

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

Saraiva S.A.
Livreiros Editores

*Interim Financial Statements for the
Three-month and Six-month Periods
Ended June 30, 2004 and
Independent Accountants' Review Report*

Deloitte Touche Tohmatsu Auditores Independentes

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

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

1. We have performed a special review of the accompanying interim financial statements of Saraiva S.A. Livreiros Editores and subsidiary (Company and Consolidated), consisting of the balance sheets as of June 30, 2004, and the related statements of operations for the three-month and six-month periods then ended and the performance report, all expressed in Brazilian reais and prepared in accordance with accounting practices adopted in Brazil under the responsibility of the Company's management.
2. We conducted our review in accordance with specific standards established by the Brazilian Institute of Independent Auditors (IBRACON), together with the Federal Accounting Council, which consisted principally of: (a) inquiries of and discussions with persons responsible for the accounting, financial and operating areas as to the criteria adopted in preparing the interim financial statements, and (b) review of the information and subsequent events that have or might have had material effects on the financial position and results of operations of the Company and its subsidiary.
3. Based on our special review, we are not aware of any material modifications that should be made to the financial statements referred to in paragraph 1 for them to be in conformity with accounting practices adopted in Brazil and standards established by the Brazilian Securities Commission (CVM), specifically applicable to the preparation of mandatory interim financial statements.
4. We had previously reviewed the Company and consolidated balance sheets as of March 31, 2004, presented for comparative purposes, and issued an unqualified special review report thereon, dated May 6, 2004. The Company and consolidated statements of operations for the three-month and six-month periods ended June 30, 2003, presented for comparative purposes, were reviewed by other independent auditors who issued an unqualified special review report thereon, dated August 12, 2003.
5. The accompanying interim financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, August 12, 2004

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Marco Antonio Brandão Simurro
Engagement Partner

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FEDERAL PUBLIC SERVICE
BRAZILIAN SECURITIES COMMISSION (CVM)
INTERIM FINANCIAL STATEMENTS (ITR) - 06/30/2004
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES

Corporate Law

REGISTRATION WITH THE CVM DOES NOT IMPLY ANY ANALYSIS OF THE COMPANY. COMPANY MANAGEMENT IS RESPONSIBLE FOR THE ACCURACY OF THE INFORMATION PROVIDED.

01.01 - IDENTIFICATION

1 - CVM CODE 001047-2	2 - COMPANY NAME SARAIVA S.A. LIVREIROS EDITORES	3 - Federal Corporate Taxpayers' Registration Number (CNPJ) 60.500.139/0001-26
64 - State Registration Number (NIRE) 35300025300		

01.02 - HEAD OFFICE

1 - ADDRESS Av. Marquês de São Vicente n. 1697		2 - SUBURB OR DISTRICT Barra Funda		
3 - POSTAL CODE 01139-904	4 - MUNICIPALITY 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 - INVESTOR RELATIONS OFFICER (Company Mail Address)

1 - NAME João Luís Ramos Hopp				
2 - ADDRESS Rua Edgar Teotônio Santana, 206			3 - SUBURB OR DISTRICT Barra Funda	
4 - POSTAL CODE 01140-030	5 - MUNICIPALITY São Paulo		6 - STATE SP	
7 - AREA CODE 011	8 - TELEPHONE 3611-3344	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 - GENERAL INFORMATION/INDEPENDENT ACCOUNTANT

CURRENT YEAR		CURRENT QUARTER			PRIOR QUARTER		
1 - BEGINNING	2 - END	3 - QUARTER	4 - BEGINNING	5 - END	6 - QUARTER	7 - BEGINNING	8 - END
01/01/2004	12/31/2004	2	04/01/2004	06/30/2004	1	01/01/2004	03/31/2004
9 - INDEPENDENT ACCOUNTANT Deloitte Touche Tohmatsu Auditores Independentes					10 - CVM CODE 00385-9		
11 - PARTNER RESPONSIBLE Marco Antonio Brandão Simurro					12 - INDIVIDUAL TAXPAYERS' REGISTRATION NUMBER OF THE PARTNER RESPONSIBLE 755.400.708-44		

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BRAZILIAN SECURITIES COMMISSION (CVM)
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01.05 - CAPITAL COMPOSITION

NUMBER OF SHARES (THOUSAND)	1 - CURRENT QUARTER 06/30/ 2004	2 - PRIOR QUARTER 03/31/2004	3 - SAME QUARTER IN PRIOR YEAR 06/30/2003
Paid-up 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	333
6 - Total	333	333	333

01.06 - CHARACTERISTICS OF THE COMPANY

1 - TYPE OF COMPANY Commercial, Industrial and Other Company
2 - SITUATION Operational
3 - NATURE OF OWNERSHIP National Private
4 - ACTIVITY CODE 110 - Graphics, Editors
5 - MAIN ACTIVITY Publishing and printing books
6 - TYPE OF CONSOLIDATION Total
7 - TYPE OF REPORT OF INDEPENDENT ACCOUNTANT Unqualified

01.07 - COMPANIES EXCLUDED FROM THE CONSOLIDATED FINANCIAL STATEMENTS

1 - ITEM	2 - CNPJ	3 - NAME
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01.08 - DIVIDENDS APPROVED AND/OR PAID DURING AND AFTER THE QUARTER

1 - Item	2 - Event	3 - Approval	4 - Income	6 - Beginning of the payment	6 - Share type	7 - Income per share
01	AGO/E	04/29/2004	Interest on capital	05/31/2004	ON	0.4540385700
02	AGO/E	04/29/2004	Interest on capital	05/31/2004	PN	0.4540385700

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01.09 - SUBSCRIBED CAPITAL AND ALTERATIONS IN THE CURRENT YEAR

1 - ITEM	2 - DATE OF ALTERATION	3 - CAPITAL (In thousands of reais)	4 - AMOUNT OF THE ALTERATION (In thousands of reais)	5 - NATURE OF ALTERATION	7 - NUMBER OF SHARES ISSUED (Thousands)	7 - SHARE PRICE ON ISSUE DATE (Reais)
01	04/29/2004	41,977	2,256	Profit Reserve	0	0.000000000

01.10 - INVESTORS RELATIONS OFFICER

1 - DATE 08/12/2004	2 - SIGNATURE
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02.01 - BALANCE SHEET - ASSETS (In thousands of Brazilian reais)

Code	Description	06/30/2004	03/31/2004
1	Total assets	172,664	193,993
1.01	Current assets	92,550	109,234
1.01.01	Cash and cash equivalents	325	4,032
1.01.01.01	Cash and banks	325	2,330
1.01.01.02	Financial applications	0	1,702
1.01.02	Credits	22,899	49,136
1.01.02.01	Clients	20,746	47,270
1.01.02.02	Dividends receivable from subsidiary	0	0
1.01.02.03	Taxes recoverable	1,669	1,537
1.01.02.05	Others	484	329
1.01.03	Inventory	62,625	55,997
1.01.03.01	Finished products	29,172	34,511
1.01.03.02	Merchandise for resale	3	3
1.01.03.03	Products in production	13,814	12,767
1.01.03.04	Raw materials	19,164	8,267
1.01.03.05	Packaging and consumable materials	472	449
1.01.04	Others	6,701	69
1.01.04.01	Deferred expenses	6,701	69
1.02	Long-term assets	1,533	1,515
1.02	Miscellaneous credits	0	0
1.02.02	Credits with Associates	278	311
1.02.02.01	With Affiliates	0	0
1.02.02.02	With Subsidiaries	278	311
1.02.02.03	With other associates	0	0
1.02.03	Others	1,255	1,204
1.02.03.01	Deposits for tax incentives	0	0
1.02.03.02	Judicial deposits	205	173
1.02.03.03	Deferred income tax and social contr.	470	451
1.02.03.04	Dep. linked account - company acquisition	533	533
1.02.03.05	Others	47	47
1.03	Permanent assets	78,581	83,244
1.03.01	Investments	47,640	50,507
1.03.01.01	Interest in affiliates	0	0
1.03.01.02	Interest in subsidiaries	47,232	50,099
1.03.01.02.01	Livraria e Papelaria Saraiva S.A	47,232	50,099
1.03.01.02.02	Formato Editorial Ltda.	0	0
1.03.01.03	Other investments	408	408
1.03.01.03.01	Tax incentives	352	352
1.03.01.03.02	Others	56	56
1.03.02	Permanent investments	26,813	28,013
1.03.02.01	Land	2,029	2,029
1.03.02.02	Buildings and constructions	5,301	5,374
1.03.02.03	Furniture, fixtures and installations	4,346	4,345
1.03.02.04	Vehicles	868	1,114
1.03.02.05	Machinery and equipment	3,922	4,186

