

**FEDERAL PUBLIC SERVICE  
CVM - BRAZILIAN SECURITIES COMMISSION  
ITR - QUARTERLY STATEMENTS**  
Base Date: 3/31/2002 - Corporate Law  
**COMMERCIAL, INDUSTRIAL, AND OTHER CORPORATION**

**FILING WITH CVM DOES NOT IMPLY EVALUATION OF THE COMPANY, AND ITS OFFICERS SHALL BE RESPONSIBLE FOR THE TRUTHFULNESS OF INFORMATION SUPPLIED.**

**01.01 - IDENTIFICATION**

- 1 - CVM CODE: 01047-2
- 2 - CORPORATE NAME: SARAIVA S.A. LIVREIROS EDITORES
- 3 - National Directory of Legal Entities (CNPJ) No.: 60.500.139/0001-26
- 4 - Company Registration Identification Number (NIRE): 35300025300

**01.02 - REGISTERED OFFICE**

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

**01.03 - INVESTOR RELATIONS OFFICER (Company's Mail Address)**

- 1 - NAME: João Luís Ramos Hopp
- 2 - FULL ADDRESS: Rua Edgar Teotônio Santana 206
- 3 - NEIGHBORHOOD OR DISTRICT: Barra Funda
- 4 - CEP [POSTAL CODE]: 01140-030
- 5 - CITY: São Paulo
- 6 - STATE: SP
- 7 - AREA CODE: 011
- 8 - TELEPHONE NUMBER: 3611-3344
- 9 - TELEPHONE NUMBER: -
- 10 - TELEPHONE NUMBER: -
- 11 - TELEX: -
- 12 - AREA CODE: 011
- 13 - FAX NUMBER: 3619-3062
- 14 - FAX NUMBER: -
- 15 - FAX NUMBER: -
- 16 - E-MAIL: [jlhopp@editorasaraiva.com.br](mailto:jlhopp@editorasaraiva.com.br)

**01.04 - REFERENCE / AUDITOR**

CURRENT FISCAL YEAR		CURRENT QUARTER			PRIOR QUARTER		
1 - Beginning	2 - End	3- Number	4 - Beginning	5 - End	6- Number	7 - Beginning	8 - End
1/1/2002	12/31/2002	1	1/1/2002	3/31/2002	4	10/1/2001	12/31/2001
9 - AUDIT FIRM'S NAME KPMG Auditores Independentes					10 - CVM CODE 00418-9		
11 - INCUMBENT AUDITOR'S NAME Fernando Octavio Sepulveda Munita					12 - AUDITOR'S CPF 839.708.198-49		

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**01.05 - CAPITAL STRUCTURE**

Number of Shares (Thousands)	1 - CURRENT QUARTER 3/31/2002	2 - LATEST QUARTER 12/31/2001	3 - SAME QUARTER OF PRIOR YEAR 03/31/2001
<b>Paid-In Capital</b>			
1 - Common	9,622	9,622	9,622
2 - Preferred	13,647	13,647	13,820
3 - Total	23,269	23,269	23,442
<b>Treasury Stock</b>			
4 - Common	0	0	0
5 - Preferred	0	0	0
6 - Total	0	0	0

**01.06 - CORPORATE FEATURES**

- 1 - FORM OF ORGANIZATION: Commercial, Industrial, and Other Corporation
- 2 - STATUS: Existing
- 3 - NATURE OF OWNERSHIP: Private and National
- 4 - ACTIVITY CODE: 1070000 - Publishing and Printing
- 5 - MAIN ACTIVITY: Book publishing and printing
- 6 - TYPE OF CONSOLIDATION: Total
- 7 - TYPE OF AUDITOR'S REPORT: Unqualified

**01.07 - COMPANIES EXCLUDED FROM THE CONSOLIDATED FINANCIAL STATEMENTS**

- 1 - ITEM
- 2 - CNPJ
- 3 - CORPORATE NAME

**01.08 - CASH DISTRIBUTIONS DECLARED AND/OR PAID DURING AND AFTER THE QUARTER**

- 1 - ITEM: 01
- 2 - EVENT: Annual General Meeting
- 3 - APPROVAL DATE: 4/25/2002

4 - DISTRIBUTION: Interest on Equity Capital  
5 - INITIAL PAYMENT DATE: 6/20/2002  
6 - TYPE OF STOCK: Common Registered  
7 - DISTRIBUTION AMOUNT PER SHARE: 0.3379701400

1 - ITEM: 02  
2 - EVENT: Annual General Meeting  
3 - APPROVAL DATE: 4/25/2002  
4 - DISTRIBUTION: Interest on Equity Capital  
5 - INITIAL PAYMENT DATE: 6/20/2002  
6 - TYPE OF STOCK: Preferred Registered  
7 - DISTRIBUTION AMOUNT PER SHARE: 0.3379701400

**01.09 - SUBSCRIBED CAPITAL STOCK AND CHANGES IN THE CURRENT FISCAL YEAR**

1 - ITEM: 01  
2 - DATE OF CHANGE: 4/25/2002  
3 - CAPITAL STOCK AMOUNT: 36,880,000 Reais  
4 - AMOUNT OF CHANGE: 2,165,000 Reais  
5 - ORIGIN OF CHANGE: Revenue Reserves  
7 - NUMBER OF SHARES ISSUED: 0  
8 - ISSUE PRICE: 0.0000000000

**01.10 - INVESTOR RELATIONS OFFICER**

1 - DATE: 05/10/2002  
2 - SIGNATURE: [illegible signature].

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1 - CVM CODE: 01047-2

2 - CORPORATE NAME: SARAIVA S.A. LIVREIROS EDITORES

3 - National Directory of Legal Entities (CNPJ) No.: 60.500.139/0001-26

**02.01 - BALANCE SHEET - ASSETS (In Thousands of Reais)**

1 - CODE	2 - DESCRIPTION	3 - 03/31/2002	4 - 12/31/2001
1	Total Assets	188,225	186,113
1.01	Current Assets	89,112	84,218
1.01.01	Cash and Cash Equivalents	2,342	1,463
1.01.01.01	Cash and banks	2,342	1,463
1.01.01.02	Notes and securities	0	0
1.01.02	Credits	44,275	30,886
1.01.02.01	Trade accounts receivable	41,214	28,750
1.01.02.02	Subsidiary dividends receivable	0	0
1.01.02.03	Recovery taxes	232	1,831
1.01.02.04	Others	2,829	305
1.01.03	Inventories	41,202	50,510
1.01.03.01	Finished products	23,082	30,711
1.01.03.02	Goods for resale	0	99
1.01.03.03	Work in process	13,626	14,652
1.01.03.04	Raw materials	4,206	4,760
1.01.03.05	Packaging and consumable materials	288	288
1.01.04	Others	1,293	1,359
1.01.04.01	Deferred expenses	1,293	1,359
1.02	Long-Term Assets	10,926	9,522
1.02.01	Sundry credits	0	0
1.02.02	Credits with Related Parties	0	0
1.02.02.01	With Affiliates	0	0
1.02.02.02	With Subsidiaries	0	0
1.02.02.03	With Other Related Parties	0	0
1.02.03	Others	10,926	9,522
1.02.03.01	Tax incentive deposits	0	0
1.02.03.02	Court bonds	6,535	5,470
1.02.03.03	Deferred income tax and social contribution	4,352	4,013
1.02.03.04	Others	39	39
1.03	Fixed Assets & Investments	88,187	92,373
1.03.01	Investments	55,214	54,282
1.03.01.01	Shares in Affiliates	0	0
1.03.01.02	Shares in Subsidiaries	54,415	53,483
1.03.01.02.01	Livraria e Papelaria Saraiva S.A.	54,415	53,483
1.03.01.03	Other investments	799	799
1.03.01.03.01	Tax incentives	744	744
1.03.01.03.02	Others	55	55
1.03.02	Fixed Assets	27,888	32,537
1.03.02.01	Land	2,029	5,019
1.03.02.02	Buildings and constructions	5,967	6,764
1.03.02.03	Furniture, utensils, and fixtures	5,965	6,245
1.03.02.04	Vehicles	840	1,005
1.03.02.05	Machinery and equipment	3,079	3,302
1.03.02.06	Data processing equipment	9,408	9,602
1.03.02.07	Other fixed assets	600	600
1.03.03	Deferred charges	5,085	5,554
1.03.03.01	Goodwill to be amortized	4,362	4,759
1.03.03.02	Others	723	795

