Cia.Hering

Earnings release 2q19

Cia.Hering

Hering · DZARM · Hering Kids · PUC

Blumenau, August 1st, 2019. Cia. Hering (B3: HGTX3), one of the largest retail and apparel designer and manufacturer in Brazil, announces the results of the second quarter of 2019 (2Q19). The Company information, unless otherwise indicated, is based on consolidated figures in thousands of reais, according to the International Accounting Standards (IFRS). All comparisons refer to the same period of 2018 (2Q18), except when otherwise indicated.

HIGHLIGHTS OF THE QUARTER

- SSS Growth of 1.7% in the Hering network[1].
- Gross revenue reached R$ 422.2 million, a 0.4% rise vs. 2Q18.
- Gross profit totaled R$ 156.4 million, expansion of 50 bp in gross margin vs. 2Q18.
- R$ 14.1 million growth in marketing investments and restructuring impact of R$ 8.3 million in 2Q19. Excluding these effects, the other operating expenses grew 1.4%.
- EBITDA[2] totaled R$ 39.1 million with a margin of 10.9% (before the adoption of IFRS16).
- Net income[3] hit R$ 41.2 million, a 28.1% decrease vs. 2Q18 (before the adoption of IFRS16).
- Increase of 50 bp in ROIC, reaching the level of 21.2%.
- Distribution of R$ 50.0 million in dividends to be paid on Sept. 05th, 2019.

[1] Given the consolidation of Hering and Hering Kids brands, which from 2Q19 started to be managed within the same business unit, the data were unified.
[2] EBITDA before adjustments to changes in IFRS 16 / CPC 06 (R2) (see reconciliation table – page 8). EBITDA under IFRS16 adjustments was positively impacted by R$ 6,860 thousand, totaling R$ 57,034 thousand.
[3] Net income before changes in IFRS16 / CPC 06 (R2) (see reconciliation table – page 8). Net income under IFRS 16 was negatively impacted by R$ 589 thousand, totaling R$ 46,685 thousand.

MESSAGE FROM MANAGEMENT

The second quarter was marked by higher than average temperatures and greater promotional activities, as well as a more challenging environment for apparel retailing. According to IBGE and Cielo data, 2Q19 showed sales slowdown and consumer confidence drop that negatively impacted business performance, especially on the Mother's Day commemorative date.

Despite a challenging short term, we remain convinced of our strategic choices, our ability to execute and absolutely confident in building a prosperous future for the Company.

At Cia. Hering, 2Q19 was marked by high performance dispersion and sales volatility. Despite the beginning of the quarter with SSS growth at levels similar to those of 1Q19, the deceleration from the second half of April onwards continued throughout May, mainly reflecting the climate effect in the South and Southeast regions, negatively influencing the result of the Company.

In this context, gross revenues increased 0.4% and same store sales rose 1.7%. It is important to highlight that despite the sales slowdown and the customer flow drop in the stores, the Company continues to expand its gross margin with an increase of 50 bp and remains focused on the execution of its strategic guidelines, investing in brand strengthening and the continuous pursuit of operational efficiency.

From the quarterly learning, we realized the importance of adapting the collections calendar of

the first semester and expanding our portfolio with new categories and different storytelling to minimize risks associated with seasonality. We reinforce our belief in our core business by emphasizing our basic proprietary style and enhancing our hybrid production matrix. We believe that attributes of quality, comfort and versatility are becoming more widespread in the consumer's way of dressing and associated with a modern and cool speech represent a powerful value proposition. In different spheres of society, the casual urban look predominates as a global trend and we can certainly appropriate from this movement.

In this quarter we strengthened our marketing investments to increase our brands' desire. For the Hering brand, our ambition is to be the basics that Brazil chooses every day.

We explored once again the rich Brazilian musical territory, and in April we launched the campaign "*Hering e Você. Você e Hering. Juntinhos*". The brand invited the Latin Grammy nominated singer-songwriter: IZA - our 2019 ambassador and star of the contemporary music scene. The artist also starred in the three phases of the campaign - Institutional, Mother's Day and Valentine's Day. In the media, we broadcasted through open and pay TV, urban furniture in the São Paulo city, Youtube, Facebook, Instagram, Spotify, Portals and Programmatic Media.

In children's brands, we had at PUC the launch of the Minnions pajamas collection, with the campaign "My favorite pajamas", with strong dissemination on social networks. Additionally during June, we promoted slime workshops at traditional June parties. At Hering Kids, we brought to *'Mês do Brincar*' a reinforcement promoting quality time between parents and children, which translated into a Buy & Win partnership with Estrela toys, reinforcing the brand's positioning to drive discoveries. from childhood, emotionally connecting the whole family. We also had the launch of the MOVE collection, where we invited young artists to promote a great street dance challenge wearing our collection inspired by the streetstyle and micro influencers to promote the main pieces of the collection within their favorite sport.

With the proposal to strengthen the jeans line, DZARM invited the actress Isis Valverde to interpret their versions of the original denim. The collab featured campaign and fashion film that were widely publicized in digital media. For Mother's Day, we have joined 2 brands of the Company: DZARM + PUC with the "Stay (mom) love" capsule collection, inspired by the relationship between mothers and daughters, and that proposed looks like "*Tal Mãe Tal Filha (o)*" so that the whole family could combine in tune.

We continue to focus on franchise network engagement, prioritizing the correct supply and better execution at the store level, always strengthening the sell-out vision, as since 4Q18 on, the goals are set based on the sell-out of the previous year, improving franchisees' profitability by raising sales quality and maintaining adequate inventory levels.

We understand that Multibrand channel faces challenges with a consumption and consumer confidence drop, as well as higher inventory levels, but we see great opportunities for the channel, which is being reinvigorated, including changes in the Go to Market journey with greater investment in the showroom buying experience, offering services and content for the development of business partners and evolution in the business relationship model with the consequent resignification of roles in the organizational structure. Additionally, in 2Q19, we piloted with our Qualified Retailers a new project to strengthen the commercial relationship, speed up and read the sell-out sales of these customers, which today already represent 30% of channel revenues and are 10% in number of customers. It is worth mentioning that the first package of measures which includes the simplification of our commercial policy based on a loyalty program that is calculated according to two variables: volume and frequency, was implemented in the summer collection showroom, whose largest participation is allocated in the third quarter.