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BRAZILIAN SECURITIES COMMISSION (CVM)
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02.01 - BALANCE SHEET - ASSETS (In thousands of Brazilian reais)

Code	Description	06/30/2004	03/31/2004
1.03.02.06	Software and computer equipment	9,747	10,365
1.03.02.07	Other permanent investments	600	600
1.03.03	Deferred	4,128	4,724
1.03.03.01	Unamortized goodwill	2,786	3,289
1.03.03.02	Others	1,342	1,435

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FEDERAL PUBLIC MENT SERVICE

BRAZILIAN SECURITIES COMMISSION (CVM)

INTERIM FINANCIAL STATEMENTS (ITR) - 06/30/2004

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02.02 - BALANCE SHEET - LIABILITIES (In thousands of Brazilian reais)

Code	Description	06/30/2004	03/31/2004
2	Total liabilities	172,664	193,993
2.01	Current liabilities	55,033	58,824
2.01.01	Loans and financing	24,236	7,896
2.01.02	Debentures	0	0
2.01.03	Suppliers	19,890	12,296
2.01.04	Taxes, fees and contributions	1,348	2,838
2.01.04.01	Income tax	0	0
2.01.04.02	Social contribution	0	0
2.01.04.03	Taxes and social burdens	1,348	2,838
2.01.05	Payable dividends	0	0
2.01.06	Provisions	7,558	15,186
2.01.06.01	Provision for vacation and burdens	2,644	3,191
2.01.06.02	Income tax provision	2,801	7,784
2.01.06.03	Social contribution provision	427	2,434
2.01.06.04	Management interest	1,275	950
2.01.06.05	Provision for holiday bonus and burdens	411	827
2.01.07	Debts with associates	0	0
2.01.08	Others	2,001	20,608
2.01.08.01	Accounts and expenses payable	429	436
2.01.08.02	Royalties payable	1,313	7,879
2.01.08.03	Equity capital interest	17	10,414
2.01.08.04	Management interest payable	0	1,659
2.01.08.05	Losses in derivatives transactions	242	220
2.01.08.06	Acquisition of subsidiary	0	0
2.02	Long-term liabilities	11,119	14,216
2.02.01	Loans and financing	8,150	11,280
2.02.02	Debentures	0	0
2.02.03	Provisions	2,436	2,403
2.02.03.01	Contributions and taxes	2,436	2,403
2.02.04	Debts with associates	0	0
2.02.04.01	Subsidiary	0	0
2.02.05	Others	533	533
2.03	Deferred income	0	0
2.05	Shareholders' equity	106,512	120,953
2.05.01	Paid-in capital	41,977	39,721
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	37,871	40,127
2.05.04.01	Legal reserve	6,980	6,980

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FEDERAL PUBLIC MENT SERVICE

BRAZILIAN SECURITIES COMMISSION (CVM)

INTERIM FINANCIAL STATEMENTS (ITR) - 06/30/2004

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Code	Description	06/30/2004	03/31/2004
2.05.04.02	Statutory reserve	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	30,891	33,147
2.05.04.07.01	Reserve for capital increase	33,761	36,017
2.05.04.07.02	Treasury stock	(2,870)	(2,870)
2.05.05	Retained earnings/losses	12,717	27,158

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**FEDERAL PUBLIC MENT SERVICE
BRAZILIAN SECURITIES COMMISSION (CVM)
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03.01 - STATEMENT OF OPERATIONS (In thousands of Brazilian reais)

Code	Description	04/01/2004 to 06/30/2004	01/01/2004 to 06/30/2004	04/01/2003 to 06/30/2003	01/01/2003 to 06/30/2003
3.01	Gross revenue from sales and/or services	16,820	132,528	20,403	112,367
3.02	Deductions from gross revenue	(1,555)	(9,883)	(953)	(5,229)
3.03	Net revenue from sales and/or services	15,265	122,645	19,450	107,138
3.04	Cost of goods and/or services sold	(4,058)	(35,342)	(4,307)	(25,037)
3.05	Gross income	11,207	87,303	15,143	82,101
3.06	Operating expense/revenue	(31,036)	(66,987)	(26,981)	(57,154)
3.06.01	Selling expenses	(12,828)	(35,688)	(13,213)	(33,276)
3.06.02	General and administrative expenses	(11,731)	(21,405)	(10,563)	(18,855)
3.06.02.01	Management fees	(987)	(1,937)	(662)	(1,323)
3.06.02.02	Others	(10,744)	(19,468)	(9,901)	(17,532)
3.06.03	Financial	(1,529)	(3,682)	1,253	411
3.06.03.01	Financial revenue	519	916	534	718
3.06.03.02	Financial expenses	(2,048)	(4,598)	719	(307)
3.06.04	Other operating revenue	60	103	84	268
3.06.05	Other operating expenses	(2,140)	(4,114)	(1,905)	(3,736)
3.06.05.01	Depreciation and amortization	(2,112)	(4,057)	(1,879)	(3,646)
3.06.05.02	Others	(28)	(57)	(26)	(90)
3.06.06	Equity in subsidiary's income	(2,868)	(2,201)	(2,637)	(1,966)
3.07	Operating income	(19,829)	20,136	(11,838)	24,947
3.08	Non-operating income	(106)	(98)	63	205
3.08.01	Revenue	0	0	63	205
3.08.02	Expenses	(106)	(98)	0	0
3.09	Earnings before taxes/interest	(19,935)	20,218	(11,775)	25,152
3.10	Provision for income tax and social cont.	5,778	(7,501)	3,086	(9,512)
3.11	Deferred income tax	41	38	115	487

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**FEDERAL PUBLIC MENT SERVICE
BRAZILIAN SECURITIES COMMISSION (CVM)
INTERIM FINANCIAL STATEMENTS (ITR) - 06/30/2004
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

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03.01 - STATEMENT OF OPERATIONS (In thousands of reais)

Code	Description	04/01/2004 to 06/30/2004	01/01/2004 to 06/30/2004	04/01/2003 to 06/30/2003	01/01/2003 to 06/30/2003
3.12	Statutory interest/contributions	(325)	(1,275)	(662)	(1,323)
3.12.01	Interest	(325)	(1,275)	(662)	(1,323)
3.12.01.01	Management interest	(325)	(1,275)	(662)	(1,323)
3.12.02	Contributions	0	0	0	0
3.13	Reversal of equity capital interest	0	0	0	0
3.15	Profit/loss for the period	(14,441)	11,480	(9,236)	14,804
	NUMBER OF SHARES, EX-TREASURY (THOUSAND)	22,936	22,936	22,936	22,936
	EARNINGS PER SHARE		0.50052		0.64545
	LOSS PER SHARE	(0.62962)		(0.40269)	

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FEDERAL PUBLIC SERVICE
BRAZILIAN SECURITIES COMMISSION (CVM)
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06/30/2004

010470-2 SARAIVA S.A. LIVREIROS E EDITORES

60.500.139/0001-26

04.01 - NOTES TO THE INTERIM FINANCIAL STATEMENTS

In thousands of Brazilian reais

1. Operations

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

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 textbooks to the government in the fourth and first quarters of the year.

2. Presentation of interim financial statements

The accompanying interim financial statements have been prepared in accordance with accounting practices adopted in Brazil and standards established by the Brazilian Securities Commission (CVM).

Description of significant accounting practices is as follows:

a) Accounting estimates

Reviewed periodically and reflect management’s best judgment as to the adequate amount to be recorded in the financial statements. Actual results may differ from those estimates.

b) Current and noncurrent assets

• **Temporary cash investments**

Stated at cost plus accrual income earned through the balance sheet date, which does not exceed market value.

• **Allowance for doubtful accounts**

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

• **Inventories**

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

04.01 - NOTES TO THE INTERIM FINANCIAL STATEMENTS

- **Other assets**

Stated at net realizable value.

c) Permanent assets

- **Investments**

Investment in subsidiary is accounted for using the equity method, and other investments are stated at cost less allowance for investment loss.

- **Property, plant and equipment**

Recorded at acquisition or construction cost. Depreciation is computed under the straight-line method based on the useful lives of the assets.

- **Deferred charges**

Stated at cost and refers 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 new 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.

d) 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**

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

e) Provision for taxes

Recognized based on the best estimates of the risk involved.

04.01 - NOTES TO THE INTERIM FINANCIAL STATEMENTS

f) 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 adjusted net income.

Deferred income and social contribution taxes are recorded in noncurrent assets and long-term liabilities, as stated in Note 11, 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: (a) based on expected future taxable income at the tax rates in effect at yearend; (b) reviewed and adjusted annually in the event there is any substantial change in expected profits; and (c) recorded in the financial statements according to the terms of CVM Instruction No. 371 of June 27, 2002.