## 02.02 - BALANCE SHEET - LIABILITIES (Thousand of Reais)

1 – CODE	2 – DESCRIPTION	3 – 03/31/2002	4 – 12/31/2001
2	Total Liabilities	188,225	186,113
2.01	Current Liabilities	42,245	63,517
2.01.01	Loans and Financing	6,603	8,419
2.01.02	Debentures	0	0
2.01.03	Trade accounts payable	3,557	32,573
2.01.04	Taxes, Fees, and Contributions	1,713	3,082
2.01.04.01	Provision for income tax	0	1,470
2.01.04.03	Taxes and social security charges	1,713	1,612
2.01.05	Dividends payable	0	0
2.01.06	Provisions	12,519	3,654
2.01.06.01	Provision for vacation pay and charges	2,511	2,215
2.01.06.02	Provision for income tax	7,148	0
2.01.06.03	Provision for social contribution	1,794	0
2.01.06.04	Management interest	407	1,439
2.01.06.05	Provision for year-end bonus and charges	659	0
2.01.07	Debt to Related Parties	0	0
2.01.08	Others	17,853	15,789
2.01.08.01	Accounts and debt payable	1,329	1,621
2.01.08.02	Copyrights payable	7,221	6,304
2.01.08.03	Proposed interest on equity	7,864	7,864
2.01.08.04	Management interest	1,439	0
2.02	Long-Term Liabilities	35,698	34,889
2.02.01	Loans and Financing	21,642	21,809
2.02.02	Debentures	0	0
2.02.03	Provisions	14,056	13,080
2.02.03.01	Taxes and Contributions	14,056	13,080
2.02.04	Debt to Related Parties	0	0
2.02.04.01	Subsidiary company	0	0
2.02.05	Others	0	0
2.03	Deferred Income	0	0
2.05	Shareholders' Equity	110,282	87,707
2.05.01	Paid-in Capital Stock	34,715	34,715
2.05.02	Capital Reserves	13,947	13,947
2.05.02.01	Tax incentive reserve	4,427	4,427
2.05.02.02	Investors' goodwill reserve	8,653	8,653
2.05.02.03	Working capital reserve	724	724
2.05.02.04	Others	143	143
2.05.03	Revaluation Reserves	0	0
2.05.03.01	Owned Assets	0	0
2.05.03.02	Subsidiaries / Affiliates	0	0
2.05.04	Revenue Reserves	37,808	37,808
2.05.04.01	Legal Reserve	5,519	5,519
2.05.04.02	Statutory Reserve	0	0
2.05.04.02.01	Treasury stock	0	0
2.05.04.03	Contingency Reserve	0	0
2.05.04.04	Unrealized Revenue Reserve	0	0
2.05.04.05	Retention of Earnings	0	0
2.05.04.06	Special Reserve for Undistributed Dividends	0	0
2.05.04.07	Other Revenue Reserves	32,289	32,289
2.05.04.07.01	Reserve for capital increase	32,289	32,289
2.05.05	Retained Earnings / Losses	23,812	1,237

### 03.01 - STATEMENT OF INCOME (In Thousands of Reais)

1 – CODE	2 – DESCRIPTION	3 - 1/1/2002 to 3/31/2002	4 - 1/1/2002 to 3/31/2002	5 - 1/1/2001 to 3/31/2001	6 - 1/1/2001 to 3/31/2001
3.01	Gross Revenue from Sales and/or Services	83,267	83,267	86,680	86,680
3.02	Deductions from Gross Revenue	(3,039)	(3,039)	(3,173)	(3,173)
3.03	Net Revenue from Sales and/or Services	80,228	80,228	83,507	83,507
3.04	Cost of Goods and/or Services Sold	(19,455)	(19,455)	(19,791)	(19,791)
3.05	Gross Income	60,773	60,773	63,716	63,716
3.06	Operating Expenses / Revenue	(27,212)	(27,212)	(31,642)	(31,642)
3.06.01	Selling Expenses	(17,473)	(17,473)	(18,655)	(18,655)
3.06.02	General and Administrative Expenses	(7,057)	(7,057)	(7,159)	(7,159)
3.06.02.01	Management fees	(407)	(407)	(483)	(483)
3.06.02.02	Others	(6,650)	(6,650)	(6,676)	(6,676)
3.06.03	Financing Expenses / Revenue	(1,983)	(1,983)	(4,324)	(4,324)
3.06.03.01	Financing Revenue	385	385	432	432
3.06.03.02	Financing Expenses	(2,368)	(2,368)	(4,756)	(4,756)
3.06.04	Other Operating Revenues	34	34	0	0
3.06.05	Other Operating Expenses	(1,664)	(1,664)	(1,586)	(1,586)
3.06.05.01	Depreciation and amortization	(1,646)	(1,646)	(1,565)	(1,565)
3.06.05.02	Others	(18)	(18)	(21)	(21)
3.06.06	Equity in Subsidiary's Income	931	931	82	82
3.07	Operating Income	33,561	33,561	32,074	32,074
3.08	Non-Operating Income	990	990	(150)	(150)
3.08.01	Revenues	990	990	0	0
3.08.02	Expenses	0	0	(150)	(150)
3.09	Income before Taxes / Interests	34,551	34,551	31,924	31,924
3.10	Provision for Inc. Tax & Social Contribution	(11,929)	(11,929)	(10,685)	(10,685)
3.11	Deferred Income Tax	360	360	90	90
3.12	Statutory Interests / Contributions	(407)	(407)	(483)	(483)
3.12.01	Interests	(407)	(407)	(483)	(483)
3.12.01.01	Management interest	(407)	(407)	(483)	(483)
3.12.02	Contributions	0	0	0	0
3.13	Reversal of Interest on Equity Capital	0	0	0	0
3.15	Profit / Loss for the Period	22,575	22,575	20,846	20,846
	NUMBER OF SHARES, EXC. TREASURY	23,269,000	23,269,000	23,442,000	23,442,000
	EARNINGS PER SHARE	0.97017	0.97017	0.88926	0.88926
	LOSS PER SHARE				

## **04.01 - ACCOMPANYING NOTES**

### **Notes to the financial statements**

**Period ended March 31, 2002**

**(in thousands of reais)**

#### **1. Operating background**

The main activity of Saraiva S.A. Livreiros Editores (Publishing House) is editing elementary and secondary education books, reference books, and books on law and economics / administration.

