

# HERMÈS

*Quarterly information report as at the end of June 2019*

**Strong sales momentum over the first half of 2019**  
**(+12 % at constant exchange rates and +15 % at current exchange rates)**

Paris, 23 July 2019

The group's consolidated revenue amounted to €3,284 million in the first half of 2019, up +12 % at constant exchange rates and +15 % at current exchange rates. Sales growth was very solid in the group's stores (+13 % at constant exchange rates).

The sustained growth in the second quarter (+12 % at constant exchange rates and +15 % at current exchange rates) is in line with the trends seen over the first three months of the year.

Axel Dumas, Executive Chairman of Hermès, said: "*Hermès sales were very dynamic in the first half of 2019, in all regions and in all business lines. This sound growth reflects the House's creative drive, outstanding know-how, and the relevance of its craftsmanship model which helps strengthen local integration.*"

## **Sales by geographical area at the end of June** *(at comparable exchange rates, unless otherwise indicated)*

In the first half of 2019, revenue increased in all geographical areas worldwide:

- Asia excluding Japan (+18 %) continued its outstanding performance, with positive momentum in continental China and double-digit growth in all other countries in the area. The Group benefitted from successful store openings and extensions in recent months, particularly Shanghai IFC in China and Marina Bay Sands in Singapore. A new store opened in March in Phuket Floresta in Thailand. Rollout of the new digital platform in Asia will continue at the end of the year in Singapore.
- Japan (+10 %) confirmed its sound growth. The new platform *hermes.jp* was successfully deployed in June, offering editorial content and products which reflect the diversity of the Maison's creations.
- America (+10 %) posted a strong performance at the end of June, despite a high comparison basis. Last April, the Group opened its 36<sup>th</sup> store in the USA at the heart of New York's Meatpacking district, and reopened the Waikiki store in Hawaii in June.
- Europe excluding France (+9 %) and France (+4 %) achieved a good performance. The store in Amsterdam reopened in May after extension, and the store on Stoleshnikov Lane in the historical centre of Moscow was renovated in June. In France, sales improved during the past months.

## Sales by business line at the end of June

(at comparable exchange rates, unless otherwise indicated)

The momentum in the first half was driven by solid growth across all business lines, with a remarkable performance of the Ready-to-Wear and Accessories division.

Growth in Leather Goods and Saddlery (+12 %) was particularly sustained over the first half of the year, based on collections blending style, know-how and diversity of materials. The division's annual growth target remains unchanged. Demand remains very high, both for the *Maison's* classics and other models, such as the *Mosaïque* and *24/24* bags. The increase in production capacities continued, with the ground breaking of the Maroquinerie de Guyenne workshop in June, scheduled for completion in 2020, and the announcement of a new workshop in Louviers by 2021. Hermès continues to strengthen its local integration in France with the opening of a training centre in Fitiéu (Isère), and the announced extension of the Ganterie-Maroquinerie de Saint-Junien workshop (Limousin region).

The Ready-to-Wear and Accessories division (+15 %) pursued its strong growth, thanks to the success of the men's and women's ready-to-wear collections and of fashion accessories and shoes.

The Silk and Textiles business line (+4 %) confirmed its positive momentum, benefitting from sustained demand and the diversity of materials, outstanding creativity and know-how. The Pierre Bénite site (Rhône) will be extended to support development and will accommodate two new printing lines.

Driven by the success of *Terre d'Hermès* and the new creation, *Un Jardin sur la Lagune*, Perfumes (+3 %) posted an increase, despite a high comparison basis at the beginning of last year following the launches of *Twilly d'Hermès* and *Eau de Citron noir*.

The Watches business line (+14 %) performed very well, reflecting the creativity of the collections. The *Galop d'Hermès* model, inspired by the harness collections, received a very warm welcome.

Other Hermès business lines (+19 %) recorded a positive increase over the period, both in Jewellery and in the Home universe.

## Highlights

At the end of June, currency fluctuations were favourable, representing a positive impact of €90 million on revenue.

During the first six months, Hermès International redeemed 56,030 shares for €34 million, excluding transactions completed within the framework of the liquidity contract.

