



# Saraiva

Saraiva S.A. Livreiros Editores

Conference Call - 2006 Earnings Release



March 16, 2007

**This presentation contains forward-looking statements. Such information is based on current expectations and goals of Saraiva's management. Words such "anticipate(s)", "desire(s)", "hope(s)", "intend(s)", "plan(s)", "forecast(s)", "project(s)", "aim(s)" and similar expressions, written or spoken, are intended to identify statements that necessarily involve known and unknown risks.**

**Known risks include uncertainties which are not limited to the impact of competition on prices and products, acceptance of products in the market, competitors' behavior, regulatory approval, type and fluctuation of currencies, regularity in the supply of raw material and operation, among others. Saraiva does not undertake any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.**

**Saraiva assumes no responsibility for operations or investment decision in reliance upon the information contained herein.**

## Consolidated Performance

Editora Saraiva

Livraria Saraiva

# Consolidated Performance

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## Highlights

R\$ million	4Q 05	4Q 06	Y.O.Y.(%)	2005	2006	Y.O.Y.(%)
<b>Consolidated Gross Revenues</b>	<b>166.3</b>	<b>190.0</b>	<b>14.2%</b>	<b>505.6</b>	<b>587.3</b>	<b>16.2%</b>
<i>Gross Revenues BooksStores</i>	<i>87.5</i>	<i>101.2</i>	<i>15.7%</i>	<i>281.3</i>	<i>352.2</i>	<i>25.2%</i>
<i>Gross Revenues Publishing House</i>	<i>78.8<sup>(1)</sup></i>	<i>88.8<sup>(1)</sup></i>	<i>12.6%</i>	<i>224.3<sup>(1)</sup></i>	<i>235.1<sup>(1)</sup></i>	<i>4.8%</i>
<b>Net Revenues</b>	<b>155.9</b>	<b>178.5</b>	<b>14.5%</b>	<b>477.2</b>	<b>550.9</b>	<b>15.4%</b>
<b>Gross Margin %</b>	<b>53.1%</b>	<b>47.3%</b>	<b>(5,8)pp</b>	<b>54.6%</b>	<b>51.4%</b>	<b>(3,2)pp</b>
<b>Ajusted EBITDA</b>	<b>33.3<sup>(2)</sup></b>	<b>29.7<sup>(2)</sup></b>	<b>-10.8%</b>	<b>77.4<sup>(2)</sup></b>	<b>77.8<sup>(2)</sup></b>	<b>0.4%</b>
<b>EBITDA Margin %</b>	<b>21.3%</b>	<b>16.6%</b>	<b>(4,4)pp</b>	<b>16.2%</b>	<b>14.1%</b>	<b>(2,1)pp</b>
<b>Net Income</b>	<b>20.2</b>	<b>23.3</b>	<b>15.2%</b>	<b>40.0</b>	<b>46.5<sup>(3)</sup></b>	<b>16.1%</b>
<b>Investment</b>	<b>3.6</b>	<b>3.7</b>	<b>2.4%</b>	<b>8.4</b>	<b>6.6</b>	<b>-21.4%</b>
<b>SGA / Net Revenues %</b>	<b>41.8%</b>	<b>40.8%</b>	<b>(1,0)pp</b>	<b>43.9%</b>	<b>42.3%</b>	<b>(1,6)pp</b>

(1) It excludes sales between companies.

(2) It includes R\$ 0.5 Million of lawyers and audit fees in the share offering process

Adjusted EBITDA: added back "Saraiva Plus" bonus redemptions provisions (R\$ 1.6 million in 2006 and R\$ 1.1 million in 2005) and severance pay with the closing of the printing plant ( 1.9 million in 2006).