3. Consolidated financial statements

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

	<u>Ownership - %</u>
	2004
Livraria e Papelaria Saraiva S.A.	99.91

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

- Elimination of intercompany balances and transactions.
- Elimination of the Company's investment against subsidiary's shareholders' equity.
- Minority interest in shareholders' equity and net loss of the subsidiary is reported separately in the balance sheets and statements of operations, respectively.

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010470-2 SARAIVA S.A. LIVREIROS E EDITORES

60.500.139/0001-26

04.01 - NOTES TO THE INTERIM FINANCIAL STATEMENTS

4. Trade accounts receivable

	<u>Company</u>	<u>Consolidated</u>
Trade accounts receivable	17,462	13,142
Credit cards	141	13,128
Checks receivable	4,039	5,244
Allowance for doubtful accounts	<u>(896)</u>	<u>(1,093)</u>
	<u>20,746</u>	<u>30,421</u>

5. Inventories

	<u>Company</u>	<u>Consolidated</u>
Finished products	29,172	29,172
Products for resale	3	41,913
Work in process	13,814	13,814
Raw materials	19,164	19,164
Packing and consumption materials	<u>472</u>	<u>850</u>
	<u>62,625</u>	<u>104,913</u>

6. Investments

	<u>Company</u>	<u>Consolidated</u>
Investment in subsidiary	47,232	-
Other investments	1,810	2,480
Valuation allowance	<u>(1,402)</u>	<u>(1,937)</u>
	<u>47,640</u>	<u>543</u>

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The investment in subsidiary refers to the equity interest in Livraria e Papelaria Saraiva S.A., as detailed below:

	<u>Livraria e Papelaria Saraiva S.A.</u>
Number of shares - thousands	57,540
Number of shares held - thousands	57,490
Ownership - %	99.91
Capital - R\$	51,210
Shareholders' equity - R\$	47,274
Investment - R\$	<u>47,232</u>
Net loss, calculation basis for equity in subsidiary	<u>(2,202)</u>
Equity in subsidiary	<u>(2,201)</u>

LIVRARIA E PAPELARIA SARAIVA S.A.

BALANCE SHEET AS OF JUNE 30, 2004

(In thousands of Brazilian reais - R\$)

ASSETS	101,557	LIABILITIES AND SHAREHOLDERS' EQUITY	101,557
CURRENT ASSETS	59,802	CURRENT LIABILITIES	31,124
Cash and banks	1,727	Loans and financing	3,275
Temporary cash investments	-	Trade accounts payable	21,767
Trade accounts receivable	14,100	Income and social contribution taxes	1,726
Inventories	42,288	Other payables	4,356
Recoverable taxes	1,556		
Other receivables	107		
Prepaid expenses	24		
		LONG-TERM LIABILITIES	23,159
		Loans and financing	4,731
NONCURRENT ASSETS	17,846	Provision for taxes	17,893
Deferred income and social contribution taxes	9,001	Payables to Parent Company	278
Other receivables	8,845	Other	257
PERMANENT ASSETS	23,909	SHAREHOLDERS' EQUITY	47,274
Investments	135	Capital	51,210
Property, plant and equipment	19,981	Capital reserves	2,190
Deferred charges	3,793	Accumulated deficit	(6,126)

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7. Property, plant and equipment

	Annual depreciation rate - %	Company		
		Cost	Depreciation	Net
Buildings	4	8,212	(2,911)	5,301
Machinery and equipment	10	14,892	(10,970)	3,922
Furniture, fixtures and installations	10	21,693	(17,695)	3,998
Vehicles	20	2,375	(1,507)	868
Software and IT equipment	20	23,440	(13,693)	9,747
Land	-	2,029	-	2,029
Property, plant and equipment in progress	-	348	-	348
Other	-	<u>600</u>	<u>-</u>	<u>600</u>
		<u>73,589</u>	<u>(46,776)</u>	<u>26,813</u>

	Annual depreciation rate - %	Consolidated		
		Cost	Depreciation	Net
Buildings	4	10,108	(3,609)	6,499
Machinery and equipment	10	15,203	(11,193)	4,010
Furniture, fixtures and installations	10	67,007	(49,631)	17,376
Vehicles	20	2,532	(1,587)	945
Software and IT equipment	20	37,933	(23,722)	14,211
Land	-	2,032	-	2,032
Property, plant and equipment in progress	-	486	-	486
Other	-	<u>1,235</u>	<u>-</u>	<u>1,235</u>
		<u>136,536</u>	<u>(89,742)</u>	<u>46,794</u>

8. Deferred charges

	Company	Consolidated
Preoperating expenses and other deferred charges	2,691	25,404
Goodwill	10,066	10,066
Accumulated amortization	<u>(8,629)</u>	<u>(27,549)</u>
	<u>4,128</u>	<u>7,921</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.

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04.01 - NOTES TO THE INTERIM FINANCIAL STATEMENTS

9. Loans and financing

	Company	Consolidated
Current:		
Loans:		
Bank overdraft facilities	1,423	1,423
Resolution No. 2,770	<u>14,633</u>	<u>14,633</u>
	16,056	16,056
Financing:		
In local currency-		
BNDES - FINEM	980	4,255
In foreign currency-		
International Finance Corporation - IFC	<u>7,200</u>	<u>7,200</u>
	<u>8,180</u>	<u>11,455</u>
	<u>24,236</u>	<u>27,511</u>
Long term:		
Financing:		
In local currency-		
BNDES - FINEM	979	5,711
In foreign currency-		
International Finance Corporation - IFC	<u>7,171</u>	<u>7,171</u>
	<u>8,150</u>	<u>12,882</u>

BACEN - Central Bank of Brazil

BNDES - National Economic and Social Development Bank

FINEM - Business Financing

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 interest of 2.8% to 8.13% per year. The loans are tied to interest rate swap transactions equivalent to variation of CDI (Note 14) and are collateralized by promissory notes.

04.01 - NOTES TO THE INTERIM FINANCIAL STATEMENTS

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%, 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 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 the 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 used for the acquisition and implementation 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 was used for investment in megastores and modernization of the subsidiary's conventional stores.

10. Related-party transactions

Transactions with related parties include purchase and sale operations and loan agreements with Livraria e Papelaria Saraiva S.A., and were made under usual market conditions.

	<u>Livraria e Papelaria Saraiva S.A.</u>
Current assets:	
Accounts receivable	4,428
Loans	278
Current liabilities-	
Accounts payable	53
Sales of products	5,783
Purchases of products	7

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04.01 - NOTES TO THE INTERIM FINANCIAL STATEMENTS

11. Deferred income and social contribution taxes

Deferred Income and Social Contribution Taxes have the following origin:

	<u>Company</u>	<u>Consolidated</u>
Noncurrent assets:		
Tax loss carryforwards	-	4,250
Lawsuits - PIS/COFINS/"Plano Real"	<u>470</u>	<u>5,221</u>
	<u>470</u>	<u>9,471</u>
Long-term liabilities - under the caption "Taxes payable"-		
Deferral of accelerated depreciation incentive	143	143
Unamortized goodwill - article 7 of Law No. 9,532/97	<u>165</u>	<u>165</u>
	<u>308</u>	<u>308</u>

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

	<u>Company</u>	<u>Consolidated</u>
Income before taxes on income	20,218	19,128
Combined tax rate - %	<u>34.00</u>	<u>34.00</u>
Taxes computed at the combined tax rate	(6,875)	(6,504)
Permanent additions:		
Equity in loss of subsidiary	(748)	-
Nondeductible income (expenses)	(85)	(116)
Permanent exclusions-		
Other	115	115
Other Items	<u>130</u>	<u>130</u>
	<u>(7,463)</u>	<u>(6,375)</u>
Income and social contribution taxes:		
Current	(7,501)	(7,501)
Deferred	<u>38</u>	<u>1,126</u>
	<u>(7,463)</u>	<u>(6,375)</u>
Effective tax rate - %	<u>36.90</u>	<u>33.30</u>

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CVM Instruction No. 371 of June 27, 2002

The Company and its subsidiary Livraria e Papelaria Saraiva S.A., based on: (a) the expectation of future taxable income and positive cash flows discounted to present value; and (b) actions being taken by the subsidiary's management to turn around the scenario of the losses incurred in the last three years, and therefore pursuant to CVM Instruction No. 371/02, maintained in their financial statements the deferred tax asset calculated on the long-term liability represented by lawsuits challenging Federal taxes and, in the subsidiary's case, also on tax loss carryforwards.

