the following:*

- i. *company name: Saraiva e Siciliano S/A*
- ii. *Headquarters:*

Rua Henrique Schaumman, 270, 7º andar, Cerqueira César, São Paulo, SP, Zip Code No 05413-909.

iii. *activities developed:*

See item 7.1 (Controlled Activities) in this Reference Form.

- iv. *issuer's shares: 99.98%.*
- v. *wether the company is controlled or affiliated company: Controlled.*
- vi. *wether it is registered with CVM:*

**9.1 - Relevant non-current assets - other**

No.

*vii. accounting value of the share:*

R\$ 240,689,000.00

*viii. market value of the share according to the price of the shares at the end of the fiscal year, when such shares are traded in organized securities markets:*

There is no market value of the share according to the price of the shares at the end of the fiscal year, when such shares are traded in organized securities markets.

*ix. appreciation or depreciation of such shares over the past 3 fiscal years, according to the accounting value:*

	(in %)		
	<b>2010/2009</b>	<b>2009/2008</b>	<b>2008/2007</b>
Asset Appreciation:	2.1%	2.2%	16.1%

*x. Appreciation or depreciation of such shares over the past 3 fiscal years, according to the market value, according to the price of shares on the closing date of each fiscal year, when such shares are traded in organized markets:*

There is no appreciation or depreciation of such shares over the past 3 fiscal years, according to the market value, according to the price of shares on the closing date of each fiscal year, when such shares are traded in organized markets.

*xi. amount of dividends received over the last 3 fiscal years:*

In 2008, 2009 and 2010 no dividends were paid.

*xii. reasons for the acquisition and maintenance of such participation:*

Livraria Saraiva is one of the largest book retailers in Brazil and has experienced a compound annual sales growth of 39.5% per year over the last 4 (four) years. The continued investment in the Bookstore is justified by the privileged competitive position the company occupies in its markets, by the growth in demand for content related to the concepts of leisure, culture and information, resulting from the increase in population's available income and the diversification of Saraiva Group's business.

**9.1 - Relevant non-current assets / 9.1.a - Fixed assets**

<b>Description of permanent assets</b>	<b>Location country</b>	<b>State Location</b>	<b>Municipality Location</b>	<b>Type of Property</b>
Distribution Center	Brazil	SP	Guarulhos	Owned
Henrique Schaumann Facilities	Brazil	SP	São Paulo	Leased
Software	Brazil	SP	São Paulo	Owned

**9.1 - Relevant non-current assets / 9.1.b - Patents, trademarks, licenses, concessions, franchises and technology transfer agreements**

<b>Type of asset</b>	<b>Asset description</b>	<b>Area reached</b>	<b>Duration</b>	<b>Events that may cause the loss of rights</b>	<b>Loss of rights consequence</b>
Brands	Case No 819194654, in Brazil class 16:10:-20- 30		11/10/2018	No renewal	Loss of Brand
Brands	Case No. 006606083, in Brazil Class 40:15		10/10/2017	No renewal	Loss of the Brand

**9.1 - Relevant non-current assets / 9.1.c - Participation in joint ventures**

Corporate name	CNPJ	CVM Code	Type of Corporation	Headquarters' Country	Headquarters' State	Headquarters' Municipality	Description of the activities developed	Issuer's Share (%)	Description of the Issuer's Share (%) activities developed
<b>Fiscal Year</b>	<b>Accounting Value - % variation</b>	<b>Market value - % variation</b>	<b>Amount of dividends received (R\$)</b>		<b>Date</b>	<b>Value (R\$)</b>			
Saraiva e Siciliano S/A	61.365.284/0001-04	-	Controlled	Brazil	SP	São Paulo	See item 7.1 (Controlled Activities) in this Reference Form.	99.980000	See item 7.1 (Controlled Activities) in this Reference Form.
				Market Value					
12/31/2010	0.000000	0.000000	0.00	Accounting value	12/31/2010	240,689,000.00			
12/31/2009	0.000000	0.000000	0.00						
12/31/2008	0.000000	0.000000	0.00						

**Reasons for the acquisition and maintenance of such participation**

Saraiva is one of the largest book retailers in Brazil and has experienced a compound annual sales growth of 39.5% per year over the last 4 (four) years. The continued investment in the Bookstore is justified by the privileged competitive position the company occupies in their markets, by to the growth in demand for content related to the concepts of leisure, culture and information, resulting from the increase in population's available income and the diversification of Saraiva Group's business.

## **9.2 - Other relevant information**

There is no other relevant information.

## 10.1 - General Financial and Property Conditions

For the first time, the Company has adopted the international accounting standards for consolidated financial statements presented for the fiscal year ending on December 31, 2010. Thus, the information relative to the fiscal year ending on December 31 of 2008 was not presented in item 3.1 due to lack of comparability.

### a. *general financial and property conditions*

The Company has a solid capital structure and low level of debt. Saraiva Group's net debt represented 1.2 times this year's EBITDA in December 2010. Administration considers this level of debt as adequate, given the long-term profile of its debts, contracted mainly with BNDES.

### b. *capital structure and ability to redeem shares, indicating:*

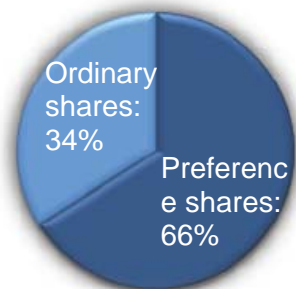
#### i. *redeeming hypotheses*

*The redeeming hypotheses are those contained in Law No. 6404/76.*

#### ii. *formula for calculating the market value*

The calculation of the redemption meets the criteria of Law 6404/76.

Saraiva's subscribed and realized capital was of R\$ 191.0 million on December 31 of 2010, represented by 28,596,123 shares, all nominative, without par value, of which 9,622,313 are ordinary shares and 18,973,810 are preference shares. On 12/31/2010 the Company held 250,550 preference shares in treasury. The redeeming hypotheses are those contained in Law No. 6404/76.



### c. *ability to pay in relation to financial commitments assumed*

The net debt increased from R\$ 111.6 million at the end of 2009 to R\$ 162.6 million at the end of 2010. The Bookstore has already obtained the clearance of 98.9% of the amount contracted with BNDES in February 2009, equivalent to an amount of R\$ 69.6 million. The resources from this credit line will be allocated to finance investments in fixed assets and working capital. Administration considers this level of debt as adequate, given the long-term profile of its debts, contracted mainly with BNDES.

## 10.1 - General Financial and Property Conditions

		2010	2009
<b>DEBT</b>	<b>Level of Indebtedness</b> <i>(Current Liabilities + LP / Total Assets)</i>	61.5%	57.2%
	<b>Interest Coverage</b> <i>(Earnings Before Interest and Taxes (EBIT) / Financial Results)</i>	3.8	4.7

The variations observed in the financial expenses and net debt are the result of investments made in the expansion of the chain of physical stores, the increase of the need for working capital due to the rapid growth in sales through the e-commerce website, and the investments made in new platforms for digital content sales, especially e-books.

*d. sources of financing for working capital and investments in non-current assets used*

The sources of funding used were: Contract with BNDES (R\$ 141.6 million) and its own generation of equity. The company works with banks established in Brazil, which have approved credit lines for short and long-term financing primarily allocated to support variations in the volume of working capital necessary for the company's activities.

*e. sources of financing for working capital and investments in non-current assets, which it intends to use to cover liquidity deficiencies*

A new financing contract is in its final approval phase by the BNDES board, with an approximate value of R\$ 160 million. This new loan will finance the investments planned by the Group up to December of 2012.

*f. debt levels and the characteristics of such debts:*

The Company's net debt represents 1.2 times the consolidated EBITDA for the 2010. Administration considers the current level of debt as comfortable. The Company's debt is mostly long term.

*g. use of funds limits already contracted*

The Company has already contracted financing with BNDES of R\$141.6 million with a maturing date up to December 2010. Up to December of 2010, 91.9% of this total were released. In January and February of 2011 the remaining portions of the financing contract with BNDES in 2009 were released. The total value released was of R\$ 12.2 million, of which R\$ 11.4 million being allocated to the Publishing House and R\$ 0.8 million allocated to the Bookstore.

*h. significant changes in each financial statement item*

The following table shows the main consolidated economic-financial indicators.

## 10.1 - General Financial and Property Conditions

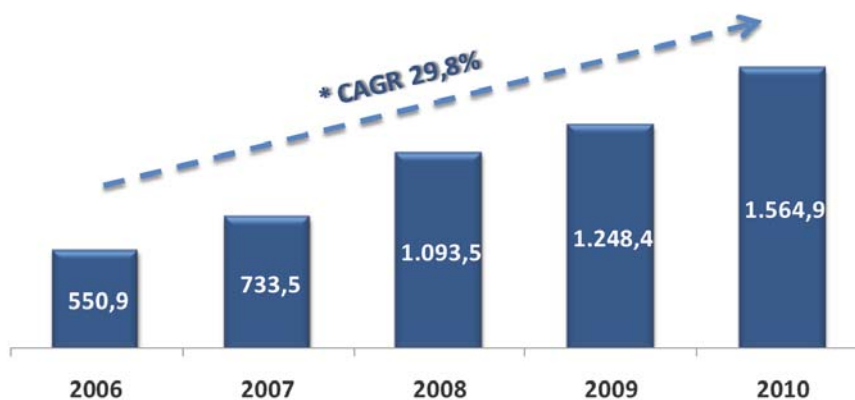
Consolidated (R\$ thousand)	2010	2009	Var.
Gross revenue	1,641,551	1,313,302	25.0%
Net revenue	1,564,936	1,248,353	25.4%
Gross profit	674,854	558,029	20.9%
Gross Margin	43.1%	44.7%	<sup>r</sup> -1.6 p.p.
Operational expenses	557,570	465,950	19.7%
EBITDA <sup>(1)</sup>	150,042	117,564	27.6%
Net Financial Expenses (Revenue)	32,726	20,548	59.3%
Net Profit (Loss)	61,022	51,476	18.5%
Total Assets	1,102,477	873,590	26.2%
Equity	424,413	373,994	13.5%
Net Cash Flow / (Debt)	(175,021)	(135,044)	-29.6%

(1) The EBITDA for 2009 includes extraordinary revenue of R\$ 10 million related to the sale of the building that housed the Company's headquarters, as well as non-recurring expenses of R\$ 3.5 million related to the write-off of obsolete inventory.

### Net revenue

In 2010, the net revenue totaled R\$ 1.6 billion, an increase of 25.4% compared to the same period of the previous year.

#### Consolidated Net Revenue (R\$ million)



The increase in revenue is related to Saraiva's strong growth in retail and editorial operations, which grew 23.8% and 26.0%, respectively, in 2010 over the same period of the previous year. The Bookstore was responsible for 76% of the consolidated net revenue and the Publishing House was responsible for 24% in both 2010 and 2009.

## 10.1 - General Financial and Property Conditions

### Mix of Consolidated Net Revenues 2009 2010



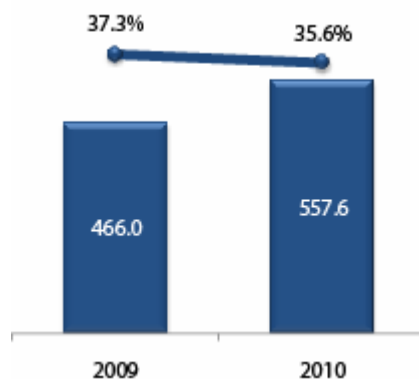
### Gross Profit<sup>1</sup>

In 2010, the gross profit reached R\$ 674.9 million, 20.9% higher than in 2009. For the full year, the gross margin reached 43.1% against 44.7% in 2009. The change in the Bookstore's product *mix*, with major contribution of Electronics and Computer categories, which have lower gross margins than the Book category, as well as the greater participation of "government" sales in the Publishing House's revenue mix, explain the differences observed in consolidated gross margins for 2009.

Gross Margin %	2010	2009	Var. %
Publishing House	68.7%	69.1%	-0.4 p.p.
Bookstore	32.6%	34.5%	-1.9 p.p.
<b>Total</b>	<b>43.1%</b>	<b>44.7%</b>	<b>-1.6 p.p.</b>

### Operational Results

#### Operational Expenses (R\$ million) and Operational Expenses / Net Revenue (%)



<sup>1</sup> From the 2008 fiscal year onward, with the classification of part of the products sold by the Bookstore in the tax substitution regime in effect in the state of São Paulo, the ICMS paid for the purchase of goods began to be recorded as inventory cost, impacting the consolidated gross, EBITDA and net margins presented by the Bookstore. A comparison of gross, EBITDA and net margins presented for 2010 and 2009 fiscal years should take into consideration the fact that most of the products was classified in May of 2009, remaining in the tax regime throughout 2010.

## 10.1 - General Financial and Property Conditions

In the annual comparison, the operational expenses over net revenue relationship reached 35.6% in 2010 against 37.3% in 2009, an improvement of 1.7 percentage points. The Group's operational expenses over net revenue relationship was adversely affected by the development of new business platforms in the Bookstore, due to the project to upgrade the retail operational ERP, the Saraiva Computer System (SIS its acronym in Portuguese), and projects to review the supply chain. The publishing activities have pressured the expense results related to the publishing line of Teaching Systems and the Saraiva Multimedia Education label.

### Option Plan for the Purchase of Shares (Stock Options)

A provision corresponding to expenses with Option Plans to Buy Shares was created, the value reached R\$ 1.2 million in 2010. The fair value of these plans is calculated on the date of the respective grant and based on the binomial pricing model.

### EBITDA

In 2010, EBITDA totaled R\$ 150.0 million, against R\$ 117.6 million in 2009, an increase of 27.6%. The EBITDA margin for the year was of 9.6% (9.4% in 2009).

### Mix of Consolidated EBITDA



Consolidated (R\$ thousand)	2010	2009	Var.
Operational Results	84,558	71,531	18.2%
(+) Administrators' Share	5,485	4,065	34.9%
(+) Depreciation and Amortization Expenses	27,273	21,420	27.3%
(+) Net Financial Expenses (Income)	32,726	20,548	59.3%
(=) EBITDA	150,042	117,564	27.6%
<b>EBITDA Margin</b>	<b>9.6%</b>	<b>9.4%</b>	<b>0.2 pp</b>

### Financial Result / Capital Structure

The financial result for the year, presented expenses of R\$ 32.7 million in 2010 and R\$ 20.5 million in 2009, reflecting recent investments made in the Group's companies and that have reduced the net cash flow position.

This result is due to higher financial expenses over long-term loans obtained from the BNDES, in a contract signed in February 2009, with a value of R\$ 141.6 million and a term of use up to December 2010, as well as investments in fixed assets and working capital in Group's various businesses. Up to December of 2010, 91.9% of this total were released.

The consolidated financial position went from a net debt of R\$ 135.0 million at the end of 2009 fiscal year to R\$ 175.0 million at the end of December, 2010. The net debt over consolidated EBITDA ratio reached 1.2 times in December, 2010 (1.1 times in December, 2009). The net debt over consolidated EBITDA ratio is within the standards that the Company considers appropriate for an efficient capital structure.

### **Net profit**

The profit in 2010 totaled R\$ 61.0 million, against R\$ 51.5 million in 2009, an increase of 18.5%.

### **Investments**

The investments totaled R\$ 43.3 million in 2010 and were basically allocated to information systems, the organic expansion of retail operations and the repositioning of Siciliano chain of bookstores.

## 10.2 - Operational and Financial Results

For the first time, the Company adopted the international accounting standards for consolidated financial statements presented for the fiscal year ending on December 31, 2010. Thus, the information relative to the fiscal year ending on December 31 of 2008 was not presented in item 3.1 due to lack of comparability.

*a. results of issuer's operations, especially:*

The results for 2010 confirm the success of the strategic actions taken by Saraiva: its retail operations, as well as its publishing business were expanded. The Company invested in a new series of textbooks for students from 6th to 9th grade, which increased its market share within the National Textbook Program (PNLD 2011) scope and continued to develop its business, especially the content in the educational system format, achieving excellent sales results in the private market. The Bookstore, in turn, has prioritized the development of platforms for the marketing of digital content, especially the e-books, and has practically completed the transformation of Siciliano chain of bookstores into "Saraiva's" format.

The consolidated net revenue totaled R\$ 1.6 billion in 2010, surpassing the previous year by 25.4%. EBITDA<sup>1</sup>, prior to the administrators' participation totaled R\$ 150.0 million, a new historic level, represented an increase of 27.6% in comparison to 2009. Net income reached R\$ 61.0 million and surpassed the previous year by 18.5%. Investments in new projects amounted to R\$ 43.3 million in 2010.

The Publishing House promoted its catalog in an efficient manner and increased its market share to 15.8% with the new adoptions of content for students enrolled in 6th to 9th grades in the Government's program to purchase books for public schools in elementary education (PNLD 2011), 2.7 percentage points higher than the adoption of books for the same educational grades within the PNLD 2008 scope. The Publishing House's market share, disregarding the purchase of foreign language content reached 17.0% in 2011 PNLD. The total contract for the supply of books to elementary and high public schools reached R\$ 140.4 million. The Publishing House's net revenues reached R\$ 415.5 million in 2010, 23.8% higher than the previous year.

The Company obtained excellent results with sales to the private market of scientific, technical and professional lines of books, educational system publishing line, customized content for higher education institutions, as well as the textbook and paradidactic book lines. The Benvirá fiction and nonfiction label was also a highlight of the year, with the release of 32 titles.

Saraiva's publishing operations continued to obtain important achievements in the educational system format in 2010. The Ético Sistema de Ensino (Ético) reported an excellent acceptance of the solutions provided in the private market, with a growth of 84% in the number of students in the year. In August, Saraiva launched a new brand, the Agora Sistemas de Ensino (Agora Educational Systems), whose

---

<sup>1</sup>

EBITDA represents the net profit before financial results, social contributions, income tax, depreciation and amortization. This is not a measure used according to accounting practices adopted in Brazil or accounting principles generally accepted in other countries and do not represent the cash flow for the periods being presented, and must not be considered as an alternative to net profit as an indicator of the company's operational performance or an alternative to cash flow as an indicator of liquidity. EBITDA does not have a standardized meaning, and this definition of EBITDA may not be comparable to EBITDA as defined by other companies.

purpose is to provide public schools with content of recognized publishing quality and a differentiated package of educational support services.

Concurrent with the investment in educational solutions in the form of educational systems, the Publishing House continues to invest in multimedia solutions for elementary and high schools, offering digital educational content and assessment tools, which can be used in conjunction with print media, adding value to traditional processes of teaching and learning.

In 2010, the Bookstore recorded significant growth of its activities and ended the year with 97 stores, three of which in the iTown model (Apple Premium Reseller). The Bookstore's sales growth relied on the contribution of all channels in which it operates. In addition to increased net sales in the store concept, comparable to 14.2%, the Bookstore's operations have grown organically in 2010, during which nine new stores were opened, including three iTown stores. Still in 2010, nine Siciliano stores were adapted to Saraiva's standard of service. The sales performance of the Bookstore's comparable stores is mainly due to the maturation of the Siciliano transformed stores, which grew by 52.5%.

The success of the transformation of Siciliano retail outlets, with the introduction of new products and services, allowed the Company to consolidate its leadership in the book category. In 2010, book sales grew 12% in physical stores and 18% on Saraiva.com, which clearly indicates a significant gain in market share.

Saraiva.com's sales results confirm the success of product mix diversification strategies. Net revenue for the e-commerce site grew by 34.1% compared to 2009.