(3) R\$ 2.4 million – Commission on Public Offering of Shares

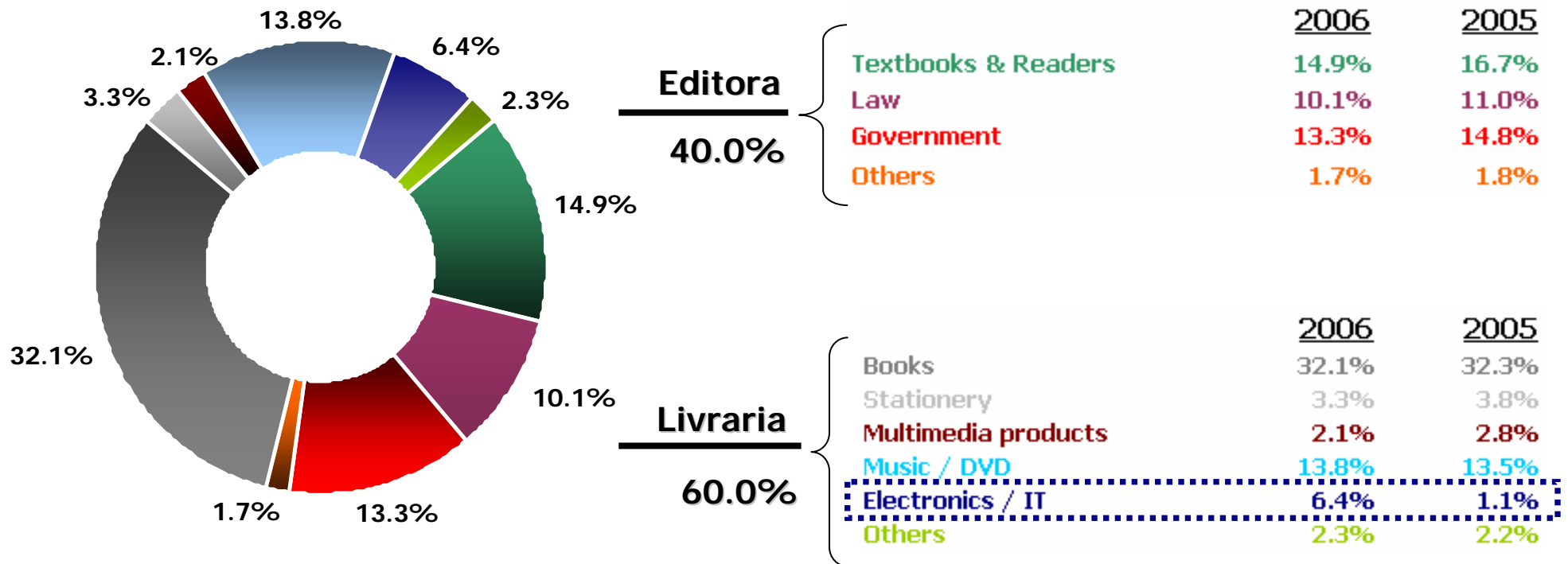
Reconciliation EBITDA - R\$ million	2005	2006	Y.O.Y.(%)
Income from Operations after Net Financial Expenses	61.1	63.8	4.3%
(+) Depreciation and Amortization	10.9	10.0	-7.6%
(+) Net Financial Expense	4.3	0.0	-99.7%
(=) EBITDA	76.3	73.8	-3.3%
(+) Provision for Saraiva Plus Bonus Points Redemption	1.1	1.6	42.1%
(+) Provisions for severance pay	0.0	1.9	0.0%
(+) Expenses with public shares offering	0.0	0.5	0.0%
(=) Adjusted EBITDA <sup>(*)</sup>	77.4	77.8	0.4%

(\*) It includes R\$ 0.5 Million of lawyers and audit fees in the share offering process

Adjusted EBITDA: added back "Saraiva Plus" bonus redemptions provisions (R\$ 1.6 million in 2006 and R\$ 1.1 million in 2005) and severance pay with the closing of the printing plant (1.9 million in 2006).

