

EDITORA ABRIL S.A.

**FINANCIAL STATEMENTS TOGETHER WITH
REPORT OF IDEPENDENT PUBLIC
ACCOUNTANTS
December 31, 2002 and 2001**

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(Convenience Translation into English from the Original in Portuguese)

MANAGEMENT REPORT

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, 2002.

CORPORATE REORGANIZATION AND RESTRUCTURING

For 2002 the Abril Group proceeded with the wide-ranging corporate reorganization started in December 2001. A holding company, Abril S.A., was established for the purpose of concentrating all Abril ownership interests. Until the closing of the year, this initiative implied the transfer, from Editora Abril S.A. to the holding, of all businesses not directly related to magazine publication.

At Abril, 2002 was equally marked by an operating, administrative and financial restructuring process. The restructuring resulted in cost and expense reductions, rationalization of operations, and a positive influence in productivity, increasing the financial result both in absolute and relative terms.

In the period, Editora Abril S.A. also sold its ownership interest in Abril Controljornal (Portugal) and in Editora Símbolo.

MARKET AND BUSINESSES ANALYSIS

PUBLISHING

a) Advertising

The advertising market in the magazine segment, according to “Projeto Inter-Meios” of December 2002, presented a 4,9% 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 3,6%. As a result, our market share increased from 60% to 63%.

b) Circulation

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

The Brazilian magazine market recorded a reduction of 3,7% in relation to the previous year, according to the Brazilian Audit Bureau of Circulation – IVC. This reduction was mostly due to the 8.4% decrease in retail sales. The subscription channel, however, remained practically unchanged, with a reduction of less than 1% in relation to the previous year.

According to trade publication “Meio & Mensagem”, 2002 was an atypical year: performance in the first half of the year was better than in the second. The reason was that sales in the first half were boosted by the Soccer World Cup, while the second half was affected by the volatility of the principal performance indicators of the markets due to the general elections.

The discontinuance of certain publications, whose contribution margins were not satisfactory – WEB and TERRA, at the end of 2001 and PLACAR, MEU DINHEIRO, PONTO CRUZ and FAÇA E VENDA during

2002 – and a downturn in retail sales led to a decrease in the market share of Abril publications from 60.4% in 2001 to 56.0% in 2002. On the other hand we should highlight the growth achieved by CLAUDIA magazine, which achieved an average monthly circulation of 506 thousand copies, and the weekly newsmagazine VEJA, which maintained the average of 1.15 million copies per issue, according to IVC data in December 2002.

Total Circulation of Editora Abril and its subsidiaries, comprising both channels, resulted in sales of 174 million copies in 2002, 10,7% less than the previous year.

Retail sales, recording 92 million copies, presented a physical reduction of 16.1% in 2002. However, several initiatives for managing the supply allowed the net sales revenue from this channel to record an increase of 8.5% in relation to the previous year.

Sales to subscribers in Editora Abril S.A. and its subsidiaries accounted for 47.5% of total circulation. The year closed with a 2.9 million subscriber base, and 82 million copies delivered.

OTHER BUSINESSES

Dinap, the firm responsible for distributing all Abril publications to points of sale, increased its market share to 70.8%, from 65.6% in 2001. This increase in market share was due to Dinap's expansion in distribution services to third parties.

Net sales revenues decreased 7.4% when compared to the previous year. On the other hand, the reduction in costs, administrative and selling expenses, of approximately 18.9%, provided an actual increase in productivity for 2002, boosted principally by optimization in distribution lines.

PRO FORMA CONSOLIDATED RESULTS

To provide the market with a better comparative interpretation of the results of Editora Abril S.A. and its subsidiaries, and considering the corporate reorganization of the Abril companies performed until the end of the year, the analyses of the results were prepared based on the pro forma statement of income mentioned in Note 19 to the Financial Statements.

In 2002, the net revenue of the Company and its subsidiaries totaled R\$1,317 million in 2002, a 0.9% decrease in relation to the previous year. However, operating costs and expenses – including R\$ 76 million of depreciation and amortization – decreased 7.9% in the year, totaling R\$ 1,206 million, against R\$ 1,309 in 2001.

The savings obtained through the restructuring program implemented in 2001 raised the EBITDA (earnings before interest, taxes, depreciation and amortization) of Editora Abril S.A. and its subsidiaries to R\$ 187 million, from R\$ 79 million in 2001, which represents an increase of 136.7%.

This improvement in the result is even more relevant when we take into account that the Company's main raw material, paper, is imported from international suppliers, and as such it had its cost significantly affected by the domestic currency devaluation (34.3% in the year, combined with the 15.7% devaluation in the previous year) against the currency used as a commercial reference, the US dollar.

INVESTMENTS

In 2002, the investments made by the Company and its subsidiaries for the modernization and maintenance of our assets totaled R\$27.6 million, 16% less than the R\$33 million invested in 2001.

The most significant investments were concentrated in Information Technology (42%), Printing Machinery and Equipment (25%) and Facilities (17%).

FINANCIAL POSITION

In relation to financial position, the Company and its subsidiaries had, as of December 31, 2002, a total net indebtedness of R\$ 699.5 million (R\$726.6 million in 2001), (comprising short-term loans, commercial paper, import financing, less cash and cash equivalents net of investments in related parties). Of the net indebtedness, 29.2% was denominated in US dollars and 70.8% in Brazilian currency.

A significant improvement is noted in the debt profile in 2002 in relation to 2001, as the short-term debt concentration was reduced from 56.6% to 40.6%. Foreign-currency financing decreased from 51.6% in 2001 to 29.2% in 2002.

CONSULTING AND ADVISORY SERVICES

The Company uses outside consulting and advisory services in the legal, tax, technical, commercial and administrative areas. However, the audit of financial statements is under the sole responsibility of Deloitte Touche Tohmatsu Auditores Independentes, which provides no other consulting or advisory services to the Company or any of its subsidiaries.

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 security benefits, and providing greater security to contributors. In 2002, the entity received contributions from Editora Abril S.A and its subsidiaries amounting to R\$ 4 million.

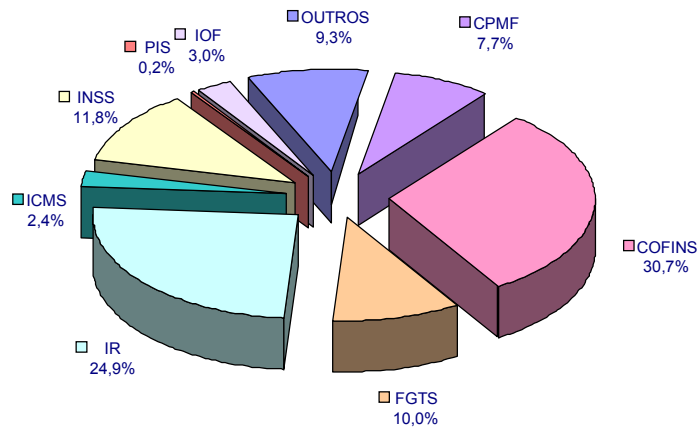
In **training and development**, the Company continued with the program “Grow at Abril” consisting of initiatives aimed at personal and professional development of employees, especially the Abril Management Course, the Continuing Education Program, and grants for improvement and extension courses.

In addition, the Company offers other benefits, such as **subsidized meals** for approximately 4,600 employees each day; **nursery allowance, transportation, life insurance, credit cooperative and agreements with consumers’ cooperative, leisure center**, and others.

	<u>2002</u>	<u>2001</u>
NUMBER OF EMPLOYEES:	4,587	5,329
Men	59%	56%
Women	41%	44%
EDUCATION LEVEL		
Primary school	16%	18%
Secondary school	36%	44%
College degree	38%	33%
Post-graduate	10%	5%

TAXES AND CONTRIBUTIONS

In 2002, taxes and contributions paid by the Company and its subsidiaries amounted to R\$130.6 million, corresponding to 9.5% of pro forma gross revenues, as follows:



SOCIAL ACTIONS

As part of its social responsibility project, Abril dedicates resources, effort and talent to initiatives reinforcing its relationship with the community and contributing to advances in the areas of education, health and environment.