New product categories have also contributed to the Bookstore's sales growth. In June of 2010, the Bookstore launched Saraiva Digital Reader, a platform that allows the sale of e-books. Preliminary results from these e-books sales confirm the Bookstore's possibilities of selling digital media content. The value of e-books sold by means of Saraiva Digital Reader up to December 2010, has already surpassed the sales of books in Saraiva's chain of small stores. The Company's intention is to make its digital solutions available on the most important digital platforms on the market including, besides PC's, those that use Android (Google) and IOS (Apple) operational systems. At the Brazilian Apple Store for example, Saraiva Digital Reader is the third most downloaded e-book reader and manager application, only behind Apple iBook software (native) and a bible reader application.

Still in 2010, LG, the TV manufacturer introduced a line of products with and Internet access option that uses the Bookstore's platform (native) to sell digital movies. This initiative demonstrates how the Company's strategies, seeking the leadership in digital media marketing in Brazil, are on the right track. In a manner that complements the offer of new products, the Company has also introduced services to their customers, such as the extended warranty option for items with higher added value, such as electronics and computer products. This initiative was reinforced, still in 2010, with the implementation of technical support at the iTown stores, specialized in the sale of Apple products.

Apple. The initial success of the sales of these services in 2010 was encouraging. Therefore, there is the possibility of expanding similar initiative in the near future.

The release of the iPad (Apple), in December, 2010 confirmed the success of Saraiva's business model with its clients. The bookstore is one of the largest iPad sellers in Brazil, which is essentially due to the link of this type of product to Saraiva's brand image.

Throughout 2010, Saraiva was able to strengthen its business even further and will continue to invest with a long-term vision. The Group is aware of the challenges ahead and confident in its employees' continued ability of overcoming.

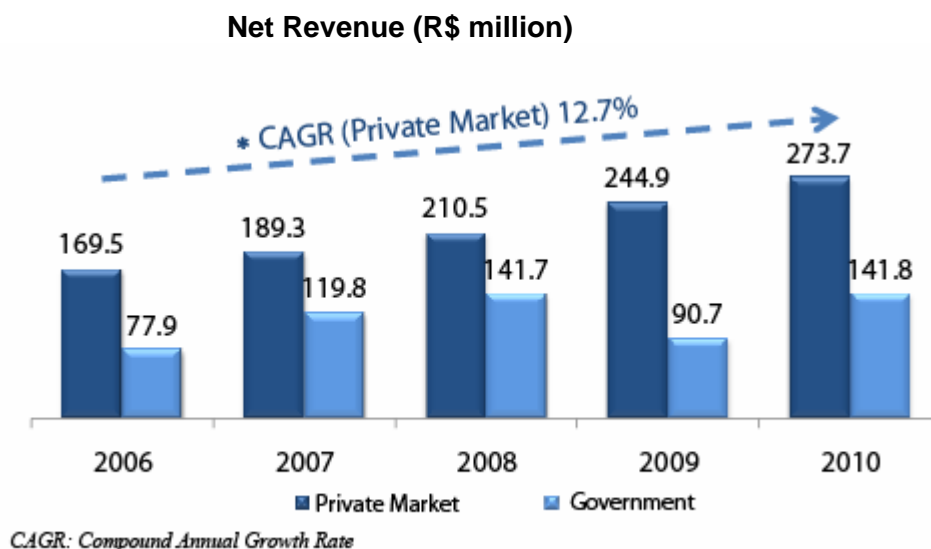
*i. description of any major components of revenue*

Saraiva S/A Livros Editores:

### Net revenue

In 2010, the net revenue accumulated R\$ 415.5 million, 23.8% higher than 2009. This performance reflects the result obtained from government sales as well as the investments made in the book catalog, multimedia solutions and the content in educational system format.

The following chart shows the growth in the Publishing House's net revenue and the respective contribution of public and private channels.



### Private Market

In 2010, net revenues in the private market reached R\$ 273.7 million, an increase of 11.7% over the revenues recorded in previous years. Over the past four years, the compound annual growth rate of revenues from the private market was of 12.7%. This evolution is due to the constant reinforcement of its textbook and paradidactic and college book catalog, from the Publishing House's more aggressive competitive position, as well as the increased revenue from content in the educational system format.

At the law book line, the highlight of the year was the stronger presence in the important segment of books for public service career exams. Still in 2010, the Business book catalog relied on various releases, such as the "Clássicos do Pensamento Econômico" (Classics of Economic Thought) collection. In the area of General Interest, the Publishing House released more books of "Superdicas" (Supertips) collection: "Superdicas de Moda e

Beleza" (Fashion and Beauty Supertips) and "Superdicas de Etiqueta" (Etiquette Supertips).

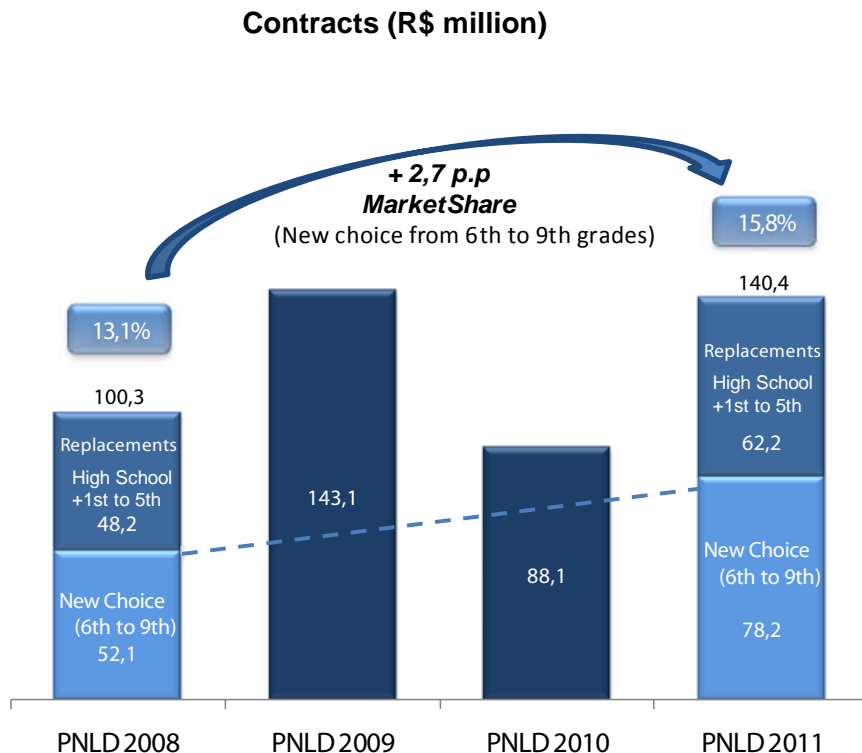
The Benvirá fiction and nonfiction label was also a highlight of the year, with the release of 32 titles. Besides David Bowie and Ozzy Osbourne biographies and children's content from Disney's "Baby Einstein" series, Benvirá released books based on blockbusters such as "Mega Mind," "Tangled," "Shrek 3D" and "The Penguins of Madagascar". The publisher has also published three major books by renowned author Paulo Coelho, in adapted versions for public schools: "The Alchemist", "Veronika Decides to Die" and "The Devil and Miss Prym."

Saraiva was one of the first Brazilian publishers to sell interactive books for the Apple iPad platform. In October 2010, the bestseller "Se Criança Governasse o Mundo" (If Children Ruled the World), by Marcelo Xavier, was released in electronic version, including among other attributes, audio and animation especially designed to engage readers.

**Government**

The Publishing House's market share in the Federal Government's program to purchase books for public elementary schools (PNLD 2011), reached 15.8% in new adoptions of content for students enrolled in 6th to 9th grades, which represents an increase of 2.7 percentage points compared to the adoption of books for the same grades within the PNLD scope in 2008 (13.1%). The Publishing House's market share, disregarding the purchase of foreign language content reached 17.0% in 2011 PNLD. The total contract for the supply of books to elementary and high public schools (PNLD 2011) reached R\$ 140.4 million.

The following chart shows the evolution of the Publishing House's contracts within the scope of government programs. The PNLD 2011 revenues are comparable to PNLD 2008. It is worth mentioning that English and Spanish books were adopted for PNLD 2011.



## Government Procurement Cycle

Grade	Market Potential # Books (MM)	Market Potential % purchased each year		
		PNLD 2010	PNLD 2011	PNLD 2012
1st and 2nd grade of elementary school (Portuguese and Math)	11.2	100%	100%	100%
2nd grade of elementary school (Science, History and Geography)	9.7	100%	17% *	17% *
3rd to 5th grade of elementary school	49.8	100%	17% *	17% *
6th to 9th grade of elementary school	67	17% *	100%	17% *
Foreign Language (English and/or Spanish)	13.4		100%	100%
High School	53.4	17% *	17% *	100%
Foreign Language (English and/or Spanish)	7.6			100%
Philosophy and Sociology	15.2			100%

Performance	12th - 5th grade (PNLD 2010)	6th - 9th grade (PNLD 2011)	High School (PNLD 2009)
Last cycle's market share	11.60%	15.80%	27.10%
Comparable Market Share (Excluding foreign languages)		17.00%	
Average Price (R\$)	4.74	6.02	9.68

Source: ENDF / MEC / INEP

\* Replacement history

### Saraiva e Siciliano S/A:

#### Net revenue

Net revenue totaled R\$ 1.2 billion in 2010, 26.0% higher than in 2009. The strong sales performance was influenced by the growths of both electronic as well as physical store retail.

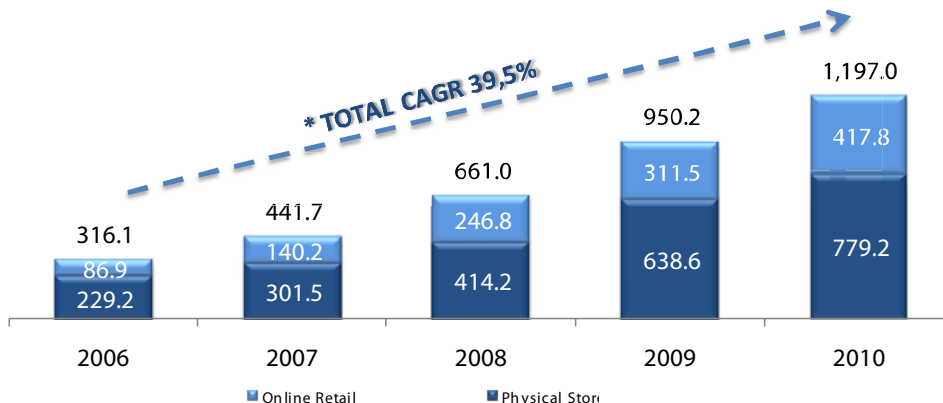
Besides the increase of 14.2% of net sales in the comparable store concept, the Bookstore's operations grew organically in 2010, a period in which nine new stores were opened, including three iTown stores (in the Apple Premium Reseller model), and nine Siciliano stores were refurbished to follow Saraiva's service standard. Online retail showed an increase in net revenue of 34.1% over 2009 and accounted for 35% of the Bookstore's total revenue

Through a shopping experience that values the customer, the Bookstore continues to conquer market share in Book, Newspaper, Magazine and Stationery categories. The monthly commerce survey released by the IBGE demonstrated an increase of 12.0% of these categories from January to December of 2010, compared to a growth of 14.9% over the same period.

The following chart shows the evolution of net revenues, separating the participation of physical stores and *online* sales, and its compound annual growth rate.

**Net Revenue (R\$ million)**

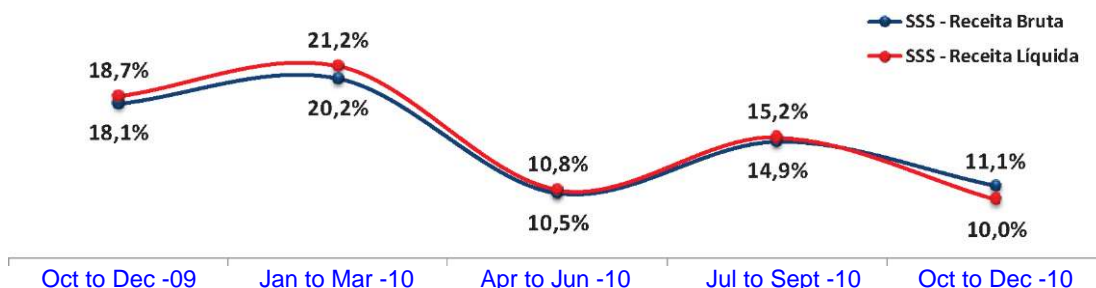
CAGR 2006 - 2010 (Physical Stores): 35.8%  
 CAGR 2006 - 2010 (Online Retail): 48.1%



CAGR: Compound Annual Growth Rate

The following chart shows the quarterly growth evolution of sales of comparable physical store sales in 2010.

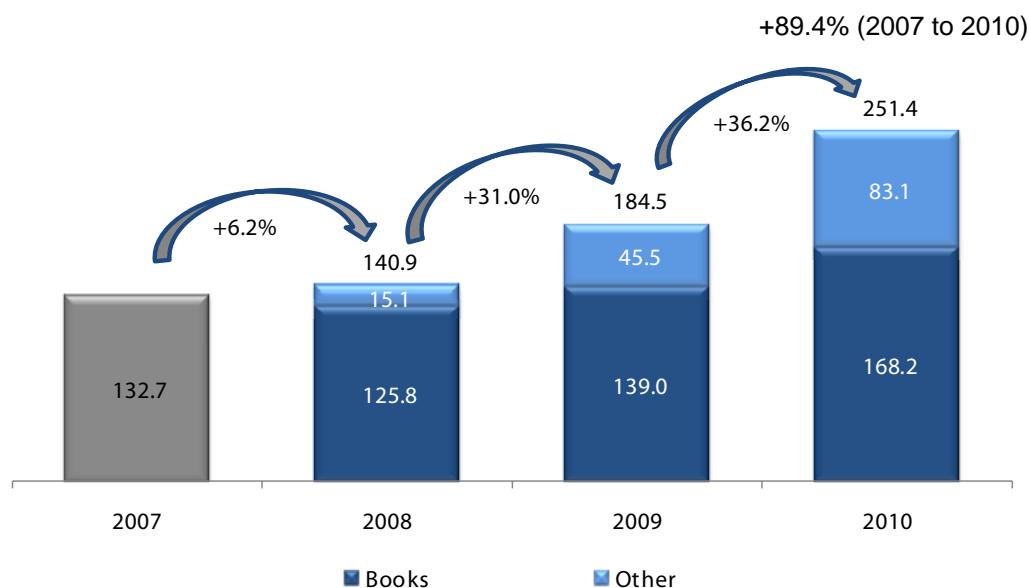
**Nominal Growth of Comparable Stores - per Quarter**



The sales performance of the Bookstore's comparable stores is mainly due to the maturation of the Siciliano transformed stores, which grew by 52.5%.

In the period between the Siciliano acquisition date (03/06/2008) up to December 2010, 97.7% of the sales area of its stores had been adapted to Saraiva service standard. The following chart shows the evolution of Siciliano store sales over the last three years:

### Evolution of Siciliano's Physical Stores Net Sales (R\$ million)



#### ii. factors that materially affected the operational results

##### Saraiva S/A Livreiros Editores

#### Operational Results

During the year, the operational expenses accumulated R\$ 200.3 million and its relationship with the net revenue was of 48.2%, the same percentage of the previous year.

The Publishing House continued to invest in new publishing businesses throughout 2010, particularly in content for teaching system formats, in the Benvirá fiction and nonfiction books and in educational multimedia projects. The operational expenses of these new businesses pressured the company's results in 2010, but present good prospects for the generation of long-term value. Publishing activities are characterized by anticipated expenses with the formatting of content and sales efforts; therefore it's only natural that new businesses pressure the results in the initial investment phase.

In 2009, the operational expenses over net revenue relationship was influenced by non-recurring events, such as the sale of the former headquarters building and the extraordinary low inventory. Excluding these effects, the operational expenses over net revenue relationship grew from 50.2% in 2009 to 48.2% in 2010, a decrease of 2.0 percentage points, as shown in the table below:

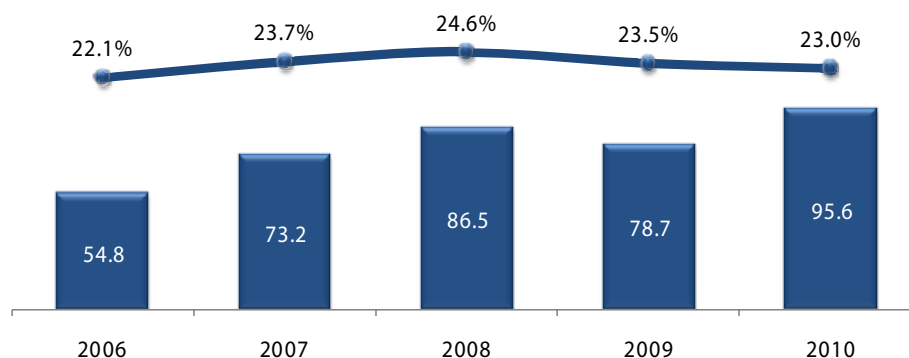
<b>Publishing House (R\$ thousand)</b>	<b>2010</b>	<b>2009</b>	<b>Var.</b>
Operational expenses	200,270	161,899	23.7%
(+) Extraordinary Low Inventory	-	3,510	-
(-) Sale of Property (Former Headquarters)	-	(10,048)	-
(=) Adjusted Operational Expense	200,270	168,437	<b>18,9%</b>
<b>Adjusted Operational Expense/Net Revenue</b>	<b>48.2%</b>	<b>50.2%</b>	<b>-2.0 p.p.</b>

## 10.2 - Operational and Financial Results

### EBITDA

During the year, the EBITDA totaled R\$ 95.6 million, an increase of 21.4% over 2009. The EBITDA margin went from 23.5% in 2009 to 23.0% in 2010.

**EBITDA (R\$ million) vs. EBITDA Margin (%)**



In 2009, the Company's EBITDA was positively impacted in R\$ 10.0 million due to the non-recurring result of the former headquarters property sale.

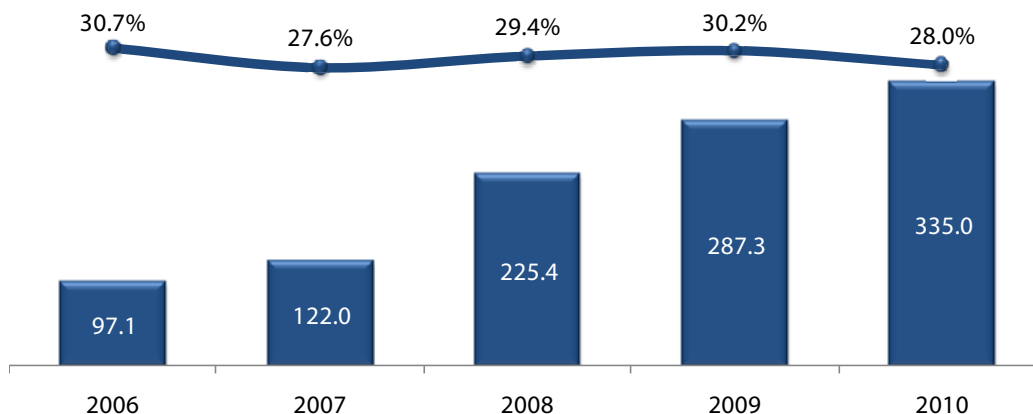
### Saraiva e Siciliano S/A:

#### Operational Results

For the year, the operational expenses over net revenue relationship before depreciation and amortization expenses indicated 30.2% in 2009 against 28.0% in 2010, a gain of 2.2 percentage points.