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

The subsidiary's deferred tax asset is expected to be realized within four years from the current year, as follows:

<u>Balance sheets as of</u>	<u>Realization of deferred tax asset</u>	<u>Deferred tax asset</u>
June 30, 2004	-	9,001
December 31, 2004 (six months)	1,996	7,005
December 31, 2005	2,788	4,217
December 31, 2006	1,375	2,842
December 31, 2007	1,791	1,051
December 31, 2008	1,051	-

12. Provision for taxes

The Company and its subsidiary Livraria e Papelaria Saraiva S.A. are challenging in court the legality of Federal taxes, such as PIS and COFINS (taxes on revenue), IR (income tax) and CSLL (social contribution tax).

The residual contingent liability, included under the caption "Provision for taxes", is composed of:

	<u>Company</u>	<u>Consolidated</u>
PIS/COFINS - expansion of tax basis and rate increase	166	8,987
IR/CSLL - "Plano Real" (economic plan) - Law No. 8,880/94	<u>1,962</u>	<u>11,034</u>
Total	<u>2,128</u>	<u>20,021</u>

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04.01 - NOTES TO THE INTERIM FINANCIAL STATEMENTS

13. Shareholders' equity

A capital increase to R\$41,977 was approved at the Annual 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 June 30, 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 bylaw.

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 the effective date of Law No. 6,404/76.

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

According to bylaws, the Company is authorized to acquire 500,000 of its own preferred shares to be held in treasury.

In the period there was no share purchase transaction. Treasury shares as of June 30, 2004 total 332,500 with market value of R\$3,259,000 (R\$9.80 per share as of June 30, 2004).

04.01 - NOTES TO THE INTERIM FINANCIAL STATEMENTS

14. Financial instruments

Derivatives

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

Derivatives operations conducted by the Company in the period were as follows:

- a) Foreign exchange hedge contract - noncash swap to hedge the amortization installments of financing with the International Finance Corporation - IFC. The operations were contracted in September 2003 and January 2004, maturing in June 2004 and December 2004, respectively. The involved asset was US\$2,420 thousand, and the net gain recorded in financial income was R\$267.
- b) Interest rate swap agreements linked to loans obtained under BACEN Resolution No. 2,770 in 2003 and 2004. Financial expenses recorded in the period were R\$486, equivalent to the variation of CDI.

Other financial instruments

In accordance with CVM Resolution No. 235/95, the carrying amounts and fair values of the financial instruments recorded in the consolidated balance sheet as of June 30, 2004 are as follows:

	<u>Consolidated</u>	
	<u>Carrying amount</u>	<u>Market value</u>
Cash and banks	2,051	2,051
Recoverable taxes	3,225	3,225
Deferred income and social contribution taxes - noncurrent assets	9,471	8,083
Investments stated at cost, without stock exchange quotation	543	543
Loans and financing - local currency	11,389	11,389
Loans and financing - foreign currency	29,004	29,004
Deferred income and social contribution taxes - liabilities	308	308

04.01 - NOTES TO THE INTERIM FINANCIAL STATEMENTS

Criteria, assumptions and limitations used in calculating fair values

a) *Deferred income and social contribution taxes*

The fair value of deferred income and social contribution taxes was based on their present value determined by future cash flows and using the TJLP.

b) *Loans and financing*

The carrying amounts of loans and financing correspond substantially to financing from the BNDES and IFC. The fair value of this financing is equal to the carrying amounts, since there are no similar instruments in the domestic market with comparable maturity and interest rates.

c) *Limitations*

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

15. Financial expenses

Financial expenses are comprised of:

	<u>Company</u>	<u>Consolidated</u>
Financial expenses - operations under BACEN Resolution No. 2,770	486	486
Interest, monetary and exchange variations on loans and financing	1,861	2,375
Other interest and monetary variation	1,319	1,718
CPMF (tax on bank transactions)	645	1,176
Other financial expenses	<u>287</u>	<u>587</u>
	<u>4,598</u>	<u>6,342</u>

16. Insurance

As of June 30, 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.

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05.01 - COMMENTS FOR THE INTERIM FINANCIAL STATEMENTS

SEE COMMENTS ON CONSOLIDATED PERFORMANCE - 08/ITR

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06.01 – CONSOLIDATED BALANCE SHEET – ASSETS and SHAREHOLDERS EQUITY (In thousands of Brazilian reais)

Code	Description	06/30/2004	03/31/2004
1	Total assets	222,286	253,738
1.01	Current assets	147,927	177,697
1.01.01	Cash and cash equivalents	2,051	6,794
1.01.01.01	Cash and banks	2,051	5,092
1.01.01.02	Financial applications	0	1,702
1.01.02	Credits	34,237	69,215
1.01.02.01	Clients	30,421	65,306
1.01.02.02	Taxes recoverable	3,225	3,488
1.01.02.04	Others	591	421
1.01.03	Inventory	104,913	101,566
1.01.03.01	Finished products	71,085	79,751
1.01.03.02	Products in production	13,814	12,767
1.01.03.03	Raw materials	19,164	8,267
1.01.03.04	Packaging and consumable materials	850	781
1.01.04	Others	6,726	122
1.01.04.01	Deferred expenses	6,726	122
1.02	Long-term assets	19,101	17,518
1.02.01	Other Credits	0	0
1.02.02	Credits with Associates	0	0
1.02.02.01	With Affiliates	0	0
1.02.02.02	With Subsidiaries	0	0
1.02.02.03	With other associates	0	0
1.02.03	Others	19,101	17,518
1.02.03.01	Deposits for tax incentives	0	0
1.02.03.02	Judicial deposits	9,048	8,987
1.02.03.03	Deferred income tax and social contr.	9,471	7,949
1.02.03.04	Others	582	582
1.03	Permanent assets	55,258	58,523
1.03.01	Investments	543	543
1.03.01.01	Interest in affiliates	0	0
1.03.01.02	Interest in subsidiaries	0	0
1.03.01.02.01	Livraria e Papelaria Saraiva S.A	0	0
1.03.01.03	Other investments	543	543
1.03.01.03.01	Tax incentives	487	487
1.03.01.03.02	Others	56	56
1.03.02	Permanent investments	46,794	49,139
1.03.02.01	Land	2,032	2,032
1.03.02.02	Buildings and constructions	6,499	6,592
1.03.02.03	Furniture, fixtures and installations	17,862	18,618
1.03.02.04	Vehicles	945	1,199
1.03.02.05	Machinery and equipment	4,010	4,281
1.03.02.06	Software and computer equipment	14,211	15,182

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06.01 – CONSOLIDATED BALANCE SHEET – ASSETS (In thousands of Brazilian reais)

Code	Description	06/30/2004	03/31/2004
1.03.02.07	Other permanent investments	1,235	1,235
1.03.03	Deferred	7,921	8,841
1.03.03.01	Unamortized goodwill	2,786	3,289
1.03.03.02	Others	5,135	5,552

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06.02 – CONSOLIDATED BALANCE SHEET – LIABILITIES AND SHAREHOLDERS' EQUITY (In thousands of Brazilian reais)

Code	Description	06/30/2004	03/31/2004
2	Total liabilities	222,286	253,738
2.01	Current liabilities	81,732	94,979
2.01.01	Loans and financing	27,511	11,340
2.01.02	Debentures	0	0
2.01.03	Suppliers	37,232	38,090
2.01.04	Taxes, fees and contributions	3,074	4,762
2.01.04.01	Income tax	0	0
2.01.04.02	Social contribution	0	0
2.01.04.03	Taxes and social burdens	3,074	4,762
2.01.05	Payable dividends	0	0
2.01.06	Provisions	9,638	17,802
2.01.06.01	Provision for vacation and burdens	4,502	5,303
2.01.06.02	Income tax provision	2,801	7,784
2.01.06.03	Social contribution provision	427	2,434
2.01.06.04	Management interest	1,275	1,024
2.01.06.05	Provision for holiday bonus and burdens	633	1,257
2.01.07	Debts with associates	0	0
2.01.08	Others	4,277	22,985
2.01.08.01	Accounts and expenses payable	1,264	1,231
2.01.08.02	Royalties payable	1,313	7,879
2.01.08.03	Equity capital interest	17	10,414
2.01.08.04	Management interest payable	0	0
2.01.08.05	Losses in derivatives transactions	242	220
2.01.08.06	Acquisition of subsidiary	1,441	1,582
2.01.08.07	Management interest	0	1,659
2.02	Long-term liabilities	34,001	37,762
2.02.01	Loans and financing	12,882	16,721
2.02.02	Debentures	0	0
2.02.03	Provisions	20,329	20,133
2.02.03.01	Contributions and taxes	20,329	20,133
2.02.04	Debts with associates	0	0
2.02.05	Others	790	908
2.03	Deferred income	0	0
2.04	Subsidiary	41	41
2.05	Shareholders' equity	106,512	120,953
2.05.01	Paid-in capital	41,977	39,721
2.05.01.01	Updated capital	41,977	39,721
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

