

**EDITORIA ABRIL S.A.**

**FINANCIAL STATEMENTS TOGETHER WITH  
REPORT OF INDEPENDENT PUBLIC  
ACCOUNTANTS  
December 31, 2001 and 2000**

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## MANAGEMENT REPORT

(Translation of the original in Portuguese)

### To our Stockholders:

We are pleased to submit the Financial Statements of Editora Abril S.A. (Company) and subsidiaries (consolidated) as well as the Report of Independent Public Accountants for the year ended December 31, 2001.

### MARKET AND BUSINESS ANALYSIS

#### PUBLISHING

##### a) Advertising

The advertising market in the magazine segment, according to “Projeto Inter-Meios” of December 2001, presented a 5.6% reduction in relation to the same period in the previous year. However, due to the strength of our brands and the wide segmentation of our publications, the share of Editora Abril and its subsidiaries in this segment decreased 2.7%, less than the market average. As a result, our market share increased from 67.3% to 69.3%.

The reduction in the advertising market occurred principally due to the prohibition of cigarette advertising and the retraction in the Internet market, which was buoyant in the same period of the previous year. Another market that presented a downturn was that of electro domestic -electronics, probably due to the effect of the energy crisis in the second half of the year. The Company was able to offset this reduction through the increase of advertising with companies in fields such as real estate, beverages, personal use products, and public and social services.

##### b) Circulation

Magazine circulation is made through two distribution channels: Subscriptions and Points of Sale, which include newsstands, supermarkets, convenience stores, and other.

The Brazilian magazine market recorded a reduction of 2% in relation to the previous year, according to the Brazilian Audit Bureau of Circulation – IVC, in November 2001, due to a 4% reduction in subscriptions, while sales at points of sale remained unchanged. The market share of the publications of Editora Abril and its subsidiaries, which was 70% in the previous year, decreased to 68%, a reduction noted mainly in subscriptions.

Total circulation of Editora Abril and its subsidiaries, comprising both channels, resulted in sales of 218 million copies in 2001, 4% less than the previous year.

Sales from points of sale had a 2% growth, totaling 124 million copies sold. In addition, there was a cover price increase for the major publications, which increased sales revenue from this channel by 9.7% in relation to the previous year. A highlight was VIVA MAIS magazine, which obtained the highest growth, and became the third largest circulation magazine in the Brazilian market, with an average of 475,000 copies per issue, according to IVC data in November 2001.

In relation to sales to subscribers, which represented 43% of total circulation, the Company and its subsidiaries retained our 60% market share. However, there was a 12% decrease in the number of copies delivered, which totaled 94 million, and the year ended with a 3.7 million subscriber base.

## **EDUCATION**

The market for textbooks and accessory school books, including sales to the private sector and the Government, achieved sales of R\$1.3 billion, representing a 6.6% increase in relation to the previous year, due basically to the two-year purchasing cycle of the Government, which is the principal buyer of textbooks and accessory school books, through the National Program for Textbooks – PNLD.

In this **Education segment**, Editora Abril operates through book publishers **Editora Ática** and **Editora Scipione**, which publish textbooks and accessory school books, and achieved total net sales of R\$315 million in 2001. Their results are consolidated in proportion to Editora Abril's equity interest. Sales to the Government represented 55% of the total, a 44% growth in relation to 2000 due to the higher number of books and dictionaries sold, which increased their share in this market to 38.5%, against 24.5% in the previous year.

## **INTERNET**

The Internet market had a strong downturn in 2001 with the slow-down in the so-called "New Economy". However, the number of people surfing the Internet increased from 14 million in 2000 to 17.5 million in October 2001, according to Monitor, a publication of the Brazilian Institute of Public Opinion and Statistics (IBOPE).

In this segment, Editora Abril operates through **Usina do Som**, a music site permitting personalized music programming, **Lab One**, which creates, develops and manages digital content, and **Abril.com**, the unit in charge of the development of sites, services and on-line commerce. Indirectly, we are present through an ownership interest in **Universo OnLine (UOL)**, Latin America's largest on-line services provider. With 1.38 million subscribers and reaching 71% of Brazilian Internet users (according to IBOPE e-ratings of December 2001), it confirmed its position as the favorite on-line service in the region. In May 2001, PT Multimédia was admitted to this company through a capital contribution of R\$397.5 million, and thus Editora Abril's ownership interest in UOL Inc. was reduced to 35.32%.

#### **OTHER BUSINESSES**

**Abril Music**, Editora Abril's recording company and music publisher, achieved a sales volume of 6.7 million CDs in 2001, compared to 5.7 million sold in 2000, representing a 16% growth. With a catalog containing 823 Brazilian and foreign titles, Abril Music holds the 7th place in the December 2001 ranking of the Brazilian Association of Record Producers – ABPD, with 13% of the Brazilian popular music market. In 2001, Abril Music's top hits were the FALAMANSA group and the BRUNO & MARRONE duo.

**MTV Brazil**, whose results are consolidated in proportion to the Company's interest, obtained net revenue of R\$61 million in 2001, a 9% growth over the previous year. The sale of thirty-second TV spots by the Company, which is its main source of revenue, had an 8% growth over the total in 2000. This year, MTV launched a magazine with a monthly issue of approximately 70,000 copies.

#### **CONSOLIDATED RESULTS**

In 2001, the net revenue of the Company and its subsidiaries totaled R\$ 1,628 million, a 5% increase over the previous year. Operating costs and expenses, including R\$ 65 million of depreciation and amortization, totaled R\$ 1,586 million, only 3% higher than in 2000.

The savings obtained through a wide-ranging restructuring program implemented in 2001 raised the **EBITDA** (earnings before interest, taxes, depreciation, amortization, and extraordinary items) of Editora Abril S.A. and its subsidiaries to R\$ 155 million, before the deduction of the Company's non-recurring expenditures, which represents a 74% increase over the previous year. This improvement in the Company's performance is the first effect of the new organization that was implemented, which focuses on Business Units supported by shared service center structures, and of personnel reduction and general cost reduction measures. After deducting non-recurring costs for indemnities and the shutdown of non-profitable activities, EBITDA was R\$ 107.2 million.

The net loss of R\$ 44 million was affected by the devaluation of the Brazilian real (due to imported inputs and because a large portion of the debt is denominated in foreign currencies) partially offset principally by a capital gain of R\$ 140 million at Universo OnLine (UOL), arising from the capital contribution by PT Multimédia in this affiliate.

## **INVESTMENTS**

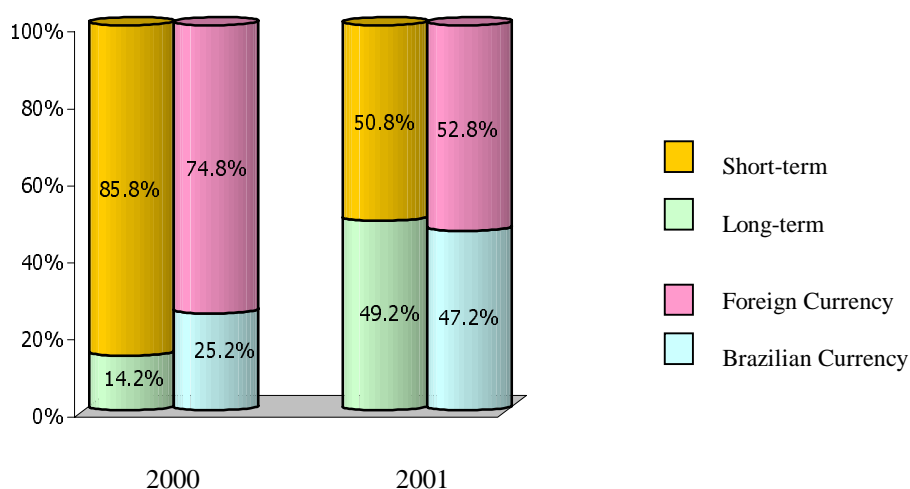
In 2001, due to management's emphasis on cash generation and debt restructuring, the investments made by the Company and its subsidiaries for the modernization and maintenance of our assets were limited to only R\$ 33 million, a reduction of 62% from the R\$ 86 million invested in 2000.

The most significant investment was concentrated in the Publishing segment, where R\$ 21 million (64% of the total) was invested in the purchase of a new rotary offset printer.

## **FINANCIAL POSITION**

In relation to financial position, the Company and its subsidiaries had, as of December 31, 2001, a total net indebtedness of R\$ 710.4 million (R\$ 605.8 million in 2000), (comprising short-term loans, commercial paper, import financing, less cash and cash equivalents), of which 52.8% was denominated in U.S. dollars and 47.2% in Brazilian currency. A significant improvement is noted in the debt profile in relation to 2000, as the short-term debt concentration was reduced from 85.8% to 50.8%, due to successful negotiations for extending maturities, especially through the issuance of a R\$ 300 million nonconvertible debenture program in August 2001, maturing in three years. In addition, foreign-currency financing decreased from 74.8% in 2000 to 52.8% this year, as shown in the following exhibit:

**Editora Abril - Consolidated**  
**Net debt profile**



**SOCIAL MANAGEMENT**

**HUMAN RESOURCES**

Editora Abril S.A. and its subsidiaries continued actions for the development and well-being of employees.

Regarding health, the employees and their dependents have the **Abril Health Care Plan**, **Dental Care** and the **Drugstore Plan**. The Health Plan, which is managed by third parties, was set up by Abril exclusively for its personnel, aiming at reducing costs both to the Company and the employees, in addition to improving the quality of the services.

**Abrilprev – Sociedade de Previdência Privada** is a not-for-profit private pension entity established by Abril in 1994 for supplementing the official social security benefits, and providing greater security to contributors. In 2001, the entity received contributions from Editora Abril S.A. and its subsidiaries amounting to R\$ 6.3 million.