<b>Bookstore (R\$ thousand)</b>	<b>2010</b>	<b>2009</b>	<b>Var.</b>
Operational expenses	357,405	304,124	17.5%
(-) Depreciation and Amortization Expenses	22,434	16,783	33.7%
Operational Expenses before Depreciation and Amortization	334,971	287,341	16.6%
Operational Expenses before Depreciation and Amortization / Net Revenue	<b>28.0%</b>	<b>30.2%</b>	<b>-2.0 p.p.</b>

**Operational Expenses before Depreciation and Amortization (R\$ million) and Operational Expenses / Net Revenue (%)**



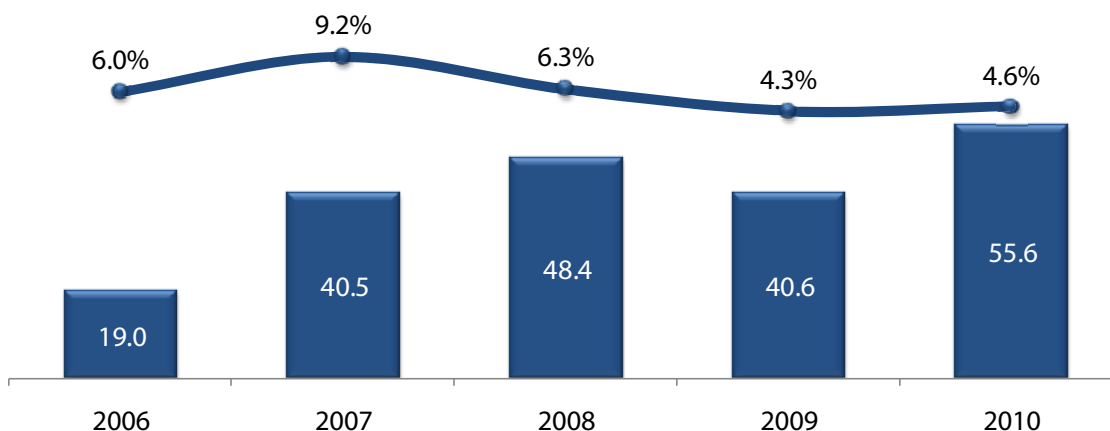
The Bookstore's operational expenses were pressured in 2010, due to the development of new business platforms, the project to upgrade the operational ERP, the Saraiva Computer System (SIS), and projects to review the supply chain. Such projects are important for initiatives to commercialize new media content and the introduction of new product categories, as well as better and faster ordering services in both physical and virtual channels.

The initiative to commercialize digital media content requires upfront investments in technology and human resources, without consideration for short term revenue, which affected Bookstore's results in 4T10.

**EBITDA**

In 2010, the Bookstore's EBITDA totaled R\$ 55.6 million, 37.0% higher than in 2009. The EBITDA margin was 4.6% in 2010 against 4.3% in 2009.

**EBITDA (R\$ million) vs. EBITDA Margin (%)**



### **10.3 - Events with significant effects, having occurred and expected, in the financial statements**

There are no events with significant effects, having occurred and expected, in the financial statements

## **10.4 - Significant changes in accounting practices - Disclaimers and emphases on the auditor's report**

### **a. significant changes in accounting practices**

Law 11.638/2007 updated the Brazilian corporate law with the objective of enabling the convergence of accounting practices adopted in Brazil with the International Financial Reporting Standards (IFRS its acronym in Portuguese). Since then, the Accounting Pronouncements Committee (CPC) has been issuing new standards and pronouncements to the drafting of financial statements.

The Company has adopted all technical pronouncements and respective interpretations and technical guidelines issued by the CPC and approved by the CVM in the drafting of individual financial statements from financial statements ending on December 31 of 2010, which includes the opening balance sheet on January 1, 2009.

The consolidated financial statements for the fiscal year ending on December 31, 2010 are the first to be presented in accordance with IFRS's and includes the balance sheet on the transition date on January 1, 2009.

The transition to the IFRS's (consolidated) and the adoption of the CPC 15 to 43 technical pronouncements (individual) has resulted in the following changes in accounting practices:

#### **a) CPC 22/IFRS 8 - Information per Segment**

The CPC 22/IFRS 8 determines the need for the dissemination of segregated information per operational segment, defined as a component of the entity: (i) that develops business activities, which generate revenues and incur expenses, (ii) that allows the review of the results by the chief operating manager of operations for decision making about resource allocation and performance evaluation; and (iii) that has individualized financial information available.

#### **b) CPC 24/IAS 10 - Subsequent Event and ICPC 08 - Accounting for Proposed Dividend Payment**

Interest on capital are approved by the Board of Directors and allocated to the mandatory dividend, the net effect of income tax. The dividend installment above the statutory minimum declared by the Board after the close of fiscal year before the authorization for issuance of financial statements is recorded as "Proposed additional dividends", in equity.

#### **c) CPC 26/IAS 1 - Presentation of Financial Statements**

The CPC 26/IAS 1 determines the basis for the presentation of individual and consolidated financial statements, to ensure comparability, whether of statements from previous periods from the same entity, or of financial statements from other entities. The main impact is on the submission of income tax and social contribution for the non-current assets on the balance sheet and the separate presentation of other revenue and operational expenses in the results statement.

**d) CPC 30/IAS 18 - Revenue**

The CPC30/IAS 18 determines that the accounting of revenue must occur whenever it is probable that future economic benefits will flow to the entity and these benefits can be reliably measured at fair value. The main impact is on the amount and the form of accounting the customer loyalty program ("Saraiva Plus") of the subsidiary Saraiva e Siciliano SA.

According to the aforementioned statements, the points accumulated by the participants in the loyalty program are recorded as an identifiable and separable component of sales revenues to which they are related, measured by their fair value on the date of the sales, and recognized as revenue when the points are redeemed by customers, when the deadline for the right to use the points expires, and the amortization of part of the provision's balance relative to the expected expiration of the right to use, calculated by the historical basis of occurrences.

The effects of the loyalty program are as follows:

	<u>2009</u>	
Balance in the beginning of fiscal year	5,275	
Deferred revenue relative to accumulated points	21,346	
Revenues recognized by the redemption of accumulated points	(20,516)	
Balance in the end of fiscal year	<u>6,105</u>	
		12/31/09 01/01/09
Balances in conformity with the new accounting practices	6,105	5,275
Balances recorded in conformity with previous practices	(3,776)	(2,681)
Adjustment to the new accounting practices	<u>2,329</u>	<u>2,594</u>

**e) CPC 39/IAS 32 - Financial Instruments: Presentation**

As required by the CPC 39/IAS 32, the Company and its subsidiary reclassified the balances of the judicial deposits for non-current assets, previously classified as reducers of non-current liabilities, where there was a provision for tax, labor and civil risks linked to the deposit.

**f) CPC 40/IFRS 7 - Financial Instruments: Disclosures**

The CPC 40/IFRS 7 requires the presentation of information that allow users to evaluate the significance of financial instruments for the entity's financial position and performance, the nature and extent of risks originating from financial instruments to which the entity is exposed and the way the entity manages these risks. The Administration must analyze the required additional disclosure in its information and financial statements in accordance with the financial and business exposures, in addition to its risk management and capital.

The Company and its subsidiary met the disclosure requirements previously standardized by the CPC 14 technical pronouncement - Financial Instruments: Recognition, Measurement and Disclosure for drafting of financial statements, originally presented for the fiscal year ending on December 31, 2009. The financial statements for the year ending on December 31 of 2010, compared with the financial statements

ending on December 31 of 2009, hereby reintroduced, meet the requirements established in the CPC 40/IFRS 7.

#### **g) CPC 41/IAS 33 - Earnings per Share**

CPC 41/IAS 33 determines that the earnings per share must be calculated and disseminated as: (i) basic, dividing the profit or loss by the weighted average number of ordinary shares held by shareholders, excluding those held in treasury during the period, and (ii) diluted, in which the profit or loss attributable to ordinary shareholders is adjusted (ordinary equity) of the entity and the weighted average number of total shares held by shareholders (in circulation), to reflect the effects of all diluting potential ordinary shares.

#### **h) ICPC 2009 - Individual Financial Statements, Separate Statements, Consolidated Statements and Application of the Equity Equivalence Method**

The ICPC 09 requires that in transactions involving subsidiaries, the unrealized profits should be completely eliminated, both in sales operations from the parent company to the subsidiary, as well as those from the subsidiary to the parent company. In individual statements, the unrealized profit of the parent company's inventory sales operations to the subsidiary, must be eliminated in calculating the equity, deducting 100% of the profit contained in the asset still belonging to the business group from the parent company's participation percentage over the subsidiary's results. In the consolidated statements, the excess of this percentage over the value resulting from the parent company's percentage of ownership in the results of the subsidiary, is recognized as owed due to the participation of the non-controllers.

The effects resulting from unrealized profits in the Bookstore's inventory are as follows:

	<u>12/31/09</u>
Balance in the beginning of fiscal year	3,173
Net revenue from sales	3,806
Cost of goods sold	<u>(2,100)</u>
Balance in the end of fiscal year	4,879

#### **i) CPC 36/IAS 27 - Individual and Consolidated Financial Statements**

According to CPC 36/IAS 27, the non-controller share is presented in the balance sheet as part of the equity, separated from the parent company's shareholder share. In the results statement, the non-controller share is not deducted in the evaluation of the net profit, it is only separated from the participation of the controller's shareholders.

#### **j) ICPC 10 - Interpretation about the Initial Application to Fixed Assets and Investment Property of CPCs 27, 28, 37 and 43 Technical Pronouncements**

The Directors of the Company and its subsidiary have opted to adopt the practice of reviewing the historical costs of fixed assets and use the practice of deemed cost, according to the option provided in paragraphs 20 to 29 of ICPC 10, only for the lots where the Company's Distribution Center and the Paper Warehouse were built.

Based on analysis conducted by the Administration for other relevant items recorded in fixed assets, mainly represented by computer assets, facilities and improvements to leased properties, it was concluded that the recorded historical cost approximates the fair value of these assets and therefore, does not apply to the practice of assigned cost. This conclusion is supported by the following aspects: (i) computer items are constantly updated as they become technologically obsolete, and (ii) the stores leased by the subsidiary are subject to periodic restorations with the purpose of modernizing and making them suitable and attractive for their public. Over the past five years, approximately 71% of the subsidiary's stores have been remodeled to the current model setup, including 36 of the 52 stores acquired in 2008 from Siciliano S.A., and (iii) the Headquarters and Distribution Center facilities moved to another location in 2008, whose buildings, leased from third parties, were refurbished on that date.

The value attributed to the lots was adjusted in the opening balances of the transition date on January 1, 2009 at their fair values, estimated based on an evaluation report issued by a specialized company with professional experience specifically hired for this purpose.

	<u>Lots</u>
Balance on December 31, 2008	1,438
Adjustment for the adoption of attributed cost	17,089
Balance on January 1, 2009	<u>18,527</u>

#### **k) CPC 32/IAS 12 - Income Taxes**

The differences noted in the reconciliation of equity and net profit between the accounting practices previously adopted in Brazil, and the application of CPC's / IFRS's were the object of analysis for the recording of deferred income tax (IRPJ) and social contribution (CSLL), considering the aforementioned criteria. The Company recognized the deferred income tax and social contribution taxes over the adjustments of accounting practices noted in the reconciliation corresponding to items d) and j) above.

#### **5.4. Application of IFRS 1 and CPC 37 (R1) - First-time Adoption**

The Company's consolidated financial statements for the fiscal year ending on December 31, 2010 are the first to be presented in accordance with the IFRS's. The Company has drafted the opening balance on January 1, 2009; in accordance with IFRS 1, applying the mandatory exceptions and certain exemptions, retrospectively, to the full implementation of IFRS's.

The Company adopted the following optional exemptions in the full retrospective application:

- a) Exemption for business combinations - Administration chose not to apply IFRS retrospectively to IFRS 3/CPC 15 to past business combinations.
- b) Exemption for the presentation of fair value of tangible and intangible assets such as acquisition cost - Administration chose not to remeasure

the fair value of tangible assets on the transition date, opting to keep the cost of acquisition in accordance with past practices, except for the "lots".

c) Exemption in the measurement of the employee benefit plan - the Company had no employee benefit plan on the date of the transition to IFRS's / CPC's.

d) Exemption relative to the measurement of compound financial instruments (derivatives) - the Publishing House had no compound financial instruments (derivatives) on the date of the transition to IFRS's

e) Exemption related to the recognition of interests in subsidiary - the subsidiary had no financial statements presented under IFRS on the transition date; for this reason, Administration decided to adopt the same transition date in its subsidiary.

f) exemption regarding the classification of financial instruments - the company opted to classify and evaluate its financial instruments according to IAS 32 and IAS 39 (equivalent to CPC 38 and CPC 39, respectively) on the transition date; therefore, the retrospective analysis of the original contracts, the current financial instruments, was not made on the IFRS's / CPC's transition date. All financial instruments contracted after the transition date were examined and classified in accordance with the IFRS's / CPC's on the date they were contracted.

The Company adopted the mandatory exemptions in the retrospective application, as follows:

a) Exemption for the non-recognition of financial assets and liabilities - the Administration concluded there are no non-derivative financial assets and liabilities that should be excluded from the accounting records, on the transition date to the IFRS's.

b) Exemption for accounting for hedge operations - the Company didn't have operations classified as hedge for IFRS purposes on the transition date; for this reason, there were no adjustments to be recorded.

c) Exemption of Estimates - The Company has not made any adjustment in estimates recorded in prior accounting practices, since it considered that these estimates were in accordance with the IFRS's on the transition date.

d) Exemption of assets classified as available for sale and discontinued operations - the Company had no assets classified as sale and reported no discontinued operation on the transition date to the IFRS's.

## **b. Significant effects of changes in accounting practices**

The effects of adopting IFRS in the consolidated financial statements, in consolidated equity and consolidated results are presented below:  
Reconciliation of consolidated net equity

	12/31/09	Net Equity 01/01/09
According to accounting practices in effect before the adoption of new accounting pronouncements	369,131	335,882
Adjustments resulting from the application of CPC's and IFRS's:		
Unrealized profit in inventory (sale of goods to the Subsidiary)	(4,879)	(3,173)

Saraiva Plus loyalty program	(2,329)	(2,594)
Difference in cost attributed to fixed assets - "Lots"	17,089	17,089
Deffered Income Tax and social contribution	(5,018)	(4,928)
Sub-total	4,863	6,394
Non-controller participation	63	61
According to new accounting pronouncements	374,057	342,337

### Reconciliation of the consolidated result

	Net profit 12/31/09
According to accounting practices in effect before the adoption of new accounting pronouncements	53,007
Adjustments resulting from the application of CPC's and IFRS's:	
Unrealized profit in inventory (sale of goods to the Subsidiary)	(1,706)
Saraiva Plus loyalty program	265
Deffered Income Tax and social contribution	(90)
Sub-total	(1,531)
Non-controller participation	2
According to new accounting pronouncements	51,478

### c. Disclaimers and emphases present in the auditor's report

#### Emphasis

The individual financial statements were drafted in accordance with accounting practices adopted in Brazil. In case of the Company, these practices differ from IFRS's applicable to separate financial statements, only in terms of the investment in subsidiaries through the equity method, which are in accordance with Brazilian corporate law, while for IFRS purposes, it would be cost or fair value.

## 10.5 - Critical accounting policies

The accounting policy used by the Company in preparing and presenting its financial statements relative to the use of estimates on uncertain and relevant issues, strictly observes the rules issued by the Committee of Accounting Pronouncements - CPC and supplementary rules issued by the Securities and Exchange Commission to publicly traded companies.

The drafting of financial statements requires certain decisions and the use of certain premises and estimates from Administration based on experience and other factors deemed relevant, which affect the values of assets and liabilities that may yield results differing from actual results.

The estimates and underlying premises are continually reviewed and their respective effects are recognized in the period when they are reviewed.

### a) Reduction in asset recoverable values

The fixed and intangible asset items, with defined life cycles, which present indicators of loss of its recoverable value, based on financial and economic factors and considering the maturity period of investments, have their book values reviewed annually, by means of detailed study for each UGC through the calculation of deducted future cash flows and the utilization rate for deducting to the present value, in order to ensure that eventual provision for possible losses of the book value is recorded in the results of the period being analyzed.

### b) Reduction of the recoverable goodwill

In order to determine whether the goodwill presents a reduction in its recoverable value, it is necessary to estimate the value being used by the UGC's to which the goodwill has been allocated. The calculation of the value in use requires that Administration estimates future cash flows expected from the referred UGC's and the appropriate discount rate so that the present value can be calculated.

### c) Provision for losses to Bookstore inventories

The provision for loss of inventories are estimated based on historical loss verified in physical inventories conducted in stores and distribution centers, in order to cover probable losses when performing the procedures of physical inventories.

### d) Provision for losses of inventories

The provision for losses is related to inventory obsolescence. In the case of the Bookstore, the provision is equivalent to stocks that cannot be sold, due to deterioration or to low turnover. In the Publishing House's case, the value corresponding to the cost of the deteriorated books or editions discontinued by the market is recognized directly in the result.

### e) Provision for bad debt

## 10.5 - Critical accounting policies

Accounts receivable are controlled by maturity, with a provision for losses on overdue bills for more than 180 days. Uncollectible receivables are recognized directly in the result.

f) Provision for tax, labor and civil risks

Provisions for lawsuits that represent probable losses are estimated with a certain degree of security. The assessment of probability of loss is supported by the opinion of the Publishing House and Bookstore's outside counsel.

g) Deferred taxes

The deferred tax assets and liabilities are calculated based on a study about the expected realization of future taxable income, discounted to present value and of all temporary differences, reviewed annually and approved by the Administration. Projections of future results consider the main performance variables of Brazilian economy, the volume and sales price and tax rates.

h) The Bookstore's Customer Loyalty Program

According to the rules of the program, for every 1,000 points earned, the customer is entitled to R\$ 15.00 in the purchases at any Company bookstore, being free to be used for the purchase of any product, limited to amounts received in bonuses. Points expire within a period of 12 months.

The fair value is calculated based on values obtained by the customers, upon purchase, adjusted by a portion related to the expected use and another related to the expected drop, which are proportionally amortized to the actual use of the points.

**10.6 - Internal controls relative to the drafting of financial statements - Level of efficiency and deficiency and recommendations made in the auditor's report**

- a) The internal controls established for the drafting and publication of financial statements provide reasonable guarantees to ensure the quality and integrity of information and publication within required period, so as to allow appropriate decisions of the various users of financial statements.

Besides the internal controls, the processes of entering, integrating and extracting data from data processing systems, are periodically tested and evaluated by Deloitte Touche Tohmatsu Auditores Independentes, to the extent necessary to issue the audit report on specific tasks that come before the auditing of financial statements.

- b) The internal control deficiencies identified by external auditors during the auditing process, were brought to the attention of company management and are not considered to be of a relevant degree of risk.

### **10.7 - Allocation of public funding resources and eventual deviations**

There is no allocation of public funding resources and eventual deviations.

