

**Operator:**

Good morning, ladies and gentlemen and thank you for waiting. At this time, I would like to welcome everyone to Lojas Renner first quarter 2008 earnings conference call.

We would like to inform you that today's live webcast, including both audio and slide show, may be accessed through Lojas Renner's website at: [www.lojasrenner.com.br](http://www.lojasrenner.com.br), in the investor relations section, at the webcast platform. As a reminder, questions will be taken by telephone.

Also, this event is being recorded and all participants will be in 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 will turn the conference over to Ms. Paula Picinini, Investor Relations Manager of Renner. Ms. Picinini, you may begin your conference.

**Paula Picinini:**

Good afternoon, everyone. I would like to welcome our shareholders and investors to our conference call, in which we will discuss the Company's results for the first quarter of 2008. José Galló, CEO; José Carlos Hruby, CFO; and Gildo Melo da Silva, Controller Senior Manager, are here with us today.

Firstly, I would like to stress that the first quarter is seasonally the weakest sales period in the retail industry due to a number of factors, including summer vacations, beginning-of-year taxes and school-related expenses, such as material and enrollment fees. In addition, in January, February and March, consumers concentrate on paying off their debts incurred during the end-of-year festive season.

Specifically in the retail clothing sector, the first quarter is extremely important, since the spring and summer collections, the fourth quarter sales driver, give way to the autumn and winter collections, whose sales peak in the second quarter, when family income returns to normal levels. The second quarter also contains some commemorative dates that are important for the retail segment, such as Mothers' Day and Valentines' Day, celebrated in Brazil on June 12.

The first quarter of 2008 was different in two aspects: Carnival occurred in the first week of February, and Easter at the beginning of March. Thus January benefited from pre-Carnival sales, and from the second week of February on, all stores were already stocked with their autumn/winter products. The first quarter of 2008 was favorable for Renner and

within expectations for the time of the year, with mild temperatures favoring customers acceptance for the winter collection.

We will comment now on the main information contained in the presentation that is available on our website.

Moving on to our results presentation, let us go straight to slide number three, which shows our sales growth. On the left, you can see that net revenues from merchandise sales totaled R\$383.4 million in the first quarter of 2008, 23.6% up year-on-year. Same-store sales moved up by 11.5%, higher than in the last four quarters, showing that Brazilian clothing consumption remains very strong. The increase was chiefly due to a gradual upturn in productivity in existing stores and the higher sales contribution of the new stores. On the right, we have store productivity trends, showing that net sales per m<sup>2</sup> grew by 7.8% year on year to R\$1.878.

On slide four, the map on the left shows the location of our 96 units. As you can see, we have a particularly strong presence in the South, Southeast and Midwest and are becoming increasingly established in the Northeast, where we currently have ten stores, having completed two years of operations at the end of March. We have also moved into the North, where we opened our first store in Manaus, in May last year. The map also shows our three distribution centers, one in the state of Santa Catarina, one in the Greater São Paulo and the Advanced Distribution Center in Pernambuco, which provides support for the operations in the Northeast.

The graph on the right shows that we closed March with a sales area of 205,400 thousand m<sup>2</sup> spread through 96 stores, 15.4% up on March 2007.

On slide five, we have our gross profit and gross margin of our retail operations. Here you can see that our gross profit from merchandise sales totaled R\$183.6 million in the quarter, equivalent to 47.9% of net revenues, versus 46.5% in the same period of the last year. This improvement was due to a series of operating projects and initiatives that benefited purchasing and inventory management processes.

On slide six, you can see that selling expenses totaled R\$107.1 million, representing 27.9% of net revenues from merchandise sales, versus 27.5% in the first quarter of 2007. This variation was due to an increase in fixed expenses, which should be diluted along the year.

Slide seven shows our G&A expenses, which reached R\$38.7 million, 15.8% up year on year. As a percentage of net revenues from merchandise sales, they fell from 10.8%, in the first quarter of 2007, to 10.1%, chiefly due to the Company's cost-cutting efforts.