## 2019 half year results and IFRS 16

The half year results will be published on 11 September.

The Hermès Group will apply the IFRS16 *Leases* standard retrospectively from 1 January 2019. Accordingly, the 2018 interim financial statements will be restated and presented as if this new standard had always been applied. Although practically neutral in terms of net profit, this first application should increase the recurring operating margin<sup>1</sup> of each period by approximately 0.5 pt.

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<sup>1</sup> Recurring operating income is one of the main performance indicators monitored by Group Management. It excludes non-recurring items having a significant impact that could affect the understanding of the Group's economic performance. For memory, at the end of June 2018, the €53 million in capital gains resulting from the sale of the former Galleria store premises in Hong Kong was excluded from recurring operating income.

At the end of June, the current operating profitability should be slightly below the record level published<sup>2</sup> in the first half of 2018 (34.5 %), thanks to the leverage effect generated by strong sales growth, which should partially offset the unfavorable impact of exchange rate hedges.

## **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.

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.

*In the pursuit of dreams* is the theme of the year 2019. Celebrating the dream of Hermès means asserting the need to dare to see further, to open the field of the imagination that stimulates creation.

*The press release on revenue at the end of June 2019 is available on the Group's website:  
<https://finance.hermes.com>.*

### **Upcoming events:**

- 11 September 2019: H1 2019 Results publication
- 24 October 2019: Q3 2019 Revenue publication

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<sup>2</sup> Before application of IFRS 16.

INFORMATION BY GEOGRAPHICAL ZONE <sup>(1)</sup>

In €M	First Half		Evolutions	
	2019	2018	Published	At constant exchange rates
France	405.8	390.3	4.0%	4.0%
Europe (excl. France)	544.6	500.7	8.8%	8.8%
<b>Total Europe</b>	<b>950.4</b>	<b>891.1</b>	<b>6.7%</b>	<b>6.7%</b>
Japan	400.6	344.8	16.2%	9.8%
Asia Pacific (excl. Japan)	1,299.3	1,072.8	21.1%	17.7%
<b>Total Asia</b>	<b>1,700.0</b>	<b>1,417.6</b>	<b>19.9%</b>	<b>15.8%</b>
Americas	569.2	489.9	16.2%	9.8%
Other	64.6	54.8	17.8%	17.7%
<b>TOTAL</b>	<b>3,284.2</b>	<b>2,853.4</b>	<b>15.1%</b>	<b>12.0%</b>

In €M	2nd quarter		Evolutions	
	2019	2018	Published	At constant exchange rates
France	221.0	208.1	6.2%	6.2%
Europe (excl. France)	283.0	261.5	8.2%	8.3%
<b>Total Europe</b>	<b>504.0</b>	<b>469.6</b>	<b>7.3%</b>	<b>7.3%</b>
Japan	196.5	169.8	15.7%	9.9%
Asia Pacific (excl. Japan)	643.4	533.1	20.7%	18.6%
<b>Total Asia</b>	<b>839.9</b>	<b>702.9</b>	<b>19.5%</b>	<b>16.5%</b>
Americas	299.6	259.7	15.4%	9.8%
Other	31.1	27.4	13.3%	13.2%
<b>TOTAL</b>	<b>1,674.5</b>	<b>1,459.6</b>	<b>14.7%</b>	<b>12.3%</b>

(1) Sales by destination.

## INFORMATION BY SECTOR

In €M	First Half		Evolutions	
	2019	2018	Published	At constant exchange rates
Leather Goods-Saddlery <sup>(1)</sup>	1,652.4	1,425.1	16.0%	12.4%
Ready-to-wear and Fashion accessories <sup>(2)</sup>	754.6	637.3	18.4%	15.2%
Silk and Textiles	266.6	249.4	6.9%	4.0%
Other Hermès sectors <sup>(3)</sup>	247.6	201.7	22.8%	19.4%
Perfumes	158.7	153.2	3.6%	3.2%
Watches	90.5	77.0	17.6%	14.2%
Other products <sup>(4)</sup>	113.9	109.8	3.7%	2.4%
<b>TOTAL</b>	<b>3,284.2</b>	<b>2,853.4</b>	<b>15.1%</b>	<b>12.0%</b>

