



3Q05 Results Presentation

Submarino



316% Net Income Growth in the Third Quarter

Outstanding Revenue Growth in 3Q05

- Gross revenues up 71% y-o-y and 63% year to date
- Active customer base grew 54% y-o-y
- Average ticket up 15% y-o-y

Record Net Income in 3Q05

- Net income 3Q05 of R\$ 8.6 million (US\$ 3.7 million) representing 316% growth y-o-y
- EBITDA 9M05 was R\$ 28.3 million (US\$ 11.4 million) representing 75% growth y-o-y

Capacity Expansion for X-Mas

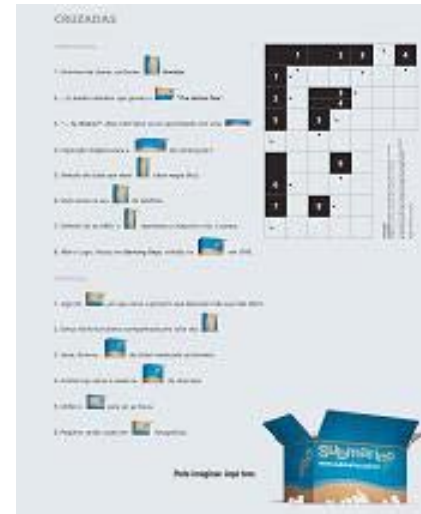
- Expanded our order entry system
- Implementing a new customer relationship program (CRM)
- Warehouse expansion fully consolidated

Growth Initiatives

- Acquisition of Ingresso.com, leading online retailer of entertainment tickets
- Offline marketing campaign yields results
- Perfume category reached break even in three weeks
- Trainee program

Opportunity to Accelerate Growth

- Historical customer acquisition costs significantly lower than marginal contribution from the customer's first order
- Opportunity to accelerate growth thru increased marketing, while still capturing positive contribution from customer's first order
- Can improve productivity of additional spend, but initial results are promising
- Increases in marketing spend will be measured and designed to not sacrifice guidance profitability



Leader in Online Ticket Sales is now a Submarino company

Why we are excited with the acquisition

- Proprietary technology to offer differentiated service to our clients
- Enter a new and attractive market
- Sale synergies
- The Ingresso.com team

Did we Overpay?

- Base price is equivalent to 7.0x projected EBITDA for 2005

Our immediate plans for Ingresso.com

- Cross sale to our customer base
- Offer Submarino CD and DVD assortment to Ingresso.com customers
- Data mining



