

2019
ANNUAL
REPORT

ENCHANTING
IS OUR BEST
RESULT.



LOJAS RENNER S.A.



CMICADO youcom realize

LOJAS RENNER S.A.



FINANCIAL STATEMENTS 2019

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MANAGEMENT REPORT 2019

INTRODUCTION

In compliance with the legal provisions and in accordance with Brazilian corporate law, Lojas Renner S.A. presents as follows its Management Report, with comments on the operational and financial results for the fiscal year ending December 31, 2019. This report is a component part of the Company's Financial Statements which conform to the international accounting standards (IFRS), issued by the International Accounting Standards Board (IASB). The information presented herein is aligned to the Company's Integrated Report which respects global best practices and IIRC (International Integrated Reporting Council) guidelines.

MESSAGE FROM THE MANAGEMENT

A year of transition is perhaps the best way to describe 2019. Not only because of the political and economic changes and the reform agenda with the arrival of a new federal administration in Brazil but also because of the beginning of a new investment cycle at Renner and the succession of the Company's CEO.

During the year, we concluded the **Fashion Retailer** investment cycle begun in 2012 when we remodeled and expanded the stores in the network, installed a new logistics platform, developed our suppliers chain and reduced lead-times with an increase in the number of collection launches. And all this adhering to the best practices of socio-environmental responsibility.

The changes occurring in the business environment, particularly with the advent of changing consumer behavior in a world which is increasingly connected and digitalized, creates a need for adaptations in the business model. Following in depth evaluations of this new reality, we began the implementation of the Company's **Digital Cycle**. This new phase of strategic investments seeks to provide a shopping experience which integrates the physical and online channels on the basis of the Omnichannel strategy, leveraged by a data driven culture, giving us greater knowledge of our customers and generating a more personalized approach and greater operating efficiency.

To put this transformation into practice, we have organized our teams into three major structural projects. The first initiative is directed towards the **Single view of the Customer**, where we establish individual customer communication, through the unification of data and the creation of a data lake, allowing us to better understand our customers and to recommend purchases on a personalized basis. Second, our initiatives under the **Product Life Cycle** project uses Artificial Intelligence for identifying and quantifying fashion trends but particularly tailored to store-by-store distribution of products and more accurate sales forecasts. The third structural initiative is the **Omnichannel Transformation**, the objective of which is the complete integration of the online and offline sales channels such as the "Click and Collect" service available throughout the store network and Same Day and Next Day delivery in the cities of Rio de Janeiro and São Paulo, respectively. In 2019, we had important deliveries: the Mobile Checkout facility is already available in all stores, the sales assistants using specific devices for concluding the purchase at any point in the sales area. This payment method already accounts for approximately 10% of total sales. Using the customers' smartphone, the Digital Pay Checkout is being tested in more than 30 stores as well as self-checkouts which accounted for approximately 12% of December's sales in units where the service is available. In November, the rollout of RFID was concluded in all Renner stores in Brazil for items of apparel and with additional benefits both in terms of more accurate inventory levels as well as improvements in customer service, this also being instrumental in enhancing inventory integration and for growth in sales. We have also made a start on the construction of a new 150 thousand m² Distribution Center, to be concluded in 2022, supporting growth and underscoring the Omnichannel strategy. In 2020, we will continue improving our products and services, further reducing lead-times and always focused on customer enchantment.

All the initiatives on offer through the omnichannel are also being implemented at the Company's other businesses. Youcom already operates the Store Pickup service and is currently testing the ship from store, using the store inventory for quicker delivery of online sales. Equally, Camicado made headway in the direction of providing a single shopping experience for its customers, launching its app while e-commerce products can already be sold at all the bricks and mortar stores. We have also begun a proprietary marketplace for Camicado with new partners, then increasing the number of sellers over the course of the year. Through this platform it is possible to expand the assortment of available products, offering consumers more comprehensive home and décor solutions.

In 2019, these businesses have experienced different moments: besides focusing on its omni strategy, Youcom with 101 units has proceeded to expand its store network, at the same time maintaining a good rate of sales with growth in gross margin and reaching break even in terms of EBITDA. Ashua, which already has 8 stores, continued to report robust sales performance in e-commerce business while the first physical units were well received by the public prompting the opening of a further five operations, albeit still part of the pilot phase. Meanwhile, Camicado, with 114 stores, has undergone an important process of transformation with a focus on the strategy of digitalizing and on issues relative to commercial management, these already mapped, and now the subject of a comprehensive action plan which is being implemented by the new business management team with the aim of restoring profitability.

Again in 2019, we invested in the consolidation of the operation in Uruguay, where the main highlight was the reduction in lead-times and enabling us to open further stores in our operating network in the country, these now totaling 9. We have also launched our e-commerce business in Uruguay and a hub for receiving imports directly from Asia. During the year, we also worked on the structuring of the operations in Argentina with the roll out of four stores in December. In 2020, we shall be concentrating our efforts on the stabilization of the operation and the reduction of leadtimes.

There were some important developments at our financial institution, Realize CFI, which operates in a competitive environment and seeing accelerated transformation. We have implemented several functions with the insertion of technology in different interfaces for a better

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CAMICADO

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customer experience while the credit concession, collection and the renegotiation process area is already digitalized. In 2019, we launched Meu Cartão Agora, with the immediate issue of co-branded cards at all the physical stores, as well as the contactless version of the card, thus minimizing customer friction during the checkout stage. We also implemented Artificial Intelligence tools for serving customers through the Virtual Assistants in collections and in the cards' section of the Renner App. New functions were included in the application such as renegotiation of accounts and contracting of services, generating traffic of more than 10 million customers through the cards section.

As to our e-commerce business, this channel continued to report a significant performance, once again growing 3,5 times more than the online fashion market and increasing its share of the business in relation to the Company's total sales. During the course of the year, we noted a growing importance of the Renner App, representing 33% of sales and 45% of accesses to our e-commerce platform. In addition, 30% of our online sales are store pickups, reinforcing the initiatives involving the Omni transformation. In this context our operation was recognized as the Favorite Fashion and Accessories Store and Top 5 Diamante by E-bit.

In 2019, we continued to reaffirm our commitment to increasingly responsible fashion based on our sustainability guidelines and oriented by the following strategic pillars: responsible suppliers; eco-efficient management; engagement of employees, communities and customers; and sustainable products and services. We invested in the energy efficiency of the operations and renewable power of low impact, such as solar. We have expanded the process of mapping and monitoring international suppliers, increased the use of lower impact raw materials as well as initiatives for reducing and offsetting CO2 emissions. In terms of external recognition, we continue to be a component of the Dow Jones Sustainability World Index 2019/2020, B3's Corporate Sustainability Index (ISE) as well as being rated in the Exame Sustainability Guide as the best retail company in ESG practices.

In the Corporate Governance dimension, 2019 was also characterized by transition. In April, after 28 years as Chief Executive Officer, José Galló took over the position of Chairman of the Board with Fabio Adegas Faccio succeeding him as the new CEO, making for a transparent, organized and very fluid transition process. With more than 20 years of experience at Renner, Fabio Adegas Faccio has maintained all the plans and projects already underway, focusing on the main deliveries of the Digital Cycle and on the present and future growth of the Company. We would further like to thank the extreme dedication of Osvaldo Burgos Schirmer, who was our *Chairman* from 2013 and 2019, and who has assumed the position as Vice Chairman of the Board. In the same way, Carlos Fernando Couto de Oliveira Souto, who has been Vice Chairman since 2016, continues with us as a Member of the Board of Directors.

In the face of so many challenges and focused on the execution of our plans, Net Revenue from Merchandise Sales was R\$ 8.5 billion, a growth of 13.2%, while Same Store Sales was 8.7% higher. The Gross Margin from the Retailing Operation was 56.3% and Total EBITDA, 23.3%. Net Income was R\$ 1.1 billion, a growth of 7.7%, while ROIC was 21.4%. Over the year there was an increasing customer traffic at the stores with recurring gains in market share when set against data in the IBGE's (the Federal Government Statistics Office) PMC index – (Monthly Retailing Survey) for apparel and footwear. Our shares recorded an appreciation of 47.5% on the São Paulo Stock Exchange with a daily trading volume of R\$ 184.8 million, thus maintaining our position among the most liquid shares of Brazilian retailers. Regarding dividends, the Company is to propose - for approval by the Annual General Meeting - an increase in shareholder payout to 50% compared with 40% previously distributed.

The Company's performance has been made possible thanks to the notable talent and efforts of our teams. In 2019, the level of engagement of our employees reached 87%, keeping us in the high performance quadrant on the global scale according to data published by Willis Towers Watson. Finally, Interbrand ranked us as the 10th most valuable brand in Brazil.

Investments in 2020 are to total R\$ 910.0 million. This covers the digital transformation involving the consistent integration of both the online and offline operations, including the construction of the new Omnichannel DC, as well as the expansion of our store network, the customer always being a top priority. We expect the recovery in economic activity to remain on track with an improvement in employment and consumer confidence. We believe that the reform agenda combined with stability in the principal macroeconomic variables such as inflation and interest rates may create favorable conditions for Brazil to embark on a new and more sustainable economic growth cycle in contrast to what has been the case previously.

We would like to thank all our customers, employees, directors, shareholders and suppliers for the trust placed in our Company.

José Galló
Chairman of the Board of Directors

Fabio Adegas Faccio
Chief Executive Officer

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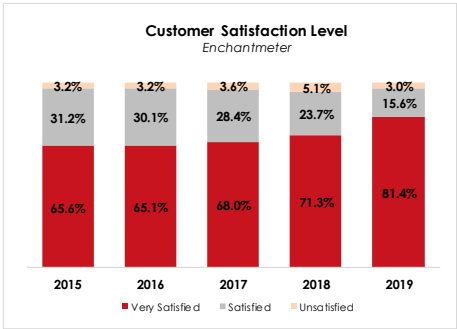
CORPORATE VALUES

- ENCHANT ... to exceed customer expectations.
 - OUR WAY ...to do things in a simple and agile manner, with great energy and passion.
 - PEOPLE ... to hire, develop and retain the best people.
 - OWNERS OF THE BUSINESS ... to think and act like owners of our business unit.
 - OBSTINATE PURSUIT OF RESULTS ... to seek results and not just good ideas.
 - QUALITY ... our products and services have the highest level of quality.
 - SUSTAINABILITY ... businesses and attitudes based on the principles of sustainability.
- WE LOVE CHALLENGES: not knowing that something is impossible, we just go ahead and do it!

CULTURE OF ENCHANTMENT

To enchant is the Company's purpose and its reason for being, permeating the relationship with all its stakeholders, mainly customers, in the search to exceed their expectations at all points of interaction.

With the beginning of the Company's digitalization, also started a process of strengthening this culture through Enchantment 4.0. This unites people, products/services and technology with the aim of surprising the customers. In this context in 2019, several technological improvements and processes were implemented with a view to further improving the shopping experience along all the sales channels. This work has been instrumental in achieving record levels of customer enchantment which is collected using enchantmeters, touch screens located in the stores which serve to consolidate customer perceptions in real time. In December when customer traffic is at its peak, the Company registered a level of 97.6% either satisfied or very satisfied customers.



In addition, the Stories of Enchantment, recorded since 1996, support this culture. By the end of 2019, more than 870 thousand stories had already been written describing real-life situations in which customers are surprised by extraordinary initiatives taken on the part of employees. The Enchantment philosophy has already been introduced in both Uruguay and Argentina with the first reports already being registered, underscoring the force of the Renner culture even in its new markets abroad.

MACROECONOMIC SCENARIO

The year 2019 was one of transition with the beginning of a new federal administration, bringing with it changes in the country's economic policy and an agenda of reforms. The year began with a positive outlook for the economy although the longer than expected delay in approving Social Security Reform combined with continuing high levels of unemployment took its toll on consumer confidence, this feeding through to the pace of economic recovery.

Notwithstanding, as from the middle of the year, with greater economic definitions evolving and the approval of social security reform, confidence levels gradually recovered, which combined with lower rates of inflation and interest, made for a more favorable macroeconomic environment. This in turn triggered greater footfall through the shopping centers and an increase of 4.7% in retail sales for the year to November based on the IBGE's (the Federal Government Statistics Office) Monthly Retailing Survey.

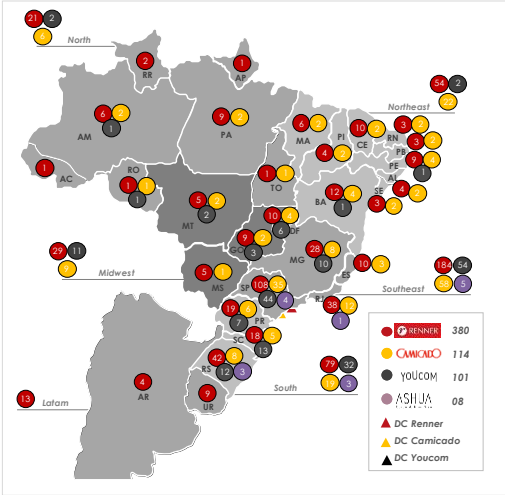
BUSINESSES

Lojas Renner S.A. was constituted in 1965 and is the largest fashion retailer in Brazil with its principal business the Renner store network which contributes with 91% of the Company's Net Revenue. With its registered offices in Porto Alegre, RS, the company is located throughout Brazil – represented by 590 Renner, Camicado, Youcom and Ashua stores – and in Uruguay and Argentina, with a further 13 Renner stores.

In terms of logistics, there are three Distribution Centers (DC) and a cross docking operation, with one dedicated DC for Camicado business. The Renner business also incorporates Realize CFI, which manages financial products, as well as LRS Trading, with offices in China and Bangladesh. The latter facilitates imports and assists in prospecting for new suppliers.

Following the period in 2018 with the preparation of structures, mindset and organization of the projects, the year 2019 saw important progress in the digitalization cycle of the business, the Company advancing and investing on a more consistent basis in digital initiatives for its operations organized around three structural projects.

The first is directed to the construction of the Single View of the Customer, seeking to create a personalized and consistent relationship with the customer introducing greater



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CAMICADO

YOUCOM

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assertiveness in communication and the relationship with the brand. The second is the use of data in the Product Life Cycle with initiatives which range from the capture of fashion trends to the distribution of the items in the stores through Artificial Intelligence. And the third is the Omnichannel Transformation, the aim of which is to guarantee a single shopping experience with the complete integration of online and offline sales channels.

RENNER



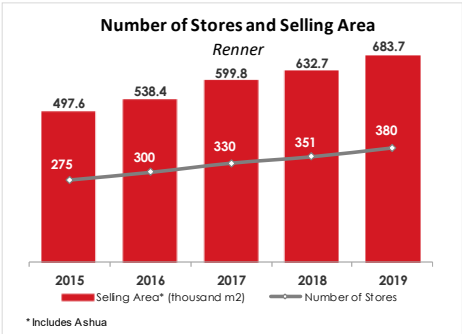
Renner develops and sells apparel and footwear for women, men and children through 20 proprietary brands, of which eight represent the Lifestyle concept, where each one reflects its own style of being and dressing. It also sells accessories and cosmetics through two proprietary brands as well as offering merchandise in some categories with third party labels.

The store network has 367 units in Brazil, 9 in Uruguay as well as 4 in Argentina, the latter marking the debut of operations in that country. The stores have an average sales area of 1.8 thousand m² and 91% of them are located in shopping malls. In addition, Renner offers its products via e-commerce platforms in both Brazil and Uruguay.

STORES

In line with Renner's expansion plan, in 2019, 29 stores were rolled out, of these 6 being located abroad. Consequently, Renner ended the year with 380 units in operation and equivalent to 683.7 thousand m² of total sales area.

In the context of store operations and in line with the Structural Project of the Omni Transformation, important progress was made on initiatives for the flexibilization of the final stage of the purchasing process for customers and reducing eventual friction in the shopping experience. Available in all stores is the Mobile Checkout, whereby using specific devices, store employees are able to conclude the purchase from any point in the sales area, and the Digital Checkout, where e-commerce products are sold in the physical stores. In addition, self-checkouts are being installed - already up and running in 12 units, as of December - while Digital Pay, where the customer uses a smartphone to pay for purchases through the Renner app - is operating on a pilot basis at 30 stores and which should continue to be gradually implemented throughout the store network.



In addition, the implementation of product identification by radio frequency (RFID) for items of apparel was concluded at all Renner stores in Brazil. This tool permits identification of the location, stock-taking and show the main information of the products very rapidly and accurately. With this system, it has been possible to increase the frequency of inventory checks and improving the speed of stock replacement in the sales area with important benefits for productivity and stockout levels and consequently ramping up sales.

Within the scope of the Omnichannel Transformation project, the RFID is conducive to greater accuracy in inventory control and an important step towards online and off-line integration and enabling the Company to use instore stock for e-commerce sales. Thanks to this development, important improvements are envisaged for customers who will receive their orders faster from the nearest store at hand. Tests began in 2019 at 30 stores for using inventory of the store for pickup of items acquired online in conjunction with a pilot operation using lockers at 7 units. This provides for a 100% autonomous shopping experience from purchase through delivery.

E-COMMERCE

The year was also important for the e-commerce operation with investments made in the shopping experience through improvements in user friendliness and platform content as well as in omnichannel processes. Thanks to all the new functions which have been implemented, this channel has continued to grow at more than 3,5 times that of the online market for apparel in Brazil according to data from specialized institution, and gaining share relative to the Company's overall sales.

The highlight for the year was the Renner app which saw significant growth in the number of downloads during the course of the year, in December, accounting for 2.3 million active customers. The app gained particular relevance in the online operation: it was the largest generator of repeat sales among the digital channels, accounting for 33% of sales and 45% of the e-commerce accesses.

Another significant development has been the "Click and Collect", the participation of which grew during the year, in December reaching 36% of total orders, further underscoring the attractiveness of the omnichannel initiatives currently being implemented at the Company. Of the total number of customers using the store pickup facility, more than 13% of these made additional purchases on collecting their original purchase item.

In order to refine its understanding of, and connection with customer needs the Company broadened testing initiatives, prototypes, surveys and interviews with customers with the aim of improving the quality of the available digital services and the shopping experience offered. This has been instrumental in Renner being the recipient of several awards, among them "Favorite Store - Fashion and Accessories" and "Top 5 Diamond", from E-Bit. As a result, omni customers have been buying almost three times more frequently than the physical store customers alone while their annual expenditure has been 2.5 times greater.

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OPERATIONS ABROAD

Renner embarked on its first overseas operation in 2017 in Uruguay where it already has 9 stores of which 2 were rolled out during 2019. The Company's entry into the Uruguayan market was important to gain experience abroad and to test the business model. The products have had excellent acceptance from the local customers and there is an e-commerce operation in place as well as a hub for receiving imports directly from Asian suppliers thus avoiding payment of import tariffs twice over.

In the light of the performance in Uruguay, in 2019 the Company decided to also open stores in Argentina, a country with a large population, a favorable competitive environment and with commercial opportunities arising from a presence within the Mercosur bloc. In December, four stores were opened in Argentina, two of them in Buenos Aires and a further two in Córdoba, all six of them adopting the same standard and positioning as other Renner stores.

PRODUCT

The Company is constantly investing in the reactivity, flexibility and agility of its business. And 2019 was no different. During the year, the use of non-dyed fabrics was increased, reducing the need for importing already pattern-printed fabrics, resulting in greater speed of purchase and flexibility in manufacture. In addition, the proportion of items with up to 60 days lead time increased as a result of the various improvements implemented. Currently more than 15% of domestic purchases are executed within a 30-day average.

With respect to innovation in the Product area, Renner concluded the first stage of the implementation of PLM (Product Lifecycle Management), a management system for the product life cycle and allowing the digitalization of the development process of the items, centralizing the management of the collections and the tracking of items. The system also allows greater standardization of processes and improves supplier integration and management of materials. The year concluded with all domestic production items being developed and their purchase orders channeled through the system. In addition, for imported products, the development stage has already been implemented.

During the year, the Company continued to examine alternatives for the use of Advanced Analytics in the quantification of the fashion trends. In this context, the launch of a product using trends captured from consumer data and characteristics of products is under development. The aim is to increase the probability of success in predicting the direction of a fashion trend and enhancing agility in decision making from the outset of the process of developing the collections.

Also, for the assortment and allocation of products in the stores, the Company has begun to implement this process based on predictive models, whereby algorithms forecast the demand per item and per store and thereby rendering distribution data driven. In 2019, items distributed without human intervention amounted to about 8% of total sales and generated an incremental revenue of 12% for these products with a corresponding reduction of 18% in the inventory needs. Furthermore, since April, sales forecasting is using Artificial Intelligence, bringing greater precision and helping decision making.

LOGISTICS

In 2019, several improvements were made to logistical operations and important progress made in both agility and productivity, which has brought significant advances in store delivery times – reduced by 20% - and increased store servicing punctuality to 90%. Regarding productivity, making more optimal use of delivery trucks with a 10% increase in the number of items per vehicle and consequent reduction of travels.

The management of the product flow is now executed on an integrated basis between the Product, Operations and Supply Chain areas, in this way fine tuning the distribution process. This initiative has resulted in 20% gains in consistency of basic instore items.

Work on the construction of the Cabreúva - SP Distribution Center with a 150 thousand m² capacity has begun as part of the plan for evolving the logistics network. This project will use new automation technology and will serve the omnichannel operation, allowing gains in efficiency and speed, improving the synergies between the businesses. The DC's construction will be according to the built to suit model and operations are expected to begin in 2022.

CAMICADO



Acquired in 2011, Camicado aims to enchant people with home and decoration experiences, being the largest retailer in this segment. It has a large variety of products, among them articles for household decoration, kitchen utensils, table sets, small home appliances, cutlery, bed, bath and tableware and organization.

The store network is located nationwide through 114 units, of which 9 were rolled out in 2019. All the stores are located in shopping centers with an average sales area of 427 m², equivalent to an overall total of 48.7 thousand m² in sales area. In 2019, 3 units were closed following a review of the profitability of the operations.

Camicado has also made headway in the direction of providing a single shopping experience for its customers, irrespective of channel. In the second half, it launched its e-commerce app and the products from its online platform already being sold in all bricks and mortar stores. This together with other functional improvements to the site, has led to an increase in conversion ratios and traffic. Sales through the e-commerce channel reported significant growth in 2019.

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In terms of Camicado's own marketplace, during the year new partners have been established with an increased number of sellers. Through this platform it is possible to expand the assortment of available products, offering a more comprehensive home and décor solution for consumers.

Furthermore, the business also sought operational improvements such as inventory adjustments, a revised merchandise mix, and redesigned processes for better execution of operations. These topics have been mapped out and are being implemented by the new business management team with the aim of restoring profitability.

YOUCOM



Youcom was launched in 2013, its target public being the middle class in the format of a specialized store, enchanting and connecting people with a young lifestyle. The units have an average size of 165 m², with a differentiated ambience, offering quality products at competitive prices with a strong fashion appeal.

During the course of 2019, Youcom continued to expand its store network, rolling out 9 units, and in so doing breaking through the 100 stores mark. As part of an ongoing process for improving the profitability of its operations, 2 units were closed in 2019. Thus, at the end of December, Youcom was operating 101 physical stores in 11 states plus the Federal District, with a total sales area of 16.7 thousand m².

In the same way as the Company's other businesses, Youcom also took steps to structure its omnichannel operation, offering its own "Store Pickup" service as well as initiated the pilot of "Ship from Store" operation for online purchases. Progress has also been made in the use of customer data, allowing identification and a greater understanding of purchasing profile and helping develop customer relationships and the product mix on offer.

ASHUA



The Ashua Curve & Plus Size brand was launched in 2016, exclusively selling through Renner's e-commerce channel, offering products with sizes from 46 to 54 which enhance the value of curves and the female body, providing both quality and fashion information. As a result of customer demand and in response to good sales performance, in 2018, three physical stores were opened, each one already operating in the omnichannel environment.

Good customer acceptance of the first units resulted in the rollout of a further 5 stores in 2019, albeit still on the basis of a pilot operation, marking the brand's debut in the city of Rio de Janeiro in addition to its existing footprint in the states of São Paulo and Rio Grande do Sul. By the end of 2019, Ashua had 8 units in operation with an average sales area of approximately 240 m².

REALIZE CFI – FINANCIAL PRODUCTS

Realize Crédito, Financiamento e Investimento S.A. - Realize CFI is the Financial Institution which supports Renner's retail business through the management of financial products. It aims to enchant clients with financial experiences and solutions that impact their lives. The products are offered to Renner's customers as instruments of convenience and loyalty, aligned to the Renner's value proposition.

In December 2019, Realize CFI had a total credit portfolio of R\$ 3.4 billion, largely consisting of two types of card: the Renner Card (Private Label), which was created in 1973 and one of the first store cards in Brazil, and the Co-Branded Card with the Mastercard and Visa flags and known as "Meu Cartão". The latter card can also be used at other establishments in Brazil and abroad. For shopping at Renner stores, both offer payment options either in the form of up to five interest-free monthly installments or eight fixed monthly payments with interest. The Saque Rápido (Quick Withdrawal), a personal loan facility, is also offered to eligible customers, together with some assistance services and insurances.

Realize CFI also saw some important developments in 2019, enhancing convenience and improving the customer experience. The entire process from the granting of credit to collection and renegotiation are now totally digitalized including the use of facial biometry, which both facilitates and also brings more security to the process. In this context, during the year attendance via chatbots, through the use of Artificial Intelligence was introduced for services related to collections and customer accounts. Greater convenience and agility has been provided for the co-branded cards through Meu Cartão Agora where the card is issued and enabled for immediate use. The contactless version of the card for proximity payments has also been launched.

In addition, for increasing mobility and autonomy for the customer, new functions were included in the cards section of the Renner app. Among the new features on offer are the renegotiation of accounts and contracting of the Saque Rápido facility with withdrawal of the amount at the store or credit in account.

Additionally, the pilot operation for the new Relationship Program was introduced, benefits of which increase customer loyalty through the shopping experience. Purchases at Renner stores generate points, which are accumulated for an upgrade in category and as the customer upgrades the categories, different benefits accrue in the form of product, discounts and partnerships as well as in differentiated experiences.

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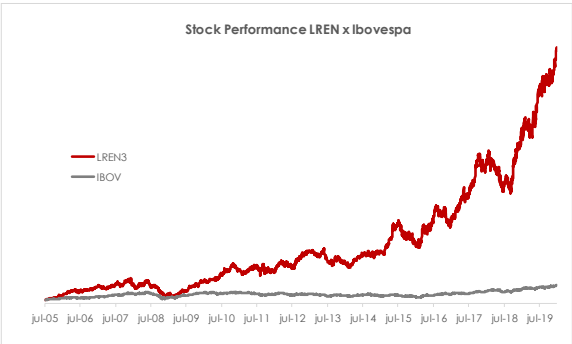
YOUCOM

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SHARE PERFORMANCE

Lojas Renner S.A.'s shares are traded on B3 – Brasil, Bolsa, Balcão, under the LREN3 symbol and in the form of ADRs on the US OTC market under the LRENY symbol. LREN3's shares reported an appreciation of 47,5% (adjusted for corporate actions) in 2019 compared with the Ibovespa's 31.6%, giving a market capitalization of R\$ 44.7 billion on December 30. During the year the number of company shareholders increased by 208.5% from 18.6 thousand in December 2018 to 57.4 thousand in 2019, principally private individuals. In this period, 3.8 million trades were transacted, involving 980.7 million shares with an average daily trading volume of R\$ 184.8 million. In the case of the ADR program, launched at the end of 2017, a total of 1.9 million receipts had been issued at the end of 2019.



CORPORATE ACTIONS

At an Extraordinary General Meeting held in April, the shareholders approved a 10% share bonus with the issue of 72,002,450 new common shares, being one new common share for every ten existing common shares held on the date in question with an attributed unit cost of R\$ 14.44. Shares held as treasury stock, earmarked to the stock option plan, held in the restricted shares plan and as ADRs will also be eligible for the bonus.

In 2019, R\$ 252.0 million was credited in the form of Interest on Capital to shareholders, to be eventually complemented by a further R\$ 297.6 million in proposed dividends. If approved by the Annual General Meeting of 2020, total remuneration for fiscal year 2019 will have amounted to R\$ 549.5 million, equivalent to a dividend yield of 1.2% (considering the closing share price on December 30, 2018) and a payout of 50%, against the 40% distributed since 2013.

CORPORATE GOVERNANCE

In July 2005, Lojas Renner was the first company in Brazil with 100% of its shares traded on the B3 without a controlling shareholder. Under the Corporate Governance model adopted since then, the strategic guidelines are laid down by the Board of Directors supported by four Statutory Committees: People, Sustainability, Audit and Risk and Strategic Management. Operating activities in turn are the responsibility of the Statutory Board, which adheres to Board of Directors' guidance supported by certain Management Committees in its decision making. The Company has a permanently installed Fiscal Council.

The Company constantly reviews its Corporate Governance system, through which new practices are adopted while those already in existence are fine tuned. In 2018, Lojas Renner was the first Brazilian corporation to publish the "Report on the Brazilian Code of Corporate Governance" (comply or explain mechanism). In 2019, the percentage compliance with the Code was 98.1% with just one item to be explained to the market.

Main Corporate Governance Practices	
■	Novo Mercado de B3 – Brasil, Bolsa, Balcão
■	100% free float
■	Majority of the Board of Directors are independent (88%)
■	Women on the Board of Directors (25%)
■	Board Administration and Management Committees
■	Different executives as Chairman of the Board and CEO
■	Manual for Participation in Shareholders' Meetings
■	Stock Options and Restricted Stock Plan
■	Internal charter for Boards, Executive Board and Committees
■	Formal appraisal of Board of Directors and Executive Board
■	Secretaries to the Boards, Board of Executive Officers and Committees
■	Board of Directors and Committees Portal
■	Internal Audit and Compliance
■	Whistle blowing channel
■	Adherence to the Abrasca Self-Regulatory Code
■	Various Corporate Policies
■	Corporate Governance Secretary

In relation to the Company's governance structure, in April José Galló, who with the expiry of his contract and after 28 years as an executive at Lojas Renner, assumed the position of Chairman of the Board of Directors and a new Chief Executive Officer, Fabio Adegas Faccio took office, who has more than 20 years of experience at Renner. The transition was characterized by a highly structured and transparent succession process with zero impacts on the management of the Company and on the corporate teams' level of engagement. Osvaldo Burgos Schirmer, who was Chairman from 2013 to 2019 and Carlos Fernando Couto de Oliveira Souto, Vice Chairman since 2016, continue to be part of the Board of Directors as Vice Chairman and Member, respectively. In addition to this and aligned with the culture of formers of leaders and continuing the work of formation and recognition of inhouse talents as well as in support of the Company's growth, new non-statutory officers were set up. Among these were the Risks Area which as from December, has enjoyed its own structure for data protection given the need to make the necessary adjustments for compliance with the General Data Protection Law and under the management of the Corporate Compliance area.

SUSTENTABILITY

Lojas Renner believes that fashion should be conscious and responsible and its guidelines for sustainability orientate its activities in this direction. For this reason, the priority themes of sustainability of the business out to 2021 are enshrined in the strategic plan for Responsible Fashion. On this basis, the Sustainability Committee and the teams act in the continual identification and minimization of the socio-environmental risks which are critical to the value chain through major projects organized around four fronts:

I. RESPONSIBLE SUPPLIERS

As a retailer, engagement, monitoring and development of the supply chain is a key guideline in the sustainability strategy. By working in close conjunction with the suppliers, it is possible to support their development and to foster alignment with the objectives and values of Lojas Renner, mitigating risks and maximizing the positive impact on the construction of an ethical, responsible and increasingly sustainable chain.

On the issue of monitoring, the Company has adopted the commitment of having 100% of the domestic and international resale chain with socio-environmental certification by 2021. In this sense, it has begun to make a more detailed evaluation in the complete audits which are carried out annually at domestic suppliers, doubling the number of items analyzed. Additionally, 90% of the direct (level one) international suppliers have been audited and with these and the introduction of other initiatives, by the end of 2019, 73% of the resale chain had been certified.

The PMC (Continual Improvement Program) for supplier development and now in its seventh consecutive year, focused on the promotion of the culture of quality in the manufacturing plants of its domestic resale suppliers of denim/twill, woven fabric and knitwear. The Company also launched the Suppliers' Convention, an event which brings together the entire chain with the aim of strategically aligning Renner with this stakeholder group.