The Victor Civita Foundation, maintained by Abril, has the mission of contributing to the improvement of basic education quality, investing in the Brazilian teacher as a citizen and as a professional. It publishes the magazine ESCOLA, which, with a monthly issue of 600,000 copies, reaches 1.4 million primary and secondary school teachers in 200,000 public and private schools all over the country.

By awarding the Victor Civita Award (“The Grade Ten Teacher”), the Foundation each year highlights a teacher's high-quality work, recognizing and making visible to public opinion the importance of the teacher's role in society. In 2002 the Foundation launched THE TEACHER'S PROFESSION, an innovating continued-education course for the first primary school years.

Abril is a partner of the SOS Atlantic Forest Foundation and the Vidágua Environmental Institute in the project www.clickarvore.com.br - the first reforestation program for the Atlantic forest, with over 2 million trees donated in its first three years.

Abril was one of the 24 companies selected by the Ministry of Health to take part in the National Business Council for Prevention of HIV/AIDS, the goal of which is to create awareness, mobilize and inform the public regarding AIDS and its prevention.

The corporate volunteer work program “Abril planting Citizenship” empowers and releases Company employees to teach classes on citizenship and the environment in São Paulo public schools, in partnership with the SOS Atlantic Forest Foundation. The “Hands at Work” project recognizes and stimulates the volunteer work developed on the employees’ own initiative.

OUTLOOK

The Operating Plan for 2003 works with projections for a substantial degree of improvement in relative margins and an absolute improvement in operating results (the EBITDA line), as a continuation of the application of its productivity improvement policy. Priorities to be maintained are the generation of financial liquidity, a strict control over investments and initiatives involving expenses, and the adequate management of indebtedness.

FINAL CONSIDERATIONS

The loyalty of our customers, the continuity of a mutually advantageous relationship with our suppliers and creditors, and the winning talent of our employees make up the tripod that supports the perennial success of Abril activities. To all of them, our sincere gratitude.

São Paulo, March 20, 2003.

THE MANAGEMENT

BALANCE SHEETS AS OF DECEMBER 31, 2002 AND 2001
(In thousands of Brazilian reais)
(Translation of the original in Portuguese)

A S S E T S

	Company		Consolidated	
	2002	2001	2002	2001
CURRENT ASSETS:				
Cash and banks	2,547	9,722	3,434	14,640
Temporary cash investments	828	19,493	354,635	35,685
Accounts receivable	102,854	107,337	198,405	252,689
Allowance for doubtful accounts	(8,030)	(8,786)	(21,955)	(25,446)
Inventories	51,825	51,249	52,870	97,896
Recoverable taxes	6,289	4,157	10,841	20,455
Deferred income tax	-	1,098	-	1,098
Advances to employees and other	8,303	8,052	8,696	19,954
Total current assets	164,616	192,322	606,926	416,971
NOCURRENT ASSETS:				
Loans to subsidiaries and affiliated companies	453,036	275,028	282,919	118,020
Loans to stockholders	-	55,001	-	56,993
Escrow and compulsory deposits	10,008	10,152	11,004	14,194
Deferred income tax	113,566	69,052	113,566	70,173
Securities	-	-	-	227,225
Accounts receivable - Abril S.A.	563,927	266,565	563,927	266,565
Dividends receivable	16,400	16,400	-	-
Prepaid expenses and other	6	-	6	1,189
Total noncurrent assets	1,156,943	692,198	971,422	754,359
PERMANENT ASSETS:				
Investments	434,389	572,147	21	64,752
Goodwill on investments	-	11,249	0	11,418
Property, plant and equipment	156,102	151,763	434,728	427,581
Deferred charges	340	6,119	2,880	41,348
Total permanent assets	590,831	741,278	437,629	545,099
Total assets	1,912,390	1,625,798	2,015,977	1,716,429

The accompanying notes are an integral part of these financial information,

BALANCE SHEETS AS OF DECEMBER 31, 2002 AND 2001

(In thousands of Brazilian reais)

(Translation of the original in Portuguese)

LIABILITIES AND STOCKHOLDERS' EQUITY

	Company		Consolidated	
	2002	2001	2002	2001
CURRENT LIABILITES:				
Loans and financing	252,812	375,699	262,812	392,249
Debentures	21,177	18,737	21,177	18,737
Trade accounts payable	117,636	113,798	197,444	221,488
Salaries and payroll charges	49,049	55,701	52,219	66,208
Income and social contribution taxes	-	-	3,244	5,443
Other taxes and charges payable	40,819	11,710	45,715	17,695
Advances	52,914	42,586	52,941	46,924
Other accounts payable	56,865	23,281	21,441	41,165
	<u>591,272</u>	<u>641,512</u>	<u>656,993</u>	<u>809,909</u>
Magazine subscriptions	132,186	119,543	133,018	128,113
	<u>723,458</u>	<u>761,055</u>	<u>790,011</u>	<u>938,022</u>
LONG-TERM LIABILITES				
Loans from and other payables to subsidiaries and affiliated companies	387,743	285,606	452,580	176,322
Loans and financing	274,132	131,962	183,825	124,710
Debentures	235,909	225,000	235,909	225,000
Loans from stockholder	752	-	752	828
Loans from suppliers	15,392	12,996	15,392	14,185
Deferred income tax	27,187	22,417	69,298	47,718
Reserve for tax contingencies and other	148,917	111,785	170,539	144,053
Contributions payable	64,575	-	64,850	-
Reserve for losses on subsidiaries' and affiliates' operations	1,513	35,321	-	-
	<u>1,156,120</u>	<u>825,087</u>	<u>1,193,145</u>	<u>732,816</u>
DEFERRED INCOME				
	<u>7,799</u>	<u>1,331</u>	<u>7,799</u>	<u>1,331</u>
MINORITY INTEREST				
	<u>-</u>	<u>-</u>	<u>9</u>	<u>5,935</u>
STOCKHOLDERS' EQUITY:				
Paid-up capital	93,537	93,537	93,537	93,537
Capital reserve	531	531	531	531
Revaluation reserve	150,454	104,062	150,454	104,062
Accumulated deficit	<u>(219,509)</u>	<u>(159,805)</u>	<u>(219,509)</u>	<u>(159,805)</u>
	<u>25,013</u>	<u>38,325</u>	<u>25,013</u>	<u>38,325</u>
Total stockholders' equity				
	<u>25,013</u>	<u>38,325</u>	<u>25,013</u>	<u>38,325</u>
Total liabilities and stoskholders' equity				
	<u>1,912,390</u>	<u>1,625,798</u>	<u>2,015,977</u>	<u>1,716,429</u>

The accompanying notes are an integral part these financial information

STATEMENTS OF ICOME
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001
(In thousands of Brazilian reais)
(Translation of the original in Portuguese)

