

Management Report - 2006

Messages from the Chairman's Office

From the Board of Directors

The year proved to be a positive one for the Brazilian capital markets. Mergers and acquisitions reported a sharp increase with growing investor interest in Brazilian companies. A greater number of companies also listed on the Stock Exchange at differentiated levels of corporate governance and in line with the highest international standards. At Lojas Renner, 2006 was particularly notable following the preceding year's pioneering changes, bringing with them countless challenges and management responsibilities.

Following its listing as the first Brazilian corporation with fully pulverized shareholding control, and despite its many years as a publicly traded company, Lojas Renner experienced its first full year of operations under this new business model. Set against this background, we worked throughout the year, holding the Ordinary Shareholders' Meeting, a quorum being reached on the first convening notice, and successfully incorporating shareholders' changes into the Company's Bylaws. Among these changes, some are particularly worthy of mention such as the permanent installation of the Fiscal Council, the increase from 20% to 33% as the minimum percentage of independent members with seats on the Board of Directors, - thus exceeding the floor called for under Novo Mercado Listing Regulations -, and the reduction of 15% to 10% of the minimum percentage required for shareholders, in separate voting, to elect a member to the Board of Directors.

In addition to these items, a five for one stock split of all the Company's common shares was proposed, thus facilitating their accessibility to small retail investors, and consequently improving the market liquidity of our securities.

At the same time, we have been working to ensure an increase in the level of transparency and relations with the capital markets. Once more, it was in this context that we introduced an innovation, in September 2006 launching the first guide to the participation on Renner' Shareholders Meeting in accordance with the Proxy Statement provisions, an initiative which is accepted market practice overseas, but still at the pioneering stage here in Brazil. We also continue working to further improve our relations with the investment community, upgrading our releases on results as well as seeking to increase the degree of company coverage, in so doing, by the end of 2006, doubling the number of institutions covering Lojas Renner to sixteen. During the course of the year, we answered more than 650 inquiries by e-mail and telephone, issuing more than 50,000 e-mail alerts through the website, this service now having more than 3,000 registered investors and research analysts on the distribution list. During the fiscal year, we took part in more than 250 events and meetings in Brazil and overseas with an audience of approximately 900 analysts, investors and shareholders.

And last but not least, we continue to work on the implementation of some important projects begun in 2005, such as the results evaluation system based on EVA (Economic Value Added) and the adjustment in the organizational structure, with the election of one new board director and two new executive officers. We also focused our attention on the monitoring of strategic activities such as the approval on a case by case basis of the proposals for opening new stores, the pursuit of the best capital structure for the Company and the optimization of the potential for selling financial services through the store network.

Both I, as well as my colleagues on the Board, are extremely gratified to have participated in this pioneering experience in corporate governance in Brazil, always seeking to defend the best interests of our Shareholders.

Sincerely,

FRANCISCO GROS
Chairman of the Board

From the Chief Executive Officer

The year was a very important period for Lojas Renner. It was a year that saw the implementation of projects and commitments taken onboard at the time of the Public Offer of Shares (IPO). In June 2005, in the course of investor meetings and visits, we proposed to accelerate our rate of expansion, enter new markets and also begin developing the sale of financial services through the Renner Card.

It was on the basis of these three drivers of growth that we worked throughout the year. We concluded 2006 by unveiling 15 new stores – more than the eight units that we had initially planned. Work on all the stores was executed within the stipulated time frame and budget. The new stores are located in several regions, six of them in the Northeast of Brazil and the other nine in markets where we already had operations and had identified new opportunities.

In March 2006, we rolled out our network's first two units in the Northeast. After almost a year, we are already able to conclude that our strategy has been a successful one. I believe the focus and work done in 2005 was of major importance in preparing our collections and processes to meet the needs of all our stores, including those in the more outlying regions, with the same efficiency and agility.

During the fiscal year, we also concentrated on identifying the best way to conduct our financial services operation. We believe that in the Renner Card database, we have an important tool for developing this business. As from April 2006, we implemented Realize Renner at all our stores in the network. Realize Renner is an area dedicated to the new services where we have begun to intermediate the offer of personal loans to pre-selected customers and the sale of capitalization bonds (annuities). Credit sales financed under the 0+8 interest-bearing installment plan have made a significant contribution to our business, reaching 13.6% of the Company's total sales during the year.

In November, we recorded an important milestone of 10 million Renner Cards issued, ranking us as the company with the third largest private label card base in the Brazilian market. The growth in the number of card users has been instrumental in the Company, intensifying its activities in the financial services segment.

Among operating aspects, the integral use of the Lifestyle concept in all the private brands sold is an important competitive advantage. Every year, we further enrich our collections and believe that we can still achieve additional improvements by using this concept, with greater opportunities arising for higher sales and enhanced turnover and margins. This concept also brings advantages for our customers. We believe that a considerable part of our growth is being generated from improved customer traffic flows through our stores, the result of both the process of consolidation and maturation of the units and also the consumer-friendly, and pleasurable buying environment experienced by our customers.

During 2006, we sought to improve the efficiency of the inventory management system (Retek), to ensure our levels of service and operations are maintained. We also implemented two new modules in the logistics and purchasing departments, both of which should contribute to improved margins. Similarly in 2006, we began a project to upgrade our supply chain.

All this has been made possible thanks to the efforts and dedication of our employees. It is for this reason that we are always alert to ways of improving our practices of personnel management. Through the Renner Corporate University in agreement with the Business Management School of the Getúlio Vargas Foundation and together with the Renner Retail Academy, we trained our employees throughout the year notching up more than 152 hours/employee of training time. Now, our challenge is not only to maintain our staff motivated but also to prepare more personnel to support the expansion process currently underway.

In 2007, the challenges remain and for this reason, we continue focused on the rollout of more stores as well as examining the prospects for new markets such as the North of Brazil. We shall also continue to implement improvements in the processes for developing collections and the supply chain, in addition to the startup of insurance policy sales in our stores.

My thanks go to all for the trust confided in us.

JOSÉ GALLÓ
Chief Executive Officer

Management Report

Operating Performance

Operating Data	2006	2005	2004
Net Sales (R\$ MM)	1,436.1	1,136.4	953.8
Net Sales <i>Nominal Growth Over the Previous Year</i>	26.4%	19.1%	15.8%
Increase in Same Store Sales ⁽²⁾ <i>Nominal Growth Over the Previous Year</i>	16.7%	14.5%	10.4%
Total Number of Stores <i>End of December</i>	81	66	62
Selling Area in Thousand m ² ⁽³⁾ <i>End of December</i>	178.0	150.7	142.6
Net Sales per m ² (R\$ '000) <i>Net Sales per average selling area</i>	8.9	7.7	6.9
Number of Employees <i>End of December</i>	7,764	6,262	5,809

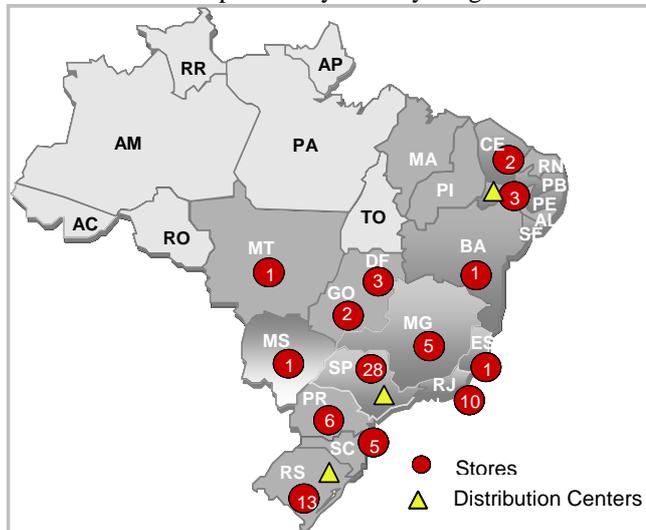
The following financial and operational information, except where otherwise indicated, is in compliance with Brazilian Corporate Law, and the comparisons relate to the fiscal year 2005. All data for fiscal year 2004 shown in this document refers to the Controlling Company, while in the case of fiscal years 2005 and 2006, the figures are consolidated.

Once more, the year was positive for sectors geared to the domestic market and in particular, the consumer goods sector, which benefited from economic stability, declining inflation and lower interest rates. The retail segment was also boosted by increased total wage mass, disposable incomes and the consumer confidence level, all helping to strengthen the positive scenario prevailing in 2006 and which should continue into 2007.

In addition to the favorable macroeconomic scenario, fundamental to Lojas Renner's performance were some internal factors such as the process of maturation of the stores inaugurated more recently, the introduction of financial services as well as the consolidation of the brand name in the newer markets and the evolution of the Lifestyle Concept.

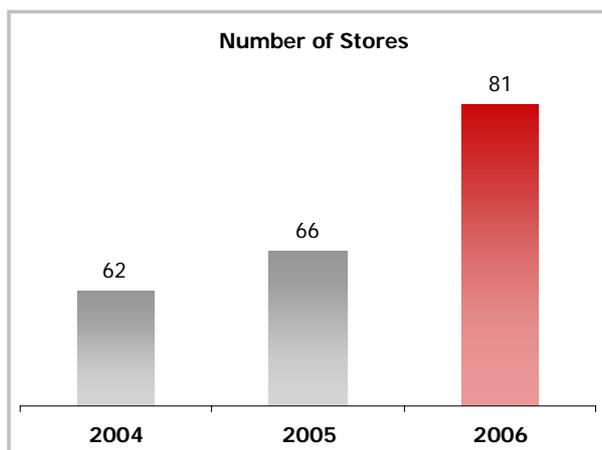
The Company reported positive results for fiscal year-end 2006. Net sales reported a year-on-year growth of 26.4% totaling R\$ 1,436.1 million. Gross profits followed the same trend by posting a growth of R\$ 655.3 million, with gross margin reaching 45.6% in the period.

In 2006, the Company continued its program of expanding the store network, inaugurating new units during the year, marked notably by the startup of operations in the Northeast of the country. The first two stores in the region were opened in March in the state of Pernambuco, a further four in May – two in the state of Ceará, one in the state of Paraná and one in São Paulo. In September, three stores were unveiled, one in the state of Rio Grande do Sul, one in the state of Pernambuco and one more in the state of São Paulo. In addition, a further six units were inaugurated in the final quarter of 2006, one in Santa Catarina, two in the state of Rio de Janeiro, one in Bahia, one in the state of São Paulo and one in the city of Goiânia.



Other highlights during the year were the continued improvements implemented in the purchasing area for upgrading the collections using the strategy of reinforcing the brand names and products based on the Lifestyle Concept, changes in the logistics process for supporting the expansion plan, the implementation of logistics and purchasing planning modules in the Retek system complementary to the inventory management module and, the launching of the Financial Services.

During the year, Lojas Renner invested R\$ 81.2 million in opening 15 new stores. Of this total, six stores are in the Northeast and the other nine in existing markets. The Company ended the year with a nationwide footprint of 81 stores and a total selling area of 178 thousand m², a year-on-year increase of 18.1%.



commemorative dates and specific consumer habits.

During the year, Lojas Renner sponsored cultural events for increasing brand name awareness in the Northeast. Events included the city of Recife street carnival, which is among the three most famous popular festivals in Brazil, as well as airing advertisements on the open TV channels and through merchandising inserts in the country's most popular soap operas. Yet another important aspect was the training of the commercial area to ensure that the policy of customer "enchantment" was uniform at all the stores, irrespective of operating region.

Today, after nearly a year of business activity in the Northeast, management feels very confident that its strategy has been the right one and considers its operations in the region a success. All six stores that have already been unveiled reported performances in line with pre-opening forecasts and Lojas Renner is to continue its planned expansion in this new market. The Company's intention is to take the expansion plan a stage further by shortly beginning operations in the North of Brazil as well.

To support this expansion, Lojas Renner has also been obliged to adapt its supply chain and logistics structure to meet the requirements of a larger scale operation and to maintain the same level of responsiveness attained in the logistics process in the South and Southeast of the country.

Consequently, space at the São Paulo distribution center was increased in the second semester by 2,400 m², in addition to the expansion of the center's operational capacity through the verticalization of inventory. With the support of an independent logistics operator, the Company has also installed a new distribution center in the Northeast (in the state of Pernambuco), set up initially for receiving imports. In addition, Lojas Renner is to open one more distribution unit in the city of Palhoça in the greater Florianópolis area, reflecting the fact that the state of Santa Catarina is home to approximately 35% of the Company's suppliers. With the startup of the new distribution center, the Northeast operation will be converted into an advanced distribution center (CDA) in support of Renner's operations in that region, since the Santa Catarina CD will be one of the most modern in Brazil and will also be prepared to take delivery of the Company's imports.

Equally, Lojas Renner continues to implement the process of increasing efficiency and integration of the supply chain, principally through the Renner Quality Project (inspection of goods at source) and greater standardization of products, mainly in terms of sizes.