## **10.8 - Relevant items not demonstrated in financial statements**

There are no relevant items not demonstrated in financial statements.

### **10.9 - Comments on items not demonstrated in the financial statements**

There are no comments on items not demonstrated in the financial statements.

## 10.10 - Business Plan

a. investments:

*i. quantitative and qualitative description of the investments in progress and planned investments*

Saraiva Group positions itself competitively in the markets where it operates and is confident in the generation of value in projects being executed in the Publishing House and the Bookstore. Over the last few years, the Group's investment decisions have allowed the expansion of the business fronts and the conquest of new markets.

The strengthening of the **Publishing House's** publishing department teams and the launch of new products has presented consistent results over the last few years. The renewal of the Publishing House's catalog is supported by differentiated customer relationship strategies, including educational support and more aggressive marketing actions.

The result of the aforementioned strategy can be measured by the Publishing House's increased market share in Government book purchasing programs. For the second year in a row, the Publishing House has gained market share in 1st to 9th grade book adoptions. For the next program, PNLD 2012, besides the contents in a foreign language to be acquired in an unprecedented way by the Federal Government for high school students, there will also be a purchase of Sociology and Philosophy books, which expands the possibilities for increased revenue, since the Publishing House has competitive works in these new subjects.

The result of the pedagogic assessment of the publisher's works included in the PNLD 2012 was announced by the Ministry of Education on March 21, 2011. The Publishing House obtained an approval rating of 67% in the textbooks submitted to this evaluation and competes in all areas of knowledge in the PNLD 2012, except in areas of Chemistry and Spanish. The Publishing House's expected market share in the new book selections for high schools within NPDB 2012 scope is around 20%.

In 2010 the Educational Systems Division launched the "Agora" trademark, which focuses on the market of public schools. The proposal is to offer quality options to the municipalities who wish to adopt educational solutions in the form of teaching systems for 2012 school year.

Over the next few years, the Publishing House will also invest in technological resources that can make a difference in learning processes in the classroom, especially for elementary and high schools. Besides the "Série Destino" (Destino Series), which includes tools to be applied in classrooms in areas of Mathematics and English, the Publishing House is already marketing differentiated evaluation platforms for High Schools, which proposes to develop students' skills and abilities.

Saraiva Publishing House has launched an enhanced book, "Se Criança Governasse o Mundo", by Marcelo Xavier, and the digital version of "Vade Mecum Saraiva." The process of converting the publisher's catalog, to be commercialized on digital media, will continue at a fast pace, both in e-pub and in PDF format, which are ideal to be read on tablets. In March 2011, about 700 titles had been converted to digital format (PDF or e-pub).

Besides the possibilities of organic growth, the Publishing House is alert and eventually may consider acquisition opportunities and strategic partnerships.

The **Bookstore** aims to offer a unique shopping experience, supported on categories of complementary products and differentiated customer services. The increased revenue results of Siciliano's chain of stores unequivocally demonstrate the Bookstore's successful business model.

In the first quarter of 2011, stores in the Tamboré Shopping Mall (SP) and Iguatemi Alphaville Mall (SP) were opened. Besides these stores, the Bookstore's investment plan includes the opening of 3 new stores in 2011. Over the next two years, including the current year, the Company's organic expansion plan foresees the opening of 8 new stores.

Allied to Saraiva's strategy of expanding the chain of stores, the Bookstore has opened 2 more iTown stores, one of the Bookstore's operation entirely devoted to the sale of Apple products. The premise of the partnership with Apple lies in the fact that Apple products are well accepted in Brazil and the possibility of increased profitability by means of the differentiated conditions of an "Apple Premium Reseller" operation. The latest stores inaugurated were at the Flamboyant Shopping Mall, in Goiânia (GO), and at the Recife Shopping Mall, in Recife (PE).

In electronic retail division, the focus remains on the growth of operations, including new product categories and expanding the performance of the lines with which the Company already operates. The intensification of the competitive environment in e-commerce operations, with the arrival of new companies, has negatively impacted Saraiva.com margins.

The Bookstore's strategies within this new competitive paradigm has as its priority the improvement of the relation with customers by means of relationship management tools (Customer Relationship Management - CRM), whose implementation began in 2010. In conjunction with Bookstore's relationship actions, it will open, within the next 18 months, a new platform for its e-commerce website. This project will provide agility to Saraiva.com commercial actions including, among other possibilities, intelligent shopping suggestions of related products.

Recent technological advances present major challenges for the companies whose main business is the production and marketing of content. The Administration's initiatives are designed to adapt activities developed by the Publishing House and the Bookstore to the new realities. In addition to greater offer of products, the Bookstore is also implementing services that can add value to its operations. In addition to the extended warranty and technical support options, the Bookstore is studying the implementation of other services that may be announced in due course, as in the example of Saraiva Viagens.

In 2011 the Bookstore will continue to invest in its digital book sales platforms, which have presented steady growth throughout 2010. Administration is also alert to the valorization of its customers shopping experience as a way of overcoming eventual effects of the introduction of these new technologies into its business by means of measures such as the introduction of new product lines and stimulating customers to go to its stores.

*ii. sources of investment financing*

The Company's investment plan will be financed through a loan already contracted with BNDES in February 2009, in the amount of R\$ 141 million and through the generation of its own cash flow. The company will sign in the coming months, a new contract to raise funds with BNDES, amounting to approximately R\$ 160 million.

### **10.11 - Other factors with relevant influence**

There are no other factors with relevant influence.

### **11.1 - Disclosed projections and premises**

There are no disclosed projections and premises.

## **11.2 - Monitoring and changes in disclosed projections**

There is no monitoring and changes in disclosed projections.

## 12.1 - Description of the administrative structure

*a. the responsibilities of each agency and committee:*

The Company is managed by the Administration Council and the Board of Directors.

**Administration Council's duties.**

Establish the general guidelines of Company's business; elect and remove Company directors, and may also assigning their duties, subject to the rules established in Art. 17 of the Bylaws; supervise directors' management, periodically examining Company's books and documents, requesting information about contracts and other acts relative to corporate business; convene General Assemblies, following legal and Bylaw norms; authorize the Board to sale fixed assets, constitute liens on corporate property and provide guarantees for third-party obligations, such approval being unnecessary under the circumstances specified in Article 17, § 1, "f", § 2, "b" and "g" and § 3, "e" and "f", of the Bylaws; authorize the acquisition, disposal, cancellation or permanence in treasury shares issued by the Company; appoint and dismiss independent auditors; define, whenever the General Assembly globally establishes the managers' remuneration, the corresponding portion corresponding to the Board and Administration Council, as well as individualize it in relation to the members of the latter.

**Board of Directors' duties.**

The Board of Directors has broad powers of management, representation and administration, necessary for the full achievement of the corporate object, following, in order, the rules established in art. 17 of the Bylaws and the duties conferred by the Administration Council, in accordance to art. 15 of the Bylaws. The Board is also responsible for: I) individualizing the remuneration of Directors, whenever the General Assembly globally establishes the Administrators' and after the Administration Council exercises the powers mentioned in art. 15, paragraph VIII of the Bylaws; II) deliberating about the opening, maintenance, transfer and termination of branches; III) deliberating on administrative matters, observing, if applicable, General Assembly's and Administration Council's decisions.

*b. installation date of the supervisory board, if it is not permanent, and the creation of committees:*

Our Audit Committee is independent from management and our external audit. Similarly as the Administration Council, the Supervisory Board members, through the Term of Approval from Members of the Supervisory Board, are personally responsible for acting in accordance with Level 2 Adherence Agreement, with the Arbitration Rules and with Level 2 Regulation, conditioning the occupation of the respective positions to the signing of this document, whose copy must be immediately sent to BOVESPA.

Our Audit Committee is not permanent, but can be installed during any given fiscal year upon request by shareholders, under the terms of the current legislation. Our Supervisory Board is currently not installed.

*c. mechanisms for evaluating the performance of each department or committee: There is no forecast in the Bylaws or Rules of Procedure.*

d. *as to the members of the Board, their individual duties and powers:*

***Board of Directors' duties.***

The Board of Directors has broad powers of management, representation and administration, necessary for the full achievement of the corporate object, following, in order, the rules established in art. 17 of the Bylaws and the duties conferred by the Administration Council, in accordance to art. 15 of the Bylaws. The Board is also responsible for: I) individualizing the remuneration of Directors, whenever the General Assembly globally establishes the Administrators' and after the Administration Council exercises the powers mentioned in art. 15, paragraph VIII of the Bylaws; II) deliberating about the opening, maintenance, transfer and termination of branches; III) deliberating on administrative matters, observing, if applicable, General Assembly's and Administration Council's decisions.

***Individual Responsibilities of the Directors.***

Any director in office may individually: a) withdraw, endorse for bank collection and pay trade bills b) endorse checks and money orders, provided for bank deposits in Company bank accounts; c) sign bonds to be discounted, and bond recovery; d) sign correspondence, tax and contribution forms, requisitions and petitions directed to Federal, State and Municipal Public Offices and Departments, institutions and banks, in documents for the payment of taxes and social contributions or administrative proceedings of any nature; e) hire and fire employees, sales personnel, commercial representatives and agents; f) purchase, dispose or encumber fixed assets, including real estate, provided that their individual value does not exceed 1% (one percent) of the Company's net worth, demonstrated in the latest financial statements published for fiscal year; g) receive summons or subpoenas in any judicial or administrative proceedings.

***Joint responsibilities of any two Directors.***

a) issue checks, authorize debits to bank accounts, sign loan contracts with banks and commercial lease operations as corporations established for such purposes; b) issue, accept, encumber or transfer promissory notes and bills of exchange, provided that they are for bank discount or to guarantee obligations assumed in loan contracts or commercial lease operations, as well as constitute power-of-attorney for such purposes; c) endorse any credit instruments, including trade bills, promissory notes, bills of exchange and custody certificates, with the exception of checks; d) custody bonds and remove them from custody as well as the other assets; e) constitute power-of-attorneys, conferring them with a litigation clause powers, as well as receive summons, admit, desist and settle claims; f) sign contracts, including those pertaining to publishing, sale or partnerships with government agencies and the private sector, and the lease of assets and real estate, or service; g) provide guarantees to companies that are directly or indirectly controlled and surety as to these companies' responsibility; h) purchase, subscribe, sell and rescue fixed income bonds, including shares and debentures, provided they are not issued by the Company or by any corporation directly or indirectly controlled by it, also respecting the provision in § 4, clause "e", of the Bylaws.

***Joint Responsibilities of Any Director with the CEO.***

a) endorse checks b) appoint power of attorneys, granting vested powers, c) represent the Company with subsidiaries d) acquire, dispose of or

encumber fixed assets, including real estate, provided that their individual value does not exceed 20% (twenty percent) of the Company's equity, as stated in the latest published financial statements for the fiscal year; e) sign contracts that involve encumbrance of corporate assets, in values that do not exceed 20% (twenty percent) of the Company's equity, as stated in the latest published financial statements for the fiscal year; f) provide guarantees to individual entities when provided to guarantee the lease of residential real estate in order to facilitate the installation of a Company manager, or a corporation controlled by it, in a municipality, away from said manager's domicile, to where he/she has been appointed.

***Joint Responsibilities of Any Director with the CEO, and with prior written consent of the Administration Council.***

a) purchase, sell or encumber stock and shares from companies directly or indirectly controlled; b) purchase, sell or encumber fixed assets, including real estate, when its individual value exceeds 20% (twenty percent) of the Company's net assets, as stated in the latest published financial statements for the fiscal year; c) sign contracts that encumber corporate assets, with a value that exceeds 20% (twenty percent) of the Company's net assets, as stated in the latest published financial statements for the fiscal year, without loss to the other provisions in art. 17, of the Bylaws; d) provide guarantees for individual entities, except in cases foreseen in clause "g", of § 3, of art. 17, of the Bylaws, or legal entity, other than companies directly or indirectly controlled, and bond guarantees belonging to these persons, provided that there are Company interests involved in such actions; e) promote the Company's participation, with the purpose of isolated or shared control, in any corporation, by means of the purchase or subscription of shares or stock, as well as promote the withdrawal of the Company from such corporations; f) appoint power of attorneys, granting them vested powers; g) issue and accept other securities, including promissory notes and bills of exchange, observing the exception contained in clause "b", § 2, of art. 17, of the Bylaws.

***e. mechanisms for evaluating the performance of Administration Council, Committee and Board members:***

There is no provision in the Statute or Rules of Procedure.

## 12.2 - Rules, policies, and practices relative to general assemblies

*a. summons' time limit:*

**Ordinary General Assembly.**

Takes place during the first four months of the year after the end of the fiscal year, by means of summons as provided in art. 124 of Law 6404/76.

**Extraordinary General Assembly and General Assembly of Preference Shareholders.**

They take place whenever corporate interests require them, by means of summons as established by art. 124 of Law 6404/76.

*b. competences:*

The General Assemblies have competences established by art. 122, of Law No. 6404/76 and the Bylaws.

*c. addresses (physical or electronic) in which the documents relative to the general assembly will be available for shareholder analysis:*

[www.saraivari.com.br](http://www.saraivari.com.br)

*d. identifying and managing conflicts of interest: There is no identifying and management of conflicts of interest.*

*e. Administration requests of proxies for the exercise of voting rights:*

Those present at the Assembly must prove their capacity as shareholder, where it is up to private investors holding shares or those in custody under the terms of Art. 41 of Law No. 6404/76 to deposit a receipt issued by the financial institution holding said deposit, with the Company for such a purpose, under the terms established in the summon, except if the Assembly Chairman deems that other means of verification is sufficient.

*f. formalities necessary for the acceptance of power-of-attorney instruments granted by shareholders, indicating whether the issuer accepts power-of-attorneys granted by shareholders through electronic means:*

In the case of shareholders represented by proxy, certified copies of corporate acts or the shareholder's personal documents will be required, as well as the original power-of-attorney and the eventual proxy, all notarized.

*g. maintenance of forums and world wide web pages intended to receive and share comments from shareholders on the assembly agenda:*

There is no maintenance of forums and world wide web pages intended to receive and share comments from shareholders on the assembly agenda.

*h. live video and/or audio broadcast of the assemblies: There is no live video and/or audio broadcast of the assemblies.*

*i. mechanisms that allow the inclusion of proposals, made by shareholders, into the agenda:*

## **12.2 - Rules, policies, and practices relative to general assemblies**

There are no mechanisms that allow the inclusion of proposals, made by shareholders, into the agenda.

## 12.3 - Dates and newspapers that publish the information required by Law No. 6404/76

Fiscal Year	Publication	Newspaper - State	Dates
12/31/2010	Financial Statements	Diário Oficial do Estado de São Paulo - SP	03/25/2011
		O Estado de São Paulo - SP	03/25/2011
	Notice to Shareholders Informing the Availability of Financial Statements	Diário Oficial do Estado de São Paulo - SP	03/25/2011
		Summons of the AGO that Evaluated the Financial Statements	Diário Oficial do Estado de São Paulo - SP
			04/09/2011
			04/12/2011
	O Estado de São Paulo - SP		04/08/2011
		04/09/2011	
	04/12/2011		
12/31/2009	Financial Statements	Diário Oficial do Estado de São Paulo - SP	03/19/2010
		Valor Econômico - SP	03/19/2010
	Notice to Shareholders Informing the Availability of Financial Statements	Diário Oficial do Estado de São Paulo - SP	03/19/2010
		Summons of the AGO that Evaluated the Financial Statements	Diário Oficial do Estado de São Paulo - SP
			04/05/2010
			04/06/2010
	Valor Econômico - SP		04/01/2010
		04/05/2010	
		04/06/2010	
	Minutes of the AGO that Evaluated the Financial Statements	Diário Oficial do Estado de São Paulo - SP	04/20/2010
12/31/2008	Financial Statements	Diário Oficial do Estado de São Paulo - SP	03/20/2009
		Gazeta Mercantil - SP	03/20/2009
	Notice to Shareholders Informing the Availability of Financial Statements	Diário Oficial do Estado de São Paulo - SP	03/20/2009
		Summons of the AGO that Evaluated the Financial Statements	Diário Oficial do Estado de São Paulo - SP
			04/08/2009
			04/09/2009
	Gazeta Mercantil - SP		04/07/2009
		04/08/2009	
		04/09/2009	
	Minutes of the AGO that Evaluated the Financial Statements	Diário Oficial do Estado de São Paulo - SP	04/23/2009
Gazeta Mercantil - SP		04/23/2009	

**12.4 - Rules, policies, and practices relative to the Administration Council***a. meeting frequency:*

The Administration Council normally meets once a month.

*b. if available, provisions in the shareholder agreement, which establishes restrictions or ties to voting rights for council members:*

There are no provisions in the shareholder agreement, which establishes restrictions or ties to voting rights for council members.

*c. rules for identifying and managing conflicts of interest: There are no rules for identifying and managing conflicts of interest.*

## 12.5 - Description of the arbitration clause to settle disputes through arbitration

*Art. 39 of Saraiva's Bylaws establishes that "the Company, its shareholders, administrators and members of the Audit Committee must resolve, through arbitration, under the terms of BOVESPA's Market Arbitration Chamber Regulation ("Arbitration Regulation"), all and any dispute or controversy that may arise among them, especially related or originating from the application, the validity, effectiveness, interpretation, violation and its effects of the provisions in Law No. 6404/76, the Company's Bylaws, the norms issued by the National Monetary Council, by the Central Bank of Brazil and by CVM, as well as other norms applicable to the operation of capital markets in general, besides those provided in the Regulation of Differentiated Practices of Level 2 Corporate Governance, the Agreement to Adopt Differentiated Practices of Level 2 Corporate Governance and Arbitration Regulation".*

***In addition, the single paragraph of the aforementioned article determines that: "Brazilian law will be the sole law applicable to the merits of any controversy, as well as the execution, interpretation and validity of the present commitment clause. The arbitral proceedings will take place in São Paulo city, state of São Paulo, where the arbitral sentence shall be given. Arbitration must be administered by the Market Arbitration Chamber itself, which will be conducted and judged in accordance with the relevant provisions in the Arbitration Regulation".***

**12.6 / 8 - Membership and professional experience in management and the supervisory board**

<b>Name</b>	<b>Age</b>	<b>Administration department</b>	<b>Election date</b>	<b>Term of Office</b>
<b>CPF</b>	<b>Occupation</b>	<b>Elective office being occupied</b>	<b>Investiture date</b>	<b>Elected by the controller</b>
<b>Other positions and functions exercised at the issuer</b>				
João Luis Ramos Hopp 082.070.288-90	47 Civil engineer	Belongs to the Board of Directors only Does not hold any other position	04/25/2011 04/25/2011	1 year Yes
Director of Investor Relations				
José Arnaldo Favaretto 032.582.578-50	52 Businessman	Belongs to the Board of Directors only Does not hold any other position	04/25/2011 04/25/2011	1 year Yes
Not applicable				
José Luiz Machado Alvim de Próspero 756.712.398-34	57 Business administrator	Belongs to the Board of Directors only 10 - CEO / Superintendent	04/25/2011 04/25/2011	1 year Yes
Not applicable				
Marcílio D'Amico Pousada 066.548.318-02	47 Business administrator	Belongs to the Board of Directors only Does not hold any other position	04/25/2011 04/25/2011	1 year Yes
Not applicable				
Nilson Lepera 537.346.708-10	60 Economist	Belongs to the Board of Directors only Does not hold any other position	04/25/2011 04/25/2011	1 year Yes
Not applicable				
Sônia Regina Alves dos Santos 013.934.748-88	50 Psychologist	Belongs to the Board of Directors only Does not hold any other position	04/25/2011 04/25/2011	1 year Yes
Not applicable				
Jorge Eduardo Saraiva 516.543.778-72	71 Businessman	Belongs to the Administration Council only 20 - Chairman of the Administration Council	04/25/2011 04/25/2011	1 year Yes
Not applicable				
Jorge Saraiva Neto 330.515.258-39	27 Student	Belongs to the Administration Council only 22 - Administration Council (Permanent member)	04/25/2011 04/25/2011	1 year Yes
Not applicable				
Maria Cecília Saraiva Mendes Gonçalves 173.319.848-29	42 Businesswoman	Belongs to the Administration Council only 22 - Administration Council (Permanent member)	04/25/2011 04/25/2011	1 year Yes
Not applicable				
Ricardo Reisen de Pinho	50	Belongs to the Administration Council only	04/25/2011	1 year

**12.6 / 8 - Membership and professional experience in management and the supervisory board**

Name	Age	Administration department	Election date	Term of Office
CPF	Occupation	Elective office being occupied	Investiture date	Elected by the controller
<b>Other positions and functions exercised at the issuer</b>				
855.027.907-20	Engineer	27 - Administration Council Independent (Permanent member)	04/25/2011	No
Tupy S.A. AC member; Itacare Capital Investments Ltd. AC member; AACD AC member; and Senior Researcher at the Harvard Business School.				
Ruy Mendes Gonçalves	74	Belongs to the Administration Council only	04/25/2011	1 year
069.082.418-15 Not applicable	Economist	21 - Vice Chairman of the Administration Council	04/25/2011	Yes
Marcio Guedes Pereira Junior	49	Belongs to the Administration Council only	04/25/2011	1 year
050.958.058-04	Business administrator	27 - Administration Council Independent (Permanent member)	04/25/2011	No
Cia Hering S/A AC member; Metatfrio Solutions S/A AC member; TCI Inpar Desenvolvimento Imobiliário S/A Supervisory Board member; Viver Incorporadora e Construtora S/A Supervisory Board member; Head of Investment Banking at J. Safra Investment Bank.				