II. ECO-EFFICIENT MANAGEMENT

As part of its contribution to combatting climate change, the Company has set itself the target of a 20% reduction in absolute emissions of CO₂ by 2021. With this in mind, it has been working on promoting energy efficiency and expanding the use of energy from renewable sources, among others. For nine years now, the Company has been a component of the B3's Carbon Efficient Stock Index (ICO₂) as well as publishing its greenhouse gas emissions inventory, the latter since 2014, being the recipient of the Gold seal of the GHG Protocol program. In 2019 again, 100% of the GHG emissions relative to the inventory of the previous year, were offset through the acquisition of carbon credits of two projects for the protection of the biodiversity.

With respect to energy consumption, all store lighting now uses LED lamps while approximately 130 units have their consumption monitored remotely permitting the desired level of efficiency to be maintained. Another objective which is being pursued is the expansion in the use of energy from renewable and low impact sources with the aim of achieving the public commitment of 75% of consumption using these sources by 2021. Consequently in 2019, the Company invested in the purchase of energy from SHPs (small hydroelectric power plants) on the free market and also from solar farms to supply the stores, increasing the consumption of renewable energy to 47%.

In the context of eco-efficient stores, the Company has operations which have been developed using sustainable construction principles on the basis of LEED (Leadership in Energy and Environmental Design) certification requirements and is replicating these sustainable practices at new constructions.

III. ENGAGE EMPLOYEES, COMMUNITIES AND CUSTOMERS

Lojas Renner believes it has an important responsibility with its customers for creating a business which is more and more sustainable: by offering products which have increasingly less impact on the environment and informing its customer base of the productive process of these items. In addition to the products launched during the year with the Re seal – symbolizing the Renner way of thinking and practicing - in 2019, the Company launched three special collections inspired by Brazilian flora and fauna, introducing new concepts to customers on the theme.

The focus on the management of the relationship with the communities is through actions for stimulating entrepreneurship and women's empowerment which can generate both development for society and a fashion value chain which is increasingly more sustainable.

IV. SUSTAINABLE PRODUCTS AND SERVICES

The Company is of the view that offering lower impact products and services must contribute to the development of commitments, processes and practices along the chain involved in the life cycle of the products, stimulating initiatives along the supply chain, in the operation itself and in the habits of consumption and waste disposal on the part of the customers themselves.

In 2019, more than 46,7 million items were manufactured with the Re Responsible Fashion Seal using lower impact raw materials and processes. This volume accounts for 31% of the total products in the year, the Company adopting the commitment of raising this percentage to 80% by 2021. Regarding the target of reaching 100% of items made from certified cotton by 2021, in 2019 this percentage reached 30,6% of the total cotton items.

In addition, in 2019 the Re Malha collection was launched based on the benefits arising from the experience with the Re Jeans collection in 2018 and the expansion of the Cleaner Production project to other production chains during the year. Re Malha involves making knitwear apparel by recycling remnants of fabric left over from normal production runs to supply Renner and a process aligned with the principles of

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the circular economy. In 2019, 56 thousand pieces were produced using approximately two tons of knitwear waste and reintroduced into the production cycle.

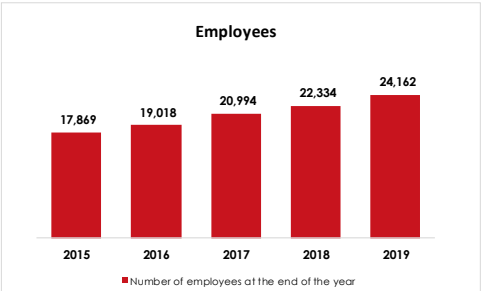
As an external recognition of all the actions regarding sustainability theme, the Company continued to be a component of the Dow Jones Sustainability World Index 2019/2020 and B3's Corporate Sustainability Index (ISE).

PEOPLE MANAGEMENT

"People" is one of Lojas Renner's corporate values. A key pillar, which is fundamental to ensuring that the people objective permeates the entire business, is the engagement of the teams. For this reason, the Company is focused on guaranteeing a favorable climate in the working environment in which people feel valorized, recognized and want to be and to stay. A voluntary and anonymous engagement survey is held annually, in 2019 also including the employees of Youcom and thus incorporating 100% of the Company. The results recorded levels above international fashion retail business parameters as a whole, reaching 87% engagement.

The Company provides its 24.2 thousand employees with a career cycle which includes structured and consolidated processes for identifying, developing and accompanying its talents. In this context, the competences' evaluation process is an important moment for promoting and expanding the dialog on performance and development. In 2019, 99% of all eligible employees at Lojas Renner S.A. took part in the process, 8 p.p. more than in the preceding year. This represents significant progress in the engagement of employees given the relevance of the process for building their careers.

The Renner University (UR) is a network for learning and exchanging experiences and one which connects employees at all the businesses, since 1995 transforming knowledge in enchantment. The basis for formation at the University rests on the pillars of Inspired Leadership, Culture of Enchantment, Management of the Business, Sustainability, Fashion and Product. Lojas Renner believes that the best way to learn is by experimenting, learning, unlearning and relearning and for this reason, the UR is based on practical, collaborative and theoretical learning experiences. All of this provided through a modern platform and the use of new technologies such as games, virtual reality, enhanced reality, chatbots and artificial intelligence, sustaining the business strategy in the context of the digital cycle.



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ECONOMIC-FINANCIAL PERFORMANCE

The following financial and operating information, except when indicated to the contrary is in accordance with the international norms of the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB). All variations shown here are calculated based on numbers in thousands of reais, as well as the rounding.

Adoption of IFRS Norm 16 – Principal Impacts

With the adoption of IFRS 16 as from January 1, 2019, some changes have been made to the fixed portion of rental payments, classified as leases, requiring recognition of future commitments offset against the right of use in the assets. Until 2018, rental expenses were recorded as "Occupancy", but are now recognized in the depreciation and finance expenses lines in the accounts. For a better understanding of the changes, the tables in this report show a proforma column for the 2019 with the effect of the new standard excluded in relation to the main accounts impacted. Further details of the norm as well as the CVM official circular 02/19 can be found in Explanatory Note 5.1 of the Financial Statements for fiscal year ending December 31, 2019.

BALANCE
SHEET DEC.19

↑ Assets – Right of Use:
+R\$ 1,853.6 MM

↑ Liabilities - Leasing:
+R\$ 1,928.0 MM

RESULTS 2019

↓ SG&A (Occupation Expenses):
-R\$ 411.1 MM

↑ Lease Depreciation :
+R\$ 368.5 MM

↑ Financial Expenses of Leasing (AVP):
+R\$ 77.8 MM

↓ Adjusted EBITDA: -R\$ 35.2 MM (0.5 p.p.)

↓ Net Income: -R\$ 23.2 MM (0.2 p.p.)

Highlights and Performance by Business

Consolidated Information (R\$ MM)	2019	2018	Var.	2019 Proforma	Var.
Net Revenue from Merchandise Sales	8,474.7	7,485.4	13.2%	8,474.7	13.2%
Growth in Same Store Sales	8.7%	7.4%	-	8.7%	-
Gross Profit from Merchandise Sales	4,767.4	4,228.0	12.8%	4,767.4	12.8%
Gross Margin from Retailing Operation	56.3%	56.5%	-0.2p.p.	56.3%	-0.2p.p.
Operating Expenses (SG&A) ¹	(2,701.1)	(2,775.0)	-2.7%	(3,112.3)	12.2%
SG&A as a % of Net Revenue from Merchandise Sales	31.9%	37.1%	-5.2p.p.	36.7%	-0.4p.p.
Ajusted EBITDA from Retailing Operation	1,586.6	1,423.9	11.4%	1,621.8	13.9%
Ajusted EBITDA Margin from Retailing Operation	18.7%	19.0%	-0.3p.p.	19.1%	0.1p.p.
Financial Products Result	391.5	349.4	12.0%	391.5	12.0%
Ajusted Total EBITDA (Retail + Financial Products)	1,978.1	1,773.3	11.5%	2,013.3	13.5%
Ajusted Total EBITDA Margin	23.3%	23.7%	-0.4p.p.	23.8%	0.1p.p.
Net Income	1,099.1	1,020.1	7.7%	1,122.3	10.0%
Net Margin	13.0%	13.6%	-0.6p.p.	13.2%	-0.4p.p.
ROIC LTM	21.4%	23.0%	-1.6p.p.	22.2%	-0.8p.p.

¹ In the Income Statements for the fiscal year ending December 31, 2018, the expenses with Depreciation and Amortization, Tax Expenses and Management Compensation, previously shown in "Other Operating Income", were reclassified as Sales, General and Administrative Expenses. To facilitate analysis, Depreciation and Amortization expenses, including Lease Depreciation, have been excluded from the above table.

Businesses Breakdown	LOJAS RENNER 2018			Var.	CAMICADO 2018			Var.	YOUCOM 2018			Var.
Stores in Operation	388	354	34		114	108	6		101	94	7	
Gross Openings	34	29	-		9	10	-		9	16	-	
Selling Area (thousand m²)	683.7	632.7	8.1%		48.7	46.8	4.2%		16.7	15.5	8.1%	
Net Revenue (R\$ MM)	7,728.4	6,800.9	13.6%		525.0	505.0	4.0%		221.3	179.6	23.3%	
Gross Margin (%)	56.4%	56.7%	-0.3p.p.		51.5%	52.5%	-1.0p.p.		61.3%	59.1%	2.2p.p.	

* Includes Ashua and stores in Uruguay and Argentina.
Closures: there were no closures in 4Q19.
During the year 2019, 3 Camicado and 3 Youcom stores were closed.

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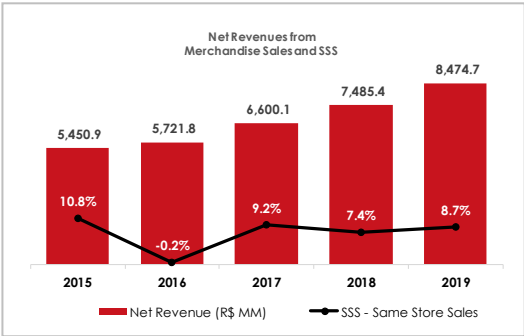
Net Revenue from Merchandise Sales

The year 2019 was characterized by the consistency of the collections, the efficiency of the operations and by adequate inventory assortment. These factors together with the improvements in the customer shopping experience, mainly through the introduction of technology in different processes, stimulated improved customer traffic through Renner's stores.

Thus, Net Revenue from Merchandise Sales reached R\$ 8,474.7 million, a growth of 13.2%, with Same Store Sales improving by 8.7%, indicative of solid gains in market share during the year given the evolution of just 1.1%, for the year 2019 up to November for the sector as a whole according to the IBGE's (Federal Government Statistics Office) Monthly Retailing Survey Index.

Sales at Youcom amounted to R\$ 221.3 million, this business continuing to make a positive contribution to consolidated performance, with growth of 23.3%, reflecting the ready acceptance of the collections and assertive inventory management. At Camicado, issues surrounding commercial and inventory management had an impact on the competitiveness of the business. Net Income was R\$ 525.0 million, a year-on-year an increase of 4.0%.

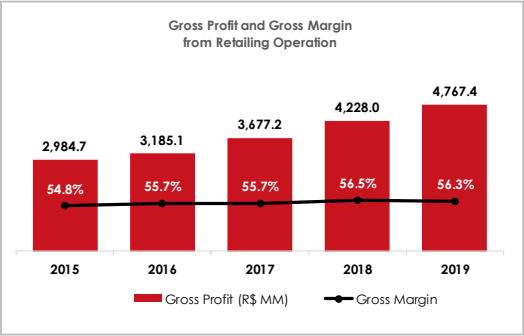
The e-commerce business continued to turn in a good performance, recording growth of 52.8% during the year and exceeding that of the apparel and footwear sector as a whole, according to data published by specialized institution surveys for the year to November. This reflects the result of initiatives such as the Store Pickup as well as improvements in the app and in the shopping experience.



Cost of Goods Sold (COGS) and Gross Profit from the Retailing Operation

COGS posted an increase of 13.8% over 2018 and slightly more than the growth in Net Revenue from Merchandise Sales. Consequently, Gross Profit from the Retailing Operation registered growth of 12.8%, equivalent to a Margin of 56.3%, flat in relation to 2018 (-0.2 p.p.). Improvements in the reactivity of the business and quality of the products offered reflected this performance, offsetting almost entirely the negative effect of contracted foreign exchange for imported items, the latter largely in the first half of the year.

Youcom reported an increase of 2.2 p.p. in Gross Margin, the result of the commercial management and good quality inventory. Camicado on the other hand, recorded a reduction of 1.0 p.p., due to the mismatch in product assortment and adjustments made to stock at year-end.



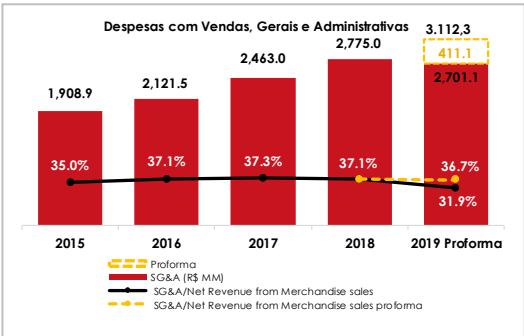
Operating Expenses

Selling, General and Administrative Expenses (SG&A) were down 2.7% in 2019, basically a function of the adoption of IFRS 16, diminishing this account by R\$ 411.1 million.

In comparative terms, these expenses increased by 12.2%, and below the growth of 13.2% in Net Revenue, guaranteeing an operating leverage of 0.4 p.p.. This result reflects the lower increase in Selling Expenses (+11.6%), in turn due to productivity gains and the greater efficiency of the operations.

General and Administrative Expenses amounted to R\$ 796.2 million, representing 9.4% of Revenue from Merchandise Sales, flat in relation to the 9.3% for 2018, despite the initiatives surrounding the implementation of the Digital Cycle.

Other Operating Expenses were R\$ 53.2 million against R\$ 30.0 million, in 2018. This increase was mainly driven by higher provisions for the employee Profit Sharing Program (PPR) (+61.7%) and reflecting corporate performance in the period, notwithstanding the the booking of a higher amount of tax credits in 2019. These credits totaled R\$ 87.4 million against R\$ 43.6 million in 2018, and mainly the result of legal rulings which reduced social security charges as well as a revision of the methodology for calculating the SAT – Occupational Accident Insurance.



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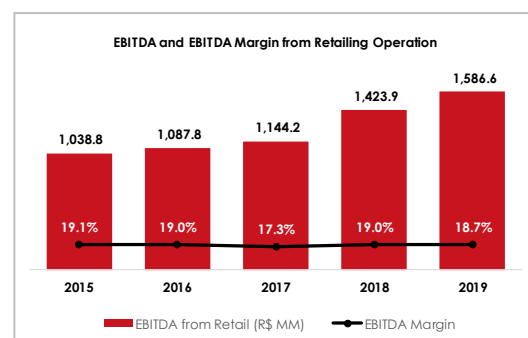
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Adjusted EBITDA from Retailing

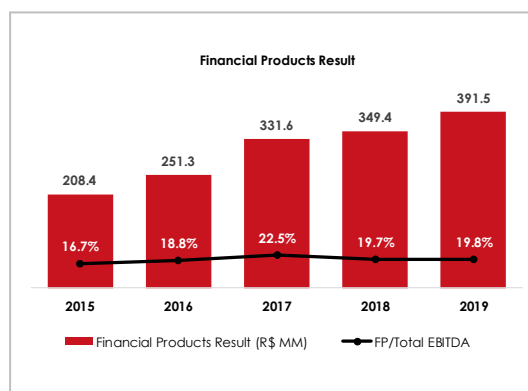
Adjusted EBITDA from Retailing was R\$ 1,586.6 million in 2019, 11.4% higher than the previous year, equivalent to a Margin of 18.7%, versus 19.0% in 2018. This performance is explained principally by the increase in Other Operating Expenses and by the effect of the adoption of IFRS 16, which reduced this result in R\$ 35.2 million (0.4 p.p.).

If the effect of IFRS 16 is excluded, EBITDA from Retailing would have risen by 13.9% and equivalent to a Margin of 19.1%.



Financial Products Result

Financial Products Result (R\$ MM)	2019	2018	Var.
Revenues, Net of Funding and Taxes	1,090.5	914.0	19.3%
Renner Card (Private Label)	328.9	299.1	10.0%
Co-branded Card Meu Cartão	675.8	528.2	27.9%
Quick Withdrawal and Insurances	85.8	86.6	-0.9%
Credit Losses, Net of Recoveries	(381.0)	(280.7)	35.8%
Renner Card (Private Label)	(165.8)	(98.6)	68.1%
Co-branded Card Meu Cartão	(212.5)	(181.3)	17.2%
Quick Withdrawal - Saque Rápido	(2.8)	(0.7)	278.2%
Operating Expenses	(318.0)	(283.9)	12.0%
Financial Products Result	391.5	349.4	12.0%
% of Company's Total Adjusted EBITDA	19.8%	19.7%	0.1p.p.



The Financial Products Result amounted to R\$ 391.5 million, an increase of 12.0%, due to higher income generated mainly from the Co-branded Meu Cartão and reflecting a rise of 42.6 % in this portfolio. In addition, growth in the Private Label revenue was due to lower funding costs and the appropriation of interest on transactions which since April, have been booked to Realize CFI.

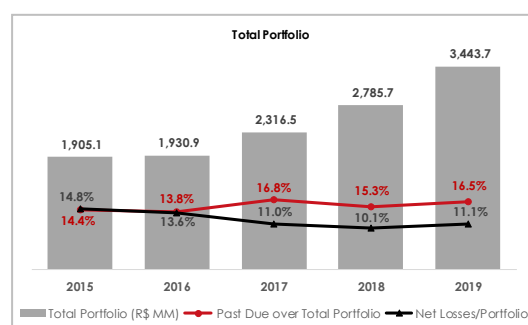
Net Losses were 35.8% higher in 2019, mainly due to greater Private Label provisioning as a consequence of the Realize CFI transactions and higher volumes of Meu Cartão.

Operating Expenses increased 12.0%, lower than growth in Net Revenue from the operation.

Credit Portfolio Analysis

The total financial products portfolio posted year-on-year growth of 23.6%, mainly due to the greater use of Meu Cartão, portfolio of which totaled R\$ 2,070.6 million (+42.6%). The Private Label portfolio in turn amounted to R\$ 1,317.3 million in December 2019, 2.7% greater than in 2018 while outstandings for the Saque Rápido facility rose 9.8%, reaching R\$ 55.8 million.

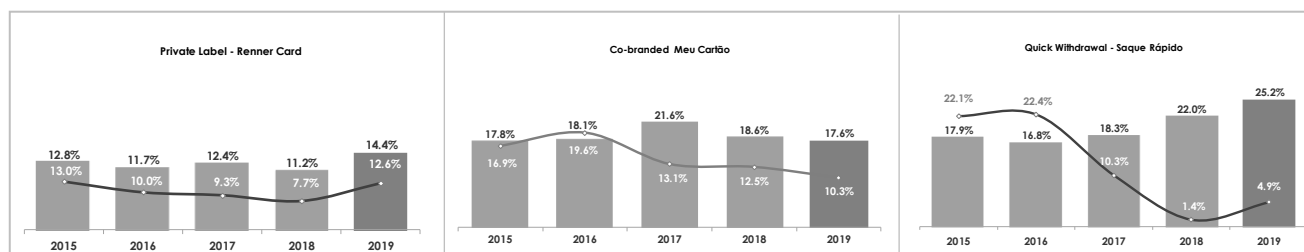
The increase in the percentage of total overdues was mainly a consequence of lower growth in the Private Label portfolio in the period as well as the writing off of assets for this product now in excess of 360 days overdue rather than 180 days as previously, for those transactions booked to Realize. In the case of the Saque Rápido portfolio the increase in overdues reflects the stabilization of the portfolio volumes. By contrast, Meu Cartão posted a reduction in this indicator given the strong portfolio growth.



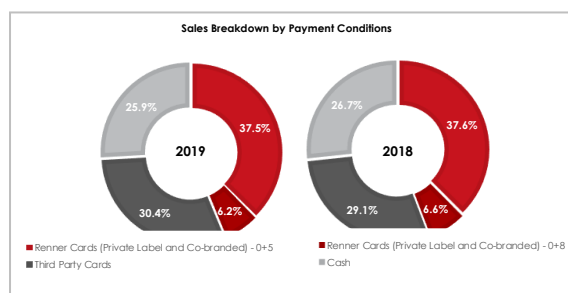
The level of Losses was greater in relation to the total portfolio, principally due to the increase in Private Label business with a corresponding higher provisioning at Realize as a consequence of the application of the dragging methodology for overdue transactions whereby installments (total amount outstanding) are transferred to the worst-case category of past dues under the name of a client. This indicator was also influenced by lower recovery rates both in terms of overdue credits as well as those written off after 360 days. In the case of the Saque Rápido, the increase is due to the portfolio stability, already mentioned. Loss levels fell for Meu Cartão in the light of growth in this particular portfolio.

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Payment Conditions

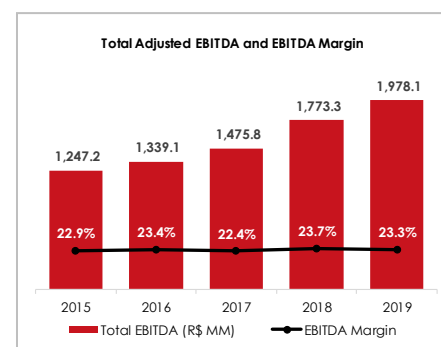


As of December 2019, Renner Cards totaled 32.5 million units, representing a share of 43.7% of merchandise sales versus 44.2% in 2018. The percentage is lower than the preceding year, principally due to the reduction in the share of the purchases made via the installment, interest bearing 0+8 credit plan, reflecting the behavior of the customer where there is less propensity for interest bearing installment purchases.

The Renner Card's average ticket was R\$ 207.86 in 2019, 3.2% higher than 2018. The overall average ticket for the Company was R\$ 154.54, a growth of 3.7%.

Total Adjusted EBITDA: Retailing and Financial Products

EBITDA Reconciliation (R\$ MM)	2019	2018	Var.	2019 Proforma	Var.
Net Income	1,099.1	1,020.1	7.7%	1,122.3	10.0%
(+) Income and Social Contribution Taxes	412.8	350.1	17.9%	424.7	21.3%
(+) Financial Result, Net	131.8	53.6	145.8%	54.0	0.7%
(+) Depreciation and Amortization	730.1	314.6	132.1%	361.6	14.9%
Total EBITDA	2,373.7	1,738.4	36.5%	1,962.6	12.9%
(-) Depreciation for Leasing (IFRS 16)	(368.5)	-	-	-	-
(-) Financial Expenses for Leasing (IFRS 16)	(77.8)	-	-	-	-
(+) Stock Option Plan	21.1	20.5	2.8%	21.1	2.8%
(+) Statutory Participation	5.9	8.3	-29.4%	5.9	-29.4%
(+) Result on Write-Off and Provision for Impairment of Fixed Assets	23.8	6.1	287.7%	23.8	287.7%
Total Adjusted EBITDA	1,978.1	1,773.3	11.5%	2,013.3	13.5%
Total Adjusted EBITDA Margin*	23.3%	23.7%	-0.4p.p.	23.8%	0.1p.p.



* Pursuant to Article 4 of CVM Instruction 527, the Company has chosen to show its Adjusted EBITDA as in the above table in order to provide the information that best reflects the gross operational cash generation from its activities.

For comparison's reason, the Company has begun to report the adjusted EBITDA also incorporating Depreciation and Financial Expenses for Leasing in the light of the adoption of IFRS 16, given the similarity with the cash flows generated by the leasing agreements.

Total Adjusted EBITDA was R\$ 1,978.1 million, registering growth of 11.5%, equivalent to a Margin of 23.3% versus 23.7% in 2018, basically tracking the EBITDA Margin for Retailing. If the effect of IFRS 16 is excluded, this result would have seen growth of 13.5%, and a Margin of 23.8%, reflecting the operating leverage in the period.

Financial Result, Net

In 2019, the Financial Result, Net was negative at R\$ 131.8 million, an increase of 145.8% over 2018, above all due to the booking of R\$ 82.2 million of Financial Expenses for Leasing, mainly reflecting the adoption of IFRS 16. On a comparable basis, this result was a negative R\$ 49.6 million against R\$ 53.6 million and also negative in 2018, with the reduction in financial income being compensated by the lower costs of financing in the period.

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Free Cash Flow

In 2019, the Company generated a Free Cash Flow of R\$ 297.6 million, a reduction of R\$ 304.9 million from 2018 due largely to Operating Financing of Financial Products. With the liquidation of the FIDC in April 2019, responsible for financing the Private Label operation, this financing function has been transferred to Realize which uses proprietary capital.

Excluding the effect of operating finance of financial products, the free cash flow would have been R\$ 657.8 million in 2019 against R\$ 448.4 million in 2018.

Cash Flow (R\$ MM)	2019	2018	Var.
Total Adjusted EBITDA	1.978,1	1.773,3	204,8
(+/-) Income and Social Contribution Taxes/Others	(328,1)	(196,6)	(131,5)
Operating Cash Flow	1.650,0	1.576,7	73,3
(+/-) Changes in Working Capital	(601,0)	(363,8)	(237,2)
Accounts Receivable	(663,3)	(551,7)	(111,6)
Operating Financing (Financial Products)	(360,2)	154,1	(514,3)
Inventories	(14,2)	(187,1)	172,9
Suppliers	56,6	124,2	(67,6)
Other Accounts Receivable/Payable	380,2	96,8	283,4
(-) Capex	(751,4)	(610,4)	(141,0)
(=) Free Cash Flow	297,6	602,5	(304,9)

Debt/Net Cash and Cash Equivalents

Net Debt (R\$ MM)	Dec. 19	Dec. 18
Borrowings and Financing	(1.153.7)	(1.038.1)
Current	(709.0)	(710.8)
Noncurrent	(444.6)	(327.3)
Operational Financing	(491.4)	(851.6)
Current	(37.7)	(712.6)
Noncurrent	(453.6)	(139.0)
Gross Debt	(1.645.0)	(1.889.6)
Cash and Cash Equivalents and Financial Investments	1.372.3	1.384.4
Net Debt	(272.7)	(505.3)
Net Debt / Total Adjusted EBITDA (LTM)	0.14x	0.28x

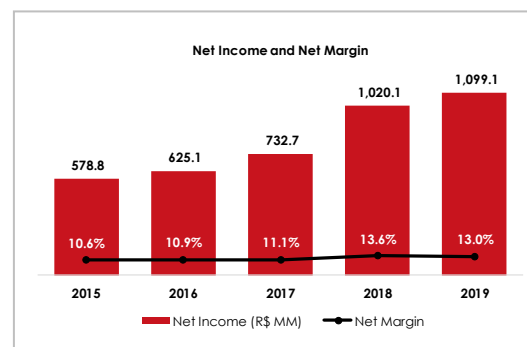
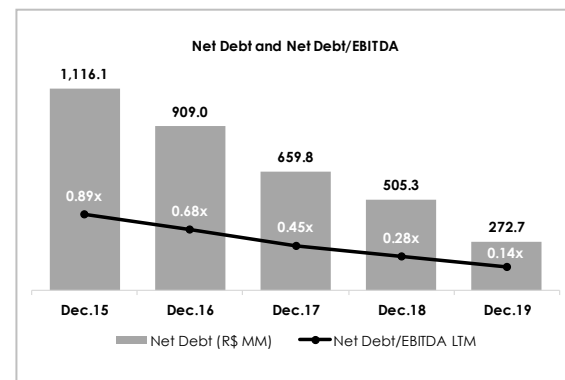
The operating financing for financing the Financial Products' portfolios and their variation is linked to the financial volumes of these products. The expenses for debt servicing related to capital management are booked in the Net Financial Result. The costs of Operating Financing which is linked to Financial Products are reflected in the Operating Result.

As at December 31, 2019, the Company's Net Debt stood at R\$ 272.7 million, reduced from the position as at December 31, 2018. The decline was due to lower levels of Operating Financing following the liquidation of the FIDC as commented above and the stable levels of Cash and Financial Investments.

Net Income

Net Income for 2019 amounted to R\$ 1,099.1 million, reflecting a growth of 7.7% compared with 2018, equivalent to a Margin of 13.0% against 13.6% in 2018. The reduction in Net Margin is largely due to the normalization of the effective rate of income tax. In 2018, non-recurring tax credits were booked to the accounts following a favorable court ruling with no right of appeal on the tax deductibility of the Employee Food Program (Programa de Alimentação do Trabalhador – PAT) as well as the booking of amounts deemed as subsidies for investments pursuant to Complementary Law 160/17.

Additionally, the operating result was impacted by the adoption of IFRS 16, as mentioned above. If these effects were to be excluded, the Net Income would have grown 13,0% with stable Margin.

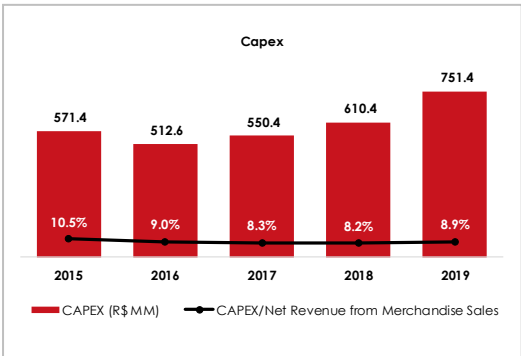


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INVESTMENTS

CAPEX Summary (R\$ MM)	2019	2018
New Stores	262.4	225.1
Remodeling of Installations	94.7	167.9
IT Equipament & Systems	247.0	184.0
Distribution Centers	145.0	17.5
Others	2.3	15.8
Total Capex	751.4	610.4



Further to the Company's long-term strategic plan in 2019, the investments in fixed assets were R\$ 751.4 million. Of this amount, 34.9% were used for the opening of 52 new stores, of which 29 Renner, 9 Camicado, 9 Youcom and 5 Ashua. A further, 32.9% was expended on IT Systems and Equipment and 19.3% on Distribution Centers and directed towards the start of construction work on the new DC in São Paulo. The remaining 12.9% was applied in the remodeling of units and others.

INDEPENDENT AUDITORS

Renner's policy for its independent auditors with respect to the provision of services not related to the external audit, rests on principles that preserve the auditor's independence. These principles are based on the fact that auditors should not audit their own work, perform management functions or represent their client. During the fiscal year ending December 31, 2019, the Company's independent auditors, KPMG Auditores Independentes, were responsible for examining the financial statements and preparing the assurance report to the Company's Annual Report. Furthermore, in 2019, the amount of fees payable to the independent auditors in the fiscal year 2019 was R\$ 1,408 thousand, of which R\$ 394 thousand relates to licensing services of the tool for implementation of validation of accessory tax obligations.

AWARDS AND RECOGNITION

During 2019, in recognition of its practices in different areas of the business, Lojas Renner featured prominently in several awards and rankings by different institutions specialized in their fields of activity. These distinctions contribute to the strengthening of the brand and recognition of the teams. Please find below a list with the leading recognitions:

Corporate Sustainability Stock Index (ISE) – component of the portfolio for the 6 th consecutive year	B3 – Brasil, Bolsa, Balcão
Dow Jones Sustainability World Index – Listed among the most sustainable companies in the world and featuring in 8 th place in the Retail sector	S&P Dow Jones Indices
Best of E-commerce – Best loved stores in the Fashion and Accessories category	Ebit
Best of E-commerce – Top 5 Diamond	Ebit
Best of E-commerce – Best stores with mobile experience	Ebit
Brands for Who Decides – 1 st place in the Women's Fashion category	Jornal do Comércio
Valor 1000 – 1 st place in the Retail Trade category	Valor Econômico
Champions of Innovation – 1 st place the Commercial Trading, Wholesale and Retail sector	Amanhã magazine
Top of Mind – 1 st place in the Apparel Chain Stores category	Amanhã magazine
Transparency Trophy – Listed among the winners with Net Revenue in the over R\$ 5 billion category	ANEFAC
Exame Guide to Sustainability – Champion in the Retail sector and in the Water Management category	Exame magazine
150 Best Companies in which to Work – Highlight in the Leadership category	Você S/A magazine
Época Negócios 360º - 1 st place in the Apparel category	Época Negócios
Real Black Friday – Winner in the Fashion and Accessories category	Proxy Media
Most Valuable Brazilian Brands – 10 th place in the general ranking	Interbrand
Best Retail CEO in Latin America	Institutional Investor Magazine
Best IR Professional, Best IR Team, Best IR website and Best IR Program – Retail in Latin America	Institutional Investor Magazine

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OUTLOOK

The year 2020 dawns with a good outlook for the Brazilian economy. A positive roll call of reforms for this year combined with low levels of inflation and interest rates together with a more stable environment in terms of employability, will be critical for a recovery in consumer purchasing power. It is in this context of a more favorable confidence and consumer demand that Lojas Renner will continue to invest in the digitalization of its operations and in new growth opportunities to increasingly strengthen its value proposition to the customers, guaranteeing the competitiveness of the business.