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Code	Description	06/30/2004	03/31/2004
2.05.04	Revenue reserves	37,871	40,127
2.05.04.01	Legal reserve	6,980	6,980
2.05.04.02	Statutory reserve	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	30,891	33,147
2.05.04.07.01	Reserve for capital increase	33,761	36,017
2.05.04.07.02	Treasury stock	(2,870)	(2,870)
2.05.05	Retained earnings/losses	12,717	27,158

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

**FEDERAL PUBLIC SERVICE
BRAZILIAN SECURITIES COMMISSION (CVM)
INTERIM FINANCIAL STATEMENTS (ITR)
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

**Corporate Law
06/30/2004**

01.01 - IDENTIFICATION

1 - CVM CODE 01047-2	2 - COMPANY NAME SARAIVA S.A LIVREIROS EDITORES	3 - Federal Corporate Taxpayers' Registration Number (CNPJ) 60.500.139/0001-26
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07.01 - CONSOLIDATED STATEMENT OF OPERATIONS AND SHARE HOLDERS EQUITY (In thousands of Brazilian reais)

Code	Description	04/01/2004 to 06/30/2004	01/01/2004 to 06/30/2004	04/01/2003 to 06/30/2003	01/01/2003 to 06/30/2003
3.01	Gross revenue from sales and/or services	70,912	255,480	67,523	222,130
3.02	Deductions from gross revenue	(10,370)	(28,521)	(6,037)	(17,083)
3.03	Net revenue from sales and/or services	60,542	226,959	61,486	205,047
3.04	Cost of goods and/or services sold	(32,344)	(99,148)	(30,005)	(84,171)
3.05	Gross income	28,198	127,811	31,481	120,876
3.06	Operating expense/revenue	(49,617)	(108,591)	(44,613)	(96,768)
3.06.01	Selling expenses	(28,650)	(68,529)	(27,830)	(63,559)
3.06.02	General and administrative expenses	(15,053)	(27,690)	(13,835)	(25,408)
3.06.02.01	Management fees	(1,277)	(2,558)	(1,036)	(2,071)
3.06.02.02	Others	(13,776)	(25,132)	(12,799)	(23,337)
3.06.03	Financial	(2,332)	(5,351)	391	(1,446)
3.06.03.01	Financial revenue	566	991	582	817
3.06.03.02	Financial expenses	(2,898)	(6,342)	(191)	(2,263)
3.06.04	Other operating revenue	237	510	223	651
3.06.05	Other operating expenses	(3,819)	(7,531)	(3,562)	(7,006)
3.06.05.01	Depreciation and amortization	(3,669)	(7,212)	(3,525)	(6,892)
3.06.05.02	Others	(150)	(319)	(37)	(114)
3.06.06	Equity in subsidiary's income	0	0	0	0
3.07	Operating income	(21,419)	19,220	(13,132)	24,108
3.08	Non-operating income	(97)	(92)	0	53
3.08.01	Revenue	0	0	(94)	53

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07.01 - CONSOLIDATED STATEMENT OF OPERATIONS AND SHAREHOLDERS EQUITY (In thousands of reais)

Code	Description	04/01/2004 to 06/30/2004	01/01/2004 to 06/30/2004	04/01/2003 to 06/30/2003	01/01/2003 to 06/30/2003
3.08.02	Expenses	(97)	(92)	0	0
3.09	Earnings before taxes/interest	(21,516)	19,128	(13,226)	24,161
3.10	Provision for income tax and social cont.	5,778	(7,501)	3,302	(9,512)
3.11	Deferred income tax	1,545	1,126	1,273	1,476
3.12	Statutory interest/contributions	(251)	(1,275)	(587)	(1,323)
3.12.01	Interest	(251)	(1,275)	(587)	(1,323)
3.12.01.01	Management interest	(251)	(1,275)	(587)	(1,323)
3.12.02	Contributions	0	0	0	0
3.13	Reversal of equity capital interest	0	0	0	0
3.14	Minority interest	3	2	2	2
3.15	Profit/loss for the period	(14,441)	11,480	(9,236)	14,804
	NUMBER OF SHARES, EX-TREASURY (THOUSAND)	22,936	22,936	22,936	22,936
	EARNINGS PER SHARE		0.50052		0.64545
	LOSS PER SHARE	(0.62962)		(0.40269)	

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010470-2 SARAIVA S.A. LIVREIROS E EDITORES

60.500.139/0001-26

08.01 - COMMENTS ON CONSOLIDATED PERFORMANCE FOR THE QUARTER AND SIX-MONTH PERIOD ENDED JUNE 30, 2004

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

The Company's operational and financial information refers to the first half of 2004, unless otherwise indicated, and is consolidated and expressed in Brazilian reais, in conformity with Brazilian corporate law. All comparisons were made with the first half of 2003, unless otherwise specified. Please note that, due to the strongly seasonal nature of the book publishing industry, an isolated analysis of the second quarter is not representative of full year results.

HIGHLIGHTS

Revenue - Consolidated gross revenue totaled R\$255.5 million, representing a growth of 15.0% in relation to the first half of 2003. Net revenue was R\$227 million, an increase of 10.7% compared to the same period of 2003. The difference in the growth rate of gross revenue and net revenue is derived from the increase in the COFINS (tax on revenue) rate, beginning February 2004.

EBITDA - Consolidated gross cash generation (EBITDA) was R\$31.8 million, down 2.0% from R\$32.4 million in the same period last year. The EBITDA margin was affected by a decrease in the Company's gross margin, which resulted from an increased volume of textbooks sold to the government in the period, falling from 15.8% in the first half of 2003 to 14.0% in the first half of 2004.

Financial Income (Expenses) - Consolidated financial income (expenses) in the first half of 2004 decreased by R\$3.9 million compared to the first half of 2003, due to the significant currency appreciation that occurred in 2003, which had a positive impact on the result for that period.

Net Income - Consolidated net income was R\$11.5 million, representing a decrease of 22.5% in relation to the first half of 2003 primarily due to a decrease in financial income (expenses).

e-Commerce - The e-commerce division continued growing strongly: growing 43.5% in gross revenue, generating R\$0.8 million in EBITDA (negative R\$0.2 million in the first half of 2003) and generating R\$0.2 million profit (R\$0.4 million loss in the first half of 2003). The e-Commerce division represented 19.1% of total retail operations (Livraria).

EDITORA SARAIVA (SARAIVA S.A. LIVREIROS EDITORES)

Editora Saraiva is the controlling shareholder of Livraria Saraiva, holding 99.91% of the shares, which are two different business activities and corporate names. Please note that the financial and economic data of Editora Saraiva include Formato Editorial (company acquired in August 2003 and merged in February 2004).

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08.01 - COMMENTS ON CONSOLIDATED PERFORMANCE FOR THE QUARTER AND SIX-MONTH PERIOD ENDED JUNE 30, 2004

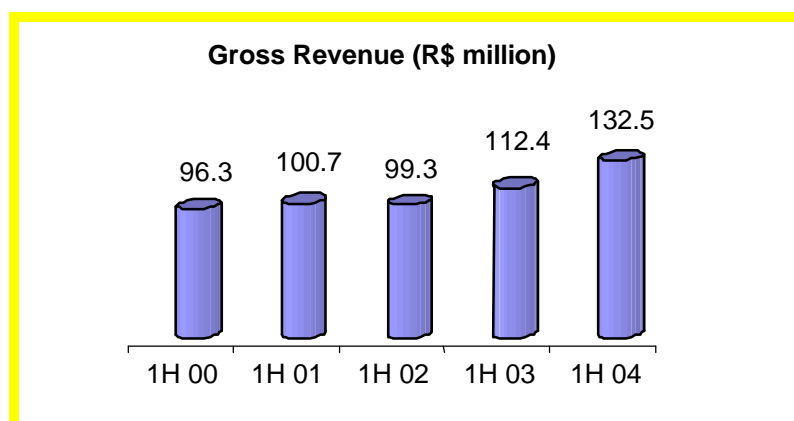
The table below summarizes the main financial and economic performance data:

Description	1 st half of 2004		1 st half of 2003		HA (%)
	R\$	VA (%)	R\$	VA (%)	
Gross revenue	132,528	108.1	112,367	104.9	17.9
Net revenue	122,645	100.0	107,138	100.0	14.5
Gross profit	87,303	71.2	82,101	76.6	6.3
Operating expenses	61,150	49.9	55,777	52.1	9.6
EBITDA	30,256	24.7	30,148	28.1	0.4
Financial income (expenses), net	3,683	3.0	(411)	(0.4)	(996.1)
Net income before equity in subsidiary	13,680	11.2	16,770	15.7	(18.4)
Net income	11,480	9.4	14,804	13.8	(22.5)

VA - vertical analysis

HA - horizontal analysis

Gross Revenue



Gross revenue totaled R\$132.5 million in the first half of 2004, an increase of 17.9%. The good performance is due to the increase in sales of textbooks to the government under the PNLD (National Textbook Program), as shown below:

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08.01 - COMMENTS ON CONSOLIDATED PERFORMANCE FOR THE QUARTER AND SIX-MONTH PERIOD ENDED JUNE 30, 2004

PNLD (school year)	Total sales (contract value) - R\$ million	Allocation of sales (fiscal year) - R\$ million			
		2H02	1H03	2H03	1H04
2003	41.4	36.5	4.9	-	-
2004	85.5	-	-	57.4	28.1

Net revenue increased 14.5%, totaling R\$122.6 million. The difference in the growth rate of gross revenue and net revenue is due to the increase in the COFINS rate beginning February 2004. However, it is important to emphasize that, with the reduction of the COFINS and PIS rates to zero for technical and scientific books starting on July 26, 2004, the growth rate of net revenue tends to surpass that of gross revenue.

