

MATERIAL FACT

4Q18 AND 2018 SALES PERFORMANCE

CIA. HERING (B3: HGTX3) announces to its shareholders and the general market preview information on the 4Q18 and 2018 sales performance.

HIGHLIGHTS OF THE QUARTER

- 13.0% of SSS growth in the Hering Store network
- Sales growth (sell-out) of 13.1% and 27.4% in Own Stores and E-Commerce, respectively
- Deceleration in sell-in sales aiming at balance and sustainability of operations
- Net opening of 3 stores during the quarter, despite the reduction of stores in the last 12 months
- Refurbishment intensification in the Hering Store network (25 refurbished stores in the quarter)
- New store format opening - Hering Basic Shop and 2 Hering Experience concept stores
- Pilot completed with 7 franchised stores (Omni project) with roll-out planned for the network throughout 2019

4Q18 AND 2018 SALES PERFORMANCE PREVIEW (unaudited figures)

Cia. Hering's gross revenue reached R\$ 530.3 million, 1.4% lower than 4Q17, influenced by the sell-in performance, with a positive highlight for the final consumer sales performance and Same Store Sales.

Own stores sales increased 13.1%, driven by check-out resumption and higher sales productivity. Sales for franchises (sell-in) declined 2.5%, despite the positive sales performance to final costumers (sell-out). It is worth mentioning that the performance difference between sell-in and sell-out revenues is due to the evolution of the incentive structure, since from the High Summer collection the recommendations for purchases for franchisees are now defined based on the sell-out carried out in the previous year instead of the sell-in, in order to maintain operations' sustainability and preserve the network health by sizing its inventories versus the sales made to the final consumer. In addition, the franchise pilot related to the Omnichannel project was completed in 7 franchised stores, with the roll-out planned for the entire network throughout 2019.

Sales of the multibrand channel declined 7.8% in the quarter, mainly due to the lower average order, despite the greater customers activation in the period. This decrease is influenced by sales reduction of balances and better leftovers management. In the e-commerce channel stands out the 27.4% growth, driven by an increased flow on the platforms, strengthening of marketing investments and the Black Friday performance, in which the company reached record sales in all brands over 12 days of campaign. The external market decreased by 25.4%, mainly related to the shift in sales between quarters.

In 2018, gross revenue totaled R\$ 1,806.8 million, a 1.9% decrease over the previous year, impacted mainly by extraordinary events during the second quarter of the year, such as (i) truck strike, which impacted the supply of multibrand and franchises channels; (ii) flow reduction in stores on days of games in Brazil at the World Cup; (iii) besides to higher temperatures in winter, harming sales of cold collection.

Gross Revenues - R\$ thous.	4Q18	4Q17	Change 4Q18 / 4Q17	12M18	12M17	Change 12M18 / 12M17
Gross Revenue	530,256	537,596	-1.4%	1,806,814	1,841,642	-1.9%
Domestic Market	519,394	523,043	-0.7%	1,757,183	1,791,367	-1.9%
Foreign Market	10,862	14,553	-25.4%	49,631	50,275	-1.3%
Domestic Market Gross Revenue	519,394	523,043	-0.7%	1,757,183	1,791,367	-1.9%
Hering	402,538	398,231	1.1%	1,319,306	1,321,317	-0.2%
Hering Kids	63,102	63,152	-0.1%	230,231	243,537	-5.5%
PUC	29,593	32,037	-7.6%	105,437	120,065	-12.2%
DZARM.	16,708	19,102	-12.5%	73,241	71,495	2.4%
Other ¹	7,453	10,521	-29.2%	28,968	34,953	-17.1%

Channels sale - internal market	4Q18	4Q17	Change 4Q18 / 4Q17	12M18	12M17	Change 12M18 / 12M17
Multibrand	176,938	191,915	-7.8%	736,794	781,216	-5.7%
Franchise	192,635	197,566	-2.5%	619,514	632,470	-2.0%
Owned Stores	133,283	117,878	13.1%	344,580	320,434	7.5%
Webstore	14,438	11,336	27.4%	48,950	44,801	9.3%
Other ¹	2,100	4,348	-51.7%	7,345	12,446	-41.0%
Total	519,394	523,043	-0.7%	1,757,183	1,791,367	-1.9%

HERING STORE NETWORK (unaudited data)

Total sales in the fourth quarter of 2018 of the Hering Store network (sell-out), grew 9.6% compared to 4Q17, influenced by check-outs resumption and higher sales productivity.

