

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

SARAIVA S.A. LIVREIROS EDITORES

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

1. OPERATIONS

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

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

2. PRESENTATION OF FINANCIAL STATEMENTS

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

3. SIGNIFICANT ACCOUNTING PRACTICES

a) Current and long-term assets

- Cash equivalents

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

- Allowance for doubtful accounts

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

- Inventories

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

- Other current and long-term assets

Stated at net realizable value.

b) Permanent assets

- Investments

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

- Property, plant and equipment

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

- Deferred charges

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

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

c) Current and long-term liabilities

- Copyrights

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

- Other current and long-term liabilities

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

d) Income and social contribution taxes

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

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

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

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

e) Use of estimates

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

f) Earnings per share

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

4. CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

5. TRADE ACCOUNTS RECEIVABLE

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

6. INVENTORIES

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

7. INVESTMENTS

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

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

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

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

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

8. PROPERTY, PLANT AND EQUIPMENT

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

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

9. DEFERRED CHARGES

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

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

10. LOANS AND FINANCING

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

BACEN - Central Bank of Brazil.

BNDES - National Bank for Economic and Social Development.

FINEM - Enterprises Financing.

IFC - International Finance Corporation.

Maturities of long-term debt are as follows:

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

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

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

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

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

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

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

11. RELATED PARTIES

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

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

12. DEFERRED INCOME AND SOCIAL CONTRIBUTION TAXES

Deferred income and social contribution taxes arise from:

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

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

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

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

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

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

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

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

13. RESERVE FOR CONTINGENCIES

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

The residual contingent liability is composed of:

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

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

14. SHAREHOLDERS' EQUITY

a) Capital

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

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

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

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

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

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

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

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

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

c) Interest on capital and dividends

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

Dividends were calculated as follows:

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

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

15. FINANCIAL INSTRUMENTS

a) Derivative transactions

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

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

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

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

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

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

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

b) Other financial instruments

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

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

Criteria, assumptions and limitations used in calculating fair values:

- Cash and cash equivalents

Represented by bank deposits.

- Loans and financing

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

- Limitations

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

16. FINANCIAL EXPENSES

Financial expenses are comprised of:

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

17. INSURANCE

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