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01.01 - IDENTIFICATION

1 - CVM CODE 01047-2	2 - TRADE NAME SARAIVA S.A. LIVREIROS EDITORES	3 - CNPJ [National Directory of Legal Entities] 60.500.139/0001-26
4 - NIRE [Company Registry Identification Number]		

01.02 - HEAD OFFICE

1 - FULL ADDRESS Av. Marquês de São Vicente no. 1697		2 - District Barra Funda	
3 - ZIP CODE 01139-904	4 - CITY São Paulo		5 - STATE SP
6 - AREA CODE 011	7 - TELEPHONE 3611-3344	8 - TELEPHONE -	9 - TELEPHONE -
10 - TELEX	11 - AREA CODE 011	12 - FAX 3611-3308	13 - FAX
14 - FAX	15 - E-MAIL http://www.editorasaraiva.com.br		

01.03 - DIRECTOR OF MARKET RELATIONS (Address for Correspondence with the Company)

1 - NAME João Luís Ramos Hopp			
2 - FULL ADDRESS Rua Edgard Teotônio Santana 206		3 - DISTRICT Barra Funda	
4 - 01140-030	5 - CITY São Paulo		6 - STATE SP
7 - AREA CODE 011	8 - TELEPHONE 3611-2244	9 - TELEPHONE -	10 - TELEPHONE -
11 - TELEX	12 - AREA CODE 011	13 - FAX 3619-3062	14 - FAX
15 - FAX	16 - E-MAIL jlhopp@editorasaraiva.com.br		

01.04 - REFERENCE / AUDITOR

FISCAL YEAR	1 - BEGINNING DATE OF FISCAL YEAR	2 - END DATE OF FISCAL YEAR
1 - Latest	01/01/2004	12/31/2004
2 - Penultimate	01/01/2003	12/31/2003
3 - Antepenultimate	01/01/2002	12/31/2002
4 - NAME/TRADE NAME OF AUDITOR Deloitte Touche Tohmatsu Auditores Independentes		5 - CVM CODE 00385-9
6 - NAME OF ACCOUNTANT RESPONSIBLE Marco Antonio Brandão Simurro		7 - TAXPAYER REGISTRY [CPF] OF ACCOUNTANT RESPONSIBLE 755.400.708-44

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01.05 - CAPITAL STOCK STRUCTURE

Number of Shares (Thousand)	1 12/31/2004	2 12/31/2003	3 12/31/2002
Paid-in Capital			
1 - Common	9,622	9,622	9,622
2 - Preferred	13,647	13,647	13,647
3 - Total	23,269	23,269	23,269
Treasury Shares			
4 - Common	0	0	0
5 - Preferred	333	333	286
6 - Total	333	333	286

01.06 - COMPANY'S CHARACTERISTICS

1 - TYPE OF COMPANY Trading, Industrial & Other Companies
2 - TYPE OF STATUS Operational
3 - NATURE OF EQUITY CONTROL Private National
4 - ACTIVITY CODE 110 - Print Shops, Publishers
5 - MAIN BUSINESS Book editing and publishing
6 - TYPE OF CONSOLIDATED Total

01.07 - COMPANIES NOT INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

1 - ITEM	2 - CNPJ	3 - TRADE NAME
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01.08 - CASH EARNINGS

1 - ITEM	2 - EVENT	3 - APPROVAL	4 - TYPE OF EARNINGS	5 - BEGINNING PAYMENT	6 - TYPE OF SHARE	7 - EARNINGS PER SHARE
01	RCA	01/26/2005	Interests on own capital		COMMON NOM.	0.4076920600
02	RCA	01/26/2005	Interests on own capital		PREFER.NOM.	0.4076920600

01.09 - DIRECTOR OF MARKET RELATIONS

1 - DATE 03/11/2005	2 - SIGNATURE
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02.01 - BALANCE SHEET - ASSETS (Thousand Reais)

1 - CODE	2 - DESCRIPTION	3 - 12/31/2004	4 - 12/31/2003	5 - 12/31/2002
1	Total Assets	230,257	197,789	178,639
1.01	Current Assets	151,395	106,089	86,985
1.01.01	Cash	43,170	1,964	508
1.01.01.01	Cash on hands and in banks	43,170	1,964	508
1.01.01.02	Securities	0	0	0
1.01.02	Receivables	39,633	40,153	32,338
1.01.02.01	Customers	34,140	34,030	26,244
1.01.02.02	Dividends receivable from subsidiary	0	0	0
1.01.02.03	Recoverable taxes	5,346	5,048	3,084
1.01.02.04	Other	147	1,075	3,010
1.01.03	Inventories	65,902	61,437	53,978
1.01.03.01	Finished products	39,774	35,071	32,934
1.01.03.02	Goods for resale	6	15	0
1.01.03.03	Products in process	17,786	17,030	14,690
1.01.03.04	Raw materials	7,724	8,819	5,985
1.01.03.05	Packaging and consumption materials	612	502	369
1.01.04	Other	2,690	2,535	161
1.01.04.01	Promotion & advertising expenses to appropriate	2,595	2,439	0
1.01.04.02	Other	95	96	161
1.02	Long-Term Assets	2,963	5,356	8,605
1.02.01	Miscellaneous Receivables	0	0	0
1.02.02	Receivables from Related Parties	0	4,144	0
1.02.02.01	From Affiliates	0	0	0
1.02.02.02	From Subsidiaries	0	4,144	0
1.02.02.03	From Other Related Parties	0	0	0
1.02.03	Other	2,963	1,212	8,605
1.02.03.01	Fiscal incentive deposits	0	0	0
1.02.03.02	Judicial deposits	228	155	6,082
1.02.03.03	Deferred income tax and social contribution	495	477	2,477
1.02.03.04	Recoverable taxes	2,165	0	0
1.02.03.05	Other	75	580	46
1.03	Permanent Assets	75,899	86,344	83,049
1.03.01	Investments	46,986	55,151	51,780
1.03.01.01	Investment in Affiliates	0	0	0
1.03.01.02	Investment in Subsidiaries	46,578	54,743	50,981
1.03.01.02.01	Livraria e Papelaria Saraiva S.A.	46,578	49,433	50,981
1.03.01.02.02	Formato Editorial Ltda.	0	5,310	0
1.03.01.03	Other Investments	408	408	799
1.03.01.03.01	Fiscal Incentives	352	352	744
1.03.01.03.03	Other	56	56	55
1.03.02	Fixed Assets	25,976	29,346	27,589

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01047-2	SARAIVA S.A. LIVREIROS EDITORES	60.500.139/0001-26

02.01 - BALANCE SHEET - ASSETS (Thousand Reais)

1 - CODE	2 - DESCRIPTION	3 - 12/31/2004	4 - 12/31/2003	5 - 12/31/2002
1.03.02.01	Land	2,029	2,029	2,029
1.03.02.02	Buildings and construction	5,127	5,448	5,744
1.03.02.03	Furniture, fixture & installations	4,212	4,488	5,171
1.03.02.04	Vehicles	1,527	1,216	852
1.03.02.05	Machinery and equipment	3,512	4,446	2,493
1.03.02.06	Data processing equipment	8,969	11,119	10,700
1.03.02.07	Other fixed assets	600	600	600
1.03.03	Deferred assets	2,937	1,847	3,680
1.03.03.01	Premium to amortize	1,779	1,586	3,172
1.03.03.02	Other	1,158	261	508

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02.02 - BALANCE SHEET - LIABILITIES & STOCKHOLDERS' EQUITY (Thousand Reais)

1 - CODE	2 - DESCRIPTION	3 - 12/31/2004	4 - 12/31/2003	5 - 12/31/2002
2	Total Liabilities	230,257	197,789	178,639
2.01	Current Liabilities	115,834	88,415	56,583
2.01.01	Borrowings and Financings	43,220	18,215	18,523
2.01.02	Debentures	0	0	0
2.01.03	Suppliers	37,029	44,349	19,914
2.01.04	Taxes, Fees and Contributions	1,244	1,806	961
2.01.04.01	Provision for income tax	0	0	0
2.01.04.02	Provision for social contribution	0	0	0
2.01.04.03	Social taxes and charges	1,244	1,806	961
2.01.05	Dividends Payable	0	0	0
2.01.06	Provisions	4,518	4,102	3,955
2.01.06.01	Provision for vacation	2,495	2,443	2,366
2.01.06.02	Management share	2,023	1,659	1,589
2.01.07	Debts to Related Parties	0	0	0
2.01.08	Other	29,823	19,943	13,230
2.01.08.02	Copyright payable	4,762	5,405	3,935
2.01.08.03	Interests on own capital proposed	9,351	10,414	8,616
2.01.08.04	Acquisition of subsidiary	0	2,920	0
2.01.08.05	Losses on derivative operations	3,515	888	0
2.01.08.06	Borrowing from subsidiary	11,736	0	0
2.01.08.07	Accounts and expenses payable	459	316	679
2.02	Long-Term Liabilities	10,536	14,342	31,135
2.02.01	Borrowings and Financings	3,565	11,440	22,659
2.02.02	Debentures	0	0	0
2.02.03	Provisions	6,971	2,369	8,476
2.02.03.01	Provision for contingencies	2,200	2,015	8,032
2.02.03.02	Deferred income tax and social contribution	4,771	354	444
2.02.04	Debts to Related Parties	0	0	0
2.02.05	Other	0	533	0
2.03	Deferred Income	0	0	0
2.05	Stockholders' Equity	103,887	95,032	90,921
2.05.01	Paid-in Capital Stock	41,977	39,721	36,880
2.05.01.01	Capital Stock Updated	41,977	39,721	36,880
2.05.02	Capital Reserves	13,947	13,947	13,947
2.05.02.01	Fiscal incentive reserves	4,427	4,427	4,427
2.05.02.02	Subscribers' premium reserve	8,653	8,653	8,653
2.05.02.03	Reserve for maintenance of own working capital	724	724	724
2.05.02.04	Other	143	143	143
2.05.03	Revaluation Reserves	0	0	0
2.05.03.01	Own Assets	0	0	0
2.05.03.02	Subsidiaries/Affiliates	0	0	0

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02.02 - BALANCE SHEET - LIABILITIES & STOCKHOLDERS' EQUITY (Thousand Reais)

1 - CODE	2 - DESCRIPTION	3 - 12/31/2004	4 - 12/31/2003	5 - 12/31/2002
2.05.04	Income Reserves	46,726	40,127	38,857
2.05.04.01	Legal Reserve	7,890	6,980	6,234
2.05.04.02	Statutory Reserve	0	0	0
2.05.04.03	Reserve for Contingencies	0	0	0
2.05.04.04	Reserve for Income to Realize	0	0	0
2.05.04.05	Income Retention Reserve	0	0	0
2.05.04.06	Special Reserve for Unpaid Dividends	0	0	0
2.05.04.07	Other Income Reserves	38,836	33,147	32,623
2.05.04.07.01	Reserve for capital increase	41,706	36,017	35,090
2.05.04.07.02	Treasury shares	(2,870)	(2,870)	(2,467)
2.05.05	Retained Earnings/Losses	1,237	1,237	1,237

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03.01 - STATEMENT OF INCOME (Thousand Reais)