**Professional Experience / Crime record declaration**

João Luis Ramos Hopp - 082.070.288-90

Since 04/1999 has been the Chief Financial Officer at Saraiva S/A Livreiros Editores. Since 01/2000, he has been accumulating the functions of Investor Relations Director at Saraiva S/A Livreiros Editores.

Since 04/1999 he has been the Chief Financial Officer at Saraiva e Siciliano S/A.

From 10/1997 to 04/1999 he was Chief Operating Officer at Saraiva S/A Livreiros Editores.

He has not held other positions in other public companies.

José Arnaldo Favaretto - 032.582.578-50

Since 04/2008, he has been the Director of Teaching Systems at Saraiva S/A Livreiros Editores, directing the concentration area referring to the production, publication and marketing of teaching systems. From 2005 to 12/2007 he was the CEO of Pigmento Editorial S/A.

The only position he occupied in a public company is his current position at Saraiva S.A. Livreiros Editores. He has not held other positions in other public companies.

José Luiz Machado Alvim de Próspero - 756.712.398-34

Since 04/2007 has been the CEO of Saraiva S.A. Livreiros Editores. From 11/2003 to 04/2007, he was Chief Superintendent at Saraiva S/A Livreiros Editores. From 04/1999 to 11/2003 he was the Administrative Director at S/A Livreiros Editores. From 04/1990 to 04/1999 he was Chief Financial Officer at Saraiva S/A Livreiros Editores.

From 04/1997 to 11/2003 he was Chief Superintendent Officer at Livraria e Papelaria Saraiva S.A. (currently Saraiva e Siciliano S.A.). He has not held other positions in other public companies.

Marcílio D'Amico Pousada - 066.548.318-02

Since 04/2009, he has been a Director without Specific Designation at Saraiva S/A Livreiros Editores. Since 04/2008, he has been CEO of Saraiva e Siciliano S/A. From 06/2005 to 04/2008 he was Chief Superintendent Officer of Saraiva e Siciliano S/A. He has not held other positions in other public companies.

Nilson Lepera - 537.346.708-10

Since 04/2007, he has been Sales Director at Saraiva S/A Livreiros Editores, being responsible for the direction of the Commercial Department, which includes strategy, operations and actions regarding market research; advertising, distribution, including logistics, marketing, sales and services. From 1978 up to 04/2007 he was Sectorial Sales Director of Saraiva S/A Livreiros Editores. He has not held other positions in other public companies.

---

Sônia Regina Alves dos Santos - 013.934.748-88

Since 11/26/2003 she has been Human Resources Director at Saraiva S/A Livreiros Editores. She has not held other positions in other public companies.

---

Jorge Eduardo Saraiva - 516.543.778-72

Since 10/1978 he has been the Chairman of the Administration Council of Saraiva S/A Livreiros Editores. Since 04/1997 he has been a member of the Administration Council of Saraiva e Siciliano S/A. From 04/2007 he was CEO of Saraiva S/A Livreiros Editores. From 09/1982 to 04/1994 he was Executive Vice President of Saraiva S/A Livreiros Editores. From 10/1978 to 09/1982 he was Publishing Director of Saraiva S/A Livreiros Editores. From 04/1972 to 10/1978 he was Chief Superintendent Officer of Saraiva S/A Livreiros Editores. From 06/1968 to 04/1972 he was the Manager of Saraiva S/A Livreiros Editores. He has not held other positions in other public companies.

---

Jorge Saraiva Neto - 330.515.258-39

Since 04/2006 he has been a member of the Administration Council of Saraiva S/A Livreiros Editores. Since 04/2006 he has been a member of the Administration Council of Saraiva e Siciliano S/A. He has not held other positions in open companies.

---

Maria Cecília Saraiva Mendes Gonçalves - 173.319.848-29

Since 04/2006, she has been a member of the Administration Council of Saraiva S/A Livreiros Editores. From 04/2005 to 04/2006, she worked as a volunteer at the Empreender Endeavor Institute, in São Paulo. She has not held other positions in other public companies.

---

Ricardo Reisen de Pinho - 855.027.907-20

Since 04/2009 he has been a member of the Administration Council of Saraiva S/A Livreiros Editores.

Since 05/2009 he has been a member of the Administration Council of Tupy S/A.

Since 02/2009 he has been a member of the Administration Council of Itacare Capital Investments.

Since 06/2006 he has been a member of the AACD Council - Association for the Assistance of Disabled Children.

Since 07/2002 he has been a Senior Researcher at the Harvard Business School.

From 03/2008 to 04/2009 he was a member of the Administration Council of Banco Nossa Caixa S/A (Bank).

He held the following positions in public companies: Saraiva S/A Livreiros Editores (member of the Administration Council); Tupy S/A. (member of the Administration Council); Itacare Capital Investments (member of the Administration Council); LAB SSJ S/A (member of the Advisory Council); Embratel Participações S/A. (alternate member of the Supervisory Board); Metalfrio Soluções S/A. (member of the Administration Council); Banco Nossa Caixa S/A. (member of the Administration Council); and Banco Itaú S/A. (Statutory Director).

---

Ruy Mendes Gonçalves - 069.082.418-15

Since 04/2006 he has been the Vice Chairman of the Administration Council of Saraiva S/A Livreiros Editores.

Since 01/2000 he has been a member of the Administration Council of Saraiva e Siciliano S/A.

From 04/2000 to 04/2006 he was a member of the Administration Council of Saraiva S/A Livreiros Editores.

From 10/1978 to 04/2000 he was Chief Superintendent of Saraiva S/A Livreiros Editores.

From 06/1973 to 10/1978 he was Chief Financial Officer of Saraiva S/A Livreiros Editores.

From 03/1970 to 06/1973 he was Manager of Saraiva S/A Livreiros Editores.

He has not held other positions in other public companies.

---

Marcio Guedes Pereira Junior - 050.958.058-04

Since 04/2011 he has been a member of the Administration Council of Saraiva S/A Livreiros Editores. Is a member of the Administration Council of Companhia Hering S/A. Is a member of the Administration Council of Companhia Metalfrio Solutions S/A. Is a member of the Supervisory Board of TCI Inpar Desenvolvimento Imobiliário S/A. Is a member of the Supervisory Board of Viver Incorporadora e Construtora S/A. Is Head of Investment at J. Safra Investment Bank.

He has held the following positions in public companies: Saraiva S/A. Livreiros Editores (member of the Administration Council); Companhia Hering S/A (member of the Administration Council); Companhia Metalfrio Solutions S/A (member of the Administration Council), TCI Inpar Desenvolvimento Imobiliário S/A. (member of the Supervisory Board).

## **12.07 - Membership of statutory committees and audit, financial and remuneration committees**

**Justification for not completing the chart:**

The company has not installed the statutory, audit, and financial remuneration committees.

**12.9 - Existence of marital relationship or stable relationship up to the 2nd degree, relative to the issuing agency, affiliated and associated company's administrators**

Name	CPF	Business name of the issuing agency, affiliated or associated company	Type of relationship with the administrator of the issuer or subsidiary CNPJ
<b><u>Position</u></b>			
<b><u>Administrator of the issuer or subsidiary company</u></b>			
Jorge Eduardo Saraiva	516.543.778-72	Saraiva S/A Livreiros Editores	60.500.139/0001-26 Son or Daughter (1st degree of relationship)
<b><u>Chairman of the Administration Council</u></b>			
Family member Jorge Saraiva Neto Member of the Administration Council Observation	330.515.258-39	Saraiva S/A Livreiros Editores	60.500.139/0001-26
<b><u>Administrator of the issuer or subsidiary company</u></b>			
Ruy Mendes Gonçalves Vice Chairman of the Administration Council	069.082.418-15	Saraiva S/A Livreiros Editores	60.500.139/0001-26 Son or Daughter (1st degree of relationship)
<b><u>Family member</u></b>			
Maria Cecília Saraiva Mendes Gonçalves member of the Administration Council Observation	173.319.848-29	Saraiva S/A Livreiros Editores	60.500.139/0001-26
<b><u>Administrator of the issuer or subsidiary company</u></b>			
Jorge Eduardo Saraiva Chairman of the Administration Council	516.543.778-72	Saraiva e Siciliano S/A	61.365.284/0001-04 Son or Daughter (1st degree relationship)
<b><u>Family member</u></b>			
Jorge Saraiva Neto Member of the Administration Council Observation	330.515.258-39	Saraiva e Siciliano S/A	61.365.284/0001-04
<b><u>Administrator of the issuer or subsidiary company</u></b>			
Ruy Mendes Gonçalves Vice Chairman of the Administration Council	069.082.418-15	Saraiva e Siciliano S/A	61.365.284/0001-04 Son or Daughter (1st degree relationship)

**12.9 - Existence of marital relationship or stable relationship up to the 2nd degree, relative to the issuing agency, affiliated and associated company's administrators**

Name	CPF	Business name of the issuing agency, affiliated or associated company	CNPJ	Type of relationship with the administrator of the issuer or subsidiary
<b>Position</b>				
<b>Family member</b>				
Maria Cecília Saraiva Mendes Gonçalves Member of the Administration Council	173.319.848-29	Saraiva S/A Livreiros Editores	60.500.139/0001-26	
Observation				

**12.10 - Subordinate relations, service rendering or control between administrators and affiliates, controllers and others**

Identification	CPF/CNPJ	Type of relationship between the Administrator and the person listed	Type of person listed
Title / Position			

**Fiscal year (12/31/2010)****Issuing Agency Administrator**

Jorge Eduardo Saraiva  
Chairman of the Administration Council

516.543.778-72

Control

Direct Subsidiary

**Family member**

Saraiva e Siciliano S/A  
Chairman of the Administration Council

61.365.284/0001-04

Observation

**Fiscal year 12/31/2009****Issuing Agency Administrator**

Jorge Eduardo Saraiva  
Chairman of the Administration Council

516.543.778-72

Control

Direct Subsidiary

**Family member**

Saraiva e Siciliano S/A  
Chairman of the Administration Council

61.365.284/0001-04

**Observation****Fiscal year 12/31/2008****Issuing Agency Administrator**

Jorge Eduardo Saraiva  
Chairman of the Administration Council

516.543.778-72

Control

Direct Subsidiary

**Family member**

Saraiva e Siciliano S/A

61.365.284/0001-04

**12.10 - Subordinate relations, service rendering or control between administrators and affiliates, controllers and others**

Identification	CPF/CNPJ	Type of relationship between the Administrator and the person listed	Type of person listed
<b>Title / Position</b>			
Chairman of the Administration Council			

**Observation**

**12.11 - Agreements, including insurance policies, for payment or reimbursement of expenses incurred by administrators**

There are no agreements, including insurance policies, for payment or reimbursement of expenses incurred by administrators.

## **12.12 - Other relevant information**

There is no other relevant information, due to the fact that all information has already been properly mentioned in item 12.6.

### 13.1 - Description of the remuneration policy or practice, including non-statutory board of directors

*a. remuneration policy or practice objectives:*

Attract and retain talent in the Company's strategic positions and align interest between shareholders and Administrators.

*b. composition of remuneration, indicating:*

*i. the description of remuneration elements and each one's objectives:*

The remuneration of the Administration Council and the Board of Directors (when together, "Administrators") is comprised of (i) monthly salary payment; (ii) annual bonuses, under the terms of Law No. 6404/76; and (iii) options to purchase shares issued by the Company. The remunerations foreseen in items (i) and (ii) has the objective of remunerating the Administrator's short-term results and are aligned with market standards; item (iii) on the other hand, has the objective of long-term incentives for the Administrators.

*ii. the proportion of each element of the total remuneration: See table in item 13.2 "e".*

*iii. methodology for the calculation and readjustment of each of the remuneration elements:*

The calculation of Administrators' monthly salary follows market references and is readjusted according to the annual collective agreement applicable to the category (publishing house). The bonus calculation follows the provision in article 152, § 1, of Law No. 6404/76, and in article 12, § 2, of the Company's Bylaws.

*iv. justification for the composition of remuneration:*

The monthly salary has an alimentary nature and is aligned with market practices for similar job positions; variable remuneration (annual bonus) has the objective of motivating Administrators to pursue good results and the generation of value for the Company's shareholders.

*c. key performance indicators that are taken into account in determining each remuneration element:*

The remuneration ranges normally practiced in the market are used in the monthly salary and the annual bonus uses the Company's results in the respective fiscal year as a reference.

*d. how the remuneration is structured to reflect the evolution of performance indicators:*

The annual participation in the profits has a base period of verification and follows the Company's three-year operational cycle.

*e. how the remuneration policy or practice is aligned to the issuer's short, medium and long-term interests:*

The Company's short and medium-term interests are aligned to the Administrators' interests by means of the payment of annual bonus, which takes the Company's operational training cycle into consideration. The

Company's long-term interests are aligned to the Administrators' interests by means of the concession of options to purchase shares issued by the Company, as foreseen in the Share Purchase Option Plan approved by the Extraordinary General Assembly of 04/30/1998 and in its respective Programs.

*f. the existence of remuneration supported by direct or indirect subsidiaries, affiliated or parent company:*

Three Company Directors and three Council members, who have corporate functions, also receive remuneration through its subsidiary, Saraiva e Siciliano S.A. They are: Directors (João Luis Ramos Hopp, CFO and Investor Relations, Sonia Regina Alves dos Santos, Director of Human Resources, and Marcílio Pousada D'Amico, Director without specific assignments). Council members (Jorge Eduardo Saraiva, Chairman of the Administration Council; Ruy Mendes, Vice Chairman of the Administration Council; and Jorge Saraiva Neto, member of the Administration Council).

*g. the existence of any remuneration and benefit linked to the occurrence of a corporate event, such as the sale of the issuer's corporate control:*

There are no remunerations and benefits linked to the occurrence of a corporate event, such as the sale of the issuer's corporate control.

### 13.2 - Total remuneration of the administrative board, statutory board and supervisory board

Total remuneration foreseen for the current 12/31/2011 fiscal year - Annual Values				
	Administrative Council	Statutory Board of Directors	Supervisory Board	Total
No. of members	5.66	6.33		11.99
Annual fixed remuneration				
Salary	2,236,180.00	3,953,240.00		6,189,420.00
Direct and indirect benefits	0.00	0.00		0.00
Participations in committees	0.00	0.00		0.00
Other	0.00	0.00		0.00
Description of other fixed remunerations				
Variable remuneration				
Bonuses	0.00	0.00		0.00
Participation in results	0.00	0.00		0.00
Participation in meetings	0.00	0.00		0.00
Commissions	0.00	0.00		0.00
Other	0.00	0.00		0.00
Description of other variable remunerations				
Post-employment	0.00	0.00		0.00
Termination of office	0.00	0.00		0.00
Stock-based	0.00	0.00		0.00
Observation				
<b>Total remuneration</b>	<b>2,236,180.00</b>	<b>3,953,240.00</b>		<b>6,189,420.00</b>

Total remuneration of the 12/31/2010 fiscal year - Annual Values				
	Administrative Council	Statutory Board of Directors	Supervisory Board	Total
No. of members	5.00	7.00		12.00
Annual fixed remuneration				
Salary	1,859,973.00	4,032,675.00		5,892,648.00

<b>Direct and indirect benefits</b>	0.00	0.00	0.00
<b>Participations in committees</b>	0.00	0.00	0.00
<b>Other</b>	0.00	0.00	0.00
<b>Description of other fixed remunerations</b>			
<b>Variable remuneration</b>			
<b>Bonuses</b>	0.00	0.00	0.00
<b>Participation in results</b>	0.00	4,064,448.14	4,064,448.14
<b>Participation in meetings</b>	0.00	0.00	0.00
<b>Commissions</b>	0.00	0.00	0.00
<b>Other</b>	0.00	0.00	0.00
<b>Description of other variable remunerations</b>			
<b>Post-employment</b>	0.00	0.00	0.00
<b>Termination of office</b>	0.00	0.00	0.00
<b>Stock-based</b>	0.00	0.00	0.00
<b>Observation</b>			
<b>Total remuneration</b>	1,859,973.00	8,097,123.14	9,957,096.14

<b>Total remuneration of the 12/31/2009 fiscal year - Annual Values</b>				
	<b>Administrative Council</b>	<b>Statutory Board of Directors</b>	<b>Supervisory Board</b>	<b>Total</b>
<b>No. of members</b>	5.00	7.00		12.00
<b>Annual fixed remuneration</b>				
<b>Salary</b>	1,554,968.00	4,143,072.00		5,698,040.00
<b>Direct and indirect benefits</b>	0.00	0.00		0.00
<b>Participations in committees</b>	0.00	0.00		0.00
<b>Other</b>	0.00	0.00		0.00
<b>Description of other fixed remunerations</b>				
<b>Variable remuneration</b>				

<b>Bonuses</b>	0.00	0.00		0.00
<b>Participation in results</b>	0.00	4,064,448.14		4,064,448.14
<b>Participation in meetings</b>	0.00	0.00		0.00
<b>Commissions</b>	0.00	0.00		0.00
<b>Other</b>	0.00	0.00		0.00
<b>Description of other variable remunerations</b>				
<b>Post-employment</b>	0.00	0.00		0.00
<b>Termination of office</b>	0.00	0.00		0.00
<b>Stock-based</b>	0.00	0.00		0.00
<b>Observation</b>				
<b>Total remuneration</b>	1,554,968.00	8,207,520.14		9,762,488.14

### 13.3 - Variable remuneration of the administrative council, statutory board and supervisory board

- a. *department*
- b. *number of members*
- c. *regarding bonuses:*
  - i. *minimum value foreseen in the remuneration plan*
  - ii. *maximum value foreseen in the remuneration plan*
  - iii. *value foreseen in the remuneration plan in case the established goals are achieved*

There is no minimum and maximum value or a established value foreseen in the remuneration plan, in case the established goals are achieved.