Under this scenario investments of R\$ 910.0 million are forecasted for 2020 according to the proposal to be submitted to the shareholders. This amount covers investment in the continuation of the store expansion plan with the rollout of 25 to 30 Renner units, 3 units at Camicado, 7 at Youcom and 2 at Ashua. This rate of Renner store rollouts in Brazil should be maintained over the few years and consequently the format is expected to reach total of about 520 stores by 2025 according to the new target which has been set. Important investments are also scheduled for logistics, the construction of the new DC in São Paulo, servicing the Omnichannel operation as well as for remodeling of existing units and technology relating to digital transformation of the retailing businesses and Realize CFI.

ACKNOWLEDGEMENTS

The Company would like to thank all our customers, employees, shareholders and suppliers for their engagement, support, effort and dedication during 2019.

Porto Alegre, February 05, 2020

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SOCIAL BALANCE SHEET

Lojas Renner S.A. and Subsidiaries

For the years ended December 31, 2019 and 2018

(All amounts in thousands of Reais)

1 - Calculation basis					2019	2018
Net revenue (NR)					9,588,437	8,426,541
Operating net income					1,643,654	1,423,821
Gross payroll (GP)					894,054	783,901
Total added value					5,554,295	5,229,192

2 - Internal Social Indicators					2019				2018					
	R\$ thousand	% on GP	% on NR	% on total added value		R\$ thousand	% on GP	% on NR	% on total added value		R\$ thousand	% on GP	% on NR	% on total added value
Food	64,162	7.2%	0.7%	1.2%		56,980	7.3%	0.7%	1.1%					
Mandatory social charges	306,610	34.3%	3.2%	5.5%		279,915	35.7%	3.3%	5.4%					
Health	55,187	6.2%	0.6%	1.0%		56,107	7.2%	0.7%	1.1%					
Occupational safety and security	2,924	0.3%	0.0%	0.1%		2,236	0.3%	0.0%	0.0%					
Training and professional development	813	0.1%	0.0%	0.0%		1,062	0.1%	0.0%	0.0%					
Daycare or child-care allowance	1,006	0.1%	0.0%	0.0%		934	0.1%	0.0%	0.0%					
Profit sharing	96,752	10.8%	1.0%	1.7%		59,830	7.6%	0.7%	1.1%					
Transport	37,001	4.1%	0.4%	0.7%		31,528	4.0%	0.4%	0.6%					
Other	25,829	2.9%	0.3%	0.5%		24,497	3.1%	0.3%	0.5%					
Total - Internal social indicators	590,284	66.0%	6.2%	10.6%		513,089	65.5%	6.1%	9.8%					

3 - External Social Indicators					2019				2018					
	R\$ thousand	% on GP	% on NR	% on total added value		R\$ thousand	% on GP	% on NR	% on total added value		R\$ thousand	% on GP	% on NR	% on total added value
Other (Instituto Lojas Renner)	9,907	1.1%	0.1%	0.2%		8,700	1.1%	0.1%	0.2%					
Total contributions to society	9,907	1.1%	0.1%	0.2%		8,700	1.1%	0.1%	0.2%					
Taxes (less social charges)	2,382,360	266.5%	24.8%	42.9%		2,099,896	267.9%	24.9%	40.2%					
Total - External social indicators	2,392,267	267.6%	24.9%	43.1%		2,108,596	269.0%	25.0%	40.3%					

4 - Environmental indicators					2019				2018					
	R\$ thousand	% on GP	% on NR	% on total added value		R\$ thousand	% on GP	% on NR	% on total added value		R\$ thousand	% on GP	% on NR	% on total added value
4.1 - Investments related to company's production/operation														
Energy conservation	8,155	0.9%	0.1%	0.1%		7,546	1.0%	0.1%	0.1%					
Investment in environmental compensation shares	323	0.0%	0.0%	0.0%		245	0.0%	0.0%	0.0%					
Total investments related to company's production/operation	8,478	0.9%	0.1%	0.1%		7,791	1.0%	0.1%	0.1%					

					2019				2018			
Regarding the establishment of "annual targets" to minimize waste, general consumption in production/operation and increase effectiveness in the use of natural resources, the company					(x) No goals () It meets 0-50% () Addresses from 51% to 75% () Addresses from 76% to 100%				(x) No goals () It meets 0-50% () Addresses from 51% to 75% () Addresses from 76% to 100%			

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5 - Workforce indicators

	2019	2018
	In units	In units
Number of employees at the end of the year	24,162	22,334
Number of admissions during the year	12,216	10,870
Number of dismissals during the year	10,388	9,620
Number of outsourced employees	N/A	N/A
Numbers of interns	81	66
Number of employees per age group:		
up to 29 years	14,229	13,043
30–49 years	9,055	8,465
50 years or over	878	826
Number of employees per level of education:		
Illiterates	2	2
Elementary School	616	603
With high school/technical school diploma	19,361	16,314
With college degree and postgraduates	3,357	2,484
Not informed	826	2,931
Number of women working at the company	15,718	14,586
Percentage of management positions held by women	65.1%	65.3%
Number of men working at the company	8,444	7,748
% of management positions held by men	34.9%	34.7%
Number of black people working at the company	2,443	2,278
Percentage of management positions held by black employees	5.2%	5.3%
Number of employees with disabilities or special needs	1,015	964
Gross remuneration per:		
Employees	757,939	666,829
Management members	18,503	12,119

6 - Relevant information regarding the practice of corporate citizenship

	2019	2018
Total occupational accidents	79	70
Social and environmental projects developed by the company were defined by:	() Executive Board () Executive Board and Managements (x) All employees	() Executive Board () Executive Board and Managements (x) All employees
The safety and health standards in the workplace were defined by:	() Executive Board (x) Executive Board and Managements () All employees () All + Cipa	() Executive Board (x) Executive Board and Managements () All employees () All + Cipa
Concerning freedom of association, the right to collective bargaining and internal employee representation, the company:	() Does not get involved () Follows the ILO standards (X) Encourages and follows ILO	() Does not get involved () Follows the ILO standards (X) Encourages and follows ILO
The private pension plan encompasses:	Private pension plan is not available.	Private pension plan is not available.
Profit sharing includes:	() Executive Board () Executive Board and Managements (x) All employees	() Executive Board () Executive Board and Managements (x) All employees
Regarding supplier selection, the same ethical and social responsibility/environmental standards adopted by the company	() They are not considered () They are suggested (x) They are demanded	() They are not considered () They are suggested (x) They are demanded
Regarding the participation of employees in volunteer work programs, the company:	() Does not get involved () Supports it (x) Organizes and promotes them	() Does not get involved () Supports it (x) Organizes and promotes them

	2019		2018	
Distribution of added value (DVA):	R\$ thousand	% over total	R\$ thousand	% over total
Government	2,688,970	48.4%	2,379,811	45.5%
Employees	1,259,051	22.7%	1,090,121	20.8%
Shareholders	549,546	9.9%	408,054	7.8%
Third parties	507,181	9.1%	739,124	14.1%
Withheld	549,547	9.9%	612,082	11.7%

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BALANCE SHEETS

Lojas Renner S.A. and Subsidiaries

On December 31, 2019 and 2018

(All amounts in thousands of Reais)

		Parent Company		Consolidated	
	Note	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Assets					
Current assets					
Cash and cash equivalents	7.2	1,011,854	876,302	1,148,053	944,671
Interest earning bank deposits	7.3	-	-	224,249	439,693
Accounts receivable	8.2	1,912,774	1,543,223	3,825,961	3,162,670
FIDC Lojas Renner	9	-	182,000	-	-
Inventories	10.2	915,848	944,195	1,124,506	1,110,305
Recoverable taxes	11	199,116	112,320	258,396	208,840
Derivative financial instruments	23.4	4,244	10,210	4,382	10,860
Other assets	12	53,195	47,460	70,662	53,296
Credits with related parties	25.3.2	12,221	22,808	-	-
Total current assets		4,109,252	3,738,518	6,656,209	5,930,335
Non-current assets					
Long-term assets					
Recoverable taxes	11	51,326	50,501	73,345	78,327
Credits with related parties	25.3.2	1,098	7,169	-	-
Deferred income tax and social contribution	13.2	83,401	71,451	208,067	153,458
Other assets	12	13,218	25,954	16,208	29,403
Total long-term assets		149,043	155,075	297,620	261,188
Investments	14	1,385,092	956,742	-	-
Fixed assets	15.2	1,814,253	1,717,872	2,173,710	1,994,449
Right-of-use	5.1.2.1	1,534,904	-	1,879,961	-
Intangible assets	15.4	469,711	413,009	784,235	635,076
Total non-current assets		5,353,003	3,242,698	5,135,526	2,890,713

Management's explanatory notes are an integral part of the individual and consolidated financial statements.

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BALANCE SHEETS

Lojas Renner S.A. and Subsidiaries

On December 31, 2019 and 2018

(All amounts in thousands of Reais)

		Parent Company		Consolidated	
	Note	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Liabilities and shareholders' equity					
Current liabilities					
Borrowings, financing and debentures	17.2	594,394	580,152	709,022	710,804
Financing - financial service operations	18.1	37,740	128,437	184,996	712,558
Leases payable	5.1.2.2.2	377,777	473	450,151	473
Suppliers	19.2	953,077	906,259	1,082,399	1,025,824
Obligations with credit card administrators		26,919	18,355	985,298	693,994
Tax liabilities	20	466,977	416,981	636,723	550,016
Social charges and labor legislation obligations	21	276,548	222,567	306,882	246,009
Statutory payables		243,114	242,995	243,114	242,995
Provisions for civil and labor risks	22.2	57,914	39,452	67,635	47,783
Derivative financial instruments	23.4	6,680	13,006	7,764	14,516
Debits with related parties	25.3.2	1,279	1,271	-	-
Other obligations	24	55,610	68,421	94,413	79,383
Total current liabilities		3,098,029	2,638,369	4,768,397	4,324,355
Non-current liabilities					
Borrowings, financing and debentures	17.2	406,086	326,573	444,641	327,258
Financing - financial service operations	18.1	-	-	306,370	139,028
Leases payable	5.1.2.2.2	1,229,848	33,467	1,513,284	33,467
Deferred income tax and social contribution	13.2	-	-	5,837	11,214
Provisions for tax risks	22.2	23,431	27,059	24,481	29,452
Other obligations	24	247	1,236	24,111	1,762
Total non-current liabilities		1,659,612	388,335	2,318,724	542,181
Total liabilities		4,757,641	3,026,704	7,087,121	4,866,536
Shareholders' equity					
Capital	26.1	3,795,634	2,637,473	3,795,634	2,637,473
Treasury shares	26.2	(35,549)	(44,536)	(35,549)	(44,536)
Capital reserves	26.3	74,227	124,093	74,227	124,093
Profit reserves	26.4	882,788	1,235,334	882,788	1,235,334
Other comprehensive income	26.5	(12,486)	2,148	(12,486)	2,148
Retained earnings		-	-	-	-
Total shareholders' equity		4,704,614	3,954,512	4,704,614	3,954,512
Total liabilities and shareholders' equity		9,462,255	6,981,216	11,791,735	8,821,048

Management's explanatory notes are an integral part of the individual and consolidated financial statements.

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STATEMENTS OF NET INCOME

Lojas Renner S.A. and Subsidiaries

For the years ended December 31, 2019 and 2018

(In thousands of reais, except net income per share in Reais)

	Note	Parent Company		Consolidated	
		2019	2018	2019	2018
Net operating revenue		7,893,166	7,114,770	9,588,437	8,426,541
Sales of goods	32	7,656,754	6,746,769	8,474,693	7,485,433
Financial products and services	32	236,412	368,001	1,113,744	941,108
Cost of sales		(3,395,245)	(2,966,719)	(3,730,521)	(3,284,517)
Sales of goods		(3,383,052)	(2,949,101)	(3,707,306)	(3,257,398)
Financial products and services		(12,193)	(17,618)	(23,215)	(27,119)
Gross income		4,497,921	4,148,051	5,857,916	5,142,024
Sales	33.1	(2,149,181)	(1,934,796)	(2,537,083)	(2,256,607)
Administrative and general	33.2	(787,326)	(732,099)	(880,620)	(819,994)
Losses on receivables, net		(62,306)	(91,173)	(381,049)	(280,673)
Other operating net income	33.3	(231,729)	(216,349)	(415,510)	(360,929)
Equity on profit/loss of subsidiaries	14.2	215,846	139,089	-	-
Net operating expenses		(3,014,696)	(2,835,328)	(4,214,262)	(3,718,203)
Operating income before financial income (loss)		1,483,225	1,312,723	1,643,654	1,423,821
Financial revenues	34	31,344	37,708	74,422	49,164
Financial expenses	34	(142,795)	(91,556)	(206,222)	(102,792)
Net financial income		(111,451)	(53,848)	(131,800)	(53,628)
Income before income tax and social contribution		1,371,774	1,258,875	1,511,854	1,370,193
Current	13.5	(284,753)	(189,357)	(472,822)	(278,097)
Deferred	13.5	12,072	(49,382)	60,061	(71,960)
Income tax and social contribution, net		(272,681)	(238,739)	(412,761)	(350,057)
Net income for the year		1,099,093	1,020,136	1,099,093	1,020,136
Basic earnings per share - R\$	28	1.4276	1.3342	1.4276	1.3342
Net earnings per share - diluted - R\$	28	1.4212	1.3241	1.4212	1.3241
Number of shares at the end of the year (in thousands)		795,558	720,024	795,558	720,024

Management's explanatory notes are an integral part of the individual and consolidated financial statements.

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STATEMENTS OF COMPREHENSIVE INCOME

Lojas Renner S.A. and Subsidiaries

For the years ended December 31, 2019 and 2018

(Em milhares de reais)

	Parent Company		Consolidated	
	2019	2018	2019	2018
Net income for the year	1,099,093	1,020,136	1,099,093	1,020,136
Equity valuation adjustments				
Items that will not be reclassified to net income	181	(4,908)	181	(4,908)
Cash flow hedge	360	(5,674)	274	(7,436)
Cash flow hedge in subsidiaries, net of taxes	(57)	(1,163)	-	-
Taxes related to net income from cash flow hedge	(122)	1,929	(93)	2,528
Accumulated translation adjustments and inflation adjustment				
Items that can be reclassified to net income	(14,815)	2,956	(14,815)	2,956
Hyperinflation and cumulative translation adjustments	(14,815)	2,956	(14,815)	2,956
Other components of comprehensive income	(14,634)	(1,952)	(14,634)	(1,952)
Total comprehensive income for the year	1,084,459	1,018,184	1,084,459	1,018,184

Management's explanatory notes are an integral part of the individual and consolidated financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY - PARENT COMPANY AND CONSOLIDATED

Lojas Renner S.A. and Subsidiaries

On December 31, 2019 and 2018

(Amounts expressed in thousands of reais, except interest on own capital per share in Reais)

	Note	Capital reserves				Profit reserves					Total
		Capital	Treasury shares	Stock option plan reserve and restricted share plan	Legal reserve	Reserve for investment and expansion	Tax incentive reserve	Additional dividend proposed	Other comprehensive income	Retained earnings	
Balance at January 1, 2019		2,637,473	(44,536)	124,093	87,641	946,514	56,540	144,639	2,148	-	3,954,512
Net income for the year		-	-	-	-	-	-	-	-	1,099,093	1,099,093
Capital increase	26.1	1,158,161	-	(72,050)	(87,641)	(895,819)	(56,540)	-	-	-	46,111
Disposal/ transfer of shares	26.2	-	8,987	(8,983)	-	-	-	-	-	-	4
Stock option plan	31	-	-	21,074	-	-	-	-	-	-	21,074
Restricted share plan	32	-	-	10,093	-	-	-	-	-	-	10,093
Equity valuation adjustments		-	-	-	-	-	-	-	181	-	181
Accumulated translation adjustments		-	-	-	-	-	-	-	(34,227)	-	(34,227)
Hyperinflation adjustment		-	-	-	-	-	-	-	19,412	-	19,412
Release of additional dividends proposed	29.2	-	-	-	-	-	-	(144,639)	-	-	(144,639)
Dividends prescribed		-	-	-	-	-	-	-	-	327	327
Allocation of income:		-	-	-	54,955	397,053	97,539	282,546	-	(1,099,420)	(267,327)
Legal reserve	28.4.1	-	-	-	54,955	-	-	-	-	(54,955)	-
Reserve for investment and expansion	28.4.2	-	-	-	-	397,053	-	-	-	(397,053)	-
Fiscal incentive reserve	28.4.3	-	-	-	-	-	97,539	-	-	(97,539)	-
Dividends (R\$ 0.375338 per share)	29.2	-	-	-	-	-	-	282,546	-	(297,916)	(15,370)
Interest on own capital (R\$ 0.326461 per share)	29.2	-	-	-	-	-	-	-	-	(251,957)	(251,957)
Balance at December 31, 2019		3,795,634	(35,549)	74,227	54,955	447,748	97,539	282,546	(12,486)	-	4,704,614

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY - PARENT COMPANY AND CONSOLIDATED

Lojas Renner S.A. and Subsidiaries

On December 31, 2019 and 2018

(Amounts expressed in thousands of reais, except interest on own capital per share in Reais)

	Note	Capital reserves		Profit reserves					Other comprehensive income	Retained earnings	Total
		Capital	Treasury shares	Stock option plan reserve and restricted share plan	Legal reserve	Reserve for investment and expansion	Tax incentive reserve	Additional dividend proposed			
Adjusted balance at January 1, 2018		2,556,896	(27,857)	94,285	36,634	439,472	23,669	96,247	4,100	(21,162)	3,202,284
Net income for the year		-	-	-	-	-	-	-	-	1,020,136	1,020,136
Capital increase	26.1	80,577	-	-	-	-	-	-	-	-	80,577
Repurchase of shares	26.2	-	(16,988)	-	-	-	-	-	-	-	(16,988)
Disposal/ transfer of shares	26.2	-	309	(309)	-	-	-	-	-	-	-
Stock option plan	27.3.1	-	-	20,498	-	-	-	-	-	-	20,498
Restricted share plan	27.3.1	-	-	9,619	-	-	-	-	-	-	9,619
Equity valuation adjustments		-	-	-	-	-	-	-	(4,908)	-	(4,908)
Accumulated translation adjustments		-	-	-	-	-	-	-	2,956	-	2,956
Release of additional dividends proposed	28.2	-	-	-	-	-	-	(96,247)	-	-	(96,247)
Dividends prescribed		-	-	-	-	-	-	-	-	215	215
Allocation of income:		-	-	-	51,007	507,042	32,871	144,639	-	(999,189)	(263,630)
Legal reserve	27.4.1	-	-	-	51,007	-	-	-	-	(51,007)	-
Reserve for investment and expansion	27.4.2	-	-	-	-	507,042	-	-	-	(507,042)	-
Fiscal incentive reserve	27.4.3	-	-	-	-	-	32,871	-	-	(32,871)	-
Dividends (R\$ 0.254333 per share)	28.2	-	-	-	-	-	-	144,639	-	(182,596)	(37,957)
Interest on own capital (R\$ 0.315536 per share)	28.2	-	-	-	-	-	-	-	-	(225,673)	(225,673)
Balance at December 31, 2018		2,637,473	(44,536)	124,093	87,641	946,514	56,540	144,639	2,148	-	3,954,512

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STATEMENTS OF CASH FLOWS

Lojas Renner S.A. and Subsidiaries

For the years ended December 31, 2019 and 2018

(All amounts in thousands of Reais)

	Parent Company		Consolidated	
	2019	2018	2019	2018
Cash flows from operating activities				
Net income for the year	1,099,093	1,020,136	1,099,093	1,020,136
Adjustments to reconcile net income to cash and cash equivalents generated by operating activities:				
Depreciation and amortization	628,047	275,767	730,091	314,574
Interest and structuring costs on borrowings and lease	135,627	76,914	153,199	82,337
Equity on profit/loss of subsidiaries	(215,846)	(139,089)	-	-
Income tax and social contribution	272,681	238,739	412,761	350,057
(Reversals) estimated losses in assets, net	(63,269)	(18,147)	91,705	65,579
Other net income adjustments	58,997	30,169	65,846	37,384
Adjusted net income	1,915,330	1,484,489	2,552,695	1,870,067
Dividends received from subsidiaries	14,348	87,178	-	-
(Increase) decrease in assets				
Trade accounts receivable	(334,964)	(389,656)	(783,799)	(592,167)
Inventories	70,263	(170,431)	28,993	(190,359)
Recoverable taxes	(87,621)	(526)	(44,574)	(66,563)
Other assets	7,043	9,459	(26,814)	11,475
Increase (Decrease) in liabilities				
Suppliers	52,687	134,814	60,683	125,206
Financing - financial service operations	91,303	64,953	(360,220)	154,084
Obligations with credit card administrators	8,565	(20,277)	291,302	169,415
Tax liabilities	(40,741)	(46,407)	(83,629)	7,833
Other obligations	43,761	(15,093)	86,638	4,968
Payment of income tax and social contribution	(194,002)	(153,868)	(302,474)	(235,053)
Interest paid on borrowings, debentures and lease	(65,530)	(86,738)	(71,397)	(90,194)
Net cash generated in operating activities before interest earning bank deposits	1,480,442	897,897	1,347,404	1,168,712
Decrease (Increase) in interest earning bank deposits	-	-	215,444	(357,333)
Net cash generated in operating activities	1,480,442	897,897	1,562,848	811,379
Cash flows from investment activities				
Acquisition of fixed and intangible assets	(553,032)	(482,527)	(751,428)	(610,407)
Receipts by means of sales of fixed assets	40,726	589	1,155	593
Capital contribution in subsidiaries	(241,724)	(90,997)	-	-
Net cash consumed due to investments activities	(754,030)	(572,935)	(750,273)	(609,814)
Cash flows from financing activities				
Capital increase	46,111	80,577	46,111	80,577
Repurchase of shares	4	(16,988)	4	(16,988)
Funding of borrowings	584,515	166,680	724,681	307,801
Amortizations of borrowings and debentures	(510,710)	(333,676)	(632,928)	(362,588)
Lease consideration payable	(301,699)	(38,665)	(350,103)	(38,665)
Interest on own capital and dividends paid	(409,081)	(287,651)	(409,081)	(287,651)
Net cash consumed by financing activities	(590,860)	(429,723)	(621,316)	(317,514)
Effect from exchange-rate changes on balance of cash and cash equivalents	-	49	12,123	747
Increase (decrease) in cash and cash equivalents	135,552	(104,712)	203,382	(115,202)
Cash and cash equivalents at the beginning of year	876,302	981,014	944,671	1,059,873
Cash and cash equivalents at the end of year	1,011,854	876,302	1,148,053	944,671

Management's explanatory notes are an integral part of the individual and consolidated financial statements.

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STATEMENTS OF ADDED VALUE

Lojas Renner S.A. and Subsidiaries

For the years ended December 31, 2019 and 2018

(All amounts in thousands of Reais)

	Parent Company		Consolidated	
	2019	2018	2019	2018
(+) Revenues	10,337,962	9,211,613	11,981,576	10,561,696
Sales of goods, net of cancellations and returns	10,047,479	8,860,120	11,075,280	9,786,838
Financial products and services	257,745	392,476	1,182,637	999,757
Estimated credit losses, net	(62,306)	(91,173)	(381,049)	(280,673)
Other revenues	95,044	50,190	104,708	55,774
(-) Inputs acquired from third parties	(5,120,986)	(4,468,258)	(5,773,244)	(5,069,019)
Cost of sales of goods and services rendered (including taxes)	(3,862,714)	(3,355,977)	(4,219,379)	(3,697,338)
Energy, outsourced services and other expenses	(1,181,226)	(1,043,686)	(1,467,856)	(1,292,328)
Loss in the realization of other assets, net	(77,046)	(68,595)	(86,009)	(79,353)
(=) Gross added value	5,216,976	4,743,355	6,208,332	5,492,677
(-) Retentions	(628,047)	(275,767)	(730,091)	(314,574)
Depreciation and amortization	(628,047)	(275,767)	(730,091)	(314,574)
(=) Net added value produced by the Entity	4,588,929	4,467,588	5,478,241	5,178,103
(+) Added value received as transfer	248,633	178,596	76,054	51,089
Equity on profit/loss of subsidiaries	215,846	139,089	-	-
Financial revenues, gross of taxes	32,787	39,507	76,054	51,089
(=) Total added value to be distributed	4,837,562	4,646,184	5,554,295	5,229,192
(=) Distribution of added value	4,837,562	4,646,184	5,554,295	5,229,192
Personal	1,075,638	945,358	1,259,051	1,090,121
Direct remuneration	812,180	701,969	966,449	823,314
Benefits	147,520	138,221	165,866	152,858
FGTS	71,472	65,078	81,304	73,035
Other	44,466	40,090	45,432	40,914
Stock option plan	21,075	20,499	21,075	20,499
Management remuneration	23,391	19,591	24,357	20,415
Taxes, rates and contributions	2,288,662	2,057,195	2,688,970	2,379,811
Federal taxes	808,977	746,016	1,054,602	940,361
State taxes	1,426,707	1,263,083	1,562,922	1,376,837
Municipal taxes	52,978	48,096	71,446	62,613
Remuneration of third party's capital	374,169	623,495	507,181	739,124
Financial expenses	146,080	91,556	209,694	102,792
Expenses with occupancy	228,089	531,939	297,487	636,332
Remuneration of own capital	1,099,093	1,020,136	1,099,093	1,020,136
Interest on own capital and dividends proposed	267,327	263,630	267,327	263,630
Retained earnings	549,547	612,082	549,547	612,082
Additional dividend proposed	282,219	144,424	282,219	144,424

Management's explanatory notes are an integral part of the individual and consolidated financial statements.

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**1 OPERATIONS**

Lojas Renner S.A. ("Parent Company") - corporation with head office at Av. Joaquim Porto Villanova, 401, Porto Alegre (RS), listed in B3 S.A.-Brasil, Bolsa e Balcão under the code LREN3 and its direct and indirect subsidiaries, individually or jointly (the "Company" or the "Consolidated"), are mainly engaged in:

- i) Retail trade of clothes and sports products, shoes, accessories, perfumery, domestic appliances, towels & linen, furniture, and decoration articles;
- ii) Granting of quick withdrawals, financing of purchases, insurance, and operations inherent to credit companies, such as branded card, among others.

2 HIGHLIGHTS

Below, Management emphasizes certain important matters in this disclosure:

2.1 IFRS 16/CPC 06 (R2) - LEASE

IFRS 16 / CPC 06 (R2) Lease became effective as of January 1, 2019. In note 5.1, the Company's Management comments the main factors supporting adoption of this standard, such as:

- i) Evaluation for adoption of standard IFRS 16 / CPC 06 (R2);
- ii) Evolution of standard adoption during 2019;
- iii) Impact on balance sheet; and
- iv) Impact in the net income.

Additionally, in December 18, 2019, Brazil's Securities and Exchange Commission (CVM) issued Circular Letter 02/19, which set out guidance on relevant aspects of the adopting the discount rate and treatment of gross leasing liabilities for PIS and COFINS. In Note 5.1.2.2.1, Management comments on its accounting policy on discount rates and the scenario adopted.

2.2 RENNER-REALIZE CREDIT CARD (PRIVATE LABEL)

As of April 2019, in line with the reorganization strategy and business specialization, the sales through the Renner Credit Card (Private Label) started being recorded in the indirect subsidiary Realize CFI S.A. Thus, the assets from these new sales are currently part of the Private Label balance at Realize. (Note 8).

2.3 FIDC CLOSING

On May 13, 2019, the Credit Rights Investment Fund (FIDC Lojas Renner) operation was closed, as provided in its regulations. In line with Realize CFI's expansion strategy, such receivables are now financed by this company.

2.4 FINANCIAL BILLS

On August 12, 2019, the indirect subsidiary Realize CFI made the 2nd issuance of Financial Bills in the amount of R\$ 300,000, with settlement expected 3 years after the issuance date. This issuance is solely intended to be used in the ordinary course of business and financing of operations (Note 18).

2.5 LOJAS RENNER TRADING URUGUAY S.A.

In September 2019, the Company incorporated Lojas Renner Trading Uruguay S.A. to concentrate imports from Asia and sell to related Companies with head offices in Latin America, except Brazil (Note 3.6.1).

2.6 START-UP DATE IN ARGENTINA

In December 2019, four stores were opened in Argentina, thus commencing sales operations in that country.

3 BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

3.1 STATEMENT OF CONFORMITY

These financial statements were approved by Company's Management on February 5, 2020, and were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and also in accordance with accounting practices adopted in Brazil (BR GAAP), considering pronouncements, guidelines and interpretations issued by the Accounting Pronouncements Committee (CPC), approved by the Securities Commission (CVM) and the provisions of Corporation Law.

3.2 STATEMENT OF RELEVANCE

The Company's Management affirms that applied technical guideline OCPC 7 and CVM Resolution 727/14 by complying with the minimum requirements and disclosing only relevant information that helps users to make decisions. Therefore, all relevant information used in business management is highlighted in this document.

3.3 MEASURING BASIS

These financial statements were measured considering the historical cost as a basis of value, except for certain financial instruments measured at their fair values (Note 23.3).

3.4 FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in *Real* (R\$), functional currency of the Company and balances were rounded to the nearest value, except otherwise indicated.

For foreign subsidiaries operating in a stable economic environment and with a different functional currency from the Parent Company, the statements of net income are translated into Brazilian Reals at the average monthly exchange rate, assets and liabilities are translated at the closing rate and shareholders' equity items are translated at the historical rate. For subsidiaries operating in a hyperinflationary environment, the balances of assets, liabilities and retained earnings are translated at the closing rate.

3.5 CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Since the preparation of financial statement requires Management's assumptions and estimates related to the probability of future events, affecting the balances of assets and liabilities and other transactions, actual results may differ from these estimates.

Critical accounting estimates are essential to produce the best possible information on Income and Shareholders' Equity, even with the subjectivity, complexity, and non-precision, and have a significant impact on:

Estimate	Note
Estimated credit losses	8.3
Estimated inventory losses	10.3
Discount rate applied to adjustment to present value	5.1.2.2.1, 8.1, 10.1 and 19.1
Realization of deferred income tax and social contribution	13.4
Definition of the useful life of the fixed and intangible assets	15.1
Evaluation of impairment of intangible assets with undefined useful life	16.1
Provisions for tax, civil and labor risks	22
Determination of fair values of derivative financial instruments and stock option plans	23.1 and 29.1

3.6 ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are presented and summarized in respective notes and have been consistently adopted in the years, except for the accounting policy of lease IFRS 16 / CPC 06 (R2), which started as of January 1, 2019.