TABLE DE INDICADORES DE DEPENDÊNCIA

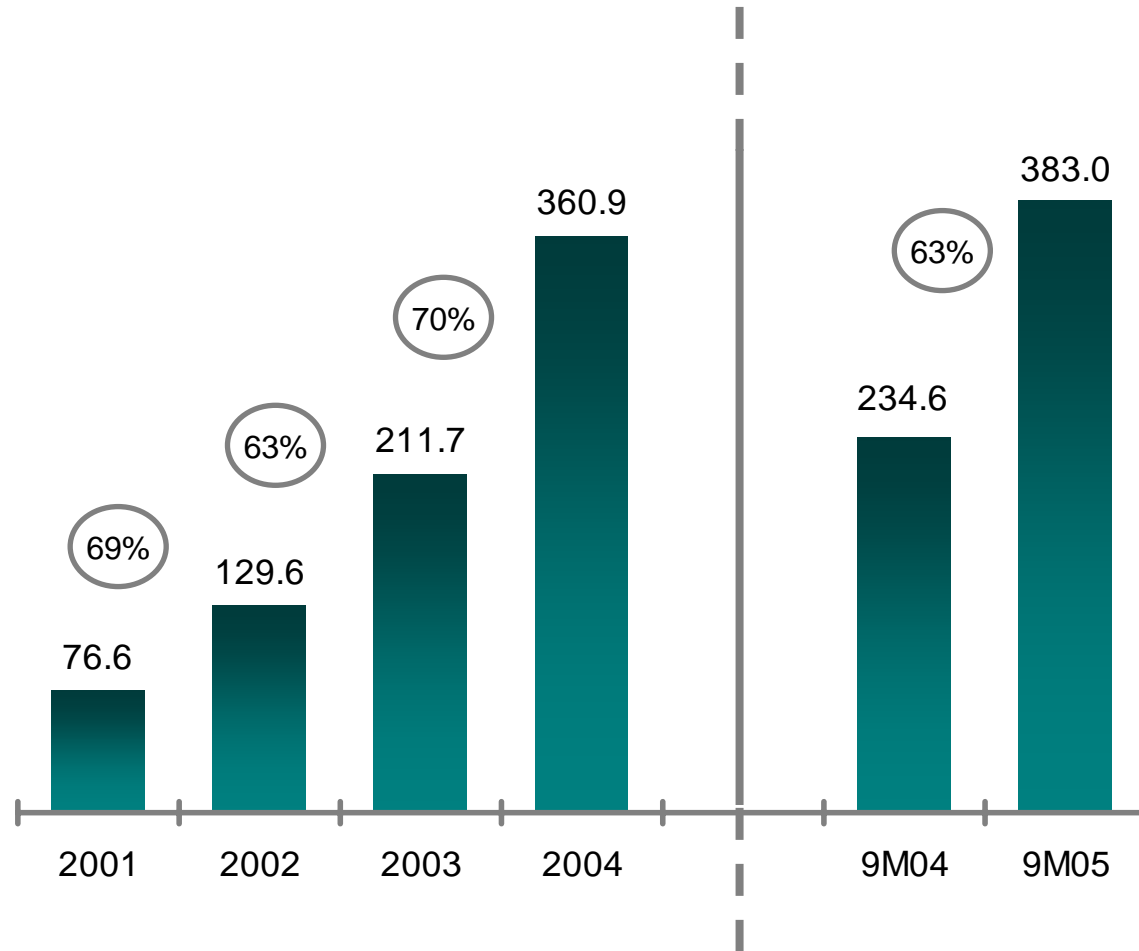
Indicador: Ingresso.com

Setor: Comércio - (9/4/11/2005 - 15/09/05)

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Consistent Growth Trajectory

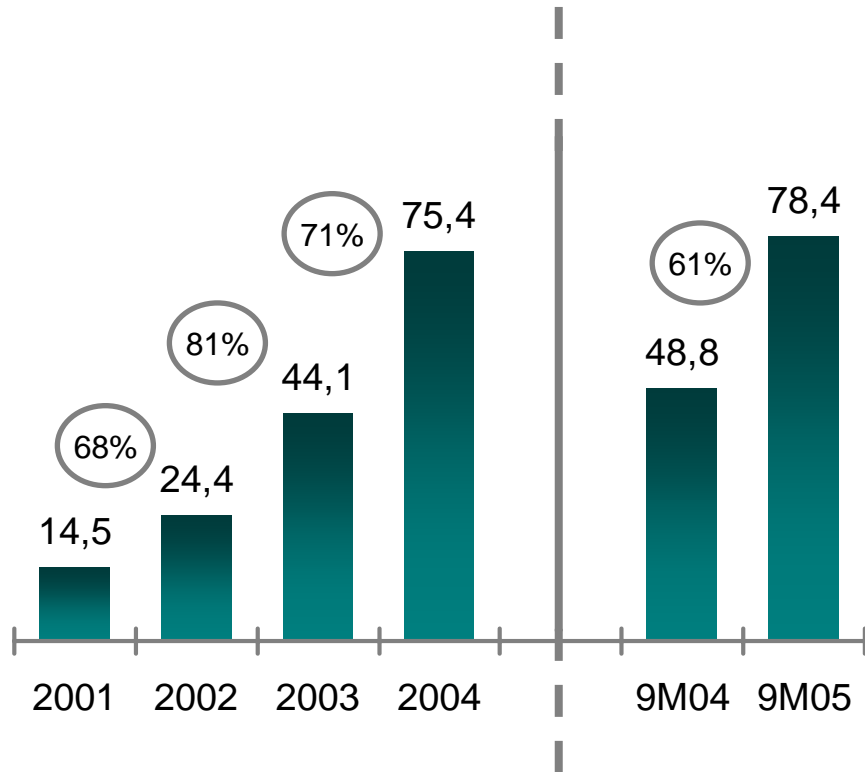
Gross Revenues
(R\$ MM)



○ Y/Y Growth Rate

Continued Improvement on Gross Margins

Gross Margin – R\$ MM



Gross Margin (% of net revs)