Slide eight shows our financial services result, using the same breakdown that we introduced in the last quarter of 2007. As you can see, the result totaled R\$18.5 million, accounting for 33.4% of EBITDA, and 16% up on the first quarter of 2007. The increase was due to the upturn in revenues from financial services, especially personal loans.

On slide nine, we have our quarterly EBITDA, which totaled R\$55.4 million, a substantial increase of 42.6% over last year, while the EBITDA margin moved up from 12.5%, in the first quarter of 2007, to 14.5% now. The increase was due to the operating leverage expenses, the wider gross margin and the improved sales performance, especially from the new stores.

On slide ten, we have adjusted EBITDA, where we have compared the Company's results excluding additional results from financial services. Adjusted EBITDA came to R\$36.9 million in the quarter, corresponding to an adjusted EBITDA margin of 9.6%, versus 7.4% in the first quarter of 2007.

Our first quarter financial result, which you can see on slide 11, was an expense of R\$1.5 million, versus an expense of R\$3.1 million in the first quarter of 2007. At the bottom, you can see that our net cash position came to R\$79.7 million, versus R\$67.6 million in March 2007.

Closing the quarter's accounts, on slide 12, we have the Company's net income, which totaled R\$27.2 million in the first quarter of 2008, equivalent to 7.1% of net revenues from merchandise sales, versus R\$16.8 million in the first three months of last year, representing 5.4% of net revenues.

Slide 13 shows our CAPEX, which came to R\$18.1 million. Although we inaugurated only one store this quarter, we invested R\$10.3 million in both the new outlet and other stores we intend to open during the second quarter. Remodeling of installations absorbed R\$1.1 million and other amounts went to logistics and IT systems.

On slide 14, we show the expansion plan. In March, we opened a store at Bourbon Shopping Pompéia, in the city of São Paulo, and announced the opening of another five outlets in the second quarter, three of which were inaugurated in April in Minas Gerais, São Paulo and Paraná. Another two will be opened in the states of Rio de Janeiro and Paraná. The Company also plans to open nine additional stores in the second half of 2008.

On slide 15, we have a summary of our balance sheet. Once again, our main highlight was the accounts receivables line, which came to R\$355.4 million on March 31<sup>st</sup>. Another relevant asset item – permanent assets – basically comprising store installations and technological equipment, came to R\$338.8 million. Looking at the liabilities, we can see that shareholders' equity accounts for 50% of the total.

Slide 16 presents some details on the Renner Card. On the graph on the left, you can see that the number of cards came to 12.4 million on March 31<sup>st</sup>, while the average ticket stood at R\$101.35 in the quarter, 8.3% up on the first quarter of 2007. On the right, we show our sales distribution in the first quarter of 2008, where we highlight the 0+8 interest-bearing plan, which accounted for 13.6% of total sales, versus 13.2% in the same of the last year. The first quarter of 2007 details are shown at the bottom.

On slide 17, which gives our workforce numbers, you can see that we closed the first quarter with 9,697 employees, 1,438 more than at the end of March last year, 268 of whom were allocated to administrative areas and 1,170 to the stores.

On slide 18, we refer to the General Shareholder's Meeting of last March, attended by shareholders representing 29% of voting capital. The GSM dealt with typical issues of an annual meeting, such as approval of the 2007 financial statements, the allocation of annual net income and the payment of dividends, totaling R\$117 million.

The shareholders also re-elected six sitting members on the Board, namely Francisco Gros, Egon Handel, José Galló, Miguel Kringsner, Claudio Sonder and Pedro Eberle. Deborah Wright was elected to the Board for the first time. This meeting also elected the members of the Fiscal Council.

On the same day, Claudio Sonder was elected as Chairman and Egon Handel as Vice-Chairman of the Board of Directors. Claudio Sonder, Pedro Eberle and Egon Handel were also elected as members of the Compensation Committee, being Egon Handel the Chairman of this committee.

This same meeting also re-elected José Galló as CEO; José Carlos Hruby as Administrative and Investor Relations Officer; Luiz Elísio Castello Branco de Melo as COO; and Clarice Martins Costa, as Human Resources Officer. Haroldo Rodrigues was also elected, for the first time, as Procurement Officer.