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3.6.1 Consolidation

In the preparation of these statements, financial statements of subsidiaries are closed on the same base date were used. The Company's consolidated financial statements include the companies below, where the direct and indirect interest represents **100.0%** as of December 31, 2019 and 2018:

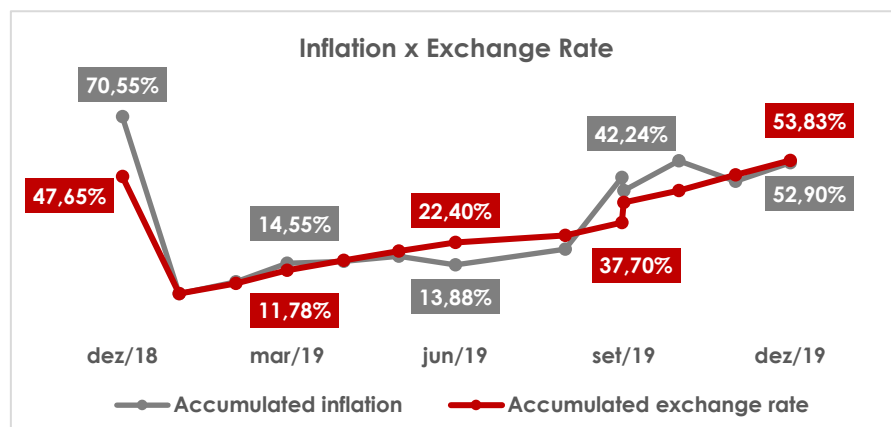
Direct subsidiaries				Indirect subsidiaries	
	 BRL		 BRL		 BRL
Dromegon Participações Ltda. ("Dromegon") owner of some properties used in the Company's operations, its revenues are limited to rents.		Renner Administradora de Cartões de Crédito Ltda. ("RACC") engaged in rendering intermediation financial services (up to 2018) by means of agreement with financial institutions to grant quick withdrawal by means of contract on bank correspondent.		Maxmix Comercial Ltda. ("Camicado") is engaged in retail trade of domestic appliances, towels & linen, and decoration articles.	
Fashion Business Comércio de Roupas Ltda. ("Youcom") is engaged in retail trading of clothing, shoes and accessories.		Realize Crédito Financiamento e Investimento S.A. ("Realize CFF") is engaged in operations inherent to the credit companies, financing and investment, in accordance with the legal and regulatory provisions in force.			
	 BRL		 RMB		 UYU
Realize Participações S.A. is engaged in ownership interest in financial institutions and other financial institutions authorized to operate by the Central Bank of Brazil.		Lojas Renner Shanghai Trading Co. Ltd. ("LRS") is engaged in performing the duties of purchasing, quality control and sample development, and acting as a vehicle for building up relationships with business partners and to provide support in the prospecting of new foreign suppliers.		Lojas Renner Uruguay S.A. ("LRU") operates in retail trade in clothing, sports and footwear, perfumery, cosmetics, accessories.	
Lojas Renner Trading Uruguay S.A. is engaged in carrying out purchase and sales operations for Company's companies based in Latin America, except Brazil.					
	 ARS				
Lojas Renner Argentina S.A.U. ("LRA") operates in retail trade in clothing, sports and footwear, perfumery, cosmetics, accessories.					

Pursuant to CVM Instruction N. 408/04, the Company consolidated the financial statements of FIDC Lojas Renner up to April 2019, a specific purpose entity whose activities are performed substantially in accordance with the Company's operating needs, that, was being exposed to most risks and benefits related to the fund, as it owns all subordinated quotas. FIDC was settled on May 13, 2019, and thus is no longer included in the list of consolidated companies. Participation in the Fund was 40.7% as of December 31, 2018.

3.6.2 CPC 42/IAS 29 Financial Reporting in Hyperinflationary Economies

Argentina showed a significant increase in inflation indicators in the first half of 2018, accompanied by a high degree of devaluation of the Argentine Peso (ARS). Thus, in the last three years, accumulated inflation of over 100% has been seen.

Pursuant to CPC 42/IAS 29, non-monetary assets and liabilities, shareholders' equity and statements of net income of companies operating in highly inflationary economies must be corrected for the changes in purchasing power according to each country's general price index. The updates made in LRA are based on the Consumer Price Index (CPI), resulting from the combination of CPI published by the National Institute of Statistics and Census (INDEC) and the Internal Wholesale Price Index (IPIM) according to Resolution N. 539/18 issued by the Argentine Federation of Economic Sciences Professionals Council (FACPCE).



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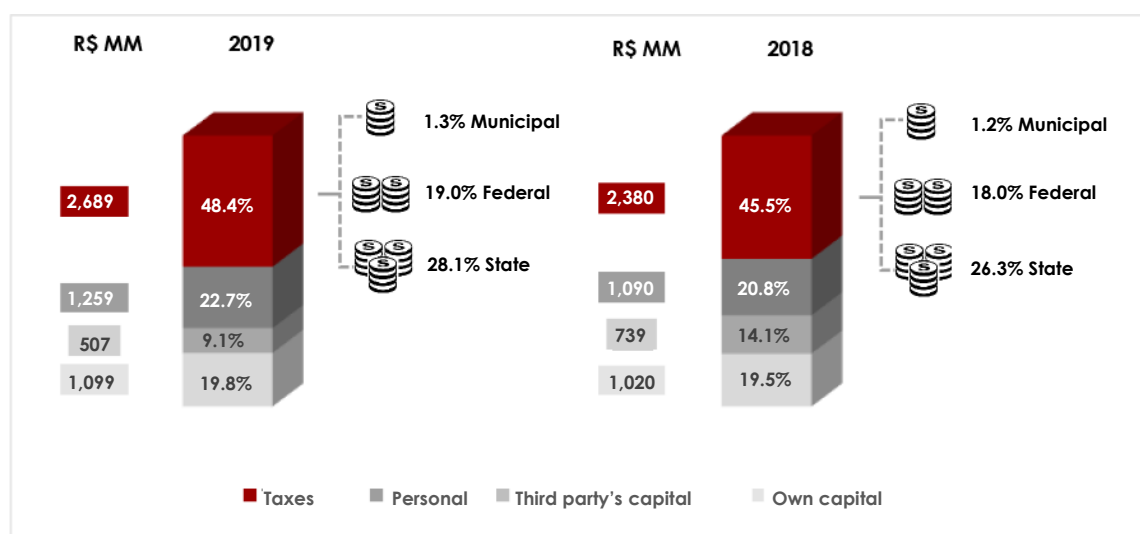
As capital was contributed in December 2018 in LRA, there is no update from previous years, thus, with the start of operations in 2019, the statements are updated according to CPC 42/IAS 29.

4 STATEMENT OF ADDED VALUE

The purpose of this statement to evidence the wealth created by the Company and its distribution during a certain year and is presented by the Company, as required by Brazilian Corporation Law for Publicly-Held Companies, as part of its individual financial statements and as supplemental information to the consolidated financial statements, since is not a statement required by IFRS.

The statement of added value was prepared based on information obtained in the accounting records that serve as basis for the preparation of financial statements and in accordance with the provisions of CPC 09 - Statement of Added Value.

Below we show the distribution of wealth generated by the Company, in the Consolidated view, in the added value amount of R\$ 5,554,295 (R\$ 5,229,192 on December 31, 2018):

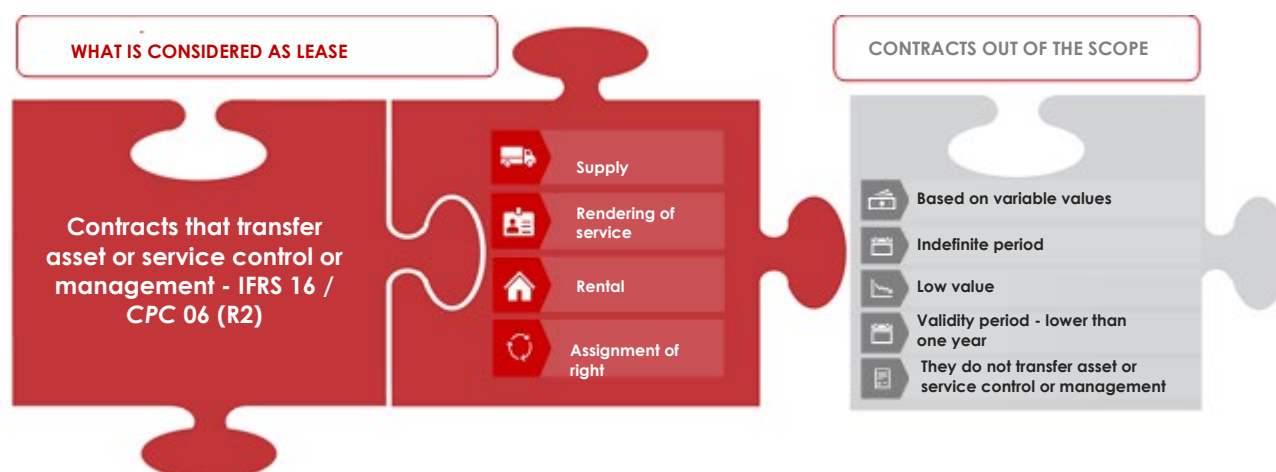


5 STANDARDS AND INTERPRETATIONS IN FORCE AND NOT IN FORCE

5.1 IFRS 16 / CPC 06 (R2) - LEASE

The purpose of the standard IFRS 16 / CPC 06 (R2), applicable as of January 1, 2019, is to unify lease accounting model, and requires for all lease contracts within the scope of the standard - unless they are covered by exemption - that lessees to recognize assumed liabilities against respective right-of-use assets.

The concept of the lease and exemptions are presented below:



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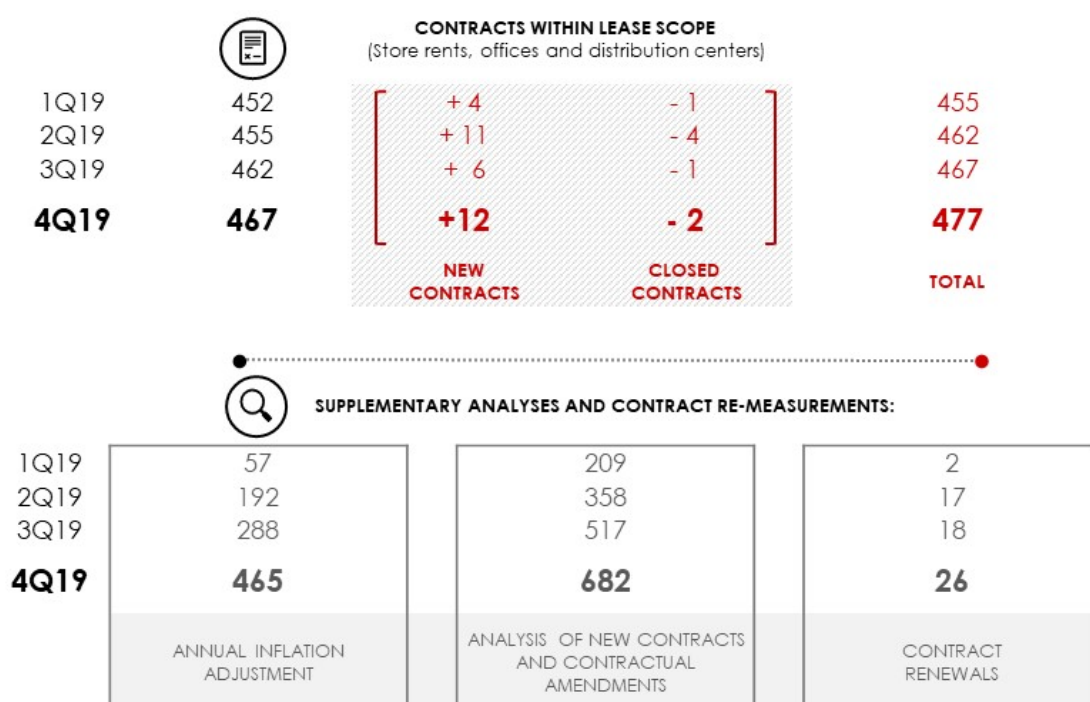


During 2018, Lojas Renner S.A. and its subsidiaries evaluated possible impacts from first-time adoption of standard IFRS 16 / CPC 06 (R2) on its financial statements considering:

Identification of contracts:

- i) Transition approach;
- ii) Measurement of initial liabilities and initial assets; and
- iii) Effects in first-time adoption.

In the study carried out upon first-time adoption, 6,013 contracts were analyzed, with 567 considered as lease agreements, which 115 fell under the exemptions and 452 were within the scope (fixed minimum rent), according to the flow of evaluation of the contracts since the beginning of the rule shown below.



5.1.1 Transition approach

The Company's Management has chosen the simplified retrospective transition approach, which does not impact retained earnings (shareholders' equity) on first-time adoption date, as right-of-use asset value is equal to lease liabilities payable brought to present value.

5.1.2 Impact on balance sheet

Balance sheet accounts were subject to significant changes due to recognition of future commitments originated from contracts in lease scope. At first-time adoption, right-of-use asset value is equal to lease liabilities payable adjusted at present value, amounting to R\$ 1,719,658 in the Parent Company and R\$ 1,993,746 in Consolidated.

Beginning as of January 1, 2019, previous balance of leased fixed assets was reclassified to right-of-use asset and financial lease liability was incorporated into leases payable balance.

5.1.2.1 Right-of-use

5.1.2.1.1 ACCOUNTING POLICY

The Company's Management chose to use the practical measure for transition and to not consider initial costs for measurement of right-of-use asset corresponds to initial lease liability value plus initial direct costs incurred, thus maintaining the initial lease liability value. Depreciation is calculated using the straight-line method according to the remaining term of contracts.

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5.1.2.1.2 Breakdown of right-of-use

Lease with call option (*) USEFUL LIFE: 43 YEARS	Lease (**) USEFUL LIFE: 2-13 years	Balance at 12/31/2019
26,402	1,508,502	1,534,904
26,402	1,853,559	1,879,961

■ Parent Company
 ■ Consolidated

(*) Corresponds to the building of the administrative head office.

(**) It refers to store rents and distribution center.

5.1.2.1.3 Changes in right-of-use

	Parent Company	Consolidated
Balance at December 31, 2018	-	-
(+) First-time adoption - IFRS 16 / CPC 06 (R2)	1,719,658	1,993,746
(+) Reclassification - real estate - IFRS 16 / CPC 06 (R2) (*)	27,021	27,021
Balance at January 1, 2019	1,746,679	2,020,767
(+/-) Remeasurement and new contracts	105,579	227,972
(-) Depreciation	(317,354)	(369,161)
(+/-) Translation adjustment	-	383
Balance at December 31, 2019	1,534,904	1,879,961

(*) It corresponds to reclassification of leased fixed assets balance as of December 31, 2018 (IAS 17) to right-of-use asset, beginning as of January 1,

5.1.2.2 Leases payable

5.1.2.2.1 ACCOUNTING POLICY

Of contracts that were in the standard's scope, only minimum fixed rent value was considered as lease component for liability evaluation purposes. The measurement of lease liability corresponds to total future fixed rent payments (gross of taxes), discounted at a interest incremental rate. Considering that all contracts analyzed in the scope of application of the standard are rental agreements that provide for indexation to inflation indexes, and also considering the definition of the standard in the sense that the flows must not contain inflation projections, Company Management defined that the incremental rate to be considered for discounting these flows is a real interest rate, readily observable on the market, plus the Company's risk spread. This definition of using the real interest rate, in the Company's assessment, is the one that best reflects the characteristics of its contracts, with annual indexation terms, remaining necessary to "increase" a real interest rate to measure the liability.

5.1.2.2.2 Breakdown of leases payable

Descriptions	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Lease with call option (*)	35,428	33,940	35,428	33,940
Leases	1,572,197	-	1,928,007	-
Total	1,607,625	33,940	1,963,435	33,940
Current liabilities	377,777	473	450,151	473
Non-current liabilities	1,229,848	33,467	1,513,284	33,467
Total	1,607,625	33,940	1,963,435	33,940

(*) The lease discount rate entitled to call option agrees with contract for rent of administrative head office's property entered in July 2012 and restated based on the accumulated change of the annual INPC. As provided for in CPC 06 R2/IFRS 16, it is not necessary to remeasure the balance of leases prior to January 1, 2019.

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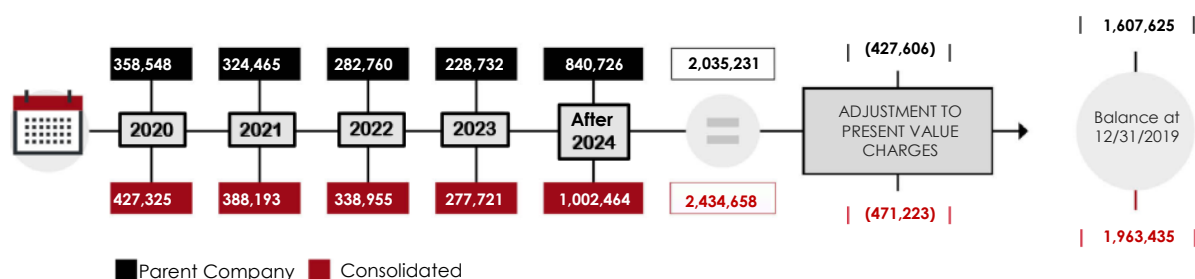


5.1.2.2.3 Changes in leases payable

	Parent Company	Consolidated
Balance at December 31, 2018 (*)	33,940	33,940
(+) First-time adoption - IFRS 16 / CPC 06 (R2)	1,842,387	2,146,252
(-) Present value adjustment charges - IFRS 16 / CPC 06 (R2)	(122,729)	(152,506)
Balance at January 1, 2019	1,753,598	2,027,686
(+) Charges	75,018	85,676
(+/-) Remeasurement and new contracts	105,579	227,972
(-) Lease payments	(326,570)	(377,825)
(+/-) Translation adjustment	-	(74)
Balance at December 31, 2019	1,607,625	1,963,435

Opening balance corresponds to former financial lease (IAS 17) and as provided for in CPC 06/IFRS 16, the financial lease prior to January 1, 2019 shall be incorporated into the balance of leases payable without changing the measurement of the book balance.

5.1.2.2.4 Future commitments



5.1.2.3 Impact in the income statement

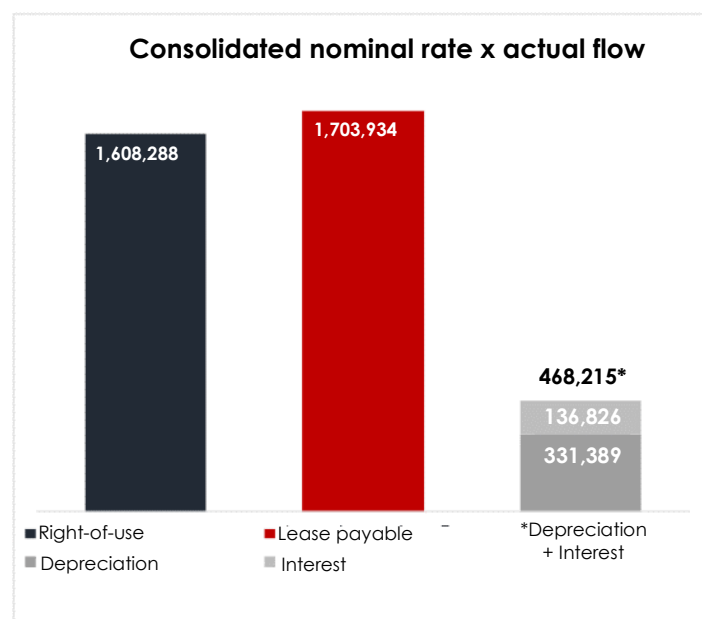
According to IFRS 16 / CPC 06 (R2), the lease payments that were previously recorded as expenses with occupancy were recognized in the accounts of depreciation and financial expenses. Although this new pronouncement did not change the total that will be taken to net income throughout the contract's useful life, method adopted for recognition of interest and inflation adjustment associated to leases brings a temporal effect in net income, with a decrease of R\$ 23.2 million in 2019.

There is a temporary effect on income tax and social contribution, as we recognize a deferred tax asset that will be realized as rent contracts are terminated. For recoverable PIS/COFINS taxes, we continue to recognize credits in net income based on lease payments. For tax calculation - income tax and social contribution and PIS/COFINS credits, neutrality is assured.

5.1.3 Additional information

Although the IASB's Conclusion Bases 161 and 162, referenced in CVM Circular Letter 02/19, refer to a nominal rate, we have not adopted this criterion for balance sheet purposes. Management understands that for financial statement purposes, the incremental rate to be considered should be a real rate, since item 27b and conclusion basis 166 require the adoption of a real cash flow. In order to maintain consistency between payment flows and the discount rate, we believe that the use of a nominal incremental rate is not appropriate. Additionally, the use of a nominal incremental rate would not reflect the characteristics of our contracts that have annual indexation terms, remaining necessary to "increase" a real interest rate to measure the liability.

In order to meet the requirements of the instructions established in the aforementioned letter, the impacts on the balance sheet and on net income as of December 31, 2019, if we had adopted the nominal rate on the balance sheet, are shown aside.



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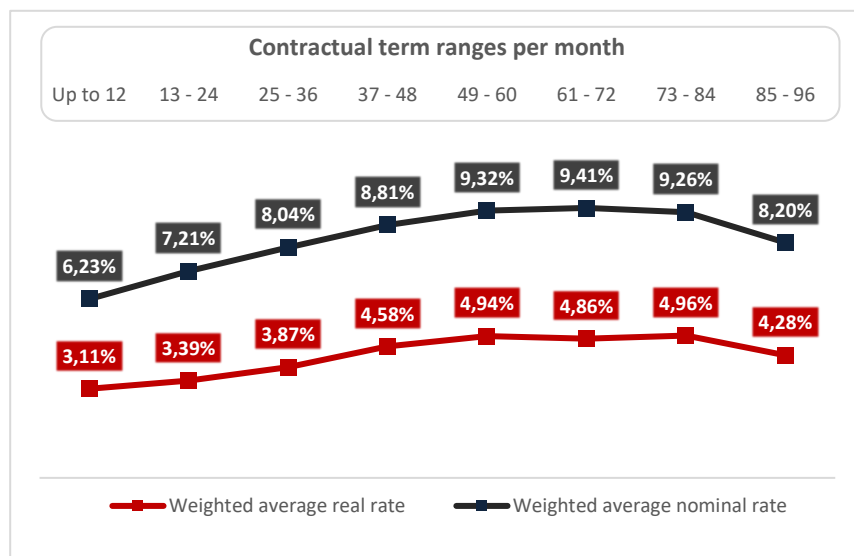
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Real discount rate corresponds to future market quotations obtained at B3 S.A. - Brasil, Bolsa, Balcão - reference in DI vs. IPCA + risk spread

for funding at amounts that represent total investments for the opening of new stores. We considered the remaining weighted period of each set of contracts and using a single discount rate in accordance with respective periods of contracts with similar characteristics.

This model compared to the nominal rate and nominal cash flow model recommended by the CVM does not generate material differences, since the balances of assets and liabilities at the initial moment are similar, and the oscillations mainly of interest in financial income show time differences that tend toward neutrality starting from the middle of the contract term. Accordingly, in order to represent the best information to the market, which best reflects the essence of the Company's business and which is closest to the essence of the standard, Management will maintain this model of real rates and flows in its financial statements. The flow of payments according to the weighted average term that corresponds to the respective rates previously reported is following.



Weighted average period (months) (*)	Contractual flow	Consolidated				
		2020	2021	2022	2023	After 2023
Up to 12	21,639	21,639	-	-	-	-
13-24	237,263	108,002	90,117	39,144	-	-
25-36	409,575	101,871	102,326	102,472	78,430	24,476
37-48	427,091	69,026	69,548	69,716	69,811	148,990
49-60	449,988	54,817	55,387	55,946	56,352	227,486
61-72	622,034	61,642	61,818	62,680	62,863	373,031
73-84	25,095	2,046	2,046	2,046	2,046	16,911
85-96	57,089	3,915	3,915	3,915	3,915	41,429
>97 months (**)	184,884	4,367	3,036	3,036	4,304	170,141
Total	2,434,658	427,325	388,193	338,955	277,721	1,002,464

(*) The company calculated the weighted average term for the purpose of rate quotation, as the contracts have monthly amortizations, reducing the average term of the operation and the risk to the creditor.

(**) Refers to the future contractual lease flow with a purchase option that has an 8.81% p.a. discount rate implicit in the contract, signed in July 2012, of the administrative head office building.

On December 31, 2019, the potential credit of PIS and COFINS about the contractual gross flow is R\$ 225,206 and when adjusted to present value using the weighted average term is R\$ 191,363.

5.2 ICPC 22 / IFRIC 23 UNCERTAINTY ON INCOME TAX TREATMENTS

Interpretation ICPC 22 clarifies how to apply recognition and measurement of CPC 32 requirements when there is uncertainty about how to treat taxes on income. The Company's Management must recognize and measure its current tax or deferred tax asset or liability, applying requirement of CPC 32 based on taxable income (tax losses), tax bases, tax losses not used, tax credits not used and determined tax rates, applying this Interpretation. The interpretation was approved on December 21, 2018 and became effective as of January 1, 2019.

In the Company's Management evaluation, there were no significant impacts due to the interpretation, as all procedures adopted for determination and payment of taxes on income are backed by the law and on previous decisions of Administrative and Judicial Courts.

5.3 CPC 50/IFRS 17 - INSURANCE CONTRACTS

This standard will become effective as of January 1, 2021 and will replace the CPC 11 - Insurance Contracts maintaining the requirements of local rules in force. CPC 50 will provide a global and comprehensive model for accounting for insurance contracts in line with international standardization of accounting standards. Management understands that the adoption of such standard will have no material impact on Company's financial statements.

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**5.4 AMENDMENTS TO CPC 26/IAS 1 AND CPC 23/IAS 8 – DEFINITION OF MATERIALITY**

The amendments to CPC26/IAS 1 and CPC 23/IAS 8 clarify the definition of materiality and align the definition used in the conceptual framework and in other accounting standards. These amendments will become effective at January 1, 2020. Management understands that these amendments will not have a significant impact on the Company's financial statements, as it applies technical guidance OCPC 7 and, accordingly, discloses only relevant information (Note 3.2).

6 RISK MANAGEMENT

A multidisciplinary structure manages the Company's risks and enables the Executive Board to assess the alignment of business management with the policies and guidelines defined by Management. In April 2012, the Board of Directors created the Audit and Risk Management Committee, identifies and monitors the main risk factors to which the Company is exposed in the normal course of operations:

- i) Market risk (including foreign exchange risk and interest rate risk);
- ii) Credit risk (Notes 7.4, 8.4 and 23.5);
- iii) Liquidity risk; and
- iv) Capital management.

6.1 MARKET RISKS**6.1.1 Exchange rate risk**

Arises from current and future business operations - mainly from the import of goods in US dollars and obtaining a borrowing in foreign currency.

The policy on foreign exchange risk Management formulated by the Management is to hedge up to 100% of its imports by means of currency forwards purchase contracts such as Non-Deliverable Forward (NDF) and swap operations related to contracted amount of borrowing in foreign currency (Bacen [Central Bank of Brazil] Law 4.131). For setting the dollar price used in the expected scenario, the Company follows future market projections of "B3 S.A.- Brasil, Bolsa e Balcão" for the next base date of disclosure.

The effective net exposure is mostly related to the estimate of future cash flows, which can be adjusted through the composition of prices practiced in retail to offset the impact of a possible appreciation of the USD on costs. Effective results will be noted only upon the settlement of import requests and fixed assets, borrowings in foreign currency and swaps.

We show below the net exposure and the related sensitivity analysis regarding the requests for import of goods and fixed assets, and borrowings in foreign currency as of December 31, 2019:

	Notional (US\$)	Probabl e US\$ 1 = R\$ 4.0330	Consolidated			
			Currency appreciation		Currency depreciation	
			Possible +25%	Remote +50%	Possible - 25%	Possible - 50%
	(Pay) Receive		US\$ 1 = R\$ 5.0413	US\$ 1 = R\$ 6.0495	US\$ 1 = R\$ 3.0248	US\$ 1 = R\$ 2.0165
Designated for hedge accounting						
Orders issued and import of fixed assets (object)	(197,685)	591	(196,639)	(393,870)	197,822	395,051
NDF (instrument)	182,370	(545)	181,405	363,356	(182,496)	(364,446)
Net exposure	(15,315)	46	(15,234)	(30,514)	15,326	30,605
Not designated for hedge accounting						
Borrowing 4,131 (object)	(132,081)	4,746	(124,082)	(252,909)	133,574	262,401
Swap (Instrument)	126,651	(4,557)	118,972	242,500	(128,085)	(251,614)
Net exposure	(5,430)	189	(5,110)	(10,409)	5,489	10,787
Total net exposure/effect		235	(20,344)	(40,923)	20,815	41,392
Total exposure, net of income tax/social contribution of 36.26%		150	(12,967)	(26,084)	13,267	26,383

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In relation to the impacts of borrowing and swap contracted for hedging the US dollar exposure in these contracts, the demonstrated net exposure is related to the fixed cost of interest plus Libor, not covered by the contracted hedge instrument.

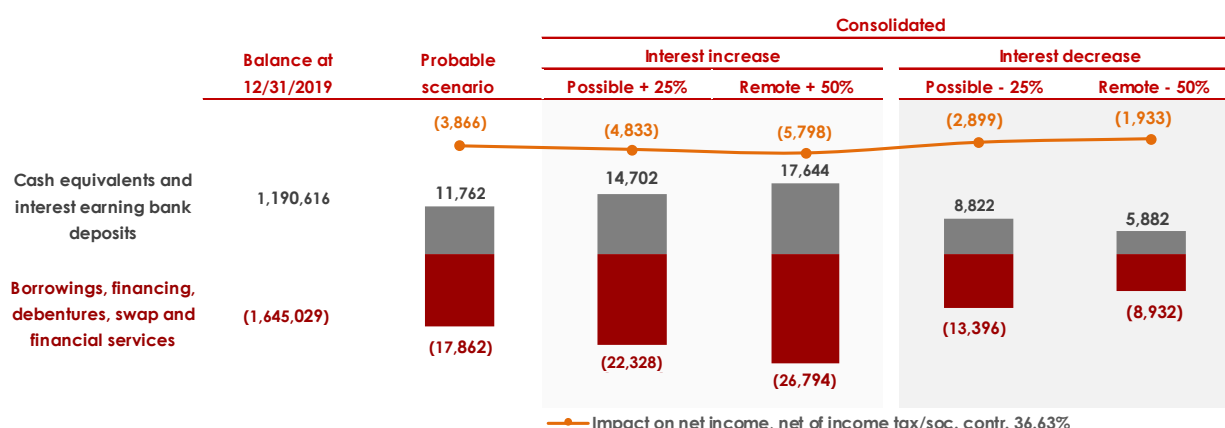
6.1.2 Interest rate risk

It arises from transactions of cash equivalents, interest earning bank deposits, financing of financial services operations, debentures, borrowings and swap. The Company's policy is to keep 100% of its borrowings in the fixed rate market, with funding repaying fixed rates, and adjusted for CDI, Selic, TJLP and Libor. Keeping financial assets indexed to the CDI, as well as the short-term realization of receivables adjusted for fixed interest rates, a risk level associated with interest rates fluctuation is low.

The Company dynamically analyzes its exposure to interest rates, continuously monitoring the contracted rates versus the prevailing market rates, simulating various scenarios of refinancing, renewal of positions and natural hedging, defining a reasonable change in interest rates and calculating the impact on net income.

As of December 31, 2019, as required by IN CVM 475/08, the Company conducted sensitivity tests for adverse and favorable scenarios of interest (CDI, Selic and TJPL at 25% or 50% higher or lower than the probable scenario), considering the following assumptions: expected scenario for the next CDI and Selic interest rate disclosure of 4.35% p.a. and 4.35% p.a., respectively, based on projections of the B3 S.A. (Brasil, Bolsa, Balcão) futures market, and TJLP of 5.09% p.a., based on BNDES.

We present below the sensitivity analysis of the risk of interest rates on December 31, 2019:



The income from cash equivalents and interest earning bank deposits are net of Social Integration Program (PIS) contributions and Social Contribution on Revenues (COFINS).

6.2 LIQUIDITY RISK

Based on the cash cycle of retail operations, as well as on the minimal capital required to guarantee the credit operations, the Company manages its cash and cash equivalents by setting a minimum strategic cash amount aiming at:

- Precaution in times of uncertainty in economy;
- Guarantee the implementation of investment and expansion strategy;
- Guarantee the maintenance/expansion of financial product operations in times of credit restriction;
- Guarantee debt amortization and services; and
- Guarantee the maintenance of the dividend distribution policy.

Management monitors the continuous forecasts of liquidity requirements considering the debt finance plans to ensure the Company has sufficient cash to meet its operational needs. The global limits granted to the Company in its restricted credit lines, not giving rise to risk of breaching these borrowing limits or clauses.

The Company has borrowings with covenants that require the maintenance of financial indicators, as follows and periodically monitors them and confirmed the compliance.