○ Y/Y Growth Rate

Operating Expenses – Historical

Selling Expenses / Net Revenues

49.2%

G&A Expenses / Net Revenues

14.0%

21.5%

4.8% ⁽¹⁾

15.4%

3.0%

14.7%

2.8%

2001

2002

2003

2004

First Quarter

Selling Expenses / Net Revenues

14.6%

15.8%

2.4%

12.2%

12.7%

9M04

9M05

■ Gross Marketing Spend (GMS)
■ Selling excluding GMS

G&A Expenses / Net Revenues

3.0%

1.8% ⁽²⁾

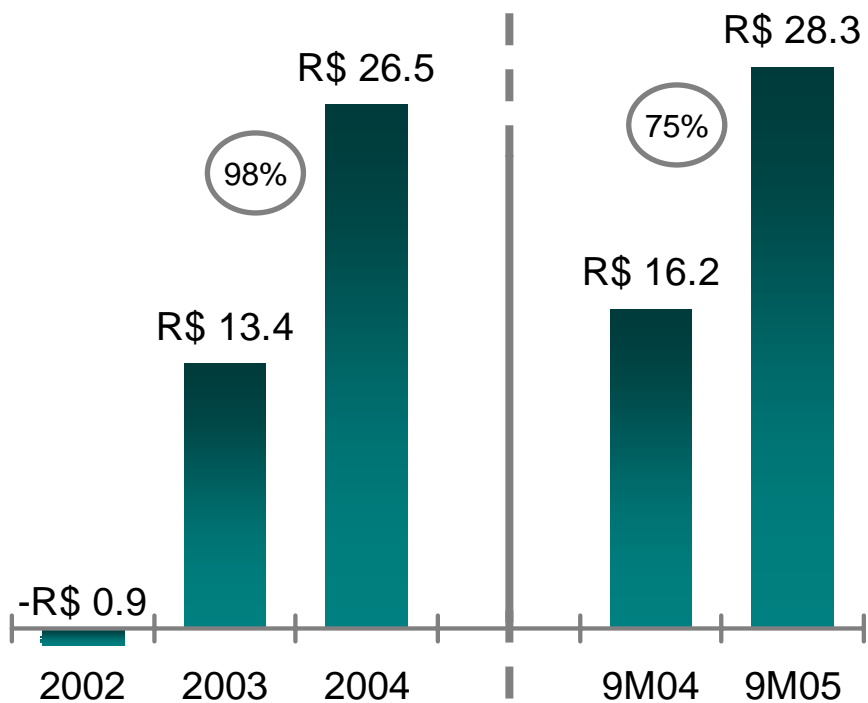
9M04

9M05

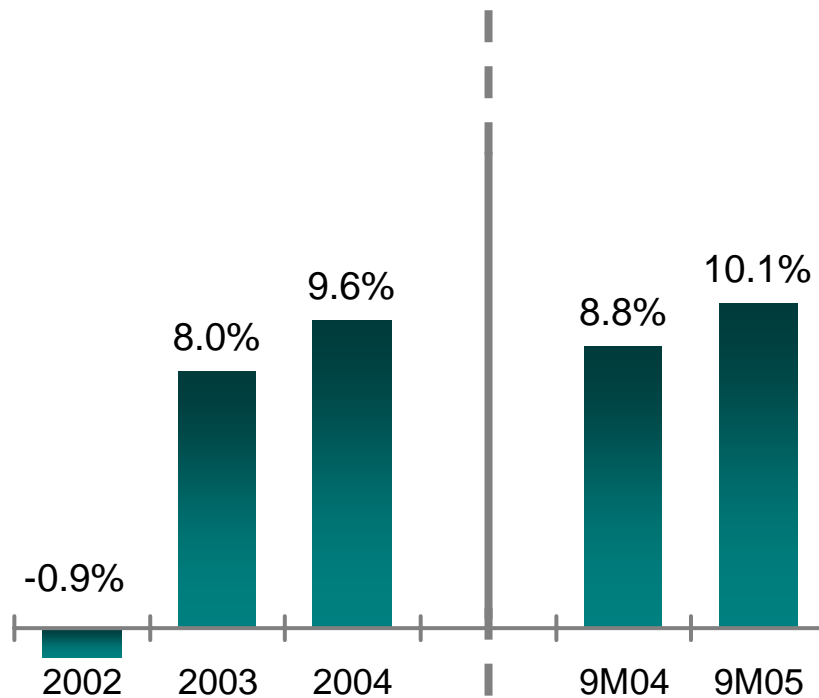
(1) Reported G&A excluding the positive impact of R\$ 1.7 MM due accounting changes.
(2) Excluding extraordinary expenses.

