Cia.Hering

EARNINGS Release 1Q19

Cia.Hering

Hering   DZARM

Hering KIDS   PUC

Blumenau, April 25th, 2019. Cia. Hering (B3: HGTX3), one of the largest retail and apparel designer and manufacturer in Brazil, announces the results of the first quarter of 2019 (1Q19). The Company information, unless otherwise indicated, is based on consolidated figures in thousands of Reais, according to International Accounting Standards (IFRS). All comparisons refer to the same period of 2018 (1Q18), except when otherwise indicated.

HIGHLIGHTS OF THE QUARTER

- Expansion of Same Store Sales by 11.5% in the Hering Store network;
- Gross revenue reached R$ 438 million, up 7.9% vs. 1Q18;
- Gross profit totaled R$ 162 million with a 15.8% increase vs. 1Q18 and a 260 bp increase in gross margin;
- EBITDA[1] totaled R$ 50.2 million, up 10.8% vs. 1Q18 and expansion of 203 bp in the EBITDA margin (before adoption to IFRS16);
- Net income[2] was R$ 47.3 million up 37.8% vs. 1Q18 (before adoption to IFRS16);
- Increase of 240bp in ROIC, reaching the level of 23.3%.

[1] EBITDA before adjustments to changes in IFRS 16 / CPC 06 (R2) (see reconciliation table – page 9). EBITDA under IFRS16 adjustments was positively impacted by R$ 6,860 thousand, totaling R$ 57,034 thousand.
[2] Net income before changes in IFRS16 / CPC 06 (R2) (see reconciliation table – page 9). Net income under IFRS 16 was negatively impacted by R$ 589 thousand, totaling R$ 46,685 thousand.

MANAGEMENT MESSAGE

As a network that dreams, believes and realizes, we remain focused and optimistic about the implementation of the strategic priorities that were set for the growth cycle of the triennium (2019-2021). We advanced in our initiatives to increase the knowledge of our consumers, to provide the best purchase experience, to increase the desire of our brands, to innovate our production matrix, in addition to engage and strengthen the business network, having as main enablers the Company´s cultural and digital transformation.

The first quarter of 2019 was marked by consistent results, delivering 7.9% revenue growth, same-store sales growth of 11.5%, and gross margin expansion at 263 bps, in addition to a growth of 10.8% of EBITDA[1] (before adoption to IFRS16).

We have advanced in our Omnichannel project, which places the Company at the forefront of the development of this business model. Since the end of last year, we have broken the barrier between physical and online retail with 3 modalities "Pick up", "Showrooming" e "Ship from/to" in 100% of our owned stores. In 1Q19 we expanded this integration to 103 franchises stores, with the expectation of extending this connection to 100% of the network by the end of this year. We highlight the modality Showrooming, which already represents in some stores 5% of sales (incremental sale). This tool guarantees the improvement of the shopping experience through the mobile checkout and the reduction of ruptures, as well as the increase of efficiency in the internal management of the store with real-time inventory control and inquiries.

In 1Q19 we completed the construction of the infrastructure of our CRM platform. In this way,

throughout 2019, we will strengthen the relationship with our consumers in a personalized and automated way, using artificial intelligence.

We continue focused in our core business strengthening our basic lifestyle to increase the desire of our brands, offering products and services with differentiated quality highlighting the jeans, protagonist category associated to the more recent trends of comfort and function. In 1Q19, we keeping investing in marketing. In this way, we built a marketing strategy beyond traditional media and worked on commercial actions adapted to the attributes of the target audience with a coherent and efficient message. We had an important quarter for the Hering brand, with several actions focused on dialogue with the young public and build brand memories. In February we released the capsule collection "That's How I'm Going to Carnival", we also sponsored the "Camarote Salvador" in Bahia and some many street group carnivals in São Paulo.

With an original, Brazilian and democratic essence, we launched the collab "The Basics that is Original from Brazil" exclusive from Hering and Guarana Antártica. In March was the turn for the partnership with the fashionable digital influencer, Camila Coutinho. In the quarter, the Hering brand had an 11.6% increase in sales compared to 1Q18.

We revised our production development model, which brings more velocity and assertive to our collections. This review guarantees the assortment and availability in the basic and perennial products, maintaining focus on our key categories and reduction of the "time to market" of fashion articles, also allowing the increase in the launches 'frequency. We highlight the cost efficiency with the new architecture of the showroom model, events of merchandising planning and extinction of showcase and catalogues.

