

HERMÈS

Very good sales and performance in 2018

Recurring operating profitability amounts to 34.3% of sales

Net profit reaches €1.4 billion, up +15%

Paris, 20 March 2019

The Group's consolidated revenue amounted to €5,966 million, up +10.4% at constant exchange rates and +7.5% at current exchange rates. Recurring operating income increased 6% to €2,045 million (34.3% of sales). Net profit increased 15% to €1,405 million.

Axel Dumas, Executive Chairman of Hermès, said: " *This year again, Hermès achieves a remarkable performance, thanks to the talent and incredible commitment displayed by the women and men of Hermès, and confirms the strength of the Group's growth model.* "

Sales by geographical area at the end of December

(at constant exchange rates unless otherwise indicated)

The significant rise in revenues recorded in 2018 in Group stores (+11%) was driven by growth in all geographical areas. Hermès continued to improve the quality of its distribution network, both by opening stores that highlight the profusion of our creations and by completing renovation and extension work on almost twenty stores. Hermès successfully continued the roll-out of its new digital platform in Europe and in China in October.

- Asia excluding Japan (+14%) pursued its strong growth in China and in South Asian countries. The Shanghai IFC and Singapore Marina Bay Sands stores were extended and renovated, after opening the Landmark Prince's in Hong Kong at the beginning of the year, Changsha and Xi'an in China, and Chadstone in Australia.
- Japan (+8%) recorded a sustained increase with no price or scope effects.
- America (+12%) confirmed its momentum throughout the area. The 34th store in the United States opened in May in Palo Alto, in the heart of Silicon Valley, the Cancun store in March, and the Mexico Artz Pedregal in December.
- Europe excluding France (+8%) achieved a sound performance, driven in particular by the United Kingdom and Italy. France (+6%) posted growth, despite the negative impact of year-end events. The Parisian store on avenue George V, now covering three floors, re-opened in November after renovation and extension.

Sales by business lines at the end of December

(at constant exchange rates unless otherwise indicated)

All business lines recorded growth, with a remarkable performance of the Ready-to-Wear and Accessories division.

Leather Goods and Saddlery (+9%) recorded growth thanks to the increase in production capacity, in order to meet the high demand, both for the re-invented classics and other models such as the *Mosaïque* and *24/24* bags. Development projects continued with the Manufacture de l'Allan workshop gaining momentum and the launch of the Guyenne and Montereau workshops, which are expected to be completed by 2020. A new site will be built in Louviers by 2021, with the creation of 250 jobs. Hermès strengthens once again its territorial roots in Normandy, the development of employment and the creation of social value.

The Ready-to-Wear and Accessories division (+14%) confirmed its dynamic activity despite high comparison bases, driven by the success of the ready-to-wear collections, and fashion accessories, particularly shoes.

The Silk and Textiles business line posted an increase (+3%), with collections that combine diversity of materials with creative design.

Perfumes (+9%) performed well, thanks particularly to the success of *Terre d'Hermès* and *Twilly d'Hermès*.

The Watches business line (+10%) recorded good sales performance in group's stores, that reflects the creativity of the collections. The presentation of the Hermès' new women's watch *Galop d'Hermès* and the *Arceau L'heure de la lune* watch at the International Salon of Haute Horlogerie (SIHH) in Geneva last January was very well received.

Other Hermès business lines (+20%), which encompass Jewellery, Art of Living and Hermès Table Arts, were up sharply. The high jewellery collection, *Enchaînements libres*, was presented in September enhancing the creativity of the design with precious metal work.

Strong growth in net profit and free cash flow

Recurring operating income increased 6% to €2,045 million compared to €1,922 million in 2017. Thanks to particularly healthy growth and good cost control, recurring operating profitability reached 34.3% of sales, close to the outstanding level achieved in 2017¹.

After including the €53 million net capital gain on the sale of the former Galleria store premises in Hong Kong, operating income increased 9% to €2,098 million, representing 35.2% of sales.

Consolidated net profit (Group share) increased 15% to €1,045 million. Restated with the Galleria disposal capital gain, the increase is 11%.

After adjustment for capital expenditure (€312 million), free cash flow amounted to €1,447 million, up 8%.

Net cash gained €553 million to reach €3,465 million as at 31 December 2018, after payment of the ordinary dividend (€428 million) and an extraordinary dividend (€521 million).

In 2018, Hermès International redeemed 103,237 shares for €59 million, outside transactions completed within the framework of the liquidity contract.

¹ In 2017, recurring operating profitability was 34.6%.

Growth in workforce

The Hermès Group increased its workforce by almost 800 people, including more than 500 in France, mainly in the production units and sales teams. At the end of 2018, the Group employed 14,284 people, including 8,846 in France.

Hermès has announced payment of an exceptional €1,000 bonus to all employees who earned less than three times the annual minimum wage in 2018. This bonus will be paid on top of the €100 increase in monthly salaries for all staff in France and an additional bonus for employees outside France. These measures confirm the willingness and commitment of Hermès to share the fruit of its growth with all those who contribute to it on a daily basis.

Outlook

In the medium term, despite growing economic, geopolitical and monetary uncertainties around the world, the Group confirms an ambitious goal for revenue growth at constant exchange rates.

“In the pursuit of dreams” will be the theme of the year 2019. Celebrating the dream of Hermès means to affirm the need to dare to see further, to open the field of the imagination that stimulates creation.

Thanks to its unique business model, Hermès is pursuing its long-term development strategy based on creativity, maintaining control over know-how and singular communication.

Proposed dividend

At the General Meeting of 4 June 2019, a dividend proposal of €4.55 per share will be made. The €1.50 interim dividend paid on 22 February 2019 will be deducted from the dividend approved by the General Meeting.

