

HERMES

Quarterly information report as at 31 December 2018

**2018 Sales amounted to €6 billion,
the group pursues strong and balanced growth (+10% at constant exchange rates)**

Paris, 8 February 2019

In 2018, the Group's consolidated revenue reached €5,966 million, up +10% at constant exchange rates. After accounting for the negative currency impact, growth was +7.5% at current exchange rates. This growth is particularly healthy, being based mainly on volume.

Growth in the fourth quarter was very robust (+10% at constant exchange rates) in all the geographical areas.

Axel Dumas, Executive Chairman of Hermès, said: *"In an uncertain global context, I am very pleased with the success of Hermès which saw revenue rise to €6 billion. Such performance reflects the attractiveness of our collections, which are based on unfettered creativity and outstanding technical expertise, enabling us to maintain our model of sustainable and responsible growth, in line with our values of craftsmanship and entrepreneurial spirit."*

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 in spaces 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 region particularly extended and renovated the Shanghai IFC and Singapore Marina Bay Sands stores, 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.

Highlights

At the end of December, currency fluctuations represented a negative impact on revenue of €160 million.

In 2018, Hermès International redeemed 103,237 shares for €59.4 million, excluding transactions completed within the framework of the liquidity contract.

As announced for the Sales release on 3 May 2018, the Group disposed of the former Galleria store premises in Hong Kong and recorded a net capital gain of €53 million in operating income.

2018 objectives

2018 full-year results will be reported on 20 March 2019. Thanks to healthy sales growth and good cost control, the 2018 current operating margin should be close to 34%, after the exceptional level reached in 2017¹.

Interim dividends

Given the amount of cash and cash equivalents, on 7 February 2019, Management decided to pay an interim dividend of €1.50 per share. The ex-dividend date is set at 20 February and the payment date at 22 February 2019.

¹ The 2017 current operating margin amounted to 34.6%.

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.

*The press release on Revenue at the end of December 2018 is available on the Group's website:
<http://finance.hermes.com>.*

Coming events:

- 20 March 2019: 2018 Results publication
- 25 April 2019: Q1 2019 Revenue publication
- 4 June 2019: Shareholders' General Meeting
- 23 July 2019: Q2 2019 Revenue publication

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.

REMINDER OF PREVIOUS PUBLICATIONS

INFORMATION BY GEOGRAPHICAL ZONE (1)

In millions of Euros	2018			2017		
	H1 report	Q3 report	9M report	H1 report	Q3 report	9M report
France	390.3	197.0	587.3	360.7	189.2	549.9
Europe (excl. France)	500.7	283.7	784.4	475.5	269.4	744.9
Total Europe	891.1	480.7	1,371.8	836.2	458.6	1,294.8
Japan	344.8	181.3	526.1	348.7	166.7	515.4
Asia Pacific (excl. Japan)	1,072.8	519.0	1,591.9	998.5	464.1	1,462.6
Total Asia	1,417.6	700.4	2,118.0	1,347.2	630.7	1,977.9
Americas	489.9	258.0	747.9	482.4	226.6	709.0
Other	54.8	23.4	78.2	47.2	21.2	68.4
TOTAL	2,853.4	1,462.5	4,315.8	2,713.1	1,337.1	4,050.1

(1) Sales by destination.

INFORMATION BY SECTOR

In millions of Euros	2018			2017		
	H1 report	Q3 report	9M report	H1 report	Q3 report	9M report
Leathergoods and Saddlery (1)	1,425.1	730.0	2,155.0	1,404.0	653.7	2,057.6
Ready-to-wear and Fashion accessories (2)	637.3	337.6	974.9	579.2	303.5	882.7
Silk and Textiles	249.4	114.0	363.4	246.3	116.1	362.4
Other Hermès sectors (3)	201.7	102.3	304.0	172.3	84.3	256.6
Perfumes	153.2	85.2	238.4	134.4	86.1	220.5
Watches	77.0	41.3	118.3	75.0	38.5	113.5
Other products (4)	109.8	52.0	161.8	101.9	54.9	156.8
TOTAL	2,853.4	1,462.5	4,315.8	2,713.1	1,337.1	4,050.1

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

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REMINDER OF KEY FIGURES – 2018 FIRST HALF RESULT

Main consolidated data

<i>In millions of euros</i>	H1 2018	FY 2017	H1 2017
Revenue	2,853	5,549	2,713
Growth at current exchange rates vs. n-1	5.2%	6.7%	11.2%
Growth at constant exchange rates vs. n-1 ⁽¹⁾	11.2%	8.6%	9.7%
Recurring operating income	985	1,922	931
As a % of revenue	34.5%	34.6%	34.3%
Operating income ⁽²⁾	1,037	1,922	931
As a % of revenue	36.3%	34.6%	34.3%
Net profit – Group share	708	1,221	605
As a % of revenue	24.8%	22.0%	22.3%
Operating cash flows	849	1,598	794
Investments (excluding financial investments)	128	270	105
Equity – Group share	4,789	5,039	4,564
Net cash position	2,713	2,912	2,434
Restated net cash position ⁽³⁾	2,798	3,050	2,530
Workforce (number of employees)	13,764	13,483	13,059

(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) First half 2018 Operating income includes an amount of €53 million in capital gains resulting from the sale of the former Galleria store premises in Hong Kong.

(3) 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

Limited review procedures have been carried out on the condensed interim consolidated financial statements by the Statutory Auditors in accordance with applicable regulations.

The half-year financial report, the press release and the presentation of the 2018 Half Year Results are available on the Group's website: <http://finance.hermes.com>.