We remain focused on engaging and strengthening our business network. We prioritize the correct stores' assortment and the increase of automatic replenishment items - that currently represent 30% of the Company's sales –We aligned the purchase recommendation for franchisees. In 1Q19, approximately 92% adhesion, aiming to improve the sell-through, increasing sales quality, thereby increasing the profitability of the network. The result of these initiatives can be seen with the substantial improvement of sell-in in 1Q19 and growth of 14.8% in relation to 1Q18.

Our multibrand channel undergoes a remodeling. The changes go through resignification of the roles in organizational structure, new strategy "go to market" and the evolution of the business relationship model. The goal of the restructuring is to give the right incentives to multibrand clients, strengthen the sell-out vision through a loyalty program, expand the tools of trade marketing and raise the level of service. The first implementation package including the initiatives above was implemented in the summer showroom in April.

Additionally, we continue advancing in our channel digitalization strategy with our B2B platform (Portal Conecta). Through this portal we narrow our relationships with the 11,000 multi-brand and franchised customers beyond the sale, improving our productivity, expanding services with customization of offers and purchase recommendation. Currently, 100% of the commercial representatives and approximately 35% of the multibrand clients base have already traded through the platform.

Finally, we seek to strengthen our entrepreneurial culture, risk encouragement through our network of employees engaged and aligned in a common goal to put the consumer in the center.

CONSOLIDATED HIGHLIGHTS

R$ Thousand	1Q19	1Q18	VAR. 1Q19 | 1Q18
Gross Revenue	**437,858**	**405,907**	**7.9%**
Domestic Market	427,922	395,086	8.3%
Foreign Market	9,936	10,821	-8.2%
Net Revenue	**373,937**	**343,803**	**8.8%**
Gross Profit	**162,375**	**140,194**	**15.8%**
Gross Margin	*43.4%*	*40.8%*	*265 b.p.*
Net Income	**46,685**	**34,313**	**36.1%**
Net Margin	*12.5%*	*10.0%*	*250 b.p.*
EBITDA	**57,034**	**45,299**	**25.9%**
EBITDA Margin	*15.3%*	*13.2%*	*210 b.p.*
ROIC (a)	**23.3%**	**20.9%**	**240 b.p.**
SSS (Hering Store + webstore)	**11.5%**	**1.6%**	**990 b.p**

Values in the above table include the effects of IFRS16 (see reconciliation table – page 9)

(a) Last 12 months.

SALES PERFORMANCE

Gross Revenue - R$ Thousand	1Q19	1Q18	VAR. 1Q19 | 1Q18
Gross Revenue	**437,858**	**405,907**	**7.9%**
Domestic Market	427,922	395,086	8.3%
Foreign Market	9,936	10,821	-8.2%
Domestic Market Gross Revenue	**427,922**	**395,086**	**8.3%**
Hering	327,132	293,049	11.6%
Hering Kids	53,690	54,497	-1.5%
PUC	22,468	23,276	-3.5%
Dzarm	18,214	17,358	4.9%
Others[1]	6,418	6,906	-7.1%

Domestic Market Share	1Q19	1Q18	VAR. 1Q19 | 1Q18
Multibrand	184,202	182,591	0.9%
Franchise	154,806	134,900	14.8%
Owned Stores	73,557	64,327	14.3%
Webstore	14,483	11,041	31.2%
Others[1]	874	2,227	-60.8%
Total	**427.922**	**395.086**	**8.3%**
Multibrand	43.0%	46.2%	-320 b.p.
Frachise	36.2%	34.1%	210 b.p.
Owned Stores	17.2%	16.3%	90 b.p.
Webstore	3.4%	2.8%	60 b.p.
Others[1]	0.2%	0.6%	-40 b.p.

[1] considers the sale of second line items and leftovers

Cia. Hering' gross revenue reached R$ 437.9 million, 7.9% higher than in 1Q18, influenced by the positive performance of all our channels.

The sales of stores operated by the Company, owned stores, totaled R$ 73.6 million, a 14.4% increase, helped by the increase in productivity per m², due to the higher number of attendances and the growth of the average ticket. It stands out the increase in the flow in stores influenced by the investments in marketing and improvement of the execution in the point of sale, as mentioned in the management message.

In the sell in concept (franchises and multi-brand sales), the Company sold the fall collections, the start of the winter collection, besides some capsules (mini collections). The planning in the first quarter collections is related to the calendar review, which brought improvements in the efficiency of the development and commercialization of products. In addition to the regular collections, we will launch throughout the year some insertions of capsules, improving the Company's suitability to consumer journey and consumer trends.