From the perspective of building a digital culture and data driven management model, through automated artificial intelligence tools, we continue to expand our CRM platform to understand, know and engage with our consumers. In 2Q19, we started testing custom activations and evolved in the "NPS - Net Promoter Score" indicator, with expansion of 100 bp.

In the Omnichannel front, which guarantees the shopping experience improvement, incremental sales already reach 5% in some stores, reducing disruptions and retaining our customers. Following the roll out of the Ominichannel project, 172 franchised stores were implemented in 2Q19, totaling 358 stores in the chain.

The digitalization of the Multibrand channel also symbolizes this business evolution. Through Portal Conecta - an originally transactional B2B platform - we aim to strengthen our relationship with ours more than 11,000 multibrand and franchise customers by expanding services with personalization of offers, benefits, training, purchase recommendations, among others.

In the constant search for operational efficiency, the quarter was marked by important reorganizations. We seek to improve our logistics matrix, bring more speed in product development and consequently reduce Time to Market. We closed the operations of the Encano unit, that was responsible for making samples and concentrated our activities in the Itororó unit, both located in the Santa Catarina state. Additionally, we adapted our organizational structure to this transformation cycle, in which we pursue a culture with strong entrepreneurial trait, greater autonomy and meritocracy. These movements impacted the profitability of the quarter, but optimized our organizational structure generating synergy for the Company.

Finally, we reaffirm our commitment to a strong capital structure, high cash generation and commitment to our shareholder. We understand that the quarterly results represent a challenge, but without structural impact, inherent to the nature of the business and will be adjusted in the medium and long term execution. The Company is today, following a profound organizational, cultural and modernization of management restructuring, following a leading role with a sustainable growth path for the 2019-2021 triennium.

CONSOLIDATED HIGHLIGHTS

R$ Thousand	2Q19	2Q18	VAR. 2Q19|2Q18	1S19	1S18	VAR. 1S19|1S18
Gross Revenue	**422,225**	**420,422**	**0.4%**	**860,083**	**826,329**	**4.1%**
Domestic Market	412,489	405,893	1.6%	840,411	800,979	4.9%
Foreign Market	9,736	14,529	-33.0%	19,672	25,350	-22.4%
Net Revenue	**359,992**	**362,293**	**-0.6%**	**733,929**	**706,096**	**3.9%**
Gross Profit	**156,353**	**155,551**	**0.5%**	**318,728**	**295,745**	**7.8%**
Gross Margin	*43.4%*	*42.9%*	*50 b.p.*	*43.4%*	*41.9%*	*150 b.p.*
Net Income	**40,683**	**57,286**	**-29.0%**	**87,368**	**91,599**	**-4.6%**
Net Margin	*11.3%*	*15.8%*	*-450 b.p.*	*11.9%*	*13.0%*	*-110 b.p.*
EBITDA	**46,153**	**58,013**	**-20.4%**	**103,187**	**103,312**	**-0.1%**
EBITDA Margin	*12.8%*	*16.0%*	*-320 b.p.*	*14.1%*	*14.6%*	*-50 b.p.*
ROIC (a)	**21.2%**	**20.7%**	*50 b.p.*	**21.2%**	**20.7%**	*50 b.p.*
SSS[1]	**1.7%**	**-2.4%**	***410 b.p.***	**6.0%**	**-0.7%**	***670 b.p.***

(a) Last 12 months.

[1] Given the consolidation of Hering and Hering Kids brands, which from 2Q19 started to be managed within the same business unit, the data were unified.
Values In the above table Includes the effects of IFRS16 (see reconciliation table - page 8).

SALES PERFORMANCE

Gross Revenue - R$ Thousand	2Q19	2Q18	VAR. 2Q19|2Q18	1S19	1S18	VAR. 1S19|1S18
Gross Revenue	**422,225**	**420,422**	**0.4%**	**860,083**	**826,329**	**4.1%**
Domestic Market	412,489	405,893	1.6%	840,411	800,979	4.9%
Foreign Market	9,736	14,529	-33.0%	19,672	25,350	-22.4%
Domestic Market Gross Revenue	**412,489**	**405,893**	**1.6%**	**840,411**	**800,979**	**4.9%**
Hering	311,998	297,738	4.8%	639,130	590,789	8.2%
Hering Kids	53,430	54,021	-1.1%	107,119	108,517	-1.3%
PUC	21,253	26,007	-18.3%	43,721	49,283	-11.3%
Dzarm	19,688	19,837	-0.8%	37,904	37,195	1.9%
Others[1]	6,120	8,290	-26.2%	12,537	15,195	-17.5%

Domestic Market Share	2Q19	2Q18	VAR. 2Q19|2Q18	1S19	1S18	VAR. 1S19|1S18
Multibrand	186,464	186,054	0.2%	370,665	368,646	0.5%
Franchise	129,283	131,357	-1.6%	284,089	266,257	6.7%
Owned Stores	80,157	75,729	5.8%	153,715	140,054	9.8%
Webstore	15,087	11,042	36.6%	29,570	22,083	33.9%
Others[1]	1,498	1,711	-12.4%	2,372	3,939	-39.8%
Total	**412,489**	**405,893**	**1.63%**	**840,411**	**800,979**	**4.92%**
Multibrand	45.2%	45.8%	-60 b.p.	44.1%	46.0%	-190 b.p.
Frachise	31.3%	32.4%	-110 b.p.	33.8%	33.2%	60 b.p.
Owned Stores	19.4%	18.7%	70 b.p.	18.3%	17.5%	80 b.p.
Webstore	3.7%	2.7%	100 b.p.	3.5%	2.8%	70 b.p.
Others[1]	0.4%	0.4%	-	0.3%	0.5%	-20 b.p.
Total	**100.0%**	**100.0%**	**-**	**100.0%**	**100.0%**	**-**

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

The Company's gross revenue totaled R$ 422.2 million in 2Q19, 0.4% higher than the previous year, with a franchise channel decline, offset by owned stores and webstore positive performances. The 2Q19 was challenging for the Company explained by higher temperatures than the historical average, hampering the sale of winter collection items, notably in the overtops (knitting, coats and jackets) category. The other categories presented SSS growth at the same levels observed in the previous quarter.