1 - CODE	2 - DESCRIPTION	3 - 12/31/2004	4 - 12/31/2003	5 - 12/31/2002
3.01	Gross Revenue from Sales and/or Services	235,482	214,874	180,032
3.02	Deductions from Gross Revenue	(12,713)	(9,996)	(6,739)
3.03	Net Revenue from Sales and/or Services	222,769	204,878	173,293
3.04	Cost of Products and/or Services Sold	(75,535)	(70,209)	(53,019)
3.05	Gross Margin	147,234	134,669	120,274
3.06	Operating Income/Expenses	(129,599)	(124,779)	(108,325)
3.06.01	Selling Expenses	(60,309)	(62,091)	(47,889)
3.06.02	General and Administrative Expenses	(41,065)	(38,159)	(31,393)
3.06.02.01	Management fees	(3,632)	(2,848)	(2,270)
3.06.02.02	Other	(37,433)	(35,311)	(29,123)
3.06.03	Financial	(16,818)	(16,215)	(22,848)
3.06.03.01	Financial Income	995	1,099	4,412
3.06.03.02	Financial Expenses	(17,813)	(17,314)	(27,260)
3.06.04	Other Operating Income	985	344	3,168
3.06.05	Other Operating Expenses	(9,537)	(7,322)	(6,861)
3.06.05.01	Depreciation	(7,920)	(7,211)	(6,740)
3.06.05.02	Other	(1,617)	(111)	(121)
3.06.06	Equity Income	(2,855)	(1,336)	(2,502)
3.07	Operating Income	17,635	9,890	11,949
3.08	Non-Operating Income	259	72	977
3.08.01	Other Income	259	72	4,806
3.08.02	Other Expenses	0	0	(3,829)
3.09	Income Before Taxes/Participations	17,894	9,962	12,926
3.10	Provision for Inc. Tax and Social Contribution	(2,827)	(1,880)	(4,209)
3.11	Deferred Income Tax	(4,189)	(1,909)	(1,447)
3.12	Statutory Participations/Contributions	(2,023)	(1,659)	(1,589)
3.12.01	Participations	(2,023)	(1,659)	(1,589)
3.12.01.01	Management Share	(2,023)	(1,659)	(1,589)
3.12.02	Contributions	0	0	0
3.13	Reversal of Interest on Own Capital	9,351	10,414	8,616
3.15	Income/Loss for the Year	18,206	14,928	14,297
	NUMBER OF SHARES LESS TREASURY SHARES (Thousand)	22,936	22,936	22,983
	EARNINGS PER SHARE	0.79377	0.65085	0.62207
	LOSS PER SHARE			

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04.01 - STATEMENT OF SOURCES AND USES OF FUNDS (Thousand Reais)

1 - CODE	2 - DESCRIPTION	3 - 01/01/2004 to 12/31/2004	4 - 01/01/2003 to 12/31/2003	5 - 01/01/2002 to 12/31/2002
4.01	Sources	42,331	29,382	42,623
4.01.01	From Operations	35,157	23,989	39,829
4.01.01.01	Net Income/Loss for the Year	18,206	14,928	14,297
4.01.01.02	Amounts not affecting Working Capital	16,951	9,061	25,532
4.01.01.02.01	Depreciation and amortization	9,352	8,687	8,123
4.01.01.02.02	Equity income net of dividends and capital gain	2,855	1,336	2,502
4.01.01.02.03	Financial expenses on long-term assets & liabilities	(647)	(3,440)	9,642
4.01.01.02.04	Deferred income tax and social contribution	4,490	2,000	1,448
4.01.01.02.05	Investment retirements	0	391	0
4.01.01.02.06	Fixed assets and deferred assets retirements	901	87	3,817
4.01.01.02.07	Provision for losses on investments	0	0	0
4.01.02	From Shareholders	2,525	0	0
4.01.02.01	Capital stock increase	0	0	0
4.01.02.02	Subscribers' premium reserve	0	0	0
4.01.02.03	Incorp. of subsidiary's net assets to Working Capital	2,525	0	0
4.01.03	From Third Parties	4,649	5,393	2,794
4.01.03.01	Capital reserve from fiscal incentives	0	0	0
4.01.03.05	Financings obtained	0	0	0
4.01.03.06	Divid. prescribed - reversal of interests on own capital	0	0	0
4.01.03.07	Increase in long-term liabilities	73	0	2,794
4.01.03.08	Decrease in long-term assets	4,576	5,393	0
4.02	Uses	24,444	42,110	32,922
4.02.01	Interests on own capital proposed	9,351	10,414	8,616
4.02.02	Acquisition of fixed assets and deferred assets	5,188	8,698	5,119
4.02.03	Investments	0	5,098	0
4.02.04	Loans to subsidiary	0	4,144	0
4.02.05	Payment of subsidiary's capital increase	0	0	0
4.02.06	Treasury shares	0	403	2,467
4.02.07	Treasury shares cancelled	0	0	0
4.02.08	Decrease in long-term liabilities	0	2,720	4,190
4.02.09	Increase in long-term assets	2,165	0	2,251
4.02.10	Payment of dividends prescribed	0	0	0
4.02.11	Transfers to current liabilities	7,740	10,633	10,279
4.02.12	Cancellation of preferred shares - PNA	0	0	0
4.03	Increase/Decrease in Working Capital	17,887	(12,728)	9,701
4.04	Change in Current Assets	45,306	19,104	2,767
4.04.01	Current Assets at Beginning of Year	106,089	86,985	84,218
4.04.02	Current Assets at end of Year	151,395	106,089	86,985
4.05	Change in Current Liabilities	27,419	31,832	(6,934)
4.05.01	Current Liabilities at Beginning of Year	88,415	56,583	63,517
4.05.02	Current Liabilities at End of Year	115,834	88,415	56,583

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05.01 - STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY FROM 01/01/2004 TO 12/31/2004 (Thousand Reais)

1 - CODE	2 - DESCRIPTION	3 - CAPITAL STOCK	4 - CAPITAL RESERVES	5 - REVALUATION RESERVES	6 - INCOME RESERVES	7 - RETAINED EARNINGS/LOSSES	8 - TOTAL STOCKS' EQUITY
5.01	Balance Beginning	39,721	13,947	0	40,127	1,237	95,032
5.02	Adjustments from Previous Years	0	0	0	0	0	0
5.03	Increase/Decrease in Capital Stock	2,256	0	0	(2,256)	0	0
5.04	Realization of Reserves	0	0	0	0	0	0
5.05	Treasury Shares	0	0	0	0	0	0
5.06	Net Income/Loss for the Year	0	0	0	0	18,206	18,206
5.07	Appropriations	0	0	0	8,855	(18,206)	(9,351)
5.07.01	Legal reserve	0	0	0	910	(910)	0
5.07.02	Transfer to income reserves	0	0	0	7,945	(7,945)	0
5.07.03	Interests on own capital proposed	0	0	0	0	(9,351)	(9,351)
5.08	Other	0	0	0	0	0	0
5.09	Balance End	41,977	13,947	0	46,726	1,237	103,887

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05.02 - STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY FROM 01/01/2003 TO 12/31/2003 (Thousand Reais)

1 - CODE	2 - DESCRIPTION	3 - CAPITAL STOCK	4 - CAPITAL RESERVES	5 - REVALUATION RESERVES	6 - INCOME RESERVES	7 - RETAINED EARNINGS/LOSSES	8 - TOTAL STOCKS' EQUITY
5.01	Balance Beginning	36,880	13,947	0	38,857	1,237	90,921
5.02	Adjustments from Previous Years	0	0	0	0	0	0
5.03	Increase/Decrease in Capital Stock	2,841	0	0	(2,841)	0	0
5.04	Realization of Reserves	0	0	0	0	0	0
5.05	Treasury Shares	0	0	0	(403)	0	(403)
5.06	Net Income/Loss for the Year	0	0	0	0	14,928	14,928
5.07	Appropriations	0	0	0	4,514	(14,928)	(10,414)
5.07.01	Legal reserve	0	0	0	747	(747)	0
5.07.02	Transfer to income reserves	0	0	0	3,767	(3,767)	0
5.07.03	Interests on own capital proposed	0	0	0	0	(10,414)	(10,414)
5.08	Other	0	0	0	0	0	0
5.09	Balance End	39,721	13,947	0	40,127	1,237	95,032

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05.02 - STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY FROM 01/01/2002 TO 12/31/2002 (Thousand Reais)

1 - CODE	2 - DESCRIPTION	3 - CAPITAL STOCK	4 - CAPITAL RESERVES	5 - REVALUATION RESERVES	6 - INCOME RESERVES	7 - RETAINED EARNINGS/LOSSES	8 - TOTAL STOCKS' EQUITY
5.01	Balance Beginning	34,715	13,947	0	37,808	1,237	87,707
5.02	Adjustments from Previous Years	0	0	0	0	0	0
5.03	Increase/Decrease in Capital Stock	2,165	0	0	(2,165)	0	0
5.03.01	With income reserves	2,165	0	0	(2,165)	0	0
5.04	Realization of Reserves	0	0	0	0	0	0
5.05	Treasury Shares	0	0	0	(2,467)	0	(2,467)
5.06	Net Income/Loss for the Year	0	0	0	0	14,297	14,297
5.07	Appropriations	0	0	0	5,681	(14,297)	(8,616)
5.07.01	Legal reserve	0	0	0	715	(715)	0
5.07.02	Transfer to income reserves	0	0	0	4,966	(4,966)	0
5.07.03	Interests on own capital proposed	0	0	0	0	(8,616)	(8,616)
5.08	Other	0	0	0	0	0	0
5.09	Balance End	36,880	13,947	0	38,857	1,237	90,921

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06.01 - CONSOLIDATED BALANCE SHEET - ASSETS (Thousand Reais)

1 - CODE	2 - DESCRIPTION	3 - 12/31/2004	4 - 12/31/2003	5 - 12/31/2002
1	Total Assets	280,283	261,146	235,719
1.01	Current Assets	209,768	181,247	152,981
1.01.01	Cash	45,016	8,306	4,978
1.01.01.01	Cash on hands and in banks	45,016	8,306	4,978
1.01.01.03	Securities	0	0	0
1.01.02	Receivables	63,042	58,286	49,477
1.01.02.01	Customers	55,895	49,220	40,642
1.01.02.02	Recoverable taxes	6,796	6,326	4,323
1.01.02.03	Other	351	2,740	4,512
1.01.03	Inventories	98,934	112,039	98,313
1.01.03.01	Finished products and goods	72,582	84,973	76,949
1.01.03.02	Products in process	17,786	17,411	14,690
1.01.03.03	Raw materials	7,724	8,821	5,985
1.01.03.04	Packaging and consumption materials	842	834	689
1.01.04	Other	2,776	2,616	213
1.01.04.01	Prepaid expenses	2,776	2,616	213
1.02	Long-Term Assets	19,923	17,440	22,207
1.02.01	Miscellaneous Receivables	0	0	0
1.02.02	Receivables from Related Parties	0	0	0
1.02.02.01	From Affiliates	0	0	0
1.02.02.02	From Subsidiaries	0	0	0
1.02.02.03	From Other Related Parties	0	0	0
1.02.03	Other	19,923	17,440	22,207
1.02.03.01	Fiscal incentive deposits	0	0	0
1.02.03.02	Judicial deposits	9,128	8,949	13,015
1.02.03.03	Deferred income tax and social contribution	8,553	7,910	9,144
1.02.03.04	Recoverable taxes	2,165	0	0
1.02.03.05	Other	77	581	48
1.03	Permanent Assets	50,592	62,459	60,531
1.03.01	Investments	543	3,328	1,079
1.03.01.01	Investment in Affiliates	0	0	0
1.03.01.02	Investment in Subsidiaries	0	2,785	0
1.03.01.02.01	Premium on investment in subsidiary	0	2,785	0
1.03.01.03	Other Investments	543	543	1,079
1.03.01.03.01	Fiscal incentives	487	487	1,024
1.03.01.03.02	Other	56	56	55
1.03.02	Fixed Assets	43,953	51,597	49,919
1.03.02.01	Land	2,032	2,032	2,032
1.03.02.02	Buildings and construction	6,287	6,685	7,056
1.03.02.03	Furniture, fixture & installations	16,272	19,474	20,790
1.03.02.04	Vehicles	1,590	1,308	947

01.01 - IDENTIFICATION

1 - CVM CODE	2 - TRADE NAME	3 - CNPJ
01047-2	SARAIVA S.A. LIVREIROS EDITORES	60.500.139/0001-26

06.01 - CONSOLIDATED BALANCE SHEET - ASSETS (Thousand Reais)

1 - CODE	2 - DESCRIPTION	3 - 12/31/2004	4 - 12/31/2003	5 - 12/31/2002
1.03.02.05	Machinery and equipment	3,587	4,548	2,623
1.03.02.06	Data processing equipment	12,961	16,315	15,236
1.03.02.07	Other fixed assets	1,224	1,235	1,235
1.03.03	Deferred assets	6,096	7,534	9,533
1.03.03.01	Premium to amortize	1,779	1,586	3,172
1.03.03.02	Other	4,317	5,948	6,361

01.01 - IDENTIFICATION

1 - CVM CODE	2 - TRADE NAME	3 - CNPJ
01047-2	SARAIVA S.A. LIVREIROS EDITORES	60.500.139/0001-26

06.02 - CONSOLIDATED BALANCE SHEET - LIABILITIES & STOCKHOLDERS' EQUITY (Thousand Reais)