	Company		Consolidated	
	2002	2001	2002	2001
SALE OF PRODUCTS AND SERVICES	1,158,461	1,166,823	1,474,586	1,705,994
Less-taxes on sales	(44,984)	(45,729)	(55,720)	(77,754)
	<u>1,113,477</u>	<u>1,121,094</u>	<u>1,418,866</u>	<u>1,628,240</u>
COST OF PRODUCTS AND SERVICES SOLD	<u>(432,275)</u>	<u>(455,024)</u>	<u>(585,820)</u>	<u>(708,559)</u>
Gross profit	681,202	666,070	833,046	919,681
(-) OPERATING EXPENSES	<u>(583,817)</u>	<u>(648,050)</u>	<u>(710,468)</u>	<u>(905,520)</u>
Management compensation	(911)	(986)	(911)	(986)
Selling	(385,664)	(424,835)	(428,507)	(559,638)
Administrative	(189,433)	(210,844)	(267,732)	(311,830)
Goodwill amortization	(7,424)	(11,687)	(13,441)	(28,029)
Other, net	(385)	302	123	(5,037)
EQUITY IN RESULTS OF SUBSIDIARIES AND AFFILIATES	120,190	(106,049)	-	(89,937)
PROVISION OR LOSSES ON SUBSIDIARIES' AND AFFILIATES ' OPERATIONS	<u>1,969</u>	<u>23,845</u>	<u>-</u>	<u>34,253</u>
Profit (loss) from operations before financial income (expenses)	219,544	(64,184)	122,578	(41,523)
FINANCIAL INCOME (EXPENSES)				
Expenses	172,809	129,365	273,465	154,686
Income	<u>(496,898)</u>	<u>(293,387)</u>	<u>(562,191)</u>	<u>(332,012)</u>
Loss from operations	(104,545)	(228,206)	(166,148)	(218,849)
NONOPERATING INCOME (EXPENSES), NET	<u>(23,888)</u>	<u>139,845</u>	<u>50,470</u>	<u>140,412</u>
Loss before income tax	(128,433)	(88,361)	(115,678)	(78,437)
PROVISION FOR INCOME TAX	<u>46,588</u>	<u>44,207</u>	<u>36,642</u>	<u>34,446</u>
Loss before minority interest	(81,845)	(44,154)	(79,036)	(43,991)
MINORITY INTEREST	<u>-</u>	<u>-</u>	<u>(2,809)</u>	<u>(163)</u>
Net loss	<u>(81,845)</u>	<u>(44,154)</u>	<u>(81,845)</u>	<u>(44,154)</u>
Loss per share - R\$	<u>(8,050)</u>	<u>(4,343)</u>		
Book value per share - R\$	<u>2,460</u>	<u>3,770</u>		

The accompanying notes are an integral part of financial information.

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

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

	<u>Capital reserve</u>		<u>Revaluation reserve</u>		<u>Accumulated deficit</u>	<u>Total Stockholders' equity</u>
	<u>Paid-up capital</u>	<u>Investment grants</u>	<u>Company</u> <u>Subsidiaries</u>			
			<u>Company</u>	<u>Subsidiaries</u>		
BALANCES DECEMBER 31, 2000	93,537	512	38,225	3,722	(122,397)	13,599
Revaluation						
- Land			9,664	1,771		11,435
- Buildings			1,749	7,947		9,696
- Production machinery na 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)
BALANCES DECEMBER 31, 2001	93,537	531	53,180	50,882	(159,805)	38,325
Revaluation						
- Land				6,433		6,433
- Buildings				7,461		7,461
- Production machinery na equipment			22,963	63,667		86,630
Income tax on revaluation reserves			(7,807)	(24,184)		(31,991)
Realization of revaluation reserves			(8,931)	(23,619)	32,550	-
Income tax on revaluation realization			3,036	7,373	(10,409)	-
Net loss					(81,845)	(81,845)
BALANCES DECEMBER 31, 2002	<u>93,537</u>	<u>531</u>	<u>62,441</u>	<u>88,013</u>	<u>(219,509)</u>	<u>25,013</u>

The accompanying notes are an integral part of financial information

**STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

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

	Company		Consolidated	
	2002	2001	2002	2001
SOURCE OF FUNDS:				
Provided by operations	-	-	75,466	-
Long-term loans and financing	42,202	225,000	44,598	335,037
Advertising advances	-	25,130	-	8,376
Corporate reorganization	-	-	-	39,663
Dividend received from subsidiaries	1,203	-	-	-
Transfer to current assets of a portion of noncurrent assets	429	-	360,273	6,370
Transfer to long-term of a portion of current liabilities	66,947	-	64,843	-
Increase of deferred income	6,468	-	6,468	-
Loans from subsidiaries and affiliates	55,361	109,189	-	-
Disposal of investment	5,537	-	24,145	-
Minority interest	-	-	-	15,788
Total sources	178,147	359,319	575,793	405,234
USE OF FUNDS:				
Used in operations	119,536	142,514	-	91,972
Additions				
Property, plant and equipment	12,279	27,762	26,289	33,818
Deferred charges	25	71	568	3,010
Investments	23,045	44,957	656	1,325
Noncurrent assets	983	1,638	1,099	4,316
Loans to subsidiaries and affiliates	-	29,462	54,898	122,569
Commercial paper in treasury	-	-	80,456	-
Transfer to current of a portion of long-term liabilities	5,589	16,325	14,238	23,827
Transfer to noncurrent of a portion of current assets	523	9,769	523	9,769
Corporate reorganization	6,276	-	50,364	-
Minority interest	-	-	8,736	-
Decrease in deferred income	-	2,466	-	2,466
Total uses	168,256	274,964	237,827	293,072
INCREASE IN WORKING CAPITAL	9,891	84,355	337,966	112,162

	Company		Consolidated	
	2002	2001	2002	2001
REPRESENTED BY:				
Current assets:				
At end of year	164,616	192,322	606,926	416,971
At beginning of year	192,322	178,159	416,971	336,943
	<u>(27,706)</u>	<u>14,163</u>	<u>189,955</u>	<u>80,028</u>
Current liabilities:				
At end of year	723,458	761,055	790,011	938,022
At beginning of year	761,055	831,247	938,022	970,156
	<u>(37,597)</u>	<u>(70,192)</u>	<u>(148,011)</u>	<u>(32,134)</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<u>9,891</u>	<u>84,355</u>	<u>337,966</u>	<u>112,162</u>
 FUNDS PROVIDED BY (USED IN) OPERATIONS:				
Net loss	(81,845)	(44,154)	(81,845)	(44,154)
Items not affecting working capital				
Depreciation and amortization	23,396	45,339	78,118	65,045
Disposal of permanent assets, net	7,892	7,288	6,537	11,328
Goodwill amortization	7,424	11,687	13,441	28,029
Equity in results of subsidiaries and affiliates	(120,190)	106,049	-	89,937
Provision for losses on subsidiaries and affiliates	(1,969)	(23,845)	-	(34,253)
Provision for amortiation of deferred charges	-	-	-	3,907
Capital loss (gain) in subsidiaries and affiliates	90	(140,845)	84	(154,536)
Net monetary variations applicable to long-term items	41,796	(92,595)	53,923	(60,899)
Provision for deferred income tax	(47,686)	(43,109)	(47,666)	(41,317)
Increase in long-term reserves	51,556	31,575	50,065	44,759
Minority interest	-	-	2,809	163
Provision for tax incentives	-	96	-	19
Total funds provided by (used in) operations	<u>(119,536)</u>	<u>(142,514)</u>	<u>75,466</u>	<u>(91,972)</u>

The accompanying notes are an integral part of financial information

NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2002 AND 2001
(Amounts in thousand of Brazilian reais, unless otherwise indicated)
(Translation of the original in Portuguese)

1. BUSINESS

On December 31, 2001, Editora Abril S.A. and its subsidiaries were 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.

In 2002, an extensive corporate reorganization was effected, due to the general restructuring of the Company's business. As a consequence, Editora Abril S.A. and its subsidiaries started operating in the printing and publishing activity, which comprises publishing, printing, distribution and sale of magazines, yearbooks and guidebooks, technical publications, advertising and publicity sales, and database marketing.