- iv. *value effectively recognized in the result over the last 3 fiscal years*
- d. regarding participation in the results: See item 13.2 in this Reference Form.
  - i. *minimum value foreseen in the remuneration plan: Zero*
  - ii. *maximum value foreseen in the remuneration plan:*

The limit is the Administrators' total annual remuneration or 10% of the profit calculated in accordance with article 190 of Law No. 6404/76, with the prevalence of the lowest limit.

- iii. *value foreseen in the remuneration plan in case the established goals are achieved:*

No value is foreseen in the remuneration plan in case the established goals are achieved.

- iv. *value effectively recognized in the result over the last 3 fiscal years:*

See item 13.2 of this Reference Form.

### 13.4 - Administrative Council and Statutory Board's share-based remuneration plan

*a. general terms and conditions:*

The Option Plan for the Purchase of Company Shares ("The Plan"), was approved by the Extraordinary General Assembly held on 04/30/1998. The Plan is managed by the Plan's Administration Committee, which has the power to fix the respective terms of each specific program.

During the meeting held on 03/05/2007, the Plan's Administration Committee created the 3rd Program, granting the option to purchase 123,800 preferential shares to 19 administrators and employees, for the fiscal year between 03/08/2010 and 05/07/2010, with a grace period for free trading until 05/06/2012, allowing the trade of up to 50% of the options exercised for the immediate acquittance of the fiscal year's price. The price established for each share is of R\$ 21.50, adjusted according to the IPCA variation since February of 2007, up to the month prior to the fiscal year, with the deduction of the distributed dividend and/or interest values on the equity, deliberated between the date the options were granted and their effective fiscal year. Such options were exercised through the sale of treasury shares withheld by the Company, in accordance with the decision made by the Administration Council.

During the meeting held on 02/28/2008, the Plan's Administration Committee created the 4th Program, granting the option to purchase 124,600 preferential shares to 22 administrators and employees, for the fiscal year between 03/08/2011 and 05/07/2011, with a grace period for free trading until 05/06/2013, allowing the trade of up to 50% of the options exercised for the immediate acquittance of the fiscal year price. The price established for each share was of R\$ 30.00 (thirty reais), adjusted according to the IPCA variation since 03/01/2008, up to the month prior to the fiscal year, with the deduction of the distributed dividend and/or interest values on the equity, that are eventually deliberated between the date the options were granted and their effective fiscal year. Such options were exercised through the sale of treasury shares withheld by the Company, in accordance with the decision made by the Administration Council.

During the meeting held on 11/30/2009, the Plan's Administration Committee created the 5th Program, granting the option to purchase 125,000 preference shares to 27 administrators and employees, for the fiscal year between 03/08/2012 and 05/10/2012, with a grace period for free trading until 05/06/2014, allowing the trade of up to 50% of the options exercised for the immediate acquittance of the fiscal year price. The price established for each share was of R\$ 27.00 (twenty seven Brazilian Reais), adjusted according to the IPCA variation since 12/01/2009, up to the month prior to the fiscal year, with the deduction of the distributed dividend and/or interest values on the equity, that are eventually deliberated between the date the options were granted and their effective fiscal year. The options will be exercised through the issuance of new shares and/or the sale of treasury shares withheld by the Company, in accordance with the decision to be made by the Administration Council.

*b. main objectives of the Plan:*

Align long-term interests between Company and Administrators.

*c. how the Plan contributes to these objectives:*

To the extent that the Administrators are also Company shareholders, their strategic and operational decisions become aligned with the generation of value, which can be realized through capital gains (share appreciation) and/or the payment of dividends.

*d. how the Plan is included in the issuer's remuneration policy:*

The Plan is a long-term incentive for the Administrators, while the variable annual salary and remuneration are included in the Company's medium and short-term remuneration policy.

*e. how the Plans aligns the administrators and issuer's long, medium and short-term interests:*

To the extent that the Administrators are also Company shareholders, their strategic and operational decisions become aligned with the generation of value, which can be realized through capital gains (share appreciation) and/or the payment of dividends.

*f. maximum number of shares included:*

Up to 5% (five percent) of preferred shares existing on the approval date of each Program. The 4th program established options to purchase 124,600 preference shares and the 5th Program established options to purchase 125,000 preference shares.

*g. maximum number of options to be granted:*

The options to purchase shares to be offered under the terms of the Plan, will represent, on a yearly basis, a maximum of 5% of the preference shares on the approval date of each program.

*h. conditions for acquisition of shares:*

The beneficiary of the Plan must (i) send the signed exercise option term to the Company, which must include the amount, type and class of shares purchased, the price of the option for that number of shares and payment conditions; and (ii) sign the Purchase Agreement Upon Exercise of Option Shares.

*i. criteria for determining the purchase price or exercise:*

The price will be determined from the weighted average price of transactions with Company's shares practiced at the Bm&f Bovespa within thirty (30) trading days prior to the granting of the option, where the net value resulting from this calculation may, at the Plan Management Committee's discretion, be increased or decreased by up to 35% (thirty five percent).

*j. criteria for determining the exercise period:*

They will be determined to each Program by the Plan Administration Committee. k. form of liquidation:

The specific payment conditions for the shares are defined for each program. The three programs currently in effect give the option for the respective beneficiaries to pay the value of shares (i) in cash, with beneficiaries' own resources; or (ii) within a period equal to that for the

liquidation of transactions at BM&fBovespa, calculated from the option exercise date, with resources originating from the sale of up to 50% (fifty percent) of the shares whose options are exercised, where this sale of shares must take place immediately after the exercise of options.

*l. restrictions to the transfer of shares:*

They will be determined to each Program by the Plan's Administration Committee. The transfer restrictions are determined to each Program by the Plan's Administration Committee. The three programs that are currently in effect (Programs 3, 4 and 5) have two-year periods of restriction for the transfer, from the end of the respective periods for the exercise of options.

*m. criteria and events that, when verified, will cause the suspension, modification or termination of the plan:*

The Plan may be modified or terminated through deliberation during the Company's General Assembly.

*n. effects of the Administrator's resignation from the issuer's departments on his/her rights foreseen under the share-based remuneration plan:*

If any option holder were to resign from the Company due to termination of the employment contract or retirement, dismissal, replacement or not being reelected for the administrative position, the option granted to him/her will be terminated on the date of dismissal or resignation. If the option has already been exercised by the Administrator, the shares will remain subject to any restrictions contained in the respective Program.

**13.5 - Investments in stocks, shares and other convertible securities owned by the administrative and supervisory board - per department**

	<b>Ordinary Shares (unit)</b>	<b>Preference Shares (unit)</b>
<b>Administrative Council</b>	5,170,230 of the Company and 26,666 of Saraiva e Siciliano S/A	30,527
<b>Board of Directors</b>	0	160,222

**13.6 - Administrative Board and Statutory Board's share-based remuneration**

The Option Plans for the Purchase of Shares only has Board members as beneficiaries.

2008

	<u>3rd Plan</u>	<u>4th Plan</u>
Number of members	19	22
Date of the grant	03/05/2007	02/28/2008
Number of shares granted (i)	123,800	124,600
Deadline for the shares to become exercisable	From 03/08/2010 to 05/07/2010	From 03/08/2011 to 05/07/2011
Maximum period to exercise the options	05/07/2010	05/07/2011
Share transfer restriction period	05/07/2012	05/06/2013
Weighted average of the exercise price for each of the following groups of options - R\$		
Outstanding at the beginning of the fiscal year	21,85	-
Lost during the fiscal year	-	-
Exercised during the fiscal year (iii)	-	-
Expired during the fiscal year Fair value of the options on the grant date - R\$ (ii)	11,20	12,61
Potential watering in case all granted options are exercised		
Value recorded in the fiscal year's results - R\$ thousand	451	418

2009

	<u>3rd Plan</u>	<u>4th Plan</u>	<u>5th Plan</u>
Number of members	19	22	27
Date of the grant	03/05/2007	02/28/2008	11/30/2009
Number of shares granted (i)	121,600	122,500	125,000
Deadline for the shares to become exercisable	From 03/08/2010 to 05/07/2010	From 03/08/2011 to 05/07/2011	From 03/08/2012 to 05/10/2012
Maximum period to exercise the options	05/07/2010	05/07/2011	05/10/2012
Share transfer restriction period	05/07/2012	05/06/2013	05/06/2014
Weighted average of the exercise price for each of the following groups of options - R\$. Outstanding at the beginning of the fiscal year.	22.53	30.75	
Lost during the fiscal year	22.77	-	-
Exercised during the fiscal year (iii)	-	-	-
Expired during the fiscal year	-	-	-
Fair value of options on the grant date - R\$ (ii)	11.20	12.61	12.06
Potential watering in case all granted options are exercised			
Value recorded in the fiscal year's results - R\$ thousand	427	482	57

**13.6 - Administrative Board and Statutory Board's share-based remuneration**2010

	3rd Plan	4th Plan	5th Plan
Number of members	19	22	27
Date of the grant	03/05/2007	02/28/2008	11/30/2009
Number of shares granted (i)	121,600	122,500	125,000
Deadline for the shares to become exercisable	From 03/08/2010 to 05/07/2010	From 03/08/2011 to 05/07/2011	From 03/08/2012 to 05/10/2012
Maximum period to exercise the options	05/07/2010	05/07/2011	05/10/2012
Restriction period for the transfer of shares Weighted average of the exercise price for each of the following groups of options - R\$	05/07/2012	05/06/2013	05/06/2014
Outstanding at the beginning of the fiscal year	22.88	31.53	27.00
Lost during the fiscal year	-	-	-
Exercised during the fiscal year (iii)	23.05	-	-
Expired during the fiscal year	23.05	-	-
Fair value of options on the grant date - R\$ (ii)	11.20	12.61	12.06
Potential watering in case all granted options are exercised			
Value recorded in the fiscal year's results - R\$ thousand	81	489	664

Forecast for the current fiscal year

	4th Plan	5th Plan
Number of members	22	27
Date of the grant	02/28/2008	11/30/2009
Number of shares granted (i)	122,500	125,000
Deadline for the shares to become exercisable	From 03/08/2011 to 05/07/2011	From 03/08/2012 to 05/10/2012
Maximum period for the exercise of the options Restriction period for the transfer of the shares.	05/07/2011 05/06/2013	05/10/2012 05/06/2014
Weighted average of the exercise price for each of the following groups of options - R\$		
Outstanding in the beginning of the fiscal year	32.27	27.08
Lost during the fiscal year	-	-
Exercised during the fiscal year (iv)	33.15	-
Expired during the fiscal year	33.15	-
Fair value of options on the grant date - R\$ (ii)	12.61	12.06
Potential watering in case all granted options are exercised	-	-
Value to be recorded in the fiscal year's results - R\$ thousand	90	664

(i) The No. of options presented for the 3rd and 4th Plans have been adjusted by the resignation of a beneficiary in 2009, in the amount of 2,200 options for the 3rd Plan and 2,100 options for the 4th Plan.

(ii) The option plan's fair value for the purchase of shares was calculated on the grant date of each plan and based on the binomial pricing model. The effects

**13.6 - Administrative Board and Statutory Board's share-based remuneration**

were reflected in the results, in the operational expenses account and in the earnings reserve account, as follows (In R\$ thousand):

<u>Plan</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Future</u>	<u>Total</u>
3rd	371	451	427	81	-	1,330
4th	-	418	482	489	90	1,479
5th	-	-	57	664	787	1,508
	<u>371</u>	<u>869</u>	<u>966</u>	<u>1,234</u>	<u>877</u>	<u>4,317</u>

(iii) During the period between April 23 and May 7 of 2010, 115,200 treasury shares were sold for the options exercise of the 3rd Option Plan for the Purchase of Stock.

(iv) During the period between April 1 and May 6 of 2011, 87,300 treasury shares were sold for the options exercise of the 4th Option Plan for the Purchase of Stock.

### 13.7 - Information about the outstanding options held by the board of directors and the statutory board

Department: BOARD OF DIRECTORS

	<u>3rd Plan</u>	<u>4th Plan</u>	<u>5th Plan</u>
Number of members	19	22	27
Regarding the options, which are not yet exercisable			
Quantity		122,500	125,000
Date when they will become exercisable		03/08/2011	03/08/2012
Maximum period to exercise the options		05/07/2011	05/10/2012
Share transfer restriction period		05/06/2013	05/06/2014
Weighted average of the exercise option Fair value of the options on the last day of the fiscal year.		32.27 12.61	27.08 12.06
Regarding the exercisable options			
Quantity	121,600	-	-
Maximum period to exercise the options	05/07/2010	-	-
Share transfer restriction period	05/07/2012	-	-
Weighted average of the exercise price	23.05	-	-
Fair value of options on the last day of the fiscal year	11.20	-	-
Fair value of all options on the last day of the fiscal year - R\$ thousand	1,330	-	-

### 13.8 - Options exercised and shares delivered relative to the stock-based compensation of the board of directors and the statutory board

Department: BOARD OF DIRECTORS

3rd Plan

Number of members	19
Regarding the options exercised No. of shares Weighted average exercise price.	115,200
Total value of the difference between the value of exercise	23.05
and the market value of shares relative to options exercised - R\$ thousand	1,862
In relation to the shares delivered	
No. of shares	121,600
Weighted average of the purchase price	7.85
Total value of the difference between the purchase price and the market value of shares purchased - in R\$ thousand	4,404

### **13.9 - Information required for the understanding of the data disclosed in items 13.6 to 13.8 - Pricing method of the share and option value**

The Binomial Model was used in determining the fair value of the options for the three outstanding Programs. The model was formulated by Cox, Ross and Rubinstein, based on the construction of the binomial tree, which represents different trajectories that can be followed through the price of an asset during its life cycle.

3rd and 4th Programs (grants made in 2007 and 2008, respectively).

#### Interest rates

For the 4th Program (2008), the estimated risk-free rate was based on fixed rates of the LTN's traded on 02/28/2008, maturing on 01/01/2010, with an average rate of 12.4431% and, NTN-F on 01/01/2012 with an average of 12.4561%, which resulted in an estimate of approximately 12.45%. For the 3rd Program (2007), the estimated risk-free rate was based on a fixed rate of NTN-F traded on 03/08/2007, maturing on 07/01/2010, with an average rate of 12.01%.

#### Cancellation fee

The cancellation fee or rotation adopted was of 2% per annum

#### Expected dividend yield

Estimation based on the historical average of the last 5 Dividend Yields (DY). The historical average obtained was of 3.3% p.a.

#### Volatility

The Moving Average Model or Historical Volatility was used: 36.36% for the 4th Plan (2008) and 34.12% for the 3rd Plan (2007).

Average life expectancy of options in years

Estimated according to the methodology used, as follows: 3.14 years for the 4th Program (2008) and 3.12% for the 3rd Program (2007).

Cash price of the share

The prices on the dates of the grants for the Binomial model input were considered, as follows: R\$ 31.49 for the 4th Program (2008) and R\$ 25.50 for the 3rd Program (2007).

Exercise price

The exercise price for the 3rd and 4th programs is adjusted according to the IPCA variation, up to the month prior to the exercise of the option and the dividends and interest on capital, eventually deliberated between the grant date of the options and the effective exercise of the options, must be subtracted from the exercise price, which has been readjusted on the same date on which such deliberations take place, with the update rate to fall upon the exercise price thus adjusted. The exercise prices were estimated based on the IPCA variation provided by Focus survey published by the Central Bank on 02/02/2009, being 4.5% for 2009 and 2010, assuming the same estimate for the following years. The prices estimated for each Program are demonstrated as follows:

**13.9 - Information necessary for understanding the data disclosed in items 13.6 to 13.8 - Pricing method of the value of shares and options**

4th Program (2008)

<u>Period</u>	<u>R\$</u>
March/2011	32.45
April/2011 May/2011	31.70 31.82

3rd Program (2007)

<u>Period</u>	<u>R\$</u>
March/2010	23.00
April/2010 May/2010	22.35 22.43

5th Program (grant made in 2009).

Interest rates

For the 5th Plan (2009), the rate of future interest rate contract traded at BMFBOVESPA was used on the date of the grant and the maturity date coinciding with the maturity of the options. The value of 12.20% per annum was assumed, based on 252 business days.

Expected dividend yield

Estimation based on the historical average of the last 5 Dividend Yields (DY). The historical average obtained was of 3.3% p.a.

Volatility

The volatility was calculated by using the standard deviation of daily logarithmic returns within the range between 11/30/2008 and 11/30/2009. In order to adjust the volatility, emphasizing the most recent events, we used EWMA (Exponentially Weighted Moving Average):  $A = 0.94$ . The volatility found was of 1.68% per business day.

Cash price of the share

The closing price not adjusted by SLED4 gains (Saraiva S/A Livreiros Editores share) was used on the grant date as cash price, R\$ 32.20.

**13.10 - Information about pension plans granted to members of the board of directors and statutory board**

There is no information about pension plans granted to members of the board of directors and statutory board.

**13.11 - Maximum, minimum, and average individual remuneration of the administrative board, statutory board, and supervisory board****Annual values**

	Statutory Board of Directors		Administrative Council	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
<b>No. of members</b>	7.00	7.00	5.00	5.00
<b>Value of the highest remuneration (R\$)</b>	2,920,383.13	3,076,933.45	381,396.00	345,096.00
<b>Value of the lowest remuneration (R\$)</b>	473,803.00	393,388.00	365,727.00	271,696.00
<b>Average remuneration value (R\$)</b>	1,156,731.88	1,157,003.19	371,994.60	310,993.60

**Observation****Statutory Board of Directors**

<b>12/31/2009</b>	In 2009, in the Statutory Board - Lowest remuneration value (in R\$)" item, as provided by the Official Memorandum/CVM/SEP/No. 03/2010, the remuneration of Mr. Marcílio D'Amico Pousada (Director without specific assignment), elected by the Annual General Assembly of 04/23/2009, was not considered.
-------------------	--

**Administrative Council**

**13.12 - Remuneration or compensation mechanisms for administrators in case of dismissal from office or retirement**

There are no remuneration or compensation mechanisms for administrators in case of dismissal from office or retirement.

**13.13 - Total remuneration percentage withheld by the administrators and members of the supervisory board who are parties associated to the controllers**

2010: The total remuneration percentage of the member of the Administration Council who is a party associated to the Controller is of 3.65%.

2009: The total remuneration percentage of the member of the Administration Council who is a party associated to the Controller is of 2.78%.

**13.14 - Remuneration of the administrators and supervisory board members, grouped per department, received for any reason other than the position they hold**

There is no remuneration of the administrators and supervisory board members, grouped per department, received for any reason other than the position they hold.

**13.15 - Remuneration of directors and supervisory directors recognized in the results of controllers, direct or indirect, in corporations under joint control and of issuing agencies and affiliated companies**

2010 - Livraria Saraiva Administration Council and Board of Directors:  
R\$ 1,039,914.00 and R\$ 2,062,672.00, respectively.

2009 - Livraria Saraiva Administration Council and Board of Directors: R\$  
660,960.00 and R\$ 2,389,056.00, respectively.