The operating cycle of the Publishing House is highly seasonal over the year, and 80% of sales are concentrated in the last quarter of the year and the first quarter of the following year. This revenue concentration is determined by two factors: (a) the end of school holidays, in the first quarter, and (b) sales of elementary education books to the government in the fourth and first quarters of the year.

#### **2. Presentation and preparation of the financial statements**

The financial statements have been prepared based on the accounting practices prescribed under the Brazilian corporate law and the Brazilian Securities Commission's rules.

Description of the main accounting practices:

##### **a. Financial investments**

Recorded at the lower of cost and market value, including the income incurred during the period.

##### **b. Allowance for doubtful accounts**

Set aside at a sufficient amount to cover any losses incurred in the realization of trade accounts receivable, including outstanding checks. Credits considered to be irrecoverable are directly entered in the income for the period.

##### **c. Rights and obligations**

Adjusted based on the exchange rate and/or financial charges, pursuant to the applicable agreements and laws, in order to reflect the amounts incurred up to the balance sheet date. Liabilities in foreign currency were translated into reais at the exchange rate in effect on the balance sheet date.

##### **d. Inventories**

Inventories are valued at the lower of average acquisition or production cost and the market value.

##### **e. Investments**

The investment in the subsidiary company is valued under the equity method of accounting, and the other investments are valued at cost, net of provision for devaluation.

##### **f. Fixed Assets**

Recorded at the acquisition, formation, or construction cost. Depreciation is computed under the straight-line method based on rates considering the useful life of the assets.

**g. Deferred Charges**

Recorded at acquisition or formation cost; it basically refers to the goodwill to be amortized, pre-operating expenses on commercial assignment, and expenses incurred before the start-up of new stores.

Amortization of these expenses is carried out over 5 years from the start-up of the stores or as otherwise provided in the lease agreements.

The goodwill to be amortized, resulting from the acquisition of interest in Editora Atual S.A., which was economically justified by the future profit expectations based on the projected profitability for the expected investment return period, was transferred from investments to deferred charges because of the merger of Editora Atual S.A. in August 1999 and has been amortized by the straight line method in 60 monthly installments, calculated according to the projected results for the 5-year period from 1/1/2000.

**h. Copyrights**

Copyrights are credited at the time of sales completion, and in some cases, on acquisition of the publishing rights. In the former case, copyrights are considered as selling expenses and, therefore, entered in income, and in the latter case, they are included in the production cost.

**i. Provisions**

Provisions are recorded based on the best involved risk alternatives.

**j. Income tax and social contribution**

Taxes on the income for the year included the current and deferred values.

The income tax is computed at the rate of 15% on the taxable income plus an additional 10% rate, and the social contribution at a rate of 9% on the adjusted book income.

Deferred income tax and social contribution are included in the current assets and long-term liabilities, as explained in Note 11. They are recorded to reflect future tax effects resulting from: a) temporary differences between the tax base of assets and liabilities and its respective book value; and b) tax losses and negative base for social contribution. The deferred tax assets are based on the expectations of future realization of taxable income, considering the tax rates in effect on the balance sheet date, and are annually revised and adjusted upon substantial change in the expected taxable income.

**l. Inflation effects**

The accounts of fixed assets & investments and shareholders' equity were indexed up to December 31, 1995, when Law No. 9.249/95 banned balance sheet indexation from the Brazilian corporate law.

**3. Consolidated financial statements**

The consolidated financial statements include the financial statements of Saraiva S.A. Livreiros Editores and its subsidiary, Livraria e Papelaria Saraiva S.A., in which it holds equity interest of 99.91%.

The consolidated financial statements are prepared in accordance with the provisions of the Brazilian Corporations Act, the rules issued by the Brazilian Securities Commission, and the basic principles generally accepted for consolidation purposes, which include:

- Elimination of rights and obligations, as well as revenues, costs, and expenses resulting from transactions carried out between companies included in the consolidation;
- Elimination of a relevant investment in the parent company against the shareholders' equity of the subsidiary; and
- Minority shareholders' interest in the subsidiary's equity and net loss for the period is highlighted on both the balance sheets and the consolidated statements of income.

#### 4. Trade accounts receivable

	<b>Publishing House</b>	<b>Consolidated</b>
Bills receivable	38,875	38,215
Credit cards	170	14,587
Checks receivable	2,448	7,363
Others	42	53
(-) Allowance for doubtful accounts	<u>(321)</u>	<u>(411)</u>
	<b><u>41,214</u></b>	<b><u>59,807</u></b>

#### 5. Inventories

	<b>Publishing House</b>	<b>Consolidated</b>
Finished goods	23,082	66,296
Work in process	13,626	13,626
Raw materials	4,206	4,206
Packaging and consumable materials	<u>288</u>	<u>515</u>
	<b><u>41,202</u></b>	<b><u>84,643</u></b>

#### 6. Investments

	<b>Publishing House</b>	<b>Consolidated</b>
Interest in subsidiary company	54,415	-
Other investments	3,765	5,164
Provision for devaluation	<u>(2,966)</u>	<u>(4,085)</u>
	<b><u>55,214</u></b>	<b><u>1,079</u></b>

Interest in the subsidiary company is represented by the investment in Livraria e Papelaria Saraiva S.A., and the following is further information on such interest:

Number of shares of the capital stock - Thousands	57,540
Number of owned shares - Thousands	57,490
Percent equity interest	99.91%
Adjusted capital stock	51,210
Shareholders' equity	54,462
Investment amount	54,415

Net income for the period	932
Rate of equity in subsidiary's income	<b>932</b>
Equity in subsidiary's income	<b>931</b>

Information on the Balance Sheet of the subsidiary:

	<b>3/31/2002</b>		<b>3/31/2002</b>
<b>ASSETS</b>		<b>LIABILITIES</b>	
<b>TOTAL ASSETS</b>	<b>114,547</b>	<b>TOTAL LIABILITIES</b>	<b>114,547</b>
<b>CURRENT ASSETS</b>	<b>69,557</b>	<b>CURRENT LIABILITIES</b>	<b>35,463</b>
Cash and banks	1,967	Loans and financing	5,882
Short-term investments	2,617	Trade accounts payable	24,198
Trade accounts receivable	19,368	Taxes and social contributions	1,390
Inventories	43,441	Accounts and debts payable	3,738
Other credits & accounts receivable	2,128	Income tax and social contribution	151
Deferred expenses	36	Management interest	104
<b>LONG-TERM ASSETS</b>	<b>12,558</b>	<b>LONG-TERM LIABILITIES</b>	<b>24,622</b>
Deferred income tax and social contribution	5,805	Provision for taxes and contributions	15,080
Other unrealized gains	6,753	Loans and financing	8,879
<b>FIXED ASSETS &amp; INVESTMENTS</b>	<b>32,432</b>	Others	663
		<b>SHAREHOLDERS' EQUITY</b>	<b>54,462</b>
Investments	280	Share capital	51,210
Fixed Assets	24,655	Capital reserves	2,190
Deferred charges	7,497	Revenue reserves	2,564
		Retained earnings	(1,502)