Coming events:

- 25 April 2019: Q1 2019 Revenue publication
- 4 June 2019: General Meeting of Shareholders
- 23 July 2019: Q2 2019 Revenue publication

*The press release and the presentation of the 2018 results are available on the Group's website:
<http://finance.hermes.com>.*

*At the Supervisory Board meeting on 19 March 2019, Executive Management presented the audited financial statements for 2018. The audit procedures have been completed and the audit report is under preparation.
The complete consolidated financial statements will be available by 30 April 2019 at the latest, at <http://finance.hermes.com> and on the AMF website (www.amf-france.org).*

2018 KEY FIGURES

<i>In millions of euros</i>	2018	2017
Revenue	5,966	5,549
<i>Growth at current exchange rates vs. n-1</i>	7.5%	6.7%
<i>Growth at constant exchange rates vs. n-1</i> ⁽¹⁾	10.4%	8.6%
Recurring operating income ⁽²⁾	2,045	1,922
<i>As a % of revenue</i>	34.3%	34.6%
Operating income	2,098	1,922
<i>As a % of revenue</i>	35.2%	34.6%
Net profit – Group share	1,405	1,221
<i>As a % of revenue</i>	23.5%	22.0%
Operating cash flows	1,683	1,580
Free cash flow ⁽³⁾	1,447	1,340
Operating investments	312	265
Equity – Group share	5,503	5,039
Net cash position	3,465	2,912
Restated net cash position ⁽⁴⁾	3,615	3,050
Workforce (number of employees)	14,284	13,483

(1) Growth at constant exchange rates is calculated by applying the average exchange rates of the previous period to the current period's revenue, for each currency.

(2) Recurring operating income is one of the main performance indicators monitored by the group's General Management. It excludes non-recurring items having a significant impact likely to affect the understanding of the group's economic performance.

(3) Free cash flow correspond to the sum of Operating cash flows and the change in working capital, less operating investments.

(4) The restated net cash position includes short-term investments that do not meet IFRS cash equivalents criteria mainly because their original maturity exceeds three months

REMINDER OF PREVIOUS PUBLICATIONS

INFORMATION BY GEOGRAPHICAL ZONE (1)

In millions of Euros	Fiscal Year		Evolutions	
	2018	2017	Published	At constant exchange rates
France	802.2	754.9	6.3%	6.3%
Europe (excl. France)	1,106.5	1,044.1	6.0%	7.5%
Total Europe	1,908.7	1,799.0	6.1%	7.0%
Japan	748.3	716.6	4.4%	7.5%
Asia Pacific (excl. Japan)	2,142.4	1,946.0	10.1%	13.7%
Total Asia	2,890.7	2,662.6	8.6%	12.0%
Americas	1,058.6	995.8	6.3%	11.5%
Other	108.1	91.8	17.7%	17.8%
TOTAL	5,966.1	5,549.2	7.5%	10.4%

In millions of Euros	4th quarter		Evolutions	
	2018	2017	Published	At constant exchange rates
France	214.9	205.1	4.8%	4.8%
Europe (excl. France)	322.0	299.2	7.6%	8.5%
Total Europe	536.9	504.3	6.5%	7.0%
Japan	222.2	201.2	10.4%	8.1%
Asia Pacific (excl. Japan)	550.5	483.5	13.9%	13.1%
Total Asia	772.7	684.6	12.9%	11.6%
Americas	310.7	286.8	8.3%	7.9%
Other	29.9	23.4	27.8%	27.8%
TOTAL	1,650.2	1,499.1	10.1%	9.6%

(1) Sales by destination.

INFORMATION BY SECTOR

In millions of Euros	Fiscal Year		Evolutions	
	2018	2017	Published	At constant exchange rates
Leathergoods and Saddlery (1)	2,975.8	2,800.3	6.3%	9.4%
Ready-to-wear and Fashion accessories (2)	1,310.4	1,181.1	10.9%	14.1%
Silk and Textiles	536.9	534.3	0.5%	3.2%
Other Hermès sectors (3)	424.7	365.0	16.3%	19.6%
Perfumes	311.7	287.5	8.4%	8.9%
Watches	168.6	157.5	7.0%	9.9%
Other products (4)	238.0	223.4	6.5%	7.9%
TOTAL	5,966.1	5,549.2	7.5%	10.4%

In millions of Euros	4th quarter		Evolutions	
	2018	2017	Published	At constant exchange rates
Leathergoods and Saddlery (1)	820.7	742.7	10.5%	9.8%
Ready-to-wear and Fashion accessories (2)	335.5	298.5	12.4%	11.7%
Silk and Textiles	173.5	171.9	0.9%	1.3%
Other Hermès sectors (3)	120.7	108.4	11.3%	11.2%
Perfumes	73.3	67.0	9.5%	9.5%
Watches	50.3	44.0	14.4%	13.9%
Other products (4)	76.2	66.6	14.4%	15.0%
TOTAL	1,650.2	1,499.1	10.1%	9.6%

(1) The “Leather Goods and Saddlery” business line includes bags, riding, diaries and small leather goods.

(2) The “Ready-to-wear and Accessories” business line includes Hermès Ready-to-wear for men and women, belts, costume jewellery, gloves, hats and shoes.

(3) The “Other Hermès business lines” include Jewellery and Hermès home products (Art of Living and Hermès Tableware).

(4) The “Other products” include the production activities carried out on behalf of non-group brands (textile printing, tanning...), as well as the John Lobb, Saint-Louis, Puiforcat and Shang Xia products.