As a result, the Company has successfully maintained the same level of weekly deliveries at all its 81 stores, although annual inventory turnover reported a slight year-on-year decline at 6.2 times. This is basically due to the significant number of new stores opened during the year, in the early stages of their operations demanding above average inventory. In tandem with all these measures, the Company continues to develop new suppliers in the Northeast, the objective being to eventually supply its operations there through a specific structure in the region itself.

In the second semester of 2006, the Company began the implementation of its new Warehouse Management System (WMS) in the logistics area as well as the module for the Retek System for purchase planning. These initiatives are designed to systematize processes allowing a greater standardization of purchase planning and of inventory processing

and management at the distribution centers. Lojas Renner believes that when totally integrated and consolidated, these systems should contribute to improvements in inventory turnover as well as small increments in margins.

Worthy of mention is brand name consolidation, increasing as it does store traffic at a time when after six years of operations in the Southeast, Lojas Renner is experiencing a healthy process of store maturation. Brand name consolidation ensures the Company maintains its growth rates at higher levels than the apparel and footwear sector as a whole.

Store productivity has also been increasing significantly thanks to the process of maturation already mentioned. This generates important increments in business when coupled to certain Company initiatives such as adjustments in selling areas and product mix, the greater share of the Renner Card in total sales, as well as improvements in operating processes. In 2006, sales per m² posted an increase of 14.5%, amounting to R\$ 8,900/ m² compared with R\$ 7,700/ m² recorded in 2005.

Equally, the Company has been successfully consolidating the Lifestyle Concept as central to its business, the model now enjoying a high degree of customer acceptance. Lojas Renner creates, develops and sells merchandise (apparel and fashion accessories, as well as underwear, footwear and cosmetics) for women, men, adolescents and children. Lojas Renner also develops, in partnership with suppliers, a proprietary line in cosmetics and fashion accessories in addition to selling traditional and high quality third party brands. Renner's objective is to ensure that the model achieves its objective of promoting a convenient shopping experience by dividing the stores into areas according to the brands comprising the various Lifestyles, as opposed to arranging them solely by product category. This strategy is not merely for the purposes of a differentiated product display. Rather the principal aim is to increase cross selling, avoid overlapping merchandise - consequently increasing inventory turnover and reducing markdowns - and thus directly bolstering gross margin.

In 2006, Lojas Renner continued to consistently invest in improving its strategy of 15-day mini-collections, for which the development, purchasing, logistics and store operations teams have to be completely synchronized one with the other. Management believes that it can continue to improve execution in qualitative terms, resulting in potential further benefits accruing to the business.

In the fourth quarter, Lojas Renner switched one of its brands in a drive to build customer relationships. The "Marfinno" brand substituted the "St. John's Bay" name (an original J.C. Penney brand), offering a line of casual wear, both for women as well as men, while maintaining the same focus as the previous brand. The switch has proved a success and has been making positive contribution to sales.

Finally, another highlight of the year was the launching of new financial services, complementary to the operation already begun in 2005 with the unveiling of the 0+8 interest-bearing fixed installments plan. In April 2006, Lojas Renner began offering Personal Loans (including Saque Rápido – Quick Withdraw) and Capitalization Bonds (annuities) through Realize Renner, a space set aside in the stores for the sale of these services. True to its characteristics, the company began the sales of these services in an extremely gradual fashion, offering personal loans to pre-selected Renner Card customers.

In November 2006, the Company also signed a new partnership agreement, this time with Porto Seguro S.A. via its subsidiary, Porto Seguro Companhia de Seguros Gerais, for the sale of insurance policies through the store network. The launching of five insurance policy products is planned during the course of 2007. Currently, with more than 10 million Renner Card customers, the Company believes that its database is an important asset to be used to its advantage and this, if done in a disciplined and strategically planned manner, has the potential to generate a significant increase in income and additional shareholder value.

All the work carried out during the year, together with the aspects mentioned above, are of extreme importance for business continuity and the expansion of the support structures and areas that underpin Lojas Renner's expansion throughout Brazil. During the year, the Company posted a significant increase in its general and administrative expenses; and the stabilization of these in relation to net sales is among the priorities for 2007. Indeed, management believes that by 2008, the conditions are ripe for diluting this item in the accounts as a result of better sales performance by on the part of the recently inaugurated stores as well as the contribution from units to be unveiled from 2007 forward.

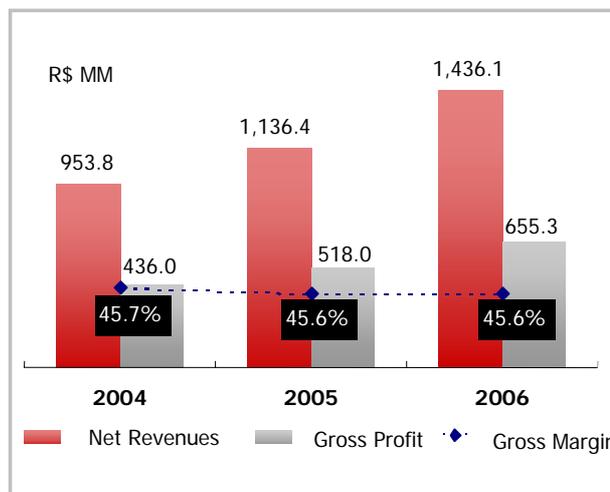
Results 2006

Gross and Net Sales

Gross Sales reported an increase of 26.3%, totaling R\$1,943.0 million. In turn, Net Sales amounted to R\$ 1,436.1 million, an increase of 26.4%, compared with R\$1,136.4 million in 2005. This increase largely reflected the growth in the number of stores and the maturation of the units unveiled more recently, as well as improvements in display and the larger number of items on sale to consumers. Same Store Sales posted a consistent increase during the entire year, improving by 16.7% over 2005.

Gross Margin

Weather conditions in 2006 favored the apparel retailing sector's spring/summer collections in 2005/2006 and 2006/2007, with high temperatures almost throughout the entire period, principally benefiting first and fourth quarter results. In addition, during the course of the year, the Company was able to implement improvements in the procurement process as well as inventory management. However, the 2006 gross margin remained stable in relation to 2005 due to the impact of running down of the cellular telephone business as well as the need for some markdowns in the face of high temperatures above the seasonal average for the fall/winter collection period



In the light of these events, Gross Margin ended 2006 at 45.6%, unchanged from 2005.

Selling Expenses

Selling Expenses are composed mainly of store payroll, mandatory social taxes and fringe benefits. Selling Expenses were also driven by rents, building service charges and maintenance, in addition to advertising and promotion expenses. Total outgoings were R\$357.0 million in 2006, representing 24.9% of net sales and unchanged from the levels posted in 2005. Pre-operating costs of the 15 unveiled stores opened during the year also impacted Selling Expenses.

General and Administrative Expenses

General and Administrative expenses were R\$142.5 million, an increase of 44.6% compared with R\$98.6 million in 2005. This increase was principally due to greater focus on capturing new Renner Card customers and, at the same time, activating card usage. The increase in this item also reflects adaptations to the corporate governance model and adjustments to personnel structure in support areas as part of the Company's current expansion program.

Tax Expenses

Tax Expenses amounted to R\$10.4 million in 2006, 32.1% lower than the R\$15.4 million recorded for this item in 2005. This decline was mainly due to the reduction in provisions for fiscal contingencies.

Income from Financial Services

Income from Financial Services reported an accentuated increase in the period, in large part due to the fact that in 2005 this item was basically made up of credit recovery revenues arising from delayed payments on installments for purchases made with the Renner Card under the 0+5 interest-free installment plan, together with revenues generated with the 0+8 interest-bearing installment plan launched in August of that year. With the consolidation of the 0+8 interest-bearing installment plan in 2006, Income from Financial Services item has begun to make a more significant impact on the Company's overall results, rising from R\$15.3 million in 2005 to R\$27.1 million in 2006, corresponding to 14.7% of the EBITDA.

Losses on Receivables, Net of Recoveries on the 0+5 interest-free installment plan reported a reduction of 0.4 of a percentage point relative to Net Sales compared with the fiscal year 2005. This reduction reflects the Company's greater efforts in credit recovery and improved collection processes. However, credit sales made on the basis of 0+8 interest-bearing installment plan reported higher losses than the 0+5 installment plan, albeit in line with company forecasts. Nevertheless, it should be noted that revenues from sales financed under the 0+8 interest-bearing plan adequately cover the additional losses on credit facilities arising from this form of payment.

The Company believes it is too early to indicate non-performance levels with respect to Personal Loan business. However, it is fair to say at this stage that Lojas Renner's more restrictive credit policy should ensure that levels of non-performance remain in line with data reported by the financial institutions as a whole. Indeed, there is a possibility that non-performance may be lower given the background information available to the Company on the selected customers. It is worth pointing out that only those customers which the Company selects have the right to Personal Loans and that the selection process is based on management's pre-established metrics. Among these is the requirement that the Renner Card should have been used for at least one year prior to granting a loan.

Income from Financial Services (R\$ MM)	2006	2005
1 - Revenue from Recovery of Receivables (0+5)	71.4	62.3
2 - Losses on Receivables, Net (0+5)	(43.0)	(38.9)
3 - Revenue from Financial Services, Net of Losses on Receivables	14.8	3.4
a) Revenue from Financial Services	23.8	3.4
b) Losses on Receivables, Net (Financial Services)	(9.0)	-
4 - Operating Expenses	(16.1)	(11.5)
Total	27.1	15.3
% of EBITDA	14.7%	10.7%

In the final quarter of 2006, the Company reclassified collection expenses, previously recognized as General and Administrative Expenses. These expenses are now booked to the accounts as Operating Expenses under the Income from Financial Services item. This change is designed to highlight the effective contribution of the Financial Services and Renner Card operation, so recognizing all related expenses. Hence the Income from Financial Services is now made up of the following components:

- 1- Revenue from Recovery of Receivables: are registered as revenues arising from the collection of delayed credit payments associated with the credit plan in up to five interest-free installments.
- 2- Losses on Receivables, Net: this item reflects the provision for losses on credits associated with the retailing operation, based on historical data, less recoveries of losses written off in previous fiscal periods.
- 3- Revenue from Financial Services, Net of Losses on Receivables: under this item financial services revenues, already netted out for losses on credits associated with the 0+8 interest-bearing plan, and Personal Loans, are booked.
 - 3.a) Revenue from Financial Services: are revenues generated through the intermediation of credit sales under the 0+8 interest-bearing installment plan, Personal Loans and Capitalization Bonds (Annuities).
 - 3.b) Losses on Receivables, Net: are losses generated through the intermediation of Personal Loans and the additional losses generated under the 0+8 interest-bearing installment plan, less recoveries of losses written down in previous fiscal years.
- 4- Operating Expenses: are expenses related to the operationalization of financial services, including all additional expenditures arising from this business, as well as collection expenses incurred with Financial Services and the Renner Card, both with respect to the 0+5 interest-free and the 0+8 interest-bearing installment plans.

We would emphasize further that the Company does not recognize future sales from financial services, the results only being recognized in the accounts proportional to the maturing of the contracts.

EBITDA (Earnings before Net Financial Expenses, Income Tax and Social Contribution on Earnings, Depreciation, Amortization, Non-Operating Results and Extraordinary Expenses)

EBITDA for the year reached R\$ 184.4 million, a growth of 29.4% over the R\$ 142.5 million for the preceding year, the EBITDA Margin increasing from 12.5% in 2005 to 12.8% in 2006.

EBITDA Reconciliation (R\$ MM)	2006	2005
Net Income	98.8	80.3
(+) Income and Social Contribution Taxes & Participations	34.9	29.1
(+) Non-Operating Income	5.0	0.6
(+) Financial Income (Expenses), Net	6.9	(20.6)
(+) Extraordinary Expenses	-	19.1
(+) Depreciation and Amortization	38.7	31.2
(+) Goodwill Amortization	0.1	2.8
EBITDA	184.4	142.5

EBITDA is not a measure used in Brazilian accounting practices and does not represent cash flow for the periods under review. It should not be considered as an alternative for net income, as an indicator of operating performance or as an alternative for cash flow in the form of an indicator of liquidity. EBITDA does not have a standardized meaning and the Company's definition of EBITDA may not be comparable with the adjusted EBITDA of other companies. While in accordance with accounting practices used in Brazil, EBITDA does not provide a measure of operating cash flow, management uses it to measure operating performance. In addition, the Company understands that certain investors and financial analysts use EBITDA as an indicator of the operating performance of a company and/or its cash flow.

Financial Income (Expenses), Net

The Net Financial Result was negative at R\$ 6.9 million against the positive R\$ 20.6 million reported in 2005. It should be remembered that compared with 2006, the financial result for 2005 benefited from a positive foreign exchange variation impact of R\$ 23.0 million on outstanding dollar debt, which was totally liquidated in 3Q05. The financial result for 2006 was influenced by the increase in the cost of financing past-due receivables, this growing from R\$ 6.8 million in 2005 to R\$ 17.4 million in 2006. The comparison of this expense is atypical since it involves structural modifications in 2006 aimed at achieving a balance between financial revenues and expenses as well as improved tax planning.

