Operator:

Good morning or good afternoon, ladies and gentlemen, and thank you for waiting. At this time, we would like to welcome everyone to Lojas Renner 1Q06 earnings conference call.

We would like to inform you that a presentation is available to download at the company's website www.lojasrenner.com.br – at the investors section.

Also, this event is being recorded and all participants will be on a listen-only mode during the company's presentation. After the company's remarks are completed, there will be a question and answer session. At that time further instructions will be given. Should any participant need assistance during this call, please press *0 to reach the operator.

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of Lojas Renner management, and on information currently available to the company. They involve risks, uncertainties and assumptions because they relate to future events, and, therefore, depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Lojas Renner and could cause results to differ materially from those expressed in such forward-looking statements.

Now I would like to turn the conference over to Ms. Paula Picinini, Investor Relations Manager at Renner. Ms. Picinini, you may begin your conference.

Paula Picinini:

OK, thank you. Hello. Firstly, I would like to thank all shareholders and investors who are attending this conference call, in which we will be commenting on our results for the 1Q06. I am Paula Picinini, Investor Relations Manager, and here with me I have our CFO and IR Officer José Carlos Hruby, and Gildo Melo da Silva, our Controller.

Before we move on, I should remind you that retail sales volume is traditionally at its lowest in the 1Q. There are many reasons for this seasonal behavior, such as summer vacations, beginning-of-year tax payments and school enrollment fees. In addition, in the first three months, many consumers are concentrating on clearing their festive-period debts.

More specifically in the retail apparel business, the quarter is an extremely important one, as it marks the replacement of the spring and summer collection, the final-quarter sales leader, with the sales appearance of the fall and winter collection. Sales of these lines peak in the 2Q, thanks to the recovery of family earnings and the occurrence of some important commemorative dates, such as Mothers' Day and St. Valentine's Day and, in this year specifically, Easter.

The summer was good for Renner, following the expected pattern for this time of the year. High average temperatures favored sales of our spring-and-summer items.

We also maintained our strategy of launching fortnightly mini-collections, accompanied by special offers, to meet specific demand. This has been highly successful in rekindling the interest of customers and persuading them to make more frequent visits to our stores, thereby boosting sales.

As for 2006, we have some good news, like the adoption of a different product mix for each region of the country, in line with their respective climates and customer preferences. We also made our first inroads into the Northeast market, where we opened two stores. I will talk about this in more detail later on.

Now, let's move on and comment on the main details of the material we have made available on our website.

On page 3, we mention the Annual General Shareholders' Meeting, held on last March 21st. The presence of 27.2% of shareholders allowed us to hold our first GSM as a corporation, following the first call, which pleased us enormously.

The agenda comprised typical GSM topics as approval of the 2005 financial statements, allocation of net income and dividend payments.

In addition, the five sitting members of the Board of Directors – Francisco Gros, Chairman; Egon Handel, Vice-Chairman; plus José Galló, José Luiz Osório and Glória Kalil – were all re-elected. Miguel Krigsner, founder and current Chairman of O Boticário, was also elected a member.

The meeting installed the Fiscal Council. On the same day, the Board re-elected the members of the Remuneration Committee, Francisco Gros, Egon Handel and José Luiz Osório.

Now let's move straight on to our corporate figures, beginning on page 4. Here we can see our 1Q net revenues, which totaled R$ 251 million, 26.8% up year-on-year, or 22% up in same-store sales. Next, on the right, you can see the net sales per m^2, which also increased substantially, rising from R$ 1,400 in the first three months of 2005, to R$ 1,700, an increase of 21.4%.

On the next page, on the right, you can see that we closed the quarter with 68 stores, totaling 154,700 m^2, 8.1% more than at the end of March 2005.

On the left, we have drawn attention to our first move into the Northeast region. In March, we opened two new stores in the state of Perambuco – one in the Shopping Guararapes mall in Jaboatão dos Guararapes and the other on Rua Imperatriz in Recife.