**13.16 - Other relevant information**

## a) Business transactions and loans

Transactions with associated parties include purchase, sale, donations and loan operations.

Business transactions for the sale of books from the Publishing House to the Bookstore are made based on the cover price of the books and normal discounts granted to bookstores, plus discounts for bulk purchases. The settlement of accounts receivable takes place with the transfer of financial resources from the Bookstore to the Publisher within the terms granted for each purchase order.

	<u>12/31/10</u>	<u>12/31/09</u>	<u>01/01/09</u>
Balances:			
Assets:			
Accounts receivable (current)	8,375	7,307	3,786
Loans granted - loan agreements (non-current)	16,550	6,964	52,167
Liabilities -			
Suppliers (current)	31	1	920
		<u>12/31/10</u>	<u>12/31/09</u>

## Transactions:

Sales of products	47,508	37,377
Purchases of goods	104	73
Financial revenue	1,488	1,874
Financial expenses	132	475

Donations are made in cash to Jorge Saraiva Institute, founded in 2004 and directed towards social and community actions. During the fiscal year ending on December 31 of 2010, donations were made in the amount of R\$ 500 (R\$ 450 on December 31, 2009).

## b) Board and Administrative Council members' remuneration

The Publishing House and Bookstore's Board and Administrative Council members' remuneration is as follows:

<u>Remuneration</u>	<u>12/31/10</u>	<u>12/31/09</u>
Administration Council Salaries	2,944	2,258
Board of Directors' Salaries	<u>7,708</u>	<u>7,837</u>
Sub-total	10,652	10,095
Profit sharing	5,485	4,065
Stock-based remuneration	<u>1,234</u>	<u>966</u>
	<u>17,371</u>	<u>15,126</u>

The Company does not grant post-employment and employment termination benefits. According to the Corporate Act and the Publishing House's Bylaws, the shareholders are responsible for establishing the Administration Council and Board of Director's global annual remuneration total in the General Assembly. The administrators also receive a participation of up to 10% of the profits.

**14.1 - Description of Human Resources**

*a. number of employees (total, per groups based on the activity performed and per geographical location)*

**Editora Saraiva.**

LOCATION	TOTAL No. OF EMPLOYEES		
	2011	2010	2009
<b>São Paulo</b>			
Office	447	456	421
Distribution Center	80	235	205
Sub-total	527	691	626

<b>Branches - Commercial Area</b>			
São Paulo (Bauru/Ribeirão Preto/Ético)	247	197	187
Rio de Janeiro	57	45	43
Porto Alegre	25	15	14
Curitiba	28	19	19
Belo Horizonte	41	26	25
Salvador	31	17	17
Recife	29	21	19
Belém	14	8	8
Campo Grande	10	7	7
Goiânia	19	14	12
Brasília	14	11	11
Fortaleza	6	3	2
Manaus	10	8	8
Sub-total	531	391	372
<b>TOTAL</b>	<b>1058</b>	<b>1082</b>	<b>998</b>

**14.1 - Description of Human Resources****Livraria Saraiva.**

LOCATION	TOTAL No. OF EMPLOYEES		
	2011	2010	2009
<b>São Paulo</b>			
Office	345	348	276
Distribution Center	409	373	254
Call Center	207	252	207
Sub-total	961	973	737
<b>Stores</b>			
São Paulo	1,203	1,118	1,081
Rio de Janeiro	422	461	426
Fortaleza	65	62	59
Paraíba	19	20	13
Brasília	107	100	99
Amazonas	67	69	70
Minas Gerais	82	56	44
Rio Grande do Sul	175	132	125
Espírito Santo	81	76	35
Florianópolis	50	48	52
Goiás	69	55	57
Bahia	205	278	261
Curitiba	54	54	53
Pará	58	58	0
Sub-total	<b>2,743</b>	<b>2,587</b>	<b>2,375</b>
<b>TOTAL</b>	<b>3,704</b>	<b>3,560</b>	<b>3,112</b>

*b. number of outsourced employees (total, per groups based on the activities performed and based on geographical location)*

**14.1 - Description of Human Resources*****Editora Saraiva.***

LOCATION	TOTAL No. OF EMPLOYEES		
	2011	2010	2009
<b>Cleaning</b>			
São Paulo	25	25	27
<b>Security</b>			
São Paulo	12	7	10
<b>Restaurant</b>			
São Paulo	26	25	30
<b>TOTAL</b>	<b>63</b>	<b>57</b>	<b>67</b>

***Livraria Saraiva.***

LOCATION	TOTAL No. OF EMPLOYEES		
	2011	2010	2009
<b>Cleaning</b>			
São Paulo	47	50	47
<b>Security</b>			
São Paulo	59	59	74
<b>Restaurant</b>			
São Paulo	4	4	6
<b>Sub-total</b>	<b>110</b>	<b>113</b>	<b>127</b>

**14.1 - Description of Human Resources*****Livraria Saraiva.***

LOCATION	TOTAL No. OF EMPLOYEES		
	2011	2010	2009
<b>Other Locations</b>			
Brasília	9	9	9
Goiás	3	3	3
Fortaleza	3	3	3
Rio Grande do Sul	14	14	15
Paraná	4	4	4
Rio de Janeiro	25	27	25
Bahia	16	15	13
Amazonas	4	4	4
Santa Catarina	4	4	4
Recife	4	4	4
Minas Gerais	5	5	5
Espirito Santo	2	2	2
Sub-total	93	94	91
<b>TOTAL</b>			
	<b>203</b>	<b>207</b>	<b>218</b>

*c. turnover rate:*

COMPANY	TURNOVER RATE	
	2010	2009
PUBLISHING HOUSE	5%	14%
BOOKSTORE	31%	29%

Note: retail is characterized by higher staff turnover.

*d. issuer's exposure to liabilities and contingencies*

*There is no issuer's exposure to liabilities and contingencies.*

## **14.2 - Relevant Changes - Human Resources**

There are no relevant changes to Human Resources.

### 14.3 - Description of employee remuneration policy

*a. salary policy and variable remuneration:*

The remuneration policy adopted by the Company has the objective of attracting and retaining talent in the various sectors of the organization, which is composed of:

- Base salary;
- Sales commission - sales team;
- Bonuses for results - sales team;
- Strict incentive campaigns.

*b. benefit policy:*

The Company's Benefit Plan in effect is composed of:

- Health Plan;
- Dental Plan;
- Meal Voucher / Restaurant;
- Food Voucher;
- Day Care Reimbursement;
- Public Transportation Voucher.

*c. characteristics of share-based remuneration plans for non-administration employees, identifying:*

*i. groups of beneficiaries*

*ii. conditions for the exercise*

*iii. exercise prices*

*iv. exercise period*

*v. number of shares committed by the plan See item 13.6 of this Reference Form.*

#### **14.4 - Description of the relationship between the issuer and the labor unions**

As a result of activities performed, Editora Saraiva relies on the union classification described below:

- Employer union: Sindicato Nacional dos Editores de Livros (National Association of Book Publishers)
- Employee Union: Sindicato dos Trabalhadores em Empresas de Livros (Union of Book Company Workers)

The Company maintains an adequate level of relationship with the unions, respecting the conventions according to the geographic location of its branches.

## 15.1 / 15.2 - Shareholder Position

Shareholder						
Shareholder's CPF/CNPJ	Nationality - State	Participates in a shareholder agreement		Controlling shareholder		Last modification
Qty. of ordinary shares (units)	Ordinary shares %	Qty. of preference shares (units)	Preference Shares %	Total qty. of shares (units)	Total shares %	
<b>Breakdown by share classes (units)</b>						
Share class	Qty. of shares (units)	Shares %				
<b>ABERDEEN ASSET MANAGEMENT PLC</b>						
		No	No	04/30/2011		
0	0.000000%	2,058,500	10.850000%	2,058,500	7.200000%	
Share class	Qty. of shares (units)	Shares %				
<b>TOTAL</b>	<b>0</b>	<b>0.000000%</b>				
<b>AMUNDI FUNDS</b>						
		No	No	04/30/2011		
0	0.000000%	2,849,376	15.020000%	2,849,376	9.960000%	
Share class	Qty. of shares (units)	Shares %				
<b>TOTAL</b>	<b>0</b>	<b>0.000000%</b>				
<b>PROFESSIONAL INVESTOR</b>						
		No	No	04/30/2011		
4,635	0.050000%	1,308,997	6.900000%	1,313,632	4.590000%	
Share class	Qty. of shares (units)	Shares %				
<b>TOTAL</b>	<b>0</b>	<b>0.000000%</b>				
<b>Leblon Equities</b>						
		No	No	05/31/2011		
0	0.000000%	951,000	5.010000%	951,000	3.330000%	
Share class	Qty. of shares (units)	Shares %				
<b>TOTAL</b>	<b>0</b>	<b>0.000000%</b>				
<b>Ernesto Zarzur</b>						
004.889.848-15	Brazilian - SP	No	No			
483,841	5.030000%	0	0.000000%	483,841	1.690000%	

## 15.1 / 15.2 - Shareholder Position

Shareholder						
Shareholder's CPF/CNPJ	Nationality - State	Participates in a shareholder agreement	Controlling shareholder	Last modification		
Qty. of ordinary shares (units)	Ordinary shares %	Qty. of preference shares (units)	Preference Shares %	Total qty. of shares (units)	Total shares %	
<b>Breakdown by share classes (units)</b>						
Share class	Qty. of shares (units)	Shares %				
<b>ITAÚ</b>						
		No	No	04/30/2011		
	0	0.000000%	1,548,712	8.160000%	1,548,712	5.420000%
Share class	Qty. of shares (units)	Shares %				
<b>TOTAL HSBC</b>	<b>0</b>	<b>0.000000%</b>				
		No	No	04/30/2011		
	0	0.000000%	2,815,566	14.840000%	2,815,566	9.850000%
Share class	Qty. of shares (units)	Shares %				
<b>TOTAL</b>	<b>0</b>	<b>0.000000%</b>				
<b>María Sylvia Saraiva M. Gonçalves</b>						
261.264.658-22	Brazilian - SP	No	No			
	493,619	5.130000%	6	0.000000%	493,625	1.730000%
Share class	Qty. of shares (units)	Shares %				
<b>TOTAL</b>	<b>0</b>	<b>0.000000%</b>				
<b>Olga Maria Barbosa Saraiva</b>						
531.003.108-10	Brazilian - SP	No	No			
	1,131,364	11.760000%	0	0.000000%	1,131,364	3.960000%
<b>Jorge Eduardo Saraiva</b>						
516.543.778-72	Brazilian - SP	No	Yes			
	4,520,574	46.980000%	30,026	0.160000%	4,550,600	15.910000%
Share class	Qty. of shares (units)	Shares %				
<b>TOTAL</b>	<b>0</b>	<b>0.000000%</b>				

## 15.1 / 15.2 - Shareholder Position

Shareholder						
Shareholder's CPF/CNPJ	Nationality - State	Participates in a shareholder agreement	Controlling shareholder	Last modification		
Qty. of ordinary shares (units)	Ordinary shares %	Qty. of preference shares (units)	Preference Shares %	Total qty. of shares (units)	Total shares %	
<b>Breakdown by share classes (units)</b>						
Share class	Qty. of shares (units)	Shares %				
<b>Maria Henriqueta Saraiva M. Gonçalves</b>						
272.538.888-04	Brazilian - SP	No	No			
	493,620	5.130000%	6	0.000000%	493,626	1.730000%
	Share class	Qty. of shares (units)	Shares %			
<b>TOTAL</b>	<b>0</b>	<b>0.000000%</b>				
<b>Maria Eugênia Saraiva M. Gonçalves</b>						
151.632.208-88	Brazilian - SP	No	No			
	493,620	5.130000%	6	0.000000%	493,626	1.730000%
	Share class	Qty. of shares (units)	Shares %			
<b>TOTAL</b>	<b>0</b>	<b>0.000000%</b>				
<b>Maria Cecília Saraiva Mendes Gonçalves</b>						
173.319.848-29	Brazilian - SP	No	No			
	493,619	5.130000%	6,500	0.030000%	500,119	1.750000%
	Share class	Qty. of shares (units)	Shares %			
<b>TOTAL</b>	<b>0</b>	<b>0.000000%</b>				
<b>OTHER</b>						
	1,507,421	15.660000%	7,241,865	38.170000%	8,749,286	30.580000%
	Share class	Qty. of shares (units)	Shares %			
<b>TOTAL</b>	<b>0</b>	<b>0.000000%</b>				
<b>TREASURY SHARES - Last modification:</b>						
	0	0.000000%	163,250	0.860000%	163,250	0.570000%
	Share class	Qty. of shares (units)	Shares %			
<b>TOTAL</b>	<b>0</b>	<b>0.000000%</b>				

**15.1 / 15.2 - Shareholder Position**

Shareholder						
Shareholder's CPF/CNPJ	Nationality - State	Participates in a shareholder agreement		Controlling shareholder	Last modification	
Qty. of ordinary shares (units)	Ordinary shares %	Qty. of preference shares (units)	Preference Shares %	Total qty. of shares (units)	Total shares %	
<b>Breakdown by share classes (units)</b>						
Share class	Qty. of shares (units)	Shares %				
<b>TOTAL</b>	9,622,313	100.000000%	18,973,810	100.000000%	28,596,123	100.000000%

**15.1 / 15.2 - Shareholder Position**

CONTROLLER / INVESTOR					
SHAREHOLDER					
Shareholder's CPF/CNPJ	Nationality - State	Participates in a shareholder agreement	Controlling shareholder	Last modification	
Share details (units)					
Qty. of ordinary shares (units)	Ordinary shares %	Qty. of preference shares (units)	Preference Shares %	Total qty. of shares (units)	Total shares %

**15.3 - Distribution of capital**

<b>Last assembly date / Last modification date</b>	04/25/2011
<b>Number of individual entity shareholders (Units)</b>	640
<b>Number of legal entity shareholders (Units)</b>	256
<b>Number of institutional investors (Units)</b>	0

**Shares in circulation**

Shares in circulation, corresponding to all of the issuer's shares, with the exception of those held by the controller, the people connected to it, the issuer's administrators and treasury shares.

<b>Number of ordinary shares (Units)</b>	4,452,083	46.270000%
<b>Number of preferential shares (Units)</b>	18,557,451	97.810000%
<b>Total</b>	23,009,534	80.460000%

## **15.4 - Shareholder Organizational Chart**

There is no shareholder organizational chart, we only have one individual entity as the controller.

**15.5 - Shareholder Agreement filed at the issuing agency's headquarters or, of which the controller is part**

There is no Shareholder Agreement filed at the issuing agency's headquarters or, of which the controller is part.

**15.6 - Relevant changes in the participation of members of the control group and issuing agency's administrators**

There are no relevant changes in the participation of members of the control group and issuing agency's administrators.

### **15.7 - Other relevant information**

There is no other relevant information.

## **16.1 - Description of issuing agency's rules, policies and practices as to transactions with related parts**

Transactions with related parties are part of the Publishing House's business and are conducted in equal terms to those that are dismissed in transactions with independent parties. The main business transactions are conducted with the Saraiva e Siciliano S.A. subsidiary

The Publishing House holds 99.98% interest in the Bookshop, which is among the Publishing House's main customers in the bookseller segment, representing approximately 11% of the annual revenues recorded for the fiscal year ending on December 31, 2010. Business conditions are similar to those practiced with the other booksellers of the same size regarding the discount and payment terms policy.

The Publishing House also conducts the purchase of some of the Bookstores goods to be used in its administrative and commercial activities. These purchases are made under normal market conditions and are deemed irrelevant in the amount of purchases made for this purpose.

Global and annual remuneration of the administrators is established by the shareholders in the General Assembly, according to the Corporate Act and the Company's Bylaws.

### **Jorge Saraiva Institute - IJS**

The IJS has the objective of providing assistance and promoting the social inclusion of low-income children, teenagers and seniors and those with disabilities, in order to ensure social, cultural, professional and economic value of these people. IJS currently provides free preschool education to approximately 100 children, ages 2 to 6, who stay at school from 7:00 am to 5:00 pm.

**16.2 - Information about transactions with related parties**

Related party	Transaction Date	Amount involved (R\$)	Existing balance (R\$)	Amount (R\$)	Duration	Loan or other type of debt	Interest rate charged
<b>Saraiva e Siciliano S/A</b>	04/23/2009	8,098,000.00	R\$ 16,550,000.00	Not applicable	Indefinitely	YES	1.000000
<b>Relationship with the issuer</b>	Subsidiary						

**Contract object** The business transactions with the Bookstore include purchasing and sale operations and loan agreements. The loan agreement signed on 04/23/2009 has indeterminate maturity and foresees the charging of interest equivalent to 101% of the ICD variation. Loans of R\$ 5,743 were granted to Pigmento Editorial S.A. in December of 2007 under the same terms and interest rate conditions as those practiced with the Bookstore. These loans were settled with the incorporation of Pigmento Editorial S.A. on February 1, 2008.

**Guarantees and insurance** Not applicable

**Termination or extinction** None have been formally stipulated

**Nature and reason for the operation** Interest rate charged 1% (+) the ICD variation

**16.3 - Identification of the measures taken to deal with conflict of interests and demonstration of the strictly commutative nature of the agreed conditions or the proper compensatory payment**

There were no conflicts of interest. Business transactions with the subsidiary are monitored by the Administration Council, which manages potential conflicts of interests of the executives, board members and shareholders, and makes sure that the transactions with related parties are conducted in accordance with market parameters and conditions, as to payment terms, interest rates and guarantees.

**17.1 - Information about capital**

Authorization or approval date	Capital value (R\$)	Down-payment term	Number of ordinary shares (units)	Number of preference shares (units)	Total number of shares (units)
<b>Type of capital</b>	<b>Issued Capital</b>				
04/25/2011	203,653,000.00		9,622,313	18,973,810	28,596,123
<b>Capital per share class</b>		<b>Other securities convertible into shares</b>			
<b>Preference stock class</b>	<b>Total number of shares (units)</b>	<b>Securities</b>	<b>Conditions for conversion</b>		
		NOT APPLICABLE	Not applicable		
<b>Type of capital</b>	<b>Subscribed Capital</b>				
04/25/2011	203,653,000.00		9,622,313	18,973,810	28,596,123
<b>Type of capital</b>	<b>Paid-in Capital</b>				
04/25/2011	203,653,000.00		9,622,313	18,973,810	28,596,123
<b>Type of capital</b>	<b>Authorized Capital</b>				
04/26/2007	0.00		0	4,000,000	4,000,000

**17.2 - Share capital increase**

Deliberation date	Department that deliberated the increase	Issuance date	Issuance total value (R\$)	Type of increase	Ordinary Shares (units)	Preference Shares (units)	Total number of shares (units)	Subscription / Previous Capital	Issuance price	Price factor
04/25/2011	AGOE	01/01/0001	0.00	No issuance of shares	0	0	0	0.00000000	0.00	R\$ per Unit

**Criteria for determining the issuance price**  
**Down-payment term**

### **17.3 - Information about splits, reverse splits and bonus shares**

**Justification for not completing the chart:**

The company did not perform splits, reverse splits or bonuses.

## **17.4 - Information about capital reductions**

### **Justification for not completing the chart:**

The Company has not carried out capital reduction.

### **17.5 - Other relevant information**

There is no other relevant information.