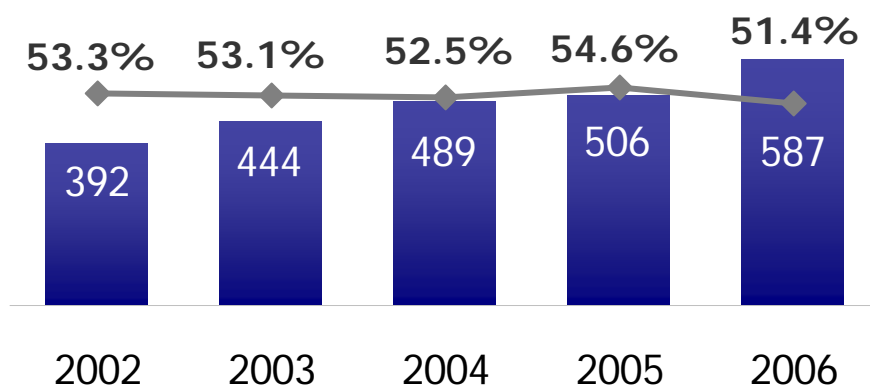
# Consolidated Performance

## Sales Mix – 2006

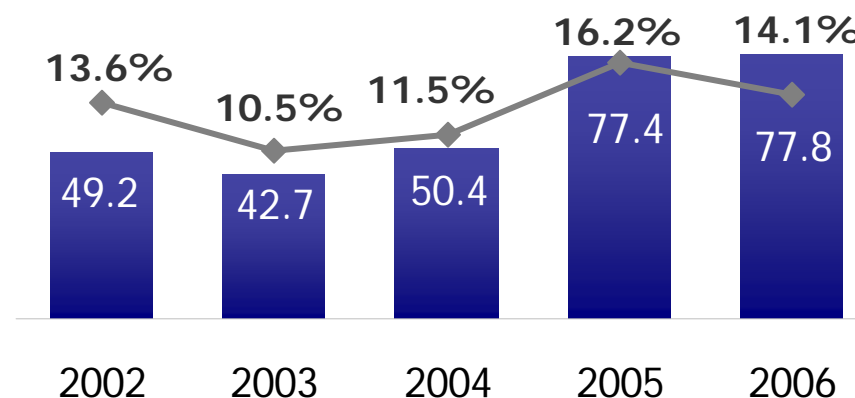


# Consolidated Performance

## Gross Revenues (R\$ Million) and Gross Margin (%)



## EBITDA (R\$ Million) and EBITDA Margin (%)

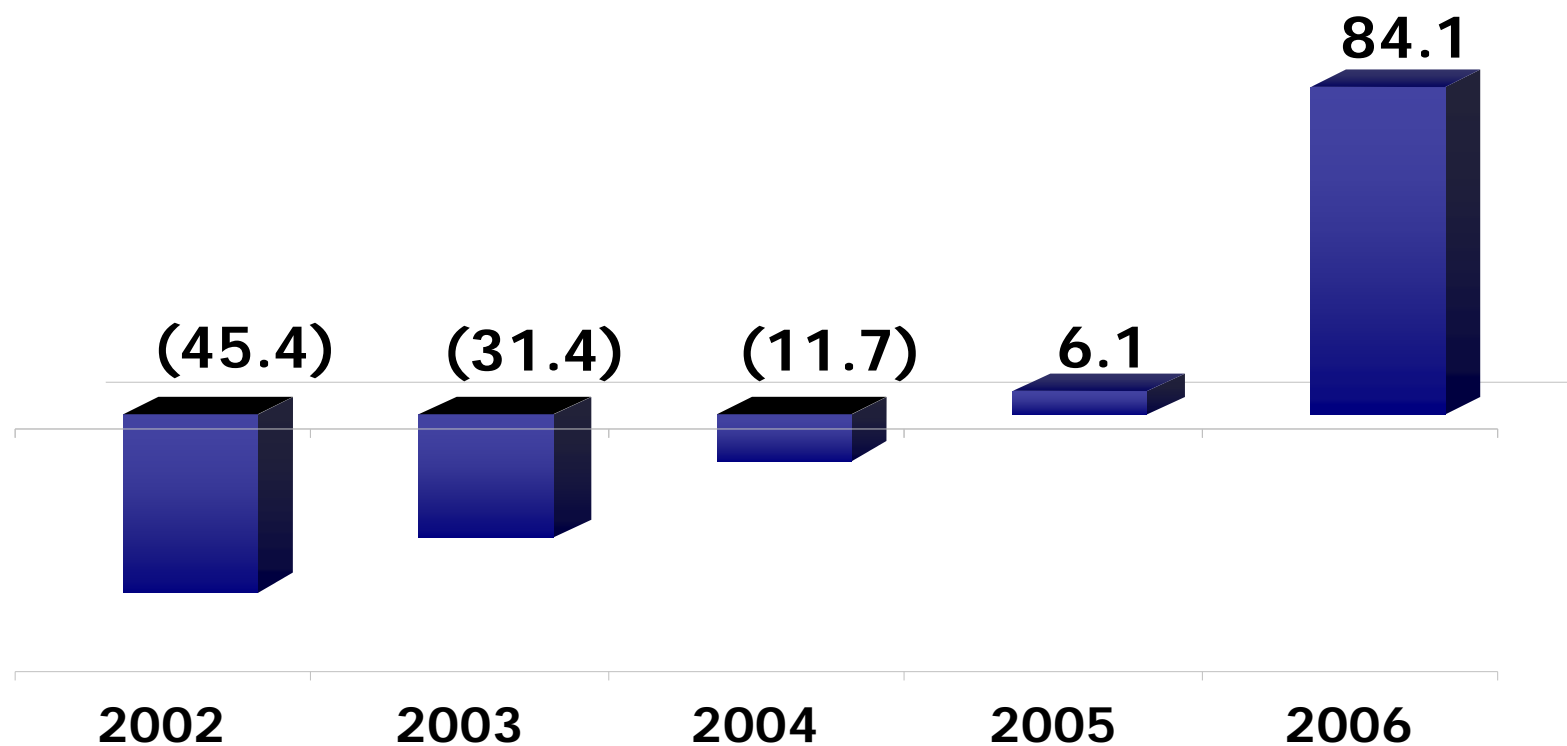


Adjusted EBITDA: added back "Saraiva Plus" bonus redemptions provisions (R\$ 1.6 million in 2006 and R\$ 1.1 million in 2005) and severance pay with the closing of the printing plant ( 1.9 million in 2006).

Gross Revenues R\$ million	2004	%	2005	%	2006	%
Editora	227.2	46.5%	224.3	44.4%	235.1	40.0%
Livraria	261.9	53.5%	281.3	55.6%	352.2	60.0%

## Net Cash Position <sup>(1)</sup>

(R\$ Million)