In the 2Q we expect to open another four stores: one in Jundiaí, in the state of São Paulo; one in Curitiba, in the state of Paraná; and two in Fortaleza, in the state of Ceará.

All in all, therefore, we will finish the 1H with 72 stores.

On page 6, you can see our Gross Profit and Gross Margin. Our 1Q Gross Profit totaled R$ 117.4 million, 46.8% over period net revenues. Unfortunately, we cannot make a fair comparison of gross margin with the two previous years due to the partial reversal of provisions for inventory losses, which we undertake on a monthly basis.

Selling Expenses, shown on page 7, totaled R$ 72.7 million, corresponding to 29% of net revenues. The reduction in this ratio over the two previous years, was the result of the company's permanent efforts to dilute and reduce costs.

On the right side we have our General and Administrative Expenses, which stood at R$ 25.7 million, 38.5% up year-on-year. This increase outpaced the upturn in net revenues, chiefly due to the company's current status. We still need to restructure some of the support areas and we are incurring additional expenses due to the new model of corporate governance and our efforts to register and activate new Renner Cards.

Also, in this quarter we had to complement provisions for expenses from the 2005 employees' profit sharing program.

On page 8, you can see other Net Operating Revenues, which stood at R$ 11.3 million, equivalent to 4.5% of net revenues, versus R$ 7.4 million in the first quarter of 2005. In the chart there is a breakdown of these operating revenues.

Page 9 shows quarterly EBITDA of R$ 27.6 million, 25.8% up year-on-year. This represented 11% over net revenues, very close to the 1Q05 ratio of 11.1%.

On page 10, we have our Financial Result, which was positive by R$ 1.7 million, reversing the negative result of the two previous years thanks to the alteration in our Capital Structure following the IPO.

At the bottom of the page, you can see that our Net Cash and Cash Equivalents totaled R$ 75.3 million at the close of the quarter.

Net Income, on slide #11 amounted to R$ 13.5 million for the quarter, equivalent to Net Margin of 5.4%, versus 1.3% in the first quarter of 2005.

CAPEX, on the next slide, stood at R$ 16.8 million and you can see a breakdown of this figure below: R$ 9.9 million went to new stores, R$ 3.1 million to remodeling of existing stores and R$ 3.6 million to technological systems and equipment.

Page 13 shows our balance sheet. I would like to draw your attention to the fact that the biggest asset item is Trade Accounts Receivable, totaling to R$ 305 million, essentially corresponding to amounts due from sales in up to 5 installments. Inventories, at R$ 122 million is another important item. If we look at the R$ 152.2 million booked under Suppliers in Liabilities, it is clear that suppliers are continuing to finance our Inventories. Shareholders' Equity stood at R$ 531 million, representing 60% of our capital resources.

The next page deals with the Renner Cards. As you can see, we closed the quarter with 8.9 million cards, 1.1 million more than at the end of March 2005, with a growth of 14.8%.

On the bottom left, you can see our average first-quarter ticket, which came to R$ 89.66 million, 7.6% up year-on-year.

The graph at the top right shows our sales breakdown. Note the 7.2% share of the 0+8 installment plan while sales in the 0+5 installment category accounted for 63.3% of the total. At the bottom you can see the same breakdown for the 1Q05.

Page 15 shows our workforce numbers. We closed the quarter with 6,443 employees, more than at the end of March 2005. The increase was due to employees from 10 new stores, six of which opened in the intervening period, and a bigger support area.

For the next two pages we are getting to comment on the start-up of our financial services, through which we are offering Personal Loans to Renner card holders. We also began selling Capitalization Plans, which are savings certificates with lottery features.

Finally, on page 18 you can see our expansion plan for the 2H, when we will open another six new stores. The locations of four of these are confirmed: one in the Shopping Recife mall, in Recife, State of Pernambuco; two in the city of Rio de Janeiro, one in the Shopping Tijuca mall and the other in Shopping Leblon; and one in the Shopping Jardim Sul mall in the city of São Paulo.