## 7. Fixed Assets

	<b>Annual depreciation rate</b>	<b>Publishing House</b>	<b>Consolidated</b>
<b>Adjusted cost</b>			
Land		2,029	2,032
Buildings and constructions	4%	8,212	10,109
Furniture, utensils, and fixtures	10%	19,995	62,746
Data processing equipment	20%	15,569	27,348
Vehicles	20%	2,063	2,282
Machinery and equipment	10%	11,909	12,285
Other fixed assets		<u>600</u>	<u>1,176</u>

	60,377	117,978
<b>Accumulated depreciation</b>	<u>(32,489)</u>	<u>(65,436)</u>
	<b><u>27,888</u></b>	<b><u>52,542</u></b>

## 8. Deferred charges

	<b>Publishing House</b>	<b>Consolidated</b>
<b>Adjusted cost</b>		
Pre-operating costs and other deferred charges	1,445	24,519
Goodwill to be amortized	<u>7,931</u>	<u>7,931</u>
	9,376	32,450
<b>Accumulated amortization</b>	<u>(4,291)</u>	<u>(19,868)</u>
	<b><u>5,085</u></b>	<b><u>12,582</u></b>

## 9. Loans and financing

	<b>Publishing House</b>	<b>Consolidated</b>
<b>Short term</b>		
Financing		
Local Currency		
BNDES - FINEM	898	6,779
Foreign Currency		
International Finance Corporation (IFC)	<u>5,705</u>	<u>5,705</u>
	<b><u>6,603</u></b>	<b><u>12,484</u></b>
<b>Long-term</b>		
Financing		
Local currency		
BNDES-FINEM	2,874	11,753
Foreign Currency		
International Finance Corporation - IFC	<u>18,768</u>	<u>18,768</u>
	<b><u>21,642</u></b>	<b><u>30,521</u></b>

The financing obtained by the Publishing House from BNDES - FINEM, backed by mortgage, bears an annual interest rate of 3.5% plus the Long-Term Interest Rate (TJLP). The financing agreements obtained by the subsidiary also from BNDES - FINEM, 100% guaranteed by the Publishing House, bear an annual interest rate of 3% and 3.5% plus TJLP.

The financing obtained from IFC, adjusted based on changes in dollar exchange rate, bears an annual interest rate of 3% above LIBOR. The agreement is free of any security interests, however the Publishing House shall, until its full repayment, maintain its current stock position in Livraria e Papelaria Saraiva S.A., and the controlling shareholders shall jointly hold at least 50% of the voting common stock in the Publishing House.

BNDES - FINEM financing agreements are designed for the acquisition and implementation of an Integrated Enterprise Resource Planning (ERP) and the construction of a Distribution Center. The financing obtained by the Publishing House from IFC is designed for the investment project in Mega Stores and the modernization of conventional stores of the subsidiary Livraria e Papelaria Saraiva S.A.

## 10. Related parties

Related party transactions include business transactions of sale and purchase with Livraria e Papelaria Saraiva S.A. and were carried out under arm's length conditions.

### Balances

Current Assets	
Accounts receivable	771
Current Liabilities	
Accounts payable	2,028

### Transactions

Sales of goods	3,262
Purchase of goods	10

## 11. Deferred income tax and social contribution

Deferred income tax and social contribution were originated as follows:

	Publishing House	Consolidated
<b>Long-term assets</b>		
PIS and COFINS litigation	4,352	8,146
Tax loss and negative base of social contribution	<u>-</u>	<u>2,010</u>
	<b><u>4,352</u></b>	<b><u>10,156</u></b>
<b>Long-term liabilities</b> (recorded as "Taxes and Contributions")		
Deferral of accelerated depreciation with tax incentive	347	347
Goodwill to be amortized - Article 7 of Law No. 9.532/97	<u>165</u>	<u>165</u>
	<b><u>512</u></b>	<b><u>512</u></b>

The adjustment to reconcile the expense calculated using the combined tax rates with the expense on income tax and social contribution charged to income is shown below:

	Publishing House	Consolidated
<b>Book earnings before income tax and CSLL</b>	<b>34,551</b>	<b>35,154</b>
Combine tax rate	34%	34%
<b>Income tax and CSLL at the combined rate</b>	<b>(11,748)</b>	<b>(11,953)</b>
<b>Permanent additions</b>		
Nondeductible expenses	(50)	(52)
<b>Permanent exclusions</b>		
Management interest	37	46
Equity in subsidiary's income	317	-
<b>Other items</b> (additional income tax on excess taxable income, tax incentives, and others)	<u>(125)</u>	<u>(109)</u>
	<b><u>(11,569)</u></b>	<b><u>(12,068)</u></b>
<b>Income tax and CSLL on income for the period:</b>		
Expense for the period	(11,929)	(12,461)
Deferred	<u>360</u>	<u>393</u>
	<b><u>(11,569)</u></b>	<b><u>(12,068)</u></b>
<b>Effective tax rate on net income</b>	<b><u>33.48%</u></b>	<b><u>34.33%</u></b>

## 12. Provision for taxes and contributions

The Company has filed litigation challenging the legality of some federal taxes, and based on its legal counsel's opinion, no losses in excess of the accrued amounts are expected to result from such litigation. The contingent liabilities break down as follows:

	Publishing House	Consolidated
PIS - Installment plan with 1% interest rate and no penalty	7,587	13,140
PIS / COFINS - Increase in the tax base and rate	5,212	10,819
Income Tax / CSLL - Plano Real - Law No. 8.880/94	745	4,665
	<u>13,544</u>	<u>28,624</u>

## 13. Shareholders' equity

Amendments to provisions of the Bylaws were approved at the Extraordinary General Meeting, as set forth in the minutes dated April 25, 2002.

The paid-in capital stock, of R\$ 34,715 is represented by 23,269,203 shares, where 9,622,313 are shares of common stock and 13,646,890 are shares of preferred stock without par value. The Company is authorized to increase the share capital, without amendment to its bylaws, by not more than 500,000 shares, up to the limit of 23,769,203 issued shares.

Preferred shares, which shall not exceed 2/3 of the total issued shares, have no voting rights, unless in the events prescribed by law or in the Bylaws, are not convertible into common shares and confer the following rights upon their holders:

- a) Special treatment in the event of Company's change in control pursuant to the Bylaws;
- b) same dividend payable to common shares; and
- c) rank pari passu with common share holders in the distribution of bonus stock resulting from capitalization of reserves, retained earnings, and any other funds;

Any alteration to the preferences, rights or advantages conferred upon the preferred shares, shall depend upon the prior approval or ratification of the shareholders of more than one half of such shares.

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

## 14. Financial instruments

The Publishing House carries out transactions with financial instruments recorded in balance sheet accounts, which are intended to meet the operating needs and reduce exposure to market risks relating to currency and interest rate fluctuations. The transactions are carried out with recognized sound financial institutions and are managed by finance department in accordance with the established position and exposure limits and underlying risk monitoring.

The following derivative instrument transactions were carried out by the Publishing House in the period:

a) Currency hedge agreements - cashless swap with Banco Itaú to hedge the amortization portions of the International Finance Corporate (IFC) financing agreement, dated on June 15 and December 13, 2002. The transactions agreed on 11/5/2001 and 3/4/2002, which involve an amount of US\$ 2,840, resulted in losses of R\$ 275;

b) Interest rate swap agreements with Banco Itaú in connection with the loans obtained under BACEN Resolution No. 2.770. The transaction settled in the quarter were adjusted based on CDI and resulted in gains of R\$ 38 in the period.