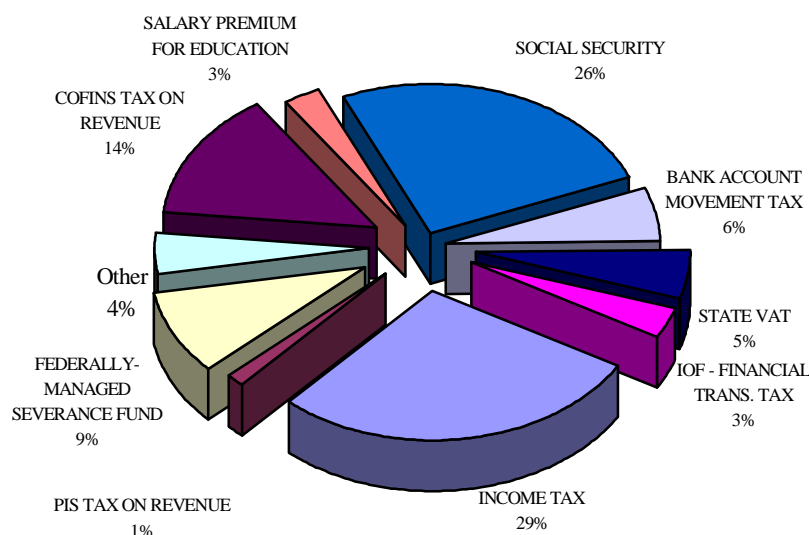
In **training and development**, the Company continued with the program “Grow at Abril” consisting of initiatives aimed at personal and professional development of employees, especially the Abril Management Course, the Continuing Education Program, and grants for improvement and extension courses.

In addition, the Company offers other benefits, such as **subsidized meals** for approximately 6,700 employees each day; **nursery allowance, transportation, life insurance, credit cooperative and agreements with consumers’ cooperative, leisure center, and others.**

	<b>2001</b>	<b>2000</b>
<b>NUMBER OF EMPLOYEES:</b>	<b>6,687</b>	<b>7,676</b>
Men	57%	55%
Women	43%	45%
<b>EDUCATION LEVEL:</b>		
Primary school	12%	13%
Secondary school	37%	36%
College degree	46%	47%
Post-graduate	5%	4%

### TAXES AND CONTRIBUTIONS

In 2001, taxes and mandatory contributions paid by the Company and its subsidiaries amounted to R\$ 208 million, as follows:





## **SOCIAL ACTIONS**

As part of Abril's social responsibility project, it dedicates resources, effort and talent to initiatives reinforcing its relationship with the community and contributing to advances in the areas of education, environment, health, well-being, culture and personal development.

### **EDUCATION**

#### **VICTOR CIVITA FOUNDATION**

Created in 1985 to contribute to the improvement of school teaching in Brazil, the Victor Civita Foundation concentrates its actions on the updating and upgrading of teachers. It publishes NOVA ESCOLA, the most respected education magazine in Brazil, which was awarded the UNESCO prize in 2001. With 700,000 copies distributed free of charge or with subsidized prices to 1.5 million primary and secondary teachers, NOVA ESCOLA reaches 200,000 public and private schools all over the country.

By awarding the Victor Civita Award ("The Note Ten Teacher"), the Foundation each year highlights a teacher's high-quality work, making visible to public opinion the importance of the teacher for building a nation.

The Foundation also distributes the weekly classroom edition of VEJA magazine (VEJA NA SALA DE AULA) to 5,100 public and private high schools, reaching 118,000 teachers and 2.6 million students.

#### **PARTNERSHIP WITH UNIVERSITY OF SÃO PAULO – USP**

- This partnership includes initiatives such as the Nascente Project, the Course Completion Scholarship Program and the Journalism Course established by Editora Abril in cooperation with the School of Communications and Art.

### **ENVIRONMENT**

- [www.clickarvore.com.br](http://www.clickarvore.com.br), is a partnership between Abril, the SOS Atlantic Forest Foundation and the Vidágua Environmental Institute.

### **HEALTH**

- **CAPRICO** magazine promotes the use of condoms in the site [www.temqueusar](http://www.temqueusar)
- **MTV** supports an Aids educational campaign
- Prevention of HIV/Aids

### **COMMUNITY WORK**

- The **CLAUDIA** award.
- Campaign for Disarmament of Children developed by DINAP
- Donation of magazines
- Creation of comic book libraries (Brazil Readers' Project)
- Free advertising pages

### **CORPORATE VOLUNTEER WORK**

- "Abril Planting Citizenship"
- "Hands at Work"

### **CULTURE**

- Abril Theater

### **OUTLOOK**

The Brazilian economic scenario in 2002 still reflects some instability due to the proximity of the presidential election and the concerns arising from the difficulties abroad, in Latin America and elsewhere in the world. The operating plan projected for this year, in view of the uncertainties of the scenario, is duly conservative in forecasting revenues. Management expects to realize the results of the reorganization started in 2001, and will focus its efforts on the consolidation of profitability improvements and on the conclusion of the restructuring of indebtedness. The possible sale of non-strategic assets, although not an essential condition for maintaining the Company's financial stability, may speed up the achievement of these objectives. Editora Abril should end the year 2002 with the new business unit structure in place, as announced in February, and changes in the statutory directors.

### **FINAL CONSIDERATIONS**

We take this opportunity to thank our customers, suppliers and investors for their support and trust, and our employees for their commitment and dedication.

São Paulo, March 28, 2002.

### **THE MANAGEMENT**

**BALANCE SHEETS AS OF DECEMBER 31, 2001 AND 2000**  
(In thousands of Brazilian reais)  
(Translation of the original in Portuguese)  
**A S S E T S**

	<u>Company</u>		<u>Consolidated</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
<b>CURRENT ASSETS:</b>				
Cash and banks	9,722	8,273	14,640	16,426
Temporary cash investments	-	-	16,192	4,578
Restricted temporary cash investments	19,493	-	19,493	-
Accounts receivable	107,337	100,273	252,689	196,807
Allowance for doubtful accounts	(8,786)	(7,248)	(25,446)	(20,173)
Inventories	51,249	48,010	97,896	93,305
Recoverable taxes	4,157	2,563	20,455	14,742
Deferred income tax	1,098	9,769	1,098	9,769
Advances to employees and other	8,052	16,519	19,954	21,489
<b>Total current assets</b>	<b><u>192,322</u></b>	<b><u>178,159</u></b>	<b><u>416,971</u></b>	<b><u>336,943</u></b>
<b>NONCURRENT ASSETS:</b>				
Loans to subsidiaries and affiliated companies	541,593	559,692	384,585	333,879
Loans to stockholders	55,001	21,525	56,993	23,354
Escrow and compulsory deposits	10,152	8,419	14,194	11,694
Deferred income tax	69,052	19,573	70,173	28,855
Securities	-	-	227,225	191,482
Dividends receivable	16,400	-	-	-
Prepaid expenses and other	-	-	1,189	723
<b>Total noncurrent assets</b>	<b><u>692,198</u></b>	<b><u>609,209</u></b>	<b><u>754,359</u></b>	<b><u>589,987</u></b>
<b>PERMANENT ASSETS:</b>				
Investments	572,147	285,204	64,752	14,920
Goodwill on investments	11,249	16,269	11,418	16,494
Property, plant and equipment	151,763	325,128	427,581	367,372
Deferred charges	6,119	12,837	41,348	72,172
<b>Total permanent assets</b>	<b><u>741,278</u></b>	<b><u>639,438</u></b>	<b><u>545,099</u></b>	<b><u>470,958</u></b>
<b>Total assets</b>	<b><u>1,625,798</u></b>	<b><u>1,426,806</u></b>	<b><u>1,716,429</u></b>	<b><u>1,397,888</u></b>

The accompanying notes are an integral part of these balance sheets.

**BALANCE SHEETS AS OF DECEMBER 31, 2001 AND 2000**

(In thousands of Brazilian reais)

(Translation of the original in Portuguese)

**LIABILITIES AND STOCKHOLDERS' EQUITY**

	<b>Company</b>		<b>Consolidated</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
<b>CURRENT LIABILITIES:</b>				
Loans and financing	394,436	509,703	410,986	540,617
Trade accounts payable	113,798	93,003	221,488	139,455
Salaries and payroll charges	55,701	49,611	66,208	62,449
Income and social contribution taxes	-	869	5,443	8,477
Other taxes and charges payable	11,710	4,590	17,695	11,750
Advances	42,586	36,847	46,924	42,190
Other accounts payable	23,281	14,876	41,165	35,336
	<u>641,512</u>	<u>709,499</u>	<u>809,909</u>	<u>840,274</u>
Magazine subscriptions	119,543	121,748	128,113	129,882
<b>Total current liabilities</b>	<u><b>761,055</b></u>	<u><b>831,247</b></u>	<u><b>938,022</b></u>	<u><b>970,156</b></u>
<b>LONG-TERM LIABILITIES</b>				
Loans from and other payables to subsidiaries and affiliated companies	285,606	278,131	176,322	186,729
Loans and financing	356,962	132,084	349,710	86,234
Loans from stockholders	-	-	828	-
Loans from suppliers	12,996	14,603	14,185	14,603
Deferred income tax	22,417	19,691	47,718	21,608
Reserve for tax contingencies and other	111,785	74,550	144,053	94,980
Reserve for losses on subsidiaries' and affiliates' operations	35,321	59,104	-	-
Advances	-	-	-	2,947
<b>Total long-term liabilities</b>	<u><b>825,087</b></u>	<u><b>578,163</b></u>	<u><b>732,816</b></u>	<u><b>407,101</b></u>
<b>DEFERRED INCOME</b>	<u><b>1,331</b></u>	<u><b>3,797</b></u>	<u><b>1,331</b></u>	<u><b>3,797</b></u>
<b>MINORITY INTEREST</b>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>5,935</b></u>	<u><b>3,235</b></u>
<b>STOCKHOLDERS' EQUITY:</b>				
Paid-up capital	93,537	93,537	93,537	93,537
Capital reserve	531	512	531	512
Revaluation reserve	104,062	41,947	104,062	41,947
Accumulated deficit	(159,805)	(122,397)	(159,805)	(122,397)
<b>Total stockholders' equity</b>	<u><b>38,325</b></u>	<u><b>13,599</b></u>	<u><b>38,325</b></u>	<u><b>13,599</b></u>
<b>Total liabilities and stockholders' equity</b>	<u><u><b>1,625,798</b></u></u>	<u><u><b>1,426,806</b></u></u>	<u><u><b>1,716,429</b></u></u>	<u><u><b>1,397,888</b></u></u>

The accompanying notes are an integral part of these balance sheets.

**STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

(In thousands of Brazilian reais, except for per share data)

(Translation of the original in Portuguese)

	<b>Company</b>		<b>Consolidated</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
<b>SALE OF PRODUCTS AND SERVICES</b>	1,166,823	1,221,153	1,705,994	1,631,518
Less- taxes on sales	45,729	51,379	77,754	79,162
	<u>1,121,094</u>	<u>1,169,774</u>	<u>1,628,240</u>	<u>1,552,356</u>
<b>COST OF PRODUCTS AND SERVICES SOLD</b>	455,024	439,579	708,559	634,519
Gross profit	666,070	730,195	919,681	917,837
<b>OPERATING EXPENSES</b>				
Management compensation	986	888	986	888
Selling	424,835	457,569	559,638	578,797
Administrative	210,844	246,976	311,830	323,385
Goodwill amortization	11,687	14,252	28,029	33,885
Other, net	(302)	356	5,037	5,877
<b>EQUITY IN RESULTS OF SUBSIDIARIES AND AFFILIATES</b>	(106,049)	(58,804)	(89,937)	(41,171)
<b>PROVISION OR LOSSES ON SUBSIDIARIES' AND AFFILIATES' OPERATIONS</b>	23,845	(27,972)	34,253	(51)
Loss from operations before financial income (expenses)	(64,184)	(76,622)	(41,523)	(66,217)
<b>FINANCIAL INCOME (EXPENSES):</b>				
Expenses	293,387	173,238	332,012	191,607
Income	129,365	115,746	154,686	129,752
Loss from operations	(228,206)	(134,114)	(218,849)	(128,072)
<b>NONOPERATING INCOME (EXPENSES), NET</b>	139,845	(7,404)	140,412	(7,257)
Loss before income tax	(88,361)	(141,518)	(78,437)	(135,329)
<b>PROVISION FOR INCOME TAX</b>	44,207	14,296	34,446	10,304
Loss before minority interest	(44,154)	(127,222)	(43,991)	(125,025)
<b>MINORITY INTEREST</b>	-	-	(163)	(2,197)
Net loss	<u>(44,154)</u>	<u>(127,222)</u>	<u>(44,154)</u>	<u>(127,222)</u>
Loss per share - R\$	<u>(4.343)</u>	<u>(12.513)</u>		
Book value per share - R\$	<u>3.770</u>	<u>1.338</u>		

The accompanying notes are an integral part of these statements.

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

(In thousands of Brazilian reais)  
(Translation of the original in Portuguese)

	<u>Paid-up capital</u>	<u>Capital reserve</u> <u>Investment grants</u>	<u>Revaluation reserve</u>		<u>Accumulated deficit</u>	<u>Total stockholders' equity</u>
			<u>Company</u>	<u>Subsidiaries</u>		
<b>BALANCES DECEMBER 31, 1999</b>	93,468	529	30,571	-	(1,574)	122,994
Revaluation of real estate			21,290	5,640		26,930
Income tax on revaluation of real estate			(7,237)	(1,918)		(9,155)
Realization of revaluation reserve of machinery and equipment			(9,695)		9,695	-
Income tax on revaluation realization			3,296		(3,296)	-
Capital increase per Stockholders' Meeting of November 23, 2000	69	(69)				-
Tax incentives		2				2
Subsidiaries' tax incentives		50				50
Net loss					(127,222)	(127,222)
<b>BALANCES DECEMBER 31, 2000</b>	93,537	512	38,225	3,722	(122,397)	13,599
Revaluation of land			9,664	1,771		11,435
Revaluation of real estate			1,749	7,947		9,696
Revaluation of machinery and equipment			16,263	61,052		77,315
Income tax on revaluation reserves			(6,124)	(23,461)		(29,585)
Realization of revaluation reserves			(9,996)	(226)	10,222	-
Income tax on revaluation realization			3,399	77	(3,476)	-
Tax incentives		96				96
Subsidiaries' tax incentives		(77)				(77)
Net loss					(44,154)	(44,154)
<b>BALANCES DECEMBER 31, 2001</b>	<u>93,537</u>	<u>531</u>	<u>53,180</u>	<u>50,882</u>	<u>(159,805)</u>	<u>38,325</u>

The accompanying notes are an integral part of these statements.

**STATEMENTS OF CHANGES IN FINANCIAL POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

(In thousands of Brazilian reais)  
(Translation of the original in Portuguese)

	<b>Company</b>		<b>Consolidated</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
<b>SOURCE OF FUNDS:</b>				
Provided by operations	-	-	-	17,735
Long-term loans and financing	225,000	43,417	335,037	43,417
Advertising advances	25,130	-	8,376	-
Corporate restructuring:				
Idealyze Participações S.A.	-	-	5,322	-
Usina do Som Brasil Ltda.	-	-	4,445	-
Abril Music Ltda.	-	-	29,896	-
Transfer to current assets of a portion of investments	-	-	-	958
Transfer to current of a portion of noncurrent assets	-	-	6,370	-
Transfer to long-term of a portion of current liabilities	-	23,899	-	27,633
Loans from subsidiaries and affiliates	109,189	-	-	-
Minority interest	-	-	15,788	4,428
<b>Total sources</b>	<b>359,319</b>	<b>67,316</b>	<b>405,234</b>	<b>94,171</b>
<b>USE OF FUNDS:</b>				
Used in operations	142,514	25,962	91,972	-
Additions-				
Property, plant and equipment	27,762	56,567	33,818	76,983
Deferred charges	71	1,146	3,010	22,121
Investments	44,957	36,875	1,325	22,285
Noncurrent assets	1,638	5,254	4,316	10,170
Loans to subsidiaries and affiliates	-	20,926	93,886	7,531
Loans to stockholders	29,462	44,813	28,683	45,684
Transfer to current of a portion of long-term liabilities	16,325	23,553	23,827	70,047
Transfer to noncurrent of a portion of current assets	9,769	-	9,769	-
Decrease in deferred income	2,466	2,072	2,466	2,072
<b>Total uses</b>	<b>274,964</b>	<b>217,168</b>	<b>293,072</b>	<b>256,893</b>
<b>INCREASE (DECREASE) IN WORKING CAPITAL</b>	<b>84,355</b>	<b>(149,852)</b>	<b>112,162</b>	<b>(162,722)</b>

	<b>Company</b>		<b>Consolidated</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
<b>REPRESENTED BY:</b>				
Current assets:				
At end of year	192.322	178.159	416.971	336.943
At beginning of year	178.159	189.540	336.943	342.825
	<u>14.163</u>	<u>(11.381)</u>	<u>80.028</u>	<u>(5.882)</u>
Current liabilities:				
At end of year	761.055	831.247	938.022	970.156
At beginning of year	831.247	692.776	970.156	813.316
	<u>(70.192)</u>	<u>138.471</u>	<u>(32.134)</u>	<u>156.840</u>
<b>INCREASE (DECREASE) IN WORKING CAPITAL</b>	<b><u>84.355</u></b>	<b><u>(149.852)</u></b>	<b><u>112.162</u></b>	<b><u>(162.722)</u></b>
<b>FUNDS PROVIDED BY (USED IN) OPERATIONS:</b>				
Net loss	(44.154)	(127.222)	(44.154)	(127.222)
Items not affecting working capital-				
Depreciation and amortization	45.339	53.548	65.045	60.770
Disposal of permanent assets, net	7.288	7.242	11.328	18.321
Goodwill amortization	11.687	14.252	28.788	33.885
Equity in results of subsidiaries and affiliates	106.049	58.804	89.937	41.171
Provision for (reversal of) losses on subsidiaries and affiliates	(23.845)	27.972	(34.253)	51
Provision for amortization of deferred charges	-	-	3.907	-
Capital loss (gain) in subsidiaries and affiliates	(140.845)	-	(155.295)	3.102
Net monetary variations applicable to long-term items	(92.595)	(75.111)	(60.899)	(41.967)
Provision for deferred income tax	(43.109)	(12.252)	(41.317)	(15.530)
Increase in long-term reserves	31.575	26.803	44.759	42.905
Minority interest	-	-	163	2.197
Provision for tax incentives	96	2	19	52
<b>Total funds provided by (used in) operations</b>	<b><u>(142.514)</u></b>	<b><u>(25.962)</u></b>	<b><u>(91.972)</u></b>	<b><u>17.735</u></b>

The accompanying notes are an integral part of these statements.



**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2001 AND 2000**  
(Amounts in thousands of Brazilian reais, unless otherwise indicated)  
(Translation of the original in Portuguese)

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**1. BUSINESS**

Editora Abril S.A. and its subsidiaries are engaged in publishing and printing activities, which comprise publishing, printing, distribution and sale of magazines, textbooks, yearbooks and guidebooks, technical publications, sale of advertising, production and sale of compact discs and videotapes, broadcasting, database marketing and Internet services, as a provider of content and access, sale of advertising and products.

**2. PRESENTATION OF FINANCIAL STATEMENTS**

The financial statements (Company and Consolidated) were prepared in accordance with accounting practices emanating from corporate law in Brazil and supplementary regulations, as described in Note 3.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the financial statement dates and the reported amounts of revenues and expenses during the reporting periods. Since management's judgment involves making estimates concerning the likelihood of future events, the actual results could differ from those estimates.

**3. SIGNIFICANT ACCOUNTING PRACTICES**

3.1. The principal accounting practices applied in the preparation of the financial statements are as follows:

- a) Temporary cash investments are stated at cost, plus income earned to the balance sheet dates.
- b) Accounts receivable include revenue from advertising, printing, broadcasting and telecommunication services, sale of books, videotapes, compact discs, printing and consignment of publications, net of an allowance for estimated returns.

- c) The allowance for doubtful accounts is established on the basis of receivables past due for over 90 days, and is considered sufficient to cover any losses incurred on the realization of such receivables.
- d) Raw material inventories are stated at average cost; work in process and finished products are stated at their specifically identified costs, which are lower than replacement cost or net realizable value.
- e) Property, plant and equipment are stated at cost, monetarily restated through December 31, 1995, plus partial revaluations, less depreciation calculated using the straight-line method at the rates stated in Note 8, based on the useful lives of the assets.
- f) Investments in subsidiaries and affiliates are accounted for under the equity method. Other investments are stated at cost, monetarily restated to December 31, 1995, net of reserves for unrealizable investments, if applicable.
- g) Goodwill on investments represents the excess paid over the book value of the assets on the date of their acquisition. Amortization is computed under the straight-line method, principally based on the estimated future profitability of the investments, over periods not exceeding ten years.
- h) Deferred charges consist primarily of goodwill arising from mergers; straight-line amortization is recognized over five years.
- i) The balance of magazine subscriptions is liquidated by production and delivery of future publications and is stated net of receivables related to subscriptions sold.
- j) Copyrights payable are recognized based on revenues from sales of products.
- k) Reserves for contingencies, as well as escrow and compulsory deposits, mentioned in Note 11, are monetarily restated based on official indices established for this purpose.
- l) Other balance sheet accounts are monetarily restated when subject to indexation or exchange rate variation.
- m) Loss and book value per share are calculated on the basis of the number of shares outstanding at yearend.

n) Statements of income

- n.1) Revenues from advertising, sales of products and printing services are recognized in income upon the broadcasting of the advertising, delivery of products and providing of the services, respectively. Sales of magazines on consignment are credited to income on the circulation dates. Revenues from magazine subscriptions are recognized in proportion to the number of copies delivered.
- n.2) The provision for income tax is recognized in results, including the effects of temporary differences in the recognition of revenues and expenses for accounting and tax purposes.