Finally, on March 10<sup>th</sup>, the Company signed a Memorandum of Understandings for the acquisition of 100% of Leader S.A. Empreendimentos e Participações. Subsequently, a Board Meeting, held on March 31<sup>st</sup>, approved a debt issuance for the acquisition of this Company.

The due diligence referred in the Relevant Fact, that began on April 9<sup>th</sup>, in line with the Company's schedule and we are currently analyzing proposals from the banks that will handle the debt issue. The acquisition price will be established and fully disclosed to our shareholders and the market in general when we enter the final agreements. This is all the information we have now on the transaction of Leader.

That brings us to the end of our presentation and, together with our team, we will now be happy to answer your questions. Thank you very much.

**Robert Ford, Merrill Lynch:**

Good morning everybody or good afternoon everybody, and congratulations on the quarter. I had a question with respect to maybe some of the points, it was such a great quarter, let me focus on some things that perhaps did not look as good at least on paper.

One was the SG&A level, I know there were some non-recurring expenses in the SG&A; my understanding is that some of those were related to pre-opening expenses. Could you give us a sense of what the pre-opening expenses were in each of the two quarters, first quarter of 2007 as well as the first quarter of 2008, please?

**Paula Picinini:**

OK. Pre-operating expenses were not relevant, they were not material in this quarter. The SG&A comments or the selling expenses comments that we did, they are related to the structuring of the sales teams in the stores. We did some adjustments on it and it will pressure in the first moment the fixed cost, but the forecast that we have is exactly that it will start to be diluted along the year exactly with the higher sales of the further quarters.

I will check the pre-operating costs for you, but the main reason for the selling expenses increase is related to structuring of the teams.

**Robert Ford:**

And could expand on that? Where exactly did you do in the stores?

**Paula Picinini:**

This is an adjustment on the teams, on the people that we have in each store. This is more strategically and that is why I would not like to comment details about that. What I

can say, at this point, is that it increases the fixed costs in the first moment, mainly in the first quarter, when we have the weakest sales period, but the forecast or the projections are exactly to dilute it along the year.

**Robert Ford:**

And would I be able to see just in the average headcount numbers? I mean, is it just more staff?

**Paula Picinini:**

Yes. It is more related to staff.

**Robert Ford:**

OK. And then, with respect to the credit card operations; I understand that one of the reasons, one of the main components that is driving the improvement changes for sales is maturation. Can you expand on maturation as how it relates to your credit card base?

I know as you are moving to maybe new market places, you are building up a credit card base from zero, and when do you expect to hit that inflection point in terms of credit card growth? When do you see it accelerating beyond space growth? What are some of the components to that in terms of driving more private label credit card penetration and a faster growth of your receivables?

**Paula Picinini:**

OK. Well, you are correct. We have two main reasons for the reduction. I believe that the main important or the most important one is exactly connected to the fact that we have about 1/3 of our new stores that were opened in the last three years and it is impacting the participation of the cards because of the new customers.

There is also the impact of other credit cards and cash payment being more used, so it is also causing the reduction. From now on, what we are expecting is exactly to start to have some improvements on the participation of the card.

The speed of this process or how much we can increase this participation for us now is a little difficult to comment, but we believe that we have already conditions to start building up this number again and to increase the participation of the card.

**Robert Ford:**

In addition to increasing limits, you did it promotionally, is it anything else that you are doing to try to thrive better private label credit card penetration grade?

**Paula Picinini:**

These are the main things because we believe that it is very connected to the large number of new stores.

**Robert Ford:**

OK. Thank you very much.

**Lore Serra, Morgan Stanley:**

A question on the results as well. The comments in the beginning about some of the timing factors in the first quarter, Carnival being early, the fall collection being in the stores early. Is the implication there that some of the reasons for the better same store sales and/or gross margin is related to timing?

**Paula Picinini:**

Of course, there is this reason because if we anticipate the collection, of course we start to have the full price product of the winter collection in the stores previously. We have also the higher margin of the winter products that helped our numbers.

You know that the market is also strong in Brazil, the retail segment; we are not seeing any indicator – even in January we did not see any indication – that the market could continue having the reflex of the end of the year and slow down.