### **Other financial instruments**

In compliance with CVM Instruction No. 235/95, the account balances and market values of the financial instruments included in the consolidated balance sheet as of March 31, 2002 are shown below:

Description	Account balance	Market Value
Cash and cash equivalents	4,309	4,309
Short-term investments	2,617	2,617
Recovery taxes	232	232
Deferred income tax and social contribution - assets	10,156	8,552
Investment valued at cost, not publicly traded	1,079	1,079
Loans and financing	43,005	43,005
Deferred income tax and social contribution - liabilities	512	512

Criteria, premises, and limitations used in the calculation of the market values

#### **a. Deferred income tax and social contribution**

The market value of differed income tax and social contribution was calculated based on their present value determined through the future cash flows and using Selic interest rate.

#### **b. Loans and financing**

Account balances of loans and financing are substantially similar to the financing agreements with BNDES and IFC. Market values for these financing agreements are identical to the account balances, since there are no similar instruments in the domestic market with comparable maturity and interest rate.

#### **c. Limitations**

Market values were estimated at a specific moment based on “material market information”. Changes in the premises may substantially affect the presented estimates.

### **15. Insurance coverage**

As of March 31, 2002, the Company had insurance coverage against fire and several risks for the fixed assets and inventories, at values considered reasonable to cover possible losses.

SEE COMMENT ON THE CONSOLIDATED QUARTERLY PERFORMANCE - 08 /  
ITR

**06.01 - CONSOLIDATED BALANCE SHEET - ASSETS (In Thousands of Reais)**

1 – CODE	2 – DESCRIPTION	3 – 3/31/2002	4 – 12/31/2001
1	Total Assets	247,581	242,009
1.01	Current Assets	157,894	147,065
1.01.01	Cash and Cash Equivalents	6,926	9,070
1.01.01.01	Cash and banks	4,309	7,260
1.01.01.03	Notes and securities	2,617	1,810
1.01.02	Credits	64,996	46,478
1.01.02.01	Trade accounts receivable	59,807	43,769
1.01.02.02	Recovery taxes	232	2,108
1.01.02.03	Others	4,957	601
1.01.03	Inventories	84,643	90,102
1.01.03.01	Finished products	66,296	70,175
1.01.03.02	Work in process	13,626	14,652
1.01.03.03	Raw materials	4,206	4,760
1.01.03.04	Packaging and consumable materials	515	515
1.01.04	Others	1,329	1,415
1.01.04.01	Deferred expenses	1,329	1,415
1.02	Long-Term Assets	23,484	21,207
1.02.01	Sundry Credits	0	0
1.02.02	Credits with Related Parties	0	0
1.02.02.01	With Affiliates	0	0
1.02.02.02	With Subsidiaries	0	0
1.02.02.03	With Other Related Parties	0	0
1.02.03	Others	23,484	21,207
1.02.03.01	Tax incentive deposits	0	0
1.02.03.02	Court deposits	13,287	11,381
1.02.03.03	Deferred income tax and social contribution	10,156	9,785
1.02.03.04	Others	41	41
1.03	Permanent Assets	66,203	73,737
1.03.01	Investments	1,079	1,079
1.03.01.01	Interest in Affiliates	0	0
1.03.01.02	Interest in Subsidiaries	0	0
1.03.01.03	Other Investments	1,079	1,079
1.03.01.03.01	Tax incentives	1,024	1,024
1.03.01.03.02	Others	55	55
1.03.02	Fixed Assets	52,542	58,438
1.03.02.01	Land	2,032	5,022
1.03.02.02	Buildings and constructions	7,336	8,152
1.03.02.03	Furniture, utensils, and fixtures	23,745	24,731
1.03.02.04	Vehicles	933	1,107
1.03.02.05	Machinery and equipment	3,249	3,485
1.03.02.06	Data processing equipment	14,071	14,745
1.03.02.07	Other fixed assets	1,176	1,196
1.03.03	Deferred assets	12,582	14,220
1.03.03.01	Goodwill to be amortized	4,362	4,759
1.03.03.02	Others	8,220	9,461

**06.02 - CONSOLIDATED BALANCE SHEET - LIABILITIES (In Thousands of Reais)**

1 – CODE	2 – DESCRIPTION	3 – 3/31/2002	4 – 12/31/2001
2	Total Liabilities	247,581	242,009
2.01	Current Liabilities	76,932	94,168
2.01.01	Loans and Financing	12,484	14,319
2.01.02	Debentures	0	0
2.01.03	Trade accounts payable	26,980	51,013
2.01.04	Taxes, Fees, and Contributions	3,102	5,148
2.01.04.01	Provision for income tax	0	1,470
2.01.04.03	Taxes and social security charges	3,102	3,678
2.01.05	Dividends Payable	0	0
2.01.06	Provisions	15,061	5,229
2.01.06.01	Provision for vacation pay and charges	4,406	3,790
2.01.06.02	Provision for income tax	7,256	0
2.01.06.03	Provision for social contribution	1,837	0
2.01.06.04	Management interest	511	1,439
2.01.06.05	Provision for year-end bonus and charges	1,051	0
2.01.07	Debt to Related Parties	0	0
2.01.08	Others	19,305	18,459
2.01.08.01	Accounts and debt payable	2,781	4,291
2.01.08.02	Copyrights payable	7,221	6,304
2.01.08.03	Proposed interest on equity	7,864	7,864
2.01.08.04	Management interest	1,439	0
2.02	Long-Term Liabilities	60,320	60,087
2.02.01	Loans and Financing	30,521	32,052
2.02.02	Debentures	0	0
2.02.03	Provisions	29,136	27,375
2.02.03.01	Provisions for taxes and contributions	29,136	27,375
2.02.04	Debt to Related Parties	0	0
2.02.05	Others	663	660
2.03	Deferred Income	0	0
2.04	Minority Interests	47	47
2.05	Shareholders' Equity	110,282	87,707
2.05.01	Paid-in Capital Stock	34,715	34,715
2.05.01.01	Adjusted capital stock	34,715	34,715
2.05.02	Capital Reserves	13,947	13,947
2.05.02.01	Tax incentive reserves	4,427	4,427
2.05.02.02	Investors' goodwill reserve	8,653	8,653
2.05.02.03	Working capital reserve	724	724
2.05.02.04	Others	143	143
2.05.03	Revaluation Reserves	0	0
2.05.03.01	Owned Assets	0	0
2.05.03.02	Subsidiaries/Affiliates	0	0
2.05.04	Revenue Reserves	37,808	37,808
2.05.04.01	Legal Reserve	5,519	5,519
2.05.04.02	Statutory Reserve	0	0
2.05.04.03	Contingency Reserve	0	0
2.05.04.04	Unrealized Income Reserve	0	0
2.05.04.05	Retention of Earnings	0	0
2.05.04.06	Special Reserve for Undistributed Dividends	0	0
2.05.04.07	Other Revenue Reserves	32,289	32,289
2.05.04.07.01	Reserve for capital increase	32,289	32,289
2.05.05	Retained Earnings/Losses	23,812	1,237