3.2. Consolidated financial statements:

The consolidated financial statements prepared in conformity with CVM (Brazilian Securities Commission) Instruction No. 247/96 of March 27, 1996, include the accounts of the Company and the following subsidiaries:

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**Full Consolidation**

Abril Coleções Ltda.  
Abril Gráfica S.A.  
Abril Investments Corporation  
Abril Jovem Investments Corporation  
Abril Marcas Ltda.  
Abril Vídeo da Amazônia S.A.  
A.R. & T. Ltda.  
Datalistas S.A.  
Dinap S.A. – Distribuidora Nacional de Publicações  
Editora Novo Continente S.A.  
I-Mulher Serviços de Informática S.A. - (a.2)  
Idealyze Participações S.A. - (a.2)  
Lispar Participações S.A.  
Reasa – Representação de Assinaturas S.A.  
Joint venture partnership – Femininas (“SCP-Femininas”)  
Whitetree Participações S.A.  
Yellowtree Participações Ltda.

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*Proportional Consolidation*

Abril Musiclub Ltda. (Abril Musiclub)  
Editora Caras S.A. (Editora Caras)  
Gracia – Consultadoria e Investimentos, Lda. (Gracia) - (a.1)  
JVVA Participações S.A. and subsidiaries (JVVA)  
Lab One Systems S.A. (Lab One)  
MTV Brasil Ltda. (MTV Brasil)  
Omniger Sociedade Gestora de Participações Sociais Limitada and subsidiaries (Omniger) - (a.3)  
Símbolo Editora e Comunicação Integrada S.A. (Símbolo)

a) Indirect investment through the following subsidiaries:

- a.1) Abril Investments Corporation
- a.2) A.R. & T. Ltda.
- a.3) Abril Jovem Investments Corporation

b) Omniger - Sociedade Gestora de Participações Sociais Limitada, jointly controlled, has the following directly or indirectly controlled subsidiaries: Abril Controljornal - Editora Ltda.; Abril Hearst Editora Ltda; Listas - Marketing Directo, Banco de Dados e Publicidade Limitada and ACJ Internet and Multimedia Unipessoal Ltda.

c) JVVA Participações S.A., (former JVHA Participações S.A.), jointly controlled, has wholly-owned subsidiaries Editora Ática Ltda. and Editora Scipione Ltda.

d) Investments in subsidiaries, equity in the results of subsidiaries and affiliates, provision for losses on subsidiaries' operations, and receivables and payables from intercompany transactions are eliminated either totally or in proportion to the Company's interest, when applicable.

e) For those companies in which full consolidation was applied, minority interest is calculated based on the minority interest percentage in stockholders' equity of the respective company and disclosed separately in the consolidated financial statements.

#### 4. INVENTORIES

	<u>Company</u>		<u>Consolidated</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Raw materials	36,262	25,500	52,793	39,852
Work in process	5,630	9,450	14,299	16,364
Finished products	4,005	3,781	32,797	39,763
Replacement parts	4,606	8,728	4,606	8,728
Sundry materials	746	551	3,189	551
Reserve for losses	-	-	(9,788)	(11,953)
	<u>51,249</u>	<u>48,010</u>	<u>97,896</u>	<u>93,305</u>

#### 5. INVESTMENTS

The direct investments of the Company in subsidiaries and affiliates as of December 31, 2001 are presented as follows:

Subsidiaries and affiliates	Paid-up capital	Ownership interest %	Stockholders' equity (negative net assets)	Net income (loss)	Number (in thousands) of common shares or quotas	Equity in income (loss)	Reversal (provision) for losses on subsidiaries and affiliates' operations
Abril Coleções Ltda.	455	100.00	(21,551)	(1,474)	35	-	(1,474)
Abril Gráfica S.A.	176,746	100.00	220,882	2	176,746	2	-
Abril Investments Co.	40,574	100.00	40,588	651	-	651	-
Abril Jovem Investments Co.	3,910	100.00	(2,628)	(3,309)	-	(681)	(2,628)
Abril Marcas Ltda.	2	99.95	(3,316)	(999)	2	-	(997)
Abril Music Ltda.	-	-	-	(14,912)	-	-	15,149
Abril Musicclub Ltda.	30,443	50.00	(1,081)	(3,504)	15,221	(12,513)	10,761
Abril Vídeo da Amazônia S.A.	41,959	99.12	32,834	3,351	34,398	3,321	-
A.R. & T. Ltda.	55,119	100.00	26,817	(3,193)	55,119	(5,170)	2,005
Datalistas S.A.	500	100.00	1,902	859	167	909	-
Dinap S.A. - Distrib. Nac. de Publicações	17,450	100.00	4,570	(9,066)	7,126	(9,066)	-
Editora Caras S.A.	2	14.70	(8,558)	(619)	-	-	(91)
Editora Novo Continente S.A.	2,250	30.00	6,736	2,484	-	774	-
JVVA Participações S.A.	130,288	50.00	138,585	11,435	63,336	5,718	-
Lab One Systems S.A.	6,003	49.00	2,037	(1,389)	294	(681)	-
Lispar Participações S.A.	100,206	100.00	100,174	(16)	333	(16)	-
MTV Brasil Ltda.	17,333	50.00	15,445	5,470	8,666	2,735	-
Reasa Representação de Assinaturas S.A.	4	100.00	(707)	(184)	33	-	(184)
SCP – Femininas	14,201	98.00	(1,046)	942	-	-	924
Símbolo - Editora e Comunicação Integrada S.A.	1,299	30.00	(13,906)	(19,313)	187	(1,622)	(4,172)
Símbolo Licenciamento e Marcas Ltda.	5	49.00	(12)	(3)	2	(2)	-
UOL Inc. S.A.	-	-	-	-	-	(48,710)	-
Usina do Som Brasil Ltda.	-	-	-	420	-	(1)	4,611
Whitetree Participações S.A.	105,979	100.00	64,282	(41,697)	105,979	(41,697)	-
Yellowtree Participações Ltda.	1	100.00	(124)	(59)	1	-	(59)
						<u>(106,049)</u>	<u>23,845</u>

5.1. The Company's investments are adjusted according to its interest in stockholders' equity of its subsidiaries and affiliates, based on the financial statements prepared in accordance with accounting practices emanating from Brazilian corporate law, uniformly applied.

5.2. The "Reserve for losses on subsidiaries' and affiliates' operations", under long-term liabilities, represents losses on operations of those companies with negative equity.

- 5.3. For equity investments abroad, the financial statements were translated into reais at the exchange rate in effect on December 31, 2001.
- 5.4. As of December 31, 2001, the wholly-owned subsidiary Abril Investments Corporation declared dividends from retained earnings and results for the year in the amount of R\$ 16,400. This amount was recorded by the Company in non current assets as dividends receivable.
- 5.5. During the year ended December 31, 2001, the Company and its subsidiaries made the following changes in its equity investments:
- a) On January 31, 2001, the Company, through its direct subsidiary A.R.&T. Ltda., through receivables from the indirect subsidiary Idealyze Participações S.A., increased capital in that company, in the amount of R\$ 31,988.
  - b) On February 14, 2001, the Company admitted Fleckistock Comercial Ltda., subsidiary of the Portugal Telecom Group, as a partner in its indirect subsidiary Idealyze Participações S.A., with a 33% interest, for US\$ 15 million, equivalent to R\$ 29,775, paid in cash. This transaction generated a capital gain in the amount of R\$ 12,927 for the direct subsidiary A.R.&T. Ltda.
  - c) On March 16, 2001, the Company acquired 2,450 share quotas of Símbolo Licenciamento e Marcas Ltda. With this acquisition, the Company's interest increased to 49% of capital. This transaction generated goodwill in the amount of R\$ 444, which was charged to results for the year.
  - d) On May 18, 2001, PT Multimídia.com Brasil Ltda. made a capital contribution in the affiliated company Uol Inc. S.A., in the amount of R\$ 397,519. As a result of this capital contribution, the Company's interest in the capital stock of UOL Inc. S.A. was reduced from 43.04% to 35.32%. This transaction generated a capital gain for the Company in the amount of R\$ 140,849, classified in non-operating income.
  - e) On May 31, 2001, the Company and Universal Music Ltda., joint owners of Abril Musiclub Ltda., increased capital in the amount of R\$ 25,027, through the capitalization of loan balances, resulting in 25,026,770 new share quotas with a stated value of R\$ 1.00 each. These quotas were subscribed and paid in the proportion of 50% for each investor.
  - f) On October 1, 2001, Abril Gráfica S.A. was formed, and is engaged in the printing of magazines, technical publications, and printing of telephone directories for third parties, among other activities. The capital stock was paid up through the transfer of assets for land, buildings, machinery, equipment, and industrial installations owned by the Company which holds 100% of the shares of this new subsidiary. Capital was contributed at cost plus revaluation, less related depreciation, in the amount of R\$ 176,741, based on the financial statements as of September 30, 2001.

- g) On November 30, 2001, the Company, through the contribution of its total interest (35.32%) in the capital stock of UOL Inc. S.A., in the amount of R\$ 105,978, formed the subsidiary Whitetree Participações S.A., in which it holds a 100% interest.
- h) On December 31, 2001, the Company assigned and transferred all of the share quotas (521,435 quotas) it held in Abril Music Ltda., at the stated value of R\$ 1.00 each, to Abrilpar Participações Ltda. This transaction generated a capital gain of R\$ 521, which was recorded in non-operating income and a reversal of the reserve for losses on subsidiaries and affiliated companies of R\$ 30,061.
- i) On December 31, 2001, the Company assigned and transferred all of the share quotas (1,499 quotas) it held in Usina do Som Brasil Ltda., at the stated value of R\$ 1.00 each, to Abrilpar Participações Ltda. This transaction generated a capital gain of R\$ 1, which was recorded in non-operating income and a reversal of reserve for losses on subsidiaries and affiliated companies of R\$ 4,191.