Franchises

Sales of channel franchises totaled R$ 154.8 million, up 14.8% over 1Q18, favored by the sales performance of the autumn showroom that took place in November and part of the volume invoice of the winter collection, despite the reduction in the number of stores. Stands out the high adherence to the recommendation of assortment by the franchised stores (92%), as well as the expansion of the automatic replenishment modality. The Company continues to seek to reduce the dispersion of network performance by strengthening its relationship through regional workshops and sharing good practices among franchisees. The evolution of the incentive structure carried out by the Company since 4Q18 combined with the assortment improved of the franchises resulted in the expansion of the gross margin, since there was a better sales quality even in clearance periods.

Multibrand

Sales of the multi-brand channel increased 0.9% in 1Q19, mainly due to the higher client's activation. In addition, the channel reported good performance of the Hering adult brand, highlighting the increase in the participation of fashion items in the period and reduction of the old collections sales.

Webstores

The e-commerce channel stands out the growth of 31.2%, driven by the increase of flow in the platforms and the strengthening of marketing investments. The increase in sessions and the decrease in the break rate also contributed to the result, since mobile conversion increased. This channel accounted for 3.4% of revenues with growth of 60 b.p. versus 1Q18.

Foreign Market

The foreign market contracted 8.2%, mainly due to adjustments in operations in Uruguay and the increase of local competitiveness.

DISTRUIBITION NETWORK

Cia. Hering has a hybrid distribution model that enables its products to reach the final consumer through 740 stores, 10,665 multi-brand retailers and 5 webstores.

Following our strategy of reorganizing the store network, maintaining high levels of performance and a healthy network, 22 stores were closed in 1Q19, of which 12 were Hering Store, 4 Hering Kids and 6 PUC, mostly operated by franchisees. In the period was inaugurated 1 Space Hering.

The Company continues to advance in the cycle of reforms initiated in 2018. The project includes important improvements, with more spaces for product exposition and greater flexibility to adjust the layout of the store. In total 52 stores were remodeled in this format and, combined with the best management practices, provide superior sales growth. As a result, the Company expects to remodel approximately 70 stores by September 2019, among its own and franchises.

Hering Store Network

Total sales in 1Q19 of the Hering Store ("sell-out"), grew by 8.2% compared to 1Q18, influenced by the resumption in the number of attendance (+ 4.4%) and higher sales productivity per m2 (+ 15.2%), despite the reduction of sales area (-6.1%).

The same-store sales, which considered comparable stores open for at least 13 months, grew by 11.5%, as a result of the increase in the number of attendances and an increase in the average ticket. The operation of the stores in 1Q19, had a better quality of supply, active management in points of sale, greater assertiveness of the collection and intensification of marketing campaign focused on strengthening the attributes of the brand and attract consumers to the stores.

ECONOMIC AND FINANCIAL PERFORMANCE

R$ Thousand	1Q19	Part. (%)	1Q18	Part. (%)	VAR. 1T19 | 1T18
Gross Revenue	**437,858**	**117.1%**	**405,907**	**118.1%**	**7.9%**
Sales Deduction	(63,921)	-17.1%	(62,104)	-18.1%	2.9%
Net Revenue	**373,937**	**100.0%**	**343,803**	**100.0%**	**8.8%**
Cost of Goods Sold	(213,001)	-57.0%	(205,027)	-59.6%	3.9%
AVP (Adjustment to Present Value)	5,212	1.4%	3,757	1.1%	38.7%
Subvention for Expenditure	4,486	1.2%	5,226	1.5%	-14.2%
Depreciation and Amortization	(8,259)	-2.2%	(7,565)	-2.2%	9.2%
Gross Profit	**162,375**	**43.4%**	**140,194**	**40.8%**	**15.8%**
Operating Expenses	(126,527)	-33.8%	(109,732)	-31.9%	15.3%
Selling Expenses	(81,693)	-21.8%	(82,042)	-23.9%	-0.4%
Loss due to non-recoverability of assets	(2,949)	-0.8%	(592)	-0.2%	398.1%
Administrative and General Exp. and Management Remuneration	(15,361)	-4.1%	(14,154)	-4.1%	8.5%
Depreciation and Amortization	(12,927)	-3.5%	(7,272)	-2.1%	77.8%
Profit Sharing	(4,700)	-1.3%	(583)	-0.2%	706.2%
Other Operating Income (Expenses), net	(8,897)	-2.4%	(5,089)	-1.5%	74.8%
Operating Income Before Financial Results	**35,848**	**9.6%**	**30,462**	**8.9%**	**17.7%**
Financial income	16,476	4.4%	15,697	4.6%	5.0%
Financial expenses	(9,515)	-2.5%	(7,235)	-2.1%	31.5%
Total Financial Income	6,961	1.9%	8,462	2.5%	-17.7%
Operating Income Before Interest in Subsidiaries	**42,809**	**11.4%**	**38,924**	**11.3%**	**10.0%**
Income and Social Contribution Taxes - Current	228	0.1%	441	0.1%	-48.3%
Income and Social Contribution Taxes - Deferred	3,648	1.0%	(5,052)	-1.5%	N.A
Net Income for the Period	**46,685**	**12.5%**	**34,313**	**10.0%**	**36.1%**
Controlling shareholders	46,685	12.5%	34,313	10.0%	36.1%
Basic earnings per share - R$					
Controlling shareholders	0,2887		0,2127		35.7%
EBITDA	**57,034**	**15.3%**	**45,299**	**13.2%**	**25.9%**