Owned stores

Sales of stores operated by the Company totaled R$ 80.2 million, 5.8% higher than 2Q18, with positive performance in all brands. The result is linked to the SSS growth and the productivity increase per square meter related to higher sales conversion, influenced by the better execution at the point of sale, despite the number of stores reduction. It highlights the positive performance of outlet stores, with an increase in the average ticket and number of services growth, explained by the opening of 3 stores in the last 12 months.

Franchises

Sales to franchises stores (sell-in) totaled R$ 129.3 million, 1.6% lower than the same quarter last year. This result was influenced by the volume decrease of replenishment orders, due to the low turnover of goods at the point of sale, as previously mentioned. It highlights, however, the sustainability preservation of the network and the inventory levels dimensioning versus the sales made to the final consumer, with the number of collections[1] reduction and the balance between *sell-in* and *sell-out*, as from the 2018 High Summer collection, the sell-in was defined based on the sell-out performance of the previous year explained by the incentive structure evolution, which aims to maintain the health of the network.

Multibrand

Sales to the multibrand channel totaled R$ 186.5 million, up to 0.2% versus the same period last year. The channel performance remains challenging against a slower-than-planned macroeconomic recovery, despite an average order growth from the existing customers.

Webstores

E-commerce sales totaled R$ 15.1 million, an increase of 36.6% compared to the same quarter of 2018, with double-digit growth in all brands, driven by the increase in platform flow related to the intensifications of marketing campaigns, contributing to more sessions and improved conversion. It highlights the implementation of new features in the webstores that aim to enhance the consumer purchase experience, such as (i) Chat Bot: technology based on algorithms for interaction with consumers through the use of Artificial Intelligence - reaching the retention of about 40% of interactions and (ii) improvements in search engines, including filters, customization and top searches. Webstores accounted for 3.8% of revenues, an increase of 120 bp from 2Q18.

Foreign Market

The foreign market decreased by 33.0%, mainly due to the sales decline in Paraguay and Uruguay. In these markets its worth mentioning the higher temperatures than historical averages, besides the increased local competitiveness. The foreign market represented 2.3% of the Company's revenues.

[1] From 2019 on at the Hering network the fall and holidays collection were discontinued.

DISTRIBUTION NETWORK

Cia. Hering has a hybrid distribution model that enables its products to reach the final consumer through 719 stores in Brazil, 20 stores in the foreign market, 10,808 multibrand retailers and 5 webstores. This capillarity allows the Company to reach different audiences and regions, attributes of a truly democratic brand.

As part of the Company's sanitation process, 16 franchised stores were closed in the 2Q19 and 15 new units were opened, including 12 Hering Store, 2 Basic Shop and 1 Hering Kids. It is worth mentioning that we expanded our store formats launching the pilot "franchise light" - a simplified franchise standard with lower investment levels, ideal for smaller markets, away from large urban centers and in strong commercial neighborhoods. This format will also be enabled by the conversion of Qualified Retail, allowing the Company to have access to data readings, such as inventories and sales bases, optimizing business management. It is worth mentioning that all new stores, regardless of the format, are already born digital and integrated to the Omnichannel. The new formats expansion provides a strategic control of the Company to define the best model according to the needs of a specific public or region. This adaptability allows us to reach new horizons and expand geographically, always putting the consumer at the center of the business.

Additionally, 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 65 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 100 stores by the year-end 2019.

HERING NETWORK[2]

Total sales in the Hering network (sell-out) in 2Q19 decreased by 0.5% compared to 2Q18, influenced by the sales area reduction (-5.9%), explained by the closing of 26 stores in the last 12 months. It is worth mentioning that revenues per m² increased 5.4%. The stores operated by the Company stands out, with and expansion of 3.2%, despite the sales area reduction, influenced by the closure of 7 stores in the last 12 months.

High temperatures impacted sell-out sales in cold regions, which account for about 80% of sales. This decrease is explained by the lower overtops sales, despite the SSS growth in other categories at the same levels observed in the previous quarter. Same Store Sales, which include comparable stores opened at least 13 months ago by Hering Store and Hering Kids, including online sales, grew 1.7%.

[2] Given the consolidation of Hering and Hering Kids brands which from 2Q19 started to be managed within the same business unit, the data were unified.