2. PRESENTATION OF FINANCIAL STATEMENTS

The financial statement (Company and Consolidated) were prepared in accordance with accounting practices adopted 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 from advertising, grape services, and printing and consignment of publications, net of an allowance for estimated returns. (As of December 31, 2001, also include broadcasting and telecommunication services, sale of book, videotapes and compact discs).
- c) The allowances 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 receivable
- d) Raw material inventories are stated at average cost; work in process and finished products are stated at their specifically identified costs, when applicable deducted of provision to reflect 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 9, 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. Due to the corporate restructure started during December 31, 2002, a substantial part of above-mentioned deferred charges were recognized in the results.
- 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 12, 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, sale 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:

Company	Consolidation Type	Ownership % interest	Period Consolidation interest	Consolidation Type	Ownership % interest	Period Consolidation Interest
Abril Coleções Ltda.	Total	100,00	Jan to Jun	Total	100,00	Jan to Dez
Abril Gráfica S.A.	Total	100,00	Jan to Dez	Total	100,00	Jan to Dez
Abril Investments Corporation	Total	100,00	Jan to Dez	Total	100,00	Jan to Dez
Abril Jovem Investments Corporation	Total	100,00	Jan to Dez	Total	100,00	Jan to Dez
Abril Marcas Ltda.	Total	99,95	Jan to Mar	Total	99,95	Jan to Dez
Abril Music Ltda.	-	-	-	-	100,00	Jan to Dez
Abril Musicclub Ltda.	Proportional	50,00	Jan to Mar	Proportional	50,00	Jan to Dez
Abril Vídeo da Amazônia S.A.	Total	99,12	Jan to Jun	Total	99,12	Jan to Dez
A.R. & T. Ltda.	Total	100,00	Jan to Jun	Total	100,00	Jan to Dez
Datalistas S.A.	Total	100,00	Jan to Dez	Total	100,00	Jan to Dez
Dinap S.A. – Distribuidora Nacional de Publicações	Total	100,00	Jan to Dez	Total	100,00	Jan to Dez
Editora Caras S.A.	Proportional	14,70	Jan to Mar	Proportional	14,70	Jan to Dez
Editora Novo Continente S.A.	Total	30,00	Jan to Jun	Total	30,00	Jan to Dez
Gracia – Consultadoria e Investimentos, Lda. (Gracia) - (a.1)	Proportional	49,00	Jan to Dez	Proportional	49,00	Jan to Dez
Idealyze Participações S.A. - (a.2)	Proportional	66,67	Jan to Jun	Proportional	66,67	Jan to Dez
JVVA Participações S.A. e suas Subsidiárias	Proportional	50,00	Jan to Jun	Proportional	50,00	Jan to Dez
Lab One Systems S.A. (Lab One)	Proportional	49,00	Jan to Dez	Proportional	49,00	Jan to Dez
Lispar Participações S.A.	Total	100,00	Jan to Jun	Total	100,00	Jan to Dez
Lemontree – Representação de Assinaturas S.A.	Total	100,00	Jan to Mar	Total	100,00	Jan to Dez
MTV Brasil Ltda.	Proportional	50,00	Jan to Jun	Proportional	50,00	Jan to Dez
Omniger Sociedade Gestora de Participações Sociais Limitada e suas subsidiárias - (a.3)	Proportional	50,00	Jan to Out	Proportional	50,00	Jan to Dez
Símbolo Editora e Comunicação Integrada S.A.	Proportional	30,00	Jan to Set	Proportional	30,00	Jan to Dez
Sociedade em Conta de Participação – Femininas (“SCP-Femininas”)	Total	100,00	Jan to Dez	Total	100,00	Jan to Dez
Usina do Som Brasil Ltda.	-	-	-	Total	100,00	Jan to Dez
Whitetree Participações Ltda.	-	-	-	Total	100,00	Jan to Dez
Yellowtree Participações Ltda.	Total	100,00	Jan to Mar	Total	100,00	Jan to Dez

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

c) 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. TEMPORARY CASH INVESTMENTS

			Company	
	Current	Noncurrent	Current	Noncurrent
	2002	2002	2001	2001
Temporary cash	828	-	-	-
Restricted temporary cash investment	-	-	19,493	-
	828	-	19,493	-

			Consolidated	
	Current	Noncurrent	Current	Noncurrent
	2002	2002	2001	2001
Temporary cash	828	-	-	-
Restricted temporary cash investment	-	-	19,493	-
Temporary cash with related parties	353,807	-	16,192	227,225
	354,635	-	35,685	227,225

4.1. Temporary cash with related parties

On October 23, 1998, a subsidiary, Abril Investments Corporation, made investments in the foreign market in the amount of US\$97.925.000, equivalent to R\$345.998 as of December 31, 2002, linked to Eurobonds issued by the affiliated company Abril Comunicações S.A., the principal of which matures on October 25, 2003.

5. INVENTORIES

	Company		Consolidated	
	2002	2001	2002	2001
Raw materials	24,505	25,709	24,505	42,264
Work in process	4,804	5,630	4,804	13,501
Finished products	6,249	4,041	7,294	26,221
Replacement parts	6,074	4,606	6,074	4,606
Other materials	4,831	3,398	4,831	3,405
Importation in transit	7,866	7,900	7,866	7,934
Reserve for obsolescence	(2,504)	(35)	(2,504)	(35)
	<u>51,825</u>	<u>51,249</u>	<u>52,870</u>	<u>97,896</u>

6. INVESTMENTS

The direct investments of the Company in subsidiaries and affiliates as of December 31, 2002 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)	Reservall (provision) for losses on subsidiaries and affiliates' operations
Abril Gráfica S.A.	176,746	100	211,377	(9,506)	176,746	(9,506)	-
Abril Investments Co.	40,574	100	84,278	43,690	-	43,690	-
Abril Jovem Investments Co.	3,910	100	72,730	75,358	-	72,730	2,628
Datalistas S.A.	500	100	2,285	383	167	413	-
Dinap S.A. - Distrib. Nac. de Publicações	17,450	100	13,920	9,350	7,126	5,075	-
Lab One Systems S.A.	6,003	49	640	(731)	294	(358)	-
SCP – Femininas	14,201	98	(1,544)	(482)	-	-	(488)
						112,044	2,140
Sold or transferred companies during the year ended December 31,2002.							
Abril Coleções Ltda.	455	100	-	(997)	-	(997)	-
Abril Marcas Ltda.	2	99,95	-	78	-	-	78
Abril Musiclub Ltda.	30,443	50	-	(340)	-	-	(170)
Abril Vídeo da Amazônia S.A.	41,959	99,12	-	1,610	-	1,596	-
A.R. & T. Ltda.	55,119	100	-	-	-	(4,036)	-
Editora Caras S.A.	2	14,7	-	(1,120)	-	-	(165)
Editora Novo Continente S.A.	2,250	30	-	2,522	-	757	-
JVVA Participações S.A.	130,288	50	-	22,343	-	15,306	-
Lemontree Representação de Assinaturas S.A.	4	100	-	(53)	-	0	(53)
Lispar Participações S.A.	100,206	100	-	(16)	-	(16)	-
Mapletree Participações Ltda.	-	-	-	(4,135)	-	(4,135)	-
MTV Brasil Ltda.	17,333	50	-	(656)	-	(328)	-
Símbolo - Editora e Comunicação Integrada S.A.	1,299	30	-	489	-	-	147
Símbolo Licenciamento e Marcas Ltda.	5	49	-	(1)	-	(1)	-
Yellowtree Participações Ltda.	1	100	-	(8)	-	-	(8)
						8,146	(171)
Equity / reversal of losses provision on subsidiaries and affiliates						120,190	1,969

- 6.1. The Company's investments are adjusted according to its interest 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.
- 6.2. The "Reserve for losses on subsidiaries' and affiliates' operations", under long-term liabilities, represents losses on operations of those companies with negative equity.
- 6.3. For equity investments abroad, the financial statements were translated into reais at the exchange rate in effect on December 31, 2002.
- 6.4. As of December 31, 2002, 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.
- 6.5. During the year ended December 31, 2002, the Company and its subsidiaries made the following changes in its equity investments:
 - a) On September 30, 2002, the Company subscribed to a capital increase by acquiring new shares issued by Simbolo Editora e Comunicações Integradas S.A. using the total balance of the loan in the amount of R\$7,325. In the same period it divested the ownership interest it held in the company, with a net book loss of R\$12,862, which was recorded as no operating expense.
 - b) On October 23, 2002, a subsidiary, Abril Investment Corporation sold the total ownership interest it held in Omniger – Sociedade Gestora de Participações Ltda (Portugal) in an nominal amount of 23,032,500 Euros equivalents to R\$ 88,864 in that date, generating an capital gain of R\$ 74,410, totally reconized in results.
- 6.6. On December 31, 2002, the principal balance sheet and statement of income accounts of the jointly controlled subsidiaries mentioned in Note 3.2. are as follows:

	<u>Gracia</u>	<u>Lab One</u>
ASSETS		
Current assets	23	722
Non current assets	177	331
Permanent assets	-	332
	<u>200</u>	<u>1,385</u>
LIABILITIES		
Current liabilities	85	64
Long-term liabilities	-	15
Stockholders' equity	115	1,306
	<u>200</u>	<u>1,385</u>
STATEMENT OF INCOME		
Sale of products and services	-	1,567
Net revenue	-	1,431
Gross profit (loss)	-	(139)
Operating income (expenses), net	106	(592)
	<u>106</u>	<u>(731)</u>

7. GOODWILL ON INVESTMENTS

	<u>Company</u>		<u>Consolidated</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Símbolo Editora e Comunicação				
Integrada S.A.	-	11,249	-	11,249
Editora Scipione Ltda.	-	-	-	169
	<u>-</u>	<u>11,249</u>	<u>-</u>	<u>11,418</u>

In 2002, due to the sale of the investment in Símbolo Editora e Comunicação Integrada S.A., the goodwill balance of R\$ 11,249 was recognized in income under nonoperating expenses, as mentioned in Note 16.

8. RELATED-PARTY TRANSACTIONS

The following table summarizes the transactions between the Company and related parties during the years ended December 31, 2002:

	Company						
	Balance sheet						
	Subsidiaries and affiliates	Short-term		Long-term		Sales (costs), net	Financial income (expenses) net
		Accounts receivable	Accounts payable	Loans and other credits receivable	Loans and other credits payable		
Abril S.A.	-	-	67,476	-	-	-	
Abril Coleções Ltda.	23	-	9,436	-	354	4,342	
Abril Comunicações S.A.	-	-	26,012	-	222	1,059	
Abril Gráfica S.A.	-	35,886	689	-	(27,036)	103	
Abril Investments Corporation	-	-	217,464	-	-	110,391	
Abril Music Ltda.	171	-	93,743	-	552	19,172	
Abril Video da Amazônia S.A.	-	-	-	37,686	5	(6,258)	
Datalistas S.A.	-	-	-	312	(1,606)	-	
Diana Participações S.A.	942	-	-	3,868	(5,082)	(210)	
Dinap S.A. – Distribuidora Nacional de Publicações	67	324	-	36,614	(27,469)	(211)	
Editora Ática Ltda.	-	0	-	-	2,389	-	
Editora Caras S.A.	2,118	237	-	10,236	12,310	(1,606)	
Editora Scipione Ltda.	-	0	-	-	641	-	
Editora Novo Continente S.A.	730	378	-	15,503	2,290	(2,328)	
Fundação Victor Civita	2	582	-	-	5,069	-	
Idealyze Participações S.A.	-	1,784	-	172,504	81	(63,172)	
Lispar Participações S.A.	-	-	-	100,154	-	-	
MTV Brasil Ltda.	488	1	-	9,441	3,408	(1,000)	
SCP – Femininas	31	-	349	-	208	145	
Tevecap S.A.	-	-	18,846	-	1	1,114	
TVA Sistema de Televisão S.A.	484	-	-	-	5,379	-	
Usina do Som Brasil Ltda.	4	-	6,349	-	247	-	
Other	1,218	1,091	12,672	1,425	7,576	1,445	
	6,278	40,283	453,036	387,743	(20,461)	62,986	
Abril S.A.	-	-	563,927	-	-	-	
	6,278	40,283	1,016,963	387,743	(20,461)	62,986	

Subsidiaries and affiliates	Contas patrimoniais					Sales (costs), net	Financial income (expenses), net
	Short-term		Longo prazo				
	Accounts receivable	Accounts payable	Loans and other credits receivable	Loans and other credits payable			
Abril S.A.	-	-	67,476	-	-	-	
Abril Coleções Ltda.	221	-	9,436	-	(255)	1,151	
Abril Comunicações S.A.	-	-	26,012	47,579	222	(19,538)	
Abril Investments Corporation	-	-	-	-	-	2,873	
Abril Music Ltda.	171	-	93,743	-	600	19,172	
Abril Vídeo da Amazônia S.A.	-	-	-	37,686	-	(3,390)	
Consultadoria Brasenil S.A.	-	-	27,025	-	-	7,626	
Diana Participações S.A.	942	-	-	3,868	(747)	(210)	
Dinap S.A. – Distribuidora Nacional de Publicações	45	-	-	-	(1,270)	-	
Editora Abril S.A.	293	-	-	-	(743)	27,807	
Editora Ática Ltda.	-	-	-	-	2,361	-	
Editora Caras S.A.	2,509	237	-	63,247	21,161	(21,411)	
Editora Novo Continente S.A.	731	2,952	-	15,503	74	(1,231)	
Fundação Víctor Civita	2	582	-	-	5,073	-	
Idealyze Participações S.A.	-	1,784	-	172,504	25	(44,531)	
Lispar Participações S.A.	-	-	-	100,154	-	-	
MTV Brasil Ltda.	488	1	-	9,441	2,578	(840)	
Tevecap S.A.	-	-	18,846	-	1	1,114	
TVA Communications	-	-	20,849	1,290	-	3,934	
TVA Sistema de Televisão S.A.	484	-	-	-	5,411	-	
Usina do Som Brasil Ltda.	5	-	6,349	-	253	-	
Other	326	1,185	13,183	1,308	8,190	197	
	6,217	6,741	282,919	452,580	42,934	(27,277)	
Abril S.A.	-	-	563,927	-	-	-	
	6,217	6,741	846,846	452,580	42,934	(27,277)	

8.1. Except for the loans granted by the Parent Company to the subsidiary Datalista S.A. and the related party Abril Marcas Ltda., and for the loans obtained from the subsidiary Dinap S.A. – Distribuidora Nacional de Publicações and the related party Lispar Participações S.A., which are not subject to interest, the other loans granted or obtained through loan agreements with subsidiaries, affiliates and related parties are subject to market interest rates.

8.2. In 2002 Editora Abril S.A. (“Company”), proceeding with the process started in 2001, transferred to related party Abril S.A., formerly Abrilpar Participações Ltda., its receivables from Abril Comunicações S.A. and the investments in the following companies: Abril Marcas Ltda., Editora Caras S.A., Lemontree Representação de Assinaturas S.A., Yellowtree Participações Ltda., Whitetree Participações S.A., which holds ownership interest in UOL Inc. S.A., Abril Coleções Ltda., Editora Novo Continente S.A., MTV Brasil Ltda., Lispar Participações S.A., A.R.&T. Ltda., which holds ownership interest in Idealyze Participações S.A., and Mapletree Participações S.A., which holds ownership interest in JVVA Participações S.A. which, in its turn, holds ownership interest in Editora Ática Ltda. and in Editora Scipione Ltda. The transactions were carried out at the book value of the investments. As a result, Editora Abril S.A. has recorded receivables in the amount of R\$563,927 as of December 31, 2002, not subject to interest.

9. PROPERTY, PLANT AND EQUIPMENT

	Annual depreciation rates	Company		Consolidated	
		2002	2001	2002	2001
Land	-	15,904	15,700	43,093	39,422
Buildings	4%	20,087	18,499	74,540	76,095
Installations	10%	7,151	6,478	33,300	42,640
Production machinery and equipment	10 a 33%	83,717	55,531	432,601	341,042
Television equipment	10%	876	876	876	7,036
Furniture and fixtures	10%	26,583	26,868	27,514	30,736
Vehicles	20%	5,752	12,923	6,096	16,483
EDP equipment	20%	92,789	98,888	102,704	119,524
Construction in progress	-	10,959	10,401	11,900	18,045
Other assets	-	2,283	3,732	3,040	10,263
		<u>266,101</u>	<u>249,896</u>	<u>735,664</u>	<u>701,286</u>
Accumulated depreciation		<u>(109,999)</u>	<u>(98,133)</u>	<u>(300,936)</u>	<u>(273,705)</u>
		<u>156,102</u>	<u>151,763</u>	<u>434,728</u>	<u>427,581</u>

On December 31, 2002, 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\$ 22,963 (Company) and R\$ 94,091 (Consolidated), credited to the revaluation reserve in stockholders’ equity, considering the effects of minority interests.