1 - CODE	2 - DESCRIPTION	3 - 12/31/2004	4 - 12/31/2003	5 - 12/31/2002
2	Total Liabilities	280,283	261,146	235,719
2.01	Current Liabilities	144,166	127,899	91,128
2.01.01	Borrowings and Financings	46,332	21,579	23,947
2.01.02	Debentures	0	0	0
2.01.03	Suppliers	66,800	72,887	42,793
2.01.04	Taxes, Fees and Contributions	3,788	4,953	3,132
2.01.04.01	Provision for income tax	0	0	0
2.01.04.02	Social contribution	0	0	0
2.01.04.03	Social taxes and charges	3,788	4,953	3,132
2.01.05	Dividends Payable	0	0	0
2.01.06	Provisions	6,329	5,909	5,645
2.01.06.01	Provision for vacation	4,306	4,250	4,056
2.01.06.02	Management share	2,023	1,659	1,589
2.01.07	Debts to Related Parties	0	0	0
2.01.08	Other	20,917	22,571	15,611
2.01.08.02	Copyrights	4,762	5,501	3,935
2.01.08.03	Interests on own capital proposed	9,351	10,414	8,616
2.01.08.04	Acquisition of subsidiary	0	2,920	0
2.01.08.05	Losses on derivative operations	3,515	888	0
2.01.08.06	Rents payable	1,959	1,769	1,758
2.01.08.07	Accounts and expenses payable	1,330	1,079	1,302
2.02	Long-Term Liabilities	32,189	38,172	53,625
2.02.01	Borrowings and Financings	6,838	17,259	29,132
2.02.02	Debentures	0	0	0
2.02.03	Provisions	25,232	19,932	23,627
2.02.03.01	Provision for contingencies	20,461	19,578	23,182
2.02.03.02	Deferred income tax and social contribution	4,771	354	445
2.02.04	Debts to Related Parties	0	0	0
2.02.05	Other	119	981	866
2.03	Deferred Income	0	0	0
2.04	Minority Share	41	43	45
2.05	Stockholders' Equity	103,887	95,032	90,921
2.05.01	Paid-in Capital Stock	41,977	39,721	36,880
2.05.01.01	Capital Stock Updated	41,977	39,721	36,880
2.05.01	Capital Reserves	13,947	13,947	13,947
2.05.02.01	Fiscal incentive reserves	4,427	4,427	4,427
2.05.02.02	Subscribers' premium reserve	8,653	8,653	8,653
2.05.02.03	Reserve for maintenance of own working capital	724	724	724
2.05.02.04	Other	143	143	143
2.05.03	Revaluation Reserves	0	0	0
2.05.03.01	Own Assets	0	0	0

01.01 - IDENTIFICATION

1 - CVM CODE	2 - TRADE NAME	3 - CNPJ
01047-2	SARAIVA S.A. LIVREIROS EDITORES	60.500.139/0001-26

06.02 - CONSOLIDATED BALANCE SHEET - LIABILITIES & STOCKHOLDERS' EQUITY (Thousand Reais)

1 - CODE	2 - DESCRIPTION	3 - 12/31/2004	4 - 12/31/2003	5 - 12/31/2002
2.05.03.02	Affiliates/Subsidiaries	0	0	0
2.05.04	Income Reserves	46,726	40,127	38,857
2.05.04.01	Legal Reserve	7,890	6,980	6,234
2.05.04.02	Statutory Reserve	0	0	0
2.05.04.02.01	Treasury shares	0	0	0
2.05.04.03	Reserve for Contingencies	0	0	0
2.05.04.04	Reserve for Income to Realize	0	0	0
2.05.04.05	Income Retention Reserve	0	0	0
2.05.04.06	Special Reserve for Unpaid Dividends	0	0	0
2.05.04.07	Other Income Reserves	38,836	33,147	32,623
2.05.04.07.01	Reserve for capital increase	41,706	36,017	35,090
2.05.04.07.02	Treasury Shares	(2,870)	(2,870)	(2,467)
2.05.05	Retained Earnings/Losses	1,237	1,237	1,237

01.01 - IDENTIFICATION

1 - CVM CODE	2 - TRADE NAME	3 - CNPJ
01047-2	SARAIVA S.A. LIVREIROS EDITORES	60.500.139/0001-26

07.01 - CONSOLIDATED STATEMENT OF INCOME (Thousand Reais)

1 - CODE	2 - DESCRIPTION	3 - 01/01/2004 to 12/31/2004	4 - 01/01/2003 to 12/31/2003	5 - 01/01/2002 to 12/31/2002
3.01	Gross Revenue from Sales and/or Services	489,138	443,746	391,863
3.02	Deductions from Gross Revenue	(51,450)	(36,146)	(29,071)
3.03	Net Revenue from Sales and/or Services	437,688	407,600	362,792
3.04	Cost of Products and/or Services Sold	(208,055)	(191,362)	(169,482)
3.05	Gross Margin	229,633	216,238	193,310
3.06	Operating Income/Expenses	(213,238)	(206,926)	(184,542)
3.06.01	Selling Expenses	(125,500)	(123,623)	(104,234)
3.06.02	General and Administrative Expenses	(53,792)	(50,837)	(43,222)
3.06.02.01	Management fees	(4,733)	(4,323)	(3,628)
3.06.02.02	Other	(49,059)	(46,514)	(39,594)
3.06.03	Financial	(19,954)	(19,667)	(26,268)
3.06.03.01	Financial Income	1,176	1,366	5,177
3.06.03.02	Financial Expenses	(21,130)	(21,033)	(31,445)
3.06.04	Other Operating Income	2,176	1,099	3,583
3.06.05	Other Operating Expenses	(16,168)	(13,898)	(14,401)
3.06.05.01	Depreciation	(14,028)	(13,711)	(13,727)
3.06.05.02	Other	(2,140)	(187)	(674)
3.06.06	Equity Income	0	0	0
3.07	Operating Income	16,395	9,312	8,768
3.08	Non-Operating Income	154	(116)	2,880
3.08.01	Other Income	154	0	10,357
3.08.02	Other Expenses	0	(116)	(7,477)
3.09	Income Before Taxes/Participations	16,549	9,196	11,648
3.10	Provision for Inc. Tax and Social Contribution	(2,827)	(1,982)	(4,209)
3.11	Deferred Income Tax	(2,846)	(1,043)	(171)
3.12	Statutory Participations/Contributions	(2,023)	(1,659)	(1,589)
3.12.01	Participations	(2,023)	(1,659)	(1,589)
3.12.01.01	Management Share	(2,023)	(1,659)	(1,589)
3.12.02	Contributions	0	0	0
3.13	Reversal of Interest on Own Capital	9,351	10,414	8,616
3.14	Minority Share	2	2	2
3.15	Income/Loss for the Year	18,206	14,928	14,297
	NUMBER OF SHARES LESS TREASURY SHARES (Thousand)	22,936	22,936	22,983
	EARNINGS PER SHARE	0.79377	0.65085	0.62207
	LOSS PER SHARE			

01.01 - IDENTIFICATION

1 - CVM CODE	2 - TRADE NAME	3 - CNPJ
01047-2	SARAIVA S.A. LIVREIROS EDITORES	60.500.139/0001-26

08.01 - CONSOLIDATED STATEMENT OF SOURCES AND USES OF FUNDS (Thousand Reais)

1 - CODE	2 - DESCRIPTION	3 - 01/01/2004 to 12/31/2004	4 - 01/01/2003 to 12/31/2003	5 - 01/01/2002 to 12/31/2002
4.01	Sources	40,545	36,799	57,954
4.01.01	From Operations	39,555	30,958	48,274
4.01.01.01	Net Income/Loss for the Year	18,206	14,928	14,297
4.01.01.02	Amounts not affecting Working Capital	21,349	16,030	33,977
4.01.01.02.01	Depreciation and amortization	16,271	16,323	16,686
4.01.01.02.02	Deferred income tax and social contribution	3,865	1,234	553
4.01.01.02.03	Minority share	(2)	(2)	(2)
4.01.01.02.04	Forex variances on long-term assets & liabilities	198	(2,191)	10,554
4.01.01.02.05	Investment retirements	0	536	0
4.01.01.02.06	Fixed assets and deferred assets retirements	1,017	130	6,186
4.01.01.02.07	Provision for losses on investments	0	0	0
4.01.02	From Shareholders	0	0	0
4.01.02.01	Capital stock increase	0	0	0
4.01.02.02	Subscribers' premium reserve	0	0	0
4.01.03	From Third Parties	990	5,841	9,680
4.01.03.01	Capital reserve from fiscal incentives	0	0	0
4.01.03.05	Financings obtained	382	2,308	1,195
4.01.03.06	Divid. prescribed - reversal of interests on own capital	0	0	0
4.01.03.07	Increase in long-term liabilities	177	0	8,485
4.01.03.08	Decrease in long-term assets	431	3,533	0
4.02	Uses	28,291	45,304	48,998
4.02.01	Interests on own capital proposed	9,351	10,414	8,616
4.02.02	Acquisition of fixed assets and deferred assets	5,421	16,132	9,666
4.02.03	Acquisition of investments	0	2,785	0
4.02.04	Treasury shares	0	403	2,467
4.02.05	Treasury shares cancelled	0	0	0
4.02.06	Decrease in long-term liabilities	0	1,133	6,494
4.02.07	Increase in long-term assets	2,271	0	4,765
4.02.08	Transfers to current liabilities	11,248	14,437	16,990
4.02.09	Payment of dividends prescribed	0	0	0
4.02.10	Cancellation of preferred shares - PNA	0	0	0
4.03	Increase/Decrease in Working Capital	12,254	(8,505)	8,956
4.04	Change in Current Assets	28,521	28,266	5,916
4.04.01	Current Assets at Beginning of Year	181,247	152,981	147,065
4.04.02	Current Assets at end of Year	209,768	181,247	152,981
4.05	Change in Current Liabilities	16,267	36,771	(3,040)
4.05.01	Current Liabilities at Beginning of Year	127,899	91,128	94,168
4.05.02	Current Liabilities at End of Year	144,166	127,899	91,128

01047-2 SARAIVA S.A. LIVREIROS EDITORES

60.500.139/0001-26

09.01 - INDEPENDENT AUDITORS' OPINION - WITHOUT EXCEPTIONS

To Shareholders and Board of Directors of
Livraria e Papelaria Saraiva S.A.
São Paulo - SP

1. We have audited the balance sheet of Livraria e Papelaria Saraiva S.A. as of December 31, 2004 and the related statements of income, changes in stockholders' equity and sources and uses of funds for the year then ended, prepared under your Management's responsibility. Our responsibility is to express an opinion on these financial statements.
2. Our review was conducted in accordance with the Brazilian auditing standards, and included: a) planning of the work, considering the materiality of balances, volume of transactions and the company's accounting and internal control systems; b) examining, on a test basis, of evidences and records supporting the amounts and financial information disclosures, and c) assessing the accounting principles and significant estimates adopted by company's Management, as well as evaluating the overall financial statement presentation.
3. In our opinion, the financial statements referred to in paragraph 1 above represent fairly, in all material aspects, the equity and financial position of Livraria e Papelaria Saraiva S.A. as of December 31, 2004, the result of its operations, changes in stockholders' equity and sources and uses of funds for the year then ended, in conformity with the accounting principles generally accepted in Brazil.
4. The financial statements related to the year ended on December 31, 2003, presented for comparison purposes, have been reviewed by other independent auditors, which issued an audit opinion, on March 11, 2004, without exceptions.

São Paulo, March 11, 2005

DELOITTE TOUCHE TOHMATSU
Auditores Independentes
CRC no. 2 SP 011609/O-8

Marco Antonio Brandão Simurro
Accountant
CRC no. 1 RJ 052000/O-0 "S" SP

MANAGEMENT REPORT

To our shareholders,

The management of Saraiva S.A. Livreiros Editores presents for your appreciation the Management Report and the related Financial Statements, as well as the Independent Auditors' Report, for the year ended December 31, 2004.

The Saraiva Group has operations in the publishing segment through Editora (Saraiva S.A. Livreiros Editores) and in the retail book segment through Livraria (Livraria e Papelaria Saraiva S.A.).

The Company's operating and financial information, except where otherwise indicated, is consolidated and stated in Brazilian reais, in accordance with Corporate Law. All comparisons were made in relation to 2003, except where otherwise specified.