ECONOMIC AND FINANCIAL PERFORMANCE

R$ Thousand	2Q19	Part. (%)	2Q18	Part. (%)	VAR. 2Q19 | 2Q18	1S19	Part. (%)	1S18	Part. (%)	VAR. 1S19 | 1S18
Gross Revenue	**422,225**	**117.3%**	**420,422**	**116.0%**	**0.4%**	**860,083**	**117.2%**	**826,329**	**117.0%**	**4.1%**
Sales Deduction	(62,233)	-17.3%	(58,129)	-16.0%	7.1%	(126,154)	-17.2%	(120,233)	-17.0%	4.9%
Net Revenue	**359,992**	**100.0%**	**362,293**	**100.0%**	**-0.6%**	**733,929**	**100.0%**	**706,096**	**100.0%**	**3.9%**
Cost of Goods Sold	(204,399)	-56.8%	(207,396)	-57.2%	-1.4%	(417,400)	-56.9%	(412,423)	-58.4%	1.2%
AVP (Adjustment to Present Value)	5,341	1.5%	4,050	1.1%	31.9%	10,553	1.4%	7,807	1.1%	35.2%
Subvention for Expenditure	3,954	1.1%	4,402	1.2%	-10.2%	8,440	1.1%	9,628	1.4%	-12.3%
Depreciation and Amortization	(8,535)	-2.4%	(7,798)	-2.2%	9.5%	(16,794)	-2.3%	(15,363)	-2.2%	9.3%
Gross Profit	**156,353**	**43.4%**	**155,551**	**42.9%**	**0.5%**	**318,728**	**43.4%**	**295,745**	**41.9%**	**7.8%**
Operating Expenses	(132,094)	-36.7%	(112,755)	-31.1%	17.2%	(258,621)	-35.2%	(222,487)	-31.5%	16.2%
Selling Expenses	(93,856)	-26.1%	(85,471)	-23.6%	9.8%	(175,549)	-23.9%	(167,513)	-23.7%	4.8%
Loss due to non-recoverability of assets	(2,484)	-0.7%	(2,317)	-0.6%	7.2%	(5,433)	-0.7%	(2,909)	-0.4%	86.8%
Administrative and General Exp. and Management Remuneration	(15,082)	-4.2%	(14,217)	-3.9%	6.1%	(30,443)	-4.1%	(28,371)	-4.0%	7.3%
Depreciation and Amortization	(13,359)	-3.7%	(7,419)	-2.0%	80.1%	(26,286)	-3.6%	(14,691)	-2.1%	78.9%
Profit Sharing	-	0.0%	(200)	-0.1%	-100.0%	(4,700)	-0.6%	(783)	-0.1%	500.3%
Other Operating Income (Expenses), net	(7,313)	-2.0%	(3,131)	-0.9%	133.6%	(16,210)	-2.2%	(8,220)	-1.2%	97.2%
Operating Income Before Financial Results	**24,259**	**6.7%**	**42,796**	**11.8%**	**-43.3%**	**60,107**	**8.2%**	**73,258**	**10.4%**	**-18.0%**
Financial income	18,895	5.2%	17,618	4.9%	7.2%	35,371	4.8%	33,315	4.7%	6.2%
Financial expenses	(7,911)	-2.2%	(10,077)	-2.8%	-21.5%	(17,426)	-2.4%	(17,312)	-2.5%	0.7%
Total Financial Income	10,984	3.1%	7,541	2.1%	45.7%	17,945	2.4%	16,003	2.3%	12.1%
Operating Income Before Interest in Subsidiaries	**35,243**	**9.8%**	**50,337**	**13.9%**	**-30.0%**	**78,052**	**10.6%**	**89,261**	**12.6%**	**-12.6%**
Income and Social Contribution Taxes - Current	-	0.0%	(255)	-0.1%	-100.0%	228	0.0%	186	0.0%	22.6%
Income and Social Contribution Taxes - Deferred	5,440	1.5%	7,204	2.0%	-24.5%	9,088	1.2%	2,152	0.3%	322.3%
Net Income for the Period	**40,683**	**11.3%**	**57,286**	**15.8%**	**-29.0%**	**87,368**	**11.9%**	**91,599**	**13.0%**	**-4.6%**
Controlling shareholders	40,683	11.3%	57,286	15.8%	-29.0%	87,368	11.9%	91,599	13.0%	-4.6%
Basic earnings per share - R$										
Controlling shareholders	0.2521		0.3533		-28.6%	0.5408		0.5660		-4.5%
EBITDA	**46,153**	**12.8%**	**58,013**	**16.0%**	**-20.4%**	**103,187**	**14.1%**	**103,312**	**14.6%**	**-0.1%**

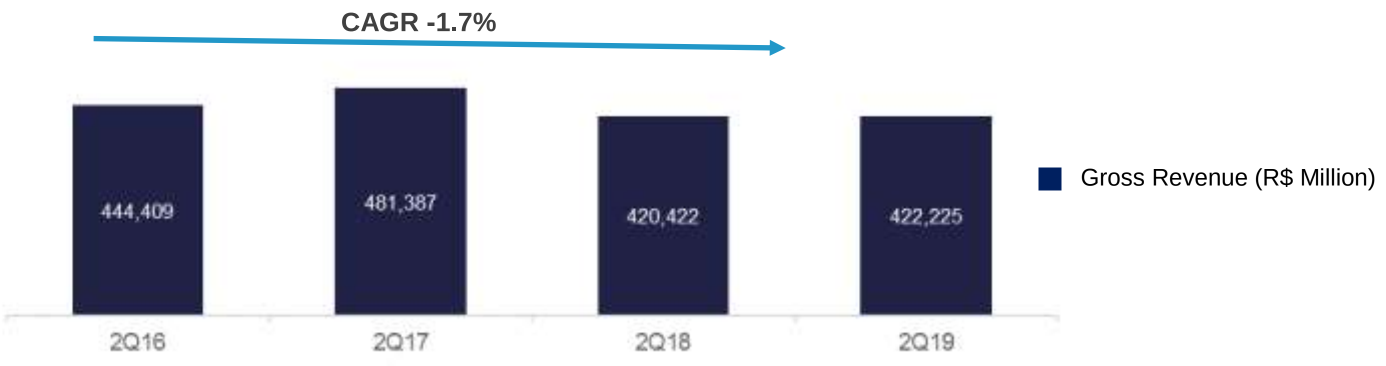
Values in the table include the effects of IFRS16 (see reconciliation table – page 8)

