

NOTICE TO THE MARKET

4Q16 SALES PERFORMANCE

CIA. HERING (BM&FBOVESPA: HGTX3), hereby informs its shareholders, investors and the market its 4Q16 sales performance and stores network by year-end.

4Q16 SALES PERFORMANCE PREVIEW (Unaudited figures)

Gross revenue totaled R\$ 515.2 million in 4Q16, a 15.3% decrease when compared to 4Q15. In addition to negative effects of the macroeconomic scenario, which affected orders of both franchise and multibrand, there was a sharper decline in sales to franchises in this quarter due to higher invoiced volume in September, to this channel, of High Summer collection as informed in the 3rd quarter earnings report. In 2016, company's gross sales totaled R\$ 1.7 billion, 8.0% lower than previous year.

Sales of Hering Store network, which includes sales to final consumer of own and franchises stores, fell 11.6% in 4Q16 and were also influenced by the concentration of store renovations in the period, which resulted in temporary closure of several points of sale. Same-store sales, which considers only stores opened more than 12 months ago except the temporary closure periods, sales declined 9.8%. In 2016 Hering Store total sales decreased 8.9% and 8.6% in a same-store basis.

STORE NETWORK

Company launched 26 stores over the year, of which 13 Hering Kids, 12 Hering Store - one in the foreign market - and 1 DZARM. In 2016, 32 stores were closed, of which 3 Hering for you brand whose points of sale were converted into Hering Kids. At the end of December, the company had 834 stores distributed among the brands as follows:

Number of Stores	2016	2015	2014
TOTAL	834	840	827
Brazil	816	823	810
Hering Store	644	653	640
Owned	61	57	57
Franchised	583	596	583
Hering Kids	106	93	86
Owned	18	13	12
Franchised	88	80	74
PUC	63	72	82
Owned	7	8	7
Franchised	56	64	75
DZARM.	3	2	0
Owned	2	2	0
Franchised	1	0	0
Hering for you	0	3	2
Owned	0	3	2
Foreign - Franchised	18	17	17



HERING STORE REFURBISHMENT PROGRAM

Hering Store refurbishment program, company's priority in 2016, covered 100 stores in 18 states of the country. The project, with a current and modern design, included evolutions in visual merchandising, better lighting and organization, with redesigned sections for jeans and basic, store facade, among other improvements. The plan had incentives from the company comprising R\$ 8.4 million as subsidies and financing part of the amount invested.

Blumenau, January 18th, 2017.

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