5.6. The principal balance sheet and statement of income accounts of the jointly controlled subsidiaries mentioned in Note 3.2. are as follows:

	Abril Editora			MTV	JVVA	Lab		
<b>ASSETS</b>	<b>Musiclub</b>	<b>Caras</b>	<b>Gracia</b>	<b>Brasil</b>	<b>(Consolidated)</b>	<b>One</b>	<b>Símbolo</b>	<b>Omniger</b>
Current assets	200	27,909	1,281	15,721	164,071	999	15,181	41,794
Non current assets	-	28,222	2,905	10,249	4,352	811	-	-
Permanent assets	147	1,448	-	6,692	97,310	480	1,530	11,181
<b>Total assets</b>	<b>347</b>	<b>57,579</b>	<b>4,186</b>	<b>32,662</b>	<b>265,733</b>	<b>2,290</b>	<b>16,711</b>	<b>52,975</b>
Deficiency in net assets	1,081	8,558	-	-	-	-	13,906	-
<b>Total</b>	<b>1,428</b>	<b>66,137</b>	<b>4,186</b>	<b>32,662</b>	<b>265,733</b>	<b>2,290</b>	<b>30,617</b>	<b>52,975</b>
<b>LIABILITIES</b>								
Current liabilities	11	58,594	621	11,510	99,452	253	24,746	41,994
Long-term liabilities	1,417	7,543	-	5,707	24,386	-	5,871	1,657
Minority interest	-	-	-	-	3,310	-	-	1,828
Stockholders' equity	-	-	3,565	15,445	138,585	2,037	-	7,496
<b>Total liabilities and stockholders' equity</b>	<b>1,428</b>	<b>66,137</b>	<b>4,186</b>	<b>32,662</b>	<b>265,733</b>	<b>2,290</b>	<b>30,617</b>	<b>52,975</b>

<b>STATEMENT OF INCOME</b>	<b>Abril Musicclub</b>	<b>Editora Caras</b>	<b>Gracia</b>	<b>MTV Brasil</b>	<b>JVVA (Consolidated)</b>	<b>Lab One</b>	<b>Símbolo</b>	<b>Omniger</b>
Sale of products and services	14	131,449	3,811	65,246	327,424	2,118	40,011	155,745
Net revenue	11	126,435	3,811	60,909	315,554	1,961	38,543	155,715
Gross profit (loss)	(85)	79,164	3,266	20,000	164,974	(520)	11,650	49,679
Operating expenses (income), net	3,166	79,597	(305)	12,680	143,800	847	29,021	57,391
Non operating expenses, net	253	(216)	17	94	946	22	1,942	2,611
Reversal of (provision for) income tax	-	(402)	-	(1,756)	(8,551)	-	-	2,128
Minority interest	-	-	-	-	(242)	-	-	3,246
<b>Net income (loss)</b>	<b>(3,504)</b>	<b>(619)</b>	<b>3,554</b>	<b>5,470</b>	<b>11,435</b>	<b>(1,389)</b>	<b>(19,313)</b>	<b>(4,949)</b>

## 6. GOODWILL ON INVESTMENTS

The Company and its subsidiaries have goodwill on investments, as follows:

	<b>Company</b>		<b>Consolidated</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
Dinap S.A. - Distribuidora Nacional de Publicações	-	1,645	-	1,645
Símbolo Editora e Comunicação Integrada S.A.	11,249	14,624	11,249	14,624
Editora Scipione Ltda.	-	-	169	225
	<b>11,249</b>	<b>16,269</b>	<b>11,418</b>	<b>16,494</b>

## 7. RELATED-PARTY TRANSACTIONS

The following table summarizes the transactions between the Company and related parties during the year ended December 31, 2001:



	<b>Company</b>					
	<b>Balance sheet</b>					<b>Financial income (expenses), net</b>
	<b>Subsidiaries and affiliates</b>	<b>Long-term</b>				
		<b>Short-term</b>		<b>Loans and other credits receivable</b>	<b>Loans and other credits payable</b>	
<b>Accounts receivable</b>		<b>Accounts payable</b>				
Abril S.A.	-	-	266,565	-	-	-
Abril Coleções Ltda.	16	3	28,693	-	488	5,467
Abril Gráfica S.A.	-	8,850	165	-	(8,850)	1
Abril Investments Corporation	-	-	142,203	-	-	36,739
Abril Marcas Ltda.	5	-	3,372	-	264	-
Abril Music Ltda.	10	-	67,515	-	1,624	12,334
Abril Musicclub Ltda.	1	-	91	-	89	987
Abril Vídeo da Amazônia S.A.	3	-	-	33,864	105	(5,205)
A.R.& T. Ltda.	1	-	-	1,555	-	(546)
Datalistas S.A.	18	4	1,049	-	(1,980)	-
Dinap S.A. – Distribuidora						
Nacional de Publicações	29	406	-	14,245	(22,903)	-
Editora Caras S.A.	1,766	1,109	-	1,720	16,839	(453)
Editora Novo Continente S.A.	1,032	160	-	11,935	5,753	(1,634)
Fundação Victor Civita	218	551	6,071	-	6,769	-
Idealyze Participações S.A.	8	2,141	-	113,106	2,239	2,152
Lab One Systems S.A.	-	701	-	811	(756)	(174)
Lispar Participações S.A.	-	-	-	100,169	-	-
MTV Brasil Ltda.	356	1	-	7,304	3,929	(628)
Reasa Representação de						
Assinaturas S.A.	-	-	937	-	-	179
SCP – Femininas	515	-	617	-	2,325	262
Símbolo Editora e Comunicação						
Integrada S.A.	151	321	5,871	-	1,370	553
Tevecap S.A.	-	-	12,617	-	1,796	49,512
TVA Sistema de Televisão S.A.	373	1	-	-	4,901	-
Usina do Som Brasil Ltda.	6	-	3,976	-	975	-
Yellowtree Participações Ltda.	-	-	130	-	-	25
Other	894	74	1,721	897	3,518	5,069
	<b>5,402</b>	<b>14,322</b>	<b>541,593</b>	<b>285,606</b>	<b>18,495</b>	<b>104,640</b>

<b>Consolidated</b>							
	<b>Balance sheet</b>				<b>Sales (costs), net</b>	<b>Financial income (expenses), net</b>	
			<b>Long-term</b>				
	<b>Subsidiaries and affiliates</b>	<b>Short-term</b>		<b>Loans and other credits receivable</b>			<b>Loans and other credits payable</b>
		<b>Accounts receivable</b>	<b>Accounts payable</b>				
Abril S.A.	-	-	266,565	40,759	-	(17,360)	
Abril Music Ltda.	2,665	-	67,515	3,667	-	-	
Abril Musicclub Ltda.	1	-	46	-	45	494	
Editora Caras S.A.	8,103	946	-	23,846	23,227	(3,761)	
Fundação Victor Civita	218	551	6,071	-	6,770	-	
Idealyze Participações S.A.	3	714	-	37,698	769	717	
Lab One Systems S.A.	-	358	-	414	(491)	(89)	
MTV Brasil Ltda.	179	1	-	3,652	1,966	(314)	
PT Multimídia.com Brasil Ltda.	-	-	-	62,550	-	1,746	
Símbolo Editora e Comunicação							
Integrada S.A.	225	225	4,110	-	1,140	387	
Tevecap S.A.	231	-	12,617	-	1,796	49,512	
TVA Sistema de Televisão S.A.	373	1	-	-	4,946	-	
Usina do Som Brasil Ltda.	18	-	3,976	-	-	-	
Other	862	3,126	23,685	3,736	3,748	5,757	
	<u>12,878</u>	<u>5,922</u>	<u>384,585</u>	<u>176,322</u>	<u>43,916</u>	<u>37,089</u>	

7.1. Except for the transactions with UOL Inc. S.A. and its subsidiaries, all sales and cost transactions with related parties were carried out at amounts and under terms usual in the market and refer to sales of printing services, sales of products and services, costs and general and administrative expenses.

7.2. In July 1999, UOL Ltda. and Brasil On Line Ltda., subsidiaries of affiliate Uol Inc. S.A., signed advertising service barter agreements with the indirect controlling companies Empresa Folha da Manhã S.A. and the Company, for a three-year period from that date. The agreements establish that the companies will provide advertising services equivalent to US\$ 60 million in exchange for equivalent services in the publications of Folha, the Company and its subsidiaries.

In February 2000, these agreements were amended so as to provide for a discount of 90% on the list price of the advertising spaces to which the agreements refer. These agreements will remain in force, without changes in the total volume of negotiated space or other conditions therein established.

7.3. The Company's receivable from affiliated company Abril S.A. is substantially represented by the balance from the contract for assignment and transfer of shares of Tevecap S.A., dated November 19, 2001, maturing on December 31, 2001, extended to December 31, 2002, which is not subject to interest.

- 7.4. Except for the loans granted by the Company to the subsidiaries Abril Marcas Ltda. and Datalistas S.A., to the related parties Fundação Victor Civita and Usina do Som Brasil Ltda., and loans obtained from the subsidiaries Dinap S.A. - Distribuidora Nacional de Publicações and Lispar Participações S.A., which are not subject to interest, the other loans are subject to market interest rates.
- 7.5. On October 23, 1998, the subsidiary Abril Investments Corporation made investments in the foreign market in the amount of US\$ 97,925,000, equivalent to R\$ 227,225 as of December 31, 2001, backed by Eurobonds issued by the affiliated company Abril S.A., the principal of which matures on October 25, 2003. These bonds are maintained in treasury for future placement in the secondary market. This operation is classified as securities in non current assets.
- 7.6. Sales and costs and net financial charges refer to amounts not eliminated in the consolidation of the financial statements, due to the proportional consolidation, as mentioned in Note 3.2.

## 8. PROPERTY, PLANT AND EQUIPMENT

	Annual depreciation rates	Company		Consolidated	
		2001	2000	2001	2000
Land	-	15,700	26,954	39,422	27,987
Buildings	4%	18,499	57,105	76,095	65,371
Installations	10%	6,478	30,726	42,640	33,240
Production machinery and equipment	10 to 33%	55,531	266,021	341,042	266,533
Television equipment	10%	876	3,697	7,036	9,284
Furniture and fixtures	10%	26,868	26,745	30,736	35,264
Vehicles	20%	12,923	14,550	16,483	17,865
EDP equipment	20%	98,888	87,914	119,524	109,999
Construction in progress	-	10,401	32,377	18,045	36,932
Other assets	-	3,732	4,173	10,263	8,057
		<u>249,896</u>	<u>550,262</u>	<u>701,286</u>	<u>610,532</u>
Accumulated depreciation		<u>(98,133)</u>	<u>(225,134)</u>	<u>(273,705)</u>	<u>(243,160)</u>
		<u><u>151,763</u></u>	<u><u>325,128</u></u>	<u><u>427,581</u></u>	<u><u>367,372</u></u>

On December 31, 2001, the Company and its subsidiaries, based on an appraisal performed by a specialized company, made a revaluation of certain property items, limited to the printing plant and buildings. Based on this appraisal, the existing revaluation amounts were increased by R\$ 18,012 (Company) and R\$ 87,011 (Consolidated), credited to the revaluation reserve in stockholders' equity, considering the effects of minority interests.