**07.01 - CONSOLIDATED STATEMENT OF INCOME (In Thousands of Reais)**

1 – CODE	2 – DESCRIPTION	3 - 1/1/2002 to 3/31/2002	4 - 1/1/2002 to 3/31/2002	5 - 1/1/2001 to 3/31/2001	6 - 1/1/2001 to 3/31/2001
3.01	Gross Revenue from Sales and/or Services	144,999	144,999	146,370	146,370
3.02	Deductions from Gross Revenue	(8,750)	(8,750)	(8,695)	(8,695)
3.03	Net Revenue from Sales and/or Services	136,249	136,249	137,675	137,675
3.04	Cost of Goods and/or Services Sold	(53,803)	(53,803)	(53,074)	(53,074)
3.05	Gross Income	82,446	82,446	84,601	84,601
3.06	Operating Expenses/ Revenues	(48,154)	(48,154)	(52,354)	(52,354)
3.06.01	Selling Expenses	(32,532)	(32,532)	(33,340)	(33,340)
3.06.02	General and Administrative Expenses	(9,828)	(9,828)	(9,951)	(9,951)
3.06.02.01	Management fees	(691)	(691)	(747)	(747)
3.06.02.02	Others	(9,137)	(9,137)	(9,204)	(9,204)
3.06.03	Financing Activities	(2,565)	(2,565)	(5,182)	(5,182)
3.06.03.01	Financing Revenues	729	729	611	611
3.06.03.02	Financing Expenses	(3,294)	(3,294)	(5,793)	(5,793)
3.06.04	Other Operating Revenues	385	385	0	0
3.06.05	Other Operating Expenses	(3,614)	(3,614)	(3,881)	(3,881)
3.06.05.01	Depreciation and Amortization	(3,571)	(3,571)	(3,856)	(3,856)
3.06.05.02	Others	(43)	(43)	(25)	(25)
3.06.06	Equity in Subsidiary's Income	0	0	0	0
3.07	Operating Income	34,292	34,292	32,247	32,247
3.08	Non-Operating Income	863	863	(268)	(268)
3.08.01	Revenues	990	990	0	0
3.08.02	Expenses	(127)	(127)	(268)	(268)
3.09	Income before Taxes/ Interests	35,155	35,155	31,979	31,979
3.10	Provision for Income Tax and Social contribution	(12,461)	(12,461)	(10,891)	(10,891)
3.11	Deferred Income Tax	393	393	250	250
3.12	Statutory Interests/ Contributions	(511)	(511)	(492)	(492)
3.12.01	Interests	(511)	(511)	(492)	(492)
3.12.02	Contributions	0	0	0	0
3.13	Reversal of Interest on Equity Capital	0	0	0	0
3.14	Minority Interests	(1)	(1)	0	0
3.15	Income/ Loss for the Period	22,575	22,575	20,846	20,846
	NUMBER OF SHARES, EXC. TREASURY	23,269,000	23,269,000	23,442,000	23,442,000
	EARNINGS PER SHARE	0.97017	0.97017	0.88926	0.88926
	LOSS PER SHARE				

## 08.01 - COMMENT ON THE CONSOLIDATED QUARTERLY PERFORMANCE

### 1 - Highlights

The following were the main performance indicators for the 1<sup>st</sup> quarter 2002:

- ✓ Record Consolidated quarterly earnings of R\$ 22.6 million against R\$ 20.8 million in 2001;
- ✓ Net consolidated sales of R\$ 136.2 million, which means an 1% reduction against the same period in the prior year;
- ✓ Consolidated EBITDA of R\$ 40.4 million against R\$ 41.3 million in 2001;
- ✓ Net consolidated financing expenses substantially improved to R\$ 2.6 million in 2002 against R\$ 5.2 million in 2001.

### 2. EDITORA SARAIVA (PUBLISHING HOUSE BUSINESS)

The following chart summarizes the main data on economic and financial performance:

Description	R\$ millions				
	1 <sup>st</sup> Quarter 02		1 <sup>st</sup> Quarter 01		AH%
	Amount	A V %	Amount	A V %	
➤ Net sales	80.2	100.0	83.5	100.0	(4)
➤ Gross margin	60.8	75.8	63.7	76.3	(5)
➤ Operating expenses	26.2	32.6	27.4	32.8	(4)
➤ EBITDA	36.3	45.2	37.9	45.4	(4)
➤ Net financing expenses	2.0	2.5	4.3	5.2	(54)
➤ Net income before equity in subsidiary's income	21.6	27.0	20.8	24.9	4

The following were the main performance highlights for the 1<sup>st</sup> quarter 2002:

- ✓ 4% decrease in net sales, which is basically explained by:
  - reduction in sales of law books, which was caused by the approval of the new Brazilian Civil Code (the previous was dated 1916) only occurred in mid-January 2002. Thus, all books with respect to the new Civil Code only started being sold from February, thus impacting the 1<sup>st</sup> quarter sales. It is important to emphasize that there are good prospects for recovery of such sales in the next months;
  - lower share of sales of educational book to the Government under the PNLD (National Educational Book Program) during the 1<sup>st</sup> quarter 2002 in comparison with the same period in 2001, as shown below:

PROGRAM	AMOUNT (R\$ millions)	SALES SHARE
PNLD/2001 (for the school year 2001)	65.6	81% in the 4 <sup>th</sup> quarter 2000 19% in the 1 <sup>st</sup> quarter 2001
PNLD/2002 (for the school year 2002)	73.7	88% in the 4 <sup>th</sup> quarter 2001 12% in the 1 <sup>st</sup> quarter 2002

- ✓ Slight reduction in gross margin from 76.3% in the 1<sup>st</sup> quarter 2001 to 75.8% in the same period in 2002. This result reflected the change in the sales mix due to the lower share of law books;
- ✓ 4% reduction in operating expenses from 32.8% in 2001 to 32.6% of net sales. The good performance of expenses was a result of the efforts made in the company's cash

management through various rationing policies, including personnel cut, adopted from late 2001;

- ✓ 4% reduction in operating cash flow measured by EBITDA as a result of the lower volume of sales in the period;
- ✓ Substantial improvement in the net financing income from net expenses of R\$ 4.3 million in 2001 to expenses of R\$ 2.0 million in 2002. This improvement was due especially to the lower currency devaluation during the 1<sup>st</sup> quarter 2002 in comparison with the 1<sup>st</sup> quarter 2001;
- ✓ 4% improvement in the net income before equity in Bookstore's income, from R\$ 20.8 million in 2001 to R\$ 21.6 million in 2002.

## **INVESTMENTS**

During the 1<sup>st</sup> quarter 2002, investments were made in:

- ✓ Implementation of a business intelligence tool to supplement the features of the integrated enterprise resource software that was recently implemented;
- ✓ Release of two new electronic media products to enlarge the offer of e-commerce products and consolidate saraivajur.com.br as the most complete portal in content and search for all legal areas.

We have also continued to seek opportunities of acquisition or association with industry companies that are likely to add value to our shareholders.

### **3. LIVRARIA SARAIVA (BOOKSTORE BUSINESS)**

For a most accurately analysis, we show below the main financial information on the Bookstore with results broken down into physical stores and on-line retail sales made via the website saraiva.com.br. Aggregate information on the Bookstore (physical stores + on-line retail sales) is reported in section 18.01 - subsidiary's statement of income - of the quarterly statements.