RECONCILIATION TABLE TO THE IFRS16 ON THE INCOME STATEMENT

R$ THOUSAND	2Q19 Reported	IFRS16 Adjustments	2Q19 Pro-Forma	1S19 Reported	IFRS16 Adjustments	1S19 Pro-Forma
Net Revenue	**359,992**	**-**	**359,992**	**733,929**	**-**	**733,929**
Cost of Goods Sold	(204,399)	(857)	(205,256)	(417,400)	(1,715)	(419,115)
Depreciation on COGS	(8,535)	783	(7,752)	(16,794)	1,565	(15,229)
Selling Expenses	(93,856)	(5,821)	(99,677)	(175,549)	(11,476)	(187,025)
G&A and Management Remuneration	(15,082)	(347)	(15,429)	(30,443)	(694)	(31,137)
Depreciation and Amortization	(13,359)	5,492	(7,867)	(26,286)	10,856	(15,430)
Financial Income*	10,984	1,241	12,225	17,945	2,543	20,488
Others Expenses / Costs and Taxes winthout IFRS 16 impact	4,938	-	4,938	1,966	-	1,966
Net Income	**40,683**	**491**	**41,174**	**87,368**	**1,079**	**88,447**
EBITDA	**46,153**	**(7,025)**	**39,128**	**103,187**	**(13,885)**	**89,302**

GROSS REVENUE

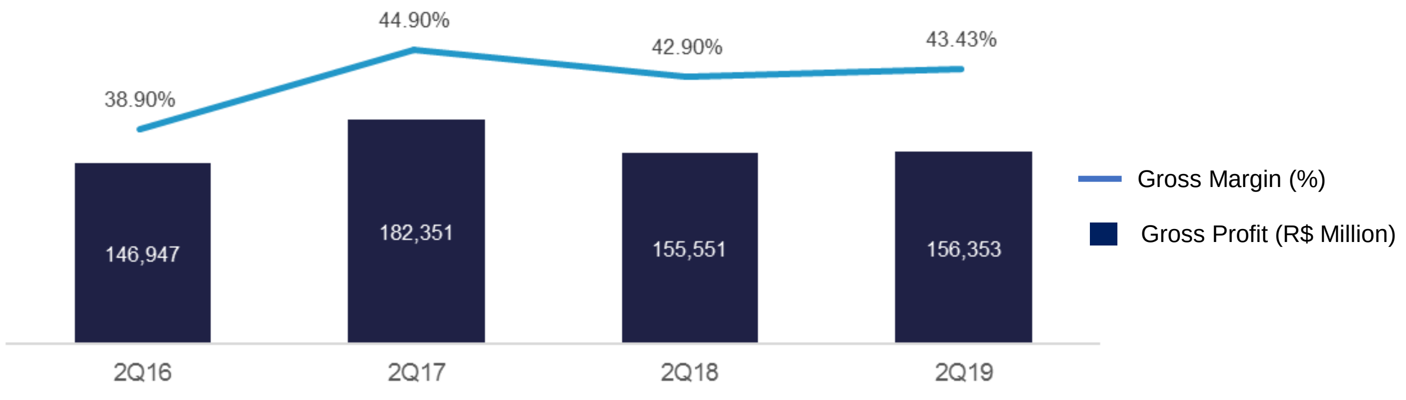
The Company's gross revenue reached R$ 422.2 million in the second quarter, a 0.4% increase compared to 2Q18. The main factors related to this result were highlighted in the sales performance section above.



GROSS PROFIT AND GROSS MARGIN

The Company's gross profit reached R$ 156.4 million in 2Q19, a 0.5% increase compared to 2Q18, explained by lower sales volume, especially in the franchise and multibrand channels, as previously mentioned.

The efficient gross margin management was notable in the quarter, which, despite the poor sales performance, expanded by 50 bp in 2Q19, reaching 43.4%, as a result of better utilization of manufacturing capacity. It is worth mentioning that part of this gain was partially offset by a higher provision of obsolete products in inventories.



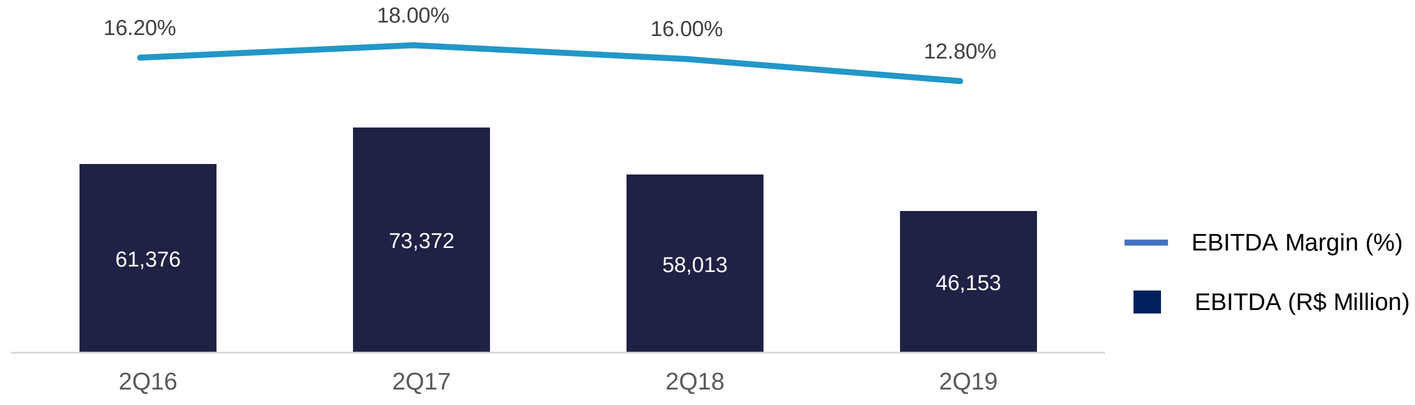
OPERATIONAL EXPENSES

In 2Q19, operating expenses reached R$ 132.1 million, an increase of 17.2%, impacted by: (i) R$ 14.1 million growth (+134% vs. 2Q18) in marketing investments focused on brands' strengthening; (ii) a R$ 3.9 million increase in 'other operating expenses', related to labor severance from the organizational restructuring and the closure of the Encano unit. This amount totaled R$ 8.3 million in the quarter; (iii) extemporary tax credits, mainly PIS/COFINS, in the amount of R$ 8.5 million vs. R$ 9.0 million in 2Q18.

Excluding the effects of marketing and severance expenses the other operating expenses grew 1.4%. There was no provision for profit sharing in this quarter due to the results below planned.