Values in the table include the effects of IFRS16 (see reconciliation table – page 9)

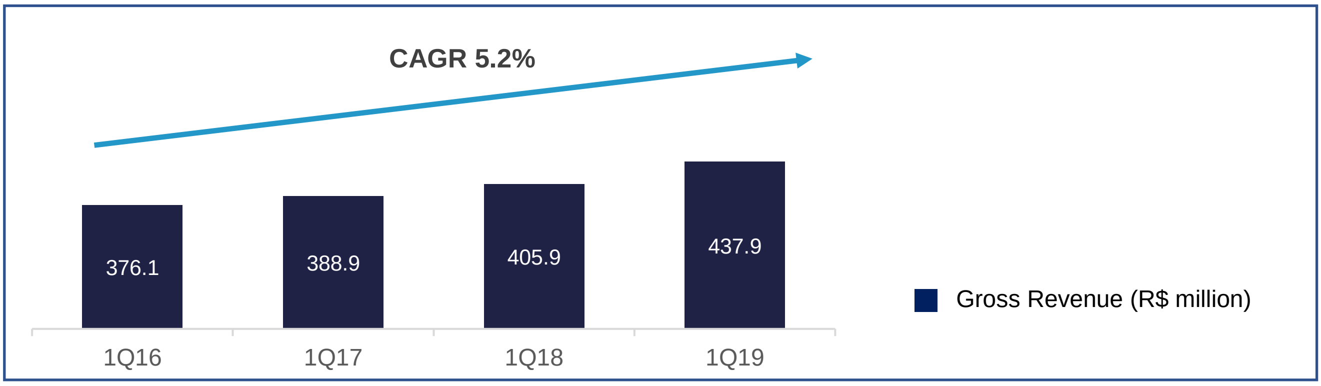
RECONCILIATION TABLE TO THE IFRS16 ON THE INCOME STATEMENT

R$ THOUSANDS	1Q9 Reported	IFRS16 Adjustments	1Q19 Pro-Forma
Net Revenue	**373,937**	**-**	**373,937**
Cost of Goods Sold	(213,001)	(858)	(213,859)
Depreciation on COGS	(8,259)	782	(7,477)
Selling Expenses	(81,693)	(5,655)	(87,348)
G&A. and Management Remuneration	(15,361)	(347)	(15,708)
Depreciation and Amortization	(12,927)	5,364	(7,563)
Financial Income*	6,961	1,302	8,263
Others Expenses / Costs and Taxes without IFRS16 impact	(2,972)	-	(2.972)
Net Income	**46.685**	**588**	**47.273**
EBITDA	**57.034**	**(6.860)**	**50.174**

* Financial Expenses in the ammout of R$8,526 thousand were impacted by the IFRS16 adoption by R$1,302 thousand.