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Instrument	Issuance	1st Indicator	2nd Indicator
BNDES Prodesign	8/12/2016	$\frac{\text{Consolidated Net Debt}}{\text{EBITDA}} \leq 3,0$	$\frac{\text{EBITDA}}{\text{Financial Net Income}} \geq 2,0$
7th issuance of debentures	2/13/2017		
9th issuance of debentures	3/18/2019		
Borrowing 4,131	10/8/2019		
Borrowing 4,131	10/18/2019		
Borrowing 4,131	11/1/2019		
Borrowing 4,131	11/26/2019		

The contractual cash flows of financial liabilities in Consolidated are as follows:

	Book balance	Contractual cash flow	< 3 months	4-6 months	7-12 months	1-2 years	3-5 years	> 5 years
Borrowings, financing and debentures	1,153,663	1,219,144	465,204	12,240	291,882	23,012	426,806	-
Financing - financial service operations	491,366	545,170	37,740	-	152,855	-	354,575	-
Leases payable	1,963,435	2,434,655	115,160	106,431	205,734	388,194	840,842	778,294
Suppliers	1,082,399	1,082,399	1,049,006	33,141	252	-	-	-
Obligations with credit card administrators	985,298	985,296	772,120	151,619	59,910	1,647	-	-
Derivative financial instruments	7,764	-	-	-	-	-	-	-
Total - December 31, 2019	5,683,925	6,266,664	2,439,230	303,431	710,633	412,853	1,622,223	778,294

	Book balance	Contractual cash flow	< 3 months	4-6 months	7-12 months	1-2 years	3-5 years	> 5 years
Borrowings, financing and debentures	1,038,062	1,087,854	73,545	270,608	402,199	323,621	17,881	-
Financing - financial service operations	851,586	904,226	51,889	479,845	372,492	-	-	-
Leases payable	33,940	181,801	1,057	1,069	2,138	2,937	10,036	164,564
Suppliers	1,025,824	1,030,791	1,025,849	4,615	327	-	-	-
Obligations with credit card administrators	693,994	693,994	514,351	129,494	50,149	-	-	-
Derivative financial instruments	14,516	14,697	12,636	2,061	-	-	-	-
Total - December 31, 2018	3,657,922	3,913,363	1,679,327	887,692	827,305	326,558	27,917	164,564

Contractual cash flow includes principal plus future estimated interest. Additionally, the rating agency Standard & Poors rated the Company credit as brAAA in the national scale category (Brazil).

6.3 CAPITAL MANAGEMENT

In addition to equity, the Company uses third parties to finance its activities, thereby optimizing its capital structure. The indebtedness levels are monitored in relation to its cash generation capacity and its capital structure as of is as follows: The net indebtedness reflects the Company's total exposure to the obligations contracted in the financial system, which justifies the non-inclusion of liabilities related to leases payable.

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	Consolidated	
	12/31/2019	12/31/2018
Borrowings and financing	(1,153,663)	(1,038,062)
Current	(709,022)	(710,804)
Non-current	(444,641)	(327,258)
Operating financing	(491,366)	(851,586)
Current	(184,996)	(712,558)
Non-current	(306,370)	(139,028)
Gross indebtedness	(1,645,029)	(1,889,648)
Cash, cash equivalents and interest earning bank deposits	1,372,302	1,384,364
Net indebtedness	(272,727)	(505,284)
Shareholders' equity	4,704,614	3,954,512
Leverage ratio	5.80%	12.78%

7 CASH AND CASH EQUIVALENTS AND INTEREST EARNING BANK DEPOSITS

7.1 ACCOUNTING POLICY

Cash equivalents are measured at fair value through profit or loss. It includes cash balance, demand deposits, short-term and highly liquid short-term interest earning bank deposits, recorded at amounts like market values.

Interest earning bank deposits not classified as cash equivalents are investments that do not have repurchase guarantees by the issuer in the primary market, only in the secondary market and they are measured at fair value through profit or loss.

7.2 BREAKDOWN OF CASH AND CASH EQUIVALENTS

	Index	Weighted average rate p.a.	Parent Company		Consolidated	
			12/31/2019	12/31/2018	12/31/2019	12/31/2018
Cash and banks			121,471	166,478	181,686	222,057
Cash equivalents						
CDB	CDI	101.3%	632,733	331,994	676,527	453,545
Investment funds	CDI	89.6%	235,828	249,113	268,018	249,113
Repo operations in debentures	CDI	86.5%	23	-	23	7
Automatic Investment	CDI	10.0%	21,758	19,328	21,758	19,786
Fund - BACEN Jud	CDI	57.7%	41	163	41	163
Financial income Fund FIDC	-	-	-	109,226	-	-
Total			1,011,854	876,302	1,148,053	944,671

7.3 BREAKDOWN OF INTEREST EARNING BANK DEPOSITS

	Index	Weighted average rate p.a.	Parent Company		Consolidated	
			12/31/2019	12/31/2018	12/31/2019	12/31/2018
Financial National Treasury Bills	SELIC	100.0%	-	-	224,249	439,693
Total			-	-	224,249	439,693

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7.4 CREDIT RISK

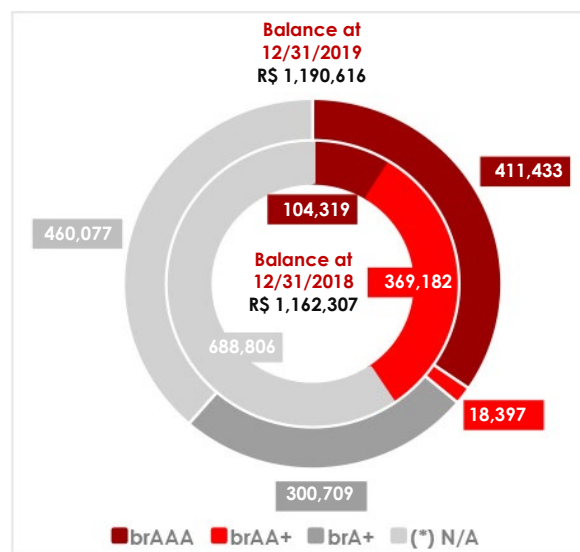
According to the Company's financial policy, cash equivalents and interest earning bank deposits shall be invested in financial institutions with long-term rating in domestic scale classified as low credit risk and that are renowned in the market for their soundness.

The ratings of cash equivalents are according to the main risk rating agencies.

Next, we show below the credit quality of the cash equivalents and interest earning bank deposits of the Company.

(*) Not applicable, since there is no classification of risk in the main risk rating agencies for Funds – *Brasil Plural Crédito Privado Retail FIRF*, Western Assets and National Treasury Bills in national scale.

However, the assets of balances of these funds and National Treasury Bills that make up the funds' balance have a AAA risk rating in at least one rating agency.



8 TRADE ACCOUNTS RECEIVABLE

8.1 ACCOUNTING POLICY

Trade accounts receivable correspond to the amounts receivable for the sale of goods, through Co-branded card ("Meu Cartão") at the network of affiliated stores by the Visa and Mastercard system, and quick withdrawals granted to its customers by the indirect subsidiary Realize CFI and financial institutions in the agreement.

Fixed credit sales were brought to present value on transactions date, based on estimated rate of the Company's capital average weighted cost. Contra-entry of adjustment to present value is the clients' account and its realization is recorded as sales revenue due to fruition term. Discount rate used involves analysis of capital structure and of macro-economic context uncertainties, and was 0.99% p.m. to the Parent Company and to the subsidiaries (0.99% p.m. on December 31, 2018).

8.2 BREAKDOWN

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Renner credit card (Private Label)	30,464	1,281,243	30,464	1,281,243
Co-branded card ("Meu Cartão")	334,785	228,724	2,078,378	1,457,426
Renner credit card – Realize (New Private Label) (*)	943,091	-	1,308,496	-
Third party cards	644,540	577,255	816,477	718,467
Quick Withdrawal	-	1,574	55,849	50,849
Exports - Related parties	29,173	13,293	-	-
Other receivables	1,995	888	5,819	3,659
(-) FIDC Lojas Renner	-	(453,893)	-	-
(-) Estimated credit losses	(25,965)	(65,406)	(420,705)	(305,766)
(-) Adjustment to present value	(45,309)	(40,455)	(48,817)	(43,208)
Total	1,912,774	1,543,223	3,825,961	3,162,670

(*) As of April 2019, in line with the strategy and business specialization, the sales through the Renner Credit Card (Private Label) started being recorded in the indirect subsidiary Realize CFI and assets of those sales to comprise the Private Label's balance at Realize CFI.

8.3 ESTIMATED CREDIT LOSSES

The estimated credit loss is an amount considered sufficient by Management to cover any losses in the recovery of receivables based on client balance.

The balances of branded card (*Meu Cartão*), Renner credit card - *Realize* (Private Label) and of Quick Withdrawal recorded at the subsidiary Realize CFI, with a maturity over 360 days are written off from the balance of trade accounts receivable against estimated losses in credit, in

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line with the practices of financial institutions, except for Renner Credit Card (Private Label), which is written off when the bonds are overdue for more than 180 days.

8.3.1 Changes in estimated credit losses

	Balances at 12/31/2017	First-time adoption - IFRS 9 / CPC 48	Estimated (losses), net	Write- offs	Balances at 12/31/2018	Estimated (losses) reversals, net	Write- offs	Balances at 12/31/2019
Renner Card	(53,064)	(16,569)	(190,053)	195,693	(63,993)	(159,593)	197,621	(25,965)
Quick Withdrawal	(11,470)	(814)	(4,292)	15,163	(1,413)	54	1,359	-
Total Parent Company	(64,534)	(17,383)	(194,345)	210,856	(65,406)	(159,539)	198,980	(25,965)
Co-branded card ("Meu Cartão")	(145,545)	(15,947)	(223,621)	153,106	(232,007)	(280,563)	224,678	(287,892)
Quick Withdrawal	(101)	(202)	(8,205)	155	(8,353)	(10,446)	8,750	(10,049)
Renner Card - Realize	-	-	-	-	-	(96,799)	-	(96,799)
Total Consolidated	(210,180)	(33,532)	(426,171)	364,117	(305,766)	(547,347)	432,408	(420,705)

8.3.2 Coverage of losses per delay ranges and credit product:

The methodology to estimate the credit losses for Renner Card (Private Label) that complies with the international standard IFRS 9 and CPC 48, considers the balance realization history and recovery of receivables in arrears for up to 360 days.

With a high level of accuracy, this methodology is not comparable with that used for financial institutions, which follows the Central Bank of Brazil's standard (Resolution 2682), which establishes the transfer of clients' balances to the worst delay range, with application of minimum estimated loss percentages for each range.

Renner credit card (Private Label)	12/31/2019			12/31/2018		
	Balance	Estimated losses	Coverage	Balance	Estimated losses	Coverage
Not yet due	871	(9)	1.0%	1,137,120	(17,644)	1.6%
Overdue (days):						
1-30	513	(169)	32.9%	50,079	(10,359)	20.7%
31-60	1,350	(910)	67.4%	23,230	(10,699)	46.1%
61-90	2,922	(2,267)	77.6%	18,865	(10,555)	56.0%
91-120	5,453	(4,620)	84.7%	18,375	(11,662)	63.5%
121-150	8,576	(7,690)	89.7%	17,305	(12,034)	69.5%
151-180	10,779	(10,300)	95.6%	16,269	(12,540)	77.1%
181-360	-	-	-	98,343	(89,039)	90.5%
Subtotal	30,464	(25,965)	85.2%	1,379,586	(174,532)	12.7%
Credits written-off						
(-) 181-360 days	-	-	-	(110,539)	110,539	100.0%
(+) 181-360 days recovered	-	-	-	12,196	-	-
Total	30,464	(25,965)	85.2%	1,281,243	(63,993)	5.0%
Coverage ratio over 90			104.7%			123.2%

Over 90 coverage index refers to estimated loss of assets overdue from 90 to 180 days.

As regards Renner credit card – Realize (Private Label), Co-branded card ("Meu Cartão") and Quick Withdrawal, estimated credit losses are formed with a basis on the risk rating of operations, in accordance to the rating criteria of credit operations defined by the Central Bank of Brazil (Res. 2.682), plus expected losses in accordance with IFRS 9 / CPC 48.

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Renner Credit Card – Realize (New Private Label) - in days		12/31/2019		
		Balance	Estimated losses	% Coverage
A	0–14	1,080,975	(20,647)	1.9%
B	15–30	56,713	(1,083)	1.9%
C	31–60	38,714	(1,212)	3.1%
D	61–90	25,520	(2,698)	10.6%
E	91–120	26,488	(8,457)	31.9%
F	121–150	24,406	(12,911)	52.9%
G	151–180	22,169	(16,280)	73.4%
H	>180	33,511	(33,511)	100.0%
Total		1,308,496	(96,799)	7.4%

Estimated losses x Minimum required (Central Bank of Brazil)

122.7%

Co-Branded Card ("Meu Cartão") - In days		12/31/2019			12/31/2018		
		Balance	Estimated losses	% Coverage	Balance	Estimated losses	% Coverage
A	0–14	1,566,336	(29,917)	1.9%	1,089,398	(24,839)	2.3%
B	15–30	62,486	(1,193)	1.9%	53,688	(1,224)	2.3%
C	31–60	64,118	(2,007)	3.1%	39,011	(1,849)	4.7%
D	61–90	75,719	(8,003)	10.6%	48,803	(8,023)	16.4%
E	91–120	49,900	(15,933)	31.9%	38,584	(18,979)	49.2%
F	121–150	42,698	(22,587)	52.9%	27,381	(19,164)	70.0%
G	151–180	33,397	(24,528)	73.4%	25,134	(22,502)	89.5%
H	>180	183,724	(183,724)	100.0%	135,427	(135,427)	100.0%
Total		2,078,378	(287,892)	13.9%	1,457,426	(232,007)	15.9%

Estimated losses x Minimum required (Central Bank of Brazil)

110.1%

121.9%

Quick withdrawal (Saque rápido) - In days		12/31/2019			12/31/2018		
		Balance	Estimated losses	% Coverage	Balance	Estimated losses	% Coverage
A	0–14	37,511	(717)	1.9%	35,714	(813)	2.3%
B	15–30	3,241	(62)	1.9%	2,164	(49)	2.3%
C	31–60	2,455	(77)	3.1%	1,785	(84)	4.7%
D	61–90	1,719	(182)	10.6%	1,408	(231)	16.4%
E	91–120	1,552	(496)	31.9%	1,355	(666)	49.2%
F	121–150	1,143	(605)	52.9%	1,273	(891)	70.0%
G	151–180	1,192	(875)	73.4%	1,124	(1,006)	89.5%
H	>180	7,036	(7,036)	100.0%	6,026	(6,026)	100.0%
Total		55,849	(10,049)	18.0%	50,849	(9,766)	19.2%

Estimated losses x Minimum required (Central Bank of Brazil)

107.2%

118.4%

8.4 CREDIT RISK

The sales and credit grant policies of the Company aim at minimizing possible problems arising from the default of its clients through the judicious selection of the client balance, which takes into consideration their capacity to pay (credit analysis) and diversification of its operations (risk spread). These policies are subordinated to the credit, set out by its Management, supported by advanced technology systems and processes, related to the risk and fraud area. The internal risk rating of the credit quality of the accounts receivable balance is as follows:

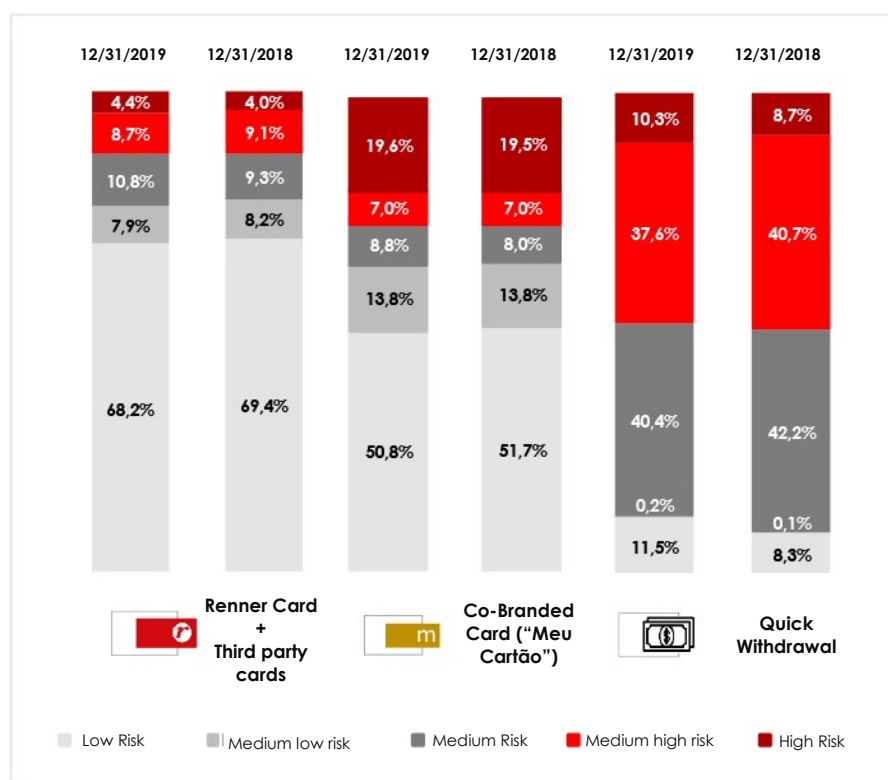
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i) **Low Risk:** likelihood lower or equal to 9.3% of being over 60 days past due.

ii) **Medium low risk:** likelihood higher than 9.3% and lower or equal to 16.8% of being over 60 pasts due.

iii) **Medium Risk:** clients with up to four months of Renner Credit Card (including the new Renner Credit Card – Realize) or Co-branded card ("Meu Cartão") with little history of movement for purposes of measuring the likelihood of default.

iv) **Medium high risk:** likelihood higher than 16.8% and lower or equal to 31.3% of being over 60 pasts due.

v) **High risk:** likelihood higher than 31.3% of being over 60 days past due.

The Company's receivables derive from retail operations to individuals in a massified way, with individual credit analysis, with low average ticket, having as characteristic the absolute spread of credit risk and the lack of guarantee instrument. The amounts recorded in accounts receivable represent the appropriate size of the Company's exposure to credit risk.

9 INVESTMENT FUNDS IN CREDIT RIGHTS

On May 13, 2019, the Company settled the FIDC operation of Lojas Renner, which had been started in May 2014 with the purpose of acquiring credit rights originated from the installment purchase of the Company's clients, using the Company's installment plan free of charges, ownership of the Company, or granting of financing with charges by Banco Itaú S.A. On the closing date, the FIDC Lojas Renner settled the amount of R\$ 674,506, which R\$ 247,165 is related to 7,280 subordinated shares owned by Lojas Renner S.A. and R\$ 427,341 related to 16,800 senior shares owned by third-parties.

10 INVENTORIES

10.1 ACCOUNTING POLICY

The inventories are measured at acquisition cost, including non-recoverable taxes, transportation costs, and other costs necessary to take inventories to current conditions. Costs of imported goods' inventories also consider any gains or losses from settled cash flow hedges that are transferred from shareholders' equity. Inventories are valued at weighted average cost and deducted from estimated losses and adjustment to present value, when applicable. Estimated losses are based on historic levels and accomplished only upon realization of inventories, which will reflect the Company's operation model and will be the basis for adjustment of the estimate.

10.2 BREAKDOWN

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Goods for resale	779,948	851,182	956,330	1,005,972
Imports in transit	165,611	159,738	199,083	174,236
Advances to suppliers	3,777	8,850	3,947	9,505
Auxiliary materials and warehouse	5,226	5,052	10,742	9,382
Adjustment to present value	(17,582)	(18,822)	(19,285)	(19,698)
Estimated losses	(21,132)	(61,805)	(26,311)	(69,092)
Total	915,848	944,195	1,124,506	1,110,305

The Company has a balance of advances related to confirming agreement with a balance of R\$ 3,777 on December 31, 2019 in the Parent Company and Consolidated (R\$ 6,422 on December 31, 2019), fully reversing into inventory goods.

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10.3 ESTIMATED INVENTORY LOSSES

	Parent Company	Consolidated
Balance at January 1, 2018	(63,437)	(65,671)
(-) Estimated losses, net	(65,773)	(73,221)
(+) Actual loss	67,405	69,819
(+/-) Translation adjustment	-	(19)
Balance at December 31, 2018	(61,805)	(69,092)
(-) Estimated losses, net	(57,356)	(62,240)
(+) Actual loss	98,029	104,625
(+/-) Translation adjustment	-	396
Balance at December 31, 2019	(21,132)	(26,311)

During 2019, we implemented the RFID project (Radio Frequency Product Identification), a tool that allows the location, count, and key information of products to be identified quickly and accurately. Thus, it was already possible to increase the frequency of reading and recognizing the effects of inventories within the year, at the Parent Company.

11 RECOVERABLE TAXES

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
ICMS	146,604	83,290	185,636	120,060
ICMS – Fixed assets	53,736	55,402	60,771	64,319
Income tax and social contribution	11,778	8,432	17,187	38,112
PIS and COFINS	8,821	13,088	9,324	16,008
Tax credits from foreign subsidiaries	-	-	27,673	45,487
Other recoverable taxes	29,503	2,609	31,150	3,181
Total	250,442	162,821	331,741	287,167
Current assets	199,116	112,320	258,396	208,840
Non-current assets	51,326	50,501	73,345	78,327
Total	250,442	162,821	331,741	287,167

12 OTHER ASSETS

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Prepaid expenses	8,241	5,782	9,414	5,426
Judicial deposits	9,496	10,081	9,610	10,132
Advances to third parties	18,420	25,683	29,289	32,223
Advance to employees	4,395	5,916	5,036	6,793
Credits from agreement with suppliers	8,176	5,140	8,176	5,140
Insurance indemnities in progress	1,162	4,407	1,402	5,060
Insurance commissions receivable	197	2,651	5,479	2,651
Amounts receivable – Operating financial services Agreement	7,567	4,167	7,567	4,167
Other accounts receivable	8,759	9,587	10,897	11,107
Total	66,413	73,414	86,870	82,699
Current assets	53,195	47,460	70,662	53,296
Non-current assets	13,218	25,954	16,208	29,403
Total	66,413	73,414	86,870	82,699

13 INCOME TAX AND SOCIAL CONTRIBUTION

13.1 ACCOUNTING POLICY

Provision for income tax and social contribution are based on taxable income for the year. Deferred income tax and social contribution are recognized on the temporary differences at the end of each year between the balances of assets and liabilities recognized in the financial statements and the respective tax bases employed to arrive at taxable income, including the balance of tax losses, where applicable. The current and deferred taxes are recognized in net income, except when they correspond to items recorded in "other comprehensive income" in the shareholders' equity.

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13.2 BREAKDOWN

13.2.1 Parent Company

Deferred income tax/social contribution tax calculation bases	12/31/2019		12/31/2018	
	IRPJ	CSLL	IRPJ	CSLL
Estimated losses in assets	63,941	63,941	127,211	127,211
Provisions for tax, civil and labor risks	84,957	84,957	68,752	68,752
Adjustment to present value	58,086	58,086	54,729	54,729
Provision employee profit sharing	68,227	68,227	44,455	44,455
Restricted share plan	39,664	39,664	34,604	34,604
Equity valuation adjustments - hedge	2,436	2,436	2,796	2,796
Swap from borrowing	2,115	2,115	-	-
Lease payable	63,696	63,696	-	-
Other provisions	702	11	-	-
Deferred tax assets base	383,824	383,133	332,547	332,547
Review of the useful life	(124,167)	(124,167)	(61,857)	(61,857)
Swap from borrowing	-	-	(37,181)	(37,181)
Other provisions	(14,176)	(14,176)	(23,175)	(23,866)
Deferred tax liabilities basis	(138,343)	(138,343)	(122,213)	(122,904)
Total	245,481	244,790	210,334	209,643
Nominal rates	25%	9%	25%	9%
Deferred income tax and social contribution assets	61,370	22,031	52,583	18,868

13.2.2 Consolidated

Deferred income tax/social contribution tax calculation bases	12/31/2019		12/31/2018	
	IRPJ	CSLL	IRPJ	CSLL
Estimated losses in assets	283,738	282,316	257,294	257,294
Provisions for tax, civil and labor risks	100,754	100,754	84,109	84,109
Adjustment to present value	62,890	62,890	57,940	57,940
Provision employee profit sharing	69,864	69,864	44,455	44,455
Restricted share plan	39,664	39,664	34,604	34,604
Income tax and social contribution losses (i)	176,478	166,304	128,218	128,788
Equity valuation adjustments - hedge	3,382	3,382	3,656	3,656
Lease payable	73,847	72,036	-	-
Other provisions	20,707	2,126	11,647	-
Deferred tax assets base	831,324	799,336	621,923	610,846
Goodwill on acquisition of equity interest	(76,707)	(76,707)	(56,722)	(56,722)
Appreciation of assets	(28,888)	(28,888)	(29,234)	(29,234)
Review of the useful life	(138,639)	(138,639)	(64,821)	(64,821)
Swap from borrowing	(1,471)	(1,471)	(47,032)	(47,032)
Other provisions	(21,647)	(15,050)	(24,510)	(25,281)
Deferred tax liabilities basis	(267,352)	(260,755)	(222,319)	(223,090)
Total	563,972	538,581	399,604	387,756
Weighted nominal rates (ii)	25%	11.37%	25%	10.92%
Deferred income tax and social contribution assets and liabilities (iii)	140,993	61,237	99,901	42,343

- (i) Credits recognized on tax losses and negative basis of social contribution of subsidiaries Camicado, Youcom, LRS and LRA, supported by technical feasibility studies, submitted annually to approval of the Board of Directors, which show projections of taxable future net income, allowing for an estimate of recovery of credits in a period not exceeding 10 years.
- (ii) The weighted nominal rate of Social Contribution is greater than the general rate of 9% due to the consolidation of the balances of the indirect subsidiary Realize CFI, which has a 15% rate as of 2019.
- (iii) The Management individually offsets deferred assets against the deferred liabilities of the Parent Company and subsidiaries. In Consolidated, net deferred liability belongs to subsidiary Camicado.

13.3 CHANGES IN DEFERRED TAXES, NET

Below are the changes in deferred taxes, recognized at weighted nominal tax rates:

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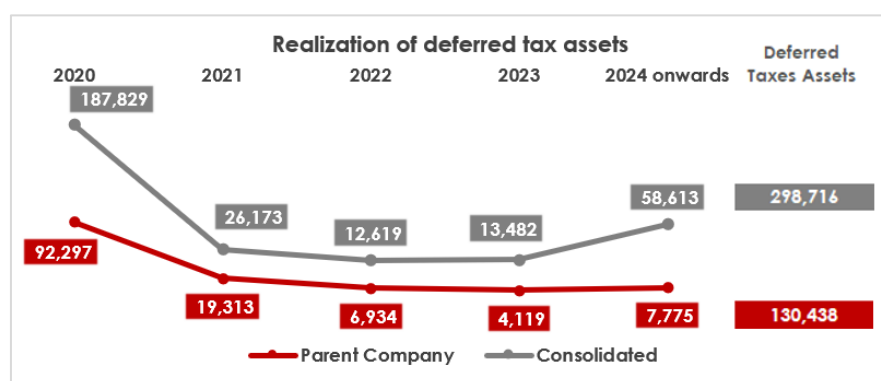
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	Parent Company	Consolidated
Balance at 12/31/2017	112,994	199,211
(-) Recognized in net income	(49,382)	(71,960)
(-) Recognized in other comprehensive income	1,929	2,528
(+) Translation adjustments	-	95
(+) First-time adoption - CPC 48 / IFRS 9	5,910	12,370
Balance at 12/31/2018	71,451	142,244
(-) Recognized in net income	12,072	60,061
(-) Recognized in other comprehensive income	(122)	(93)
(+) Translation adjustments	-	18
Balance at 12/31/2019	83,401	202,230

13.4 REALIZATION OF DEFERRED TAX ASSETS

The recoverability of deferred tax asset balances is reviewed at the end of each year and, when it is no longer probable that future taxable profits will be available to recover the asset, in whole or in part. Management's evaluation is based on technical feasibility studies, which demonstrate projections of future taxable earnings, allowing for an estimate of the recovery of credits within a period of no more than 10 years. Also, estimated deferred tax realization involves uncertainties of other estimates.



13.5 ANALYSIS OF THE EFFECTIVE RATE FOR THE INCOME TAX AND SOCIAL CONTRIBUTION

The reconciliation between the tax expense as calculated by the combined statutory rates and the income and social contribution tax expense charged to net income is presented below:

	Parent Company		Consolidated	
	2019	2018	2019	2018
Net income before income tax and social contribution	1,371,774	1,258,875	1,511,854	1,370,193
Combined tax rate	34%	34%	34%	34%
Tax expense at nominal rate	(466,403)	(428,018)	(514,030)	(465,866)
Permanent (additions) exclusions:				
Stock option plan expense	(7,166)	(6,969)	(7,166)	(6,969)
Net income from ownership interest	73,388	47,290	-	-
Interest on own capital	85,665	76,729	85,665	76,729
Management fees	(1,464)	(2,074)	(1,464)	(2,074)
Tax Benefits	8,427	23,382	8,584	23,458
Investment grant (i)	33,163	47,129	34,504	47,810
Incentive for technological innovation (Law 11196/2005)	4,319	3,156	4,380	3,156
Income tax and social contribution differences of subsidiaries	-	-	(19,410)	(26,766)
Other (additions) and exclusions	(2,634)	618	(3,920)	393
Exempt portion of the 10% surtax	24	18	96	72
Income tax and social contribution for the year	(272,681)	(238,739)	(412,761)	(350,057)
Current	(284,753)	(189,357)	(472,822)	(278,097)
Deferred	12,072	(49,382)	60,061	(71,960)
Effective tax rate	19.88%	18.96%	27.30%	25.55%

(i) ICMS tax incentives and benefits, considered investment subsidies, under the terms of Complementary Law 160/2017.

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15 FIXED ASSETS AND INTANGIBLE ASSETS

15.1 ACCOUNTING POLICY

Recorded at the cost of acquisition, formation or installation of stores, deducted from accumulated depreciation or amortization, calculated under the straight-line method at rates that consider estimated useful lives of assets, as follows:

Class	Annual rate	Useful life
Fixed assets		
Buildings	1.66%	60 years
Furniture and utensils	10–25%	4–10 years
Facilities	5–10%	10–20 years
Machinery and equipment	5–10%	10–20 years
Leasehold improvements	10%	10 years
Vehicles	20%	5 years
Computers and peripherals	10–33.3%	3–10 years
Intangible assets		
IT systems	12.5–20%	5–8 years
Right-of-use properties	10%	10 years

As a procedure, the Company annually reviews the fixed and intangible assets technical assessments from specialized employees and aiming at:

- i) Identify evidences that its assets may be impaired; and
- ii) Identify changes in the form of use and maintenance that may affect the useful life of your fixed and intangible assets.