EBITDA AND EBITDA MARGIN

Earnings before interest, depreciation, amortization and taxes ('EBITDA') reached R$ 46.2 million, a 20.4% fall in 2Q19, while the EBITDA margin reached 12.8%, a decrease of 320 bp, mainly due to an increase in operating expenses, including extraordinary effects, as mentioned in the previous section. Excluding the impact of IFRS16 (see reconciliation table - page 8), EBITDA would totaled R$ 39.1 million, a 32.6% decrease, reaching 10.9% in EBITDA margin with a 510 bp decline.

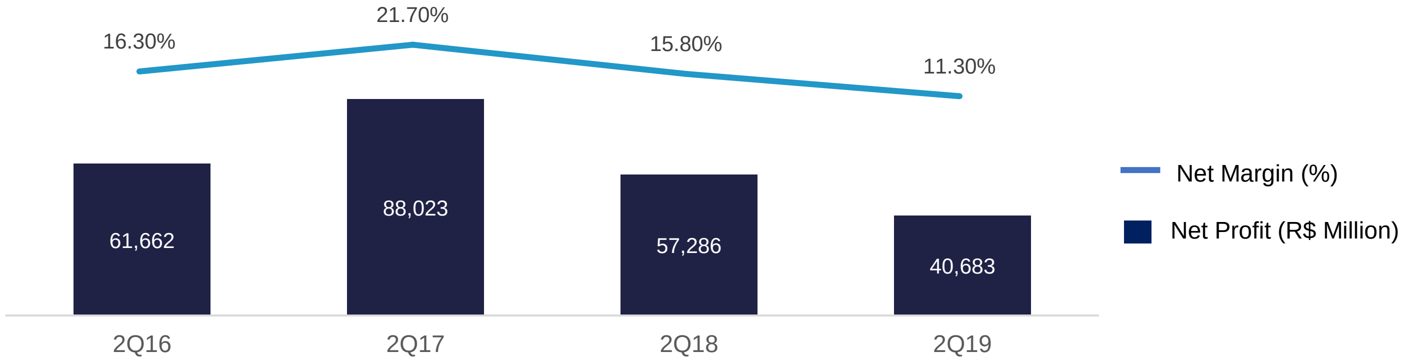


Reconciliation of EBITDA - R$ thousand	2Q19	2Q18	VAR. 2Q19 | 2Q18	1S19	1S18	VAR. 1S19 | 1S18
Net Income	40,683	57,286	-29.0%	87,368	91,599	-4.6%
(+) Income and Social Contribution Tax	(5,440)	(6,949)	-21.7%	(9,316)	(2,338)	298.5%
(-) Net Financial Income	(10,984)	(7,541)	45.7%	(17,945)	(16,003)	12.1%
(+) Depreciation and Amortization	21,894	15,217	43.9%	43,080	30,054	43.3%
(=) EBITDA	**46,153**	**58,013**	**-20.4%**	**103,187**	**103,312**	**-0.1%**
EBITDA Margin	12.8%	16.0%	-320 b.p.	14.1%	14.6%	-50 b.p.

NET PROFIT AND NET MARGIN

Net income for the quarter totaled R$ 40.7 million, a decrease of 29.0% when compared to 2Q18, as a result of operating income decline. Despite the net income reduction, we highlight (i) the increase in net financial income, totaling R$ 11.0 million, 45.7% higher than the same period of the previous year, explained by higher interest income related to an increase in the average cash of the period and favorable net exchange variation. In addition, the lowest effective income tax rate is highlighted as a result of the interest on capital deliberation.

Excluding the impact of IFRS16 (see reconciliation table - page 8), the profit would total R$ 41.2 million, a decrease of 28.1% when compared to 2Q18.



INVESTMENTS

We continue to invest in different fronts and initiatives that support the company's new growth cycle. Investments in the quarter totaled R$ 9.2 million and were mainly allocated to: (i) developments in the B2B sales portal and other IT systems; (ii) developments in the industrial plants and automation of logistics processes e (iii) new points acquisition and expansion of store remodeling.

The allocation of resources was distributed as follows:

Investments (R$ Thousands)	2Q19	2Q18	VAR. 2Q19 | 2Q18	1S19	1S18	VAR. 1S19 | 1S18
Industrial Plant	3,259	807	303.8%	7,018	2,080	237.4%
IT	3,765	2,703	39.3%	6,976	5,817	19.9%
Stores	2,156	4,202	-48.7%	4,215	2,965	42.2%
Others	35	183	-80.9%	280	217	29.0%
Total	**9,215**	**7,895**	**16.7%**	**18,489**	**11,079**	**66.9%**

CASH FLOW

In 2Q19, Cia. Hering generated R$ 19.3 million in free cash, R$ 48.5 million lower than in 2Q18, as a result of greater investment in working capital, notably in inventories of finished products. The cash conversion cycle reduced in 10 days explained by actions to lengthen the deadlines with suppliers.

Cash Flow - Consolidated (R$ thousand)	2Q19	2Q18	VAR. 2Q19 | 2Q18	1S19	1S18	VAR. 1S19 | 1S18
EBITDA	**46,153**	**58,013**	**(11,860)**	**103,187**	**103,812**	**(625)**
No cash items	6,087	4,114	1,973	13,056	7,336	5,720
Lease Effect	(7,025)	-	(7,025)	(13,885)	-	(13,885)
AVP (Adjustment to Present Value) - Clients and Suppliers	3,505	6,874	(3,369)	8,521	13,200	(4,679)
Current Income tax and Social Contribution	-	(255)	255	228	186	42
Working Capital Capex	**(20,163)**	**7,030**	**(27,193)**	**(1,242)**	**47,614**	**(48,856)**
Accounts receivable from clients	(2,588)	(2,311)	(277)	39,709	55,208	(15,499)
Inventories	(29,901)	12,453	(42,354)	(68,243)	(5,415)	(62,828)
Accounts payable to suppliers	14,044	19,320	(5,276)	36,362	41,774	(5,412)
Taxes payable	2,696	(4,872)	7,568	(8,265)	(15,025)	6,760
Franchisee Financing - Refurbishment plan	622	477	145	(42)	3,400	(3,442)
Others	(5,036)	(18,037)	13,001	(763)	(32,328)	31,565
CapEx	**(9,215)**	**(7,896)**	**(1,319)**	**(18,489)**	**(11,079)**	**(7,410)**
Free Cash Flow	**19,342**	**67,880**	**(48,538)**	**91,376**	**160,569**	**(69,193)**

RETURN ON CAPITAL INVESTED - ROIC

In 2Q19, Cia. Hering's return on invested capital was 21.2%, 50 bp higher than 2Q18, explained by the invested capital control in the last 12 months, despite the Company's operating result.