Gross Profit

Gross profit was R\$87.3 million, representing an increase of 6.3% in relation to the first half of 2003. This increase, however, was smaller than that in revenue, due to the following:

- Greater share of sales to the government, which have a margin smaller than that of sales to the private sector.
- Negative impact of the increase in the COFINS rate (net of credits from purchases of production inputs).

The gross margin decreased from 76.6% in the first half of 2003 to 71.2% in the first half of 2004.

Income from Operations

A significant gain was obtained from management of operating expenses. Compared with net sales, operating expenses decreased from 52.1% in the first half of 2003 to 49.9% in the first half of 2004. Considering operating expenses over gross revenue, which eliminates the effect of the increase in the COFINS rate, it is possible to note an even better improvement: 46.1% in the first half of 2004 against 49.6% in the first half of 2003.

Please note that several rationalization actions are being taken under an action plan focused on the Company's cash management, and we expect to continue improving control over operating expenses. The Company has already implemented important personnel restructuring and streamlined hierarchical levels, with estimated annual savings of R\$2.4 million.

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08.01 - COMMENTS ON CONSOLIDATED PERFORMANCE FOR THE QUARTER AND SIX-MONTH PERIOD ENDED JUNE 30, 2004

Cash Generation

Gross cash generation (EBITDA) remained practically unchanged, increasing from R\$30.1 million in the first half of 2003 to R\$30.3 million in the first half of 2004, an improvement of 0.4%. The EBITDA margin was affected by a reduction in gross margin, and declined from 28.1% in the first half of 2003 to 24.7% in the first half of 2004.

Financial Income (Expenses)

Whereas the first half of 2004 experienced a currency devaluation of 7.6%, in the same period of 2003 there was a strong currency appreciation of 18.7%. As a result of the impact of these opposite variations on the long-term liability denominated in U.S. dollar, in the first half of 2004 net financial expenses amounted to R\$3.7 million, whereas in the first half of 2003 net financial income was R\$0.4 million.

Net Income

The increase in net financial expenses had an impact on net income for the period. Net income before equity in subsidiary Livraria Saraiva was R\$13.7 million in the first half of 2004, 18.4% lower than the R\$16.8 million in the first half of 2003. Net income after equity in subsidiary, in the amount of R\$11.5 million, was 22.5% lower than in the first half of 2003.

Investments

Total investments in the first half of 2004 was R\$2.5 million, going towards:

- Investments in information technology.
- Merger of Formato Editorial into Editora Saraiva.
- Increase in the mix of on-line products, with 12 new products in the electronic legal content division - Saraiva Data (www.saraivajur.com.br), besides the preparation for launching an additional 15 products in the second half of 2004.

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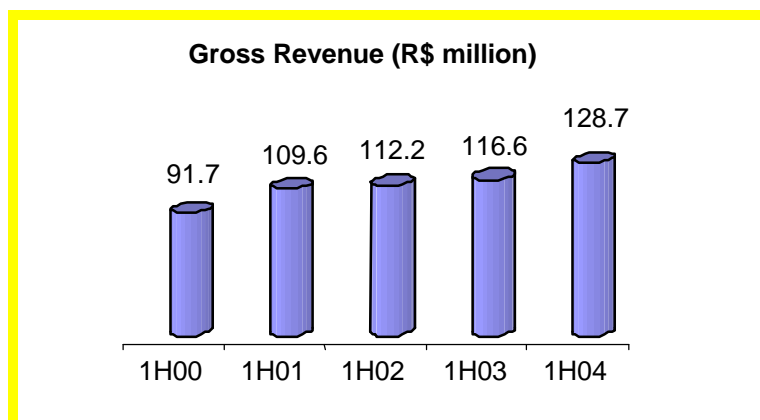
08.01 - COMMENTS ON CONSOLIDATED PERFORMANCE FOR THE QUARTER AND SIX-MONTH PERIOD ENDED JUNE 30, 2004

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

Shown below is the main financial and economic performance data:

Description	1H04		1H03		HA (%)
	R\$	VA (%)	R\$	VA (%)	
Gross revenue	128,742	116.9	116,636	111.3	10.4
Net revenue	110,104	100.0	104,783	100.0	5.1
Gross profit	40,516	36.8	38,789	37.0	4.5
Operating expenses	42,288	38.4	40,096	38.3	5.5
EBITDA	1,528	1.4	2,298	2.2	(33.5)
Net loss	(2,202)	(2.0)	(1,968)	(1.9)	11.9

Gross Revenue



Gross revenue of Livraria Saraiva increased 10.4% in the first half of 2004, totaling R\$128.7 million. Once again, the highlight was the significant increase of 43.5% in the e-Commerce division's revenue. In traditional retail, revenue increased 4.7%. Same-store sales decreased 0.6% in the first half of 2004 compared to the first half of 2003, reflecting the sluggish economic environment, especially in the first quarter. However, in the second quarter the trend was reversed, as shown below:

Same-store Sales Growth (%)		
1Q04	2Q04	1H04
(3.3)	3.2	(0.6)

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08.01 - COMMENTS ON CONSOLIDATED PERFORMANCE FOR THE QUARTER AND SIX-MONTH PERIOD ENDED JUNE 30, 2004

The increase in net revenue was 5.1%, lower than that in gross revenue, due to increase in the COFINS rate starting in February 2004. Please note that the effect of the zero rate for technical and scientific books, beginning July 26, 2004, should benefit Livraria's results, since the book segment represents a significant share in this company's total sales.

Gross Profit

The Company reported a gross profit of R\$40.5 million for the first half of 2004, up 4.5% from the first half of 2003 level. Gross margin declined slightly, from 37.0% in the first half of 2003 to 36.8% in the first half of 2004, due to small changes in the mix of products sold. Please note that, in Livraria, the effect of the increase in the COFINS rate is practically offset in gross profit, because of the COFINS tax credit from the acquisition of products for resale.

Income from Operations

The analysis of operating expenses, excluding the effect of the increase in the COFINS rate, shows an improvement, as follows:

R\$	1H04	1H03
Operating expenses	42,288	40,096
(+) PIS/COFINS credits on expenses	865	109
(=) Adjusted operating expenses	43,153	40,205
Operating expenses/gross revenue	33.5%	34.5%

This performance is a result of actions focused on strict control over expenditures and personnel rationalization. Some actions will produce clearer results beginning 2005, due to the impact of extraordinary expenses on employment termination and indemnities in 2004.

Cash Generation

The adverse economic conditions faced by the retail industry in the first half of 2004 resulted in poor sales performance of physical stores, impacting gross cash generation (EBITDA), which fell from R\$2.3 million in the first half of 2003 to R\$1.5 million in the first half of 2004. The positive factor was the improvement in the e-Commerce division, which contributed with a R\$815 EBITDA in the first half of 2004, against a negative contribution of R\$168 in the first half of 2003.

Working Capital

To obtain continuing gains from working capital management, the Company worked on building partnerships with suppliers in the first half of 2004.

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As a result of greater centralization of purchases and other actions to increase efficiency in working capital management, an improvement was noted in inventory turnover, with a reduction of four days, and an extension of five days in the average term for supplier payments.

Net Loss

The improved performance of the e-Commerce division has practically offset the lower performance of physical stores. The final result was a negative net margin of 2.0% in the first half of 2004, close to the negative margin of 1.9% in the first half of 2003.