EBITDA Improvements Shows Leverage of our Model

EBITDA – R\$ MM



EBITDA Margin (% of net revs)



○ Y/Y Growth Rate

Balance Sheet

R\$ MM

ASSETS

	<u>30/9/2004</u>	<u>30/9/2005</u>
Current Assets		
Cash and equivalents	0,1	47,7
Account receivables	90,9	161,5
Anticipations	(23,0)	(2,3)
Accounts Receivable Days (Gross)	89	93
Other receivables	0,7	0,2
Inventories	22,8	40,2
Inventory Days	40	43
Prepaid expenses	1,6	0,3
	93,1	247,7
Non-current assets		
Related parties	1,5	-
Deferred charges	0,2	0,2
Other receivables	0,1	0,3
	1,8	0,5
Permanent assets	-	-
Property and equipment	9,3	11,5
Deferred charges	1,0	1,0
	10,3	12,5
Total assets	105,3	260,7

LIABILITIES AND SHAREHOLDERS EQUITY

	<u>30/9/2004</u>	<u>30/9/2005</u>
Current Liabilities		
Suppliers	31,6	60,1
Suppliers Days	55	65
Salaries and social charges payable	4,2	4,9
Taxes payable	1,0	3,3
Loans and financing	38,0	0,2
Taxes and social charges payable in installment:	3,2	-
Accounts payable	3,1	7,0
Other accounts payable	2,8	4,9
	83,9	80,3
Long-term liabilities		
Loans and financing	18,3	0,0
Taxes and social charges payable in installment:	0,4	-
Provision for contingencies	0,3	0,1
	19,0	0,2
Stockholders' equity		
Capital	12,3	180,4
Accumulated deficit	(9,9)	(0,2)
	2,4	180,2
Total liabilities and stockholders' equity	105,3	260,7

Cash Flow Statement

R\$ 000s

	<u>3Q04</u>	<u>3Q05</u>
Net Income (Loss)	2,067	8,606
(+) Depreciation and Amortization	971	978
(+) IPO Commissions	-	-
(+) Financial Result	3,129	(2,578)
(+) Other Adjustments	279	283
(=) Cash Generated Before Changes in Working Capital	6,446	7,289
(+) Changes in Accounts Receivable	(10,325)	(28,410)
(+) Changes in Discounting of Accounts Receivable	3,311	(2,821)
(+) Changes in Inventory	(4,634)	(11,333)
(+) Changes in Suppliers	2,714	17,440
(+) Others	861	343
(=) Net Cash From Operations	(1,627)	(17,492)
(-) CAPEX and Investments	(810)	(2,224)
(=) Free Cash Flow	(2,437)	(19,716)
(=) Adjusted Free Cash Flow⁽¹⁾	(4,938)	(14,671)

(1) Excluding effects of discounting accounts receivables

Excellent Growth and Profitability Prospects

Growth in e-commerce market in Brazil

New categories and continued expansion of e-commerce services

Operating leverage in our model

Guidance	2005		2006 (Preliminary)	
	R\$	% Change	R\$	% Change
Gross Revenue	+/- R\$ 560 – 578 MM	55 – 60%	+/- R\$ 812 – 867 MM	45 – 50%
EBITDA	+/- R\$ 46 – 50 MM	74 – 89%	+/- R\$ 75 – 85 MM	63 – 70%

Business Priorities for 2006

Manage capacity expansion

Improve personalization features

Growth initiatives

Submarino



This presentation contains forward-looking statements relating to the prospects of the business, estimates for operating and financial results, and those related to growth prospects of Submarino. These are merely projections and, as such, are based exclusively on the expectations of Submarino's management concerning the future of the business and its continued access to capital to fund the Company's business plan. Such forward-looking statements depend, substantially, on changes in market conditions, government regulations, competitive pressures, the performance of the Brazilian economy and the industry, among other factors and risks disclosed in Submarino's filed disclosure documents and are, therefore, subject to change without prior notice.