MESSAGE FROM MANAGEMENT

The year 2004 was very special for Saraiva. We reached our 90th anniversary with a brand that is synonymous with publishing quality and excellence in retail operations. Saraiva holds a distinguished position in the process of raising educational and cultural levels in Brazil, and adopts an innovating and pioneering position, providing for significant market differentiation.

Saraiva was the first Brazilian company to grant tag-along rights to minority preferred shareholders. Editora Saraiva is one of the largest companies in the textbook and supplementary textbook segment, and is leader in the publishing of legal books. The first in Brazil to trade published legal content in electronic form, Editora has Brazil's largest digital legal library, with the portal www.saraivajur.com.br. Pioneer in the megastore format, Livraria Saraiva is the chain with the highest sales in the country, and leader in e-commerce of books.

In 2004, consolidated gross revenue totaled R\$ 489.1 million, growing 10.2%. Gross operating cash flow (EBITDA), in the amount of R\$ 50.4 million, experienced significant growth of 18.0%, with an 11.5% margin. Net income reached the record level of R\$ 18.2 million, 22% higher than the result for 2003.

We continued with the process of implementing the value based management system, using the GVA® methodology (Shareholder Value Management). There was intense participation by all administrators and key personnel, with the objective of increasing alignment between shareholder and management interests.

In operational management, the focus was on increasing our companies' efficiency and competitiveness. Various actions were conducted with the purpose of rationalizing the cost and expense structure and optimizing working capital. Over the course of 2004, major advances were achieved with the action plan focused on the Company's cash management, through personnel restructuring measures, rationalization of processes and renegotiations of agreements, which resulted in gains in the amount of R\$ 8.8 million, on an annualized basis.

The Company was also successful in the management of its capital structure. There was a significant reduction in consolidated net indebtedness, which dropped from R\$ 31.4 million, at the end of 2003, to R\$ 11.7 million, at the end of 2004, increasing the potential to make investments with third-party capital.

Regarding the influence of government actions on the sectors in which we operate, the difficulties faced at the beginning of the year, with the rise in Cofins (tax on revenue) from 3.0% to 7.6% on sales (in effect between February and November 2004), were replaced over the course of the year by the announcement of a series of important measures to support reading and encourage education, which considerably favor the publishing and retail segments:

- Publication of Law No. 11,033, of 12/21/04, which reduced to zero the PIS and Cofins (tax on revenue) rates on the sale of books (before the Law, the rates totaled 9.25%), providing relief for the book production and sales structure, benefiting results and the investment capacity of Editora and Livraria;
- Expansion of government purchases of textbooks, through the creation of the PNLEM (National High School Textbook Program). Editora Saraiva obtained significant market share of 23.7%, ranking 2nd, in sales within the pilot project (PNLEM/05) conducted in 2004. This is a new market, since public high school students practically do not buy books in the private market.

In addition to the excellent share of textbook sales for public high school students (PNLEM/05), **Editora** had a good share - 3rd place, with over 16 million books - in government purchases for public elementary school students (PNLD/05 [National Textbook Program]). We also successfully concluded the process of merging Formato Editorial, which provided significant synergy gains.

Livraria implemented a set of actions, with the purpose of increasing operating efficiency and optimizing working capital used in operations. We began the implementation of an innovative system for locating products in our stores - "Busca Fácil" - to provide greater convenience to customers and rationalize attendants. In the management of working capital, we developed a broad project to increase efficiency in inventories, customer and supplier management, with results exceeding expectations. The operating cycle (inventory turnover + average term for receipt from customers - average term for payment to suppliers) was reduced by 22 days and total inventories fell 30%, from R\$ 47.2 million, at the end of 2003, to R\$ 33.0 million, at the end of 2004. The electronic retail division (www.saraiva.com.br) experienced strong expansion. Gross sales grew 35% and gross cash flow reached R\$ 2.7 million (R\$ 0.1 million in 2003).

OUTLOOK

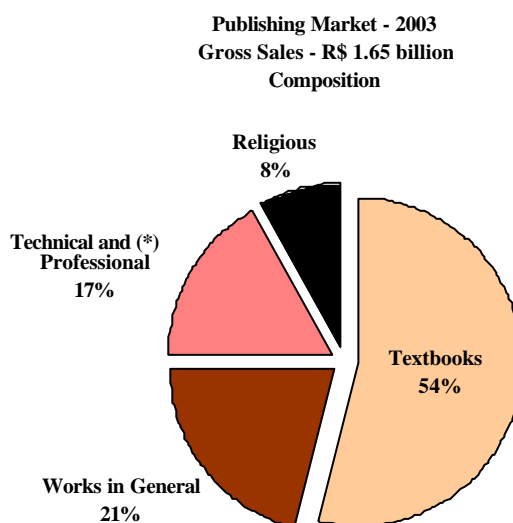
To meet demand in an increasingly complex and dynamic environment, Saraiva's strategic posture has been founded on developing sustainable competitive advantages that enable continuously greater efficiency and innovation.

Considering the especially favorable environment for various ongoing public investment projects in the areas of education and culture, and the current stage of consolidation of operations and maturity of investments made in recent years, the current scenario presents a solid outlook for growth of generation of value in:

- relief of the book production chain, with the reduction of the PIS and Cofins rates to zero, in effect since December 2004, benefiting approximately 99% of Editora's sales mix and approximately 57% of Livraria's sales mix, with a major impact on results and investment capacity;

- the government has already announced the intention to purchase books progressively for all high school grades and subjects of the public system (PNLEM), which may add significant additional demand to Editora's sales. The potential for growth is considerable. Currently, there are 8 million high school students, plus 36 million elementary and pre-school students;
- in 2005 the Ibero-American Reading Year (VIVALEITURA) will be celebrated, instituted by the Organization of Ibero-American States, UNESCO and CERLALC (Regional Center for Promotion of Books in Latin America and the Caribbean). Various projects and programs jointly developed by governments, private-sector companies and nongovernmental organizations will be implemented;
- the National Book and Reading Plan (PNLL) will be established in 2005 in Brazil. The various measures that should be announced to provide incentives for the publishing and retail sectors include special credit lines to finance the production of books and the opening of new bookstores. The goal is to increase the national reading rate by 50% in three years;
- the measures adopted in 2004, of restructuring personnel, rationalizing processes and renegotiating agreements, resulted in estimated annual savings of R\$ 8.8 million beginning in 2005, on an annualized basis. In addition, we will seek new rationalization gains;
- the Company will continue in the strategic plan of optimizing Livraria's working capital management, and it expects new achievements in reducing the operating cycle, making it more competitive and freeing up cash to make investments;
- the electronic retail division is strongly structured to continue growing without the need for major increases in the fixed cost structure. Projections by the on-line research and marketing company **e-bit** indicate an increase of 30% for e-commerce in 2005;
- the Company will be attentive to new opportunities for acquisitions or associations by Editora and prospecting studies for strategic locations to expand Livraria's chain of stores;
- the main economic indicators point towards continuity in the scenario for growth begun in 2004, and favor the outlook for the publishing market and, especially, our retail operations, which in recent years have suffered with the recessionary environment and decline in purchasing power.

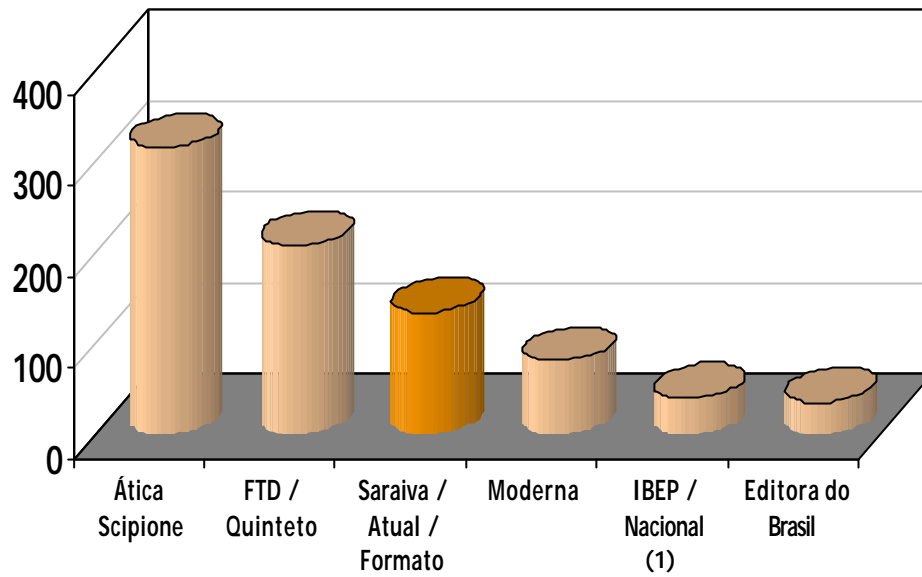
Highlights of the Brazilian publishing and retail book market, and positioning of the main players, are as follows:



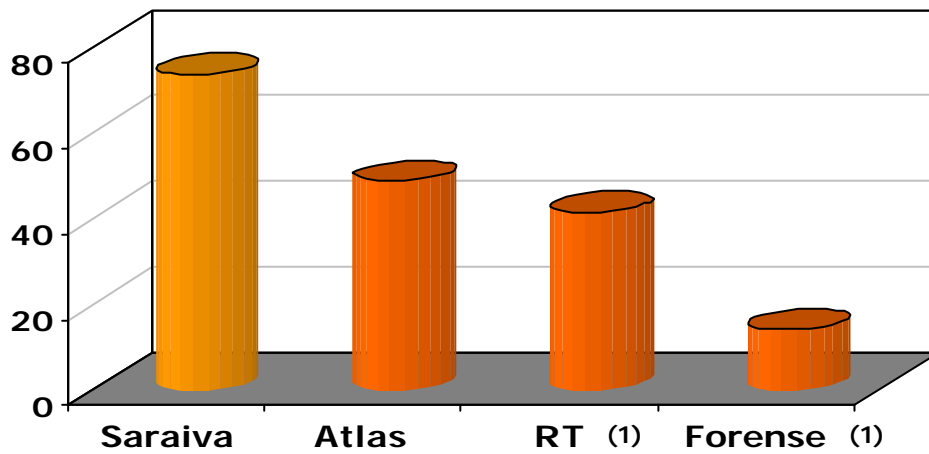
(*) Includes legal books

Sources: CBL (Brazilian Chamber of Books), Saraiva, Serasa and Gazeta Mercantil.

Textbook Market - 2003
Gross Sales - R\$ million
Main Publishers



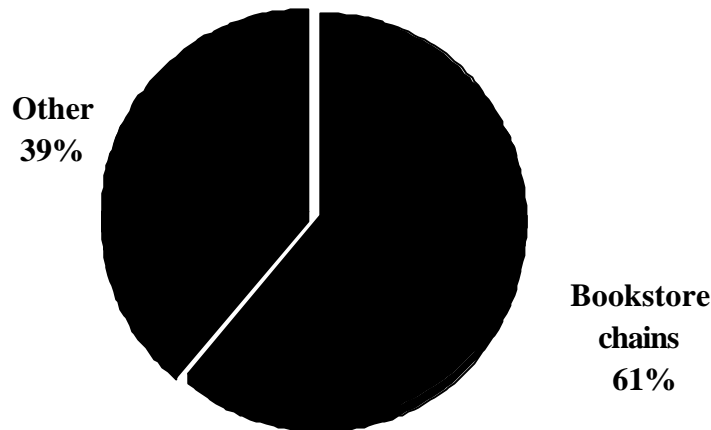
Legal Book Market - 2003
Gross Sales - R\$ million
Main Publishers



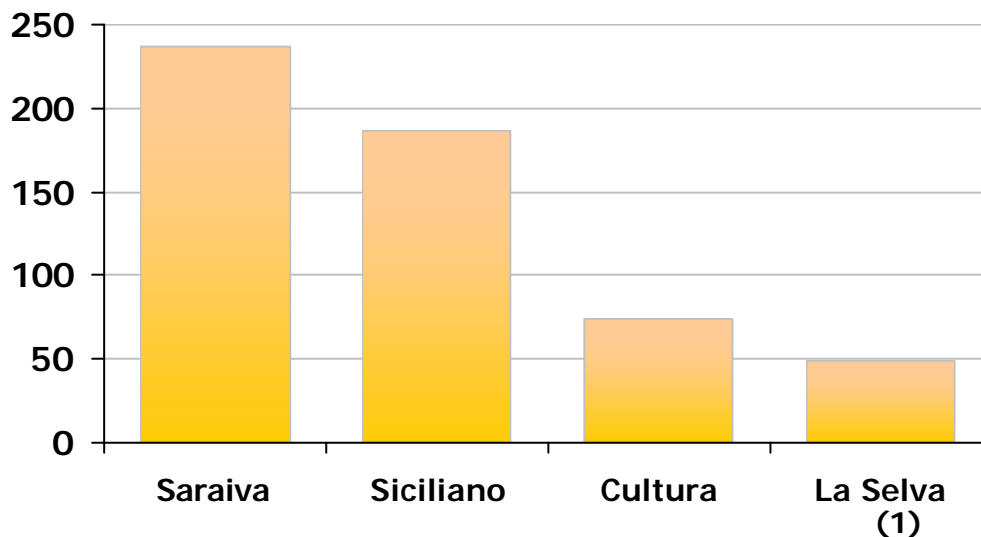
Sources: CBL (Brazilian Chamber of Books), Saraiva, Serasa and Gazeta Mercantil.