(1) Net Cash Position = Cash & Banks – Loans and financing

Capital Raise April/2006 = R\$ 63.6 MM

Consolidated Performance

## **Editora Saraiva**

Livraria Saraiva

## Highlights

R\$ million	2005	2006	Y.O.Y.(%)
Gross Revenues	233.5	247.8	6.1%
<i>Private Market</i>	158.5	169.5	7.0%
<i>Government<sup>(*)</sup></i>	75.0	78.3	4.3%
Net Revenues	233.3	247.5	6.1%
Gross Margin %	69.3%	67.8%	(1,5)pp
Ajusted EBITDA	60.4	57.2 <sup>(1)</sup>	-5.2%
EBITDA Margin %	25.9%	23.1%	(2,8)pp
Net Income	40.0	46.5 <sup>(2)</sup>	16.1%
Investment	3.1	1.5	-51.6%
SGA / Net Revenues %	49.2%	49.4%	0,2pp

Government Sales <sup>(*)</sup>	75.0	78.3	4.3%
PNLD	38.9	45.2	16.2%
PNLEM	36.1	25.7	-28.7%
PNLEM MG "Programa Livro na Escola"	-	7.3 <sup>(3)</sup>	-

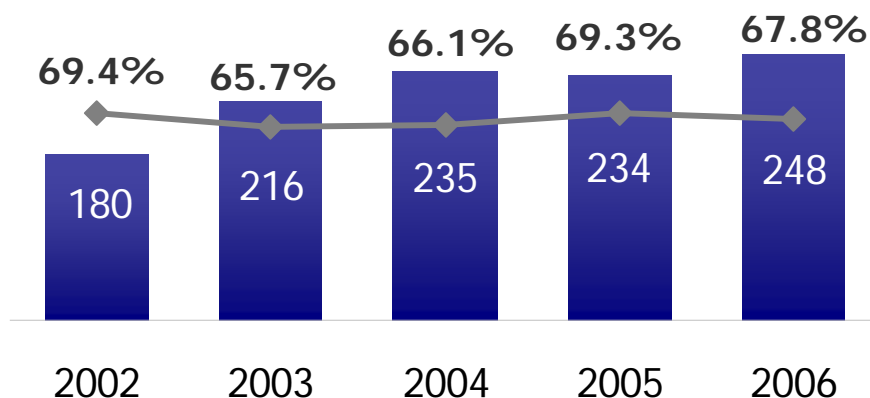
(1) It includes R\$ 0.5 Million of lawyers and audit fees in the share offering process

Adjusted EBITDA: added back provisions for severance pay with the closing of the printing plant ( 1.9 million in 2006).

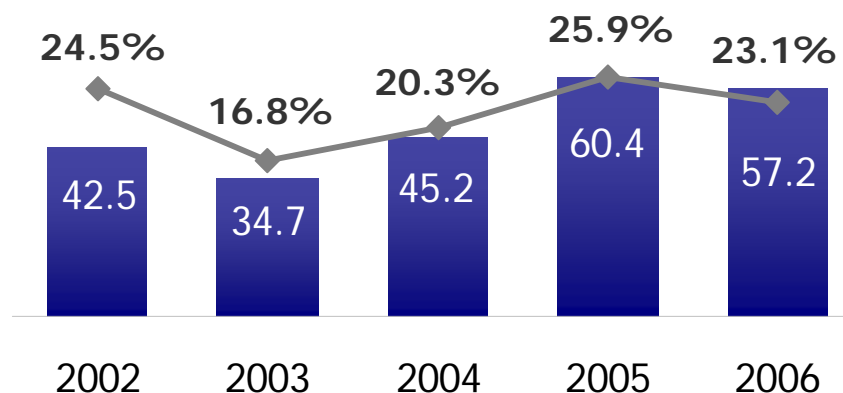
(2) R\$ 2.4 million – Commission on Public Offering of Shares

(3) PNLEM MG (Book in School Program) – Purchasing of physics and biology books for public school students in the State of Minas Gerais

## Gross Revenues (R\$ Million) and Gross Margin (%)



## EBITDA (R\$ Million) and EBITDA Margin (%)



Adjusted EBITDA: extraordinary expenses with provisions for severance pay with the closing of the printing plant ( 1.9 million in 2006).

Gross Revenues R\$ million	2002	2003	2004	2005	2006
Private Market	134.6	153.8	148.8	158.5	169.5
Government	45.4	62.3	86.7	75.0	78.3

