

Fabio Monteiro, BTG Pactual:

Good afternoon, everybody. I would like to talk a little bit more about this efficiency plan. I would like to know how much of this is already being reflected on the results in relation to the amount that you planned for this year, the R\$52 million, both related to reduction in the headcount and other details. Could you provide those, please?

Paulo Borsatto:

This reduction, I need more information to give you details about it. Specifically about this headcount number, this would represent about 35% or 40% out of the total of phasing.

Fabio Monteiro:

And the amount of that we can imagine came from the reduction in the headcount?

Paulo Borsatto:

30% out of the total of R\$152 million. But this is going to happen along the year. A big part of this has happened, especially in the administrative aspects, because this is related to payroll of December. But during the year what is going to happen is the 30% that we promised for the efficiency plan.

Fabio Monteiro:

OK. Just an additional question, in relation to the gross margin. You have mentioned that the promotional activities continued in February and January, but was reduced in March. I would like to know how this growth margin evolved in the beginning of the year, January and February, and what happened in March, and what is happening in April, so that I can have an idea of what was the weight of this activity along six months on the margin.

Márcio Goldfarb:

Good afternoon. Our 1Q was weak because of margins of our sales, and it grew gradually. But unfortunately we only managed to review the entering of new products because our calendar does not go together with the commercial calendar. They do not match according to our quarters.

There was a concentration of stores, but for March we wanted to correct everything in the beginning of the collection. What I can say is that the evolution in March was much better than January and February, and April as well.

We still have 25 days in May, an important date, which is Mother's Day, an important date for us, that we have to consider, and also Valentine's Day in Brazil, which is also very important. The acceptance of our collection was excellent, with full margins as well. This is what I can tell you offhand.

Fabio Monteiro:

Thank you very much.

Guilherme Assis, Raymond James:

Good afternoon, everybody. I have two questions. The first question is related to the performance of the new stores that you have opened in this last quarter. Doing a quick math with the numbers that you provided, I saw that the growth in the sales area in the 1Q12 in relation to the 1Q11 was 15.6%, and the growth in retail was 8%.

I would like to understand what is the productivity of the new stores. I understand that there is a strong component, which is the maturation aspect. You have opened many stores, especially last year, but I would like to understand if this is according to what you expected, or if it may be a bit below based on the numbers that I provided. It is difficult to get to an exact number. But I would like to have your feeling, what you think of your performances. This would be my first question.

And the second question, now going back to the gross margin, Márcio, I know you mentioned that the new collection has been well accepted. I would like to know if we can expect that because of this we can go back to a level similar to what we saw last year in the 2Q, if this situation is maintained in May, and if we can expect to go back to the gross margin as it was in the same period last year.

Paulo Borsatto:

Hi, Guilherme. I am going to talk about the performance of the new stores, and then Márcio will talk about the profit margin. In the last call we said that we had no problems concentrated on the performance of the new stores. These stores are in the phase of maturation. As I mentioned before, we had 34 stores opened in the 4Q11, and out of those 34, 17 were opened in December, and a big share of those stores, ten stores, were opened in the second half of December, which is something that is not very usual.

And these stores have been negatively adversed with that, and these stores opened offering promotional prices. They opened late with promotional prices, and the prices continued in January and February. So, those stores are in the maturation phase, and they are suffering. In spite of everything, they are within what we projected for them. Obviously there is a very short period, but we have been following this directly, and these are our projections.

Márcio will talk about margins, now.

Márcio Goldfarb:

Guilherme, good afternoon. You asked me about margins of the 2Q. What I can say beforehand is the following: if the behavior of the next 55 days are similar to the 30, 35 days, we are going to have a margin equivalent to the 2Q11. As I said, there are two strong

events, which are Valentine's Day and Mother's Day, so we are going to be very careful, but we are doing very well. We have everything to be successful.

The promotional environment of the 1Q is no longer there. It has already changed completely. We do not have that environment offering discounts as we had in the 1Q. With the new collection, this is over.

Guilherme Assis:

Is that it?

Márcio Goldfarb:

Exactly that. It is over.

Guilherme Assis:

OK. Thank you very much.

Márcio Goldfarb:

I think the problems have been left behind, and every time we detect a problem, it is easier for us to do the right thing in the future. I believe that from now on everything will be fine.

Guilherme Assis:

Thank you.

Irma Sgarz, Goldman Sachs:

Good afternoon. I would like you to tell me a little bit about the performance of the maturity and the temperatures, which have not been so favorable in the 1Q. I think you made some comments during the press release. You mentioned cannibalization of the stores that you regarded as temporary. Could you give more details about the performance based on what you see and what you expect for the year, and how long this cannibalization effect will last? I know it is difficult to measure exactly how long this will last, but what are the initiatives that you are taking to fight this, and I would like to understand if this is an isolated problem in some stores that relied on sale, or is it something more comprehensive that will cover other stores? Could you provide details about it?

Paulo Borsatto:

Irma, here we go. With the effect of cannibalization in the 4Q, I am looking at the data, I will pass it to you later on, and we will analyze how many stores would be cannibalized by this effect. Of course there is cannibalization, but we feel that the cannibalization has a very short period, considering the various events that we have, stores that were opened in the same city on the same street, but this is a quick effect.