Financial Income (Expenses), Net (R\$ MM)	2006	2005
Financial Income	25.1	24.1
Financial Expenses	(14.6)	(19.7)
CPMF (tax on banking transactions)	(8.5)	(7.2)
Other Financial Expenses	(6.1)	(12.5)
Variation of FX Rate on Financing	-	23.0
Cost of Financing of Delinquent Customers, Net	(17.4)	(6.8)
Financial Income (Expenses), Net	(6.9)	20.6

Net Income

Due to the foregoing factors, Lojas Renner reported a Net Income of R\$ 98.8 million for 2006, a growth of 23.1% against R\$ 80.3 million in 2005.

Cash, Cash Equivalents and Indebtedness

Cash, Cash Equivalents and Indebtedness (R\$ MM)	Dec.06	Sep.06	Dec.05
Cash & Cash Equivalents	287.2	217.5	276.5
Short Term Borrowing and Financing	(93.4)	(94.1)	(63.2)
Cash, Cash Equivalents and Indebtedness	193.8	123.4	213.3

On December 31 2006, Lojas Renner's total loans and financing amounted to R\$ 93.4 million, in the form of short-term lines of credit, corresponding to an increase of 47.8% compared with December 2005. On December 31 2006, Cash & Cash Equivalents totaled R\$ 287.2 million, an increase of 3.9% compared to December 2005. Consequently, the Company's Cash & Cash Equivalents, Net reported a closing balance for the year of R\$ 193.8 million, a reduction of 9.1% over 2005.

Capital Expenditures

Capital Expenditures (R\$ MM)	2006	2005	2004
New Stores	81.2	23.4	12.6
Remodeling of Installations	17.4	17.4	15.3
IT Equipment & Systems	13.3	8.8	11.3
Others	7.0	6.3	4.0
Total	118.9	55.9	43.2

Investments in Fixed Assets totaled R\$ 118.9 million in 2006. The increase in capital expenditures reflects the preparatory work for unveiling new stores at a faster pace than was the case in 2005, in addition to the remodeling and modernization of technology and hardware systems for supporting the expansion. During the year seven stores were remodeled.

During the course of 2006, Lojas Renner accelerated its store network expansion plan.

Instead of inaugurating eight new stores as originally scheduled, the Company successfully unveiled 15 units in various regions of the country, the focus being particularly on the startup of operations in the Northeast. The stores opened during the period amounted to 49,700 m² in total area. All the inaugurations were concluded within the timeframe established by management.

Inaugurated Stores 2006

City	Location	Inauguration
Recife – PE	Rua da Imperatriz	Mar.29.06
Jaboatão dos Guararapes – PE	Shopping Guararapes	Mar.29.06
Curitiba – PR	Shopping Estação	May.05.06
Fortaleza – CE	Shopping Iguatemi Fortaleza	May.09.06
Jundiaí – SP	Maxi Shopping Jundiaí	May.12.06
Fortaleza – CE	North Shopping	May.29.06
Cachoeirinha – RS	Shopping do Vale	Sep.14.06
São Paulo – SP	Shopping Jardim Sul	Sep.26.06
Recife – PE	Shopping Recife	Sep.28.06
Tubarão – SC	Shopping Farol	Oct.26.06
Rio de Janeiro – RJ	Shopping Via Parque	Nov.09.06
Salvador – BA	Shopping Iguatemi Bahia	Nov.24.06
São Paulo – SP	Shopping SP Market Center	Dec.05.06
Rio de Janeiro – RJ	Shopping Leblon	Dec.06.06
Goiânia – GO	Shopping Bougainville	Dec.07.06

Renner Card

The Renner Card is an important instrument for fostering customer loyalty. The store card allows holders to purchase goods on credit, paying for them in up to five monthly installments for the cash price, or alternatively for longer periods in seven to eight monthly installments at a monthly interest rate of 4.9% as from the first installment. In both cases, the customer enjoys a thirty-day grace period before the first installment falls due.

Store card sales accounted for 71.3% of total Company sales in 2006, a 2.5 percentage points reduction compared with 2005. This smaller participation is largely due to the significant number of store openings during the year. These involve a large number of new customers, who, in the first instance, opt for other forms of payment thus diluting overall Company sales using the Renner Card. A further 1.6 million store cards were issued during the year, (making a current grand total of 10.3 million of cardholders), of which approximately 40% are active (at least one purchase over the past 12 months).

In the period between January and December 2006, 57.7 % of total sales were realized using the credit option of 0+5 interest-free installments and 13.6% in 0+8 interest-bearing installments. There was considerable growth in purchases using longer-term credit facilities compared with 2005. This is very beneficial for the Company given that as well as generating financial income, this credit plan has an average ticket 50% higher than the 0+5 installment plan, as well as reducing the monthly value of the installments and acting as an added incentive for customers to increase the financial value of their purchases.

The average ticket for the Renner Card during the year was R\$ 103.84, an increase of 6.3% over the R\$ 97.70 in relation to the same period in 2005. This is closely related to the greater share of total credit sales under the 0+8 interest-bearing installment plan.

Financial Services

Since a large percentage of customers use the Renner Card, over many years, the Company has been able to store detailed information on the purchasing patterns and credit behavior of each one of its Cardholders. This allows a complete understanding of the customer base and gives the Company the potential for employing this database for offering complementary services such as personal loans, capitalization bonds and in the future, insurance policies, among others.

In April 2006, Lojas Renner began to sell financial services through the intermediation of Personal Loans to selected Renner Card customers with a track record of at least one year. These loans including the Saque Rápido (Quick Withdrawal) facility, have a maximum pre-approved limit of up to R\$ 3,000.00. The average value since the start of operations has been approximately R\$ 615.00 with maturities of the contracts varying between nine and ten months and monthly interest rates of up to 10.9%.

At the same time, the Company also began intermediating the sale of capitalization bonds, which consist of monthly payments of installments of between R\$ 40.00 and R\$ 400.00 during a 12-month period, with integral redemption at the end of 60 months, restated against the TR (Reference Rate). Early redemption is allowed as from the twelfth month, although redeemed value is proportional to the number of months to bond maturity. During the five-year period, customers compete for weekly, monthly and quarterly prizes, which can amount to a maximum value of R\$ 1 million, drawings being conducted by the Federal Lottery.

In November 2006, Lojas Renner signed a partnership agreement with Porto Seguro S.A., through the Porto Seguro Companhia de Seguros Gerais subsidiary for intermediating the sale of insurance policies at the Company's stores. Lojas Renner should begin selling these products during the course of 2007, thus further broadening its range of financial services already on offer. Initially, the following types of insurance policies will be sold: loss and theft of the Renner Card, school tuition fees, unemployment, and household and personal injury, - only loss and theft of the Renner Card and unemployment being exclusive to card holders.

Employees and Social Projects

Employees

At the end of the fiscal year 2006, Lojas Renner reported a total labor force of 7,764 at its 81 stores located in the South, Southeast, Midwest and Northeast, including those employed at the distribution centers and the Company's head office. Of this total, 7,115 were allocated to stores and 649 to administrative areas. These figures are 32.5% and 17.6%, respectively higher than 2005, indicative that Lojas Renner is expanding its staff to provide the necessary support for its expansion plan.

Lojas Renner believes that the development of its employees is critical to the progress of its business and the successful implementation of its growth strategy. In this context, the Company uses the participative leadership concept whereby it establishes objectives and targets in agreement with the individual teams. The Company's results are therefore a consequence of the degree of information that employees have as to corporate strategies and objectives and the role of each one in the execution of these plans.

Investments in employee formation are of key importance to the Company and involve not only intensive training where students participate either through a physical presence in the classroom or on a remote basis, but also through self-development courses run by the Renner Retail Academy and the Renner University. Lojas Renner also sponsors post-graduation courses at MBA level for managers in partnership with the Getúlio Vargas Foundation (FGV-EASP) of São Paulo. This program has already been responsible for graduating 85 executives, in addition to the 27 employees currently comprising the fourth group, the course of which is still in progress. In 2006, the Company provided an average of 152 hours of training time to each employee at all levels of the corporate hierarchy.

During 2006, 101 employees were promoted to the position of supervisor or manager. The Company seeks to train its new leaders in the store and purchasing area on a consistent basis. Since 1992, it has run a Trainee Program for training its employees as store supervisors/managers and purchasing managers. Each year, Lojas Renner has trained a large number of employees for positions of leadership. Since July 2005, it has increased the number of places offered under the Program, precisely with the purpose of preparing an even larger contingent of executives to operate principally in the

areas of supervision and management of the new stores, thus providing the necessary support for the Company's aggressive expansion plan currently being implemented.

In 2006, 160 trainees underwent training, 103 of them for supervisory jobs and 57 at the managerial level. The Company believes that its trainees should undergo a detailed process of training using the basic principle of learning by doing. As such, the trainees are subjected to an intense period of technical and practical training in the stores and purchasing department. It is only after a period of six months (Supervisory Trainees) and 12 months (Managerial Trainees), that these professionals are deemed fit for coordinating a unit using a participative and motivational management style. Company leaders have the mission of enchanting their employees so that the latter, in turn, will be able to enchant their customers.

In 2006, *Exame* Magazine ranked Lojas Renner among the 150 Best Companies in which to Work and among the 50 Best Companies for the Woman to Work For – recognition of the Company's efforts, culture and values. In 2004, 2005 and 2006, *Valor Carreira* Magazine also selected Lojas Renner as one of the best companies in personnel management, in 2006 ranking it in third place in its category.

This year, there was significant progress with respect to the Succession Program. Towers Perrin, a HR consultancy was hired to review the Company's competences-based performance evaluation and to build a methodology for identifying, recognizing and retaining talents through succession planning at all levels of company leadership. The process is already being implemented. This program guarantees that future successors are duly prepared to take over key positions in the organization.

Social Projects

Lojas Renner prides itself on the focus it places on social and environmental responsibility, through encouraging actions for the preservation of the environment and the development of citizenship. In this context, the Company runs and supports several activities of social nature.

Lojas Renner's objective is to expand its socially responsible activities. In 2006, it signed a partnership agreement with the Institute for Social Investment – IDIS to assist in directing its corporate socially responsible practices. Following a company-wide survey using the Ethos Institute's Social Responsibility indicators, Lojas Renner began a review of its Code of Ethics and Corporate Conduct for adjusting the Code to the requirements of all stakeholders according to best market practice and in line with Corporate Social Responsibility (RSE) precepts.

During the year, Lojas Renner continued to encourage volunteer work on the part of its employees in such a way that all the teams located in the areas where the Company operates are invited to champion a cause through donations to charitable and/or philanthropic institutions. The objective is to work on a differentiated basis with neighboring communities, seeking principally to develop personal affection and dedication, the replication of knowledge, or through the refurbishing of the physical assets of the selected entities. During 2006, the Company donated a total of R\$ 180,000, split between the Municipal Fund for the Rights of the Child and Adolescent of Porto Alegre and the State Fund for Protection of the Rights of the Child and Adolescent of Pernambuco, both of which passing these resources onto the institutions the Company selects. These institutions, in turn, care for needy children and adolescents as well as those with physical disabilities, providing the necessary means to access funding sources through tax-deductible donations both from private individuals as well as corporations. This initiative has already been extended to the principal executives and it is Lojas Renner's intention to further extend this scheme to a still larger number of employees.

The Company also collaborates through donations of apparel to needy communities in cities where the Company has stores, through the medium of partnerships with city governments and the Pastoral da Criança organization.

In addition to the foregoing activities, Lojas Renner provides funding for the upkeep and acts as a franchisee for the Pescar Project Foundation. Besides promoting basic training for exercising a profession, the Foundation encourages youngsters to adopt new habits and attitudes of companionship and citizenship. The work is carried out through social franchises where companies provide vacancies for groups of socially vulnerable students between 16 and 19, enrolled in regular educational courses. Lojas Renner runs two groups, one at the head office in Porto Alegre and the other in São Paulo at the Distribution Center. The program is divided into two segments: 60% of the time is dedicated to classroom activities of a generic nature covering human values, additional school work, personal development, citizenship, behavioral studies, among others. The remaining 40% is used for learning a professional activity at Lojas Renner. The

combined program thus promotes the social inclusion of these youngsters through the effective creation of opportunities for entry into the labor market.

The Company also supports the Water for Life, Water for All Traveling Exhibition, organized by the environment-focused NGO, WWF-Brasil. Interactive and educational, the event is designed to raise the awareness of children and young people as to the need for preserving water resources in Brazil and the world. The visitors are able to take part in educative games and innumerable play activities as well as watch videos with a relaxing soundtrack of running water. In terms of infrastructure, the Water for Life, Water for All Traveling Exhibition uses a 40m² truck trailer and a 160m² tent. The event has been seen in several cities and has been supported by Lojas Renner in Porto Alegre, Brasília, Campo Grande, as well as Salvador.