Return on Invested Capital (ROIC) - R$ thousands	2Q19	1Q19	VAR. 2Q19 | 1Q19	2Q18	VAR. 2Q19 | 2Q18
EBITDA	259,432	271,291	-4.4%	248,632	4.3%
(-) Depretiation and Amortization	(74,624)	(67,947)	9.8%	(61,916)	20.5%
(+) Amortization - Right of use properties [1]	4,735	5,083	-6.8%	6,849	-30.9%
(+) Financial Results - APV [2]	15,236	18,753	-18.8%	31,044	-50.9%
(+) IR&CS - Effective rate [3]	11,329	12,837	-11.7%	(3,436)	-429.7%
Operating Income	**216,109**	**240,018**	**-10.0%**	**221,173**	**-2.3%**
Fixed Assets	435,977	422,285	3.2%	419,419	3.9%
Accumulated amortization - Right of use properties	51,097	49,729	2.8%	44,783	14.1%
Working capital	532,798	559,719	-4.8%	605,813	-12.1%
Average Invested Capital*	**1,019,872**	**1,031,732**	**-1.1%**	**1,070,015**	**-4.7%**
ROIC	**21.2%**	**23.3%**	-210 b.p.	**20.7%**	50 b.p.

Notes to the financial statements: (1) Nr. 15; (2) Nr. 31; (3) Nr. 32

(*) Last 4 quarters average

SHAREHOLDERS REMUNERATION

At the Board of Directors' Meeting held on 05.08.2019, the distribution of interest on capital in the amount of R$ 20,489,274.08 (R$ 0.1268 per share) was approved based on the shareholder position of May 16th, 2019. The company's shares were traded "ex dividends" as of May 17th, 2019 and the amount was paid on July 5th, 2019.

In the first half of 2019, the amount of R$ 43.5 million was distributed in interest on capital (R$ 0.2691), corresponding to the allocation of net income for 2019.

BUYBACK PROGRAM

The program was approved on February 28th, 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 28th, 2020.

OUTLOOK

Despite the downward in economic activity coupled with a consumer confidence decline in this quarter, we remain optimistic about 2019.

We remain focused on sustainable sales recovery, executing our strategic priorities, balancing operation and maintaining network health.

We remain convinced to increase the desire to consume our brands through increased marketing investments, product development and a focus on consumer understanding. In addition, we will continue to pursue productivity gains by optimizing our manufacturing plants and strengthening the distribution network.

Finally, we believe that the consistent sales growth resumption, along with gross margin maintenance, working capital optimization and high operating leverage are important drivers for improving the Company's results and generating shareholder value.

BALANCE SHEET

ASSETS - R$ thousand	06/30/2019	12/31/2018
Current assets	**1,258,601**	**1,189,322**
Cash and cash equivalents	366,656	320,540
Trade accounts receivable	414,411	459,074
Inventories	387,128	320,142
Recoverable taxes	77,375	77,134
Other accounts receivable	9,927	10,767
Prepaid expenses	3,104	1,665
Noncurrent assets	**574,383**	**514,807**
Long-term receivables	110,295	97,783
Interest-earning banc deposits	4,952	4,830
Notes accounts receivable	16,294	17,923
Accounts receivable	8,303	8,782
Recoverable taxes	22,007	16,271
Deferred income and social contribution taxes	58,739	49,977
Right of use	74,060	-
Property, plant and equipment	294,995	305,695
Intangible assets	95,033	111,329
TOTAL ASSETS	**1,832,984**	**1,704,129**

LIABILITIES AND SHAREHOLDER'S EQUITY - R$ thousand	06/30/2019	12/31/2018
Current liabilities	**400,021**	**364,873**
Trade payables	244,271	207,909
Payroll and related taxes	52,212	42,584
Taxes and social security contributions payable	12,525	20,155
Other provisions	33,936	32,262
Interest on equity and dividends payable	19,289	40,726
Other accounts payable	11,242	17,499
Leases	23,195	-
Other liabilities	3,351	3,738
Noncurrent liabilities	**57,827**	**19,180**
Noncurrent liabilities	57,827	19,180
Provisions for contigencies	12,526	14,309
Employee benefits	2,677	2,499
Leases	40,554	-
Other liabilities	2,070	2,372
Shareholder's equity	**1,375,136**	**1,320,076**
Capital	374,387	369,618
Capital reserve	38,711	35,982
Treasury shares	(3,233)	(6,372)
Earnings reserve	914,598	914,694
Valuation adjustments to equity	6,672	6,154
Retained earnings	44,001	-
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**1,832,984**	**1,704,129**