(1) Estimate by Saraiva

Retail Book Market - 2003
Gross Sales - R\$ 2.36 billion
Sales Channels



Main Bookstore Chains
Gross Sales - 2003 (R\$ million)



Sources: CBL (Brazilian Chamber of Books), Saraiva and Serasa.

(1) Estimate by Saraiva

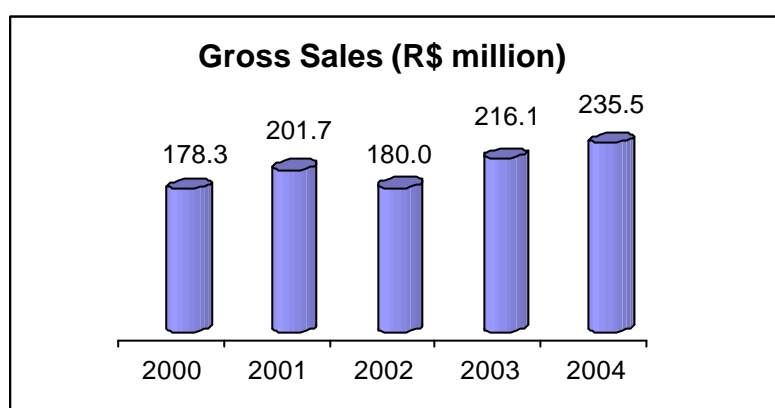
EDITORA SARAIVA (SARAIVA S.A. LIVREIROS EDITORES)

Editora Saraiva is the parent company of Livraria Saraiva, with 99.91% of shares - with distinct business purposes and names. In order to provide for better evaluation of the publishing business' results, the economic and financial information of Editora Saraiva includes the equity interest in Formato Editorial (company acquired in August 2003 and merged in February 2004).

The following table provides a summary of the main data on economic and financial performance:

Description	2004		2003		HA%
	R\$ 000	VA%	R\$ 000	VA%	
Gross Sales	235,482	105.7	216,115	104.9	9.0
Net Sales	222,769	100.0	206,046	100.0	8.1
Gross Profit	147,234	66.1	135,372	65.7	8.8
Operating Expenses	109,294	49.1	108,029	52.4	1.2
EBITDA	45,228	20.3	34,857	16.9	29.8
Net Financial Expenses	16,818	7.5	16,125	7.8	4.3
Net Income before Equity in Subsidiaries	21,061	9.5	16,477	8.0	27.8
Net Income	18,206	8.2	14,928	7.2	22.0

Gross Sales



Gross sales totaled R\$ 235.5 million, representing a 9.0% increase. Net sales increased less, by 8.1%, due to the increase in the Cofins between February and November 2004. It should be noted that the reduction of the PIS and Cofins rates to zero went into effect only in December 2004.

For better analysis of sales performance, it is important to make the distinction between sales to the government and sales to the private sector:

- Sales to the government: Grew 39% in relation to the prior year. The main factors that explain this performance were the good share of sales in the PNLD/05 and the creation of the program to serve high school students of the public system (PNLEM/05), in addition to the fact that a significant portion of sales to the PNLD/04 was recorded in fiscal year 2004, as described below:

Program/ School Year	Total Sale (Agreement's Total) R\$ million	Recorded Sales (fiscal years)	
		2003	2004
2003	41.4 ⁽¹⁾	4.9	
2004	85.5	57.4	28.1
2005 ⁽²⁾	83.3 ⁽³⁾		58.6
TOTAL FOR THE YEAR		62.3	86.7

(1) R\$ 36.5 million of the sales was recorded in 2002.

(2) Includes PNLEM/05 Brasil and SEE/Minas Gerais (Programa Livro na Escola - Mais Fácil Aprender, Mais Fácil Ensinar).

(3) R\$ 24.7 million of the sales is being approved.

- Sales to the private sector: As expected, there was a 3% decrease in relation to the prior year, accumulating R\$ 148.8 million, the result of smaller participation of the legal books in our sales mix. In 2003, sales were above average, due to the new Brazilian Civil Code, which went into effect in January 2003. It should be noted that, for 2005, major changes in legislation are expected, which may provide a new boost to the legal books market.

Gross Profit

Gross profit went from R\$ 135.4 million in 2003 to R\$ 147.2 million in 2004. The gross margin improved from 65.7% in 2003 to 66.1% in 2004. The effect of the greater share of sales to the government in 2004, whose margins are lower than those in sales to the private-sector market, was offset by the fact that much of the sales to the government occurred in December, and therefore with the zero PIS and Cofins rate benefit.

Income from Operations

The effort involved in the Company's cash management, through measures to restructure personnel and reduce expenses, demonstrated good results in 2004. The ratio of operating expenses to net sales was 49.1% in 2004, compared to 52.4% in 2003. This performance is even more positive considering that, in 2004, expenses were pressured by collective bargaining in the amounts of 17.5% (granted between September 2003 and June 2004) and 6.6% (granted in September 2004).

It should be pointed out that the results for 2004 include R\$ 1.8 million referring to extraordinary expenses on terminations and indemnities arising from the personnel restructuring plan. The estimated annualized savings, beginning in 2005, are R\$ 4.3 million. Even with these achievements, the Company will continue seeking constant operating efficiency gains. Accordingly, a managing group has been appointed to interact with the main persons responsible for expense, in order to generate an uninterrupted process for optimizing available resources.

Cash Flow

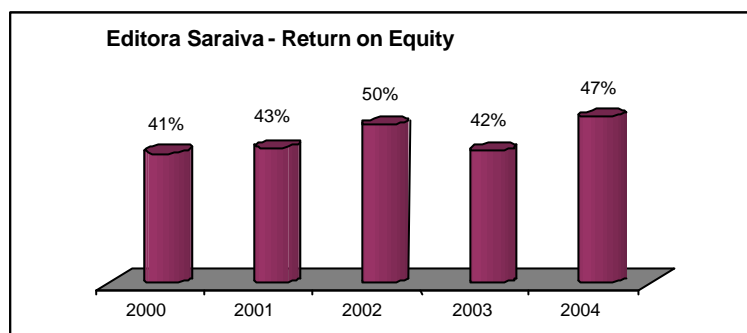
Gross cash flow generated by EBITDA grew 29.8%, from R\$ 34.9 million in 2003 to R\$ 45.2 million in 2004, the consequence of better management of operating expenses. The EBITDA margin reached 20.3% in 2004, against 16.9% in 2003.

Financial Income (Expenses)

Financial income (expenses) remained practically stable. In 2004, total net financial expenses were R\$ 16.8 million, and in 2003, R\$ 16.1 million. The year 2004 was benefited by a significantly lower level of indebtedness. However, the strong appreciation of the local currency in 2003 resulted in a considerable reversal of exchange variation expense on dollar-denominated liabilities and affected the comparison basis.

Net Income

Net income before equity in the subsidiary **Livraria Saraiva** grew 27.8% and totaled R\$ 21.1 million in 2004. Editora's return on equity in 2004 reached 47%. As shown below, the average return on equity for the last 5 years reached the exceptional level of 45%.



Return on Equity - Net income before equity in subsidiary for the year/Shareholders' equity at the beginning of the year, except the investment in Livraria Saraiva.

Saraiva Data

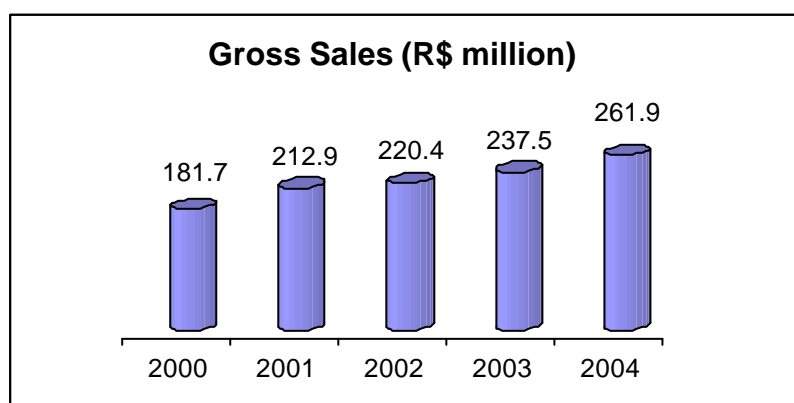
In 2004, 22 new products were launched in the published electronic content division (www.saraivajur.com.br), notably the new edition of the legal software "Concursos Jurídicos", a top seller in the sector.

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

Description	2004		2003		HA%
	R\$ 000	VA%	R\$ 000	VA%	
Gross Sales	261,890	117.4	237,543	112.3	10.2
Net Sales	223,153	100.0	211,466	100.0	5.5
Gross Profit	82,421	36.9	80,906	38.3	1.9
Operating Expenses	84,046	37.7	80,181	37.9	4.8
EBITDA	5,149	2.3	7,835	3.7	-34.3
Net Income	(2,858)	-1.3	(1,550)	-0.7	84.4

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

Gross Sales



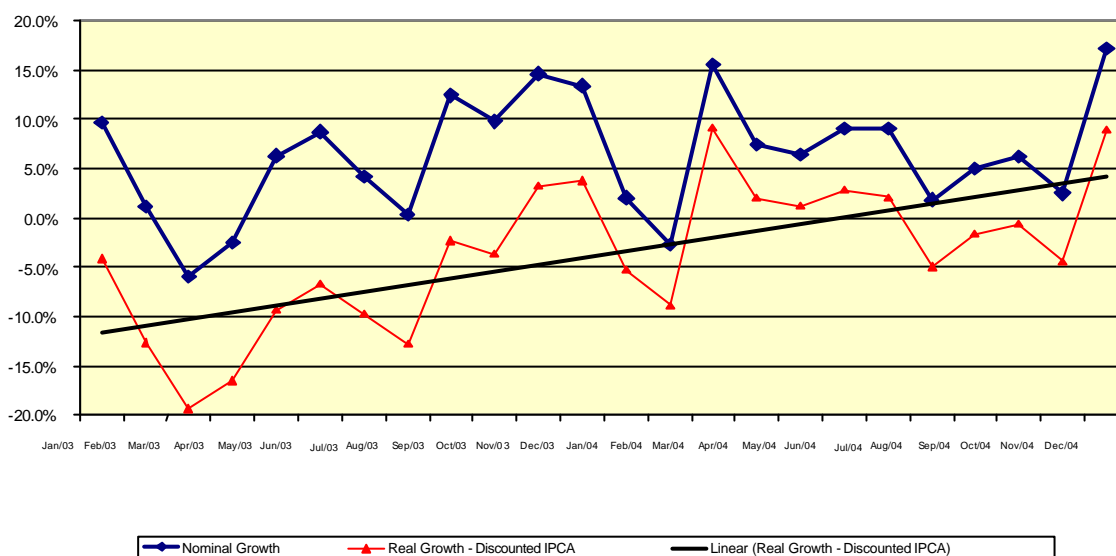
The gross sales of **Livraria** reached R\$ 261.9 million in 2004, representing growth of 10.2%. This performance surpassed the growth rate of nominal sales, of 8.2%, in the "books, newspaper and paper supplies" segment, according to a Monthly Trade Survey released by the Brazilian Institute of Geography and Statistics (IBGE).