Capital Markets and Corporate Governance

Lojas Renner opened its capital in 1967 and trading in its shares on the stock exchanges began in 1972. Following a long period as a listed company with defined, family and, subsequently, foreign control, on July 1 2005, trading on the São Paulo Stock Exchange (BOVESPA) was resumed in 100% of the Company's shares. At the same time, the Company adhered to the regulations of the Novo Mercado, a segment of the Stock Exchange that requires a commitment to more rigorous practices of corporate governance. On June 30 2006, the Company commemorated its first anniversary as a Corporation listed on Novo Mercado. Lojas Renner was the first company in Brazil to have a pulverized capital structure with practically all its shares trading in the market. To mark this important milestone, Lojas Renner launched a stamp commemorating year-one as the First Brazilian Corporation.

On March 21 2006, the Company held its first Ordinary Shareholders' Meeting (OSM) as a company with pulverized capital. The meeting approved the financial statements for the fiscal year 2005, the distribution of dividends and the election of members of the Board of Directors and the Fiscal Council together with management's global compensation.

The OSM reelected the same five members as for the preceding term of office to the Board of Directors, as well as electing a new member, Miguel Gellert Krigsner. The Meeting also installed the Fiscal Council and dividends were declared and approved for the fiscal year 2005 worth R\$ 35.3 million, corresponding to R\$ 1.454152 per share, payout being effected on March 30 2006.

A dividend distribution was declared and approved on July 27 in the form of interest on equity capital for the fiscal year 2006 for an amount of R\$ 21.7 million, corresponding to R\$ 0.8946 per share, payout taking place on August 8 2006.

On October 3 2006, an Extraordinary Shareholders' Meeting (ESM) approved a five for one stock split of the total common shares, the authorized capital limit being set at 225,000,000 (two hundred and twenty-five million) common shares. Lojas Renner believes that this measure will provide greater access to its shares on the part of small individual and non-professional investors, thus increasing the liquidity of its securities.

Approval was also given to changes in the Company Bylaws, adapting them to the requirements of the São Paulo Stock Exchange's Novo Mercado Listing Regulations. Additional changes were made in the light of provisions to improve corporate governance practice as well as updating and improving the Bylaws in line with suggestions made by the shareholders themselves. Among the changes, the most notable were the installation of a Permanent Fiscal Council, the establishment of a limit of at least one third of independent directors on the Board, - a higher percentage than called for by the regulations -, and the reduction in the minimum percentage required for shareholders to elect a member to the Board of Directors.

On December 27, a Meeting of the Board of Directors approved the payment of dividends in the form of interest on equity capital amounting to R\$ 19.0 million, equivalent to R\$ 0.1563 per share, payout being effected on January 8 2007.

At the same Meeting, it was decided to enhance the Company's structure with the election of a further two executive officers. As a result, the Board of Executive Officers will now total four members, José Galló and José Carlos Hruby together with the new members, Clarice Martins Costa, Human Resources Officer and Luiz Elísio Castello Branco de Melo, Operations Officer. The new officers will be inaugurated on January 2 2007 with a term of office through to the date of the Ordinary Shareholders' Meeting in 2008.

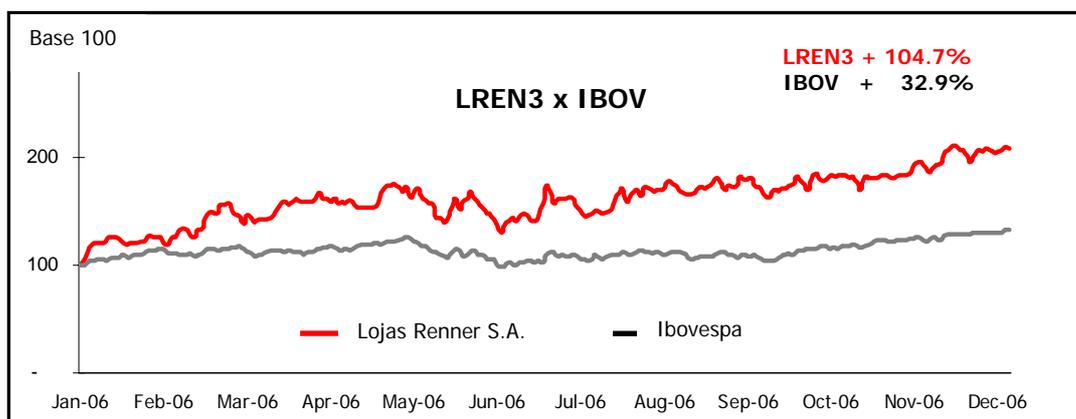
In all, dividend payments to Company shareholders were declared for the fiscal year 2006 in the form of interest on equity capital on July 27 (R\$ 0.1787 per share adjusted according to the number of shares as at December 31 2006 and

the stock split of October 3 2006) and December 27 (R\$ 0.1563 per share). The Board further proposed the distribution of dividends worth R\$ 33.4 million (R\$ 0.274557 per share), subject to the approval of the OSM to be held on April 2 2007. Shareholder remuneration including payment to be approved by the Ordinary Shareholders' Meeting, will amount to R\$ 74.1 million (R\$ 0.6096 per share), representing a dividend yield of 2% (dividend per share on the share price), based on the price of R\$ 30.70 as at December 28 2006.

Of the remaining Net Income for the year following allocation to legal reserves amounting to R\$ 504.1 thousand and the proposed dividend distribution and payment of interest on equity capital, a profits reserve for investment and expansion amounting to R\$ 24.2 million is being constituted. This reserve will be used to cover part of the investments scheduled for the Company's expansion plan to be executed during 2007.

In order to align Management and Shareholder interests, since May 25 2005, Lojas Renner has been operating a Stock Options Plan (POCA) eligible to the executive officers and the Company's principal executives. On May 2 2006, the Board of Directors approved a Compensation Committee proposal, granting 815 thousand stock options (adjusted to the stock split of October 3 2006), where each option is equivalent to one Company share. Since the outset of the Plan, 1,630 thousand stock options have been granted (adjusted with the stock split of October 3 2006), equivalent to 1.34% of the total shares outstanding, 120 thousand stock options having been exercised in December 2006.

Lojas Renner's common shares, trading under the LREN3 symbol, appreciated 104.7% during the period, increasing from R\$ 15.00 per share (adjusted for the stock split) as at December 29 2005 to R\$ 30.70 as at December 28 2006. During the year, the Company's shares were traded on 53,785 occasions, equivalent to a financial volume of R\$ 3,064.4 million, representing an increase over the period from July 1 to December 29 2005 of 756.3% and 226.7%, respectively. Share liquidity has been increasing, the daily average trading volume in December being R\$ 11.8 million, with 426 trades, in percentage terms 10.2% and 255% more than for the same month in 2005. The following graph shows the price evolution in Lojas Renner S.A.'s shares on the São Paulo Stock Exchange for the period between December 29 2005 and December 28 2006.



During the period, the Company held various presentations for groups of investors in Brazil and overseas as part of its policy of transparency towards the capital markets. Among these presentations, the Company held Public Meetings for Research Analysts on May 7, November 27 and December 4 2006 in the cities of São Paulo, Rio de Janeiro and Porto Alegre respectively, and also public conference calls in both English and Portuguese to discuss quarterly results. The meeting for research analysts and investors at APIMEC's head office in São Paulo was elected as among the 10 best presentations sponsored by this institution during 2006.

To further improve relationships with research analysts and investors, several one-on-one meetings were organized during the year, including visits to stores and to the distribution centers. In addition, interested parties were able to obtain information from the company website, by telephone and by e-mail.

Ordinary and Extraordinary Shareholders' Meetings

The Company would like to take the opportunity to invite its Shareholders to attend the Ordinary and Extraordinary Shareholders' Meetings to be held on April 2 2007 at 11:00 a.m. at the registered offices of Lojas Renner S.A. at Avenida Assis Brasil, 944 – Porto Alegre (RS).

Adherence to the Arbitration Chamber

The Company, its Shareholders, Managers and Statutory Audit Committee 's members undertake to settle, through arbitration proceeding, any and all doubts or disputes that may arise, whether related to or arising from the application, validity, enforceability, interpretation, violation and effects of the provision provided for in the Agreement for Listing in the Novo Mercado, in the Listing Regulation of Novo Mercado, in these Bylaws, in the shareholders agreements filed in the Company's headquarters, in the Company Law, in rules enacted by the National Monetary Council, by the Central Bank of Brazil or by the Brazilian Securities Commission (CVM), in BOVESPA's regulations, in the other regulations applicable to the capital market in general, in the Commitment Clauses and in the Arbitration Regulation of the Arbitration Chamber do Mercado, conducted pursuant to this last Regulation.

Relationship with the Independent Auditors

Lojas Renner's policy towards its independent auditors on the issue of services extraneous to the outside audit is based on principles that preserve the auditor's independence. These principles reflect the fact that the auditor should not audit its own work, or exercise managerial functions or furthermore, act on behalf of its client. During the fiscal year ended December 31 2006, the Company's independent auditors were hired to perform services additional to the examination of the financial statements. The fees for these services corresponded to approximately 35% of the amount paid for the external audit of the fiscal year's financial statements. The additional services rendered are of an advisory nature and relate to the diagnosis and identification of the different concepts implicit to accounting practices in Brazil and those of U.S.GAAP. The responsibility for the definitions inherent in the work performed, the weighting given by the Company to the differences and the use of the findings are prerogatives of management and it is thus the understanding of both the Company as well as the outside auditors that such services do not affect the latter's professional independence. The fees for the additional services contracted during the year amounted to R\$ 75,400.00.

Final Comments

Over the next few years, Lojas Renner intends to maintain a strategy based on its drivers of growth, especially the expansion of the number of stores and the supply of financial services. The Company will always maintain the focus on its core business, respecting the mission of not only satisfying its customers, but also enchanting them, and maintaining its value proposition, being an accomplice to the modern woman, selling fashion products at competitive prices and in an agreeable shopping environment.

While forecasted growth on the macroeconomic front is expected to be lower than initially estimated, Lojas Renner believes that 2007 will again be positive for the domestic market and the consumption sectors. Economic stability is already a reality that will benefit lower income groups through lower interest rates, controlled inflation and improving levels of employment, directly benefiting consumer confidence and increasing the degree of disposable income, and total wage mass.

Finally, Lojas Renner would once more like to thank all its employees, suppliers, shareholders, customers and the community at large for their support and dedication in 2006 and place on record its belief that 2007 can be even better.

Porto Alegre, February 8 2007.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

Lojas Renner S.A. and Subsidiaries

Balance Sheets as of December 31, 2006 and 2005

(In thousands of Brazilian reais - R\$)

Assets	Notes	Company		Consolidated	
		2006	2005 (Reclassified)	2006	2005 (Reclassified)
Current Assets					
Cash and cash equivalents		33.837	19.857	34.113	19.857
Short-term investments	5	253.090	256.659	253.090	256.672
Trade accounts receivable	6	401.803	381.588	402.120	381.588
Inventories	7	117.533	92.254	117.533	92.254
Recoverable taxes		28.399	19.482	28.432	19.483
Other accounts receivables		11.084	3.573	11.084	3.573
Deferred income and social contribution taxes	11	35.748	26.773	35.748	26.773
Prepaid expenses		1.038	527	1.038	527
Total current assets		882.532	800.713	883.158	800.727
Noncurrent Assets					
Long-Term Assets					
Judicial deposits	10	2.276	2.178	2.276	2.178
Recoverable taxes		13.453	10.176	13.453	10.176
Other accounts receivables		5.445	2.201	5.445	2.201
Deferred income and social contribution taxes	11	15.631	12.759	15.631	12.759
Total long-term assets		36.805	27.314	36.805	27.314
Permanent Assets					
Investments	16	12.582	9.615	63	63
Property, plant and equipment - net	8	234.073	159.415	241.062	166.813
Intangible - net	8	39.308	34.710	39.308	34.710
Total permanent assets		285.963	203.740	280.433	201.586
Total noncurrent assets		322.768	231.054	317.238	228.900
TOTAL ASSETS		1.205.300	1.031.767	1.200.396	1.029.627

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

Lojas Renner S.A. and Subsidiaries

Balance Sheets as of December 31, 2006 and 2005

(In thousands of Brazilian reais - R\$)

Liabilities and Shareholders' Equity	Notes	Company		Consolidated	
		2006	2005 (Reclassified)	2006	2005 (Reclassified)
Current Liabilities					
Loans and financing	9	93.365	63.181	93.365	63.181
Suppliers		220.272	218.955	220.272	218.955
Taxes and contributions payable		131.192	96.657	131.378	96.743
Accrued salaries and vacation payable		38.485	28.779	38.487	28.779
Rentals payable		17.702	13.094	13.154	10.868
Liabilities under bylaws		53.933	45.208	53.933	45.208
Reserve for civil and labor risks	10	7.658	6.458	7.658	6.458
Other accounts payables	12	69.336	22.644	69.386	22.644
Total current liabilities		631.943	494.976	627.633	492.836
Noncurrent Liabilities					
Long-Term Liabilities					
Taxes and contributions payable	14	5.864	6.537	5.864	6.537
Reserve for tax and civil risks	10	19.033	12.675	19.033	12.675
Intercompany payables	16	594	-	-	-
Other accounts payables		3.900	-	3.900	-
Total long-term liabilities		29.391	19.212	28.797	19.212
Total noncurrent liabilities		29.391	19.212	28.797	19.212
Shareholders' equity					
Capital	13	399.820	398.138	399.820	398.138
Capital reserves		118.165	118.165	118.165	118.165
Profit reserves		25.981	1.276	25.981	1.276
Total shareholders' equity		543.966	517.579	543.966	517.579
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1.205.300	1.031.767	1.200.396	1.029.627