**18.1 - Share rights**

<b>Type of shares or CDA</b>	<b>Ordinary</b>
<b>Tag along</b>	100.000000
<b>Right to dividends</b>	<p>Corporate Act determines that the bylaws of a Brazilian corporation specify a minimum percentage of the profits available for the payment of dividends to shareholders, in each fiscal year, albeit it may be paid in the form of interest on capital, which is called the minimum mandatory dividend.</p> <p>The minimum mandatory dividend is based on a percentage of net profits adjusted in accordance with the Corporate Act, rather than a fixed monetary value per share. According to our Bylaws and in accordance with the Corporate Act, we must allocate at least 25% of our adjusted net profit (in accordance with art. 202 of the Corporate Act) to the payment of dividends to our ordinary as well as preference shareholders.</p> <p>The mandatory dividend can also be paid as interest on capital, treated as a deductible expense for IRPJ and CSLL purposes.</p>
<b>Right to Vote</b>	Complete
<b>Convertibility</b>	No
<b>Right to capital reimbursement</b>	Yes
<b>Description of capital reimbursement characteristics</b>	In case of exercising the right of withdrawal, our shareholders will be entitled to receive the equity value of their shares, based on our latest balance sheet approved by the general assembly. If, however, the decision that provided the right of withdrawal, occurred over 60 days after the date of the last approved balance sheet, the shareholder may request, together with the reimbursement, the drafting of a special balance that meets such a period, for the assessment of the asset value of his/her shares.
<b>Circulation restriction</b>	Yes
<b>Description of the restriction</b>	<p>We are subject to rules established by CVM Instruction No. 358, regarding the trading of securities issued by us. Thus, our Company, our controlling shareholder, members of our Administration Council, our directors and members of our Supervisory Board, when installed, the members of our committees and any departments with technical or advisory functions, created by statutory provision (considered as "insiders" for purposes of the Law of Securities Market) are prohibited from trading securities issued by us, including derivative transactions involving securities issued by our Company, under the following conditions:</p> <ul style="list-style-type: none"> <li>• prior to the disclosure to the market of an action or relevant fact taking place in our business;</li> <li>• who resign from positions in our management prior to the disclosure of relevant information regarding our Company, originating during their term of office, being extended to the prohibition of trading</li> </ul>
<b>Conditions for the alteration of rights guaranteed by such securities</b>	Changes in the statutory provisions mentioned in item 18.1 "b" depend on a majority vote during a special meeting of preference shareholders.
<b>Other relevant characteristics</b>	Our Bylaws also provide that the Company may not, except if authorized by a majority vote during a special assembly of holders of preference shares, retain, for over four successive quarters, the availability of funds - understood as the sum of the values recorded under "cash and banks" and "investments", minus the sum of values recorded under "loans and financing" of the liabilities and long-term "loans and financing" - in an amount greater than 25% of the total assets, as long as the economic and financial situation allows it.
<b>Type of shares or CDA</b>	Preference
<b>Tag along</b>	90.000000

## 18.1 - Share rights

Right to dividends	<p>Corporate Act determines that the bylaws of a Brazilian corporation specify a minimum percentage of the profits available for the payment of dividends to shareholders, in each fiscal year, albeit it may be paid in the form of interest on capital, which is called the minimum mandatory dividend.</p> <p>The minimum mandatory dividend is based on a percentage of net profits adjusted in accordance with the Corporate Act, rather than a fixed monetary value per share. According to our Bylaws and in accordance with the Corporate Act, we must allocate at least 25% of our adjusted net profit (in accordance with art. 202 of the Corporate Act) to the payment of dividends to our ordinary as well as preference shareholders.</p> <p>The mandatory dividend can also be paid as interest on capital, treated as a deductible expense for IRPJ and CSLL purposes.</p>
Right to Vote	No Right
Convertibility	No
Right to capital reimbursement	Yes
Description of capital reimbursement characteristics	<p>In case of exercising the right of withdrawal, our shareholders will be entitled to receive the equity value of their shares, based on our latest balance sheet approved by the general assembly. If, however, the decision that provided the right of withdrawal, occurred over 60 days after the date of the last approved balance sheet, the shareholder may request, together with the reimbursement, the drafting of a special balance that meets such a period, for the assessment of the asset value of his/her shares.</p>
Circulation restriction	No
Conditions for the alteration of rights guaranteed by such securities	<p>Changes in the statutory provisions mentioned in item 18.1 "b" depend on a majority vote during a special meeting of preference shareholders.</p>
Other relevant characteristics	<p>Our Bylaws also provide that the Company may not, except if authorized by a majority vote during a special assembly of holders of preference shares, retain, for over four successive quarters, the availability of funds - understood as the sum of the values recorded under "cash and banks" and "investments", minus the sum of values recorded under "loans and financing" of the liabilities and long-term "loans and financing" - in an amount greater than 25% of the total assets, as long as the economic and financial situation allows it.</p>

---

**18.2 - Description of eventual statutory rules that limit voting rights of significant shareholders or that requires them to make a public offer**

There are no statutory rules that limit voting rights of significant shareholders or that requires them to make a public offer.

**18.3 - Description of exceptions and suspensive clauses relative to property or political rights provided in the statute**

There is no description of exceptions and suspensive clauses relative to property or political rights provided in the statute.

**18.4 - Transaction volume and higher and lower prices of traded securities**

<b>Fiscal Year</b>	<b>12/31/2010</b>						<b>Value of highest</b>	<b>Value of lowest price</b>
<b>Quarter</b>	<b>value</b>	<b>Type</b>	<b>Class</b>	<b>Market</b>	<b>Administrative entity</b>	<b>Trading volume (R\$)</b>	<b>price (R\$)</b>	<b>(R\$) Price factor</b>
03/31/2010	Shares	Ordinary		Stock Exchange	BM&FBOVESPA S.A. - Stock Exchange, Commodities and Futures	266,624	30.13	R\$ 23.50 per Unit
06/30/2010	Shares	Ordinary		Stock Exchange	BM&FBOVESPA S.A. - Stock Exchange, Commodities and Futures	462,800	33.00	R\$ 27.00 per Unit
09/30/2010	Shares	Ordinary		Stock Exchange	BM&FBOVESPA S.A. - Stock Exchange, Commodities and Futures	65,695	32.90	R\$ 29.74 per Unit
12/31/2010	Shares	Ordinary		Stock Exchange	BM&FBOVESPA S.A. - Stock Exchange, Commodities and Futures	41,298	32.00	R\$ 30.50 per Unit
03/31/2010	Shares	Preferential		Stock Exchange	BM&FBOVESPA S.A. - Stock Exchange, Commodities and Futures	101,672,660	39.48	R\$ 33.60 per Unit
06/30/2010	Shares	Preference		Stock Exchange	BM&FBOVESPA S.A. - Stock Exchange, Commodities and Futures	101,332,307	40.00	R\$ 32.40 per Unit
09/30/2010	Shares	Preference		Stock Exchange	BM&FBOVESPA S.A. - Stock Exchange, Commodities and Futures	129,225,174	37.89	R\$ 33.80 per Unit
12/31/2010	Shares	Preferential		Stock Exchange	BM&FBOVESPA S.A. - Stock Exchange, Commodities and Futures	159,900,507	46.75	R\$ 36.20 per Unit
<b>Fiscal Year</b>	<b>12/31/2009</b>						<b>Value of highest</b>	<b>Value of lowest price</b>
<b>Quarter</b>	<b>value</b>	<b>Type</b>	<b>Class</b>	<b>Market</b>	<b>Administrative entity</b>	<b>Trading volume (R\$)</b>	<b>price (R\$)</b>	<b>(R\$) Price factor</b>
03/31/2009	Shares	Ordinary		Stock Exchange	BM&FBOVESPA S.A. - Stock Exchange, Commodities and Futures	3,800	19.00	R\$ 19.00 per Unit
06/30/2009	Shares	Ordinary		Stock Exchange	BM&FBOVESPA S.A. - Stock Exchange, Commodities and Futures	4,100	20.50	R\$ 20.50 per Unit
09/30/2009	Shares	Ordinary		Stock Exchange	BM&FBOVESPA S.A. - Stock Exchange, Commodities and Futures	106,753	29.23	R\$ 20.00 per Unit
12/31/2009	Shares	Ordinary		Stock Exchange	BM&FBOVESPA S.A. - Stock Exchange, Commodities and Futures	122,892	26.00	R\$ 20.10 per Unit
03/31/2009	Shares	Preference		Stock Exchange	BM&FBOVESPA S.A. - Stock Exchange, Commodities and Futures	42,009,514	16.80	R\$ 12.60 per Unit
06/30/2009	Shares	Preference		Stock Exchange	BM&FBOVESPA S.A. - Stock Exchange, Commodities and Futures	95,046,836	24.10	R\$ 15.30 per Unit
09/30/2009	Shares	Preference		Stock Exchange	BM&FBOVESPA S.A. - Stock Exchange, Commodities and Futures	118,857,591	31.58	R\$ 22.25 per Unit
12/31/2009	Shares	Preference		Stock Exchange	BM&FBOVESPA S.A. - Stock Exchange, Commodities and Futures	107,474,785	35.00	R\$ 28.10 per Unit

**18.4 - Transaction volume and higher and lower prices of traded securities**

<b>Fiscal Year</b>	<b>12/31/2008 Securities value</b>	<b>Type</b>	<b>Class</b>	<b>Market</b>	<b>Administrative Entity</b>	<b>Trading volume (R\$)</b>	<b>Value of highest price (R\$)</b>	<b>Value of lowest price (R\$) Price factor</b>
03/31/2008	Shares	Ordinary		Stock Exchange	BM&FBOVESPA S.A. - Stock Exchange, Commodities and Futures	125,428	30.80	R\$ 21.03 per unit
06/30/2008	Shares	Ordinary		Stock Exchange	BM&FBOVESPA S.A. - Stock Exchange, Commodities and Futures	161,636	32.00	R\$ 22.00 per unit
09/30/2008	Shares	Ordinary		Stock Exchange	BM&FBOVESPA S.A. - Stock Exchange, Commodities and Futures	13,656	28.00	R\$ 24.56 per unit
12/31/2008	Shares	Ordinary		Stock Exchange	BM&FBOVESPA S.A. - Stock Exchange, Commodities and Futures	61,579	19.99	R\$ 15.10 per unit
03/31/2008	Shares	Preference		Stock Exchange	BM&FBOVESPA S.A. - Stock Exchange, Commodities and Futures	91,461,240	34.89	R\$ 25.30 per unit
06/30/2008	Shares	Preference		Stock Exchange	BM&FBOVESPA S.A. - Stock Exchange, Commodities and Futures	100,106,572	33.40	R\$ 26.89 per unit
09/30/2008	Shares	Preference		Stock Exchange	BM&FBOVESPA S.A. - Stock Exchange, Commodities and Futures	84,663,087	32.00	R\$ 22.90 per unit
12/31/2008	Shares	Preference		Stock Exchange	BM&FBOVESPA S.A. - Stock Exchange, Commodities and Futures	59,057,365	24.00	R\$ 14.10 per unit

## **18.5 - Description of other securities issued**

### **Justification for not completing the chart:**

There is no description of other securities issued.

## **18.6 - Brazilian markets in which securities are allowed to be traded**

BM&FBOVESPA.

**18.7 - Information about the class and type of securities allowed to be traded in foreign markets**

a. *country:*

United States of America.

b. *market:*

Rule 144A and Regulation S (over-the-counter market).

c. *managing entity of the market in which securities are admitted to trading:*

SEC - Securities and Exchange Commission.

d. *date of admission to trading:*

Rule 144A on April 11, 2006; Regulation S on April 11, 2006; Ordinary Level I and Preference Level I on September 20, 2000.

e. *if any, indicate the trading segment: OTC - Over-the-Counter.*

f. *listing date in the trading segment: See item "d" above.*

g. *percentage of trading volume abroad in comparison to the total volume of negotiations for each class and type during the last fiscal year:*

Zero - the programs do not have ADR's.

h. *if any, the ratio of foreign deposit certificates for each class and type of share:*

1:1.

i. *if any, the depositary bank: Bank of New York Mellon.*

j. *if any, the custodian institution: Banco Itaú S.A.*

**18.8 - Takeover bids of distribution made by the issuer or by third parties, including controllers and associated companies and subsidiaries, relative to issuer's securities**

There are no distribution bids made by the issuer or by third parties, including controllers and associated and subsidiary companies, relative to the issuer's securities.

**18.9 - Description of takeover bids made by the issuer relative to shares issued by third parties**

There is no description of takeover bids made by the issuer relative to shares issued by third parties

### **18.10 - Other relevant information**

There is no other relevant information.

## **19.1 - Information about plans to repurchase issuer shares**

### **Justification for not completing the chart:**

There is no plan underway to repurchase company shares.

**19.2 - Transaction of securities held in treasury**

Fiscal year 12/31/2010

**Shares**

Type of share	Preference stock class	Description of securities		
<b>Preference</b>				
Operations	Quantity (Units)	Total Value (R\$)	Weighted average price (R\$)	
Opening balance	365,750	2,870,000.00	7.85	
Acquisition	0	0.00	0.00	
Sale	115,200	905,000.00	7.86	
Cancellation	0	0.00	0.00	
Closing balance	250,550	1,965,000.00	7.84	

Fiscal year 12/31/2009

**Shares**

Type of share	Preference stock class	Description of securities		
<b>Preference</b>				
Operations	Quantity (Units)	Total Value (R\$)	Weighted average price (R\$)	
Opening balance	365,750	2,870,000.00	7.85	
Acquisition	0	0.00	0.00	
Sale	0	0.00	0.00	
Cancellation	0	0.00	0.00	
Closing balance	365,750	2,870,000.00	7.85	

Fiscal year 12/31/2008

**Shares**

Type of share	Preference stock class	Description of securities		
<b>Preference</b>				
Operations	Quantity (Units)	Total Value (R\$)	Weighted average price (R\$)	
Opening balance	365,750	2,870,000.00	7.85	
Acquisition	0	0.00	0.00	
Sale	0	0.00	0.00	
Cancellation	0	0.00	0.00	
Closing balance	365,750	2,870,000.00	7.85	

**19.3 - Information on securities held in treasury on the closing date of the last fiscal year**

Securities value      Shares

Type of share	Share class	Description of the values securities	Quantity (Units)	Weighted average price acquisition	Price factor	Acquisition date	Shares in circulation relationship (%)
Preference			250,550	7.85	R\$ per Unit		1.350000

**19.4 - Other relevant information**

Of the total shares held in treasury, 115,200 shares were sold during the period from April 23 to May 7 of 2010, for the exercise of options of the 3rd Stock Purchase Option Plan.

During the period between April 1 and May 6 of 2011, 87,300 treasury shares were sold for the options exercise of the 4th Option Plan for the Purchase of Stock.

## 20.1 - Information about the policy of trading securities

**Approval Date** 06/26/2002

**Position and/or function** Controlling Shareholders; Administration Council Members; Statutory Board Members; Supervisory Board Members, when installed; Department Members with Technical or Consulting Functions, in case they are created by the Statute; Employees and Executives with access to Relevant Information; and also, anyone who, due to his/her position or function at the Parent Company, the Subsidiary and Associated Companies, has knowledge about information regarding a Relevant Action or Fact about the Company.

### Main characteristics

Restrictions on trading in securities issued by the Company in certain periods.

**Restriction periods and the description of supervisory procedures** People linked to Trading Policy cannot trade Company securities for a period of 15 (fifteen) days prior to the disclosure or publication of the Quarterly Information (ITR) and the Company's Standardized Financial Statements (DFP). The Company has expressly instructed the accredited brokers not to record operations made by the aforementioned people during the period of 15 (fifteen) days prior to the publication of Company's ITR or DFP. People linked to the Trading Policy cannot trade Company securities either, whenever (i) there is any Act or Fact relevant to Company's business, of which they are aware, until the Company discloses it to the market, (ii) there is an intention to promote the incorporation, total or partial split, merger, corporate transformation or reorganization; and (iii) an option or mandate is underway or has been granted for the purpose of acquisition or sale of Company's issuing shares by the Company itself, its Subsidiaries, its Associated Companies or other companies under common control. Finally, those linked to the Trading Policy must refrain from trading securities issued by the Company during all periods in which, by virtue of communication from the Director of Investor Relations, there is a determination of non-trading ("Black-Out Period"), where the Director of Investor Relations is not obliged to justify the decision to determine the black-out period, which will be treated confidentially by its recipients.

---

## **20.2 - Other relevant information**

There is no other relevant information.

## **21.1 - Description of the standards, rules or internal procedures relative to information disclosure**

With the purpose to ensure that the Director of Investor Relations can fulfill his/her legal obligations, charges were created for certain people linked to the Company, requiring them to inform any Relevant Act or Fact that they are aware of to the Director of Investor Relations, so that he/she can adopt the necessary procedures. When a person who is subject to Disclosure Policy has news or personal knowledge of an act or fact that he/she deems relevant or that someone, whether subject or not to the Disclosure Policy, is practicing the act, which suggests that a breach of confidentiality may have occurred, the person must report it immediately to the Company's Director of Investor Relations. After the information is provided (and the decision to maintain confidentiality, pursuant to legal requirements, has not been established), in case such a person verifies the Director of Investor Relations' omission in fulfilling his/her communication and disclosure duty, he/she will only be exempt of responsibility if he/she immediately informs the Relevant Act or Fact to CVM. In fulfilling his/her role, the Director of Investor Relations may inquire people with access to relevant acts or facts, in order to investigate if they have knowledge of other information that must also be disclosed to the market.

The act or fact will only be kept confidential if and while its disclosure jeopardizes the Company's legitimate interests. In these situations, non-disclosure of a Relevant Act or Fact related to the Company, will be object of Controlling Shareholders' decision (in case of negotiations for the Company's transfer of control, acquisition, merger, split, or other issue of such nature) or of Company Administrators (in case of any other Relevant Act or Fact), who will assess the potential risk to the Company's legitimate interests.

The Administrators and Controlling Shareholders may submit their decision to CVM, exceptionally, of maintaining Relevant Acts or Facts whose disclosure jeopardize the Company's legitimate interests, as permitted by the 7<sup>th</sup> of CVM Instruction No. 358/02. In case the Relevant Act or Fact is linked to operations that directly involve Controlling Shareholders and they decide for their non-disclosure, the Controlling Shareholders must inform the Company's Investor Relations Director. Even if the Administrators and Controlling Shareholders decide not to disclose the Relevant Act or Fact, it is their duty to immediately disclose the Relevant Act or Fact, directly or through the Investor Relations Director, in the event of atypical fluctuation in the price or volume of Company Securities traded.

**21.2 - Description of the disclosure policy regarding actions or relevant facts and procedures relative to maintaining confidentiality about undisclosed relevant information**

See item 21.1.

**21.3 - Administrators responsible for implementing, maintaining, evaluating, and monitoring the information disclosure policy**

Director of Investor Relations.

#### **21.4 - Other relevant information**

There is no other relevant information.

**22.1 - Acquisition or disposal of any relevant asset that is not classified as issuer's normal operating business**

There is no acquisition or sale of any relevant asset that is not classified as issuer's normal operating business.

## **22.2 - Significant changes in the way the issuer conducts business**

There are no significant changes in the way the issuer conducts business.

**22.3 - Relevant contracts signed by the issuer and its subsidiaries, which are not directly related to its operational activities**

There are no relevant contracts signed by the issuer and its subsidiaries, which are not directly related to its operational activities.

## **22.4 - Other relevant information**

There is no other relevant information.