On December 31, 2001, the Company and its subsidiaries also made a revaluation of land, based on an appraisal report issued by a specialized company. This revaluation resulted in an increase in property, plant and equipment in the amount of R\$ 9,664 (Company) and R\$11,435 (Consolidated), credited to the revaluation reserve in stockholders' equity, considering the effects of minority interests.

As of December 31, 2001, the revaluation increment, net of depreciation, is as follows:

	<u>Company</u>	<u>Consolidated</u>
Prior years (1986, 1990, 1999 and 2000):		
- Machinery and equipment	2,126	146,735
- Buildings	3,853	48,011
- Land	2,990	23,682
2001:		
- Machinery and equipment	16,263	77,315
- Buildings	1,749	9,696
- Land	9,664	11,435
	<u>36,645</u>	<u>316,874</u>
Accumulated depreciation	<u>(734)</u>	<u>(81,520)</u>
	<u><u>35,911</u></u>	<u><u>235,354</u></u>

## 9. DEFERRED CHARGES

	<b>Company</b>		<b>Consolidated</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
Goodwill on investments:				
Distribuidora Irmãos Reis S.A.	5,809	5,809	5,809	5,809
Editora Azul S.A.	24,866	24,866	24,866	24,866
Editora Scipione Ltda.	-	-	19,832	19,832
Editora Ática Ltda.	-	-	38,546	38,546
Dinap S.A. – Distribuidora Nacional de Publicações	-	-	23,506	23,506
Leasehold improvements	7,554	7,597	8,040	8,501
Preoperating expenses	-	-	5,585	8,375
Other	-	-	6,537	5,480
	<u>38,229</u>	<u>38,272</u>	<u>132,721</u>	<u>134,915</u>
Amortization	(32,110)	(25,435)	(91,373)	(62,743)
	<u><u>6,119</u></u>	<u><u>12,837</u></u>	<u><u>41,348</u></u>	<u><u>72,172</u></u>

Goodwill on investments is based on future profitability according to an appraisal performed by an independent expert and refers to companies which were subsequently merged into the Company or its subsidiaries.

## 10. LOANS AND FINANCING

The Company and its subsidiaries have loans and financing obtained from financial institutions, as follows:

	<b>Company</b>			
	<b>Short-term</b>	<b>Long-term</b>	<b>Short-term</b>	<b>Long-term</b>
	<b>2001</b>	<b>2001</b>	<b>2000</b>	<b>2000</b>
In foreign currency:				
Commercial paper	126,302	131,103	34,217	130,150
Property, plant and equipment	2,152	828	2,703	1,610
Bank loans	114,677	-	328,712	-
	<b>243,131</b>	<b>131,931</b>	<b>365,632</b>	<b>131,760</b>
In local currency:				
Property, plant and equipment	283	31	330	324
Bank loans	132,285	-	143,741	-
Debentures	18,737	225,000	-	-
	<b>151,305</b>	<b>225,031</b>	<b>144,071</b>	<b>324</b>
	<b>394,436</b>	<b>356,962</b>	<b>509,703</b>	<b>132,084</b>
				<b>Consolidated</b>
	<b>Short-term</b>	<b>Long-term</b>	<b>Short-term</b>	<b>Long-term</b>
	<b>2001</b>	<b>2001</b>	<b>2000</b>	<b>2000</b>
In foreign currency:				
Commercial paper	126,302	131,103	34,217	130,150
Property, plant and equipment	2,152	828	2,703	1,610
Bank loans	124,691	-	330,206	-
Commercial paper in treasury	-	(9,851)	-	(45,850)
	<b>253,145</b>	<b>122,080</b>	<b>367,126</b>	<b>85,910</b>
In local currency:				
Property, plant and equipment	283	31	330	324
Bank loans	138,821	2,599	173,161	-
Debentures	18,737	225,000	-	-
	<b>157,841</b>	<b>227,630</b>	<b>173,491</b>	<b>324</b>
	<b>410,986</b>	<b>349,710</b>	<b>540,617</b>	<b>86,234</b>

10.1. As of December 31, 2001, long-term financing matures as follows:

<u>Maturity</u>	<u>R\$</u>	<u>% of total</u>
Jan/2003 to Dec/2003	859	0.24
Jan/2004 to Dec/2004	238,923	66.93
Jan/2005 to Dec/2005	97,457	27.30
Jan/2006 to Aug/2006	19,723	5.53
	<u>356,962</u>	<u>100.00</u>

10.2. Foreign currency

a) Bank loans and commercial paper

Refers to funds obtained through the issuance of commercial paper in the international market, import financing for paper and other credit lines, maturing to August 2006 and guaranteed by promissory notes.

These loans bear weighted average interest of 8.87% per year, plus exchange rate variation. For commercial paper, interest is payable in semiannual installments from the issuance date, having started on October 25, 1997.

b) Commercial paper in treasury

During the year ended December 31, 2001, the subsidiary Abril Investments Corporation made investments in the international market in the amount of US\$ 4,245,388, equivalent to R\$ 9,851 as of December 31, 2001, in investment funds which maintain in their portfolios commercial paper issued by the Company. These securities are held by the funds for future placement in the secondary market.

c) Property, plant and equipment

Refers to loans in foreign currency for property, plant and equipment maturing through November 2003, secured by statutory liens on the financed assets, subject to weighted average interest of 5.07% per year, plus exchange rate variation.

10.3. Local currency

a) Property, plant and equipment

Local currency financing for property, plant and equipment (FINAME – Government Agency for Machinery and Equipment Financing) matures through February 2003, and is secured by statutory liens on the financed assets.

b) Bank loans

Loans in local currency mature through December 2002 and are secured by promissory notes, subject to CDI (Interbank Deposit) rates, plus weighted average interest of 24.21% per year. Additionally, temporary cash investments were pledged for certain financing, presented in current assets.

#### 10.4. Debentures

On November 6, 2001, the Brazilian Securities Commission (CVM) authorized the issuance of 3,000 nonconvertible debentures, with a face value of R\$ 100,000 each, totaling R\$ 300 million, to be redeemed in four equal semi-annual installments, starting February 1, 2003, with final maturity on August 1, 2004. Charges are based on the CDI plus 2% per year, payable semi-annually; the first payment is due on February 1, 2002. Of the total issued, R\$ 225 million in proceeds was made available to the Company for the liquidation of short-term loans.

These debentures are the secured guarantee type, as set forth by article 58 of Law No. 6,404/76, represented by the pledge of 140,700,748 shares representing 62.164% of registered shares, without par value, of Tevecap S.A., held by the affiliate Abril S.A., valued at R\$ 456,888, in accordance with a appraisal report dated August 1, 2001, prepared by a qualified professional. The debentures have additional collateral represented by (i) pledge of credits arising from (a) any sale of publications made by subsidiary Dinap S.A. – Distribuidora Nacional de Publicações and its distributors, (b) any sale of advertising space for classified ads in all the Company's publications, (c) any sale of advertising space in all the Company's present or future publications, and (d) sale of subscriptions to the Company's present or future publications; (e) all credits related to any amounts arising from fines, interest, charges and commissions due to the Company, or DINAP, in case of default or delay in compliance with the obligations related to the credit rights previously mentioned; (ii) pledge of credits from Unibanco – União de Bancos Brasileiros S.A. and Banco Bradesco S.A. related to checking accounts maintained by the Company or by DINAP, which receive or will receive the quarterly minimum amount of R\$ 125,000,000 arising from credits indicated in previous item“(i)”; and (ii) guarantee by Abrilpar which will be the principal payer, jointly responsible with the Company for all liabilities arising from the Debenture private indenture agreement and its attachments, entered into by the Company and the Debenture Fiduciary Agent.

The debentures are subjected to restrictive clauses related to earnings (EBITDA) and other administrative matters, which, if not met, represent a creditor's right to anticipate the maturity and require additional charges. As of December 31, 2001, the Company had complied with all requirements.

#### **11. RESERVE FOR TAX AND OTHER CONTINGENCIES AND ESCROW DEPOSITS**

The Company and its subsidiaries have certain contingencies, including tax, labor, and loss and damage lawsuits, which are not accrued in the financial statements. The amounts reserved are considered sufficient by management, based on several factors, including (but not limited to) legal counsel's opinion, the nature of the lawsuit and historical experience.



In management's opinion, all lawsuits were adequately accrued for, and for those for which no reserve was recognized, management believes that the chances of loss are remote. The amounts related to taxes and other issues being disputed in court, with reserves recognized in long-term liabilities, are as follows:

	<b>Company</b>		<b>Consolidated</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
Civil and labor lawsuits	43,640	33,884	55,698	45,477
Income tax	11,894	10,841	11,928	10,841
COFINS (tax on revenue)	32,516	15,802	43,621	21,614
Social contribution tax	75	222	88	222
Finsocial (tax on revenue)	616	807	929	1,292
INSS (social security)	508	1,028	1,146	1,805
ICMS (State VAT)	-	-	2,041	-
ISS Municipal (service tax)	-	-	3,009	-
PIS (tax on revenue)	19,544	9,773	22,460	11,388
IPI (Federal VAT)	1,624	-	1,624	-
Other	1,368	2,193	1,509	2,341
	<b>111,785</b>	<b>74,550</b>	<b>144,053</b>	<b>94,980</b>

For certain lawsuits reserved, the Company and its subsidiaries have escrow deposits in the amount of R\$ 10,152 (Company) and R\$ 14,194 (Consolidated) as of December 31, 2001, and R\$ 8,419 (Company) and R\$ 11,694 (Consolidated) as of December 31, 2000, as well as property, plant and equipment items pledged as guarantee in the amount of R\$ 45,164 as of December 31, 2001.