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

Lojas Renner S.A. and Subsidiaries

Statements of Income For the Years Ended December 31, 2006 and 2005

(In thousands of Brazilian reais - R\$, except earnings per share)

	<u>Notes</u>	<u>Company</u>		<u>Consolidated</u>	
		<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Gross operating revenues		1.942.945	1.537.873	1.942.945	1.537.873
Deductions		<u>(506.840)</u>	<u>(401.439)</u>	<u>(506.840)</u>	<u>(401.439)</u>
Net operating revenues		1.436.105	1.136.434	1.436.105	1.136.434
Cost of goods sold		<u>(780.789)</u>	<u>(618.409)</u>	<u>(780.789)</u>	<u>(618.409)</u>
Gross profit		655.316	518.025	655.316	518.025
Operating income (expenses)					
Selling		(359.585)	(285.405)	(356.989)	(282.877)
General and administrative		(142.502)	(98.564)	(142.503)	(98.566)
Management compensation	18	(4.331)	(3.116)	(4.331)	(3.116)
Taxes		(10.423)	(15.358)	(10.423)	(15.358)
Depreciation and amortization		(38.526)	(33.732)	(38.819)	(34.025)
Other operating income, net	25	41.907	23.897	43.356	23.897
Equity in subsidiaries	16	3.083	1.977	-	10
Extraordinary expenses	27	-	(18.563)	-	(18.563)
Financial income (expenses), net	26	<u>(6.693)</u>	<u>20.590</u>	<u>(6.906)</u>	<u>20.586</u>
Total operating expenses, net		<u>(517.070)</u>	<u>(408.274)</u>	<u>(516.615)</u>	<u>(408.012)</u>
Operating income		138.246	109.751	138.701	110.013
Nonoperating income		<u>(5.031)</u>	<u>(593)</u>	<u>(5.031)</u>	<u>(593)</u>
Income before income and social contribution taxes and compensations under bylaws		133.215	109.158	133.670	109.420
Income and social contribution taxes	11	(30.064)	(25.789)	(30.519)	(26.051)
Profit sharing under bylaws	18	<u>(4.329)</u>	<u>(3.078)</u>	<u>(4.329)</u>	<u>(3.078)</u>
Net income for the period		<u>98.822</u>	<u>80.291</u>	<u>98.822</u>	<u>80.291</u>
Earnings per share - R\$		<u>0,81</u>	<u>3,31</u>	<u>0,81</u>	<u>3,31</u>
Number of shares at end of year (in thousands)		<u>121.582</u>	<u>24.292</u>	<u>121.582</u>	<u>24.292</u>

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

Lojas Renner S.A. and Subsidiaries

Statements of Changes in Shareholders' Equity (Company)

For the Years Ended December 31, 2006 and 2005

(In thousands of Brazilian reais - R\$, except dividends and interest on capital per share)

	Capital	Capital reserve	Profit reserve		Retained earnings (accumulated losses)	Total
		Goodwill reserve	Legal reserve	Reserve for investments and expansion		
Balances as of January 1, 2005	55.000	106.660	-	-	(13.326)	148.334
Capital increase (see note 13)	343.138	-	-	-	-	343.138
Goodwill reserve from merger	-	11.505	-	-	-	11.505
Net income for the period	-	-	-	-	80.291	80.291
Income allocation:	-	-	1.276	-	(66.965)	(65.689)
Legal reserve	-	-	1.276	-	(1.276)	-
Dividends (R\$ 1.454152 per share)	-	-	-	-	(35.324)	(35.324)
Interest on capital (R\$ 1.25 per share)	-	-	-	-	(30.365)	(30.365)
Balances as of December 31, 2005	398.138	118.165	1.276	-	-	517.579
Capital increase (see note 13)	1.682	-	-	-	-	1.682
Net income for the period	-	-	-	-	98.822	98.822
Income allocation:	-	-	504	24.201	(98.822)	(74.117)
Legal reserve	-	-	504	-	(504)	-
Reserve for investments and expansion	-	-	-	24.201	(24.201)	-
Dividends (R\$ 0.274557 per share)	-	-	-	-	(33.382)	(33.382)
Interest on capital (R\$ 0.3350 per share)	-	-	-	-	(40.735)	(40.735)
Balances as of December 31, 2006	399.820	118.165	1.780	24.201	-	543.966

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

Lojas Renner S.A. and Subsidiaries

Statements of Changes in Financial Position For the Years Ended December 31, 2006 and 2005

(In thousands of Brazilian reais - R\$)

	Company		Consolidated	
	2006	2005 (Reclassified)	2006	2005 (Reclassified)
Sources of funds				
From operations				
Net income for the period	98.822	80.291	98.822	80.291
Items not affecting working capital				
Depreciation and amortization	38.410	30.867	38.703	31.160
Amortization of goodwill	116	2.865	116	2.865
Cost of write-off or disposed permanent assets	1.229	911	1.229	911
Equity in subsidiaries	(3.083)	(1.977)	-	(10)
Charges on long-term liabilities	-	(15.042)	-	(15.042)
Deferred income and social contribution taxes - long-term	(2.872)	(5.105)	(2.872)	(5.105)
Total from operations	132.622	92.810	135.998	95.070
From shareholders				
Capital increase (see note 13)	1.682	343.138	1.682	343.138
Goodwill reserve from merger	-	11.505	-	11.505
Total from shareholders	1.682	354.643	1.682	354.643
From third parties				
Increase in long-term liabilities	10.179	889	9.585	889
Dividends received	-	8.174	-	-
Total from third parties	10.179	9.063	9.585	889
Total sources	144.483	456.516	147.265	450.602
Uses of funds				
Additions to property, plant and equipment and intangible assets	118.895	55.900	118.895	55.900
Permanent assets received from merger	-	23.816	-	23.816
Increase in long-term assets	6.619	5.750	6.619	5.754
Payment of interest on long-term loan	-	6.014	-	6.014
Payment of long-term loan	-	191.296	-	191.296
Proposed dividends	33.382	35.324	33.382	35.324
Payment of interest on capital	40.735	30.365	40.735	30.365
Total uses	199.631	348.465	199.631	348.469
Increase (decrease) in working capital	(55.148)	108.051	(52.366)	102.133
Changes in working capital:				
At end of year	250.589	305.737	255.525	307.891
At beginning of year	305.737	197.686	307.891	205.758
Increase (decrease) in working capital	(55.148)	108.051	(52.366)	102.133

The accompanying notes are an integral part of these financial statements.

Lojas Renner S.A. and Subsidiaries

Notes to the financial statements for the years ended December 31, 2006 and 2005

(Amounts in thousands of Brazilian reais – R\$, except dividends and interest on capital per share in note 24)

(Convenience Translation into English from the Original Previously Issued in Portuguese)

1 Company's operations

Lojas Renner S.A. (the "Company") is engaged in the retail sale of apparel, sporting goods and other items that are sold by department stores. In addition, the Company is engaged in the import of goods, investments in other companies, intermediation of financial services, and other.

2 Presentation of financial statements

These financial statements have been prepared in accordance with accounting practices established by Brazilian corporate law and standards of the Brazilian Securities Commission (CVM).

Reclassifications have been made in the balance sheet and statements of income, changes in financial position and cash flows for the year ended December 31, 2005 for improving the comparability of the balances of judicial deposits and reserve for tax risks with the financial statements for the year ended December 31, 2006 that, in accordance with CVM Resolution No. 489, are now stated net of judicial deposits made for lawsuits.

The individual and consolidated statements of cash flows as shown in note 23 and prepared in accordance with Accounting Standard and Procedure 20 "Statement of Cash Flows" (NPC 20), issued by IBRACON (Brazilian Institute of Independent Auditors), are presented for purposes of supplemental information.

In 2006, the Company began to provide financial services and the net income from these services is shown in the statement of income under the caption "other operating income", so as to facilitate performance evaluation and to maintain historical comparison bases of income and expenses for the retail business. Net income from financial services is shown in note 25.

3 Summary of significant accounting practices

a. Results of Operations

Determined on the accrual basis.

Sales revenue is recognized in income when goods are delivered to the customer. Revenue from financial services is recognized over the term of the agreements.

b. Use of Estimates

The accounting estimates were based on objective and subjective factors, reflecting management's judgment in determining the adequate value to be recorded in the financial statements. Significant items subject to those estimates and assumptions include net book value of property, plant and equipment, allowance for doubtful accounts, inventories, deferred tax assets and reserve for tax, civil and labor risks. Actual results could differ from those estimates. The Company reviews the estimates and assumptions used at least on a quarterly basis.

Lojas Renner S.A. and Subsidiaries

Notes to the financial statements for the years ended December 31, 2006 and 2005

(Amounts in thousands of Brazilian reais – R\$, except dividends and interest on capital per share in note 24)

c. Cash and Cash Equivalents

Consist of cash on hand, bank deposits and temporary cash investments.

d. Short-Term Investments

Stated at cost plus income earned through the balance sheet date, not in excess of market value.

e. Allowance for Doubtful Accounts

Recorded based on an analysis of the customer portfolio in an amount considered sufficient by Management to cover any losses on collection of accounts receivable.

f. Inventories

Stated at the average acquisition cost, which does not exceed market value.

g. Other Current and Long-Term Assets

Stated at the net realizable value.

h. Property, plant and Equipment and Intangible

Stated at the acquisition or construction cost, less accumulated depreciation/amortization and provision for impairment of property, plant and equipment of stores that will be remodeled, according to the management's plan, based on the estimated economic results of the stores. Depreciation/amortization is calculated using the straight-line method over the economic useful lives of the assets.

i. Investments in Subsidiaries

Accounted for under the equity method.

j. Current and Long-Term Liabilities

Stated at known or estimated amounts, plus, when applicable, interest, monetary and exchange variations incurred through the balance sheet date.

k. Reserves

A reserve is recognized in the balance sheet when the Company has a legal or unasserted obligation resulting from a past event and it is probable that funds will be needed to settle the obligation. The reserves are based on the best

Lojas Renner S.A. and Subsidiaries

Notes to the financial statements for the years ended December 31, 2006 and 2005

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estimates of the risk involved.

l. Interest on Loans and Financing

Recorded at the contractual interest rate over the term of the loan agreement.

m. Financial Income (Expenses)

Consists principally of interest on loans, net of interest receivable on short-term investments, exchange gains and losses, discounts granted by suppliers for early payment of trade notes, net of premiums corresponding the discount exceeding the average market rate, classified as other operating income and gains and losses on financial instruments, which are credited/charged to operations on the accrual basis.

n. Income and social contribution taxes

Current and deferred income and social contribution taxes are calculated at the tax rates established by tax legislation.

Deferred income and social contribution tax assets resulting from temporary differences were recorded in accordance with CVM Instruction No. 371 of June 27, 2002, taking into account the expectation of future taxable income based on a technical feasibility study approved by Management.

o. Adjustments to present value

Credit purchase and sales operations with fixed rates were discounted to their present value on the dates of the transactions, according to the payment terms, based on the internal interest rates for customers and the daily average interest rate published by ANBID (National Association of Investment Banks and Security Dealers) for suppliers.

The adjustment to present value for purchases is recorded in trade accounts payable and inventories and its reversal is recorded in cost of sales, as the payment period elapses in the case of trade accounts payable, and through effective sales in the case of inventories. The adjustment to present value for credit sales is recorded in trade accounts receivable (note 6) and its realization is accounted for as sales revenue, over the period sales are paid.

p. Statements of Cash Flows

The Company is presenting the statements of cash flows as supplemental information in note 23. Such information has been prepared in accordance with Accounting Standard and Procedure 20 “Statement of Cash Flows” (NPC 20), issued by IBRACON (Brazilian Institute of Independent Auditors).

Lojas Renner S.A. and Subsidiaries

Notes to the financial statements for the years ended December 31, 2006 and 2005

(Amounts in thousands of Brazilian reais – R\$, except dividends and interest on capital per share in note 24)

4 Consolidation criteria

The consolidated financial statements have been prepared in conformity with the consolidation criteria established by Brazilian accounting practices and CVM instructions, and include the accounts of the Company and its wholly-owned subsidiaries Dromegon Participações Ltda. and Renner Administradora de Cartões de Crédito Ltda (RACC).

Financial statements for the same base date prepared in accordance with the accounting practices described in note 3 were used in the preparation of the consolidated financial statements. Investments, shareholders' equity and net income of subsidiaries, and intercompany balances and transactions have been eliminated in consolidation.

The operations of Dromegon Participações Ltda. are limited to the rent of its property to the Company (note 16).

In April 2006, Renner Administradora de Cartões de Crédito Ltda. (RACC) began to act as an intermediary in operations of consumer loans and sale of capitalization certificates (note 16). The Renner Card is currently used by customers only for transactions at the Company's stores.