GROSS REVENUE

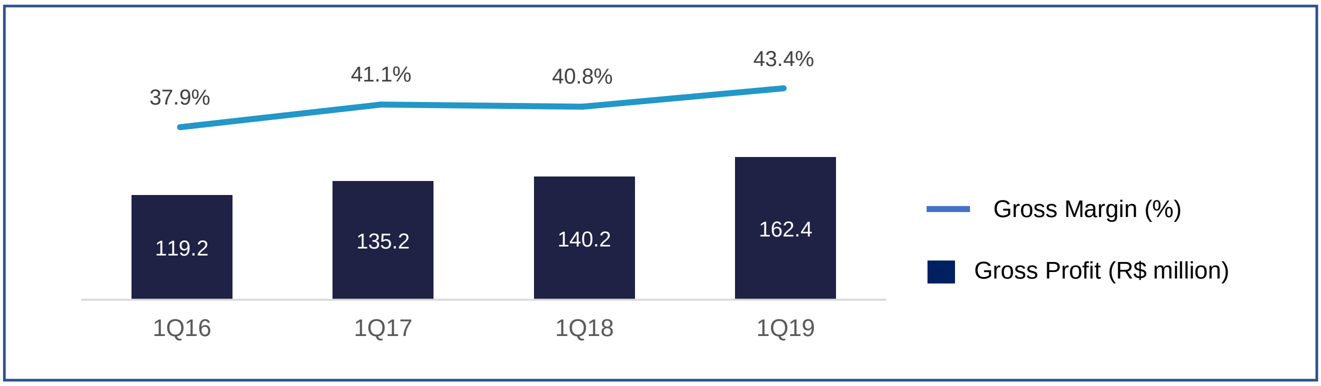
The Company's gross revenue reached R $ 437.9 million in the first quarter, an increase of 7.9% over 1Q18. The main factors driving this growth were highlighted in the sales performance section above.



GROSS PROFIT AND GROSS MARGIN

The Company's gross profit reached R$ 162.4 million in 1Q19, a 15.8% growth over 1Q18, as a consequence of the increase in revenue, influenced by the sell-in sales performance for all the Company's channels, as commented previously.

Highlights the gross margin growth in the quarter, which reached 43.4% expansion of 263bp in 1Q19. Among the main factors that contributed to this growth, the following stand out: (i) better sales mix with reduction of clearance sales; (ii) operational leverage generated by dilution and fixed cost management and (iii) higher plant productivity, among others.



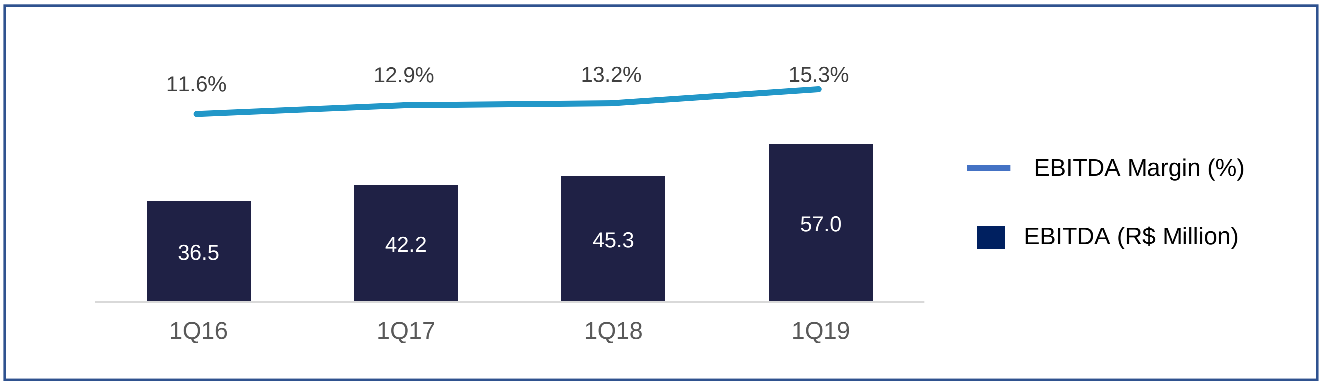
OPERATION EXPENSES

The Company remains committed to an austere expenditure management. In 1Q19, expenses were impacted by: (i) adjustments related to IFRS 16 (see reconciliation table – page 9) in the amount of R$ 0.6 million in 1Q19, (ii) provision of R$ 4.7 million referring to the 1Q19 profit sharing, (iii) other non-recurring gains accounted in 1Q18, such as the renegotiation of contracts with service providers in the amount of R$ 4.5 million and reversal of provision for recoverability of assets (PDD) in the amount of R$ 2.0 million.

Excluding the above effects, operating expenses would have grown by 5.9%, which would generate an operating leverage of 90bp. This growth is mainly explained by the increase in selling expenses, influenced by the good performance of the Company's revenues, which increased variable expenses, mainly related to the awards.

EBITDA AND EBITDA MARGIN

Earnings before interest, depreciation, amortization and taxes ('EBITDA') reached R $ 57.0 million, an increase of 25.9% in 1Q19, while EBITDA margin reached 15.3%, up 213 bp, mainly due to a better performance of gross profit, as mentioned in the previous section. Excluding the impact of IFRS16 (see reconciliation table – page 9), EBITDA would have totaled R$ 50.1 million, an expansion of 10.8% and an EBITDA margin of 13.4%, with an increase of 20 bp.