15.2 BREAKDOWN OF FIXED ASSETS

	Parent Company					
	12/31/2019			12/31/2018		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	288	-	288	288	-	288
Properties	61,898	(2,613)	59,285	92,898	(5,767)	87,131
Furniture and utensils	469,412	(237,546)	231,866	430,181	(199,796)	230,385
Facilities	514,051	(247,698)	266,353	487,378	(223,056)	264,322
Machinery and equipment	274,080	(146,160)	127,920	256,745	(133,308)	123,437
Leasehold improvements	1,710,288	(883,821)	826,467	1,572,341	(746,423)	825,918
Vehicles	1,589	(425)	1,164	2,117	(399)	1,718
Computers and peripherals	271,695	(159,500)	112,195	232,947	(137,936)	95,011
Fixed assets in progress	188,715	-	188,715	89,662	-	89,662
Total	3,492,016	(1,677,763)	1,814,253	3,164,557	(1,446,685)	1,717,872

	Consolidated					
	12/31/2019			12/31/2018		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	288	-	288	288	-	288
Properties	76,965	(8,493)	68,472	107,835	(11,647)	96,188
Furniture and utensils	540,693	(262,862)	277,831	492,833	(220,237)	272,596
Facilities	570,394	(269,276)	301,118	536,403	(240,806)	295,597
Machinery and equipment	291,320	(148,498)	142,822	265,221	(134,999)	130,222
Leasehold improvements	2,003,402	(945,061)	1,058,341	1,781,552	(787,926)	993,626
Vehicles	1,589	(424)	1,165	2,117	(399)	1,718
Computers and peripherals	291,164	(166,821)	124,343	247,017	(143,166)	103,851
Fixed assets in progress	199,330	-	199,330	100,363	-	100,363
Total	3,975,145	(1,801,435)	2,173,710	3,533,629	(1,539,180)	1,994,449

15.3 RECONCILIATION OF NET BOOK VALUE OF FIXED ASSETS

15.3.1 Parent Company

Book value	Balance at 01/01/2018	Additions	Transf.	Write-offs	Depreciation	Balance at 12/31/2018	Additions	Transf.	Write-offs	Estimated losses	Transf. IFRS 16 / CPC 06 (R2)	Depreciation	Balance at 12/31/2019
Land	288	-	-	-	-	288	-	-	-	-	-	-	288
Properties	88,577	-	-	-	(1,446)	87,131	-	-	-	-	(27,021)	(825)	59,285
Furniture and utensils	201,909	284	68,821	(1,385)	(39,244)	230,385	2,103	49,958	(1,307)	(8,204)	-	(41,069)	231,866
Facilities	250,119	29	37,417	(509)	(22,734)	264,322	1,365	25,868	(101)	(256)	-	(24,845)	266,353
Machinery and equipment	112,933	66	23,712	(97)	(13,177)	123,437	958	17,271	(43)	(206)	-	(13,497)	127,920
Leasehold improvements	787,275	356	166,859	(184)	(128,388)	825,918	7,939	132,421	(621)	(1,795)	-	(137,395)	826,467
Vehicles	2,499	17	-	(489)	(309)	1,718	311	-	(628)	-	-	(237)	1,164
Computers	63,847	483	54,715	(520)	(23,514)	95,011	512	53,773	(2,242)	(5,499)	-	(29,360)	112,195
Fixed assets in progress	96,263	344,952	(351,524)	(29)	-	89,662	378,927	(279,291)	(581)	(2)	-	-	188,715
Total	1,603,710	346,187	-	(3,213)	(228,812)	1,717,872	392,115	-	(5,523)	(15,962)	(27,021)	(247,228)	1,814,253

15.3.2 Consolidated

Book value	Balance at 01/01/2018	Additions	Transf.	Write-offs	Estimated losses	Depreciation	Translation adjustment	Balance at 12/31/2018	Additions	Transf.	Write-offs	Estimated losses	Transf. IFRS 16 / CPC 06 (R2)	Depreciation	Translation adjustment	Balance at 12/31/2019
Land	288	-	-	-	-	-	-	288	-	-	-	-	-	-	-	288
Properties	97,634	-	-	-	-	(1,446)	-	96,188	131	-	-	-	(27,021)	(826)	-	68,472
Furniture and utensils	233,269	1,255	85,675	(1,471)	(467)	(45,622)	(43)	272,596	2,577	60,643	(1,128)	(8,654)	-	(47,844)	(359)	277,831
Facilities	280,233	233	42,181	(770)	(179)	(25,987)	(114)	295,597	4,232	31,360	(81)	(896)	-	(28,730)	(364)	301,118
Machinery and equipment	116,038	132	27,971	(143)	(22)	(13,759)	5	130,222	952	26,222	(63)	(267)	-	(14,107)	(137)	142,822
Leasehold improvements	901,370	4,496	234,736	(1,479)	(868)	(145,284)	655	993,626	8,797	226,442	(4,625)	(4,207)	-	(159,162)	(2,530)	1,058,341
Vehicles	2,499	17	-	(489)	-	(309)	-	1,718	311	-	(626)	-	-	(238)	-	1,165
Computers	68,656	2,355	59,191	(521)	(4)	(25,099)	(727)	103,851	1,283	57,558	(671)	(5,574)	-	(31,857)	(247)	124,343
Fixed assets in progress	113,640	435,589	(449,754)	(29)	-	-	917	100,363	501,678	(402,225)	-	(2)	-	-	(484)	199,330
Total	1,813,627	444,077	-	(4,902)	(1,540)	(257,506)	693	1,994,449	519,961	-	(7,194)	(19,600)	(27,021)	(282,764)	(4,121)	2,173,710

The main natures that make up the group of fixed assets in progress refer to the development and implementation of the Company's stores and distribution centers.

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17 BORROWINGS, FINANCING AND DEBENTURES

17.1 ACCOUNTING POLICY

Initially, Balances of borrowing, financing and debentures are initially recognized at fair value upon receipt and subsequently, they start to be measured at amortized cost as provided for in contract (plus charges, interest calculated at effective rate, inflation adjustment, exchange-rate change, and amortizations incurred up to balance sheet dates).

Balance of working capital borrowing – Law 4.131 of Central Bank of Brazil is measured at fair value, reflecting current market expectations of future values using the discounted cash flow evaluation techniques (conversion of future cash flows into a single value).

17.2 BREAKDOWN OF BORROWINGS, FINANCING AND DEBENTURES

Descriptions	Index	Rates	Maturity	Parent Company		Consolidated	
				12/31/2019	12/31/2018	12/31/2019	12/31/2018
In domestic currency							
Debentures (i)	CDI	103.9–108%	Feb/2020–Oct/2022	710,959	553,867	710,959	553,867
(+/-) Swap of debentures	-	-	-	-	(1,087)	-	(1,087)
Fundo do Nordeste - FNE (iii)	-	6.97–11.01% p.a.	Jun/2023–Jul/2024	8,524	29,326	9,208	30,185
BNDES (iv)	Selic	2.5% p.a.	Jul/2020	1,750	8,426	1,750	8,426
BNDES (iv)	TJLP	2.12% p.a.	Jul/2020	3,289	4,736	3,289	4,736
Working capital - secured account - (v)	CDI	112.50%	-	-	-	51,420	16,385
Other borrowings	-	-	-	-	-	-	322
Foreign currency							
Working capital - Law 4.131 Bacen - (v)	-	2.63–3.61% p.a.	Apr/2020–Jan/2021	273,843	347,551	378,508	459,021
Working capital	-	-	-	-	-	-	12,152
(+/-) Swap - working capital (ii)	CDI	100.95–107.5%	Apr/2020–Jan/2021	2,115	(36,094)	(1,471)	(45,945)
Total				1,000,480	906,725	1,153,663	1,038,062
Current liabilities				594,394	580,152	709,022	710,804
Non-current liabilities				406,086	326,573	444,641	327,258
Total				1,000,480	906,725	1,153,663	1,038,062

(i) Funds obtained were intended to maintain the minimum strategic cash level. In 2019, 5th issuance - 2nd series debentures were settled (R\$ 42,221 on June 17, 2019), and 8th issuance - single series (R\$ 206,483 on July 04, 2019), the balance is related to 7th and 9th issuances.

(ii) Swap transactions in foreign currency (Law 4131) are hedging against foreign exchange rate fluctuations.

(iii) The Company signed financing agreements with Banco do Nordeste through FNE (Northeast Constitutional Financing Fund) to fund the expansion of its group of stores in the region.

(iv) The Company entered into a financing transaction with BNDES (Brazilian Bank for Economic and Social Development) using the Prodesign facility to invest in product development structure and processes.

(v) The Company entered into contracts of secured account and Law 4.131 Bacen for working capital purposes and to invest in the organic expansion plan of its subsidiaries.

Changes in parent company's and consolidated borrowings are shown in Note 36

The covenants and the settlement schedule in accordance with the contractual cash flow (principal plus estimated future interest up to maturity) are shown in Note 6.2.

In January 2020, the Company took out three borrowings in modality 4,131 in USD, totaling US\$ 88,960 with a rate ranging 2.15–2.25% p.a. These borrowings have swaps at 108.6–112% of the CDI rate. In the same period, a borrowing of R\$ 50,000 was taken out, at a rate equivalent to 108.61% of the CDI rate. These instruments mature between 6 months and 1 year. These funds are used to maintain the Company's minimum cash.

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18 FINANCING – FINANCIAL SERVICE OPERATIONS AND GUARANTEES

18.1 FINANCING – FINANCIAL SERVICE OPERATIONS

Financing	Index	Charges	Maturity	Parent Company		Consolidated	
				12/31/2019	12/31/2018	12/31/2019	12/31/2018
Credit sales (i)	-	-	-	-	97,937	-	97,937
Secured account (ii)	-	20.7% p.m.	Immediate	37,740	1,165	37,740	1,165
Vendor	-	-	-	-	29,335	-	29,335
Financial bills (iii)	CDI	104.10%	Aug/2022	-	-	306,370	160,755
Working capital - Law 4131 Bacen (iv)	-	US\$ + 4.67% p.a.	Aug/2020	-	-	142,830	131,829
(+/-) swap - working capital	CDI	101.80%	Aug/2020	-	-	4,426	7,199
Senior quotas – FIDC Lojas Renner	-	-	-	-	-	-	424,022
Structuring costs – FIDC Lojas Renner	-	-	-	-	-	-	(656)
Total				37,740	128,437	491,366	851,586
Current liabilities				37,740	128,437	184,996	712,558
Non-current liabilities				-	-	306,370	139,028
Total				37,740	128,437	491,366	851,586

- (i) The amounts financed to the clients of the Company by Financial Institutions, through Vendor, on shopping malls made under the condition of payment from seven to eight monthly installments at Lojas Renner S.A.
- (ii) The values used for the financing of balances in delay of sales made by Renner Card in the parent company.
- (iii) The Company, through its indirect subsidiary Realize CFI, issued Financial Bills for private distribution to finance operations and ordinary course of business in the amount of R\$ 300,000, issued on August 12, 2019.
- (iv) The indirect subsidiary Realize CFI entered into contract in modality 4.131 on August 27, 2018 with Banco Santander S.A. to finance operations and ordinary course of business and the Parent Company is the guarantor in the amount of US\$ 33,000.

18.2 GUARANTEES

Parent Company is the guarantor and main payer, and is jointly responsible for all (main and accessory) obligations deriving from the following transactions (further details in Note 18.1):

- i) Credit sales;
- ii) Secured account; and
- iii) Financial bills.

19 SUPPLIERS

19.1 ACCOUNTING POLICY

Credit purchase transactions were brought to present value on transactions date, based on estimated rate of the Company's capital cost (0.99% p.m. to the Parent Company and Subsidiaries on December 31, 2019 and December 31, 2018). Adjustment to present value is recorded in supplier and its reversal is in account sales cost, due to fruition of term in case of suppliers. Balance of trade accounts payable is measured at amortized cost using the effective interest rate method.

19.2 BREAKDOWN

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Trade suppliers	742,264	685,163	822,149	765,678
Adjustment to present value	(4,805)	(4,548)	(5,212)	(4,966)
Suppliers - use and consumption	189,993	164,614	233,572	195,122
Rents payable	25,625	61,030	31,890	69,990
Total	953,077	906,259	1,082,399	1,025,824

As of December 31, 2019, pre-payments made to suppliers whose original maturity was subsequent to this date totaled R\$ 278,951 (R\$ 272,183 on December 31, 2018). The discounts obtained from these pre-payments, for being related to supply of goods, are recorded as reduction of the cost of sales.

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The Parent Company has a confirming agreement with Santander and Bradesco to manage its commitments with suppliers, which remain as "Suppliers" until this obligation is terminated with a balance of R\$ 47,217 on December 31, 2019 (R\$ 36,733 on December 31, 2018). The composition of the operation's balance was reviewed, and it was concluded that there was no change in terms, prices or conditions and – as there are no impacts due to the charges practiced by the financial institution – the operation is shown in the "Suppliers" account.

For this disclosure, the Company reclassified the "Rents payable" account, adding it to the "Suppliers" account, as it believes it is in line with the other natures of the group, and also because the opening of this account on the Balance Sheet does not represent, individually, relevance to other accounts. This balance comprises only rent amounts that are not the scope of the lease - CPC 06 (R2)/IFRS 16.

20 TAX LIABILITIES

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Income tax and social contribution	164,355	140,177	299,927	222,638
ICMS payable	206,240	202,641	219,155	215,899
PIS/COFINS	80,830	57,405	92,701	66,796
Taxes payable - Foreign subsidiaries	-	-	1,684	22,876
Other taxes	15,552	16,758	23,256	21,807
Total	466,977	416,981	636,723	550,016

21 SOCIAL CHARGES AND LABOR LEGISLATION OBLIGATIONS

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Salaries payable	40,873	36,875	49,448	42,850
Profit sharing	91,815	61,300	93,239	61,791
Provision for vacation and bonus	71,350	61,329	82,932	70,602
Social charges	72,510	63,063	81,263	70,766
Total	276,548	222,567	306,882	246,009

22 PROVISION FOR TAX, CIVIL, LABOR RISKS, CONTINGENT LIABILITIES AND ASSETS

22.1 ACCOUNTING POLICY

The Company and its subsidiaries are party to tax, labor and civil lawsuits and administrative processes in course from normal course of operations and based on legal advisors' opinion, Management formed a provision considered sufficient to cover estimated losses.

22.1.1 Tax provisions

Taking into consideration individuality of each process, classification of loss, and internal and external legal advisors' evaluation. For the classification of possible loss, the Management records provision at the estimated amounts of court costs and attorney fees based on the history incurred and current contractual bases negotiated with its legal advisors, since the future disbursements of funds is likely.

22.1.2 Civil and labor provisions

The civil and labor provisions are periodically reviewed, considering the development of lawsuits, and the history of effectively settled amounts once that there is a likelihood of outflow of funds to comply with these obligations.

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22.2 PROVISIONS

The breakdown of provisions as of December 31, 2019 is as follows:

Nature	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Civil	22,996	19,707	30,868	26,165
Labor	34,918	19,745	36,767	21,618
Tax	29,712	32,168	35,499	39,114
(-) Judicial deposits	(6,281)	(5,109)	(11,018)	(9,662)
	81,345	66,511	92,116	77,235
Classified as:				
Current liabilities	57,914	39,452	67,635	47,783
Non-current liabilities	23,431	27,059	24,481	29,452
Total	81,345	66,511	92,116	77,235

Most significant tax provisions refer to:

- (i) Disallowance of ICMS credit right in acquisitions from suppliers considered as disreputable;
- (ii) Disallowance of ICMS credit right (on energy, acquisitions of goods, rate difference, among others);
- (iii) Increase in SAT (Occupational Accident Insurance) rate and establishment of FAP (Accident Prevention Factor);
- (iv) Disallowance of expense with payment of interest on own capital of prior years; and
- (v) Requirement of INSS/IRRF on non-salary portions.

And regarding the civil and labor provisions, the Company and its subsidiaries are party to civil and labor lawsuits that have consumption-related nature with different objects.

22.3 CHANGES IN THE PROVISION FOR TAX, CIVIL AND LABOR RISKS

Nature	Parent Company				Total
	Civil	Labor	Tax	(-) Judicial deposits	
Balance at January 1, 2019	19,707	19,745	32,168	(5,109)	66,511
(+/-) Provisions / (reversal)	3,289	15,173	(4,903)	(1,148)	12,411
(-) Charges	-	-	2,447	(24)	2,423
Balance at December 31, 2019	22,996	34,918	29,712	(6,281)	81,345

Nature	Consolidated				Total
	Civil	Labor	Tax	(-) Judicial deposits	
Balance at January 1, 2019	26,165	21,618	39,114	(9,662)	77,235
(+/-) Provisions / (reversal)	4,703	15,149	(6,458)	(1,331)	12,063
(-) Charges	-	-	2,843	(25)	2,818
Balance at December 31, 2019	30,868	36,767	35,499	(11,018)	92,116

22.4 TAX CONTINGENT LIABILITIES

According to our legal advisors, there is a likelihood of outflows of funds from contingent liabilities plus interest and inflation adjustment stated below:

Nature	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Tax	279,148	363,366	290,693	380,965

The significant lawsuits related to contingent liabilities as of December 31, 2019 and December 31, 2018 are in progress and disbursement date is not estimated:

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- i) ICMS – Disreputable suppliers – Proceedings related to supposed undue crediting of ICMS related to the acquisition of goods from suppliers considered disreputable by the tax authorities. The restated amount of the lawsuits was R\$ 138,440 in the Parent Company and R\$ 139,705 in the Consolidated (R\$ 137,924 in the Parent Company and R\$ 139,128 in the Consolidated as of December 31, 2018).
- ii) ICMS - Anticipated RS - Tax assessment notices in at the administrative and court level for collection of ICMS rate difference upon entry of goods in the state, received from another state. Addition of all debit at REFAZ-RS as of October 31, 2019, in the amount of R\$ 82,002 (balances were R\$ 79,034 in the Parent Company and in Consolidated as of December 31, 2018).
- iii) INSS/IRPF non-wage installments – Refers to tax assessment notices filed for charging social security contribution on amounts considered by the Company as not taxable as well as application of ex-officio fine because income tax was not withheld on amounts. The restated amount was R\$ 37,544 in the Parent Company and in Consolidated (R\$ 36,268 in the Parent Company and in Consolidated as of December 31, 2018).
- iv) IRPJ/CSLL - Interest on own capital of formers years - Refers to the disallowance of expenses with payment of interest on capital calculated based on prior year's shareholders' equity. The restated amount was R\$ 26,883 in the Parent Company and in Consolidated (R\$ 26,786 in the Parent Company and in Consolidated as of December 31, 2018).
- v) ICMS - Disallowance of third party credits - Disallowance of ICMS credits acquired from third parties in Rio de Janeiro State. The restated amount was R\$ 19,132 in the Parent Company and in Consolidated (R\$ 19,063 in the Parent Company and in Consolidated as of December 31, 2018).
- vi) ICMS – breakdown of inventories – Refers to tax assessment notices and tax enforcements for collection of ICMS deriving from differences in tax and accounting inventories calculated through survey of inventory quantities that, in the Company's understanding, are due to breakdown of inventories. The restated amount was R\$ 20,969 in the Parent Company and R\$ 22,428 in the Consolidated (R\$ 16,503 in the Parent Company and R\$ 17,831 in the Consolidated as of December 31, 2018).
- vii) Other contingent liabilities with the restated amount totaling R\$ 36,180 in the Parent Company and R\$ 45,001 in Consolidated (R\$ 47,788 in the Parent Company and R\$ 62,855 in the Consolidated as of December 31, 2018) refer to various matters on federal, state and municipal scope.

22.5 CONTINGENT, CIVIL AND LABOR LIABILITIES

For civil and labor lawsuits, the history of obligations effectively settled is considered, since they refer to massified civil lawsuits of consumer civil nature and of diverse labor nature, in which lawsuit value frequently does not reflect contingency value. Thus, the provision corresponds to the exposure to this kind of risk.

22.6 CONTINGENT ASSETS

ICMS in PIS and COFINS calculation basis - The Company has lawsuits in progress related to companies Lojas Renner and Camicado, for obtaining the right to exclude ICMS from PIS and COFINS calculation basis, as well as offsetting amounts unduly paid. The Parent company's lawsuit has already received a favorable decision issued by the Federal Court of the 4th Region, waiting the publication of the decision that denied the proceeding or Special Appeal, interposed in view of the decision that under internal appeal, confirmed the denial of the Special Appeal of the Federal Government.

The lawsuit of subsidiary Camicado is awaiting a decision of the Regional Federal Court of the 3rd Region. Both are still pending a final court decision, hence, it is not possible to recognize the asset related to credits to be surveyed beginning as of 5 years preceding the filing of lawsuits up to the period of March 2017 (STF decision date).

Based on preliminary survey, prepared based on information available as of December 31, 2019 and according to court decisions rendered until now (both to determine the exclusion of ICMS highlighted in the invoices), a possible value of credits is estimated at approximately R\$ 1,346,972 in the Parent Company and R\$ 15,793 in Camicado for such period. The estimated amount may undergo significant changes, since:

- i) There is no final decision on the request for modulation of effects submitted by the Federal Government in the leading case files and judged in view of general repercussion;
- ii) There is no definition of how to calculate the exclusion of the ICMS shown on the invoice or the ICMS payable from the PIS/COFINS base; and
- iii) Decisions in processes in progress may be changed.

Lastly, there is no way to ensure when or whether the estimated amounts will actually be realized.

In relation to amounts related to periods later than STF decision date (March 15, 2017), when likelihood of loss is evaluated by legal advisors as remote, the Company has been recognizing effects on net income.

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**23 FINANCIAL INSTRUMENTS**

Pursuant to internal policy approved by Management, derivative financial instruments are entered into in order to hedge the foreign exchange risk taken in import orders and borrowings abroad. The classification of its non-derivative financial assets and liabilities is determined at the time of their initial recognition, pursuant to the business model in which the asset is managed and its characteristics of contractual cash flows in IFRS 9 / CPC 48. Financial liabilities are measured according to their nature and purpose.

23.1 ACCOUNTING POLICY

Derivatives are recognized at fair value through other comprehensive income, except swaps. The fair values of derivative financial instruments are determined based on the macro-economic scenario indicators. The method for recognizing the resulting gain or loss depends on whether the derivative is or is not designated as a hedge instrument. If so, the method depends on the nature of the item that is being hedged. The Company adopts hedge accounting and assigns forward contracts (NDF) as cash flow hedge.

Early in each transaction, the relationship between the hedge instruments and the hedge-protected items is documented, risk Management objectives, strategy for conducting several hedge transactions and Company's evaluation on early and continued basis of the economic relation between the instrument and hedged item.

23.1.1 Cash flow hedge

The Company applies cash flow hedge accounting to protect itself against exchange-rate change risk deriving from import orders not yet paid. The effective portion of the change in the fair value of designated derivatives and qualified as cash flow hedge, and not settled, is recognized in shareholders' equity as "Equity valuation adjustments" in other comprehensive income. This portion is realized upon elimination of risk for which derivative was contracted. Upon settlement of financial instruments, gains and losses previously deferred in equity are transferred from and included in initial measurement of asset's cost.

23.1.2 Swap

In the Swap transactions not designed for hedge accounting, gains or losses are recognized in the financial net income.

23.2 FINANCIAL INSTRUMENTS BY CATEGORY**23.2.1 Parent Company**

	Amortized cost	Fair value	Fair value through other comprehensive income	Total
Financial assets				
Cash and cash equivalents	-	1,011,854	-	1,011,854
Trade accounts receivable	1,912,774	-	-	1,912,774
Derivative financial instruments (hedge)	-	-	4,244	4,244
Financial liabilities				
Derivative financial instruments (hedge)	-	-	(6,680)	(6,680)
Borrowings, financing and debentures	(724,522)	(275,958)	-	(1,000,480)
Financing - financial service operations	(37,740)	-	-	(37,740)
Leases payable	(1,607,625)	-	-	(1,607,625)
Suppliers	(953,077)	-	-	(953,077)
Obligations with credit card administrators	(26,919)	-	-	(26,919)
Total - December 31, 2019	(1,437,109)	735,896	(2,436)	(703,649)

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	Amortized cost	Fair value	Fair value through other comprehensive income	Total
Financial assets				
Cash and cash equivalents	-	876,302	-	876,302
Trade accounts receivable	1,543,223	-	-	1,543,223
FIDC Lojas Renner	182,000	-	-	182,000
Derivative financial instruments (hedge)	-	-	10,210	10,210
Financial liabilities				
Derivative financial instruments (hedge)	-	-	(13,006)	(13,006)
Borrowings, financing and debentures	(596,355)	(310,370)	-	(906,725)
Financing - financial service operations	(128,437)	-	-	(128,437)
Leases payable	(33,940)	-	-	(33,940)
Suppliers	(906,259)	-	-	(906,259)
Obligations with credit card administrators	(18,355)	-	-	(18,355)
Total - December 31, 2018	41,877	565,932	(2,796)	605,013

23.2.2 Consolidated

	Amortized cost	Fair value	Fair value through other comprehensive income	Total
Financial assets				
Cash and cash equivalents	-	1,148,053	-	1,148,053
Interest earning bank deposits	-	224,249	-	224,249
Trade accounts receivable	3,825,961	-	-	3,825,961
Derivative financial instruments (hedge)	-	-	4,382	4,382
Financial liabilities				
Derivative financial instruments (hedge)	-	-	(7,764)	(7,764)
Borrowings, financing and debentures	(776,626)	(377,037)	-	(1,153,663)
Financing - financial service operations	(344,110)	(147,256)	-	(491,366)
Leases payable	(1,963,435)	-	-	(1,963,435)
Suppliers	(1,082,399)	-	-	(1,082,399)
Obligations with credit card administrators	(985,298)	-	-	(985,298)
Total - December 31, 2019	(1,325,907)	848,009	(3,382)	(481,280)

	Amortized cost	Fair value	Fair value through other comprehensive income	Total
Financial assets				
Cash and cash equivalents	-	944,671	-	944,671
Interest earning bank deposits	-	439,693	-	439,693
Trade accounts receivable	3,162,670	-	-	3,162,670
Derivative financial instruments (hedge)	-	-	10,860	10,860
Financial liabilities				
Derivative financial instruments (hedge)	-	-	(14,516)	(14,516)
Borrowings, financing and debentures	(626,073)	(411,989)	-	(1,038,062)
Financing - financial service operations	(712,558)	(139,028)	-	(851,586)
Leases payable	(33,940)	-	-	(33,940)
Suppliers	(1,025,824)	-	-	(1,025,824)
Obligations with credit card administrators	(693,994)	-	-	(693,994)
Total - December 31, 2018	70,281	833,347	(3,656)	899,972

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**23.3 MEASUREMENT AND HIERARCHY OF FAIR VALUES**

The discounted cash flow evaluation technique is used to measure financial assets and liabilities' fair values, and as an assumption, the present value of estimated cash flows based on future market quotations. For the financial assets and liabilities, which book balances are reasonably close to fair value, fair values are not determined as established in the IFRS 7 / CPC 40.

The Company measures fair value of debentures and financing for disclosure purposes – financial service operations.

23.3.1 Parent Company

Financial assets and liabilities	12/31/2019		12/31/2018	
	Fair value	Book balance	Fair value	Book balance
Debentures	(707,982)	(710,959)	(551,148)	(553,867)
Financing - financial service operations	(37,740)	(37,740)	(130,402)	(128,437)
Total	(745,722)	(748,699)	(681,550)	(682,304)

23.3.2 Consolidated

Financial assets and liabilities	12/31/2019		12/31/2018	
	Fair value	Book balance	Fair value	Book balance
Debentures	(707,982)	(710,959)	(551,148)	(553,867)
Financing - financial service operations	(491,113)	(491,366)	(848,571)	(851,586)
Total	(1,199,095)	(1,202,325)	(1,399,719)	(1,405,453)

Financial assets and liabilities of the Company are classified in "Level 2" of the fair value hierarchy versus book balances.

Level 2 - Inputs that are observable for assets or liabilities, whether directly or indirectly, except for prices quoted (not adjusted) in active markets for identical assets and liabilities to which the Entity may have access on the measurement date.

23.4 DERIVATIVE FINANCIAL INSTRUMENTS

The Management of these instruments is done through operating strategies, aimed at liquidity, profitability and security. Foreign currency exchange, Non-Deliverable Forward (NDF) and swap contracts are used as a hedging instrument for its exposure to volatility of foreign currency exchange and investments in derivatives or any other financial instruments are not made on a speculative basis.

The breakdown of derivatives is segregated between designated to hedge accounting (cash flow hedge) and not designated to hedge accounting.

Description of derivatives	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Designated for hedge				
NDF (Import orders)	(2,436)	(2,796)	(3,382)	(3,656)
Not designated for hedge				
Interest rate swap	-	1,087	-	1,087
Exchange rate swap	(2,115)	36,094	(2,955)	38,746
Total	(4,551)	34,385	(6,337)	36,177

Swaps are stated in balance of borrowing, financing and debenture (Note 17.1) and Financing - financial service operations (Note 18.1) since they are in compliance with IFRS 7 / CPC 40.

23.4.1 Derivatives for hedge accounting**23.4.1.1 NDF (Non-Deliverable Forward)**

Hedge instrument			Hedge transactions	
Maturity dates	Notional	Fair value (*)	Transaction	Estimated maturity
01/31/2020–07/31/2020	163,736	(2,531)	Goods import order	01/31/2020–07/31/2020
August 2020	2,254	95	Contract for import of fixed assets	August 2020
Total Parent Company	165,990	(2,436)		
01/31/2020–02/28/2020	16,380	(946)	Goods import order	01/31/2020–02/28/2020
Total Consolidated	182,370	(3,382)		

(*) Non-Deliverable Forward methodology is the discount cash flow in projections from "B3 S.A.- Brasil, Bolsa e Balcão".

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During the year, the NDF transactions used to hedge the cash flow risk of import orders were effective and complied with the levels established by accounting pronouncement IFRS 9 / CPC 48.

23.4.1.2 Cash flow

The cash flows related to import orders of goods for resale are initially recorded in the inventories and subsequently throughout the operation, in net income as a cost of goods sold. Besides, NDF were engaged to cover cash flows for contracts for import of goods, initially recognized at fixed assets and subsequently in net income at the depreciation according to useful life. As follows, we show the expected cash flow from the import orders of future operations exposed to foreign currency hedged by derivatives, using as reference the US dollar exchange rate expected for the next reporting date of R\$ 4.0330:

	Consolidated			Total
	1Q20	2Q20	3Q20	
Resale goods import orders	409,821	271,219	45,367	726,407
Notional amount - US\$	101,617	67,250	11,249	180,116

	Consolidated			Total
	1Q20	2Q20	3Q20	
Contract for import of fixed assets	-	9,090	-	9,090
Notional amount - US\$	-	2,254	-	2,254

23.4.2 Derivatives not for hedge accounting

23.4.2.1 Swaps

Instrument	Maturity	Long Position	Short position	Notional	Amount receivable (payable)	
					12/31/2019	12/31/2018
Interest rate swap						
Debentures 5th issuance - 2nd series	-	-	-	-	-	1,087
Exchange rate swap						
Working capital - Law 4.131	Aug 2020	US\$ + 2.74% p.a.	104.4% CDI	US\$ 25,000	5,546	29,240
Working capital - Law 4.131	Nov 2020	US\$ + 2.51% p.a.	105.2% CDI	US\$ 42,900	(7,661)	-
Working capital - Law 4.131	-	-	-	-	-	6,854
Total Parent Company					(2,115)	37,181
Exchange rate swap						
Working capital - Law 4.131	Jan 2021	US\$ + 3.70% p.a.	106.95% CDI	US\$ 10,515	3,281	-
Working capital - Law 4.131	Apr 2020	US\$ + 3.61% p.a.	100.95% CDI	US\$ 6,600	646	3,914
Working capital - Law 4.131	Jun 2020	US\$ + 2.70% p.a.	107.5% CDI	US\$ 8,636	(341)	-
Working capital - Law 4.131	Aug 2020	US\$ + 4.67% p.a.	101.8% CDI	US\$ 33,000	(4,426)	(7,199)
Working capital - Law 4.131	-	-	-	-	-	6,566
Working capital - Law 4.131	-	-	-	-	-	(629)
Total Consolidated					(2,955)	39,833

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23.4.2.2 Change of the swaps

	Parent Company	Consolidated
Balance at January 1, 2018	6,176	6,176
Swap adjustment payment	4,302	5,725
Change in the fair value	26,703	27,932
Balance at December 31, 2018	37,181	39,833
Swap adjustment payment	2,855	4,978
Swap Adjustment receipt	(33,580)	(41,773)
Change in the fair value	(8,571)	(5,993)
Balance at December 31, 2019	(2,115)	(2,955)

23.5 CREDIT RISK

On the chart at the side, we present the credit risk of derivative assets according to the main risk rating agencies, assets at December 31, 2019 (currency forward contracts of the Non-Deliverable Forward (NDF) type), since the balances of swaps are presented in Note 6.2):

Rating - National Scale	12/31/2019	12/31/2018
brAAA	13,855	56,076
N/A (*)	-	2,445
Total - Derivative financial instrument (assets)	13,855	58,521

(*) Not applicable, because it is not included in the national scale rating.

24 OTHER OBLIGATIONS

	Consolidated	
	12/31/2019	12/31/2018
Prepaid revenues (i)	1,439	2,225
Obligations with customers (b)	23,749	22,281
Obligations related to transactions w/ insurance (iii)	2,143	5,909
Transfer of operation of financial products (iv)	3,117	16,928
Acquisition of ICMS credits (v)	13,245	19,008
Other obligations (vi)	12,164	3,306
Total	55,857	69,657
Current liabilities	55,610	68,421
Non-current liabilities	247	1,236
Total	55,857	69,657

- i) Advance of payroll agreements from financial institution, insurance exclusivity premiums with the insurance company and Co-branded card ("Meu Cartão") incentive premium.
- ii) Balances in favor to clients (credits may be used as payment for purchases in the Company) and goods bought from bridal registries, but not yet delivered.
- iii) Advances related to insurance operations related to exclusivity contract and insurance premiums paid by clients to be transferred to the insurance company.
- iv) Transfers referring to Renner card operations with Realize CFI and transfers from Camicado's sales.
- v) Balances payable corresponding to the acquisition of ICMS credits.
- vi) Balances payable corresponding to royalties, payroll advance borrowings, among others.

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**25 RELATED PARTIES**

The Parent Company, the subsidiaries and related persons perform transactions among themselves, related to the financial, business and operational aspects of the Company. We describe below the most significant transactions.

25.1 PARENT COMPANY'S CONTEXT**25.1.1 Lease agreements**

In August 2018, we updated lease agreements by means of addendum with the subsidiary Dromegon referring to the buildings of the stores located in the downtown of Porto Alegre, Santa Maria and Pelotas, effective for ten years, and may be renewed, amounts were set at, respectively, 4.29%, 4% and 4% of gross monthly sales of stores.