The highlight of the year was the excellent performance of the e-commerce division, which obtained growth of 35.0% in sales, compared to 2003.

Net sales totaled R\$ 223.2 million, an increase of 5.5% in relation to 2003. The percentage growth was lower than that for gross sales due to the rise in the Cofins rate, between February 2004 and November 2004. However, in December 2004, the PIS and Cofins rates on the sale of books were reduced to zero.

In the evaluation of same store growth, we observed evolution over the course of the year, reflecting the scenario of gradual economic recovery, with improvement in the indicators of employment and disposable income, as can be observed in the following graph:

Same Store Growth - includes Saraiva.com



Gross Profit

Gross profit reached R\$ 82.4 million in 2004, against R\$ 80.9 million in 2003. However, the gross margin decreased, from 38.3% to 36.9%, in 2004. This performance was the result of changes in the product mix and larger discounts granted to customers due to competition.

Income from Operations

Over the course of 2004, the comprehensive action plan to reduce the Company's expense structure, focused on rationalizing personnel and renegotiating the main agreements, resulted in extraordinary expenses of R\$ 1.4 million, which are not recurrent.

The results of the measures adopted, R\$ 4.5 million on an annualized basis, will be more visible in 2005. However, it was possible to obtain actual gains in 2004, as shown in the table below, eliminating the effect of Cofins (between February 2004 and November 2004) and nonrecurring expenses:

R\$ 000	2004	2003
Operating Expenses	84,046	80,181
(+) PIS/Cofins Credits on Expenses	1,740	312
(-) Extraordinary Expenses	1,359	0
(=) Adjusted Operating Expenses	84,427	80,493
Operating Expenses/Gross Sales	32.2%	33.9%

Cash Flow

The electronic retail division experienced strong evolution and contributed R\$ 27 million to Livraria's gross operating cash flow. However, Livraria's EBITDA decreased from R\$ 7.8 million in 2003 to R\$ 5.1 million in 2004, due to the extraordinary expenses and the sluggish economic scenario at the beginning of the year.

Working Capital

Effective working capital management has always been a priority of ours, and in 2004 a broad project was developed to make working capital management a major competitive advantage - improving partnerships with suppliers and implementing modernization actions in the logistics area.

The results surpassed initial targets, with a significant reduction in inventory turnover and extension of the average term for payment to suppliers, reflected in the decrease in the operating cycle by 22 days. The capital used in inventories was also reduced by 30%. The Company continues to foresee efficiency gains in this area.

Net Income (Loss)

The improved performance of the e-commerce division was not sufficient to offset the drop in physical stores' results. The net negative margin went from 0.7% in 2003 to 1.3% in 2004.

Award

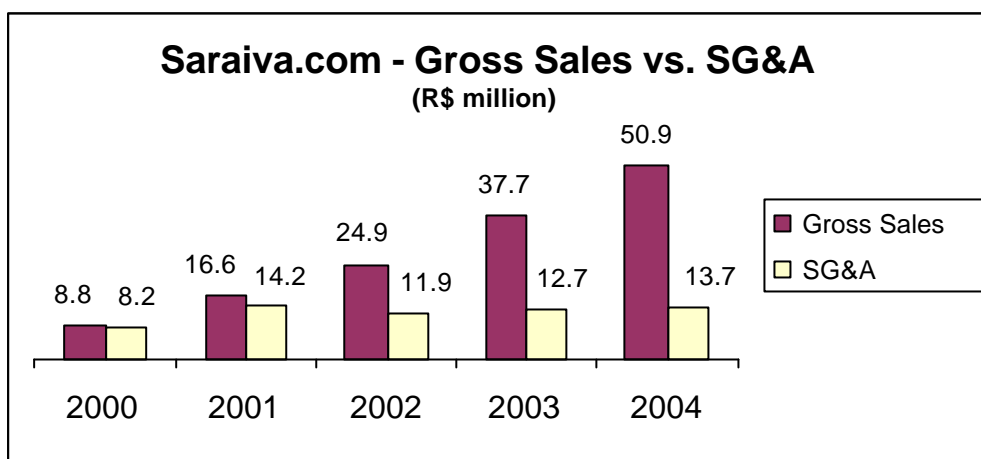
Livraria Saraiva won the ALSHOP VISA - 2004 award, by popular vote, in the category "Large Formats". Considered the "Oscar" of Brazilian retail, this award is a recognition of excellence in service in our megastores.

Saraiva.com

Implementation began for the strategic project to expand the product mix offered, increasing the computers area and adding the areas of paper supplies, bicycles and fitness, electronics and toys. Special supply conditions were negotiated to have a low impact on the working capital. The objective is to increase the average ticket, taking advantage of synergies with the existing fixed structure.

The results obtained in 2004 continued to show strong evolution, with gains of scale in the operation, and with growth in the operating cash flow of electronic retail. While sales increased at a compound annual rate of 55.0% over the last 5 years, operating expenses (SG&A) had an annual increase of 13.6%. The following indicators show the advances obtained:

Indicators	2004	2003	VAR
Gross Sales (R\$ 000)	50,907	37,711	35%
EBITDA (R\$ 000)	2,678	78	3,333%
Customers (000)	1,406	1,025	37%
% of Gross Sales of Livraria	19.4%	15.9%	22%
Average Ticket (R\$)	73.42	68.60	7%



CONSOLIDATED

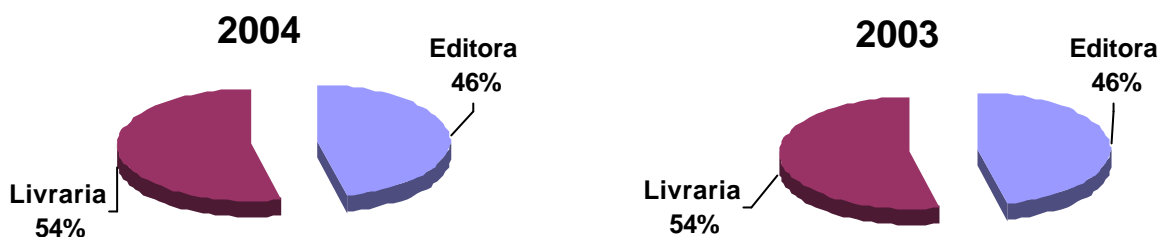
The table below shows the main information on consolidated economic and financial performance:

R\$ 000	2004	2003	VAR
Gross Sales	489,138	443,746	10.2%
Net Sales	437,688	407,600	7.4%
Gross Profit	229,633	216,238	6.2%
<i>Gross Margin</i>	<i>52.5%</i>	<i>53.1%</i>	
Income from Operations (EBIT) (a)	36,349	28,979	25.4%
<i>Operating Margin</i>	<i>8.3%</i>	<i>7.1%</i>	
Financial Expenses, Net	(19,954)	(19,667)	1.5%
Net Income	18,206	14,928	22.0%
<i>Net Margin</i>	<i>4.2%</i>	<i>3.7%</i>	
EBITDA (b)	50,377	42,690	18.0%
<i>EBITDA Margin</i>	<i>11.5%</i>	<i>10.5%</i>	
Total Assets	280,283	261,146	7.3%
Shareholders' Equity	103,887	95,032	9.3%
Net Debt	11,669	31,420	-62.9%

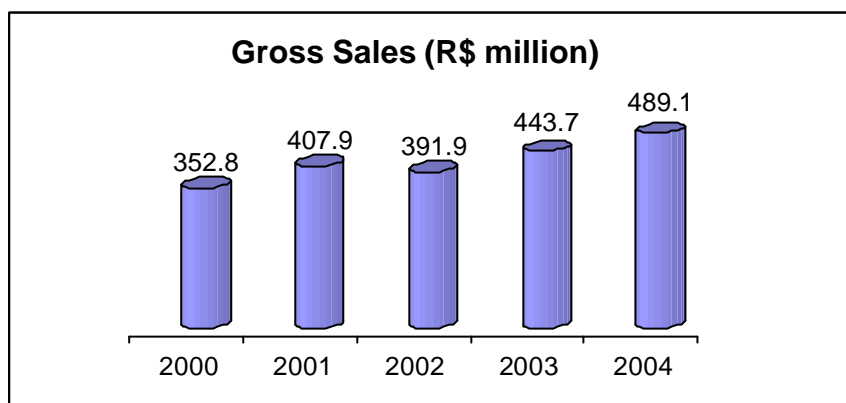
(a) Before financial income (expenses)

(b) Earnings before interest, taxes, depreciation and amortization

Consolidated Gross Sales



Gross Sales



Consolidated gross sales reached R\$ 489.1 million, growing 10.2% in relation to 2003, mainly reflecting the increase in sales to the government by Editora and the higher sales of the electronic retail division.

Gross Profit

Consolidated gross profit reached R\$ 229.6 million, 6.2% higher than in 2003. The gross margin decreased slightly, from 53.1% in 2003 to 52.5% in 2004, due to the smaller gross margin in Livraria.

Income (Loss) from Operations

The year 2004 began with strong pressure on personnel expenses due to the high collective bargaining granted at the end of 2003 (17.5% in Editora between September 2003 and June 2004, and 12.5% in Livraria in December 2003).

Thus, the work conducted during the year to adopt rationalization measures and rigorous control of expenses was fundamental. As a result, operating expenses grew only 2.7%, while gross sales were 10.2% higher than in 2003. It is important to point out that the result for 2004 is impacted by the recording of R\$ 3.2 million in nonrecurring expenses on terminations and indemnities. For 2005, in addition to there being no foreseen extraordinary expenses, expectations are positive due to gains expected in the amount of R\$ 8.8 million, on an annualized basis.

Reflecting the greater efficiency in managing expenses, income (loss) from operations before financial expenses (EBIT) grew 25.4%, reaching R\$ 36.3 million.

Cash Flow

Gross cash flow, or EBITDA, rose 18.0%, totaling R\$ 50.4 million. The EBITDA margin also improved, from 10.5% in 2003 to 11.5% in 2004.

Reconciliation of EBITDA - R\$ 000	2004	2003	VAR
Income from Operations after net financial expenses	16,395	9,312	76.1%
(+) Depreciation and Amortization	14,028	13,711	2.3%
(+) Net Financial Expense	19,954	19,667	1.5%
(=) EBITDA	50,377	42,690	18.0%

Financial Income (Expenses)

The net financial expense in 2004 was R\$ 20.0 million, compared to R\$ 19.7 million in 2003. The lower level of indebtedness offset the considerable reversal of exchange variation in the prior year due to the strong appreciation of the Brazilian currency in 2003.

Net Income

Consolidated net income totaled R\$ 18.2 million - a new record, and 22.0% higher than in 2003.

The results of Editora and the considerable improvement in electronic retail operations contributed to this growth. Consolidated return on opening shareholders' equity reached 19%.

CAPITAL STRUCTURE

There was a significant reduction in net indebtedness in 2004, from R\$ 31.4 million in December 2003 to R\$ 11.7 million at the end of 2004. The net indebtedness/EBITDA ratio improved considerably, from 0.7 in the prior year to 0.2 in 2004.

Financial liabilities exposed to exchange variation ended 2004 at US\$ 2.3 million, represented by two semiannual installments due in December 2005 and June 2006. According to the strategy to minimize the impact of exchange variation on the Company's cash, there is a hedge transaction for the portion due in June 2005.

Also in 2004, the National Bank for Economic and Social Development (BNDES) released R\$ 0.4 million related to the balance of investments made in two units opened at the end of 2003: Mega Store Shopping Flamboyant, in Goiânia, and Livraria Saraiva Itaim, in São Paulo.

INVESTMENTS

During 2004, R\$ 5.4 million was invested in projects whose expected return is higher than our cost of capital.

In **Editora**, capital investments totaled R\$ 3.9 million and were directed mainly towards:

- various IT projects in order to rationalize administrative and commercial processes, providing greater productivity and speed in operations;

- merger of Formato Editorial (company acquired in August 2003), with logistic adaptation to add the catalog that reinforced the competitive position in the area of textbooks and supplementary textbooks, generating value through the obtaining of synergies.

In **Livraria**, R\$ 1.5 million was invested. The highlights are as follows:

- implementation in physical stores of the innovative “Busca Fácil” book location system, allowing products to be located with extreme ease, adding value to the Saraiva customer shopping experience and providing for a reduction in store attendants;
- preparation for change in location for our unit in the city of Ribeirão Preto, in order to be closer to the target public, from Novo Shopping to Santa Úrsula Shopping;
- reformulation of the electronic retail sales site, with significant modernization of visual and functional resources;
- conclusion of activities of store in the traditional format located in the city of Recife and on Sete de Abril street in the city of São Paulo, due to future expectations for these units not to generate value.