Same Store Sales, which considered comparable stores open for at least 13 months, increased by 13.0% compared to 4Q17, as a result of higher check-outs and an increase in the average ticket. The 4Q18 stores operation, had a better supply quality, active management in the points of sale, greater collection assertiveness and marketing campaign intensification focused on strengthening the brand attributes and attract consumers to the stores.

Hering Store sales totaled R\$ 1,397.0 million in 2018, 2.4% higher compared to the previous year, while same-store sales grew 5.3% in the same period.

The implementation pace of the **new refurbishment model** was intensified in 4Q18, which has contributed to improving store productivity through better product exposure, focus on visual merchandising, and improved shopping experience. 46 stores were renovated throughout 2018. The inauguration of the **Hering Experience** concept stores in Morumbi Shopping and Shopping Center Norte stands out, offering a unique and interactive experience with the consumer and adherence to the Omnicanality concept. In addition, in December 2018, the Company opened a new store format named **Hering Basic Shop**, whose assortment consists exclusively of high turnover basic items, as well as low investment and ease of operation.

Hering Store Chain Performance ¹	4Q18	4Q17	Chg. 4Q18 / 4Q17	2018	2017	Var. 2018/2017
Number of Stores	579	610	-5.1%	579	610	-5.1%
Franchise	527	553	-4.7%	527	553	-4.7%
Owned	52	57	-8.8%	52	57	-8.8%
Sales (R\$ thousand)	529,697	483,264	9.6%	1,397,044	1,364,861	2.4%
Franchise	430,670	396,089	8.7%	1,396,794	1,133,973	23.2%
Owned	99,027	87,175	13.6%	249,885	230,888	8.2%
Sales Area (sq. meter)	77,796	83,003	-6.3%	77,796	83,003	-6.3%
Sales (R\$ per sq. meter)	6,809	5,822	16.9%	17,958	16,443	9.2%
Check-Outs	3,575,568	3,433,584	4.1%	9,820,403	10,044,184	-2.2%
Items	8,174,025	7,796,172	4.8%	21,849,255	21,670,133	0.8%
Items per Check-Out	2.29	2.27	0.9%	2.22	2.16	2.8%
Average Sales Price (R\$)	64.80	61.99	4.5%	63.94	62.98	1.5%
Average Sales Ticket (R\$)	148.14	140.75	5.3%	142.26	135.89	4.7%
Same Store Sales - without webstore	12.7%	-1.2%	1390 bp	5.1%	-0.9%	600 bp
Same Store Sales - with webstore	13.0%	-1.4%	1440 bp	5.3%	-0.7%	600 bp

⁽¹⁾ The amounts referred to the sales to final customers ('sell out'). Does not consider outlet and webstore sales. Hybrid stores were no longer accounted as Hering Kids in 3Q18. They were incorporated into the Hering Store.

¹ It considers selling of second-line items and leftovers.

Cia.Hering

STORE NETWORK

The Company closed the year with 761 stores, of which 741 in Brazil and 20 in the international market. In the year 28 stores were opened and 66 units were closed, including 4 own stores, mainly of the Hering brand. Hering Kids had its network reduced in 1 store, while PUC, in process of reorganization, closed 10 points of sales. DZARM, which is still undergoing maturation of its single-channel distribution channel, remained with the same stores it owned at the end of 2017. It is worth mentioning the inauguration of 3 new Espaço Hering in addition to the first Hering Basic Shop franchise, mentioned above.

Number of Stores	2018	2017
TOTAL	761	799
Brazil	741	779
Hering Store	579	610
Owned*	52	57
Franchised	527	553
Hering Kids	103	104
Owned**	13	13
Franchised	90	91
PUC	46	56
Owned	10	9
Franchised	36	47
DZARM.	2	2
Owned	2	2
Espaço Hering	10	7
Hering Basic Shop	1	0
Owned	0	0
Franchised	1	0
International Market - Franchises	20	20

* Does not consider Espaço Hering.

** Hybrid stores were no longer accounted as Hering Kids in 3Q18 and were incorporated into the Hering Store.

Blumenau, January 15th 2019.

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