Consolidated Performance

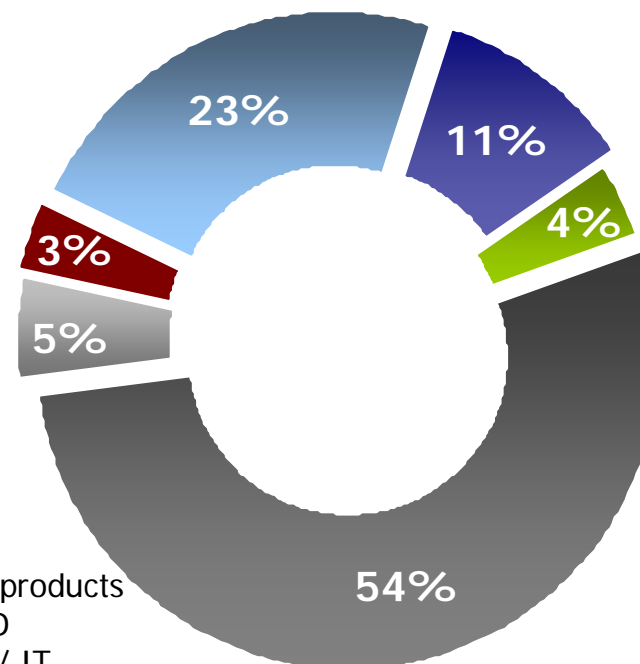
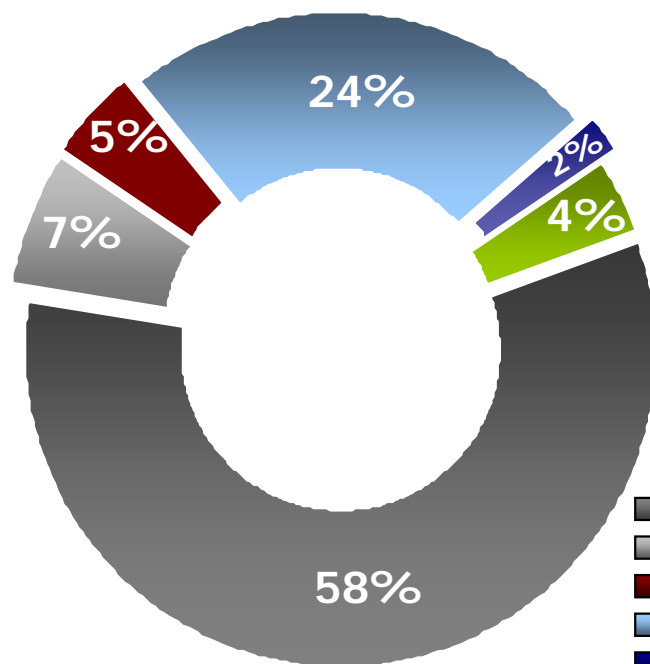
Editora Saraiva







**Livraria Saraiva**

# Livraria Saraiva – Evolution of Revenues

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R\$ million	4Q 05	4Q 06	Y.O.Y.(%)	2005	2006	Y.O.Y.(%)
Gross Revenues	87.5	101.2	15.7%	281.3	352.2	25.2%
Comparable Sales (Physical Stores + Saraiva.com)	86.4	99.9	15.6%	278.9	337.8	21.1%
Saraiva.com	18.7	25.9	39.0%	63.8	97.3	52.5%
Physical Stores	68.8	75.3	9.4%	217.5	254.9	17.2%
Same Store Sales (Physical Stores)	67.7	73.9	9.2%	215.1	240.5	11.8%

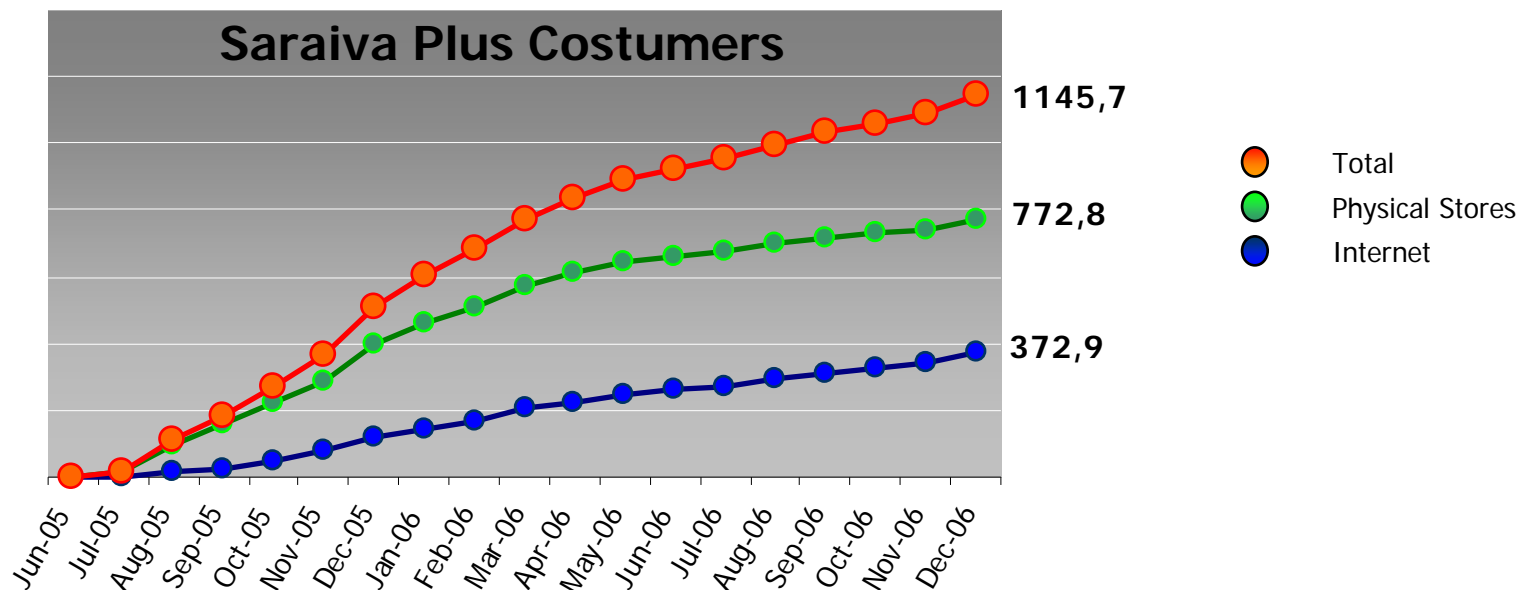


-  Books
-  Stationery
-  Multimedia products
-  Music / DVD
-  Electronics / IT
-  Others