On December 31, 2002, 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\$ 6,433 (Consolidated), credited to the revaluation reserve in stockholders' equity, considering the effects of minority interests.

As of December 31, 2002, the revaluation increment, net of depreciation, is as follows:

	<u>Company</u>	<u>Consolidated</u>
Prior years (1986, 1990, 1999, 2000 e 2001):		
- Machinery and equipment	18,389	224,049
- Buildings	5,602	50,184
- Land	12,654	33,183
2002:		
- Machinery and equipment	22,963	86,630
- Buildings	-	7,461
- Land	-	6,433
	<u>59,608</u>	<u>407,940</u>
Accumulated depreciation	<u>(2,905)</u>	<u>(115,868)</u>
	<u>56,703</u>	<u>292,072</u>

10. DEFERRED CHARGES

	<u>Company</u>		<u>Consolidated</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Goodwill on investments				
Distribuidora Irmãos Reis S.A.	-	676	-	676
Editora Azul S.A.	38	5,099	38	5,099
Editora Scipione Ltda.	-	-	-	10,577
Editora Ática Ltda.	-	-	-	20,558
Leasehold improvement	302	344	498	485
Other	-	-	2,344	3,953
	<u>340</u>	<u>6,119</u>	<u>2,880</u>	<u>41,348</u>

11. LOANS AND FINANCING

The company and its subsidiaries have loans and financing obtained from financial institutions on December 31, 2002, at Company in an amount of R\$ 784,030 (R\$ 751,398 in 2001) at consolidated in an amount of and R\$ 703,723 (R\$ 760,696 in 2001), as follows:

			Company	
	Short-term	Long-term	Short-term	Long-term
	2002	2002	2001	2001
In foreign currency:				
“Commercial Papers”	6,417	178,432	126,302	131,103
Property, plant and equipment	1,301	-	2,152	828
Bank loans	77,164	21,200	114,677	-
	<u>84,882</u>	<u>199,632</u>	<u>243,131</u>	<u>131,931</u>
In local currency:				
Property, plant and equipment	40	-	283	31
Bank loans	167,890	74,500	132,285	-
	<u>167,930</u>	<u>74,500</u>	<u>132,568</u>	<u>31</u>
Loans and financing	<u>252,812</u>	<u>274,132</u>	<u>375,699</u>	<u>131,962</u>
Debentures				
Placed	24,390	298,553	18,737	225,000
Pledged	(3,213)	(62,644)	-	-
	<u>21,177</u>	<u>235,909</u>	<u>18,737</u>	<u>225,000</u>
Total Financing	<u>273,989</u>	<u>510,041</u>	<u>394,436</u>	<u>356,962</u>

			Consolidated	
	Short-term	Long-term	Short-term	Long-term
	2002	2002	2001	2001
In foreign currency:				
“Commercial Papers”	6,417	178,432	126,302	131,103
“Commercial Papers” em carteira	-	(90,307)	-	(9,851)
Property, plant and equipment	1,301	-	2,152	828
Bank loans	87,164	21,200	124,691	-
	<u>94,882</u>	<u>109,325</u>	<u>253,145</u>	<u>122,080</u>
In local currency:				
Property, plant and equipment	40	-	283	31
Bank loans	167,890	74,500	138,821	2,599
	<u>167,930</u>	<u>74,500</u>	<u>139,104</u>	<u>2,630</u>
Loans and financing	<u>262,812</u>	<u>183,825</u>	<u>392,249</u>	<u>124,710</u>
Debentures				
Placed	24,390	298,553	18,737	225,000
Pledged	(3,213)	(62,644)	-	-
	<u>21,177</u>	<u>235,909</u>	<u>18,737</u>	<u>225,000</u>
Total Financing	<u>283,989</u>	<u>419,734</u>	<u>410,986</u>	<u>349,710</u>

11.1. As of December 31, 2002, long-term financing matures as follows:

Maturity	R\$	% of total
Jan/2004 to Dez/2004	139,155	27.28
Jan/2005 to Dez/2005	340,853	66.83
Jan/2006 to Ago/2006	30,033	5.89
	<u>510,041</u>	<u>100.00</u>

11.2. Foreign currency

a) Bank loans and “Commercial Papers”

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 10.2% 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 Papers” in treasury

During the year ended December 31, 2002, the subsidiary Abril Investments Corporation made investments in the international market in the amount of US\$25,558,543, equivalent to R\$90,306, as of December 31, 2002, 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 3.4% per year, plus exchange rate variation.

11.3. Local currency

a) Property, plant and equipment

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

b) Bank loans

Loans in local currency mature through March 2005 and are secured by promissory notes, subject to CDI rates, plus weighted average interest of 4,67% per year. Additionally, temporary cash investments were pledged for certain financing, presented in current assets.

11.4. Debentures

On November 6, 2001, the Brazilian Securities Commission (CVM) approved the issuance of 3,000 nonconvertible debentures, with par value of R\$ 100 thousand each, totaling R\$ 300 million, payable in four equal semiannual installments. According to the minutes of the Debenture Holders' General Meetings held on January 31, 2003 and March 20, 2003, debenture maturities have been postponed so that the first semiannual installment will mature on February 1, 2004 and the final maturity will be on August 1, 2005. Debentures will bear interest equivalent to Interbank Deposit (CDI) rate plus 3% p.a., payable semiannually, with payments starting on August 1, 2003. Of the total debentures issued, 613, in the amount of R\$ 61,300, were pledged as collateral for the Company's financing lines, in accordance with the private agreement for provision of guarantees by and between Editora Abril S.A. and JP Morgan Chase Bank.

These debentures are the secured guarantee type, as defined by article 58 of Law No. 6,404/76, represented by the pledge of 140,700,748 share equivalent to 62,164% of the registered shares, without par value, of Tevecap S.A., held by the affiliate Abril Comunicações S.A., valued at R\$456,888, in accordance with an 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 publication; (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, arising from credits indicated in previous item “(i)”; and (iii) guarantee by Abril S.A. 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 debenture are subjected to restrictive clauses related to earnings (“EBITIDA”) 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, 2002, the Company had complied with all requirements, in vigour.

12. 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:

	Company		Consolidated	
	2002	2001	2002	2001
Civil and labor lawsuits	51,712	43,640	55,678	55,698
Income tax	42,420	11,894	46,744	11,928
COFINS (tax on revenue)	15,643	32,516	22,160	43,621
Social contribution tax	80	75	94	88
Finsocial (tax on revenue)	419	616	751	929
INSS (social security)	520	508	520	1,146
ICMS (State VAT)	-	-	1,543	2,041
ISS Municipal (service tax)	-	-	3,233	3,009
FGTS	3,574	-	3,767	-
PIS (tax on revenue)	32,762	19,544	34,262	22,460
IPI (Federal VAT)	496	1,624	496	1,624
Other	1,291	1,368	1,291	1,509
	148,917	111,785	170,539	144,053

For certain lawsuits reserved, the Company and its subsidiaries have escrow deposits in the amount of R\$10,008 (Company) and R\$11,004 (Consolidated), as of December 31, 2002 and R\$10,152 (Company) and R\$14,194 (Consolidated), as of December 31, 2001 as well as property, plant and equipment item pledged as guarantee in the amount of R\$42,330 as of December 31, 2002 (R\$45,164 and December 31, 2001).

13. CAPITAL STOCK

The capital stock of the Company as of December 31, 2002 held entirely by Brazilian stockholders, is represented by 3,389,035 common 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 do the minimum mandatory dividend.

14. REVALUATION RESERVE

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 interest.