INCOME STATEMENT

R$ Thousand	2Q19	2Q18	VAR. 2Q19 | 2Q18	1S19	1S18	VAR. 1S19 | 1S18
Revenues	**422,225**	**420,422**	**0.4%**	**860,083**	**826,329**	**4.1%**
Domestic Market	412,489	405,893	1.6%	840,411	800,979	4.9%
Foreign Market	9,736	14,529	-33.0%	19,672	25,350	-22.4%
Sales Deduction	(62,233)	(58,129)	7.1%	(126,154)	(120,233)	4.9%
Net Revenue	**359,992**	**362,293**	**-0.6%**	**733,929**	**706,096**	**3.9%**
Cost of Goods Sold	(203,639)	(206,742)	-1.5%	(415,201)	(410,351)	1.2%
Gross Profit	**156,353**	**155,551**	**0.5%**	**318,728**	**295,745**	**7.8%**
Operating Expenses	(132,094)	(112,755)	17.2%	(258,621)	(222,487)	16.2%
Selling Expenses	(93,856)	(85,471)	9.8%	(175,549)	(167,513)	4.8%
Loss due to non-recoverability of assets	(2,484)	(2,317)	7.2%	(5,433)	(2,909)	86.8%
Management Remuneration	(2,273)	(2,204)	3.1%	(4,637)	(4,543)	2.1%
Administrative and General Expenses	(12,809)	(12,013)	6.6%	(25,806)	(23,828)	8.3%
Depreciation and Amortization	(21,894)	(15,217)	43.9%	(43,080)	(30,054)	43.3%
(-) Allocated to Cost	8,535	7,798	9.5%	16,794	15,363	9.3%
Profit Sharing	-	(200)	-100.0%	(4,700)	(783)	500.3%
Other Operating income (expenses), net	(7,313)	(3,131)	133.6%	(16,210)	(8,220)	97.2%
Operating income before financial result	**24,259**	**42,796**	**-43.3%**	**60,107**	**73,258**	**-18.0%**
Financial income	18,895	17,618	7.2%	35,371	33,315	6.2%
Financial expenses	(7,911)	(10,077)	-21.5%	(17,426)	(17,312)	0.7%
Total financial income	10,984	7,541	45.7%	17,945	16,003	12.1%
Operating income before interest in subsidiaries	**35,243**	**50,337**	**-30.0%**	**78,052**	**89,261**	**-12.6%**
Income and social contribution taxes - current	-	(255)	-100.0%	228	186	22.6%
Income and social contribution taxes - deferred	5,440	7,204	-24.5%	9,088	2,152	322.3%
Net income for the period	**40,683**	**57,286**	**-29.0%**	**87,368**	**91,599**	**-4.6%**
Controlling shareholders	40,683	57,286	-29.0%	87,368	91,599	-4.6%
Basic earnings per share - R$						
Controlling shareholders	**0.2521**	**0.3533**	**-28.6%**	**0.5408**	**0.5660**	**-4.5%**
EBITDA	**46,153**	**58,013**	**-20.4%**	**103,187**	**103,312**	**-0.1%**

CASH FLOW

R$ Thousand	2Q19	2Q18	2S19	2S18
Cash flow from operating activities				
Net income for the period	40,683	57,286	87,368	91,599
Deferred taxes	(5,440)	(7,204)	(9,088)	(2,152)
Unrealized exchange and monetary variation	1,241	673	2,543	1,342
Depreciation and amortization	21,894	15,217	43,080	30,054
Loss by reduction of recoverable amount f rom accounts receivable	2,484	2,317	5,433	2,909
Write-of f of f ixed assets	625	1,108	994	1,258
Stock option plan	1,502	1,309	2,729	2,966
(Reversal) net of formation of provision for adjustment to the realizable value of inventory	739	(807)	1,257	(368)
(Reversal) net of formation of provisions for contingencies	649	124	2,466	445
Employee Benef its	89	63	178	126
Assets and liabilities variation				
Trade accounts receivable	(2,588)	(2,311)	39,709	55,208
Inventories	(29,901)	12,453	(68,243)	(5,415)
Recoverable taxes	(2,813)	(19,878)	(3,535)	(18,507)
Other accounts receivable	(4,194)	(5,640)	1,030	2,264
Accounts payable to suppliers	14,044	19,320	36,362	41,774
Accounts payable and provisions	2,593	7,958	1,700	(12,685)
IRPJ and CSLL	-	(2)	(56)	(12)
Obrigações tributáriasTaxes payable	2,696	(4,870)	(8,209)	(15,013)
Interest paid on loans	-	(506)	-	(1,008)
Cash provided by operating activities	**44,303**	**76,610**	**135,718**	**174,785**
Cash flows from investing activities				
Purchase of property, plant and equipment	(7,370)	(4,253)	(13,095)	(6,038)
Purchase of intangible	(1,845)	(3,643)	(4,334)	(5,041)
Purchase of rights use assets	-	-	(1,060)	-
Cash used in investing activities	**(9,215)**	**(7,896)**	**(18,489)**	**(11,079)**
Cash flows from financing activities				
Capital increase	4,439	-	4,439	-
Interest-earning bank deposits	(65)	595	(122)	523
Interest on equity and dividends	(24,938)	(67,214)	(64,918)	(67,214)
Disposal of shares in treasury, by exercise of call option	523	-	3,373	-
Lease payments	(7,025)	-	(13,885)	-
Cash used in financing activities	**(27,066)**	**(66,619)**	**(71,113)**	**(66,691)**
Increase (decrease) in cash and cash equivalents	**8,022**	**2,095**	**46,116**	**97,015**
Increase (decrease) in cash and cash equivalents	**8,022**	**2,095**	**46,116**	**97,015**
At beginning of period	**358,634**	**243,741**	**320,540**	**148,821**
At end of period	**366,656**	**245,836**	**366,656**	**245,836**

Cia.Hering

CAPITAL MARKETS
June 30th, 2019
HGTX3: R$ 29,74 per share
Market Cap: R$ 4.8 billion

CONFERENCE CALL
August 2nd, 2019 – 11am (Brazil) / 10am (NY) / 3pm (London)
In Portuguese - simultaneous translation to English
Brazil: (+55) 11 3193-1070 ou (+55) 11 2820-4070
EUA: (+1) 646 828-8246 ou (+1) 646 291-8936
Toll-Free: (+1) 800 492-3904 or (+1) 800 469-5743
Access Code: Cia. Hering

WEBCAST

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

INVESTOR RELATIONS

Fabio Hering - CEO
Rafael Bossolani - CFO and IRO
Mariana Santo
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