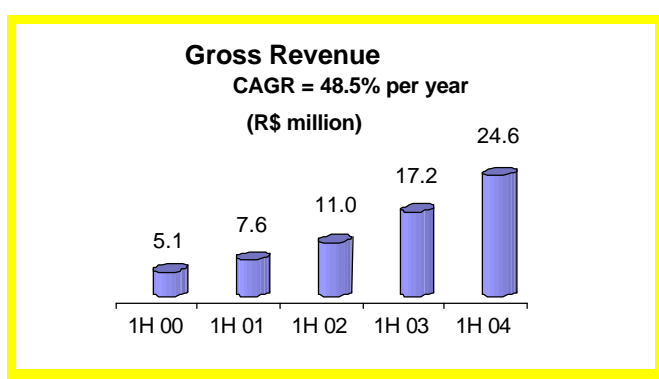
Investments

Investments in the period totaled R\$0.7 million, concentrated in:

- Redesign of the retail sales website (www.saraiva.com.br), with the modernization of visual and functional features.
- Investments in information technology and maintenance.

Saraiva.com - e-Commerce Division (on-line retail sales)

All indicators continue showing a strong trend of growth and improvement of operations.



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Indicators	1H04	1H03	Variation (%)
Gross revenue (R\$)	24,633	17,167	43.5
EBITDA (R\$)	815	(168)	(585.1)
Trade accounts receivable (R\$)	1,228	843	45.7
Livraria's gross revenue - %	19.1	14.7	30.0
Average ticket (R\$)	77,36	70,35	10.0

At the end of the first half of 2004, the e-Commerce division increased its mix of products with the inclusion of stationery, to take advantage of the synergy with physical stores.

CONSOLIDATED

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

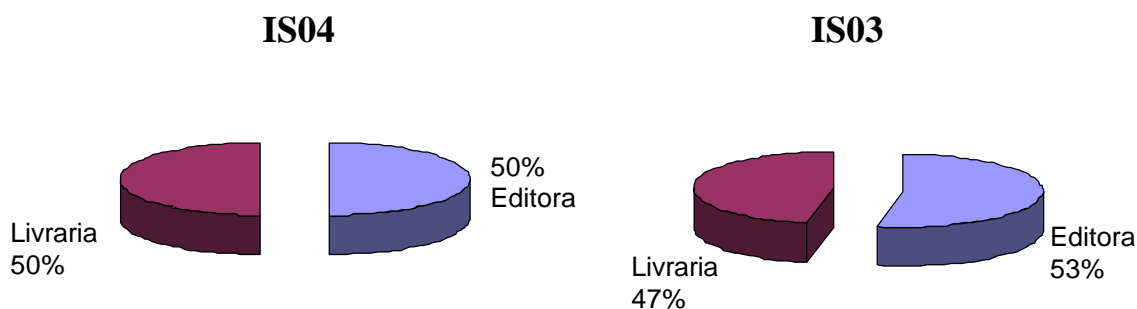
R\$	1H04	1H03	Variation (%)
Gross revenue	255,480	222,130	15.0
Net revenue	226,959	205,047	10.7
Gross profit	127,811	120,876	5.7
<i>Gross margin - %</i>	<i>56.3</i>	<i>59.0</i>	
Income (loss) from operations (EBIT) (a)	24,571	25,554	(3.8)
<i>Operating margin - %</i>	<i>10.8</i>	<i>12.5</i>	
Financial income (expenses)	(5,351)	(1,446)	270.1
Net income	11,480	14,804	(22.5)
<i>Net margin - %</i>	<i>5.1</i>	<i>7.2</i>	
EBITDA (b)	31,783	32,446	(2.0)
<i>EBITDA margin - %</i>	<i>14.0</i>	<i>15.8</i>	
Total assets	222,286	228,847	(2.9)
Shareholders' equity	106,512	105,322	1.1
Net indebtedness	38,416	46,938	(18.2)

(a) Before financial income (expenses).

(b) Income (loss) from operations before interest, taxes, depreciation and amortization.

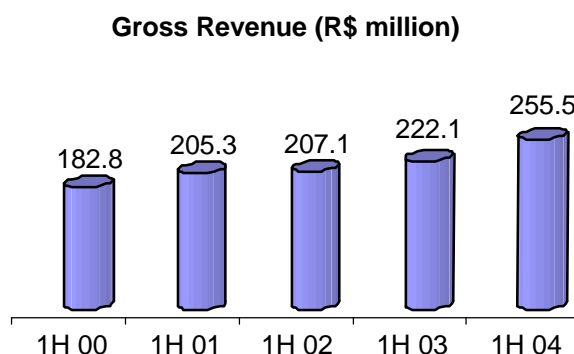
08.01 - COMMENTS ON CONSOLIDATED PERFORMANCE FOR THE QUARTER AND SIX-MONTH PERIOD ENDED JUNE 30, 2004

Consolidated Gross Revenue



Gross Revenue

Consolidated gross revenue totaled R\$255.5 million in the first half of 2004, which represented an improvement of 15.0% in relation to the first half of 2003. The increase in the Company's sales to the government (PNLD) and the increase in Livraria's on-line retail sales contributed to that revenue.



Gross Profit

Gross profit totaled R\$127.8 million in the first half of 2004, an increase of 5.7% in relation to the same period of 2003. Gross margin declined from 59.0% in the first half of 2003 to 56.3% in the first half of 2004, and reflects the lower gross margin recorded by the Company, due to the greater volume of sales to the government.

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Income from Operations

Income (loss) from operations before financial expenses (EBIT) was R\$24.6 million in the first half of 2004, which represents a fall of 3.8% compared to the first half of 2003.

Cash Generation

Gross cash generation (EBITDA) fell 2.0% in the first half of 2004 due to the Company's lower gross margin and the Livraria Saraiva physical stores' poorer-than-expected performance.

Reconciliation of EBITDA	1H04	1H03	Variation (%)
Income from operations after financial expenses	19,220	24,108	(20.3)
(+) Depreciation and amortization	7,212	6,892	4.6
(+) Financial expenses, net	5,351	1,446	270.1
(=) EBITDA	31,783	32,446	(2.0)

Financial Expenses, Net

In the first half of 2004, net financial expense totaled R\$5.4 million, against R\$1.4 million in the first half of 2003. Despite the low indebtedness level in the first half of 2004, the strong currency appreciation in the first half of 2003 led to a significant reversal of the exchange variation expense and affected the comparison basis.

Net Income

Consolidated net income in the first half of 2004 totaled R\$11.5 million, down 22.5% from R\$14.8 million in the first half of 2003. This decrease is primarily due to the drop in the Company's income resulting from a significant increase in net financial expenses and the increase in the COFINS rate.

GVA - Value-based Management System

In the first half of 2004, the Company continued the implementation process for the information and involvement of its key personnel, in order for creating value to be increasingly the central focus of all the Company's strategic and operational actions.

CAPITAL STRUCTURE

Consolidated net indebtedness continued its downward trend, falling from R\$46.9 million in June 2003 to R\$38.4 million in June 2004.

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Financial liability subject to exchange variation was equivalent to US\$3.5 million at the end of June 2004, with semiannual installments due between June 2005 and June 2006.

The Company maintained its strategic line of structuring hedge operations for current installments, so as to minimize the impact of foreign exchange fluctuations on its cash.

CAPITAL MARKET

The table below summarizes the movement of the Company's shares, comparing the first half of 2004 to the first half of 2003:

Indicators	1H04	1H03	Variation (%)
Number of trades (1)	248	265	(6.4)
Participation in trading sessions (1)	51.6	64.8	(20.4)
Quantity traded - thousand (1)	941	1,599	(41.2)
Volume traded - R\$ thousand (1)	9,026	14,044	(35.7)
Share price - R\$ (1) (2)	9.80	8.90	10.1
Total shares outstanding (2)	22,937	22,937	-
Market value - R\$ million (2)	224.8	204.1	10.1

Source: BOVESPA

(1) Refers to registered preferred shares (SLED4).

(2) At end of period.

SUBSEQUENT EVENTS

In line with government actions of culture and education incentives, recently enacted Law No. 10,925/04 of July 26, 2004 will boost the domestic book market by reducing to zero the PIS and COFINS rates on sales of technical and scientific books - before this law, taxes totaled 9.25%. Although the law is immediately effective, the comprehensiveness of the term "technical and scientific books" depends on the regulation to be issued by the Ministry of Education.

This law represents an important tax burden reduction and can significantly benefit the results and the investment capacity of the Saraiva Group Companies.

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08.01 - COMMENTS ON CONSOLIDATED PERFORMANCE FOR THE QUARTER AND SIX-MONTH PERIOD ENDED JUNE 30, 2004

OUTLOOK

The domestic education indicators are still low if compared to those of other developing countries. The Company understands that the challenges are enormous, but, at the same time, the growth potential is huge.

Fortunately, the government, prior and current, has implemented unprecedentedly concrete actions to reduce the historical educational gaps, paving the way for qualitatively including the country in a globalized environment and fierce competition.