But it is obvious that considering that this was negative to all stores, we can see a greater effect of cannibalization. And then this effect will decrease rapidly. From now on, when sales improve, we are going to see. We will feel clearly the effect of cannibalization was already overcome. This is a very quick effect.

Irma Sgarz:

But on the results of the 2Q will not be so important or will not be affected so much?

Paulo Borsatto:

It is difficult to give you a projection just now. There are many factors that we have to consider. It depends on the other factors, such as the improvement in the market. I am not going to mention a number now because these are all going to be projections. We have to wait a little bit so I can give you a more conclusive answer, considering the pace of sales.

Irma Sgarz:

In the 2Q, you mentioned in the press release that there was an improvement in March, and I believe that with the lower temperatures this has helped you. There was an increase in the sales of the stores. We can imagine that this went back to a level which is line with what was delivered last year, or is it still below last year's level? And will this recovery come from traffic?

Márcio Goldfarb:

As for the sales of the 2Q, I would like to give you an optimistic message, but with care. We were very happy with the recovery that we saw as of March, which continued in April, continued in the first days of May. And as I said, we have Mother's Day, we have June ahead of us. I believe if things go as we have been doing, as Paulo said, if we can see the performance of the new stores, then we are doing fine. In March we were working very hard to have a better performance.

Irma Sgarz:

In relation to ticket and traffic, are you maintaining the price stable year on year? Is it in connection?

Paulo Borsatto:

In the 1Q we saw that there was a reduction in traffic. But for the 2Q, it will be very dependent on the climate. We have seen an improvement in April and also in May, with the arrival of Mother's Day. And when Mother's Day is over, we are going to start the campaign for Valentine's Day and there is no trend to increase traffic as for the 2Q.

Irma Sgarz:

Thank you. But I imagined that the impact had to do with what I wanted to understand, and the recovery in sales came through traffic. I believe that year on year it is the traffic that makes sales improve.

Paulo Borsatto:

There are different factors; the factor of price correction and the traffic factors, each one with its own percentage. I do not have this distribution according to the stores, but we can look at it carefully and pass it on to you. But in the winter/autumn collection, the average price is higher, and we see that the number of sales is higher and shows a higher traffic.

Irma Sgarz:

OK. Thank you.

Julio Takeda, Barclays:

Good afternoon, everyone. My question is with regard to *Marisa Cartões*. Here you say that in the quarter there was an increase of 2% in your active accounts, and you attributed that to a resume of taking up credits. But at the same time, there was a decrease in *Cartão Marisa's* shares in sales. I would like you to try to help me understand, how do you see this increase of accounts, but a decrease in the current shares?

Arquimedes Salles:

Hello. What we can see, this has to do a bit with all the movements of the retail this year. We saw the cards in the month of January, we were coming with a reduction in the pace of active accounts since the 3Q11. And that for a cards operation is of concern, because the base of active customers is the base that we have to work with to sell insurance, to sell services. And it is what leverages Marisa's sales.

So, January and February we also observed that, but in March, with the reaction of retail and also with a higher maturity of our loyalty program, we started to see a reversal of this behavior, and that was true for April as well, and May is still too early for us to say anything. But in the two past months we can see a reaction in the base of clients for our cards.

What does all this have to do with shares in retail? They are two independent movements. Reduction of share in retail is a trend that is going on in the market of private label. It is replacing this product for a branded label. This is a market trend that has been going on for many years.

What we can see in the past two months is that this share was maintained. I think in the past three, four years, this is the first time it happens. So, again it is a sign of recovery of credit demand, and also the attractiveness of our products.

I do not know if I answered your question.

Julio Takeda:

Yes, very clear. Thank you very much.

Stewart Regar, HSBC:

Good afternoon. I would like to have a bit more detail on the new layout business. You talked about 40 new stores until the end of May. Can you elaborate a bit on that, what you are doing, if possible, how much you think you are going to increase sales and profits because of that? Thanks.

Márcio Goldfarb:

Hi, Stewart. Good afternoon. Well, we are reviewing our product categories. And this is together with Bain, that is providing us consulting, and within our goal for this year of More Per M², we already have almost 40 stores that we have already changed their layouts.

Until the month of March we are going to be with these stores already implemented, and in both stores we are privileging categories that have more sales per m². In addition to that, we are implementing new lines like work and special size lines.

And already completing something that we already mentioned, about shoes and our More Per M² project, we intended in the 1H12 to have 30 stores, and we already have 17 stores that are going to be implemented by next Monday, and in the end of May we are going to have 40 stores. And that is it.

Stewart Regar:

OK. Thank you very much.

Operator:

Thank you. Since there are no further questions, I would like to turn the call over to Mr. Paulo Borsatto for his final considerations. Please, Mr. Borsatto, you may go on.

Paulo Borsatto:

I would like to thank everybody for this conference call, and we are available should you have any doubts. Thank you very much. Bye-bye.

Operator:

Thank you. The conference call of Lojas Marisa S.A. is over. Please, disconnect your lines now, and good afternoon.

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