CORPORATE GOVERNANCE AND CAPITAL MARKET

Management strives to make Saraiva a company that always adopts the best corporate governance practices, seeking constant alignment of corporate interests with those of shareholders, and enhancement of communication with all related parties.

Over the course of 2004, we conducted several actions to bring these proposals to fruition:

- the investor relations site was reformulated and technologically modernized, increasing the efficiency of this important communication channel;
- annual meetings at the APIMEC (Association of Capital Market Investment Analysts and Professionals) were resumed;
- we held quarterly conference calls with investors and analysts;
- we contracted the advisory services of Financial Investor Relations Brazil (successor of Thomson Financial Investor Relations Brazil).

We present below a summary of change in Saraiva’s shares over the last three years:

INDICATORS	2004	2003	2002
Number of Trades ⁽¹⁾	585	566	370
Participation in Trading Sessions - % ⁽¹⁾	56.6	64.4	55.4
Quantity Traded - 000 ⁽¹⁾	3,299	2,363	1,565
Volume Traded - R\$ 000 ⁽¹⁾	36,278	20,634	13,705
Price per Share - R\$ ^{(1) (2)}	12.00	9.95	9.10
Total Outstanding Shares - 000 ⁽²⁾	22,937	22,937	22,983
Market Capitalization - R\$ million ⁽²⁾	275.2	228.2	209.1

Source: São Paulo Stock Exchange (Bovespa)

(1) Referring to registered preferred shares (SLED4)

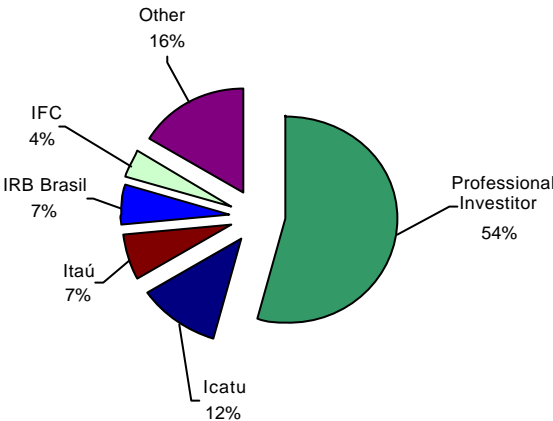
(2) At end of period

As a result of the actions conducted and the improvement in the economic scenario, with the increase in attraction to small caps, liquidity indicators rose 39.6% in quantity traded and 75.8% in financial volume traded. The appreciation of Saraiva’s preferred shares reached 20.6%, higher than the performance of the Bovespa index (Ibovespa), of 17.8%.

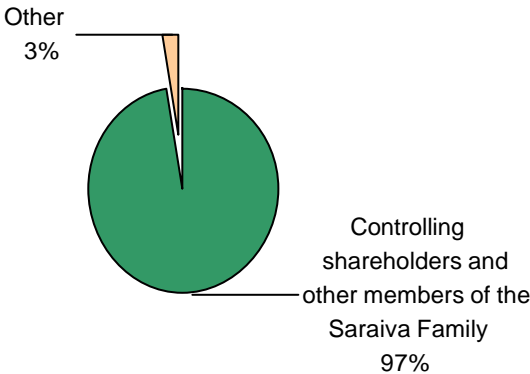
SHAREHOLDER STRUCTURE

Saraiva’s subscribed and paid-up capital was R\$ 41,977,000.00 as of December 31, 2004, divided into 23,269,203 registered shares, without par value, of which 9,622,313 are common shares (ON) and 13,646,890 are preferred shares (PN).

Distribution of Preferred Shares
as of 12/31/04



Distribution of Common Shares
as of 12/31/04



SHAREHOLDER COMPENSATION

The Board of Directors, in a meeting held on January 26, 2005, approved the payment of R\$ 9.4 million (R\$ 0.40769206/share) as shareholder compensation, in the form of interest on capital, already including in this amount minimum mandatory dividends. This amount is equal to 51% of net income for the year and represents a dividend yield of 3.4%.

HUMAN RESOURCES

Saraiva ended 2004 with 2,411 employees, with a reduction of 149 due to the rationalization measures implemented.

The productivity index, measured by gross sales/average headcount, grew 9.5%, from R\$ 179,800 in 2003 to R\$ 196,800 in 2004.

The objective of Saraiva's strategic HR philosophy is to develop and stimulate the capacity to learn. Within this context, significant investments were made in training during 2004. A total of 591 activities were conducted, with 16,529 participations and 60,000 hours of training.

SOCIAL RESPONSIBILITY

In line with the philosophy of contributing to the quality of life and social development of Saraiva's personnel and the surrounding communities, the Saraiva Group has the objective of actively collaborating with the building of a better society. The highlights in the social area in 2004 were:

- increase in social activities of Instituto Jorge Saraiva, with the opening of daycare center with capacity for 60 children;
- expansion of the Telecurso 2000 project, in partnership with SENAI and Fundação Roberto Marinho, offering the opportunity for the printing unit's employees to conclude high school and elementary school;
- continued solidarity campaigns and the Quality of Life Week Project, aiding in our employees social development;
- maintenance of partnership with the "Company that Educates" program, managed by SENAC to support the preparation of youth for the labor market;
- continuation of the environmental management program in our printing unit.

INDEPENDENT AUDITORS

In compliance with Brazilian Securities Commission (CVM) Instruction No. 381/2003, we inform that the current agreement with the independent auditors only entails external audit work.

ACKNOWLEDGEMENTS

Upon the conclusion of another year, we would like to express our sincerest gratitude for the collaboration of our employees, authors, suppliers, customers and shareholders.

São Paulo, March 11, 2005.

MANAGEMENT

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

SARAIVA S.A. LIVREIROS EDITORES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(Amounts in thousands of Brazilian reais - R\$, unless otherwise indicated)

1. OPERATIONS

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

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

2. PRESENTATION OF FINANCIAL STATEMENTS

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

3. SIGNIFICANT ACCOUNTING PRACTICES

a) Current and long-term assets

- Cash equivalents

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

- Allowance for doubtful accounts

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

- Inventories

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

- Other current and long-term assets

Stated at net realizable value.

b) Permanent assets

- Investments

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

- Property, plant and equipment

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

- Deferred charges

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

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

c) Current and long-term liabilities

- Copyrights

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

- Other current and long-term liabilities

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

d) Income and social contribution taxes

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

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

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

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

e) Use of estimates

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

f) Earnings per share

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

4. CONSOLIDATED FINANCIAL STATEMENTS

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

	<u>Ownership interest - %</u>	
	<u>2004</u>	<u>2003</u>
Livraria e Papelaria Saraiva S.A.	99.91	99.91
Formato Editorial Ltda.	-	100.00

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

- Elimination of intercompany balances and transactions.
- Elimination of the Company's investment against subsidiaries' shareholders' equity.
- Minority interest in shareholders' equity and net income (loss) of the subsidiaries are reported separately in the balance sheets and statements of income, respectively.

5. TRADE ACCOUNTS RECEIVABLE

	<u>Company</u>		<u>Consolidated</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Trade accounts receivable	32,151	31,308	32,325	27,722
Credit cards	35	111	20,771	17,816
Checks receivable	3,623	4,387	4,958	5,915
Allowance for doubtful accounts	<u>(1,669)</u>	<u>(1,776)</u>	<u>(2,159)</u>	<u>(2,233)</u>
	<u>34,140</u>	<u>34,030</u>	<u>55,895</u>	<u>49,220</u>

6. INVENTORIES

	<u>Company</u>		<u>Consolidated</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Finished products	39,774	35,071	39,774	38,109
Goods for resale	6	15	32,808	46,864
Work in process	17,786	17,030	17,786	17,411
Raw materials	7,724	8,819	7,724	8,821
Packing and consumption materials	<u>612</u>	<u>502</u>	<u>842</u>	<u>834</u>
	<u>65.902</u>	<u>61.437</u>	<u>98.934</u>	<u>112.039</u>

7. INVESTMENTS

	<u>Company</u>		<u>Consolidated</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Investments in subsidiaries	46,578	51,958	-	-
Goodwill on acquisition of investment	-	2,785	-	2,785
Other investments	1,810	1,810	2,480	2,480
Valuation allowance	<u>(1,402)</u>	<u>(1,402)</u>	<u>(1,937)</u>	<u>(1,937)</u>
	<u>46.986</u>	<u>55.151</u>	<u>543</u>	<u>3.328</u>

Investments in subsidiaries refer to the equity interest in Livraria e Papelaria Saraiva S.A. and Formato Editorial Ltda., which was merged on February 3, 2004. The main information is as follows:

	<u>2004</u>	<u>2003</u>		<u>Total</u>
	<u>Livraria e Papelaria Saraiva S.A.</u>	<u>Livraria e Papelaria Saraiva S.A.</u>	<u>Formato Editorial Ltda.</u>	
Number of shares - thousand	57,540	57,540	2,200	
Number of shares held - thousand	57,490	57,490	2,200	
Ownership interest - %	99.91%	99.91%	100.00%	
Capital	51,210	51,210	2,200	
Shareholders' equity - R\$	46,618	49,476	2,525	
Investment value - R\$	<u>46.578</u>	<u>49.433</u>	<u>2.525</u>	<u>51.958</u>
Net (loss) income - basis to calculate equity in subsidiaries	(2,858)	(1,550)	213	(1,337)
Equity in subsidiaries	<u>(2.855)</u>	<u>(1.549)</u>	<u>213</u>	<u>(1.336)</u>

The statements of operations of the subsidiary Livraria e Papelaria Saraiva S.A. for the years ended December 31, 2004 and 2003 are as follows:

	<u>2004</u>	<u>2003</u>
Gross sales	261,890	237,543
Deductions (ICMS, PIS and COFINS)	<u>(38,737)</u>	<u>(26,077)</u>
Net sales	223,153	211,466
Cost of sales	<u>(140,732)</u>	<u>(130,560)</u>
Gross profit	82,421	80,906
Operating expenses (income):		
Selling	65,213	61,191
Administrative	11,625	11,096
Management fees	1,101	1,475
Financial expenses	3,318	3,735
Financial income	(181)	(192)
Depreciation and amortization	6,107	6,419
Other	<u>(667)</u>	<u>(691)</u>
	<u>86,516</u>	<u>83,033</u>
Loss from operations	(4,095)	(2,127)
Nonoperating expenses	<u>(107)</u>	<u>(187)</u>
Loss before taxes on income	(4,202)	(2,314)
Income and social contribution taxes	<u>1,344</u>	<u>764</u>
Net loss	<u>(2,858)</u>	<u>(1,550)</u>
Loss per share (in R\$)	<u>(0.05)</u>	<u>(0.03)</u>

8. PROPERTY, PLANT AND EQUIPMENT

	Annual depreciation rate - %	Company			
		<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>	<u>2003 Net book value</u>
Buildings	4	8,172	(3,045)	5,127	5,448
Machinery and equipment	10	14,990	(11,478)	3,512	4,446
Furniture and fixtures and installations	10	22,159	(18,240)	3,919	4,385
Vehicles	20	2,942	(1,415)	1,527	1,216
Software and IT equipment	20	24,656	(15,687)	8,969	11,119
Land	-	2,029	-	2,029	2,029
Advances to suppliers	-	293	-	293	103
Other	-	<u>600</u>	<u>-</u>	<u>600</u>	<u>600</u>
		<u>75,841</u>	<u>(49,865)</u>	<u>25,976</u>	<u>29,346</u>

	Annual depreciation rate - %	Consolidated			
		2004		2003	
		Cost	Accumulated depreciation	Net book value	Net book value
Buildings	4	10,069	(3,782)	6,287	6,685
Machinery and equipment	10	15,300	(11,713)	3,587	4,548
Furniture and fixtures and installations	10	67,481	(51,603)	15,878	18,937
Vehicles	20	3,099	(1,509)	1,590	1,308
Software and IT equipment	20	39,610	(26,649)	12,961	16,315
Land	-	2,032	-	2,032	2,032
Advances to suppliers	-	394	-	394	537
Other	-	<u>1,224</u>	<u>-</u>	<u>1,224</u>	<u>1,235</u>
		<u>139,209</u>	<u>(95,256)</u>	<u>43,953</u>	<u>51,597</u>

9. DEFERRED CHARGES

	Company		Consolidated	
	2004	2003	2004	2003
Preoperating expenses and other deferred charges	2,691	1,445	25,404	25,585
Unamortized goodwill	10,066	7,931	10,066	7,931
Accumulated amortization	<u>(9,820)</u>	<u>(7,529)</u>	<u>(29,374)</u>	<u>(25,982)</u>
	<u>2,937</u>	<u>1,847</u>	<u>6,096</u>	<u>7,534</u>

On February 3, 2004, the Company transferred to deferred charges the amount of R\$2,135 of goodwill from the acquisition of the subsidiary Formato Editorial Ltda. on August 26, 2003. This goodwill is being amortized under the straight-line method in 60 monthly installments beginning March 2004.