## Highlights

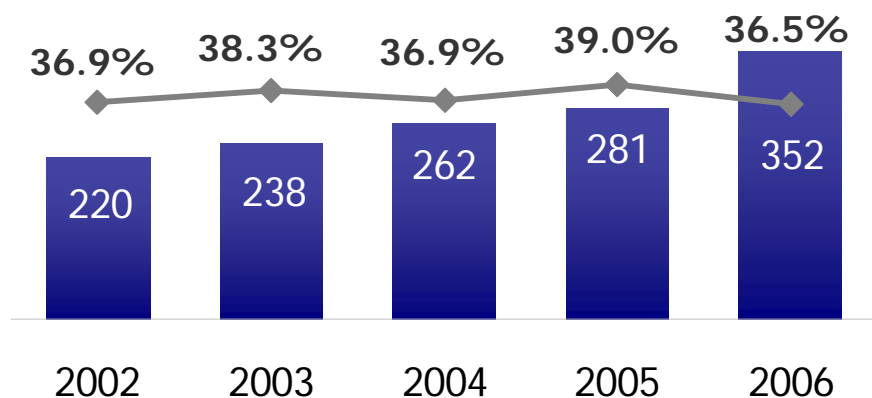
R\$ million	2005	2006	Y.O.Y.(%)
Gross Revenues	281.3	352.2	25.2%
Net Revenues	253.1	316.1	24.9%
Gross Margin %	39.0%	36.5%	(2,5)pp
Ajusted EBITDA <sup>(*)</sup>	17.1	20.6	20.3%
EBITDA Margin %	6.8%	6.5%	(0,3)pp
Net Income	6.1	6.7	9.7%
Investment	5.3	5.1	-3.8%
SGA / Net Revenues %	35.0%	32.8%	(2,2)pp
Working Capital	26.6	48.3	81.6%
Average Working Capital/Gross Revenues %	9.5%	13.7%	4,2pp

(\*) Adjusted EBITDA: added back provision for redemption of bonus of "Saraiva Plus" (R\$ 1.6MM in 2006 and R\$ 1.1MM in 2005).

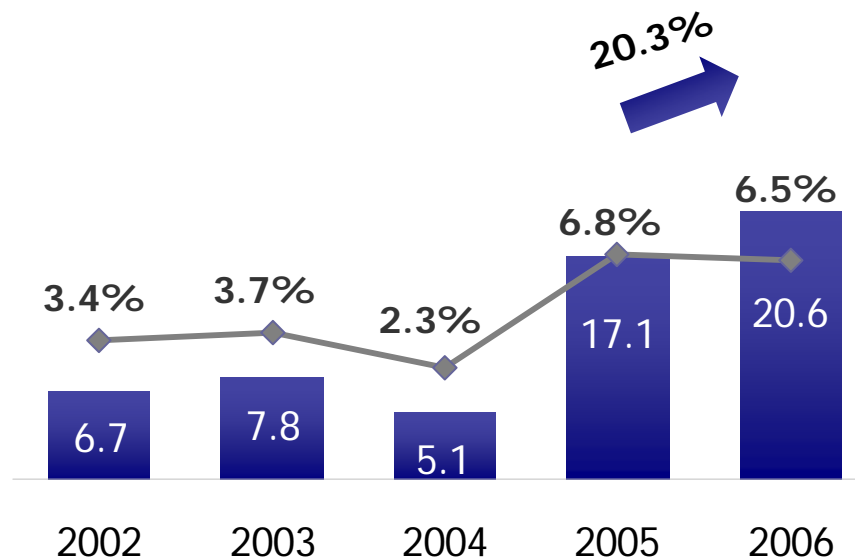


Reconciliation EBITDA - R\$ million	2005	2006	Y.O.Y.(%)
Income from Operations after Net Financial Expenses	10.2	11.7	14.7%
(+) Depreciation and Amortization	4.9	5.0	1.7%
(+) Net Financial Expense	0.9	2.3	160.5%
(=) EBITDA	16.0	19.0	18.8%
(+) Provision for Saraiva Plus Bonus Points Redemption	1.1	1.6	42.1%
(=) Adjusted EBITDA	17.1	20.6	20.3%