For the other two units left for completing the 6 units, we are currently negotiating with the developers. This will give us 12 stores for the year and we will close 2006 with 78 units.

That brings our comments to a close and we are now at your disposal to answer any questions you may have.

Thank you all very much.

Operator:

Ladies and Gentleman, we will now initiate the Q&A section. If you would like to ask a question, please dial *1. If at any point your question has been answered, you may remove your question from the queue by pressing the # key.

Robert Ford, Merrill Lynch:

Good afternoon, everybody, good afternoon, Paula; Hruby. I have a question with respect to some of the… Just a one-time charges, can you amount for me in terms of pre-operating expenses, the shrinkage adjustment, the liquidation charge for the cell phone business, you mentioned some employee profit sharing reserves, and I am trying to understand if there were any other items there. And I would also like to know what you expect for the remainder of the year in terms of perhaps one-time expenses or some heavier pre-operating expenses.

Paula Picinini:

About the reversal provision for the shrinks, we had in the last two years and the 1Q a provision that was positive, and this year we had a negative effect which made this difference, and basically it affected 1% of our margin in the last year, that is why we have this decrease. The cell phones, we actually had some special prices to liquidate and to phase-out this, and do you have any other complementary information about cell phones to give them? No, it is basically that, Robert.

Robert Ford:

OK. Paula, was there anything else that was one-time natured, you mentioned some heavier employee profit sharing reserves and…

Paula Picinini:

Yes, the profit sharing in this quarter, specifically, we had to make a complement, and it was about R$ 1 million.

Robert Ford:

What can we expect on an on-going basis in terms of that line item? But this is a R$ 1 million in excess contribution, is that correct?

Paula Picinini:

Yes, correct. And for the future... Just one second. It is a non-recurring fact.

Robert Ford:

OK, so we are not recurring to about R$ 1 million. And then pre-operating expenses for the quarter, and what do you expect for the remainder of the year in terms of that item as well?

Paula Picinini:

In this 1Q it was something like R$ 2 million, the pre-operating represented R$ 2 million, and for the next quarter we can… Just one second. For the next quarters we are continuing to having some pre-operational costs regarding the fact that we are going to inaugurate another 6 stores in the 2H.

Robert Ford:

Do you have an idea of what to expect in terms of the expenses with that, Paula, is it because 4 in the 2Q, should we expect R$ 4 million, or is it…?

Paula Picinini:

No, no, because these R$ 2 million, we some amounts related to the two inaugurations that we have already done, and also we have some costs related to the other four stores that we are going to inaugurate in the 2Q. So, these R$ 2 million are not just connected to the two inaugurations, they are connected to the six inaugurations that we have in this 1H.

Robert Ford:

OK. Was there anything else that was non-recurring in nature or unusual in terms of charges, whether it was last year in 1Q or this year in the 1Q, just to better understand what the kind of normalized changes were?

Paula Picinini:

No, we do not have any other non-recurring facts.

Robert Ford:

OK, great. And then, when it comes to your efforts to acquire new cards and to activate existing cards, am I correct in understanding that there was some additional expenses in those areas too?

Paula Picinini:

Yes, yes. Actually, we had some additional expenses in this quarter, they represented R$ 1.5 million in our General and Administrative expenses.

Robert Ford:

Great. And can you tell me a little bit about how the activation is going in terms of reactivating existing cards, and where your active card base is year-on-year?

Paula Picinini:

Yes. Actually, we have a percentage that is around 40% the cards that are active. We started during this year stronger efforts to activate more cards, and this basically direct mail that we send to the clients, we some statistic that shows us that it is very positive to have this kind of effort, we believe that we are going to continue with this during the year, basically as we have said, we are doing some specific efforts to acquire new clients mainly in the places or in the areas where we are going to inaugurate new stores. At least 60 days before the inauguration we put a tent in the shopping malls for the application of new forms and we also do some advertising in the stores, when the client goes to the check-out the first option that we offer them is to pay in 8 installments, and also our salespeople are concentrated in offering more products to the clients in order to make them use the 8-installment plan.