## **PHYSICAL STORES**

### **Results**

Description	R\$ millions				
	1 <sup>st</sup> Quarter 02		1 <sup>st</sup> Quarter 01		AH%
	Amount	A V %	Amount	A V %	
➤ Net sales	53.8	100.0	55.1	100.0	(2)
➤ Gross margin	19.7	36.7	19.6	35.7	1
➤ Operating expenses	16.7	31.1	16.5	29.9	2
➤ EBITDA	5.1	9.4	5.3	9.6	(4)
➤ Net income	1.7	3.1	1.5	2.8	11)

The following were the performance highlights of the physical stores:

- ✓ 2% decrease in net sales due to the fact that there are fewer stores operating at the end of the 1<sup>st</sup> quarter 2002, as shown below

<b>Type of store</b>	<b>3/31/02</b>	<b>3/31/01</b>
Mega Store (1)	12	13
Traditional (2)	18	20
<b>TOTAL OF STORES</b>	<b>30</b>	<b>33</b>

- Mega Store Music Hall - Eldorado Shopping Center - São Paulo - closed in January 2002.
- (2) - Store within São Judas University - São Paulo - closed in June 2001.
  - Store at Tijuca Shopping Center - Rio de Janeiro - inoperative since late February 2002 due to the opening of a Mega Store in April 2002 in the same shopping center.

In the “same stores” concept, the sales increase was 1%. We also need to emphasize two factors that explain why such increase was not more significant:

1. Current scene of economic slowdown affecting retail sales;
  2. Decrease in sales of educational books at bookstores due to the increasing volume of sales that the government has made directly from publishing houses for distribution to public education students.
- ✓ Improved gross margin from 35.7% in 2001 to 36.7% in 2002. The positive performance is a result of the larger share of sales of literary books, which are products with higher gross margin, and also a slight improvement in the supply conditions due to partnerships with suppliers.
  - ✓ 2% increase in operating expenses, caused by:
    - Pre-operating expenses in connection with the Mega Store located in Tijuca Shopping Center in Rio de Janeiro, opened in early April 2002;
    - Restructuring expenses as a result of the strategic review of the two Mega Stores located in Eldorado Shopping Center in São Paulo. This process resulted in the closing, in January 2002, of Mega Store Music Hall (the only network store with a concentrated mix of audio and video products) and enlargement of another store located in this shopping center, thus improving the offered product mix and capitalizing on the existing synergies between the book and audio & video product areas;
    - Impact of the 8.1% raise resulting from collective bargaining in December 2001 in personnel expenses.
  - ✓ 4% decrease in EBITDA. Improvement in gross margin was more than covered by a reduction in sales and increased expenses, in such a manner that the operating income measured by EBITDA resulted in a slight decrease of R\$ 0.2 million;
  - ✓ Improvement in net income from R\$ 1.5 million in 2001 to R\$ 1.7 million in 2002. Although EBITDA dropped, the better net financing income and lower depreciation and amortization expenses resulted in an increase in the final net income.

## **INVESTMENTS**

In 2002 we proceeded with the expansion project for physical store network with the opening of one more Mega Store unit.

In early April, we opened a store located in Tijuca Shopping Center, one of the most important points of sale in Rio de Janeiro.

It is worth emphasizing that new investments are being made according to strategic premises likely to enhance the gains of scale and obtain improved profitability rates.

Within such strategy, in addition to the excellent location, our most recent store required a 40% lower investment per sq. meter than the first Mega Store units.

During the 1<sup>st</sup> quarter 2002, we also conducted various prospecting studies to find strategic sites to proceed with the physical store network expansion project.

## **SARAIVA.COM.BR**

### **Results**

Description	R\$ millions				
	1 <sup>st</sup> Quarter 02		1 <sup>st</sup> Quarter 01		AH%
	Amount	A V %	Amount	A V %	
➤ Net sales	5.5	100.0	3.7	100.0	49
➤ Gross margin	1.9	35.4	1.3	34.1	55
➤ Operating expenses	3.0	55.3	3.3	90.0	(8)
➤ EBITDA	(0.9)	(16.7)	(1.9)	(51.5)	(52)
➤ Net income	(0.8)	(13.9)	(1.5)	(39.5)	(47)

The following were the highlights with respect to the above figures:

- ✓ 49% increase in net sales;
- ✓ Increase in gross sales from 34.1% to 35.4%. This result basically reflects a lower rate of subsidy in freight cost and some gains in supply conditions;
- ✓ 8% reduction in operating expenses, even with the substantial increase in the volume of sales. This performance is a result of a higher dilution of operating expenses with special emphasis for the adjustments made in personnel and publicity expenses, as well as the continuous efforts to capitalize on the synergies with physical stores;
- ✓ As a result of the improved efficiency of operations, the loss dropped by a half, from R\$ 1.5 million in 2001 to R\$ 0.8 million in 2002.

It is worth emphasizing that the substantial increase in sales and continuous enhancement of the fulfillment capacity make us confident in the achievement of the profitability goals from the end of this year.

We show below the progress in the main performance indicators of our e-commerce business:

Indicators	1 <sup>st</sup> quarter 2002	1 <sup>st</sup> quarter 2001
Customers (thousands)	500	280
Page views / month (millions)	16	6
Unique visitors / month (thousands)	1,500	900
Percentage on total of Bookstore net sales	9.3	6.3
Average ticket (R\$)	62	54

It is also worth recalling that, during the 1<sup>st</sup> quarter 2002, Saraiva will be elected finalist (top 3) for the i-best award in the category "Revelation".

#### 4. CONSOLIDATED PERFORMANCE

Net consolidated selling revenue dropped 1%, from R\$ 137.7 million in the 1<sup>st</sup> quarter 2001 to R\$ 136.2 million in 2002.

The net consolidated income for the period was record earnings of R\$ 22.6 million against R\$ 20.8 million in the 1<sup>st</sup> quarter 2001, which means a 8% increase.

The following were the main factors that helped improving the net consolidated earnings:

- ✓ R\$ 2.6 million increase in the net financing income because 2001 base was strongly affected by currency devaluation;
- ✓ Increase in the Bookstore net income, which added R\$ 0.8 million to the consolidated income in excess of the prior year.

#### 5. CAPITAL STRUCTURE / SUBSEQUENT EVENTS

During March and April, we conducted two currency hedge transactions for the next maturities of short-term installments (December 2002 and June 2003) of the financing obtained from IFC. Hedge transactions were structured based on favorable terms (with dollar quoted between R\$ 2.27 and R\$ 2.35) and decreased the liabilities exposed to exchange rate changes to US\$ 6.9 million (biannual installments from December 2003 to June 2006).

#### 6. CORPORATE ACTIVITY

Saraiva was awarded for the 4<sup>th</sup> year in a row the title “A Company that Educates”, which is granted by SENAC to companies that support the “Professional Training Program” intended to prepare young people for the labor market.

#### 7. PROSPECTS

With respect to the **Publishing House** business, we continue to be attentive to new opportunities of acquisitions or associations, in addition to making continuous investments in the quality and renewal of our catalog. The recent approval of the new Brazilian Civil Code also brings good prospects for sales in the next months. With respect to the **legal portal**, we are consolidated the most complete on-line law library with investments that will add substantial value in medium and long term.

With respect to the **Bookstore** business, we will focus our efforts on the implementation of the physical store network expansion with a view to further profitability. As to **on-line retail sales**, our position as a national leader in sales of books via the Internet has been consolidated. Continuous improvement of services offered and logistics operations have already positively affected our operating indicators and we intend to present a positive cash flow from late 2002.