Additionally, the Company and its subsidiaries are challenging in court the restriction imposed by articles No. 42 and 58 of Law No. 8,981/95 and subsequent legislation which limits the full offset, starting January 1, 1995, of prior years' tax loss carryforwards. As of December 31, 2001, the amounts involved were approximately R\$ 19,756 (Company) and R\$ 23,957 (Consolidated), net of deferred tax effects.

Based on legal counsel's opinion, management believes that there is no need to recognize a reserve for this lawsuit, in view of the expected favorable outcome.

## **12. CAPITAL STOCK**

The capital stock of the Company as of December 31, 2001, held entirely by Brazilian stockholders, is represented by 3,389,035 common shares and 6,778,068 preferred shares without par value.

The Company's bylaws provide that stockholders are entitled to a minimum dividend of 25% of annual net income, after deduction of the allocation to the legal reserve.

Additionally, Law No. 9,249/95 introduced the option of paying interest on capital, calculated based on the Brazilian long-term interest rate (TJLP) in effect for the period, which may also be considered as part of the minimum mandatory dividend.

### **13. REVALUATION RESERVE**

As of December 30, 1999, the Company, as part of the continuation of the corporate restructuring process started in January 1999, carried out a revaluation of its production machinery and equipment, limited to the printing plant, based on an appraisal report prepared by a specialized company, which resulted in an increase in property, plant and equipment in the amount of R\$ 111,320, with the offset credited to the revaluation reserve in stockholders' equity at R\$ 73,741, net of income and social contribution tax effects.

As approved by the Extraordinary Stockholders' Meeting on December 30, 1999, the Company, as a privately-held company, capitalized a portion of the revaluation reserve in the amount of R\$ 65,000. Since the CVM rules applicable to publicly-traded companies do not permit the capitalization of revaluation reserves, while unrealized, the Company is disclosing the changes in the shareholders' equity accounts (Pro Forma), as if the capitalization of the referred revaluation reserve had not been made.

As of December 30, 2000, the Company and its subsidiaries made a revaluation of buildings, based on appraisal reports prepared by a specialized company, which resulted in an increase in property, plant and equipment in the amount of R\$ 26,930, credited to the revaluation reserve in stockholders' equity at R\$ 17,775, net of the effects of income, social contribution tax and minority interests.

As of December 31, 2001, the Company and its subsidiaries made a revaluation of buildings, land, machinery and equipment, based on appraisal reports prepared by a specialized company, which resulted in an increase in property, plant and equipment in the amount of R\$ 98,446, credited to the revaluation reserve in stockholders' equity at R\$ 68,861, net of the effects of income, social contribution tax and minority interests. Details on the revaluation reserve are mentioned in Note 8.

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (PRO FORMA)  
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

	<u>Capital reserve</u>		<u>Revaluation reserve</u>		<u>Retained earnings (accumulated deficit)</u>	<u>Total stockholders' equity</u>
	<u>Paid-up capital</u>	<u>Investment grants</u>	<u>Revaluation reserve</u>			
			<u>Company</u>	<u>Subsidiaries</u>		
<b>BALANCES DECEMBER 31, 1999</b>	28,468	529	73,471	-	20,526	122,994
Revaluation of buildings			21,290	5,640		26,930
Income tax on revaluation of buildings			(7,237)	(1,918)		(9,155)
Realization of revaluation reserve of machinery and equipment			(23,299)		23,299	-
Income tax on revaluation realization			7,922		(7,922)	-
Capital increase per Stockholders' Meeting of November 23, 2000	69	(69)				-
Tax incentives		2				2
Subsidiaries' tax incentives		50				50
Net loss					(127,222)	(127,222)
<b>BALANCES DECEMBER 31, 2000</b>	<b>28,537</b>	<b>512</b>	<b>72,147</b>	<b>3,722</b>	<b>(91,319)</b>	<b>13,599</b>
Revaluation of land			9,664	1,771		11,435
Revaluation of buildings			1,749	7,947		9,696
Revaluation of machinery and equipment			16,263	61,052		77,315
Income tax on revaluation reserves			(6,124)	(23,461)		(29,585)
Realization of revaluation reserves			(22,825)	(226)	23,051	-
Income tax on revaluation realization			7,761	77	(7,838)	-
Tax incentives		96				96
Subsidiaries' tax incentives		(77)				(77)
Net loss					(44,154)	(44,154)
<b>BALANCES DECEMBER 31, 2001</b>	<b>28,537</b>	<b>531</b>	<b>78,635</b>	<b>50,882</b>	<b>(120,260)</b>	<b>38,325</b>

#### 14. INCOME TAX

14.1. The reconciliation of the effective rate to the income and social contribution tax credits for the years ended December 31, 2001 and 2000 is as follows:

	<b>Company</b>		<b>Consolidated</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
<b>Loss before taxes</b>	<b>(88,361)</b>	<b>(141,518)</b>	<b>(78,437)</b>	<b>(135,329)</b>
Equity in results of subsidiaries and affiliates	106,049	58,804	89,937	41,171
Provision for loss on subsidiaries	32,884	56,729	-	-
Reversal of reserve for loss on subsidiaries	(56,729)	(28,757)	(34,253)	51
Goodwill amortization	5,464	8,028	5,521	20,733
Foreign source income	16,400	-	16,400	-
Gain on swap operations	(4,221)	-	(4,221)	-
Capital loss (gain)	(141,372)	4,141	(154,300)	10,205
Possible losses	-	1,547	-	1,547
Temporary differences	-	-	21,157	9,016
Tax losses not used for recognition of deferred income tax	-	-	35,935	21,261
Other	(814)	1,775	846	1,034
<b>Income tax calculation basis</b>	<b>(130,700)</b>	<b>(39,251)</b>	<b>(101,415)</b>	<b>(30,311)</b>
Deductible/taxable items for social contribution tax purposes	2,567	(10,563)	390	19
<b>Social contribution tax calculation basis</b>	<b>(128,133)</b>	<b>(49,814)</b>	<b>(101,025)</b>	<b>(30,292)</b>
Income tax (25%)	32,675	9,813	25,354	7,578
Social contribution tax (9%)	11,532	4,483	9,092	2,726
<b>Total tax credits in income</b>	<b>44,207</b>	<b>14,296</b>	<b>34,446</b>	<b>10,304</b>

14.2. Deferred income tax credits in current and non current assets are as follows:

	<b>Company</b>		<b>Company</b>	
	<b>Short-term</b>	<b>Long-term</b>	<b>Short-term</b>	<b>Long-term</b>
	<b>2001</b>	<b>2001</b>	<b>2000</b>	<b>2000</b>
Income and social contribution taxes on temporary differences	-	36,223	9,769	-
Recoverable income and social contribution taxes on tax losses	1,098	33,543	-	19,573
Deferred income tax on accelerated depreciation and other	-	(714)	-	-
<b>Total</b>	<b>1,098</b>	<b>69,052</b>	<b>9,769</b>	<b>19,573</b>

	<u>Short-term</u>		<u>Consolidated</u>	
	<u>2001</u>	<u>2001</u>	<u>2000</u>	<u>2000</u>
Income and social contribution taxes on temporary differences	-	36,223	9,769	-
Recoverable income and social contribution taxes on tax losses	1,098	34,664	-	28,855
Deferred income tax on accelerated depreciation and other	-	(714)	-	-
<b>Total</b>	<b><u>1,098</u></b>	<b><u>70,173</u></b>	<b><u>9,769</u></b>	<b><u>28,855</u></b>

- 14.3. Deferred income and social contribution tax on tax losses, in the Company's current and non current assets, are recorded in view of the perspective of future recovery, in accordance with projected results prepared and approved by management, which consider the terms of effective realization, in approximately four years.
- 14.4. For certain subsidiaries, management conservatively opted for the non-recognition of income and social contribution tax assets on tax losses and temporary differences.
- 14.5. Income tax in long-term liabilities refers to the tax balance related to revaluations recognized by the Company and in the Consolidated, as mentioned in Note 13.
- 14.6. As of December 31, 2001, the Company and its subsidiaries had tax losses available for offset against future taxable income in the amount of R\$ 79,947 (Company) and R\$ 235,190 (Consolidated).

## 15. FINANCIAL INSTRUMENTS

The Company and its subsidiaries made an evaluation of the book values of assets and liabilities in relation to market values or effective realization (fair value), based on information available and valuation methodology appropriate for each situation. The interpretation of market information regarding the choice of methodology requires considerable judgment and establishment of estimates in order to reach amounts considered adequate for each situation. Consequently, estimates presented may not necessarily indicate the amounts which might be realized in the current market and the use of different hypotheses for calculation of market value or fair value may have a significant effect on the amounts thus obtained. The selection of assets and liabilities presented in this Note was based on their materiality. Instruments the values of which approximate fair value and where the risk evaluation is not significant are not mentioned.

In accordance with their nature, financial instruments may involve known or unknown risks, and the potential of these risks is important, in the best judgment. Accordingly, there may be risks with or without guarantees, depending on circumstantial or legal issues. The principal market risk factors that may affect the Company's business are the following:

**a) Credit risk**

The customer portfolio of the Company and its subsidiaries is not concentrated, and its principal customers do not represent more than 3% of total revenue. By means of internal controls, the Company and its subsidiaries constantly monitor the accounts receivable level, which limits the risk of delinquent accounts.

**b) Exchange rate risk**

The Company and its subsidiaries have loans and payables to suppliers denominated in foreign currency. The risk related to these liabilities arises from possible fluctuations in exchange rates, which may increase the balance of these liabilities. Loans subject to this risk represent 46% of total loans and financing.

To minimize this type of risk, on July 25, 2001, the direct subsidiary Abril Investments Corporation carried out hedge operations to protect cash disbursements in U.S. dollars, covering the period from August 1, 2001 to October 31, 2001, in the amount of US\$ 40 million. This operation was carried out under market conditions and the loss of R\$ 1,702 was recognized on the liquidation date.

The market value of these operations does not differ substantially from those recorded in the financial statements as of December 31, 2001 and 2000.

**c) Interest rate risk**

The Company and its subsidiaries have loans and financing in local currency and subject to interest rates linked to indexing units (principally CDI). The risk inherent in these liabilities arises from possible fluctuations in these rates. The Company and its subsidiaries have not entered into derivative contracts to hedge against this type of risk. However, there is a constant monitoring of these market rates for the purpose of evaluating the possible need of derivatives to hedge against the volatility risk in these rates.

In addition to loans and financing, the Company issued private non-convertible debentures. This liability was contracted at an interest rate linked to the CDI. The risk associated to this liability arises from a possible increase in the CDI.