10. LOANS AND FINANCING

	<u>Editora</u>		<u>Consolidated</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Current:				
Loans:				
Bank overdraft facilities	4,807	-	4,807	-
BACEN Resolution No. 2,770	<u>31,268</u>	<u>10,551</u>	<u>31,268</u>	<u>10,551</u>
	<u>36,075</u>	<u>10,551</u>	<u>36,075</u>	<u>10,551</u>
Financing:				
In local currency -				
BNDES - FINEM	996	965	4,108	4,329
In foreign currency-				
IFC	<u>6,149</u>	<u>6,699</u>	<u>6,149</u>	<u>6,699</u>
	<u>43,220</u>	<u>18,215</u>	<u>46,332</u>	<u>21,579</u>
Long term-				
Financing:				
In local currency-				
BNDES - FINEM	502	1,439	3,775	7,258
In foreign currency-				
IFC	<u>3,063</u>	<u>10,001</u>	<u>3,063</u>	<u>10,001</u>
	<u>3,565</u>	<u>11,440</u>	<u>6,838</u>	<u>17,259</u>

BACEN - Central Bank of Brazil.

BNDES - National Bank for Economic and Social Development.

FINEM - Enterprises Financing.

IFC - International Finance Corporation.

Maturities of long-term debt are as follows:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Total</u>
Company	<u>3,565</u>	<u>-</u>	<u>-</u>	<u>3,565</u>
Consolidated	<u>5,795</u>	<u>810</u>	<u>233</u>	<u>6,838</u>

Loans represented by bank overdraft facilities are subject to financial charges based on the variation of CDI (interbank deposit rate).

Loans obtained under BACEN Resolution No. 2,770 refer to foreign onlendings. The principal of these loans is subject to U.S. dollar variation and annual interest. The loans are tied to interest rate swap transactions equivalent to variation of CDI (Note 15) and are collateralized by promissory notes.

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

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

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

The subsidiary Livraria e Papelaria Saraiva S.A. obtained a new financing from BNDES - FINEM, in the amount of R\$382.

11. RELATED PARTIES

Transactions with related parties include purchase and sale operations and loan agreements, and were made under usual market conditions. Loans from the subsidiary Livraria e Papelaria Saraiva S.A. will be repaid in 2005, as stated in the loan agreement. The balances and transactions with related parties are as follows:

	<u>2004</u>	<u>2003</u>	
	<u>Livraria e Papelaria Saraiva S.A.</u>	<u>Livraria e Papelaria Saraiva S.A.</u>	<u>Formato Editorial Ltda.</u>
Balance:			
Current assets:			
Accounts receivable	16	3,762	-
Loans	-	-	4,144
Current liabilities:			
Accounts payable	-	3	332
Loans	11,736	-	-
Transactions:			
Sales of products	8,212	9,874	-
Purchases of products	22	39	332

12. DEFERRED INCOME AND SOCIAL CONTRIBUTION TAXES

Deferred income and social contribution taxes arise from:

	<u>Company</u>		<u>Consolidated</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Current assets	<u>210</u>	<u>-</u>	<u>1,409</u>	<u>481</u>
Long-term assets:				
Tax loss carryforwards	-	-	3,182	2,794
Reserve for contingencies	<u>495</u>	<u>477</u>	<u>5,371</u>	<u>5,116</u>
	<u>495</u>	<u>477</u>	<u>8,553</u>	<u>7,910</u>
Long-term liabilities:				
Allowance for losses on book inventories - Law No. 10,753/03	4,508	-	4,508	-
Deferral of accelerated depreciation	98	189	98	189
Unamortized goodwill - article 7 of Law No. 9,532/97	<u>165</u>	<u>165</u>	<u>165</u>	<u>165</u>
	<u>4,771</u>	<u>354</u>	<u>4,771</u>	<u>354</u>

The Company, based on the opinion of its outside lawyers, considered the tax incentive established by Law No. 10,753/03, as amended by Law No. 10,833/03, as a temporary difference between the book and tax bases, recognizing the tax effect according to CVM Regulatory Instruction No. 371/02.

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

	<u>Company</u>		<u>Consolidated</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Income before taxes on income	17,894	9,962	16,548	9,196
Reversal of interest on capital	<u>9,351</u>	<u>10,414</u>	<u>9,351</u>	<u>10,414</u>
	27,245	20,376	25,899	19,610
Combined tax rate	34%	34%	34%	34%
Taxes computed at the combined tax rate	<u>(9,264)</u>	<u>(6,929)</u>	<u>(8,806)</u>	<u>(6,669)</u>
Permanent additions:				
Nondeductible expenses	(202)	(201)	(286)	(341)
Equity in subsidiaries	(971)	(454)	-	-
Permanent deductions:				
Interest on capital	3,124	3,478	3,124	3,478
Other deductions	182	149	182	149
Other items	<u>115</u>	<u>168</u>	<u>113</u>	<u>358</u>
	<u>(7,016)</u>	<u>(3,789)</u>	<u>(5,673)</u>	<u>(3,025)</u>
Income and social contribution taxes:				
Current	(2,827)	(1,880)	(2,827)	(1,982)
Deferred	<u>(4,189)</u>	<u>(1,909)</u>	<u>(2,846)</u>	<u>(1,043)</u>
	<u>(7,016)</u>	<u>(3,789)</u>	<u>(5,673)</u>	<u>(3,025)</u>
Effective tax rate	<u>25.8%</u>	<u>18.6%</u>	<u>21.9%</u>	<u>15.4%</u>

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

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

Considering the final resolution of the lawsuits, the estimate of realization of the subsidiary's deferred tax asset is 95% until 2007 and the remaining 5% in 2008, as follows:

	<u>Realization of deferred tax asset</u>	<u>Deferred tax asset</u>
Balance of deferred tax asset as of December 31, 2004	-	9,257
December 31, 2005	2,305	6,952
December 31, 2006	4,131	2,821
December 31, 2007	2,366	455
December 31, 2008	455	-

13. RESERVE FOR CONTINGENCIES

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

The residual contingent liability is composed of:

	<u>Company</u>		<u>Consolidated</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
PIS/COFINS - expansion of tax basis and rate increase	180	108	9,065	8,888
IR/CSLL - "Plano Real" (economic plan) - Law No. 8,880/94	<u>2,020</u>	<u>1,907</u>	<u>11,396</u>	<u>10,690</u>
	<u>2,200</u>	<u>2,015</u>	<u>20,461</u>	<u>19,578</u>

In view of the Federal Supreme Court's decision that acknowledged the constitutionality of the increase in COFINS rate established by Law No. 9,718/98, the Company, based on its legal counsel's opinion, reversed a portion of the recorded liability against the respective escrow deposits as of December 31, 2003. The subsidiary's COFINS lawsuit is still unresolved and the respective reserve for contingencies is maintained.

14. SHAREHOLDERS' EQUITY

a) Capital

A capital increase to R\$41,977 was approved at the Extraordinary Shareholders' Meeting on April 29, 2004, through the absorption of the profit reserve in the amount of R\$2,256, without any change in the number of shares.

Fully paid-up capital as of December 31, 2004 is R\$41,977, represented by 23,269,203 shares, of which 9,622,313 are common and 13,646,890 are preferred without par value. The Company is authorized to increase its capital by up to 10,000,000 shares through the issuance of new shares for subscription, regardless of amendment to bylaws.

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

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

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

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

b) Treasury shares - CVM Instruction No. 10/80 and No. 298/97 (included under the caption "Profit reserves")

According to bylaws, at the Board of Directors' Meeting held on August 21, 2002, the Company was authorized to purchase 500,000 of its own preferred shares to be held in treasury.

No other share purchase transaction was conducted in 2004. Treasury shares as of December 31, 2004 were 332,500, with market value of R\$3,990 (R\$12.00 per share as of December 30, 2004).

c) Interest on capital and dividends

At the Board of Directors' Meeting held on January 26, 2005, the Board approved the payment of interest on capital in the amount of R\$9,351 (R\$0.40769206 per share), already including mandatory minimum dividends of R\$4,324. The payment date of interest on capital will be decided at the Annual Shareholders' Meeting.

Dividends were calculated as follows:

Net income	18,206
Legal reserve	<u>(910)</u>
	<u>17,296</u>
Mandatory minimum dividends - 25%	<u><u>4,324</u></u>

Interest on capital was recorded, for tax purposes, as financial expenses and, subsequently, eliminated from the statement of income and recorded in shareholders' equity, according to CVM Resolution No. 207/96. The effect on the calculation of the provision for income and social contribution taxes for the year was a reduction of R\$3,124 (R\$3,478 in 2003).

15. FINANCIAL INSTRUMENTS

a) Derivative transactions

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

Derivative transactions conducted by the Company in the year were as follows:

- Foreign exchange hedge contract - noncash swap to hedge the amortization installments of financing from the IFC. These transactions were contracted in September 2003, January 2004, and August 2004, maturing in June 2004, December 2004, and June 2005, respectively.

The involved asset was US\$3,650,000, and the net loss was R\$1,005 (R\$2,235 in 2003), of which R\$1,105 (R\$2,489 in 2003) was recorded as financial expenses and R\$100 (R\$254 in 2003) as financial income.

The foreign exchange exposure of the two residual installments of the contract with the IFC, maturing in December 2005 and June 2006, is US\$2,307,692, equivalent to R\$6,126.

- Interest rate swap agreements made in 2003 and 2004, linked to loans obtained under Central Bank of Brazil Resolution No. 2,770 (Note 10). Financial expenses recorded in the period were R\$2,354 (R\$2,772 in 2003), equivalent to the variation of the CDI (interbank deposit rate).

The fair values of swap operations as of December 31, 2004 approximate carrying amounts and there is no significant difference.

b) Other financial instruments

The carrying amounts and fair values of the financial instruments recorded in the consolidated balance sheet as of December 31, 2004 are as follows:

	<u>Carrying amount</u>	<u>Fair value</u>
Cash and cash equivalents	45,016	45,016
Loans and financing:		
In local currency	12,690	12,690
In foreign currency	40,480	40,480

Criteria, assumptions and limitations used in calculating fair values:

- Cash and cash equivalents

Represented by bank deposits.

- Loans and financing

The carrying amounts of loans and financing refer mainly to financing from BNDES and IFC. The fair values of such financing do not differ significantly from the carrying amounts as of December 31, 2004.

- Limitations

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

16. FINANCIAL EXPENSES

Financial expenses are comprised of:

	<u>Company</u>		<u>Consolidated</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Financial expenses - operations under				
Central Bank of Brazil Resolution No. 2,770	2,354	2,772	2,354	2,772
Loss on cash equivalents - hedge	1,105	2,489	1,105	2,489
Interest and monetary/exchange variation on				
loans and financing	269	(3,870)	1,234	(2,559)
Other interest and monetary variation	3,371	4,064	4,155	5,076
CPMF (tax on bank transactions)/IOC				
(exchange operations tax)	953	961	1,992	1,893
Other financial expenses	410	484	939	948
	<u>8,462</u>	<u>6,900</u>	<u>11,779</u>	<u>10,619</u>

17. INSURANCE

As of December 31, 2004, the Company and its subsidiary had insurance coverage against fire and sundry risks for fixed assets and inventories, in amounts considered sufficient to cover potential losses.

01.01 - IDENTIFICATION

1 - CVM CODE 01047-2	2 - TRADE NAME SARAIVA S.A. LIVREIROS EDITORES	3 - CNPJ 60.500.139/0001-26
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