I think there is a combination of three things. One is the temperature, the weather that was favorable for us; the timing of the things that you mentioned; and also the consumption environment that is very positive in Brazil.

**Lore Serra:**

And I suppose, if we look at the gross margin improvement, which was really impressive at 140 b.p. in the quarter, how much of that would you attribute to sort of process improvement and how much of that would you attribute to timing, then? I mean roughly, just to get some idea.

**Paula Picinini:**

OK. Just let me check because I do not know if we have conditions to separate it. Lore, we do not have conditions now to measure or to give away guidance about how much could it be contributing from the timing effect and how much could be other reasons.

**Lore Serra:**

Do you see these levels sustainable in 2008?

**Paula Picinini:**

Well, of course there is the seasonality of the business, so the 47% to 48% is not a number that will be maintained during the whole year, but there are conditions and there is room to continue improving our gross margin during the year.

**Lore Serra:**

OK. Thank you. I am wondering if I could ask this to the CEO, Mr. Galló; in the environment where there is a high degree of uncertainty in terms of how interest rate will evolve in Brazil, how do you see your business changing, if at all, if we should see a cycle of, I do not know, 300 b.p. raise hikes in Brazil? How would you envision that changing your business?

**José Galló:**

We sell in short times, or five installments or eight installments. And the interest rate is not affected for this increased level of interest rate. I think, more effect could be if it was a car or hard goods, but it is not significant, the change of the value of the installment in our business.

**Paula Picinini:**

Just to complement, remember that in 2005 – we are not talking very far from when we are now – the interest rate in the Country was about 19%. So, if we had any increase, it is something like we lived like two years ago, it is something absolutely possible to continue working practically in the same interest rate and the things that we have.

**Lore Serra:**

Would that kind of interest rate hike cause you to increase the rates embedded than some of your financial services products like your financed sales?

**Paula Picinini:**

No, basically as I said, in 2005 when we designed this financial product, the cost of fund in the structure, these products were designed exactly to be profitable when the interest rates in the Country were about 19%.

Now we have 11% or 12%, so we do not have the necessity now to change it. But, of course, if all the market adjusts to a new level, or if there is any necessity to adjust, we can do that.

**Lore Serra:**

Thank you.

**Efrain Chavez, Artha Capital:**

Hi. Thanks for taking the question. I am curious if you could tell us, now that April is over, what you know or what you have seen in terms of trends and the thing that kind of stands out, I mean, should we see a continuation to what you saw in the first quarter or how we should think about; what you have seen so far?

**Paula Picinini:**

OK. We do not have any specific guidance but I think that the beginning of the year also had some important indications that the consumption in Brazil continues very strong. The macroeconomic scenario will not change radically from what we are living now because of the interest rate.

I think that it is a good indication of how the year can be, but I do not have any other detail. In terms of margins, the reasons for the growth in our margins are much more connected to the business than to the macroeconomic scenario. So, we continue having spaces to have improvement in the gross margin, in EBITDA margin; in terms of sales, we had a very good beginning of the year.

But what I can say is that so far so good. We do not have any specific guidance for the end of this year.

**Efrain Chavez:**

OK. Thank you.

**Joaquin Ley, Santander:**

Hi. Congratulations on your results. Just one question: could you please elaborate a bit more on the increase of the credit losses related to the 0+8 plan?

**Paula Picinini:**

OK. When you look this numbers compared to the last year, you have an improvement or an increase in these losses over the revenues, but it is connected to the fact that last year we were already in the maturation process of this product. When you see the numbers now, they are much more consolidated and what we are seeing is the stabilization actually; some improvements from the levels that we finished 2007 and the trends are exactly to continue having the same levels that we presented now in the first quarter for the further quarters.

**Joaquin Ley:**

OK. Thank you.

**Operator:**

This concludes the question and answer session. At this time I would like to turn the floor back over to Ms. Picinini for any closing remarks.

**Paula Picinini:**

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

**Operator:**

Thank you. This thus concludes today's presentation. You may disconnect your lines at this time, and have a nice day.

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