Robert Ford:

OK, great, thank you. And if you could talk a little about how the new financial services are going, I know you are just launching your personal loans, capitalization bonds, I would expect that once you launch in terms of insurance possibly other products. But can you give us a sense of how your initial products are proceeding, and what kind of expectations should we be shaping with respect to the potential contribution of these services overtime?

Paula Picinini:

Actually it is a little bit early for us to give you guidance about this because we started offering these products in April 3rd, personal loans we sent direct mail for the clients, and it is just after a week of tests here in the South, today we have 20, 23 stores where we are offering these products, and we believe that in the next two months we are going to have the financial services being offered in all the stores of the chain.

So, it is early, we had three holidays in this period, we started in the beginning of April, actually we have less than one month of operations, it is early to say how, or to give you a guidance of the performance or better, the projections that we can imagine we can have, or the gains that we can have with this operation. But the first impression is that the clients are accepting well, they are coming to activate their personal loans; we believe that it will be a good business, but it is early to give you a guidance in terms of projections and possible results for the future.

Robert Ford:

Paula, those 23 stores, what percentage of the card base is associated with those stores, qualified or …

Paula Picinini:

OK, I do not know if we have this information available right now, just one second. We have to check, Robert, I do not have this information right now.

Robert Ford:

OK. And Paula, can you give me a sense of what, it is still early to understand, but what percentage of the invitees actually took up the personal loan?

Paula Picinini:

I have to check this information, I do not have it available right now.

Robert Ford:

OK, thank you very much.

Juliana Rozembaum, Deutsche Bank:

Hi, everyone. I heard [unaudible] still considering a JV for the credit finance, does it relate to any kind of disappointment or difficulty with regards to operating the credit business alone, or it continues to be just a matter of analyzing all the options that the company has to maximize the value?

Paula Picinini:

OK, Juliana. No, actually it is not related to any kind of disappointment in the operation at all, I do not know if you remember the Relevant Fact that we disclosed on January 17th, we had already mentioned that the Board decided that it was important to assure to our investors that we were doing the best, or we were taking the best decision, so the Board decided that we should start on strategic partnerships, but we could continue evaluating the possibility to have a joint-venture, and we continue exactly in this plan, this initial plan. We have already made some strategic partnerships, and we are getting to evaluate how much value we could add to our investors having a joint-venture, but it does not mean that we are going to have the joint-venture, and it does not mean that we had any kind of disappointments with the operation.

Juliana Rozembaum:

But is the deadline of 3Q06 that was quoted on the past, is that valid, the Board has set up this deadline to resolve the matter?

Paula Picinini:

Yes, but it is not inflexible, it is a flexible date, we can change that, actually we are evaluating the process, we are having good performance in the personal loans mainly and also in the capitalization loans, and if we are not able to conclude the evaluation of a joint-venture in the 2Q we can extend this period to a longer term.

Juliana Rozembaum:

OK, perfect. Just another quick question: we thought was going to increase on the average ticket, could you breakdown the ticket only for this 8-installment plan, can you give us that number?

Paula Picinini:

No, actually we are not disclosing this number. We know that the main driver for this increase is the 8-installment plan, but what we can say to you about this is that the 8-month interest bearing plan, the average ticket in this plan is 50% higher than the average ticket in the other forms of payment.

Juliana Rozembaum:

OK, that is perfect, thank you very much.

Operator:

We have no further questions at this time. I would like to turn the floor back over to management.

Paula Picinini:

OK. Thank you once again for your interest in Renner and we look forward to seeing you again next quarter. Thanks.

Operator:

Thank you, this thus concludes today's presentation. You may now disconnect your lines, and have a wonderful day.