25.1.2 Quick withdrawal extension service agreement

The Company offers to Renner's clients Quick Withdrawal financial service by means of its indirect subsidiary, Realize CFI and is a party in the transaction through its operating infrastructure, providing bank correspondent product services.

25.1.3 Use of Renner Card and Co-branded card ("Meu Cartão") in Camicado

One of the main synergy drivers in the Camicado integration process is the acceptance of Renner Card (CCR) and Co-branded card ("Meu Cartão") in Camicado stores.

25.1.4 Renner Credit Card Operations - Realize

As of April 2019, in line with the reorganization strategy and business specialization, the sales through the Renner Credit Card (Private Label) started being recorded in the indirect subsidiary Realize CFI.

25.1.5 Agreement to apportion corporate costs and expenses

To optimize the corporate structure, Lojas Renner and its subsidiaries entered into agreements among themselves to share their structures, mainly focused on sharing back-office and corporate structure. For foreign subsidiaries, the sharing of corporate expenses is charged by the parent company in the form of service exports.

25.1.6 Import intermediation

The Parent Company carries out commercial transactions with its subsidiary LRS, which operates as import intermediary, in line with the strategy of approximation and development of international base of suppliers. The revenue from intermediation commission was recognized at a price compatible with the market conditions.

25.1.7 Export of goods

Parent Company carries out commercial transactions with its subsidiaries LRU and LRA related to the export of goods for building inventories and be prepared for retail transactions in these countries, priced considering market conditions.

25.1.8 Purchase of ICMS credits

On May 29, 2019, a pledge agreement was granted for the assignment of ICMS credits on behalf of the subsidiary Camicado to the Parent Company, in the amount of R\$ 9,446, which in turn paid the present value of R\$ 9,109 using a rate of 0.5% per month. These tax credits are in the process of approval for qualification with the Treasury Department of the State of São Paulo for transfer to the Parent Company, at which time the effect arising from the negative goodwill of this operation will be recognized.

25.2 CONSOLIDATED CONTEXT**25.2.1 Agreements or other significant obligations between the company and its Management members**

According to Chapter IV, art. 13 of the Company's Bylaws, the Company's Management is incumbent upon the Board of Directors and Management members are described in for a term of office drafted in a book, signed by the invested Management member, not requiring any guarantee of Management, and conditioned to the prior signature of the Statement of Compliance of Management Members regarding the Novo Mercado Listing Rules.

The Board of Directors, elected at Shareholders' Meeting, have unified terms of office of one year, re-election being permitted. The Board members in office are automatically considered appointed for re-election by their joint proposal. The Executive Board, with members who are elected and removeable at any time by the Board of Directors, has a two-year term, with reelection permitted. It is related to the company through a service agreement, the remuneration of which comprises a fixed component adjusted annually according to the INPC index and a variable component according to the Company's financial performance.

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A Board of Directors' Meeting held on April 18, 2019 a change was decided in relation to CEO's position with immediate start of term in office and will end on the date of the Annual Shareholders' Meeting, in 2020.

25.2.2 Remuneration of the members of the Board of Directors and Executive Board (the "Management")

Pursuant to Corporation Law and the Company's bylaws, it is the responsibility of shareholders, at an Annual Shareholders' Meeting, to set the total amount of the annual Management fees and to the Board of Directors, to distribute the allowance among the Management members after considering the Committee of Persons.

The Annual Shareholders' Meeting held on April 18, 2019, approved the Management members' global remuneration limit up to R\$ 45,200 for fiscal year 2019. This amount consists of funds that include fixed remuneration of Management members, variable remuneration, which considers the participation in meetings and the statutory participation (Art. 34 of the Bylaws and paragraph 1 of art. 152 of Law 6.404/76), and the cost of the share plan and the restricted share plan (Notes 29 and 30). Summary of amounts is as follows:

	Parent Company		Consolidated	
	2019	2018	2019	2018
Management remuneration	(17,535)	(11,296)	(18,503)	(12,119)
Management fees	(5,855)	(8,295)	(5,855)	(8,295)
Stock option plan	(9,919)	(9,501)	(9,919)	(9,501)
Restricted share plan	(3,828)	(3,530)	(3,828)	(3,530)
Total	(37,137)	(32,622)	(38,105)	(33,445)

Total Management remuneration is impacted by operating and financial indicators in the Company's net income.

25.3 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

25.3.1 Accounting Policy

Transactions between the Company's subsidiaries, including balances, gains and losses not realized in these transactions are eliminated, when applicable. The subsidiaries' accounting policies are adjusted to ensure consistency with the Parent Company's practices.

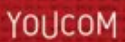
25.3.2 Balances with related companies

The main asset and liability balances, as well as the transaction amounts recorded in net income for the period from related party transactions arise from transactions performed at arm's length in the respective transaction types and are summarized below:

Operations - Assets (liabilities)	RACC	Dromegon	Camicado	Youcom	LRS	Realize Participações S.A.	LRU	LRA	Realize CFI	Total
Accounts receivable										
Export of goods for resale	-	-	-	-	-	-	15,015	14,158	-	29,173
Co-branded card ("Meu Cartão") operations	-	-	-	-	-	-	-	-	334,785	334,785
Renner credit card (New Private Label)	-	-	-	-	-	-	-	-	943,091	943,091
Other assets										
Renner credit card (Quick Withdrawal)	-	-	-	-	-	-	-	-	1,454	1,454
Credit with related parties										
Sharing of expenses	-	-	615	1,844	1,098	4	196	-	9,562	13,319
Debits with related parties										
Sharing of expenses	-	12	-	-	(235)	-	-	-	-	(223)
Rents payable	-	(1,030)	(26)	-	-	-	-	-	-	(1,056)
Obligations with credit card administrators										
Co-branded card ("Meu Cartão") operations	(988)	-	-	-	-	-	-	-	(25,931)	(26,919)
Other obligations										
Renner credit card operations (Private Label)	-	-	-	-	-	-	-	-	(3,117)	(3,117)
Total - December 31, 2019	(988)	(1,018)	589	1,844	863	4	15,211	14,158	1,259,844	1,290,507

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Operations - Assets (liabilities)	RACC	Dromegon	Camicado	Youcom	LRS	Realize Participações S.A.	LRU	LRA	Realize CFI	Total
Accounts receivable										
Export of goods for resale	-	-	-	-	-	-	13,293	-	-	13,293
Co-branded card ("Meu Cartão") operations	-	-	-	-	-	-	-	-	228,724	228,724
Credit with related parties										
Sharing of expenses	-	-	795	257	7,170	4	155	-	21,596	29,977
Debits with related parties										
Sharing of expenses	(92)	6	-	-	(26)	-	-	-	(18)	(130)
Rents payable	-	(1,087)	(54)	-	-	-	-	-	-	(1,141)
Obligations with credit card administrators										
Co-branded card ("Meu Cartão") operations	(1,404)	-	-	-	-	-	-	-	(16,951)	(18,355)
Other obligations										
Renner credit card operations (Private Label)	-	-	(16,326)	-	-	-	-	-	-	(16,326)
Quick withdrawal operations	-	-	-	-	-	-	-	-	(602)	(602)
Total - December 31, 2018	(1,496)	(1,081)	(15,585)	257	7,144	4	13,448	-	232,749	235,440

25.3.3 Transactions with related companies

Type of revenue (expense)	RACC	Dromegon	Camicado	Youcom	LRS	LRU	LRA	Realize CFI	Total
Apportionment for corporate expenses	(42)	75	7,618	6,053	(2,562)	-	-	26,596	37,738
Intermediation commission	-	-	-	-	(16,308)	-	-	-	(16,308)
Property rent expenses	-	(7,014)	-	-	-	-	-	-	(7,014)
Revenue from rendering of services	-	-	-	-	-	3,889	-	50,268	54,157
Export of goods	-	-	-	-	-	56,474	14,161	-	70,635
Return of exports	-	-	-	-	-	(3,644)	-	-	(3,644)
Total - 2019	(42)	(6,939)	7,618	6,053	(18,870)	56,719	14,161	76,864	135,564
Apportionment for corporate expenses	(629)	72	4,137	4,505	1,718	-	-	16,277	26,080
Intermediation commission	-	-	-	-	(13,223)	-	-	-	(13,223)
Property rent expenses	-	(7,232)	-	-	-	-	-	-	(7,232)
Revenue from rendering of services	-	-	-	-	-	1,920	-	16,188	18,108
Export of goods	-	-	-	-	-	42,124	-	-	42,124
Total - 2018	(629)	(7,160)	4,137	4,505	(11,505)	44,044	-	32,465	65,857

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**26 SHAREHOLDERS' EQUITY****26.1 CAPITAL**

The Company's authorized capital limit is 1,361,250,000 (one billion, three hundred and sixty-one million and two hundred fifty thousand) common shares, all without par value. Within the limits authorized in the Articles of Association, the Company will be able to increase the capital independently of statutory reform. The Board will determine the conditions for the share issuance, including price and timeframe for payment.

According to article 40 of the Company By-laws, any person or group of shareholders that acquires or becomes the holder of shares issued by the Company (Purchasing Shareholder) in a quantity greater than or equal to 20% of the total shares issued, shall, within 60 days after the date of acquisition, hold a Public Offering (PO) for the acquisition of all the shares, complying with provisions of CVM regulations, of the regulations of B3 and of the Company's By-laws. As of December 31, 2019, no shareholder individually holds ownership interest greater than or equal to 20%.

Each common share corresponds to the right to one vote in the deliberations of the General Meeting, as well as the right to participate in the allocation of income, in the form of dividends, proposed in compliance with By-laws and in accordance with articles 190 and 202 of Law 6404/76, which establish a minimum compulsory dividend of 25% of the adjusted net income.

26.1.1 The changes in the Capital is shown below:

	Share quantity (thousand)	Total
Balance at January 1, 2018	713,235	2,556,896
Capital increase, RCA on May 21, August 16, and November 21	6,789	80,577
Balance at December 31, 2018	720,024	2,637,473
Capital increase, RCA on May 21, August 21, and November 21	3,532	46,111
Incorporation of capital reserves, SSM (Special Shareholders' Meeting) as of April 30	-	72,050
Share bonus (incorporation of profit reserves) (*)	72,002	1,040,000
Balance at December 31, 2019	795,558	3,795,634

(*) On April 30, 2019, the Special Shareholders' Meeting approved the share bonus through the incorporation of the capital reserve and profit reserve balances.

26.2 TREASURY SHARES

As of December 31, 2019, treasury shares balance is R\$ 35,549 (R\$ 44,536 as of December 31, 2018), corresponding to 1,831,115 common shares at average weighted cost of R\$ 19.41 (R\$ 21.36 as of December 31, 2018). Changes are on the side:

	Amount (in thousand)	Amount	Average price
Balance at January 1, 2018	1,499	27,857	18.58
Repurchase of shares	600	16,988	28.31
Disposal of shares	(14)	(309)	21.36
Balance at December 31, 2018	2,085	44,536	21.36
Disposal of shares	(421)	(8,987)	21.35
Share bonus increase, SSM (Special Shareholders' Meeting) as of April 30	167	-	-
Balance at December 31, 2019	1,831	35,549	19.41

26.3 CAPITAL RESERVES**26.3.1 Stock option plan reserve and restricted share plan**

These are reserves to offset the expenses of the stock option plan and restricted shares (Notes 0 and 30), the allocation of which depends on deliberation at the Special Shareholders' Meeting. On April 30, 2019 the Special Shareholders' Meeting approved the Company's share bonus with incorporation of entire capital reserve balance in the amount of (R\$ 72,050) to Company's Capital. The balance on December 31, 2019 is R\$ 74,227 (R\$ 124,093 on December 31, 2018).

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**26.4 PROFIT RESERVES****26.4.1 Legal reserve**

In compliance with art. 193 of Law 6404/76 and art. 34, item (a) of the Company's Bylaws, the legal reserve is set up at amount equivalent to 5% of the net income for each year. On April 30, 2019 the Special Shareholders' Meeting approved the Company's share bonus with incorporation of the legal reserve balance of 2018 in the amount of R\$ 87,641 to capital. The balance at December 31, 2019 is R\$ 54,955.

26.4.2 Reserve for investment and expansion

It is recorded as decided by the Management bodies to cover the Company's expansion plan investments, as provided for in article 34, item (c) of By-laws. On April 30, 2019, the Special Shareholders' Meeting approved the Company's Share bonus increase with reserve for investment and expansion in the amount of R\$ 895,819. The balance on December 31, 2019 is R\$ 447,748 (R\$ 946,514 on December 31, 2018).

26.4.3 Tax incentive reserve

The Company uses ICMS tax incentives in the form of "presumed credit," with its impacts on net income. The Management, in view of the publication of Complementary Law 160/17 and in compliance with Law 6404/76, allocated them as tax incentive reserve. On April 30, 2019 the Special Shareholders' Meeting approved the Company's share bonus with incorporation of the tax incentive reserve balance of 2018 in the amount of R\$ 56,540 to Company's Capital. The balance at December 31, 2019 is R\$ 97,539.

26.4.4 Additional dividend proposed

Refers to the dividends proposed in addition to the minimum mandatory dividend, totaling R\$ 144,639 for 2018, submitted to and approved by the Annual Shareholders' Meeting (AGO) held on April 18, 2019 and paid on April 29, 2019. The balance at December 31, 2019 is R\$ 282,549.

26.5 OTHER COMPREHENSIVE INCOME

They are accumulated translation adjustments, hyperinflation adjustment and the unrealized net income on derivative financial instruments as equity valuation adjustments. The amount represents an accumulated balance of loss, net of taxes, in the amount of R\$ 12,486 on December 31, 2019 (R\$ 2,148 of gain, net of taxes, on December 31, 2018).

27 DIVIDENDS AND INTEREST ON OWN CAPITAL**27.1 ACCOUNTING POLICY**

The bylaws and corporate law establish a distribution of dividends of a minimum of 25% of the adjusted annual net income. If such limit was not attained by interim remunerations, we record a provision at the of the year in the amount of the minimum mandatory dividend that has not yet been distributed. Dividends exceeding this limit are segregated in a specific account of shareholders' equity denominated "Additional dividends proposed". When decided by Management, interest on own capital is calculated in dividends for the year. The tax benefit of interest on own capital is recognized in the net income (Note 13.513.5).

27.2 DISTRIBUTION OF INTEREST ON OWN CAPITAL AND DIVIDENDS

The Company's Management proposed in the Board of Directors meeting held on January 16, 2020, distribution of 50% of net income generated in 2019 complementing by R\$ 282,546, as dividends, an amount already approved as interest on own capital during the year. The distribution of dividends will be submitted for approval to the Annual Shareholders' Meeting to be held by April 2020. The sum of interest on equity plus dividends, complies with the provisions of articles 201 and 202 of Law 6404/76 and article 36 of the Company's By-Laws.

Dividends and interest on capital were calculated and distributed as follows:

	2019	2018
Adjusted basis of calculation for dividends and JCSP		
Net income for the year	1,099,093	1,020,136
(-) Legal reserve	(54,955)	(51,007)
(-) Tax incentive reserve	(97,539)	(32,871)
Adjusted net income for the year	946,599	936,258
Minimum mandatory dividend (25%)	236,651	234,064
Minimum mandatory dividend in excess	312,895	173,990
Total distributed to shareholders	549,546	408,054
Percentages distributed over net income	50%	40%

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**Breakdown of distribution:**

Distributed as Interest on Own Capital

(-) IRRF on interest on own capital

Supplementation (surplus) of minimum mandatory dividend

Total minimum mandatory dividend

Additional dividend proposed (with no dividend prescribed)

(+) IRRF on interest on own capital

Total amount exceeding minimum mandatory dividend**Total distributed to shareholders**

	2019	2018
Distributed as Interest on Own Capital	251,957	225,673
(-) IRRF on interest on own capital	(30,676)	(29,566)
Supplementation (surplus) of minimum mandatory dividend	15,370	37,957
Total minimum mandatory dividend	236,651	234,064
Additional dividend proposed (with no dividend prescribed)	282,219	144,424
(+) IRRF on interest on own capital	30,676	29,566
Total amount exceeding minimum mandatory dividend	312,895	173,990
Total distributed to shareholders	549,546	408,054

The statement of the proposal for distribution of interest on own capital is as follows:

Period	Nature	Payment	Outstanding shares (thousand) (*)	R\$/share	12/31/2019	R\$/share	12/31/2018
1Q19	Interest on own capital - 03/18/2019	April 2020	718,360	0.092945	66,768	0.072964	51,931
2Q19	Interest on own capital - 06/19/2019	April 2020	791,981	0.077650	61,497	0.073243	52,338
3Q19	Interest on own capital - 09/19/2019	April 2020	793,416	0.078588	62,354	0.079685	57,045
4Q19	Interest on own capital - 12/18/2019	April 2020	793,727	0.077278	61,338	0.089644	64,359
4Q19	Dividends - RCA on 01/16/2020	April 2020	793,727	0.374926	297,589	0.254034	182,381
4Q19	Dividends prescribed - RCA - 01/16/2020	April 2020	793,727	0.000412	327	0.000299	215
Total				0.701799	549,873	0.569869	408,269

(*) The number of outstanding shares does not consider treasury shares.

Interest on own capital was deducted when calculating income tax and social contribution. Tax benefits of this deduction in 2019 were approximately R\$ 85,665 (R\$ 76,729 on December 31, 2018).

28 EARNINGS PER SHARE

We calculated the basic earnings per share dividing profit attributable to shareholders by the weighted average number of common shares issued during the period. Diluted earnings per share is calculated by adjusting the weighted average number of common shares, presuming the conversion of all the potential diluted common shares for the stock option plans.

The number of shares calculated as described is compared to the number of issued shares, assuming that the stock option plan is exercised. Basic and diluted earnings per share are as follows:

Basic/Diluted numerator	Parent Company and Consolidated	
	2019	2018
Net income for the year	1,099,093	1,020,136
Weighted average of common shares	769,906	764,585
Potential increase in common shares because of the option plan	3,447	5,837
Basic earnings per share - R\$ (*)	1.4276	1.3342
Diluted earnings per share - R\$ (*)	1.4212	1.3241

(*) On April 30, 2019, the Special Shareholders' Meeting approved the share bonus at the rate of 10% (ten percent). Therefore, for purposes of compliance with CPC 41 accounting standard, Earnings per share, we have recalculated earnings per share for 2018.

29 STOCK OPTION PLAN

29.1 ACCOUNTING POLICY

The Company approved a stock option plan for selected Management members and executives, offering them the possibility of acquiring the Company's shares in the form and at conditions described in the plan. Fair value of granted stock option plans is calculated at the date of respective grant using the Black&Scholes model. Expense is recorded at a "pro rata temporis" basis, which starts on grant date and ends on the date in which the beneficiary acquires the right to exercise the option. The Company maintains two stock option plans, totaling five programs and two ongoing contract grants. Details of stock option plans are as follow:

29.2 1ST PLAN (PROGRAMS 2005–2015 AND CONTRACT GRANTS)

All stock option plan granted through 2015 follow the stock option plan approved at the Special Shareholders' Meeting held on May 25, 2005, and amended by the next Meetings held on April 10, 2007 and March 30, 2009. The programs establish that 50% of options shall be vested after the lapse of three years (1st tranche) from their respective grant, and the remaining portion (2nd tranche) after four years (considering only the options comprising the same grant).

29.3 2ND PLAN (PROGRAMS 2016–2018 AND CONTRACT GRANTS)

On September 23, 2015, at the Special Shareholders' Meeting a new stock option plan was approved. Each program will have four tranches, with 25% being exercisable after one year and successively. On February 09, 2017, a new contractual options granting was approved by the Chief Executive Officer, which provides for the same conditions of the 2nd Stock option plans.

29.4 COMMON FEATURES OF THE PLANS

Both establish the oversight by the Committee of Persons ("Committee"), created according to the Company's Bylaws, which is composed of the independent members of the Board of Directors ("Board"). Committee members may not be benefited in stock options. Once an option becomes exercisable, the beneficiary (selected Management members and Executives) may exercise it at any time, at its own discretion, up to the end of the 6-year period counted as of such option grant date. Plans also provide for the right to exercise them in case of death, retirement or permanent disability of the member.

In case of obligation of carrying out a public offering, under the terms of Art. 39, 40, 41 and 42 of the Bylaws, or in the event of success of the tender offer of the Company, if any of these cases result in the termination without cause of a Plan participant by initiative of the Company, all options granted to the respective participant and that are not yet vested shall automatically become vested, which condition is restricted to the termination that occurs up to 12 months in case of the Plan approved in 2015.

29.5 POSITION OF STOCK OPTION PLAN

Grant	Exercise value	Grant date	Grace period 1st tranche	Grace period 2nd tranche	Grace period 3rd tranche	Grace period 4th tranche	Position of grants (Quantity)	
							Balance at 12/31/2019	Balance at 12/31/2018
10th grant	9.28	02/19/2014	02/18/2017	02/18/2018	-	-	-	201
Contractual grant	9.23	03/05/2014	03/04/2016	03/04/2017	09/30/2017	-	-	713
11st grant	12.04	02/12/2015	02/11/2018	02/11/2019	-	-	249	1,611
11st complementary grant	14.39	04/16/2015	04/15/2018	04/15/2019	-	-	-	14
Subtotal - 1st Plan							249	2,539
1st grant	14.00	02/04/2016	02/03/2017	02/03/2018	02/03/2019	02/03/2020	613	1,076
2nd grant	19.73	02/09/2017	02/09/2018	02/09/2019	02/09/2020	02/08/2021	799	1,086
Contractual grant	19.73	02/09/2017	02/09/2018	02/09/2019	02/09/2020	02/08/2021	1,721	1,564
3rd grant	32.91	02/08/2018	02/08/2019	02/08/2020	02/07/2021	02/07/2022	873	1,011
Contractual grant	38.62	02/07/2019	02/07/2020	02/06/2021	02/06/2022	02/06/2023	133	-
4th grant	38.62	02/07/2019	02/07/2020	02/06/2021	02/06/2022	02/06/2023	940	-
Subtotal - 2nd Plan							5,079	4,737
Total							5,328	7,276

The closing share price of the Company as of December 31, 2019 is R\$ 56.19 (R\$ 42.40 as of December 31, 2018).

Each option corresponds to the right to subscribe one share of the Company. As of December 31, 2019, there were 5,328 thousand options in the Money. We show below the effects in the net equity per share and the respective percentage of reduction in the ownership interests of the current shareholders:

	12/31/2019	12/31/2018
Shareholders' equity	4,704,614	3,954,512
Number of shares - thousand	795,558	720,024
Book value per share - R\$	5.91	5.49
Shareholders' equity, considering the in the Money options exercised	4,836,083	4,096,086
Number of shares, considering the in the Money options exercised	800,886	727,300
Book value of the share, considering the in the Money options exercised	6.04	5.63
% of decrease in the ownership interest of current shareholders, considering the in the Money options exercised	0.67%	1.00%

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**29.6 ASSUMPTIONS TO FAIR VALUE MEASUREMENT OF STOCK OPTION PLAN**

Fair value of granted stock option plans is calculated at the date of grant using the Black&Scholes model. For determining, the Company adopted assumptions as:

- i) Exercise value of option: weighted average rate over the last 30 share trading sessions of Lojas Renner S.A before the grant date.
- ii) Share price volatility: weighting of the trading history of the Company's share.
- iii) Risk-free interest rate: using Interbank Deposit Certificate (CDI) available on the grant date and projected for the maximum grace period of the option.
- iv) Estimated dividend: payment of dividends per share in relation to the market value of shares on the grant date.
- v) Vesting period: maximum period for beneficiaries to exercise their options.

29.7 CHANGES

	Amount (in thousands)
Balance at January 1, 2018	13,460
Options granted	1,178
Options exercised	(6,789)
Options canceled	(573)
Balance at December 31, 2018	7,276
Options granted	1,092
Options exercised	(3,532)
Options canceled	(339)
Share bonus increase, SSM (Special Shareholders' Meeting) as of April 30	831
Balance at December 31, 2019	5,328

On December 31, 2019, expense with stock option plan totaled R\$ 21,075 (R\$ 20,498 on December 31, 2018) in the Parent Company and Consolidated.

30 RESTRICTED SHARE PLAN**30.1 ACCOUNTING POLICY**

The Company approved a restricted share plan for selected Management members and executives whose expense is recorded at a pro rata temporis basis (on grant date and ends on the date in which the Company transfers the right of shares to the beneficiary) and corresponds to the amount of issued shares multiplied by the share price on the grant date. The provision of social security contributions is updated monthly according to the closing price of the Company.

On September 23, 2015, a Restricted Shares Plan was approved at the Special Shareholders' Meeting, administered by the Committee – composed of independent members of the Board of Directors – which provides that the members of both bodies will not be eligible for the Restricted Shares contained therein.

30.2 MAIN CHARACTERISTICS

The Board of Directors may grant a number of registered and book-entry common shares of the Company, which are under treasury, not in excess of 1% of the totality of issued shares upon recommendation of the Committee, Management members and Executives who occupy strategic positions for the businesses.

The definite transfer of Restricted Shares to the participants is conditioned to the fulfillment of a grace period of three years for each grant, and at the end of the grace period, the participant shall have employment agreement with the Company, otherwise, the grants shall be cancelled. All Restricted Shares which grace period has not been completed yet shall be due and shall be transferred to the owners, heirs or successors in case of death, permanent invalidity or retirement.

In case public offer is mandatory pursuant to the terms of Art. 39, 40, 41 and 42 of the Bylaws, or in the hypothesis public offer is successful for acquisition of the Company's control, if any of these cases result in termination without cause of a Plan member at the Company's initiative, all restricted shares assigned to the participant and still within grace year will be transferred to the member by recommendation of the Committee and if approved by the Board of Directors.

The contractual grants have the same conditions of exercise and grace period of the other existing grants.

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30.3 POSITION OF RESTRICTED SHARE PLAN

Grant	Grant date	Grace period 1st tranche	Position of grants (Quantity)	
			12/31/2019	12/31/2018
1st grant	02/04/2016	02/03/2019	-	421
2nd grant	02/09/2017	02/09/2020	345	369
Contractual grant	02/09/2017	02/09/2020	321	292
3rd grant	02/08/2018	02/07/2021	263	269
Contractual grant	02/07/2019	02/06/2022	40	-
4th grant	02/07/2019	02/06/2022	311	-
Total			1,280	1,351

30.4 CHANGES IN RESTRICTED SHARE PLAN

	Amount (In thousands)
Balance at January 1, 2017	1,201
Options granted	317
Options canceled	(147)
Options exercised	(20)
Balance at December 31, 2018	1,351
Options granted	355
Options canceled	(131)
Options exercised	(421)
Share bonus increase, SSM (Special Shareholders' Meeting) as of April 30	126
Balance at December 31, 2019	1,280

On December 31, 2019, expenses with restricted share plan, including principal and social charges, R\$ 24,789 (R\$ 19,946 on December 31, 2018).

31 INFORMATION PER BUSINESS SEGMENT

31.1 ACCOUNTING POLICY

The operating segments presented below are consistently organized with the internal report supplied to the Board of Directors, the main decision maker, in charge of allocating funds and evaluating performance of operating segments:

- Retail:** sale of garment items, perfumery, cosmetics, watches, as well as the home & decoration segment; including Renner, Camigado, Youcom, Ashua operations and also in Uruguay and Argentina.
- Financial products:** granting of quick withdrawals, financing of purchases and insurance, and the practice of assets and liabilities inherent to credit companies, such as branded card, among others.

	Retail		Financial Products		Consolidated	
	2019	2018	2019	2018	2019	2018
Net operating revenue	8,474,693	7,485,433	1,113,744	941,108	9,588,437	8,426,541
Cost of sales	(3,707,306)	(3,257,398)	(23,215)	(27,119)	(3,730,521)	(3,284,517)
Gross income	4,767,387	4,228,035	1,090,529	913,989	5,857,916	5,142,024
Sales	(2,346,627)	(2,075,387)	-	-	(2,346,627)	(2,075,387)
General and administrative	(798,233)	(699,571)	-	-	(798,233)	(699,571)
Losses on receivables, net	-	-	(381,049)	(280,673)	(381,049)	(280,673)
Other operating net income	(35,890)	(29,190)	(317,995)	(283,886)	(353,885)	(313,076)
Net income from segments	1,586,637	1,423,887	391,485	349,430	1,978,122	1,773,317
Depreciation and Amortization	(348,720)	(301,643)	(12,830)	(12,931)	(361,550)	(314,574)
Stock option plan					(21,075)	(20,498)
Net income from write-off and estimate of fixed assets losses					(23,768)	(6,130)
Management fees					(5,855)	(8,294)
Net financial income					(54,020)	(53,628)
Income tax and social contribution					(412,761)	(350,057)
Net income for the year					1,099,093	1,020,136

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The profit or loss shown in the above does not deduct the expenses with depreciation and amortization of fixed and intangible assets, with the stock option plan and net income from write-off of assets. The exclusion of these expenses in the calculation is in line with the way Management evaluates the performance of each business and its contribution to the cash generation. The financial is not allocated by segment (except for financial net income from the application of IFRS 16 / CPC 06 (R2), understanding that its composition is more related to corporate decisions on capital structure than to the nature of the net income of each business segment.

32 REVENUES

32.1 ACCOUNTING POLICY

IFRS 15 / CPC 47 – Revenue from Contracts with Customers establishes a model aimed at evidencing whether the criteria for accounting were satisfied complying with the following steps:

- i) Identification of the contract with the client;
- ii) Identification of performance obligations;
- iii) Determination of transaction price;
- iv) To allocation of transaction price; and
- v) Revenue recognition upon satisfaction of performance obligation.

Considering these aspects, revenues are recorded at the amount that reflects the Company's expectation of receiving in consideration of the products and financial services offered to customers.

The gross revenue is less rebates and discounts and eliminations of revenues between related parties and adjustment to present value, as Note 8.1

Sale of goods – retail: we operate both in e-commerce and at points of sale, and revenue is recognized in net income when the good is delivered to the customer. Sales are spot sales, in cash and debit cards, or forward sales through third party cards, Renner card, through financing granted through the indirect subsidiary Realize CFI.

Sales of financial products and services: we carry out own credit transactions and offers quick withdrawals and sales financing through the indirect subsidiary Realize CFI and agreements with other financial institutions (balances of operations carried out up to April 1, 2019). Operating net income is recognized considering effective interest rate, throughout contract validity and for agreed operations, according to the effective provision of services.

32.2 BREAKDOWN

	Parent Company		Consolidated	
	2019	2018	2019	2018
Gross operating revenue	10,960,342	9,843,444	12,956,886	11,420,402
Sales of goods	10,702,597	9,450,968	11,774,249	10,420,645
Financial products and services	257,745	392,476	1,182,637	999,757
Deductions	(3,067,176)	(2,728,674)	(3,368,449)	(2,993,861)
Returns and cancellations	(655,118)	(590,848)	(698,969)	(633,807)
Taxes on sales	(2,390,725)	(2,113,351)	(2,600,587)	(2,301,405)
Taxes on financial products and services	(21,333)	(24,475)	(68,893)	(58,649)
Net operating revenue	7,893,166	7,114,770	9,588,437	8,426,541

According to our product return policy, the client receives a bonus voucher at the same price of the returned good for use in a new purchase.

33 EXPENSES PER TYPE

The Company's statement of net income is shown by duty. The expenditures are shown per nature.