The first step was taken by the Fernando Henrique government, by universalizing access (over 90%) of children aged 7 to 14 to school. Various programs were created and current indicators already show slight reductions in the school drop-out, failure and illiteracy rates. Another important step was the systematization and expansion of the world's largest program of textbook acquisition and distribution, the PNLD, which serves 153,000 schools and 32.5 million students.

The current government, in addition to continuing the main initiatives of the prior government, has created new programs and adopted measures to boost the education market:

- PNLD/05 - the book acquisition program for the 2005 school year is underway. About 114 million books will be acquired, as scheduled for the second half of 2004. Editora Saraiva has an exceptional rate of 21% of the total collections approved by the MEC (Ministry of Education and Culture), which are included in the book guide for the public school system.
- PNLEM (National High School Book Program) - the pilot project for the acquisition of 2.7 million books for 1.2 million public school students in the North and Northeast of the country is underway for implementation this year. For 2005, the government has announced the intention to acquire Portuguese and Mathematics books for all public high school students in Brazil (almost 8 million students). Although there is not yet a set schedule, the government's initial plan is to cover progressively all grades and subjects of the public high school system.
- Zero rate of PIS and COFINS for technical and scientific books - in addition to representing a significant tax burden reduction for the production and sale of books, this measure is important to improve the Company's and Livraria's investment capacity.

The conditions show that the Saraiva Group Companies are present in markets with growth potential above the economy's average. Saraiva Group has worked on the creation and support of competitive advantages that enable the Company to efficiently participate in the strengthening of national education and culture.

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

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BRAZILIAN SECURITIES COMMISSION (CVM)
INTERIM FINANCIAL STATEMENTS (ITR)
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES

Corporate Law
06/30/2004

010470-2 SARAIVA S.A. LIVREIROS E EDITORES

60.500.139/0001-26

08.01 - COMMENTS ON CONSOLIDATED PERFORMANCE FOR THE QUARTER AND SIX-MONTH PERIOD ENDED JUNE 30, 2004

The continuity of the implementation of the value-based management system (GVA) and the continuous rationalization of costs and reduction of working capital used are in line with the Company's strategic planning and are focused on the generation of value.

Additionally, the recent signs of economic recovery, employment and disposable income, have allowed for anticipating favorable conditions for growth, which should benefit the book publishing business and, particularly, Saraiva's retail operations.

The Company welcomes new opportunities for acquisitions or strategic alliances. Livraria maintains its strategy of prospecting points of sale that allow for expanding the physical store chain.

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06/30/2004**

01.01 - IDENTIFICATION

1 - CVM CODE 01047-2	2 - COMPANY NAME SARAIVA S.A LIVREIROS EDITORES	3 - Federal Corporate Taxpayers' Registration Number (CNPJ) 60.500.139/0001-26
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09.01- SUBSCRIBED CAPITAL AND ALTERATIONS IN THE CURRENT YEAR

1 - ITEM	2 - COMF	3 - Federal Corporate Taxpayers' Registration Number (CNPJ)	4 -	5 - % Interest on the subsidiary equity	6 - % Liquid investment of the company
7 - Company		8 - Number of Shares on the six month period	9 - Number of shares on the quarter		

01	LIVRARIA E PAPELARIA SARAIVA S.A	61.254.454/0001-83	99,91	44,34	
	Comercial company, Manufacturing and others	57,490			57,490

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010470-2 SARAIVA S.A. LIVREIROS E EDITORES

60.500.139/0001-26

17.01 - INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

1. We have performed a special review of the accompanying interim financial statements of Saraiva S.A. Livreiros Editores and subsidiary (Company and Consolidated), consisting of the balance sheets as of June 30, 2004, and the related statements of operations for the quarter and six-month periods then ended and the performance report, all expressed in Brazilian reais and prepared in accordance with accounting practices adopted in Brazil under the responsibility of the Company's management.
2. We conducted our review in accordance with specific standards established by the Brazilian Institute of Independent Auditors (IBRACON), together with the Federal Accounting Council, which consisted principally of: (a) inquiries of and discussions with persons responsible for the accounting, financial and operating areas as to the criteria adopted in preparing the interim financial statements, and (b) review of the information and subsequent events that have or might have had material effects on the financial position and results of operations of the Company and its subsidiary.
3. Based on our special review, we are not aware of any material modifications that should be made to the financial statements referred to in paragraph 1 for them to be in conformity with accounting practices adopted in Brazil and standards established by the Brazilian Securities Commission (CVM), specifically applicable to the preparation of mandatory interim financial statements.
4. We had previously reviewed the Company and consolidated balance sheets as of March 31, 2004, presented for comparative purposes, and issued an unqualified special review report thereon, dated May 6, 2004. The Company and consolidated statements of operations for the three-month and six-month periods ended June 30, 2003, presented for comparative purposes, were reviewed by other independent auditors who issued an unqualified special review report thereon, dated August 12, 2003.
5. The accompanying interim financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, August 12, 2004

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Marco Antonio Brandão Simurro
Engagement Partner

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

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Subsidiaries/affiliates

COMPANY NAME LIVRARIA E PAPELARIA SARAIVA S.A
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18.01 - STATEMENT OF OPERATIONS- AFFILIATES AND SUBSIDIARIES (In thousands of Brazilian reais)

Code	Description	04/01/2004 to 06/30/2004	01/01/2004 to 06/30/2004	04/01/2003 to 06/30/2003	01/01/2003 to 06/30/2003
3.01	Gross revenue from sales and/or services	55,394	128,742	48,958	116,636
3.02	Deductions from gross revenue	(8,815)	(18,638)	(5,084)	(11,853)
3.03	Net revenue from sales and/or services	46,579	110,104	43,874	104,873
3.04	Cost of goods and/or services sold	(29,584)	(69,588)	(27,531)	(65,994)
3.05	Gross income	16,995	40,516	16,343	38,789
3.06	Operating expense/revenue	(21,450)	(43,811)	(20,274)	(41,594)
3.06.01	Selling expenses	(15,824)	(32,848)	(14,621)	(30,297)
3.06.02	General and administrative expenses	(3,323)	(6,286)	(3,272)	(6,553)
3.06.02.01	Management fees	(290)	(621)	(374)	(748)
3.06.02.02	Others	(3,033)	(5,665)	(2,898)	(5,805)
3.06.03	Financial	(802)	(1,669)	(862)	(1,857)
3.06.03.01	Financial revenue	48	75	48	99
3.06.03.02	Financial expenses	(850)	(1,744)	(910)	(1,956)
3.06.04	Other operating revenue	176	407	139	383
3.06.05	Other operating expenses	(1,677)	(3,415)	(1,658)	(3,270)
3.06.05.01	Depreciation and amortization	(1,556)	(3,154)	(1,648)	(3,246)
3.06.05.02	Others	(121)	(261)	(10)	(24)
3.06.06	Equity in subsidiary's income	0	0	0	0
3.07	Operating income	(4,455)	(3,295)	(3,931)	(2,805)
3.08	Non-operating income	8	5	(157)	(152)
3.08.01	Revenue	8	5	0	0

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010470-2 SARAIVA S.A. LIVREIROS E EDITORES

60.500.139/0001-26

08.01 - COMMENTS ON CONSOLIDATED PERFORMANCE FOR THE QUARTER AND SIX-MONTH PERIOD ENDED JUNE 30, 2004

01.01 - IDENTIFICATION

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18.01 - STATEMENT OF OPERATIONS - AFFILIATES/ SUBSIDIARIES (In thousands of reais)

Code	Description	04/01/2004 to 06/30/2004	01/01/2004 to 06/30/2004	04/01/2003 to 06/30/2003	01/01/2003 to 06/30/2003
3.08.02	Expenses	0	0	(157)	(152)
3.09	Earnings before taxes/interest	(4,447)	(3,290)	(4,088)	(2,957)
3.10	Provision for income tax and social cont.	0	0	216	0
3.11	Deferred income tax	1,504	1,088	1,158	989
3.12	Statutory interest/contributions	74	0	75	0
3.12.01	Interest	74	0	75	0
3.12.02	Contributions	0	0	0	0
3.13	Reversal of equity capital interest	0	0	0	0
3.15	Profit/loss for the period	(2,869)	(2,202)	(2,639)	(1,968)
	NUMBER OF SHARES, EX-TREASURY (THOUSAND)	57,540	57,540	57,540	57,540
	EARNINGS PER SHARE				
	LOSS PER SHARE	(0.04986)	(0.03827)	(0.04586)	(0.03420)

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18.02 - SUBSIDIARY COMMENT

SEE COMMENTS ON CONSOLIDATED PERFORMANCE - 08/ITR

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