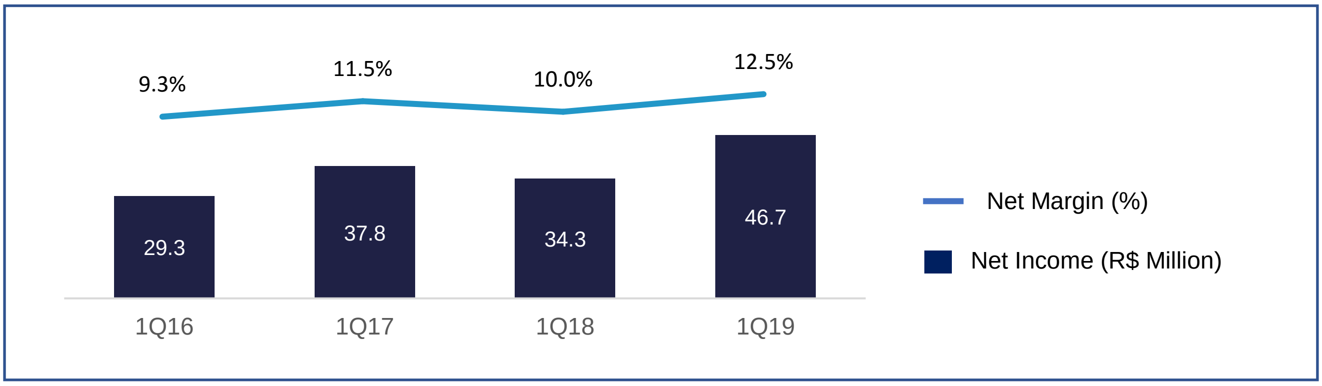


Reconciliation of EBITDA - R$ thousand	1Q19	1Q18	VAR. 1Q19 | 1Q18
Net Income	46,685	34,313	36.1%
(+) Income and Social Contribution Tax	(3,876)	4,611	N.A
(-) Net Financial Income	(6,961)	(8,462)	-17.7%
(+) Depreciation and Amortization	21,186	14,837	42.8%
(=) EBITDA	57,034	45,299	25.9%
EBITDA Margin	15.3%	13.2%	210 bp

NET INCOME AND NET MARGIN

Net income for the quarter totaled R $ 46.7 million, a 36.1% increase when compared to 1Q18, driven by the better operating income, as well as the lower effective income tax rate due to the deliberation of interest on shareholders' equity.

Excluding the impact of IFRS16 (see reconciliation table – page 9), net income totaled R$ 47.3 million, an increase of 37.8% when compared to 1Q18, negatively impacted by R$ 1.3 million in financial income.



INVESTMENTS

We continue to invest in different fronts and initiatives that support the company's new growth cycle. Investments in the quarter totaled R$ 9.3 million and were allocated to: (i) evolutions in the industrial park and automation of logistics processes; (ii) developments in the B2B sales portal and in other IT systems, and (iii) acquisition of new points of sales and expansion of store remodeling.

The allocation of resources was distributed as follows:

Investments (R$ Thousands)	1Q19	1Q18	VAR. 1Q19 | 1Q18
Industrial Plant	3,759	1,247	201.4%
IT	3,210	1,656	93.8%
Stores	2,059	245	740.4%
Others	245	-	-
Total	**9,274**	**3,184**	**191.3%**

CASH FLOW

In 1Q19, Cia. Hering generated R$ 72.0 million in free cash, R$ 20.7 million lower than in 1Q18, explained by the increase in working capital as a result of higher business growth. The cash conversion cycle reduced in 26 days due to the lengthening of deadlines with suppliers, in addition to the reduction of inventory levels.

Cash Flow - Consolidated (R$ thousand)	1Q19	1Q18	VAR. 1Q19 | 1Q18
EBITDA	**57,034**	**45,299**	**11,735**
No cash items	5,933	3,222	2,711
Lease Effect	(6,860)	-	-6,860
AVP (Adjustment to Present Value) - Clients and Suppliers	5,016	6,326	-1,310
Current Income tax and Social Contribution	228	441	-213
Working Capital Capex	**19,957**	**40,584**	**-20,627**
Accounts receivable from clients	42,297	57,519	-15,222
Inventories	(37,306)	(17,868)	-19,438
Accounts payable to suppliers	22,318	22,454	-136
Taxes payable	(10,961)	(10,153)	-808
Franchisee Financing - Refurbishment plan	(664)	2,923	-3,587
Others	4,273	(14,291)	18,564
CapEx	**(9,274)**	**(3,183)**	**-6,091**
Free Cash Flow	**72,034**	**92,689**	**-20,655**

RETURN ON CAPITAL INVESTED

In 1Q19, Cia. Hering's return on invested capital was 23.3%, up 240 bp from 1Q18, due to the improvement in the Company's operating results and control of the capital invested in the last 12 months.