In €M	2nd quarter		Evolutions	
	2019	2018	Published	At constant exchange rates
Leather Goods-Saddlery <sup>(1)</sup>	844.2	733.7	15.1%	12.2%
Ready-to-wear and Fashion accessories <sup>(2)</sup>	394.4	330.7	19.3%	16.9%
Silk and Textiles	126.2	117.0	7.8%	5.8%
Other Hermès sectors <sup>(3)</sup>	130.9	106.1	23.4%	20.8%
Perfumes	74.1	71.3	3.9%	3.5%
Watches	47.1	42.7	10.1%	7.6%
Other products <sup>(4)</sup>	57.7	58.0	(0.5)%	(1.5)%
<b>TOTAL</b>	<b>1,674.5</b>	<b>1,459.6</b>	<b>14.7%</b>	<b>12.3%</b>

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

(2) The “Ready-to-wear and Accessories” division includes Hermès Ready-to-wear for men and women, belts, fashion accessories, 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 <sup>(a)</sup>**

In €M	1st quarter		Evolutions	
	2019	2018	Published	At constant exchange rates
France	184.8	182.2	1.4%	1.4%
Europe (excl. France)	261.6	239.3	9.3%	9.5%
<b>Total Europe</b>	<b>446.4</b>	<b>421.5</b>	<b>5.9%</b>	<b>6.0%</b>
Japan	204.2	174.9	16.7%	9.7%
Asia Pacific (excl. Japan)	655.9	539.8	21.5%	16.9%
<b>Total Asia</b>	<b>860.1</b>	<b>714.7</b>	<b>20.3%</b>	<b>15.1%</b>
Americas	269.7	230.2	17.1%	9.8%
Other	33.5	27.4	22.3%	22.2%
<b>TOTAL</b>	<b>1,609.7</b>	<b>1,393.8</b>	<b>15.5%</b>	<b>11.6%</b>

(a) Sales by destination.

**INFORMATION BY SECTOR**

In €M	1st quarter		Evolutions	
	2019	2018	2019	At constant exchange rates
Leather Goods-Saddlery <sup>(1)</sup>	808.2	691.3	16.9%	12.5%
Ready-to-wear and Fashion accessories <sup>(2)</sup>	360.2	306.6	17.5%	13.4%
Silk and Textiles	140.4	132.4	6.0%	2.5%
Other Hermès sectors <sup>(3)</sup>	116.7	95.6	22.1%	18.0%
Perfumes	84.6	81.9	3.3%	3.0%
Watches	43.4	34.2	26.9%	22.3%
Other products <sup>(4)</sup>	56.2	51.8	8.5%	6.8%
<b>TOTAL</b>	<b>1,609.7</b>	<b>1,393.8</b>	<b>15.5%</b>	<b>11.6%</b>

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

(2) The “Ready-to-wear and Accessories” division includes Hermès Ready-to-wear for men and women, belts, fashion accessories, 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 – 2018 KEY FIGURES**

<i>In million euros</i>	<b>FY 2018</b>	<b>FY 2017</b>
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> <sup>(1)</sup>	10.4%	8.6%
Recurring operating income <sup>(2)</sup>	2,045	1,922
<i>in % of revenue</i>	34.3%	34.6%
Operating income	2,098	1,922
<i>in % of revenue</i>	35.2%	34.6%
Net profit – Group share	1,405	1,221
<i>in % of revenue</i>	23.5%	22.0%
Operating cash flows	1,683	1,580
Free cash flow <sup>(3)</sup>	1,447	1,340
Operating investments	312	265
Equity – Group share	5,503	5,039
Net cash position IFRS	3,465	2,912
Restated net cash position <sup>(4)</sup>	3,615	3,050
Workforce (number of employees)	14,284	13,483

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

*(2) Recurring operating income is one of the main performance indicators followed by the Group's management. It excludes non-recurring items having a significant impact that could affect understanding of the Group's economic performance.*

*(3) Free cash flow = operating cash flows + change in working capital requirement – operating investments.*

*(4) Restated net cash includes cash investments that do not meet IFRS cash equivalents criteria as a result of their original maturity of more than three months.*

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