## Gross Revenues (R\$ Million) and Gross Margin (%)



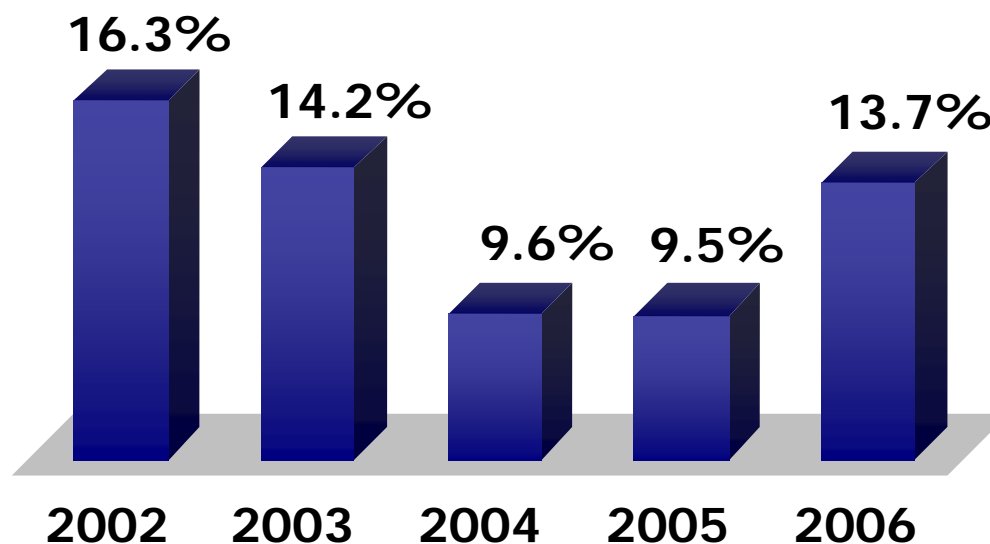
## EBITDA (R\$ Million) and EBITDA Margin (%)



(\*) Adjusted EBITDA: added back provision for redemption of bonus of "Saraiva Plus" (R\$ 1.6MM in 2006 and R\$ 1.1MM in 2005).

R\$ million	2005	Turnover	2006	Turnover	Y.O.Y.(%)
Inventories	34.3	80	43.7	78	27.4%
Costumers	21.2	27	44.6	46	110.5%
Suppliers	28.9	65	40.0	62	38.4%
Working Capital	26.6	42	48.3	62	81.6%

Working Capital <sup>(1)</sup> / Gross Revenues <sup>(2)</sup> (%)

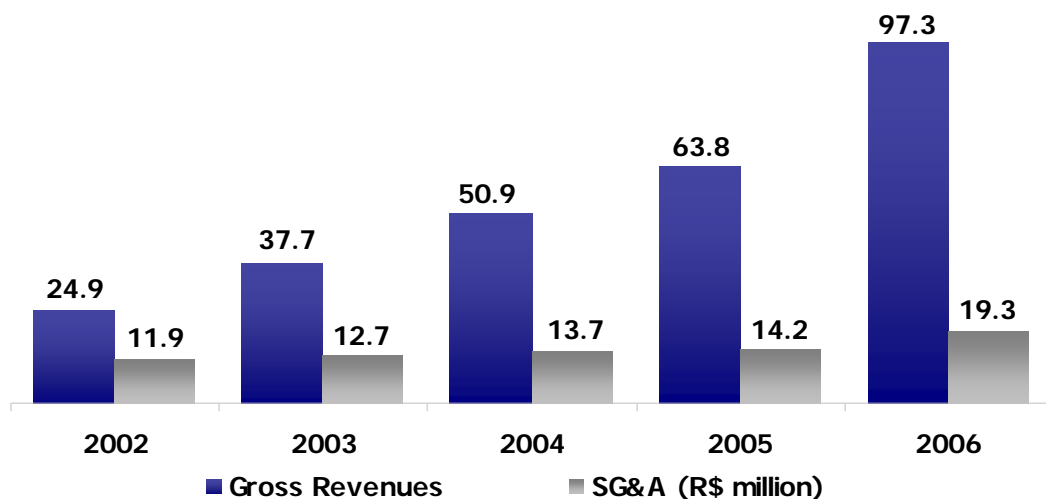


<sup>(1)</sup> Inventory + Costumers – Suppliers (average last 12 months)

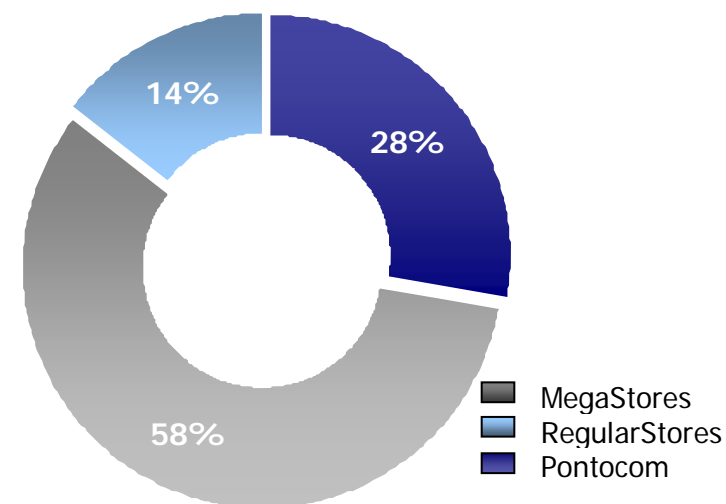
<sup>(2)</sup> Gross Revenues last 12 months