Return on Invested Capital (ROIC) - R$ thousands	1Q19	1Q18	VAR. 1Q19 | 1Q18
EBITDA	271,291	263,992	2.8%
(-) Depretiation and Amortization	(67,947)	(61,714)	10.1%
(+) Amortization - Right of use properties [1]	5,083	7,182	-29.2%
(+) Financial Results - APV [2]	18,753	30,324	-38.2%
(+) IR&CS - Effective rate [3]	12,837	(17,008)	-175.5%
Operating Income	**240,018**	**222,776**	**7.7%**
Fixed Assets	422,285	420,069	0.5%
Accumulated amortization - Right of use properties	49,729	42,957	15.8%
Working capital	559,719	600,399	-6.8%
Average Invested Capital*	**1,031,732**	**1,063,425**	**-3.0%**
ROIC	**23.3%**	**20.9%**	**240 bp**

Notes to the financial statements: (1) Nr. 15; (2) Nr. 31; (3) Nr. 32
(*) Last 4 quarters average.

SHAREHOLDERS REMUNERATION

At the Meeting of the Board of Directors on March 27, 2019, the distribution of interest on shareholders' equity in the amount of R$ 22,993,877.77 million (R$ 0.1423 per share) was approved, based on the shareholding position of April 04, 2019. The company's shares will be traded "ex-dividends" from April 05, 2019 on and it will be paid on April 24, 2019.

BUYBACK PROGRAM

The program was approved on February 28, 2019 at the Meeting of the Board of Directors and authorizes the acquisition up to 1.5 million shares, corresponding to 1.20% of the total free float shares, effective until February 28, 2020.

OUTLOOK

The political and economic instability that the country faces leaves us cautious, but we remain confident about the 2019 year. We continue to focus on the execution of our strategic priorities related to the consumer, in addition to the continuous strengthening of our brands, products and distribution network.

The sales growth improvement and the maintenance of a balanced operation remain key factors for our results. We will continue to pursue productivity gains and Capex discipline to enable the necessary investments in the business, as well as boosting our sales performance and cash flow.

We remain focused on increasing the desire for our brands, strengthening our core business and accelerating marketing investments, as well as strengthening our entrepreneurial and retail culture. Our digital transformation front allows us to advance in the digitalization of our business, further strengthening the relationship with our network and the knowledge of our consumer.

We remain committed to invest in the necessary enablers and continue to strengthen our business towards sustainable development of the Company's results in the medium and long term.

BALANCE SHEET

ASSETS - R$ thousand	03/31/2019	12/31/2018
Current assets	**1,216,778**	**1,189,322**
Cash and cash equivalents	358,634	320,540
Trade accounts receivable	412,741	459,074
Inventories	357,966	320,142
Recoverable taxes	77,899	77,134
Other accounts receivable	7,592	10,767
Prepaid expenses	1,946	1,665
Noncurrent assets	**579,134**	**514,807**
Long-term receivables	99,948	97,783
Interest-earning bank deposits	4,887	4,830
Notes accounts receivable	15,593	17,923
Accounts receivable	9,869	8,782
Recoverable taxes	16,228	16,271
Deferred income and social contribution taxes	53,371	49,977
Right of use	81,181	-
Property, plant and equipment	301,141	305,695
Intangible assets	96,864	111,329
TOTAL ASSETS	**1,795,912**	**1,704,129**

LIABILITIES AND SHAREHOLDER'S EQUITY - R$ thousand	03/31/2019	12/31/2018
Current liabilities	**383,315**	**364,873**
Trade payables	230,227	207,909
Payroll and related taxes	48,343	42,584
Taxes and social security contributions payable	9,662	20,155
Other provisions	32,732	32,262
Interest on equity and dividends payable	23,740	40,726
Other accounts payable	11,927	17,499
Leases	22,790	-
Other liabilities	3,894	3,738
Noncurrent liabilities	**64,260**	**19,180**
Noncurrent liabilities	64,260	19,180
Provisions for contingencies	13,387	14,309
Employee Benefits	2,588	2,499
Leases	46,095	-
Other liabilities	2,190	2,372
Shareholder's equity	**1,348,337**	**1,320,076**
Capital	369,618	369,618
Capital reserve	37,209	35,982
Treasury shares	(3,702)	(6,372)
Earnings reserve	914,874	914,694
Valuation adjustments to equity	6,591	6,154
Retained earnings	23,747	-
Total liabilities and shareholder's equity	**1,795,912**	**1,704,129**