## 09.01 - INTEREST IN SUBSIDIARY AND/OR AFFILIATED COMPANIES

- 1 - Item: 01
- 2 - Corporate Name: LIVRARIA E PAPELARIA SARAIVA S.A.
- 3 - CNPJ: 61.254.454/0001-83
- 4 - Type: Privately-held subsidiary
- 5 - % Interest in the Investee's equity: 99.91
- 6 - % Shareholders' equity of the Investor: 49.34
- 7 - Form of Organization: Business, Industrial, and Other Companies.
- 8 - Number of shares owned in the current quarter: 57,490,000
- 9 - Number of shares owned in the prior quarter: 57,490,000

## 16.01 - FURTHER INFORMATION DEEMED MATERIAL BY THE COMPANY

### Sales Transactions via the Internet

In order to disclose the result of e-commerce transactions conducted by Livraria e Papelaria Saraiva S.A., we show below the result of such transactions separated from the result for the period ended March 31, 2002:

	1/1/2002 to 3/31/2002	1/1/2002 to 3/31/2002	1/1/2001 to 3/31/2001	1/1/2001 to 3/31/2001
<b>Gross operating revenue</b>	5,917	5,917	3,887	3,887
<b>Deductions (ICMS, PIS, and COFINS)</b>	<u>(427)</u>	<u>(427)</u>	<u>(212)</u>	<u>(212)</u>
<b>Net operating revenue</b>	5,490	5,490	3,675	3,675
<b>Cost of sales</b>	<u>(3,546)</u>	<u>(3,546)</u>	<u>(2,420)</u>	<u>(2,420)</u>
<b>Gross income</b>	1,944	1,944	1,255	1,255
<b>Operating expenses</b>				
Sales	(2,816)	(2,816)	(3,055)	(3,055)
Management fees	(45)	(45)	(93)	(93)
Financing expenses	(36)	(36)	(146)	(146)
Depreciation and amortization	(177)	(177)	(159)	(159)
Other expenses	<u>1</u>	<u>1</u>	<u>(0)</u>	<u>(0)</u>
	<u>(3,073)</u>	<u>(3,073)</u>	<u>(3,453)</u>	<u>(3,453)</u>
<b>Net loss before income tax and CSLL</b>	(1,129)	(1,129)	(2,198)	(2,198)
<b>Deferred income tax and CSLL</b>	<u>367</u>	<u>367</u>	<u>748</u>	<u>748</u>
<b>Net loss for the period</b>	<u>(762)</u>	<u>(762)</u>	<u>(1,450)</u>	<u>(1,450)</u>

The information with respect to such transactions was reviewed by KPMG Auditores Independentes together with the special review report for the quarter ended March 31, 2002.

## **17.01 - SPECIAL REVIEW REPORT - UNQUALIFIED**

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

We have conducted a special review on the Quarterly Statements (ITRs) of Saraiva S.A. Livreiros Editores and the consolidated statements of this Company and its subsidiary for the quarter ended March 31, 2002, including the balance sheet, the statement of income, the performance report, and material information, prepared in accordance with the accounting practices prescribed by the Brazilian corporate law.

We conducted our audits in accordance with specific rules established by the Brazilian Institute of Accountants (IBRACON), in conjunction with the Federal Board of Accounting, which especially included: (a) inquiry and discussion with the officers responsible for the accounting, financial, and operating areas of the Company and its subsidiary as to significant criteria used in preparing the quarterly statements; and (b) examination of statements and subsequent events that may have a substantial effect on the financial condition and operations of this Company and its subsidiary.

Based on our special review, we are not aware of any substantial change required to be made in the above-mentioned quarterly statements to bring them in accordance with the accounting practices prescribed by the Brazilian corporate law and make them consistent with the rules issued by the Brazilian Securities Commission, especially those applicable to the preparation of the mandatory quarterly statements.

May 10, 2002

KPMG Auditores Independentes  
CRC [member of the Regional Board of Accountants] No. 2SP014428/O-6

Fernando Octavio Sepúlveda Munita  
Certified Accountant CRC 1SP105080/O-0

**SUBSIDIARY / AFFILIATE**

CORPORATE NAME

LIVRARIA E PAPELARIA SARAIVA S.A.

**18.01 - STATEMENT OF INCOME OF SUBSIDIARY / AFFILIATE (In Thousands of Reais)**

1 – CODE	2 – DESCRIPTION	3 - 1/1/2002 to 3/31/2002	4 - 1/1/2002 to 3/31/2002	5 - 1/1/2001 to 3/31/2001	6 - 1/1/2001 to 3/31/2001
3.01	Gross Revenue from Sales and/or Services	65,004	65,004	64,275	64,275
3.02	Deductions from Gross Revenue	(5,711)	(5,711)	(5,522)	(5,522)
3.03	Net Revenue from Sales and/or Services	59,293	59,293	58,753	58,753
3.04	Cost of Goods and/or Services Sold	(37,610)	(37,610)	(37,858)	(37,858)
3.05	Gross Income	21,683	21,683	20,895	20,895
3.06	Operating Expenses/ Revenues	(20,021)	(20,021)	(20,640)	(20,640)
3.06.01	Selling Expenses	(15,070)	(15,070)	(14,696)	(14,696)
3.06.02	General and Administrative Expenses	(2,771)	(2,771)	(2,792)	(2,792)
3.06.02.01	Management fees	(284)	(284)	(264)	(264)
3.06.02.02	Others	(2,487)	(2,487)	(2,528)	(2,528)
3.06.03	Financing Activities	(582)	(582)	(859)	(859)
3.06.03.01	Financing Revenues	344	344	179	179
3.06.03.02	Financing Expenses	(926)	(926)	(1,038)	(1,038)
3.06.04	Other Operating Revenues	351	351	0	0
3.06.05	Other Operating Expenses	(1,949)	(1,949)	(2,293)	(2,293)
3.06.05.01	Depreciation	(1,924)	(1,924)	(2,290)	(2,290)
3.06.05.02	Others	(25)	(25)	(3)	(3)
3.06.06	Equity in Subsidiary's Income	0	0	0	0
3.07	Operating Income	1,662	1,662	255	255
3.08	Non-Operating Income	(127)	(127)	(117)	(117)
3.08.01	Revenues	0	0	0	0
3.08.02	Expenses	(127)	(127)	(117)	(117)
3.09	Income before Taxes/ Interests	1,535	1,535	138	138
3.10	Provision for Income Tax and Social contribution	(532)	(532)	(206)	(206)
3.11	Deferred Income Tax	33	33	160	160
3.12	Statutory Interests/ Contributions	(104)	(104)	(9)	(9)
3.12.01	Interests	(104)	(104)	(9)	(9)

1 – CODE	2 – DESCRIPTION	3 - 1/1/2002 to 3/31/2002	4 - 1/1/2002 to 3/31/2002	5 - 1/1/2001 to 3/31/2001	6 - 1/1/2001 to 3/31/2001
3.12.02	Contributions	0	0	0	0
3.13	Reversal of Interest on Equity Capital	0	0	0	0
3.15	Income/ Loss for the Period	932	932	83	83
	NUMBER OF SHARES, EXC. TREASURY (Mil)	57,540,000	57,540,000	42,545,000	42,545,000
	EARNINGS PER SHARE	0.01620	0.01620	0.00195	0.00195
	LOSS PER SHARE				

**08.02 - COMMENT ON THE SUBSIDIARY / AFFILIATE'S PERFORMANCE**

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

SEE COMMENT ON CONSOLIDATED QUARTERLY PERFORMANCE - 08/ITR

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