5 Short-term investments

	Company		Consolidated	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
RDB (bank deposit receipts)	129,366	83,643	129,366	83,643
CDB (bank certificates of deposit)	25,464	103,923	25,464	103,936
Debenture purchased with agreement to resale	98,260	69,093	98,260	69,093
	253,090	256,659	253,090	256,672

The Company's short-term investments, all of which fixed-income investments, yield an average rate of 100% of the CDI (interbank deposit rate). These investments are held at banks with a sound reputation and can be redeemed according to the Company's needs.

Lojas Renner S.A. and Subsidiaries

Notes to the financial statements for the years ended December 31, 2006 and 2005

(Amounts in thousands of Brazilian reais – R\$, except dividends and interest on capital per share in note 24)

6 Trade accounts receivable

	<u>2006</u>	<u>2005</u>
Current Assets:		
Trade accounts receivable – private credit		
Current:		
from 01 to 30 days	114,361	84,817
from 31 to 60 days	120,474	98,520
from 61 to 90 days	97,340	78,720
from 91 to 120 days	74,310	58,981
from 121 to 150 days	60,938	49,065
from 151 to 180 days	28,091	21,878
over 180 days	31,447	10,935
Past-due:		
from 01 to 30 days	25,445	19,500
from 31 to 180 days	30,987	22,138
	<u>583,393</u>	<u>444,554</u>
Credit card companies	55,838	37,480
Other receivables	3,696	1,039
Transactions receivable – consumer loans	5,837	-
Less:		
Present value adjustment	(51,186)	(40,832)
CDCI operations	(162,147)	(37,657)
Less:		
Allowance for doubtful accounts	(33,628)	(22,996)
Total - Company	<u>401,803</u>	<u>381,588</u>
Transactions receivable – consumer loans	63,896	-
Financing - consumer loans	(63,579)	-
Total - Consolidated	<u>402,120</u>	<u>381,588</u>

Accounts that have been overdue for more than 180 days are written off from the balance of trade accounts receivable against the allowance for doubtful accounts.

CDCI operations refer to the amounts financed by financial institutions for the Company's customers for purchases payable in seven to eight monthly installments with interest, for which the Company fully and unconditionally guarantees the payment.

Financing - consumer loans refers to funds raised from banks through the subsidiary Renner Administradora de Cartões de Crédito Ltda., for which the Company is the guarantor.

Lojas Renner S.A. and Subsidiaries

Notes to the financial statements for the years ended December 31, 2006 and 2005

(Amounts in thousands of Brazilian reais – R\$, except dividends and interest on capital per share in note 24)

7 Inventories

	<u>Company and Consolidated</u>	
	<u>2006</u>	<u>2005</u>
Merchandise for resale	127,327	99,002
Present value adjustment	(4,605)	(4,387)
Provision for loss on inventories	<u>(6,170)</u>	<u>(3,394)</u>
	116,552	91,221
Auxiliary material and other	<u>981</u>	<u>1,033</u>
	<u>117,533</u>	<u>92,254</u>

8 Property, plant and equipment and intangible

<u>Property, plant and equipment</u>	Average depreciation rate (% per year)	<u>2006</u>			<u>2005</u>
		Cost	Depreciation	Net	Net
Land		1,377	-	1,377	1,377
Buildings	4	9,951	(4,150)	5,801	6,160
Furniture, installations and improvements	10	319,644	(111,700)	207,944	137,364
Vehicles	20	653	(254)	399	179
IT equipment	20	48,745	(30,193)	18,552	14,335
Total – Company		<u>380,370</u>	<u>(146,297)</u>	<u>234,073</u>	<u>159,415</u>
Buildings of subsidiaries	4	10,231	(3,242)	6,989	7,398
Total – Consolidated		<u>390,601</u>	<u>(149,539)</u>	<u>241,062</u>	<u>166,813</u>

<u>Intangible</u>	Average amortization rate (% per year)	<u>2006</u>			<u>2005</u>
		Cost	Amortization	Net	Net
Right to use of property	10	32,216	(16,148)	16,068	16,052
IT systems	20	42,459	(19,225)	23,234	18,649
Trademarks and patents	10	24	(18)	6	9
Total – Company / Consolidated		<u>74,699</u>	<u>(35,391)</u>	<u>39,308</u>	<u>34,710</u>

Lojas Renner S.A. and Subsidiaries

Notes to the financial statements for the years ended December 31, 2006 and 2005

(Amounts in thousands of Brazilian reais – R\$, except dividends and interest on capital per share in note 24)

9 Loans and financing

	<u>Company and Consolidated</u>	
	<u>2006</u>	<u>2005</u>
Local currency:		
Bank loans	93,329	63,083
Loans from third parties	36	98
Total	<u>93,365</u>	<u>63,181</u>

Bank loans are subject to average net interest corresponding to 105.5% of the CDI [interbank deposit rate] (the same rate on December 31, 2005) with final payment term of up to 180 days, and are collateralized by promissory notes issued by the Company.

10 Reserve for tax, civil and labor risks and Contingent Liabilities and Assets

The Company is a party to judicial and administrative proceedings in various courts and government agencies arising from the normal course of business, involving tax, labor and civil matters. Judicial deposits have been made for some tax lawsuits and amount to R\$ 32,184 as of December 31, 2006 (R\$ 29,835 as of December 31, 2005). Judicial deposits made for lawsuits supported by reserve for tax risks, in the amount of R\$ 29,908 as of December 31, 2006 (R\$ 27,657 as of December 31, 2005), are shown net of related liability. Other judicial deposits, amounting to R\$ 2,276 (R\$ 2,178 as of December 31, 2005), are recorded in long-term assets.

Based on the information from its legal counsel, analysis of outstanding judicial proceedings and, in the case of labor lawsuits, past experience regarding amounts claimed and effectively paid, Management recorded reserves considered sufficient to cover expected losses on ongoing lawsuits, as follows:

Company and Consolidated

	<u>2005</u>	<u>Additions</u>	<u>Write-off</u>	<u>Charges</u>	<u>2006</u>
ICMS (state VAT) (a)	26,411	1,376	(387)	1,765	29,165
Income and social contribution taxes (b)	6,441	501	(337)	259	6,864
Other federal taxes (c)	3,718	868	(11)	143	4,718
PIS (tax on revenue)	509	-	-	23	532
Civil (d)	3,253	3,851	-	558	7,662
(-) Judicial deposits	(27,657)	(2,251)			(29,908)
Total long-term liabilities	12,675	4,345	(735)	2,748	19,033
Civil	4,176	793	-	-	4,969
Labor	2,282	407	-	-	2,689
Total current liabilities	6,458	1,200	-	-	7,658
Total	19,133	5,545	(735)	2,748	26,691

Lojas Renner S.A. and Subsidiaries

Notes to the financial statements for the years ended December 31, 2006 and 2005

(Amounts in thousands of Brazilian reais – R\$, except dividends and interest on capital per share in note 24)

- a) The Company is questioning the application of Supplementary Law No. 102/2000 regarding the ICMS tax credit on electricity consumption, telecommunications and purchases of fixed assets. Also included in this amount is a tax delinquency notice issued by tax authorities relating to ICMS tax credits taken by the Company on returns of merchandise from customers, the ICMS surtax for the anti-poverty fund, as well as ICMS tax credits on purchases of fixed assets used to remodel facilities and other items classified by tax authorities as nonessential to the Company's business.
- b) The Company is discussing with the Board of Tax Appeals a tax assessment notice relating to the disallowance of adjustments to taxable income, such as present value adjustment and monetary adjustment of the balance sheet.
- c) There are various lawsuits involving matters, such as social security contributions, government severance pay fund, and fine on voluntary payment of debts, for which loss estimates are based on legal counsel's opinion according to the same criteria used for the other items mentioned in this note.
- d) During the year, due to a change in the expected outcome of a civil lawsuit, the reserve for risks was increased by R\$ 3,851, against nonoperating expenses, since the lawsuit is not related to the Company's operations.

As of December 31, 2006, the estimated amount of judicial and administrative proceedings representing tax contingencies, in which the likelihood of an unfavorable outcome was assessed as possible, was R\$ 56,243 (R\$ 51,075 as of December 31, 2005). Of the balance of reserve for tax risks recorded in the balance sheet as of December 31, 2006, R\$ 24,409 (R\$ 21,071 as of December 31, 2005) refers to the estimate of loss on such proceedings. Although Management believes that the risk of cash disbursements on these proceedings is low, considering all proceedings of the same nature, cash disbursements in the recorded amounts will probably be necessary.

Lojas Renner is a party to a lawsuit filed by Banco Pontual seeking collection of amounts supposedly owed under loan agreements, in which the likelihood of loss is assessed as possible by the legal counsel. The balance of this lawsuit as of December 31, 2006 is R\$ 21,382 (R\$ 14,112, net of taxes).

In November 2006 the Company received a final and unappealable decision declaring unconstitutional the increase in the PIS and COFINS tax basis as set forth in article 3 of Law 9718/98. The amount calculated for offset purposes, submitted to the Federal Revenue Service for approval, is R\$ 19,730 (R\$ 13,022, net of taxes). The Company expects to receive a favorable administrative decision approving the credit in order to account for the gain.

11 Deferred income and social contribution taxes

Deferred income and social contribution tax assets are recorded to reflect future tax effects attributable to temporary differences between the tax and book bases of assets and liabilities.

The carrying value of the deferred tax asset is reviewed annually by the Company, and the resulting adjustments have not been material in relation to Management's preliminary forecasts. Deferred income and social contribution taxes result from:

Lojas Renner S.A. and Subsidiaries

Notes to the financial statements for the years ended December 31, 2006 and 2005

(Amounts in thousands of Brazilian reais – R\$, except dividends and interest on capital per share in note 24)

	<u>Company and Consolidated</u>	
	<u>2006</u>	<u>2005</u>
Basis for deferred taxes:		
Allowance for doubtful accounts	33,628	22,996
Present value adjustment – net	52,104	40,947
Provision for losses on assets	12,385	9,974
Reserve for tax risks	33,199	29,423
Reserve for civil and labor risks	15,320	9,711
Other provisions	<u>4,479</u>	<u>3,222</u>
Total	<u>151,115</u>	<u>116,273</u>
Income tax (25%) and social contribution tax (9%)	<u>51,379</u>	<u>39,532</u>
Current assets	35,748	26,773
Long-term assets	15,631	12,759

As of December 31, 2006, classified in long-term assets are deferred income and social contribution taxes related to reserves for tax and civil risks and provisions for losses on realization of assets, which are classified in long-term liabilities and long-term assets, respectively, since it is difficult to determine the realization period and this involves factors that are beyond Management's control.

Based on the history of realization of reserve for tax and civil risks classified into long-term liabilities and recoverable taxes into long-term assets, the Company expects that the realization of deferred income taxes occur within five years.

Realization of deferred taxes classified into long-term assets is estimated as follows:

2008	3,126
2009	3,126
2010	3,126
2011	3,126
2012	<u>3,127</u>
	<u>15,631</u>

Management estimates that the other temporary differences will be realized during the next fiscal year.

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Reconciliation of the tax expense calculated by applying the combined tax rates on book income and the tax expense charged to income is as follows:

	Company		Consolidated	
	2006	2005	2006	2005
Income before income and social contribution taxes and compensations set by bylaws	128,886	106,080	129,341	106,342
Combined tax rate	34%	34%	34%	34%
Calculated taxes	(43,821)	(36,067)	(43,976)	(36,156)
Add-backs:				
Tax on nondeductible expenses	(1,926)	(3,384)	(1,926)	(3,384)
Deductions:				
Tax on nontaxable income for the year	1,048	1,969	-	1,299
Deduction of income and social contribution taxes on interest on capital	13,850	10,324	13,850	10,324
Income and social contribution taxes of the merged company	-	839	-	839
Income tax adjustment of subsidiary (deemed income)	-	-	748	497
Tax incentives – Workers’ Meal Program (PAT)	761	506	761	506
Tax on the portion exempt from the 10% surtax	24	24	24	24
Income and social contribution taxes	(30,064)	(25,789)	(30,519)	(26,051)
Current	(41,910)	(27,880)	(42,365)	(28,142)
Deferred	11,846	2,091	11,846	2,091

12 Other accounts payables

Of the total balance of other accounts payables of R\$ 69,336 (R\$ 22,644 in 2005) in current liabilities, R\$ 45,411 (R\$ 12,535 in 2005) refers to advances from financial institutions for intermediation of financial services for the Company’s customers.

13 Capital

At the meetings held on June 29 and 30, 2005, the Board of Directors ratified the subscription of 6,250,000 common shares at the fixed price of R\$ 37.00 per share, which were paid on July 5, 2005, representing a capital increase of R\$

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231,250. At the meetings held on July 7 and 25, 2005, the Board of Directors ratified the subscription of 1,400,000 and 1,624,007 common shares, respectively, at the fixed price of R\$ 37.00, which were paid on July 7 and 26, 2005, respectively, representing a capital increase of R\$ 111,888.