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 stockholder's equity at R\$ 68,861, net of the effect of income, social contribution tax and minority interest.

The Company and its subsidiaries, based on appraisal report prepared by a specialized company, made on December 31, 2002, a revaluation of machinery and equipment, reaching only the graphic and structure state. Based on that raising, the existent reserve were complement in R\$ 22,963 (Company) and R\$ 94,091 (Consolidated), credited to the revaluation in stockholders' equity.

As of December 31, 2002, the Company and its subsidiaries made a revaluation of buildings, based on appraisal reports prepared by specialized company, which resulted in an increase in property, plant and equipment in the amount of R\$ 6,433, credited to the revaluation reserve in stockholders' equity .

The details of the revaluation reserves are mentioned in the Note 9.

15. FINANCIAL INCOME (EXPENSES)

	Company		Consolidated	
	2002	2001	2002	2001
Revenue:				
Temporary cash investments	19,394	11,512	61,359	37,648
Exchange variation	91,947	(745)	167,049	44,481
Loan	47,307	111,431	29,165	59,977
Other	14,161	7,167	15,892	12,580
	<u>172,809</u>	<u>129,365</u>	<u>273,465</u>	<u>154,686</u>
Expenses:				
Loans and financing	(154,698)	(137,716)	(156,456)	(139,521)
Exchange variation	(145,621)	(101,251)	(205,205)	(99,555)
Loans	(75,760)	(6,907)	(69,304)	(27,373)
Financial taxes	(16,611)	(16,535)	(18,455)	(21,348)
Charges on Fiscal clames	(41,548)	-	(41,588)	-
Other	(62,660)	(30,978)	(71,183)	(44,215)
	<u>(496,898)</u>	<u>(293,387)</u>	<u>(562,191)</u>	<u>(332,012)</u>

16. NONOPERATING INCOME (EXPENSE)

	<u>Company</u>		<u>Consolidated</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Gain (loss), net on disposal of investments				
- FINAM	-	(1,389)	-	(1,345)
- Editorial Primavera Argentina Ltda.	-	-	-	(4,507)
- Símbolo Editora Comunic. Integr. S.A.	(12,867)	521	(12,867)	521
- Omniger Sociedade Gestora de Participações Sociais Lda.	(1,015)	-	73,395	-
- Abril Marcas Ltda.	3,235	-	3,235	-
- Abril Musiclub Ltda.	712	-	712	-
- Lemontree Represent.de Assinat. S.A.	763	-	763	-
- Editora Caras S.A.	1,423	-	1,423	-
- Yellowtree Participações Ltda.	132	-	132	-
Provision for valuation - FINAM (Amazon Investment Fund)	-	1,165	-	1,042
Capital gain (loss) in affiliates:				
- A.R. &T. Ltda.	(85)	-	(85)	12,929
- UOL Inc. S.A.	-	140,849	-	140,849
- Other	-	1	-	-
Loss on disposal of assets	(1,415)	(1,321)	(4,223)	(1,887)
Cost of restruction	(14,114)	-	(14,164)	-
Other	(657)	19	2,149	(7,190)
	<u>(23,888)</u>	<u>139,845</u>	<u>50,470</u>	<u>140,412</u>

17. INCOME TAX

17.1. The net income tax credits reflected in income for the year ended December 31, 2002 are composed by:

	Company		Consolidated	
	2002	2001	2002	2001
Income tax for taxable in the foreign	8	(8)	8	(8)
Income tax for the period	(1,098)	-	(15,916)	(7,969)
Deferred tax asset on tax losses	32,582	32,008	37,454	30,216
Deferred tax credit on temporary differences	15,096	12,207	15,096	12,207
	<u>46,588</u>	<u>44,207</u>	<u>36,642</u>	<u>34,446</u>

17.2. The reconciliation of the effective rate to the income and social contribution tax credits for the years ended December 31, 2002 and 2001 is as follows:

	Company		Consolidated	
	2002	2001	2002	2001
Loss before taxes	(128,433)	(88,361)	(115,678)	(78,437)
Official tax rate	34,00%	34,00%	34,00%	34,00%
Charges on income and social contribution	43,667	30,043	39,331	26,669
Equity in results of subsidiaries and affiliates	33,537	(36,057)	(9,235)	(30,579)
Provision/Reversal for losses in subsidiaries, net	11,494	8,107	11,494	11,646
Goodwill amortization	2,797	(1,858)	2,115	(1,877)
Foreing source income	(38,250)	(5,576)	-	(5,576)
Goodwill amortization	32	1,435	32	1,435
Capital Gain (loss)	-	48,067	-	52,462
Temporary differences	-	-	(763)	(7,193)
Permanent differences	(3,238)	-	(3,646)	-
Tax losses not used for recognition of deferred income	-	-	(2,203)	(14,425)
Compensation of taxes losses and prior year negative base	-	-	1,677	2,207
Other	(3,451)	46	(2,160)	(323)
Total Income Tax and Social Contribution	<u>(46,588)</u>	<u>44,207</u>	<u>36,642</u>	<u>34,446</u>
Effective rate of income tax and social contribution	<u>36,27%</u>	<u>50,03%</u>	<u>31,68%</u>	<u>43,91%</u>

17.3. Deferred income tax credits in current and non-current are as follows:

	Company		
	<u>Long-term</u> <u>2002</u>	<u>Short-term</u> <u>2001</u>	<u>Long-term</u> <u>2001</u>
Income and social contribution taxes on temporary differences	51,319	-	36,223
Recoverable income and social contribution taxes on tax losses and negative base	62,247	1,098	33,543
Deferred income tax on accelerated depreciation and other	-	-	(714)
Total	<u><u>113,566</u></u>	<u><u>1,098</u></u>	<u><u>69,052</u></u>

	Consolidated		
	<u>Long-term</u> <u>2002</u>	<u>Short-term</u> <u>2001</u>	<u>Long-term</u> <u>2001</u>
Income and social contribution taxes on temporary differences	51,319	-	36,223
Recoverable income and social contribution taxes on tax losses and negative base	62,247	1,098	34,664
Deferred income tax on accelerated depreciation and other	-	-	(714)
Total	<u><u>113,566</u></u>	<u><u>1,098</u></u>	<u><u>70,173</u></u>

17.4. Deferred income and social contribution tax on tax losses and negative base, in the Company's current and noncurrent 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, according to CVM (Brazilian Securities Commission) Instruction No 371/2002, as follows:

<u>Year</u>	<u>%</u>
2005	6.70
2006	12.60
2007	17.03
2008	23.60
2009	29.72
2010	9.36
2011	0.99
	<u><u>100.00</u></u>

17.5. For certain subsidiaries, management conservatively opted for the non-recognition of income and social contribution tax assets on tax losses and temporary differences.

- 17.6. Income tax recorded in long-term liabilities refers to the tax balance related to revaluations recognized by the Company and in the Consolidated.
- 17.7. As of December 31, 2002, the Company and its subsidiaries had tax losses available for offset against future taxable income in the amount of R\$163,088 (Company) and R\$174,577 (Consolidated).

18. 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 risk, 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 13% 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 28.5% of total loans and financing.

The market value of these operations does not differ substantially from those recorded in the financial statements as of December 31, 2002 and 2001.

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 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, 2002 and 2001.

d) Contingent risks

Contingent risks are evaluated by the administration and their legal counselors according to the hypothesis of exigibility based on the expectancy of success and their effects are recoded in liabilities. Details of these risk are presented in Note 12.

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, 2002 and 2001.

f) Transactions with related

The Company credit with affiliate Abril S.A. is due to the corporate reorganization stated in Note 8.2, not subject to interest.

Except for the loans granted by the company to subsidiary Datalista S.A. to related parties Abril Marcas Ltda. And Usina do Som Ltda and those obtained from subsidiaries Dinap S.A – Distribuidora Nacional de Publicações and the affiliate Lispar Participações S.A., which are not subject to interest, the other related-party loans are subject to market interest rates.