INCOME STATEMENT

R$ Thousand	1Q19	1Q18	VAR. 1Q19 | 1Q18
Revenues	**437,858**	**405,907**	**7.9%**
Domestic Market	427,922	395,086	8.3%
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Sales Deduction	(63,921)	(62,104)	2.9%
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Cost of Goods Sold	(211,562)	(203,609)	3.9%
Gross Profit	**162,375**	**140,194**	**15.8%**
Operating Expenses	(126,527)	(109,732)	15.3%
Selling Expenses	(81,693)	(82,042)	-0.4%
Loss due to non-recoverability of assets	(2,949)	(592)	398.1%
Management Remuneration	(2,364)	(2,339)	1.1%
Administrative and General Expenses	(12,997)	(11,815)	10.0%
Depreciation and Amortization	(21,186)	(14,837)	42.8%
(-) Allocated to Cost	8,259	7,565	9.2%
Profit Sharing	4,700	(583)	706.2%
Other Operating Income (Expenses), net	(8,897)	(5,089)	74.8%
Operating Income Before Financial Results	**35,848**	**30,462**	**17.7%**
Financial income	16,476	15,697	5.0%
Financial expenses	(9,515)	(7,235)	31.5%
Total Financial Income	6,961	8,462	-17.7%
Operating Income Before Interest in Subsidiaries	**42,809**	**38,924**	**10.0%**
Income and Social Contribution Taxes - Current	228	441	-48.3%
Income and Social Contribution Taxes - Deferred	3,648	(5,052)	N.A
Net Income for the Period	**46,685**	**34,313**	**36.1%**
Controlling shareholders	46,685	34,313	36.1%
Basic earnings per share - R$			
Controlling shareholders	0.2887	0.2127	35.7%
EBITDA	**57,034**	**45,299**	**25.9%**

CASH FLOW

R$ Thousand	1Q19	1Q18
Cash flow from operating activities		
Net income for the period	46,685	34,313
Deferred taxes	(3,648)	5,052
Unrealized exchange and monetary variation	(1,302)	669
Depreciation and amortization	21,186	14,837
Loss by reduction of recoverable amount from accounts receivable	2,949	592
Write-off of fixed assets	369	150
Stock option plan	1,227	1,657
(Reversal) net of formation of provision for adjustment to the realizable value of inventory	(518)	439
(Reversal) net of formation of provisions for contingencies	1,817	321
Employee Benefits	89	63
Assets and liabilities variation		
Trade accounts receivable	42,297	57,519
Inventories	(37,306)	(17,868)
Recoverable taxes	(722)	1,371
Other accounts receivable	5,224	7,904
Accounts payable to suppliers	22,318	22,454
Accounts payable and provisions	(893)	(20,642)
IRPJ e CSLL	(56)	(10)
Taxes payable	(10,905)	(10,143)
Interest paid on loans	-	(502)
Cash provided by operating activities	**91.415**	**98,176**
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,725)	(1,785)
Purchase of intangible	(2,489)	(1,398)
Purchase of rights use assets	(1,060)	-
Cash used in investing activities	**(9,274)**	**(3,184)**
Cash flows from financing activities		
Interest-earning bank deposits	(57)	(72)
Interest on equity and dividends	(39,980)	-
Disposal of shares in treasury, by exercise of call option	2,850	-
Lease payments	(6,860)	-
Cash used in financing activities	**(44,047)**	**(72)**
Increase (decrease) in cash and cash equivalents	**38,094**	**94,920**
Increase (decrease) in cash and cash equivalents	**38,094**	**94,920**
At beginning of period	**320,540**	**148,821**
At end of period	**358,634**	**243,741**

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CAPITAL MARKETS - March 31, 2019
HGTX3: R$ 29.75 per share
Market Cap: R$ 4.8 billion

CONFERENCE CALL
April 26, 2019 – 11am (Brasília) / 10am (NY)
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WEBCAST

Conference audio will be broadcast on the internet, with the slide show available at www.ciahering.com.br/ir

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