## Highlights

R\$ million	4Q 05	4Q 06	Y.O.Y.(%)	2005	2006	Y.O.Y.(%)
Gross Revenues	18.7	25.9	39.0%	63.8	97.3	52.5%
Net Revenues	16.7	22.5	35.2%	58.5	86.9	48.4%
Ajusted EBITDA	2.3	2.0	-16.0%	8.8 <sup>(1)</sup>	10.9 <sup>(1)</sup>	24.1%
Active Customers (000)	851	941	10.5%	851 <sup>(2)</sup>	941 <sup>(2)</sup>	10.5%
% of Gross Revenues - Livraria	21.3%	25.6%	4,3pp	22.7%	27.6%	4,9pp
Average Ticket (R\$)	81.8	112.2	37.2%	81.0	111.9	38.1%



% Participation on the Gross Sales



<sup>(1)</sup> Ajusted EBITDA: Does not include provision for redemption of bonus from the "Saraiva Plus program" (R\$ 256K in 2006 and R\$ 252K in 2005), which does not represent cash outflow.

<sup>(2)</sup> Active Customers : clients who have bought at least once a year in the last two years.

## Brasil: Growing investments in education

- ✓ **PNLEM Program for purchase of high school books <sup>(1)</sup>:**
  - **PNLEM 2007:** 27% market share (biology)
  - **PNLEM 2008 :** history and chemistry \*
    - Purchase potential 14.4 MM exemplars
    - Average price per exemplar: R\$ 11,00
    - Saraiva's estimate: 10% market share \*
  - **PNLEM 2009 :** physics, geography, portuguese, mathematics and biology
    - Purchase potential 36.0 MM exemplars
    - Average price per exemplar: R\$11,00
    - Saraiva's estimate: 20% market share

(1) This cycle is still subject to budget approvals

(\*) Saraiva does not have approved titles in chemistry to supply in this purchase cycle.

## Brasil: Growing investments in education

- ✓ **PNLD 2007: Complete purchase of 1st to 4th grade of elementary school**
- ✓ Saraiva: 8.4% market share
  - Hiring of new executives
  - Market repositioning
- ✓ **PNLD 2008: Purchases for the 2008 school year, contracted in 2007:**
  - New option for students enrolled in public schools in the 5th-8th grades
  - Market Potential: 60.7MM exemplars
  - Average price per exemplar: R\$ 4.50
  - Saraiva: Catalog well positioned, market share estimated in 15-17%
- ✓ **Technical and financial capacity for new investments (aquisitions)**
- ✓ **Renewal of its publisher catalog and exploring of new market niches**

## Organic growth speeding up:

- ✓ **New product categories : imported books, information technology, electronic goods...**
- ✓ **Expansion plan (\*): 11 new stores till December 2008.**
  - Norte Shopping (RJ) – January 2007 – 620m<sup>2</sup>
  - IBMEC (RJ) – February 2007 – 127m<sup>2</sup>
  - Shopping Iguatemi Florianópolis (SC) – March 2007 – 690m<sup>2</sup>
  - Shopping Salvador Salvador (BA) - April/May 2007 – 1.350m<sup>2</sup> (\*)
  - São Paulo Intersate (SP) – May 2007 – 400m<sup>2</sup> (\*)
- ✓ **Partnership with *Starbucks* brand in Morumbi Shopping mall, in São Paulo.**
- ✓ **Saraiva.com: strong growth.**

(\*) Subject to changes

INDICATORS	2006	2005	Y.O.Y.(%)
Number of Trades (1)	28,164	1,724	1533.6%
Participation in Trading Sessions - % (1)	100.0	76.7	23,3 p.p.
Quantity Traded - thousand shares (1)	20,314	4,957	309.8%
Volume Traded - R\$ 000 (1)	410,861	63,289	549.2%
Share Price - R\$ (1) (2)	23.90	17.20	39.0%
Total Shares Outstanding - 000 (2) (3)	28,230	22,937	23.1%
<b>Market Cap - R\$ million (2)</b>	<b>674.7</b>	<b>394.5</b>	<b>71.0%</b>

Source: Bovespa

(1) Referring to preferred shares (SLED4)

(2) At end of year

(3) The EGM of January 6 2006 announced a stock dividend of 2,326,920 preferred shares. In April/06 the Company issued 3,000,000 preferred shares.

- **ITAG** – Special Tag Along Stock Index
- **IGC** – Special Corporate Governance Stock Index
- **IBrX** – Brazil Index September/2006 – (100 stocks selected among BOVESPA's most traded shares)

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