The market values of the aforementioned operations do not differ substantially from those recorded in the financial statements as of December 31, 2001 and 2000.

**d) Contingent risks**

Contingent risks are assessed in accordance with the actual liability hypotheses, classified as probable, possible or remote. Contingencies considered as probable risks are recorded in liabilities. Details of these risks are presented in Note 11.

**e) Risks on temporary cash investment**

Temporary cash investments are substantially made for periods less than three months and the agreed rates reflect the usual market conditions as of December 31, 2001 and 2000.

**f) Transactions with related parties**

The Company's credit with affiliate Abril S.A. is substantially represented by the balance under the agreement for assignment and transfer of shares of Tevecap S.A. dated November 19, 2001, with maturity on December 31, 2001, extended to December 31, 2002, not subject to interest.

Except for the loans granted by the Company to subsidiaries Abril Marcas Ltda. and Datalistas S.A., to related parties Fundação Victor Civita and Usina do Som Ltda. and those obtained from subsidiaries Dinap S.A. - Distribuidora Nacional de Publicações and Lispar Participações S.A., which are not subject to interest, the other related-party loans are subject to market interest rates.

## **16. GUARANTEES**

The Company has provided guarantees and letters of credit on behalf of its subsidiaries and affiliated companies in the amount of R\$ 10,014.

## **17. INSURANCE**

The policy of the Company and its subsidiaries and affiliated companies is to maintain insurance coverage for property, plant and equipment and inventories in an amount considered sufficient to cover the risks involved. As of December 31, 2001, insurance coverage amounted to R\$ 655,120 (Consolidated).

## **18. PENSION PLAN**

The Company and its subsidiaries are sponsors of a private pension entity, Abrilprev Sociedade de Previdência Privada, the primary objective of which is to grant employees retirement benefits in addition to those provided by Government social security. The plan is optional to all employees of the sponsoring entities. Abrilprev operates as a defined contribution plan, and the principal actuarial method used to determine the contribution levels is the capitalization method. The plan costs, borne by both employees and the sponsoring entities, are actuarially determined on an annual basis as a fixed percentage of payroll of the sponsoring entities. Retirement benefits granted are based on employees' length of service, time of contribution to social security, minimum age, and termination of the employment relationship. In 2001, contributions made by the Company and its subsidiaries amounted to R\$ 5,291 (Company) and R\$ 6,025 (Consolidated), fully recorded in the sponsors' income. The contribution due by the sponsors is 3.05% in 2001 (3.52% in 2000) on payroll of employees who participate in the plan. The position of the plan as of December 31, 2001 and 2000 is as follows:

	<u>2001</u>	<u>2000</u>
Mathematical reserves	96,297	79,121
Funds	4,102	1,790
Other liabilities	<u>10,910</u>	<u>7,946</u>
Total liabilities	111,309	88,857
Total assets	<u>(111,309)</u>	<u>(88,857)</u>
Accumulated surplus/deficit	<u>-</u>	<u>-</u>

## 19. ABRIL HEALTH CARE PLAN

The Company and its subsidiaries participate in the Abril Health Care Plan, which was created to provide health care to employees and their dependents. Both the Abril Group companies and their employees contribute monthly to Associação Abril de Benefícios, the entity which manages the plan. In 2001, contributions made by the Company and its subsidiaries amounted to R\$ 9,914 (Company) and R\$ 11,779 (Consolidated).

## 20. ACCOUNTING RECLASSIFICATION

Starting for the year ended December 31, 2001, the Company and its subsidiaries changed the criteria for recording expenses related to taxes (COFINS, PIS and CPMF) on financial income. Consequently, R\$ 13,138 (Company) and R\$ 16,723 (Consolidated) was recorded as financial expenses. Previously, these expenses were recorded as taxes on sales, administrative and selling expenses.

Until December 31, 2000, the net amounts receivable from distributors and payable to publishers of the subsidiary Dinap S.A. – Distribuidora Nacional de Publicações were presented in the consolidated financial statements, in current assets and liabilities. For purposes of presentation of the consolidated financial statements as of December 31, 2001, these accounts were presented separately in current assets and liabilities; accounts receivable amount to R\$ 69,555, and accounts payable to R\$ 66,227.



## 21. NONOPERATING INCOME (EXPENSE)

	<b>Company</b>		<b>Consolidated</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
Sale or disposal of investments	(127)	(4,141)	47	1,076
Cost of investments sold	(1,262)	-	(1,845)	-
Sale of property items	5,965	4,844	6,730	13,853
Cost of property items sold	(7,286)	(6,733)	(8,703)	(14,162)
Capital gain in affiliates:				
- Abril Music Ltda.	521	-	521	-
- Usina do Som Brasil Ltda.	1	-	1	-
- UOL Inc. S.A.	140,849	-	140,849	-
- Idealyze Participações S.A.	-	-	12,928	-
Provision for valuation - Finam (Amazon Investment Fund)	1,165	(1,257)	1,042	(1,372)
Capital loss in affiliates:				
- JVVA Participações S.A.	-	-	-	(5,232)
Provision for losses on receivables from sale of investments	-	-	(4,054)	-
Other	19	(117)	(7,104)	(1,420)
	<b>139,845</b>	<b>(7,404)</b>	<b>140,412</b>	<b>(7,257)</b>

## 22. FINANCIAL SITUATION

The Company and Consolidated financial statements as of and for the year ended December 31, 2001 were prepared based on the assumption of continuing as a going concern, which includes the realization of assets and payment of obligations and commitments in the normal course of business.

For the year ended December 31, 2001, among the principal measures for the financial recovery of the Company are:

- a) Issuance of R\$ 300 million in nonconvertible debentures, as mentioned in Note 10, with consequent change in the debt profile, through the extension of short-term loans and reduction in loans denominated in dollars and exposure to market fluctuations.
- b) Partial implementation of cost reduction program, with a reduction of 1,300 staff positions, and, as a result of this reduction, R\$ 32,301, related to termination amounts, voluntary indemnity, prior notice payments and severance pay (FGTS) were recorded as administrative and selling expenses. In the Company's opinion, these expenses do not impact the current and future recurring capacity of generating operating cash flows.

- c) Capital contribution from third parties for the Internet business, through the admission as a new partner, with a 33% interest in the indirect subsidiary Idealyze Participações S.A., of Fleckistock Comercial Ltda., an entity of the Portugal Telecom group, for US\$ 15 million, equivalent to R\$ 29,775, paid in cash.
- d) The other corporate restructuring operations are described in Note 5.1.

Management's plans to maintain the Company as a going concern are based on improvements in the generation of cash from operations, including a program to reduce costs, already implemented, with estimated annual savings of R\$ 60 million, changes in the statutory board of directors, extension of maturities for loans classified as short-term, through continuation of the management policy and changes in the debt profile, realignment of the corporate structure and consequent capitalization of the Company, sale of participation in non-strategic assets and discontinuing of non competitive business.

### **23. SUBSEQUENT EVENTS**

The restructuring of the debt profile, started in 2001, continued in the first quarter of 2002, with the finalization of important negotiations aiming at replacing short-term debt denominated in hard currency, with a bank loan closed on March 21, 2002, in the amount of R\$ 74,500, the principal maturing on March 7, 2005. After the negotiations, the debt profile as of March 31, 2002 will reflect a concentration of short-term debt of only 39% of a total net debt of R\$ 730.8 million.

### **24. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH**

The accompanying financial statements are presented on the basis of accounting practices emanating from corporate law in Brazil. Certain accounting practices applied by the Company and its subsidiaries that conform with those accounting practices in Brazil may not conform with generally accepted accounting principles in the countries where these financial statements may be used.

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## EXECUTIVE OFFICERS

**MAURIZIO MAURO**

President

Vice-Presidents

**CARLOS ROBERTO BERLINCK**

**CESAR MONTEROSSO**

**JOSÉ WILSON PASCHOAL ARMANI**

**VALTER PASQUINI**

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## BOARD OF DIRECTORS

**ROBERTO CIVITA**

Chairman

**GIANCARLO FRANCESCO CIVITA**

Board member

**THOMAZ SOUTO CORRÊA NETTO**

Board member

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## STATUTORY BOARD

**ROBERTO CIVITA**

President

**JOSÉ AUGUSTO PINTO MOREIRA**

Finance and Investors' Relationship Director

**CARLOS ROBERTO BERLINCK**

Director

**ANTÔNIO VALDEMIR PEREIRA RAMOS**

Director

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**MANOEL BIZARRIA GUILHERME NETO**

Chief accountant

# ARTHUR ANDERSEN S/C

## **Report of Independent Public Accountants**

(Translation of the report originally issued in Portuguese.  
See Note 24 to the financial statements.)

To the Board of Directors of

Editora Abril S.A.:

(1) We have audited the individual Company and consolidated balance sheets of EDITORA ABRIL S.A. (a Brazilian corporation) and subsidiaries as of December 31, 2001 and 2000, and the related statements of income, changes in stockholders' equity, and changes in financial position for the years then ended, prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements. The financial statements of the affiliate UOL Inc. S.A. were audited by other independent public accountants, whose report thereon dated March 28, 2002 was issued without qualification. This investment generated an equity method loss of R\$90,407,000 in 2001 (loss of R\$41,222,000 in 2000). Our opinion, insofar as it relates to the amounts for this affiliate included in the accompanying financial statements, is based solely upon the report of the other accountants.

(2) Our audits were conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Company and its subsidiaries, (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed, and (c) evaluating the significant accounting practices and estimates adopted by management, as well as the presentation of the financial statements taken as a whole.

(3) In our opinion, based on our audits and on the report of the report of the other independent public accountants referred to above, the financial statements referred to in paragraph (1) present fairly, in all material respects, the individual and consolidated financial positions of Editora Abril S.A. and subsidiaries as of December 31, 2001 and 2000, and the results of their operations, the changes in stockholders' equity, and the changes in their financial positions for the years then ended in accordance with accounting practices emanating from Brazilian corporate law.

# ARTHUR ANDERSEN S/C

(4) As mentioned in Note 22, the financial statements for the Company and consolidated were prepared based on the assumption of the Company's continuing as a going-concern, which includes the realization of assets and payment of liabilities and obligations in the normal course of business. Management's plans with respect to strengthening the financial capacity and a return to operating profitability, are described in the referred note.

São Paulo, March 28, 2002

ARTHUR ANDERSEN S/C

Marco Antonio Brandão Simurro  
Engagement Partner