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33.1 SELLING EXPENSES

	Parent Company		Consolidated	
	2019	2018	2019	2018
Personal	(762,711)	(689,123)	(890,301)	(799,897)
Occupancy	(226,014)	(474,232)	(285,515)	(566,832)
Outsourced services	(70,838)	(69,505)	(86,603)	(81,395)
Utilities and services	(216,603)	(197,243)	(240,881)	(219,214)
Promotions	(207,276)	(176,494)	(241,044)	(205,841)
Depreciation and amortization	(209,346)	(155,550)	(257,542)	(181,220)
Depreciation – Right-of-use	(261,391)	-	(307,151)	-
Other expenses	(195,002)	(172,649)	(228,046)	(202,208)
Total	(2,149,181)	(1,934,796)	(2,537,083)	(2,256,607)

33.2 GENERAL AND ADMINISTRATIVE EXPENSES

	Parent Company		Consolidated	
	2019	2018	2019	2018
Personal	(361,424)	(310,993)	(393,039)	(336,607)
Occupancy	(1,129)	(30,321)	(5,354)	(35,189)
Outsourced services	(206,322)	(191,672)	(241,778)	(218,001)
Utilities and services	(51,314)	(49,775)	(56,709)	(54,560)
Depreciation and amortization	(92,739)	(109,705)	(90,558)	(120,423)
Depreciation – Right-of-use	(27,280)	-	(29,026)	-
Other expenses	(47,118)	(39,633)	(64,156)	(55,214)
Total	(787,326)	(732,099)	(880,620)	(819,994)

33.3 OTHER OPERATING INCOME

	Parent Company		Consolidated	
	2019	2018	2019	2018
Expenses with financial products and services	(144,406)	(145,368)	(316,084)	(283,062)
Depreciation and amortization	(8,608)	(10,511)	(12,830)	(12,931)
Depreciation – Right-of-use	-	-	(699)	-
Net income from write-off of fixed assets	(19,689)	(2,822)	(23,768)	(6,130)
Stock option plan	(21,075)	(20,498)	(21,075)	(20,498)
Management fees	(5,855)	(8,294)	(5,855)	(8,294)
Other operating net income	(17,033)	(8,615)	(25,831)	(13,787)
Recovery of tax credits	79,154	39,003	87,384	43,609
Employee profit sharing	(94,217)	(59,244)	(96,752)	(59,836)
Total	(231,729)	(216,349)	(415,510)	(360,929)

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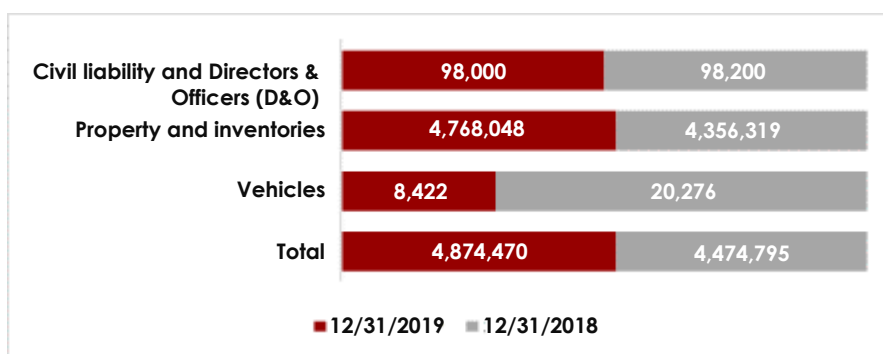


34 FINANCIAL NET INCOME

	Parent Company		Consolidated	
	2019	2018	2019	2018
Financial revenues	31,344	37,708	74,422	49,164
Gains on cash equivalents	29,046	28,646	31,200	31,291
Foreign-exchange gains	1,300	348	34,271	7,079
Inflation adjustment	-	-	6,836	-
SELIC interest on tax credits	169	7,857	379	9,824
Other financial revenues	829	857	1,736	970
Financial expenses	(142,795)	(91,556)	(206,222)	(102,792)
Interest on borrowings, financing and swap	(60,255)	(68,083)	(67,275)	(73,506)
Interest on leases	(71,733)	(8,019)	(82,204)	(8,019)
Foreign-exchange losses	(2,331)	(365)	(26,132)	(3,666)
Liability interest	(1,224)	(5,978)	(2,287)	(7,384)
Inflation adjustment	-	-	(16,725)	-
Other financial expenses	(7,252)	(9,111)	(11,599)	(10,217)
Net financial income	(111,451)	(53,848)	(131,800)	(53,628)

35 INSURANCE COVERAGE

The Company and its subsidiaries have insurance policies taken out with the main insurance companies in Brazil, which were determined in accordance with the orientation of experts and take into consideration the nature and the value of risk involved. As of December 31, 2019, the Company and its subsidiaries had insurance coverage for legal liability and property and casualty insurance (basic coverage: against fire, thunder, explosion and other financial loss policy coverage) and for inventory, as shown on the side:



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36 SUPPLEMENTARY INFORMATION TO THE CASH FLOW

36.1 PARENT COMPANY

	Capital	Treasury shares	Leases payable	Borrowings, financing and debentures	Statutory payables	Total
Balance at January 1, 2018	2,556,896	(27,857)	68,786	1,087,364	180,933	3,866,122
Changes affecting cash	80,577	(16,988)	(42,865)	(249,534)	(290,177)	(518,987)
Capital increase/Purchase of treasury shares	80,577	(16,988)	-	-	-	63,589
(Amortizations) funding of borrowings and lease consideration	-	-	(38,665)	(166,996)	(287,651)	(493,312)
Interest paid on borrowings, debentures and leases	-	-	(4,200)	(82,538)	-	(86,738)
Management fees	-	-	-	-	(2,526)	(2,526)
Changes not affecting cash	-	309	8,019	68,895	352,239	429,462
Disposal/ transfer of shares	-	309	-	-	-	309
Interest expenses and structuring costs	-	-	8,019	68,895	-	76,914
Distribution of interest on own capital and dividends	-	-	-	-	352,239	352,239
Balance at December 31, 2018	2,637,473	(44,536)	33,940	906,725	242,995	3,776,597
Changes affecting cash	46,111	4	(326,570)	33,146	(411,520)	(658,829)
Capital increase/Disposal and/or Transfer of treasury shares	46,111	-	-	-	-	46,111
Disposal/ transfer of shares	-	4	-	-	-	4
(Amortizations) funding of borrowings and lease consideration	-	-	(301,699)	73,805	-	(227,894)
Interest paid on borrowings, debentures and leases	-	-	(24,871)	(40,659)	-	(65,530)
Interest on own capital, dividends paid and income tax on interest on own capital	-	-	-	-	(409,081)	(409,081)
Management fees	-	-	-	-	(2,439)	(2,439)
Changes not affecting cash	1,112,050	8,983	1,900,255	60,609	411,639	3,493,536
First-time adoption - IFRS 16 / CPC 06 (R2) and contractual remeasurement	-	-	1,825,237	-	-	1,825,237
Share bonus and incorporation of capital reserves	1,112,050	-	-	-	-	1,112,050
Disposal/ transfer of shares	-	8,983	-	-	-	8,983
Interest expenses on borrowings and structuring costs	-	-	75,018	60,609	-	135,627
Distribution of interest on own capital and dividends	-	-	-	-	411,639	411,639
Balance at December 31, 2019	3,795,634	(35,549)	1,607,625	1,000,480	243,114	6,611,304

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36.2 CONSOLIDATED

	Capital	Treasury shares	Leases payable	Borrowings, financing and debentures	Statutory payables	Total
Balance at January 1, 2018	2,556,896	(27,857)	68,786	1,104,525	180,933	3,883,283
Changes affecting cash	80,577	(16,988)	(42,865)	(140,781)	(290,177)	(410,234)
Capital increase/Purchase of treasury shares	80,577	(16,988)	-	-	-	63,589
(Amortizations) funding of borrowings and lease consideration	-	-	(38,665)	(54,787)	(287,651)	(381,103)
Interest paid on borrowings, debentures and leases	-	-	(4,200)	(85,994)	-	(90,194)
Management fees	-	-	-	-	(2,526)	(2,526)
Changes not affecting cash	-	309	8,019	74,318	352,239	434,885
Disposal/ transfer of shares	-	309	-	-	-	309
Interest expenses and structuring costs	-	-	8,019	74,318	-	82,337
Distribution of interest on own capital and dividends	-	-	-	-	352,239	352,239
Balance at December 31, 2018	2,637,473	(44,536)	33,940	1,038,062	242,995	3,907,934
Changes affecting cash	46,111	4	(377,825)	48,078	(411,520)	(695,152)
Capital increase	46,111	-	-	-	-	46,111
Disposal/ transfer of shares	-	4	-	-	-	4
(Amortizations) funding of borrowings and lease consideration	-	-	(350,103)	91,753	-	(258,350)
Interest paid on borrowings, debentures and leases	-	-	(27,722)	(43,675)	-	(71,397)
Interest on own capital, dividends paid and income tax on interest on own capital	-	-	-	-	(409,081)	(409,081)
Management fees	-	-	-	-	(2,439)	(2,439)
Changes not affecting cash	1,112,050	8,983	2,307,320	67,523	411,639	3,907,515
First-time adoption - IFRS 16 / CPC 06 (R2) and contractual remeasurement	-	-	2,221,644	-	-	2,221,644
Share bonus and incorporation of capital reserves	1,112,050	-	-	-	-	1,112,050
Disposal/ transfer of shares	-	8,983	-	-	-	8,983
Interest expenses and structuring costs	-	-	85,676	67,523	-	153,199
Distribution of interest on own capital and dividends	-	-	-	-	411,639	411,639
Balance at December 31, 2019	3,795,634	(35,549)	1,963,435	1,153,663	243,114	7,120,297

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BOARD OF DIRECTORS, BOARD OF EXECUTIVE OFFICERS, FISCAL COUNCIL AND CONTROLLING

BOARD OF DIRECTORS

José Galló

Chairman of the Board of Directors

Oswaldo Burgos Schirmer

Vice Chairman of the Board of Directors

Carlos Fernando Couto de Oliveira Souto

Director

Fábio de Barros Pinheiro

Director

Alexandre Vartuli Gouvea

Director

Christiane Almeida Edington

Director

Thomas Bier Herrmann

Director

Juliana Rozenbaum Munemori

Director

BOARD OF EXECUTIVE OFFICERS

Fabio Adegas Faccio

Chief Executive Officer

Laurence Beltrão Gomes

Chief Financial and Administration
Officer and Investor Relations Officer

Clarice Martins Costa

Human Resources Officer

Fabiana Silva Taccola

Operations Officer

Henry Costa

Procurement Officer

FISCAL COUNCIL

Joarez José Piccinini

Chairman of the Director Fiscal
Council

José Eduardo Moreira Bergo

Director

Ricardo Zaffari Grechi

Director

CONTROLLING

Luciano Teixeira Agliardi

Controller Officer

Accountant CRC – RS 61.106/O-5

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

1 INTRODUCTION AND GENERAL INFORMATION

In April 2012, the Company's Board of Directors established the Audit and Risk Management Committee of Lojas Renner S.A., the Committee subsequently being made statutory following approval by the Extraordinary General Meeting of March 2018.

The Committee is an advisory body reporting directly to the Board of Directors, of a statutory nature, with operating autonomy. It has a consultative character and its functioning is disciplined by the provisions of its Internal Charter and the Company's bylaws. The Committee exercises its consultative functions on behalf of the Board of Directors with respect to fulfilling its supervisory responsibilities for monitoring the integrity of the Financial Statements and internal control systems. It also revises and evaluates the independence and performance of the outside auditors as well as the Company's internal auditors. The Committee is also responsible for revising areas of the Company where risks are significant as well as monitoring compliance with legal and regulatory requirements.

Currently, the Committee is made up of 3 (three) independent members of the Board of Directors, elected by their peers, members to have adequate experience in matters relating to corporate accounting, pursuant to the Brazilian Securities and Exchange Commission – CVM instruction, and 1 (one) external member nominated by the Board, also with recognized experience in corporate accounting matters, as called for by the Committee's Internal Charter.

2 SUMMARY OF ACTIVITIES IN 2019

During fiscal year 2019, the Audit and Risk Management Committee held five (5) ordinary and one (1) extraordinary meeting, where decisions were taken and recommendations were made to the Board of Directors. One of these meetings had representatives from the Fiscal Council in attendance, and another had a representative from the Board of Directors. Furthermore, Internal Audit attended in five (5) cases and Independent Audit attended two (2) meetings. In the same period, the Audit and Risk Management Committee added items to six (6) meetings of the Board of Directors, where the Committee's work was presented, together with recommendations for approval. The principal matters discussed during the year are as follows:

2.1 FINANCIAL STATEMENTS

- Revision and recommendations to the Board of Directors as to the approval of the quarterly and annual financial statements;
- Monitoring of provisions for accounting estimates and risks;
- Review of guarantee proposals and approval for decision by the Board of Directors.

2.2 MANAGEMENT OF RISKS AND INTERNAL CONTROLS

- Examination of the Risks of the Supply Chain Area and respective Action Plans;
- Review of a survey of large-scale, large-repercussion risks and of comments from the relevant areas.

2.3 COMPLIANCE AND ETHICS

- Review and request of periodical reports on inspections of Realize CFI conducted by the Central Bank of Brazil;
- Review and approval of the proposed outsourcing of the Whistleblower Channel tool.

2.4 CODE OF CONDUCT AND WHISTLEBLOWING CHANNEL

- Monitoring of the complaints received through the channels as well as relative actions adopted by Management.

2.5 INTERNAL AUDIT

- Revision and approval of the Company's principal risks presented by the Internal Audit, including Subsidiary Companies: Camicado, Youcom, Realize CFI and RACC, and subsequently presented to the Board of Directors;
- Examination and approval of the plan for projects to be executed in 2019;
- Tracking Audit points pending implementation in fiscal year 2018;
- Appraisal of the Audit work carried out based on questions from the Central Bank of Brazil regarding the Realize CFI Risk Management process;
- Tracking work conducted in fiscal year 2019;
- Monitoring Audit points in connection with the accounts payable process at Renner UY;
- Review, request for adjustments, and approval of the Internal Audit Policy;
- Review and recommendation of periodical tracking of the implementation of action plans in connection with the fraud that took place in the Samples Management Center.

2.6 INDEPENDENT AUDIT

- Analysis and approval of information provided by KPMG Auditoria Independente with respect to the Closing 2018;
- Examination of KPMG Auditoria Independente's plan and strategy for Fiscal Year 2019;
- Analysis of studies, proposals and comparison of independent audit services, and to the renewal with KPMG Auditores Independentes.

2.7 ONE-OFF DISCUSSIONS

- Analysis and approval of the proposed bonus shares and proposed incorporation of Capital Reserves;
- Review of, request for updates on, tax-related matters submitted;

- Review of the Company's inventory losses results;
- Review of the updated status of a labor-claims lawsuit filed against the Company;
- Analysis and approval of the proposed adjustment of the WACC rate for 2020, deeming it fit for review by the Board of Directors;
- Analysis and approval of the proposed increase in short-term cash allocation limits, deeming it fit for review by the Board of Directors;
- Analysis and approval of the proposed fundraising for Lojas Renner by means of short-term debt, deeming it fit for review by the Board of Directors;
- Analysis and approval of the proposed alternative financing for Camicado, deeming it fit for review by the Board of Directors;
- Review and clarification of doubts regarding the main sustainability reports worldwide and in Brazil, as well Lojas Renner's position;
- Analysis and approval for review by the Board of Directors of the proposed equity capital increase for Lojas Renner Argentina and Lojas Renner Uruguay;
- Review of the status of tax-related matters;
- Review and approval of the acquisition of a tool to validate SPED files and generate the required files for own-ICMS refunds on the part of Camicado;
- Review of a study concerning updates to the insurance policies of Lojas Renner and co-insured parties;
- Structural changes to areas of the Audit, Loss Prevention and Compliance Department;
- Review of a summary of the Black Friday re-pricing case and actions taken by the Company;
- Review and request for periodical reporting on the Project involving compliance with the General Data-Protection Act (Lei Geral de Proteção de Dados – LGPD).

3 OPINION OF THE AUDIT AND RISKS MANAGEMENT COMMITTEE

Pursuant to the legal provisions, the Audit and Risks Management Committee of Lojas Renner S.A. has reviewed the Management Report and Financial Statements for the fiscal year ending December 31, 2019. On the basis of the aforementioned review and further considering the information and clarifications provided by the Company's Management and by KPMG Auditores Independentes, received during the course of the fiscal year, the Audit and Risks Management Committee recommends that the Board of Directors approve the Management Report and Financial Statements (including explanatory notes) for the fiscal year ending December 31, 2019.

* * *

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OPINION OF THE AUDIT AND RISKS MANAGEMENT COMMITTEE

Pursuant to the legal provisions, the Audit and Risks Management Committee of Lojas Renner S.A. has reviewed the Management Report and Financial Statements for the fiscal year ending December 31, 2019. On the basis of the aforementioned review and further considering the information and clarifications provided by the Company's Management and by KPMG Auditores Independentes, received during the course of the fiscal year, the Audit and Risks Management Committee recommends that the Board of Directors approve the Management Report and Financial Statements (including explanatory notes) for the fiscal year ending December 31, 2019.

Porto Alegre, February 05, 2020.

Members:

Fábio de Barros Pinheiro
Chairman of the Committee

Osvaldo Burgos Schirmer

José Carlos Hruby

Carlos Fernando Couto de Oliveira Souto

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INDEPENDENT AUDITORS' REPORT ON INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

To the Directors and Shareholders of

Lojas Renner S.A.

Porto Alegre – RS

OPINION

We have audited the individual and consolidated financial statements of Lojas Renner S.A. ("Company"), identified as Parent Company and Consolidated, respectively, comprising the balance sheet as of December 31, 2019 and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows, for the year then ended, as well as the corresponding notes, comprising the significant accounting policies and other explanatory notes.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the individual and consolidated financial position of Lojas Renner S.A. as of December 31, 2019, the individual and consolidated performance of its operations and its individual and consolidated cash flows for the year then ended, in conformity with accounting practices adopted in Brazil and International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board (IASB).

BASIS FOR OPINION

Our audit was conducted in accordance with Brazilian and international auditing standards. Our responsibilities under those standards are further described in the following section denominated "Auditors' Responsibilities for the Audit of the Individual and Consolidated Financial Statements". We are independent in relation to the Company and its subsidiaries, in accordance with the relevant ethical principles provided for in the Accountant's Code of Professional Ethics and in professional standards issued by the Federal Accounting Council, and we comply with other ethical responsibilities according to these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

The key audit matters are those who, in our professional judgment, were the most significant in our audit of current year. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and, therefore, we do not express a separate opinion on these matters.

Provisions, contingent liabilities and assets - tax, labor and civil - Parent Company and Consolidated

See Note 22 to the individual and consolidated financial statements

Key audit matters

As described in note 22 to the financial statements, the Company and its subsidiaries are party to tax (specially related to use of tax credits), labor and civil lawsuits and administrative processes in course before courts and governmental agencies, derived from the normal course of its business.

The recognition, measurement and disclosure of provisions and contingent assets and liabilities require judgments by the Company and its legal advisors, mainly due to the fact that certain legal rules on taxes, labor, or civil matters, as well as their respective interpretation and application, may not be sufficiently clear for certain transactions or circumstances.

Changes in the assumptions used by the Company to exercise such judgments, or changes in external conditions (including the positioning of tax, labor and civil authorities) can significantly impact the disclosures and amounts of provisions recognized or to be recognized in the individual and consolidated financial statements.

Due to the relevance and judgment involved in such assessments, as well as the impact of changes in the assumptions and positioning of the tax authorities, we consider this matter relevant to our audit.

How our audit addressed this matter

Our audit procedures included, among others, the assessment of accounting policies adopted by the Company for classification of lawsuits and administrative proceedings, including the assessment of assumptions used in measurement of amounts to be recorded as provision for tax, civil and labor risks and the proper and consistent application of such judgment for all periods presented. We have analyzed the recognized provisions and the disclosed amounts of contingent assets and liabilities, taking into account the assessments prepared by the Company's internal and external legal advisors and the comparison with existing case law for significant cases. We have obtained evidence on the risk of losses considered by the Company in the main proceedings, claims and tax positions adopted, including the existing documentation, opinions and legal opinions prepared by internal and external tax/legal advisors, and obtained external confirmations of the Company's advisors on the current stage and classification of risks involving the most significant cases. We also evaluated the adequacy of the Company's disclosures regarding lawsuits provisioned and classified as possible loss and contingent assets considered as probable gain. As a result of evidences obtained through above-summarized procedures, we consider that balances of provision and disclosures of contingent assets and liabilities are acceptable in the context of consolidated financial statements of the parent company and consolidated, taken as a whole.

Adoption of CPC 06 (R2) - Parent Company and Consolidated

See Note 5.1 to the individual and consolidated financial statements

Key audit matters

As described in Note 5.1 to the Financial Statements, CPC 06 (R2) - Leases (IFRS 16 - Leases) went into effect starting on January 01, 2019. This standard specifies how an entity should recognize, measure, report and disclose its lease agreements, promoting a single accounting model for leases that requires the recognition of assets in use and lease liabilities for all lease contracts, except for short-term leases or those of which the underlying asset is of low value.

Due to the high degree of judgment necessary to determine such amounts, including the determination of the discount rate, the high volume of transactions evaluated in the transition, the application of a new accounting practice, and the financial impact of any changes in the data, criteria, and assumptions associated with the judgments adopted by the Company, we consider this subject to be a key audit matter.

How our audit addressed this matter

Our audit procedures included, among others, an understanding of the design of internal controls implemented by management with regard to the main assumptions and criteria and to mathematical precision, in addition to accounting recognition of the effects of applying the new standard.

Our audit procedures also included:

- evaluation of the criteria for the term of the lease, the discount rate, and consideration, and the policies used by the Company for the application of the new accounting practice and practical procedures applied, as well as verification of the extent to which the Company's lease contracts comply with the scope of the standard;
- evaluation of the assumptions used by the Company, by assessing the adaptation of the lease flows. With the assistance of our specialists, we also verified the reasonableness of the discount rates used;
- through sampling, we tested the reasonableness of the criteria adopted by the Company, mentioned above, considering information from the original contract and respective amendments, in addition to recalculating the amount measured by the Company.
- we analyzed whether the disclosures made in the individual and consolidated financial statements were sufficient in relation to the requirements established in the standard and guidelines issued by Brazil's Securities and Exchange Commission (CVM).
- we recalculated and examined the possible quantitative and qualitative impacts on the financial statements as a whole, were the Company to apply a different accounting policy regarding the discount rate used on future lease payment flows, as well as the possible effects of such change on the analyses and judgments of the main financial statement users. As a result of the evidence obtained through the procedures summarized above, we identified differences the effects of which – resulting from the application of the accounting policy developed by management that considers applying a real incremental rate to the detriment of the nominal rate – do not result in any relevant distortion in the context of the consolidated financial statements taken as a whole.

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**Assessment of goodwill impairment – Consolidated**

See notes 15.4, 15.5 and 16 to individual and consolidated financial statements

Key audit matters

As described in the notes 15.4, 15.5 and 16 to the financial statements, the consolidated assets of the Company as of December 31, 2019 included goodwill of R\$ 116,679,000 generated by the acquisition of equity control of Maxmix Comercial Ltda. ("Camicado") on April 30, 2011, whose recoverable value must be reviewed at least annually. The assessment and the consequent need of forming or not forming an impairment loss is supported by estimates of future profitability based on the business plan and budget prepared by the Company and approved in its governance levels.

Due to uncertainties inherent in the process of determining future cash flow estimates discounted to present value, including the impact that any changes in the assumptions regarding discount rates and sales growth in the projection period and in perpetuity could generate in the amounts recorded in the consolidated financial statements, we consider this matter material for our audit.

How our audit addressed this matter

Our audit procedures included, among others, the evaluation of assumptions used by Management related to the preparation and review of the business plan, budgets and impairment analysis provided by the Company. With the help of our corporate finance experts, we have analyzed the significant assumptions and methodologies used by the Company, including the discount rates and sales growth in the projection period and in perpetuity, and assessed the consistency of calculations by comparing them with available market information, with the actual performance, and with previous projections. We have also carried out an independent sensitivity analysis to identify situations in which the discounted cash flows of each cash generating unit (CGU) would result in recoverable amounts equal to or lower than their book values. We also evaluated the adequacy of disclosures required in the consolidated financial statements.

Based on evidences obtained through above-summarized procedures, we consider the measurement of recoverable value for goodwill impairment evaluation purposes as acceptable in the context of consolidated financial statements taken as a whole.

OTHER MATTERS - STATEMENTS OF ADDED VALUE

The individual and consolidated statements of added value (DVA) for the year ended December 31, 2019, prepared under the responsibility of the Company's management, and presented herein as supplementary information for IFRS purposes, have been subject to audit procedures jointly performed with the audit of the Company's financial statements. In order to form our opinion, we evaluated whether those statements are reconciled with the financial statements and accounting records, as applicable, and whether their format and contents are in accordance with criteria determined in the Technical Pronouncement CPC 09 - Statement of Added Value. In our opinion, the statements of value added have been fairly prepared, in all material respects, in accordance with the criteria determined by the aforementioned Technical Pronouncement, and are consistent with the overall individual and consolidated financial statements.

OTHER INFORMATION ACCOMPANYING INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS AND THE AUDITORS' REPORT

Management is responsible for the other information comprising the management report.

Our opinion on the individual and consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the individual and consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other

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information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND GOVERNANCE FOR THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with Accounting Practices Adopted in Brazil and with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as going concern, disclosing, when applicable, the matters related to its going concern, and the use of this accounting basis in the preparation of the financial statements, unless the management intends to liquidate the Company and its subsidiaries, or cease their operations, or do not have any realistic alternative to avoid the discontinuance of operations.

Those charged with governance of the Company and its subsidiaries are the people responsible for overseeing the process of preparation of the financial statements.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance that the individual and consolidated financial statements, taken as a whole, are free from material misstatements, regardless of whether any such misstatement is caused by fraud or error, and issue an audit report containing our opinion. Reasonable assurance is a high level of assurance, but not a guarantee that the audit conducted pursuant to Brazilian and international auditing standards will always detect any existing material misstatements. Misstatements may arise from fraud or error, and are considered material when, individually or in aggregate, may influence, from a reasonable perspective, the economic decisions of users taken based on such financial statements.

As part of an audit conducted according to the Brazilian and international auditing standards, we exercise professional judgment, and maintain professional skepticism during the audit. Moreover:

We identified and assessed the risks of material misstatement in the individual and consolidated financial statements, whether caused by fraud or error, we planned and performed audit procedures in response to such risks, and we obtained proper and sufficient audit evidence to support our opinion. The risk of not detecting material misstatement resulting from fraud is higher than that arising from error, once the fraud may involve the act of dodging the internal controls, collusion, falsification, omission or false intentional representations.

We obtained an understanding of the internal controls relevant to the audit to plan the audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal controls of the Company and its subsidiaries.

We assessed the suitability of the accounting policies used and the reasonableness of the accounting estimates and respective disclosures made by Management.

We reached a conclusion as to the suitability of Management's use of the accounting basis for going concern and, based on the audit evidence obtained, as to whether there is a material uncertainty regarding events or conditions that could raise a significant doubt regarding the Company's and its subsidiaries' capacity for going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and subsidiaries to cease to continue as a going concern.

We assessed the overall presentation, structure and content of financial statements, including disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a

manner consistent with the objective of fair presentation.

We obtained appropriate and sufficient audit evidence regarding the financial information of the entities or business activities of the group to express an opinion on the individual and consolidated financial statements. We are responsible for the management, oversight and performance of audit of the group, and, consequently, the audit opinion.

We communicated with the ones responsible for governance with respect to, among other aspects, the planned scope, time of the audit and significant audit findings, including possible material weaknesses in internal controls identified by us during our work.

We also provide those charged with governance with a statement that we complied with relevant ethical requirements, including the applicable requirements of independence, and communicate all potential relationships or matters that could materially affect our independence, including, where applicable, the related safeguards.

Out of matters that were communicated to people responsible for governance, we determined those that were considered as the most significant in the audit of financial statements for current year and that, accordingly, comprise the key audit matters. We describe these matters in our audit report, unless a law or regulation has prohibited the public disclosure of the issue, or when, under extremely rare circumstances, we determine that the issue shall not be reported in our report, because the adverse consequences from such report may, from a reasonable perspective, exceed the benefits from the report for public interest.

Porto Alegre, February 05, 2020

KPMG Auditores Independentes

CRC SP-014428/F-7

(Original report in Portuguese signed by)

Cristiano Jardim Seguecio

Accountant CRC SP-244525/O-9 T-RS

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OPINION OF THE FISCAL COUNCIL

Subject to compliance with the legal and statutory provisions, in accordance with Article 163 of Law 6404/76, the Fiscal Council of Lojas Renner has examined the Management Report, the Financial Statements and the Earnings Dividends Distribution Proposal for the fiscal year ending December 31, 2019. Based on the examination carried out and further considering the report without qualification of the independent auditors – KPMG Auditores Independentes dated February 05, 2020, as well as the information and clarifications received during the course of the fiscal year, the Council is of the unanimous opinion that the said documents are suitable for submission to the Annual General Meeting of Shareholders.

Porto Alegre, February 05, 2020.

Joarez José Piccinini

Ricardo Zaffari Grechi

José Eduardo Moreira Bergo

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**MANAGEMENT PROPOSAL FOR CAPITAL EXPENDITURES BUDGET**

The following table presents the Company's capital expenditures budget for year 2020, pursuant to Normative Instruction 480/09, published by the CVM – Brazilian Securities and Exchange Commission on December 7 2009.

Given that the budget consists of forecasts and business prospects, such involve risks, uncertainties and assumptions, the application of resources depends on circumstances that may or may not occur.

General economic conditions, prevailing industrial conditions and other operational factors may affect the amounts forecasted for allocation in fixed assets and working capital.

In order to support the investments, forecast in the Company's expansion plan, Management is proposing the retention of 36.1% of the net income for year 2019 in amount of R\$ 397.0 million, on December 31 2019 totaling R\$ 447.7 million in the account of Reserve for Investments and Expansion.

Financing Sources	R\$ Million
Remaining balance profit reserves for investment and expansion - after SSM de 04/30/2019	50.7
Constitution for profit reserve for investment and expansion – 2019	397.0
Retained profits in reserve for investment and expansion 12/31/2019	447.7
Capital Expenditure Budget – Investment of Resources	2020 Forecast
Investments in Fixed Assets	(758.3)
New Stores	(191.0)
Remodeling and Upgrading	(82.7)
IT Systems and Equipment	(235.8)
Logistics	(248.5)
Others	(0.3)
Investments in Subsidiaries	(151.7)
Total Investments in Fixed Capital	(910.0)
Investments in Working Capital	(255.0)
Total Investment of Resources - 2020 Forecast	(1,165.0)

The Company's Management believes as necessary the maintenance of the Earnings Reserve for Investment and Expansion at current levels, including the retained earnings reported for the year 2019, which will be added to operating cash generation for the year 2019 to support the expansion plan to be implemented in the current year.

Porto Alegre, February 5, 2020.

BOARD OF DIRECTORS

José Galló
Chairman

Oswaldo Burgos Schirmer
Vice Chairman

Carlos Fernando Couto de Oliveira Souto
Board Member

Fábio de Barros Pinheiro
Board Member

Alexandre Vartuli Gouvea
Board Member

Christiane Almeida Edington
Board Member

Thomas Bier Herrmann
Board Member

Juliana Rozenbaum Munemori
Board Member

EXECUTIVE OFFICERS

Fabio Adegas Faccio
Chief Executive Officer and Interim Chief
Information Officer

Laurence Beltrão Gomes
Chief Financial Officer and Investor
Relations Officer

Clarice Martins Costa
Chief Human Resources Officer

Fabiana Silva Taccola
Chief Operating Officer

Henry Costa
Chief Product Officer

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STATEMENT FROM THE BOARD OF EXECUTIVE OFFICERS ON THE FINANCIAL STATEMENTS

Pursuant to subsection VI, Article 25 of CVM Instruction 480 of December 7, 2009, the Board of Executive Officers states that it has reviewed, discussed and agreed the Company's Financial Statements for the fiscal year 2019, authorizing their conclusion as of this date.

Porto Alegre, February 5, 2020.

EXECUTIVE OFFICERS

Fabio Adegas Faccio

Chief Executive Officer and interim Technology and Business
Management Officer

Laurence Beltrão Gomes

Chief Financial Officer and Investor Relations Officer

Fabiana Silva Taccola

Chief Operating Officer

Clarice Martins Costa

Chief Human Resources Officer

Henry Costa

Chief Product Officer

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STATEMENT OF THE BOARD OF EXECUTIVE OFFICERS ON THE REPORT OF THE INDEPENDENT AUDITORS

In conformity with sub-item V, article 25 of CVM Instruction 480 of December 7, 2009, the Board of Executive Officers declares that it has reviewed and discussed the content and opinion expressed in the report of the Independent Auditors on the Company's Financial Statements for year 2019, issued on this date.

The Board of Executive Officers declares that it agrees with the content and opinion expressed in the said report of the Independent Auditors on the Company's Financial Statements.

Porto Alegre, February 5, 2020.

EXECUTIVE OFFICERS

Fabio Adegas Faccio

Chief Executive Officer and interim Technology and Business

Management Officer

Laurence Beltrão Gomes

Chief Financial Officer and Investor Relations Officer

Fabiana Silva Taccola

Chief Operating Officer

Clarice Martins Costa

Chief Human Resources Officer

Henry Costa

Chief Product Officer