At the Extraordinary Shareholders' Meeting held on October 3, 2006, the shareholders approved a 5-for-1 stock split of all common shares of Lojas Renner. After the stock split, the authorized capital is represented by 225,000,000 common shares without par value. Within the limits established by the bylaws, the Company can, by resolution of the Board of Directors, increase capital regardless of any amendment to bylaws. The Board of Directors will set the issue conditions, including price and payment term.

At the meeting held on December 8, 2006, the Board of Directors approved a capital increase of R\$ 1,682, in view of the exercise of the stock option, according to the rules established by the stock option plan. The capital increased from R\$ 398,138 to R\$ 399,820, within the authorized capital limit.

The Company's capital as of December 31, 2006 is R\$ 399,820, represented by 121,581,815 registered common shares without par value. Pursuant to article 44 of the Company's bylaws, any shareholder who acquires or becomes the holder of shares issued by the Company, in an amount equal to or above 20% of the total number of shares, must make a Public Offering for the acquisition of all the shares within 60 days from the acquisition date, in accordance with regulation of the CVM and BOVESPA (São Paulo Stock Exchange) and the Company's bylaws, under conditions that protect the interests of the other shareholders. As of December 31, 2006, no shareholder individually held an interest equal to or higher than 20% of the total shares.

Each common share carries the right to one vote on the resolutions of the Shareholders' Meetings, and to participate in the distribution of profits in the form of dividends pursuant to the Company's bylaws and articles 190 and 202 of Law No. 6404/76.

14 Taxes in installments

Law No. 10,684 was published on May 30, 2003 addressing, among other issues, the tax debt refinancing program (PAES) designed to divide into installments the payment of debts owed to the Federal Revenue Service, the National Treasury Attorney-General and the National Institute of Social Security, whether recorded or not, registered as federal collectible debt or not, even if a collection proceeding has already been filed, or that have had a prior installment payment plan, not fully paid and cancelled for payment default. On July 31, 2003, the Company opted to include in said refinancing program certain debts under judicial dispute.

In the year, the Company amortized R\$ 1,059 related to PAES (R\$ 986 in the prior year) and reported a debit balance of R\$ 6,950 at the end of the year, which was classified into current liabilities in the amount of R\$ 1,086 (R\$ 1,022 as of December 31, 2005) and into long-term liabilities in the amount of R\$ 5,864 (R\$ 6,537 as of December 31, 2005), to be paid in monthly installments adjusted based on the TJLP (long-term interest rate), with final maturity in 2013.

15 Financial instruments

The estimated fair values of the Company's financial instruments were determined using available market information and appropriate valuation methodologies. However, considerable judgment was required for interpretation of market data in order to estimate the most adequate fair value. Consequently, the estimates presented are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of other market methodologies may have

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different effects on the estimated fair values.

Management of these financial instruments is performed by means of operating strategies, aimed at liquidity, profitability, and security. The control policy consists of the constant monitoring of contractual rates versus market rates. The Company and its subsidiaries do not enter into operations of a speculative nature, or involving derivatives or any other risk assets.

a. Criteria, assumptions and limitations used in the calculation of fair values

a. Cash and cash equivalents and temporary cash investments

The fair values of cash and cash equivalents and temporary cash investments are equal to the carrying amounts.

b. Loans and financing

Interest rates on loans at the end of the fiscal year approximate market interest rates for instruments of a similar nature, term and risk and, therefore, the carrying amount of loans is similar to the fair value.

c. Limitations

Fair values were estimated at the balance sheet date, based on market information. Changes in assumptions may affect the estimates presented.

Pursuant to CVM Instruction No. 235/95, the carrying amounts and fair values of the main financial instruments included in the balance sheet are as follows:

	Carrying amount				Fair Value			
	Company		Consolidated		Company		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005
Cash and cash equivalents	33,837	19,857	34,113	19,857	33,837	19,857	34,113	19,857
Short-term investments	253,090	256,659	253,090	256,672	253,090	256,659	253,090	256,672
Loans and financing	93,365	63,181	93,365	63,181	93,365	63,181	93,365	63,181

b. Credit Risk

The Company's sales and credit policies are subordinated to the credit policies established by Management, and are intended to minimize problems arising from customer default. Management achieves this objective through a careful selection of the customer portfolio based on the customer's ability to pay (credit analysis) and sales diversification (risk spread). The Company recorded an allowance for doubtful accounts amounting to R\$ 33,628 as of December 31, 2006 (R\$22,996 as of December 31, 2005) to cover credit risks.

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Information on Subsidiaries			<u>2006</u>	<u>2005</u>
Capital	7,205	7		
Number of shares held	7,204,999	7,479		
Net income for the year	2,033	1,050		
Total assets	9,555	1,221		
Total liabilities	82	156		
Shareholders' equity	9,473	1,065		
Direct investment - %	99.99%	99.99%		
Interest in shareholders' equity	9,473	1,065	10,538	7,455
Goodwill on investment	1,981	-	<u>1,981</u>	<u>2,097</u>
			12,519	9,552
Other investments			<u>63</u>	<u>63</u>
Total investments – Company			12,582	9,615

17 Insurance

The Company maintains insurance policies with the main insurance companies in Brazil, which were selected based on expert guidance, taking into account the nature and level of risk involved. As of December 31, 2006, the Company had insurance coverage against fire and sundry risks for property, plant and equipment and inventories, in amounts deemed sufficient by Management to cover potential losses.

	<u>2006</u>	<u>2005</u>
Civil liability	69,138	38,696
Sundry risks – property and equipment and inventories	502,352	387,058
Vehicles	1,896	1,645
	<u>573,386</u>	<u>427,399</u>
Total insurance coverage	<u>573,386</u>	<u>427,399</u>

18 Management compensation and other profit sharing under bylaws

Pursuant to the Corporate Law and the Company's bylaws, the shareholders are responsible for establishing the overall annual compensation of Management at the Shareholders' Meeting. The Board of Directors is responsible for distributing the amount among the management members, after evaluating the report submitted by the Compensation Committee under article 21 of the Company's bylaws.

Management compensation for the year ended December 31, 2006 amounted to R\$ 4,331 (R\$ 3,116 in 2005). This amount includes the amount paid for advance on service agreement with the CEO (notes 16 and 18), which was allocated at the rate of 1/24 per month.

At the Annual Shareholders' Meeting held on March 21, 2006, the management's global compensation limit was set at R\$ 8 million for the year ending December 31, 2006, the same amount set for fiscal 2005.

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In accordance with the Company's bylaws, the Shareholders' Meeting can resolve to pay to the members of the Board of Directors and Executive Board a profit sharing not higher than 10% of net income for the year after deduction of accumulated deficit and provision for income and social contribution taxes, as per legislation. The profit sharing under bylaws accounted for during the year ended as of December 31, 2006 totaled R\$ 4,329 (R\$ 3,078 in 2005).

19 Agreements or other significant obligations between the Company and Management

Pursuant to chapter IV, article 13 of the Company's bylaws, managing the Company is the responsibility of the Board of Director and the Executive Board. The investiture of the management members takes place through an agreement recorded in a specific book signed by the officer invested in office, without any management pledge, and through the signature of the Instrument of Consent by management under *Mercado Novo* (New Market) Listing Regulations.

The Board of Directors is elected at the General Shareholders' Meeting for a one-year term of office, with reelection permitted. The current Board members will be considered automatically nominated for reelection by a joint proposal of the members of the Board of Directors.

The Executive Board, whose members may be elected and removed at any time by the Board of Directors, shall serve for a term of two years, with reelection permitted.

The CEO is the only executive officer of the Company with a service agreement and a compensation package consisting of fixed and variable components that may vary according to the Company's financial performance.

The Company does not have any other significant contracts with its Directors and/or Executive Officers.

20 Stock option plan

At the Extraordinary Shareholders' Meeting held on October 3, 2006, the shareholders approved a 5-for-1 stock split of the common shares of Lojas Renner (note 13). The number of shares and the strike prices shown below are already reflecting these changes.

At a meeting held on July 28, 2005, the Board of Directors approved the Compensation Committee's proposal, implementing two programs for the stock option plan, approved by the Extraordinary Shareholders' Meeting held on May 25, 2005. Under the plan, the Company granted 300 thousands stock options to Executive Officers and 515 thousands stock options to the Company's executives, of which 760 thousands at the strike price of R\$ 6.35 per share and 55 thousands at the strike price of R\$ 9.15 per share, to be monetarily adjusted according to the variation of the IPCA (Extended Consumer Price Index) up to the exercise date.

In the first grant of stock options, the Committee was advised by a consulting firm specialized in incentive plans. Consideration was given to past performance of Executive Officers and participant executives, based on the Executive Board's appraisals, and the need for creating appropriate incentives for Executive Officers and Company's executives, bearing in mind the changes in the Company's shareholding structure as a result of the public offering registered with the Brazilian Securities and Exchange Commission (CVM) on June 30, 2005 ("Public Offering"). Except for the first grant of stock options, option grants shall be subject to meeting value creation targets to be set by the Compensation Committee (comprised of members of the Board of Directors).

Lojas Renner S.A. and Subsidiaries

Notes to the financial statements for the years ended December 31, 2006 and 2005

(Amounts in thousands of Brazilian reais – R\$, except dividends and interest on capital per share in note 24)

In a meeting held on May 2, 2006, the Board of Directors approved the Compensation Committee's proposal, implementing two new programs of the stock option plan, granting 300 thousands stock options to the Executive Officers and 515 thousands stock options to the executives of the Company, for the excellent performance of the Company and its Management. The Executive Officers and Company's executives who received these options were selected by the Compensation Committee. The strike price of the options was established at R\$ 21.17 per share, calculated based on the average market price on the day of the highest volume of trade among the last 10 trading days on the Stock Exchange prior to the grant date, less a discount of 10%. The strike price of the options will be adjusted based on the variation of the IPCA (extended consumer price index) through the exercise date.

On July 29 and October 17, 2005, and June 1, 2006, the Executive Officers and Company's executives were formally informed by the Company of the first and second grant of stock options, respectively, and signed agreements, totaling 1,630 thousands stock options.

At the Board of Directors' meeting held on December 8, 2006, the Board of Directors approved the exercise of the stock options according to the rules of the stock option plan. The Company issued 120 thousands common shares, of which 60 thousands shares were at the price of R\$ 6.66 relating to the First Grant of Options and 60 thousands shares at the price of R\$ 21.36 relating to the Second Grant of Options.

Pursuant to the programs, fifty percent of the options shall be exercisable after a period of three years from the respective granting date, and the remainder, after four years (considering only the options of the same grant). In addition, the options become exercisable in the case of death, retirement or permanent disability of the participant. Once an option becomes exercisable, the beneficiary (selected Executive Officers and Company's executives) may exercise it at any time, at his or her discretion, by the end of the exercise period of 6 years from the date the option is granted. Under this option program, Executive Officers cannot sell, transfer, encumber or in any other way negotiate 50% of the shares that may be subscribed and paid up, due to the exercise of options that were granted under the Plan and the Program, for a period of one year from the date of subscription and payment of said shares.

Each option is entitled to subscribe to one share of the Company. As of December 31, 2006, there were 1,460 options, representing approximately 1.20% of 121,581,815 shares issued by the Company.

The difference between the average market price as of December 31, 2006 and the option value adjusted based the IPC-A on the same date is shown as follows:

	1 st grant A	1 st grant B	2 nd grant	Total
Number of stock options issued by the Company – thousand	760	55	815	1,630
(-) Exercise of stock options – thousand	(60)	-	(60)	(120)
(-) Cancellation of stock options – thousand	(32)	-	(18)	(50)
(=) Number of outstanding stock options as of December 31, 2006 – thousand	668	55	737	1,460
Option value for exercise, monetarily adjusted based on the IPCA as of December 31, 2006 - R\$	6,70	9,56	21,46	-
Average market price of share on December 31, 2006 – R\$	30,70	30,70	30,70	30,70
Estimated benefit of options programs, considering the full exercise of outstanding options (in thousands of R\$)	16,032	1,163	6,810	24,005

Lojas Renner S.A. and Subsidiaries

Notes to the financial statements for the years ended December 31, 2006 and 2005

(Amounts in thousands of Brazilian reais – R\$, except dividends and interest on capital per share in note 24)

Considering the full exercise of 1,460 thousands options, of which 668 thousands at the strike price of R\$ 6.70 per share, 55 thousands at the strike price of R\$ 9.56 per share and 737 thousands at the strike price of R\$ 21.46 per share, shown below are the effects on the book value per share and the respective percentage of reduction in current shareholders' interest as of December 31, 2006:

Shareholders' equity as of December 31, 2006 (in thousands of R\$)	543,966
Number of shares as of December 31, 2006 – thousand	121,582
Book value per share as of December 31, 2006 – R\$	4.47
Shareholders' equity as of December 31, 2006, considering the full exercise of options (in thousands of R\$)	564,783
Number of shares as of December 31, 2006, considering the full exercise of options – thousands	123,042
Book value per share as of December 31, 2006, considering the full exercise of options – R\$	4.59
% reduction in current shareholders' interest, considering the full exercise of options	1.19%

21 Pension plan

The Company has no commitment related to any supplemental pension plan for its employees and management and, therefore, the requirements of CVM Resolution No. 371/00 do not apply to the Company.