19. “PRO FORMA” STATEMENTS OF INCOME – NOT REVIEWED BY THE INDEPENDENT ACCOUNTANTS

As explained in Note 8,2 the Company, continuing the reorganization process started in 2001, sold certain subsidiaries and related parties to the affiliate Abril S.A. which the objective of allow to better interpret the Company’s business in relation to the same period last year. we are presenting bellow the statement of income “Pro Forma”, on the same basis, with following consolidated companies.

- Abril Investments Corporation
- Abril Jovem Investments Corporation
- Abril Gráfica S.A.
- Datalistas S.A.
- Dinap S.A. – Distribuidora Nacional de Publicações
- Gracia Consultadoria e Investimentos, Lda.
- Lab One Systems S.A.
- Omniger Sociedade Gestora de Participações Sociais Limitada
- S.C.P. – Femininas
- Símbolo Editora e Comunicação Integrada S.A.
- Símbolo Licenciamento e Marcas Ltda.

STATEMENTS OF INCOME FOR THE YEAR ENDED DECEMBER 2002 AND 2001
(In thousands of Brazilian reais)

	<u>2002</u>	<u>2001</u>
GROSS REVENUE FROM SALES AND SERVICES	1,368,381	1,382,461
Revenue deductions	(51,648)	(54,284)
	<u>1,316,733</u>	<u>1,328,177</u>
COST OF PRODUCTS AND SERVICES SOLD	(543,678)	(570,899)
Gross profit	773,055	757,278
OPERATING (EXPENSES) INCOME	<u>(669,500)</u>	<u>(753,768)</u>
Selling expenses	(411,340)	(457,119)
General and administrative expenses	(250,820)	(280,781)
Goodwill amortization	(7,424)	(15,997)
Other, net	84	129
Loss from operations before financial items	<u>103,555</u>	<u>3,510</u>
FINANCIAL EXPENSE, NET		
Income	273,270	168,458
Expenses	(560,597)	(326,768)
Loss from operations	<u>(183,772)</u>	<u>(154,800)</u>
NONOPERATING INCOME (EXPENSES), NET	<u>50,380</u>	<u>(8,703)</u>
Loss before taxes on income	(133,392)	(163,503)
DEFERRED INCOME TAX	<u>44,747</u>	<u>42,732</u>
Loss before minority interest	(88,645)	(120,771)
MINORITY INTEREST	<u>(1,029)</u>	<u>1,606</u>
Net loss "PRO FORMA"	<u>(89,674)</u>	<u>(119,165)</u>

PRO FORMA statements of income conciliation for the statutory income for the year ended December 31, 2002 and 2001, can be present:

	<u>2002</u>	<u>2001</u>
NET LOSS - "PRO FORMA"	(89,674)	(119,165)
Capital Gain	-	140,849
Equity in results of subsidiaries and affiliates		
Abril Coleções Ltda.	(997)	(1,474)
Abril Marcas Ltda.	78	(998)
Abril Music Ltda.	-	15,150
Abril Musicclub Ltda.	(170)	(1,752)
Abril Vídeo da Amazônia S.A.	1,596	3,321
A.R.&T. Ltda.	(4,036)	(3,165)
Editora Caras S.A.	(165)	(91)
Editora Novo Continente S.A.	757	774
JVVA Participações S.A.	11,172	5,718
Lemontree Representação de Assinat. S.A.	(53)	(184)
Lispar Participações S.A.	(16)	(16)
MTV Brasil Ltda.	(329)	2,735
UOL Inc. S.A.	-	(48,710)
Usina do Som Brasil Ltda.	-	4,610
Whitetree Participações S.A.	-	(41,697)
Yellowtree Participações Ltda.	(8)	(59)
NET LOSS - REPORTED	<u>(81,845)</u>	<u>(44,154)</u>

20. GUARANTEES

The Company has provided guarantees and letters of credit on behalf of its subsidiaries and affiliated companies in the amount of R\$14,315.

21. SEGUROS

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 by the administration sufficient to cover the risks involved. As of December 31, 2002, insurance coverage amounted to R\$604,763 (Consolidated).

22. PENSION PLAN

The Company its subsidiaries and affiliates are sponsors of a private 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 employee's length of service, time of contribution to social security, minimum age, and termination of the employment relationship. In 2002, contributions made by the Company and its subsidiaries amounted to R\$3,284 (Company) and R\$3,545 (Consolidated), fully recorded in the sponsors' income. The contribution due by the sponsors is 2.207% in 2002 (3.05% in 2001) on payroll of employees who participate in the plan. The position of the plan as of December 31, 2002 and 2001 is as follows:

	<u>2002</u>	<u>2001</u>
Mathematical reserves	114,782	96,297
Funds	7,862	4,102
Other liabilities	439	10,910
Total liabilities	123,083	111,309
(-) Total assets	<u>(123,083)</u>	<u>(111,309)</u>

23. 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 2002, contributions made by the Company and its subsidiaries amounted to R\$11,106 (Company) and R\$12,617 (Consolidated).

24. FINANCIAL SITUATION

The Company and Consolidated financial statements as of and for the year ended December 31, 2002 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.

Management's plans for business continuity consider improving operating cash generation, including a cost-reduction program; extending short-term loan amortization periods, by continuing its management policy and debt profile changes; realigning its corporate structure and consequent capitalization of the Parent Company; selling its interests in non-strategic assets and discontinuing non-competitive businesses.

Within this context, actions taken also included a plan for outsourcing the call center and the IT infrastructure area, with the main purpose of improving customer service and achieving cost reduction.

In 2002, the amount of R\$14,114 (Parent Company) and R\$14,164 (Consolidated) related to rescission amounts, voluntary indemnities, prior notice, and FGTS (Federally-Managed Severance Pay) arising from reduction of the number of personnel, were recorded as extraordinary expenses in nonoperating expenses. The Company understands that these expenses do not impact its current and future generation of operating cash.

In addition, the Company has loans granted and accounts receivable from related parties, amounting to R\$704,218, classified as noncurrent assets, and their realization is contingent upon to the conclusion of the corporate reorganization. The Company's management does not expect any losses on the realization of such receivables.

25. 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 conform with generally accepted accounting principles in the countries where these financial statements may be used.

BOARD OF ADMINISTRATION

ROBERTO CIVITA

President

GIANCARLO FRANCESCO CIVITA

Board Member

THOMAZ SOUTO CORRÊA NETTO

Board Member

BOARD OF DIRECTORS

MAURIZIO MAURO

Chairman

EMÍLIO HUMBERTO CARAZZAI SOBRINHO

Chief financial officer

JOSE WILSON ARMANI PASCHOAL

Director

DEBORAH PATRÍCIA WRIGHT

Director

VALTER PASQUINI

Director

MANOEL BIZARRIA GUILHERME NETO

Accountant

TC- CRC - 1SP 081.886/O-6

To the Board of Directors of
Editora Abril S.A.
São Paulo – SP

1. We have audited the individual (Company) and consolidated balance sheet of EDITORA ABRIL S.A.(a Brazilian corporation) and subsidiaries as of December 31, 2002, and the related statements of income, changes in stockholders' equity, and changes in financial position for the year then ended, prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.
2. Our audit was 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 audit, 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, 2002, and the results of their operations, the changes in stockholders' equity, and the changes in their financial positions for the year then ended in accordance with accounting practices adopted in Brazil.
4. As mentioned in Note 24, 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 to Note. Additionally, as also mentioned in Note 24, the Company has receivables and loans with related parties in the amount of R\$704,218,000, the realization of which is contingent upon the conclusion of the corporate reorganization, currently in progress.
5. The balance sheet as of December 31, 2001 and the related statements of income, changes in stockholders' equity, and changes in financial position for the year then ended, presented for comparative purposes, were audited by other independent auditors, whose report thereon, dated March 28, 2002, mentioned the Management's plans in connection with the Company's financial position and profitability of operations, as also mentioned in paragraph 4.

São Paulo, March 20, 2003