22 Liens, guarantees and liabilities

The Company has pledged ten of its properties recorded in property, plant and equipment, for debts that were under discussion with the National Treasury, the National Education Fund (FNDE) and the Rio Grande do Sul State Treasury, and civil lawsuit.

On July 31, 2003, the Company opted to include the debts owed to the National Treasury and the FNDE, in the amount of R\$ 1,074, for which a pledge has been made, in the tax debt refinancing program (PAES) established by Law No. 10,684/2003. The installments payable under said program, as mentioned in note 14, are being regularly paid by the Company and have maturities scheduled until October 2013, when the liens on said properties can be released.

On August 15, 2000, the Company signed a Financing Agreement for Credit Card Holders (“Agreement”) with Renner Administradora de Cartões de Crédito Ltda. and Banco Santander, to regulate the procedures for loans to be made by Santander to the Company's customers holding the Renner Credit Card (“Customers”), according to the terms of the Renner Credit Card Issuance, Use and Management Service Agreement (“Issuance Agreement”).

Under the terms of the agreement, Banco Santander approved a revolving credit line for the Customers. The Company is the guarantor and the principal joint and several payer, and shall settle debts owed by the Customers in the event of default. Financing made to the Customers is recorded in current liabilities as loans and financing and amounts to R\$ 93,293 as of December 31, 2006 (R\$ 63,083 as of December 31, 2005).

In August 2005, the Company began offering its customers a payment condition with charges (no down payment + 8 installments), through intermediation with a financial institution (CDCI), in which the Company is the guarantor and principal payer, being jointly liable for all obligations, principal and accessory, arising from the transaction. As of



Lojas Renner S.A. and Subsidiaries

Notes to the financial statements for the years ended December 31, 2006 and 2005

(Amounts in thousands of Brazilian reais – R\$, except dividends and interest on capital per share in note 24)

December 31, 2006, outstanding financed sale transactions, guaranteed by the Company, totaled R\$ 162,147 (R\$ 37,657 as of December 31, 2005).

In April 2006, the Company and Banco Safra S/A entered into an Agreement for Granting of Consumer Loans to the holders of the Renner Card. As part of this operation, Lojas Renner assumes, in the capacity of guarantor and principal payer, direct and full responsibility for all principal and accessory obligations incurred and to be incurred by the holders of the Renner Card on consumer loans granted under said agreement. As of December 31, 2006 the balance payable of guaranteed consumer loans is R\$ 63,579.

Lojas Renner S.A. and Subsidiaries

Notes to the financial statements for the years ended December 31, 2006 and 2005

(Amounts in thousands of Brazilian reais – R\$, except dividends and interest on capital per share in note 24)

23 Cash Flows

Statements of cash flows for the years ended December 31, 2006 and 2005 – Indirect method

(In thousands of Brazilian reais - R\$)

	Company		Consolidated	
	2006	2005	2006	2005
	(Reclassified)		(Reclassified)	
Cash flows from operating activities				
Net income for the period	98,822	80,291	98,822	80,291
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	38,410	30,867	38,703	31,160
Amortization of goodwill	116	2,865	116	2,865
Result on disposal or write-off of permanent assets	1,142	625	1,142	625
Accrued interest, net of interest paid	3,976	(3,526)	3,976	(3,526)
Exchange variation on long-term loans	-	(21,048)	-	(21,048)
Equity in subsidiaries	(3,083)	(1,977)	-	(10)
	139,383	88,097	142,759	90,357
Dividends received from subsidiaries	-	8,174	-	-
Changes in assets and liabilities				
(Increase) in trade accounts receivable	(20,215)	(54,954)	(20,532)	(54,954)
(Increase) in inventories	(25,279)	(20,773)	(25,279)	(20,773)
(Increase) in other current assets	(16,939)	(8,006)	(16,971)	(8,006)
(Increase) in deferred income and social contribution taxes	(11,847)	(2,091)	(11,847)	(2,091)
(Increase) in long-term assets	(6,619)	(5,750)	(6,619)	(5,754)
Increase in trade accounts payable	1,317	51,032	1,317	51,032
Increase in accrued salaries and vacations	9,706	2,635	9,708	2,635
Increase in taxes payable	33,862	39,152	33,962	39,158
Increase in other liabilities	50,592	9,316	50,642	9,316
Increase (decrease) in rent payable	4,608	(4,214)	2,286	1,694
Increase in liabilities established by bylaws	8,725	45,190	8,725	45,190
Increase in reserve for tax, civil and labor risks	7,558	2,323	7,558	2,323
Increase in intercompany payables	594	-	-	-
Net cash provided by operating activities	175,446	150,131	175,709	150,127
Cash flows from investing activities				
Purchases of property, plant and equipment and intangible assets	(118,895)	(55,900)	(118,895)	(55,900)
Permanent assets received from merger	-	(23,816)	-	(23,816)
Proceeds from disposal of permanent assets	88	287	88	287
Net cash (used in) investing activities	(118,807)	(79,429)	(118,807)	(79,429)

Lojas Renner S.A. and Subsidiaries

Notes to the financial statements for the years ended December 31, 2006 and 2005

(Amounts in thousands of Brazilian reais – R\$, except dividends and interest on capital per share in note 24)

Cash flows from financing activities

Borrowings	154,520	161,612	154,520	161,612
Capital increase	1,682	343,138	1,682	343,138
Reserve for goodwill from merger	-	11,505	-	11,505
Repayment of loans	(128,313)	(344,503)	(128,313)	(344,503)
Proposed interest on capital and dividends	<u>(74,117)</u>	<u>(65,689)</u>	<u>(74,117)</u>	<u>(65,689)</u>
Net cash provided by (used in) financing activities	<u>(46,228)</u>	<u>106,063</u>	<u>(46,228)</u>	<u>106,063</u>

Increase in cash and cash equivalents and short-term investments

	<u>10,411</u>	<u>176,765</u>	<u>10,674</u>	<u>176,761</u>
At the beginning of the year	<u>276,516</u>	<u>99,751</u>	<u>276,529</u>	<u>99,768</u>
At the end of the year	<u>286,927</u>	<u>276,516</u>	<u>287,203</u>	<u>276,529</u>

Supplementary cash flow disclosure:

Cash (paid) received during the period:

Interest and other net financial expenses	(43,470)	(41,696)	(43,707)	(41,702)
Financial income (temporary cash investments and other)	40,753	37,712	40,777	37,714
Income and social contribution taxes	(27,181)	(7,361)	(27,562)	(7,617)

24 Income allocation

At the meetings held on July 27 and December 27, 2006, the Board of Directors approved two payments of interest on capital to the shareholders. The amounts of R\$ 21,732 (R\$ 0.1787 per share) and R\$ 19,003 (R\$ 0.1563 per share) were paid on August 8, 2006 and January 8, 2007, respectively, totaling R\$ 40,735 (R\$ 0.3350 per share). The calculation of interest on capital is based on the TJLP (long-term interest rate) on shareholders' equity, limited to the higher of 50% of net income before income tax or the balance of retained earnings and profit reserves.

Interest on capital is originally recorded in the accounting and tax books as financial expense, at the time of recording the amounts payable to shareholders. However, for the purpose of these financial statements, the substance of the transaction is considered and, therefore, interest on capital is considered as dividends paid and is not charged to operations. Accordingly, the aforementioned entries are reclassified, i.e., interest on capital paid or payable is charged to retained earnings. The amount recorded was fully deducted from income and social contribution taxes and the tax benefits resulting from this deduction were approximately R\$ 13,850 in 2006 (R\$ 10,324 in 2005).

The Executive Board also proposed the payment of R\$ 33,382 as dividends, which will be submitted to the Annual Shareholders' Meeting to be held in April 2007 for approval. Interest on capital plus dividends represents 75% of the net income for the year, which agree with articles 201 and 202 of Law 6404/76 and article 36 of the Company's bylaws.

With the remaining net income for the year after allocation to legal reserve, in the amount of R\$ 504, and the proposal for payment of dividends and interest on capital, a profit reserve for investments and expansion of R\$ 24,201 was recorded to fund a portion of the investments estimated for 2007.

Lojas Renner S.A. and Subsidiaries

Notes to the financial statements for the years ended December 31, 2006 and 2005

(Amounts in thousands of Brazilian reais – R\$, except dividends and interest on capital per share in note 24)

In accordance with article 36 of the Company's bylaws, the shareholders are entitled to mandatory minimum dividends equivalent to 25% of the net income adjusted as per article 202 of Law 6404/76.

25 Other operating income, net

To facilitate understanding of performance and contribution of financial services to the Company's net income, below we present the breakdown of other operating income:

	Company		Consolidated	
	2006	2005	2006	2005
Income from financial services	25,585	15,298	27,034	15,298
Revenue from recovery of receivables (0+5)	71,407	62,309	71,407	62,309
Losses on receivables, net (0+5)	(42,982)	(38,918)	(42,982)	(38,918)
Revenue from financial services, net of losses on receivables	13,072	3,384	14,709	3,384
Revenue from financial services	22,088	3,384	23,725	3,384
Losses on receivables, net (financial services)	(9,016)	-	(9,016)	-
Operating expenses	(15,912)	(11,477)	(16,100)	(11,477)
Other operating income, net	16,322	8,599	16,322	8,599
Premium for early payment to suppliers	10,968	5,754	10,968	5,754
Other revenues	5,354	2,845	5,354	2,845
Total Other Operating Income, Net	41,907	23,897	43,356	23,897

26 Financial income (expenses), net

The Company's financial income (expenses) is composed of:

	Company		Consolidated	
	2006	2005	2006	2005
Financial income	24,954	21,947	24,978	21,948
Financial expenses	(13,631)	(18,439)	(13,868)	(18,444)
CPMF (tax on banking transactions)	(8,359)	(7,145)	(8,488)	(7,145)
Other financial expenses	(5,272)	(11,294)	(5,380)	(11,299)
Exchange gain	150	34,130	150	34,130
Exchange loss	(750)	(10,243)	(750)	(10,243)
Cost of financing delinquent customers – net	(17,416)	(6,805)	(17,416)	(6,805)
Financial income (expenses), net	(6,693)	20,590	(6,906)	20,586

27 Extraordinary expenses

The Company incurred several expenses for the public offering and the initial trading of its shares on BOVESPA (São Paulo Stock Exchange) *Novo Mercado segment*. Such expenses totaled R\$ 19,063 in 2005, of which R\$ 18,563 was classified as extraordinary expenses and R\$ 500 as management compensation.



BOARD OF DIRECTORS

Francisco Roberto André Gros
Chairman

Egon Handel
Vice Chairman

Glória Kalil Rodrigues Meyer
Director

José Galló
Director

José Luiz Osorio de Almeida Filho
Director

Miguel Gellert Krigsner
Director

BOARD OF EXECUTIVE OFFICERS

José Galló
Chief Executive Officer

José Carlos Hruby
Chief Financial Officer and
Investor Relations Officer

ACCOUNTANTS

Gildo Melo da Silva
Accountant CRC-RS 49.783
Controller

Luciano Teixeira Agliardi
Accountant CRC-RS 61.106
Accountant

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Management of
Lojas Renner S.A.
Porto Alegre - RS

1. We have audited the accompanying individual (Company) and consolidated balance sheets of Lojas Renner S.A. and subsidiaries as of December 31, 2006 and 2005, and the related statements of income, changes in shareholders' equity (Company), and changes in financial position for the years then ended, all expressed in Brazilian reais and prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.
2. Our audits were conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Company, (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed, and (c) evaluating the significant accounting practices and estimates adopted by Management, as well as the presentation of the financial statements taken as a whole.
3. In our opinion, the financial statements referred to in paragraph 1 present fairly, in all material respects, the individual and consolidated financial positions of Lojas Renner S.A. and subsidiaries as of December 31, 2006 and 2005, and the results of their operations, the changes in shareholders' equity (Company), and the changes in their financial positions for the years then ended in conformity with Brazilian accounting practices.
4. Our audits were performed for the purpose of forming an opinion on the basic financial statements referred to in paragraph 1 taken as a whole. The accompanying statements of cash flows are presented in note 23 for purposes of additional analysis and are not a required part of the basic financial statements in accordance with Brazilian accounting practices. Such statements have been subjected to the auditing procedures mentioned in paragraph 2 and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.
5. The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Porto Alegre, January 26, 2007

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Fernando Carrasco
Engagement Partner

Opinion of the Fiscal Council

The Fiscal Council of Lojas Renner S/A, in compliance with the legal and statutory provisions, has examined the Management Report and the Financial Statements for the fiscal year ending December 31 2006. On the basis of the examination carried out and further considering the opinion of the independent auditors – Deloitte Touche Tohmatsu, dated January 26 2007, as well as the information and clarifications received during the course of the fiscal year, the Fiscal Council is of the opinion that the said documents merit the approval of the General Shareholders' Meeting.

Porto Alegre, RS, February 8 2007.

Francisco Sérgio Quintana da Rosa

Helena Turola de Araújo Penna

Isabel da Silva Ramos Kimmelmeier