



SAVOIR-FAIRE

CRÉATION

ARTISAN

LE SENS DE L'OBJET



# LETTER TO SHAREHOLDERS

MARCH 2018

Sense in our objects, sense in our actions

*In our own way.* This inspiring expression often occupies the thoughts of our employees.

Choosing our clothes and shoes, taking care with our appearance, selecting a fragrance to suit our mood, picking a scarf or tie, checking our watch, assembling our accessories and heading out... this is, in general, what constitutes our meticulous preparations. The objects that we wear or carry make us feel well supported. They are our companions, constant or inconstant, regular or occasional.

*In our own way...* When this thought crosses my mind, I cannot help thinking of the freedom of action that is our hallmark, and I am proud that the principal vocation of Hermès is to provide people in movement with objects that offer pleasant company throughout their day – a day filled with success, naturally.

On that subject, our house, in constant movement, was driven by success in 2017. We owe this above all to the action of the women and men working every day at Hermès and to the quality of our objects, which resulted in strong growth in revenue and profitability at an all-time high. All regions and all Hermès métiers contributed to this unequivocal success.

Doing things in our own way, and being in constant movement, perhaps this is the sense in our actions.

Axel Dumas  
Executive Chairman

## RECORD PROFITABILITY IN 2017

The group's consolidated turnover exceeded the €5.5bn mark and increased by 9% at constant exchange rates.

Operating income, which increased by 13%, reached €1.9bn.

Operating margin (34.6% of sales) increased by 2 points, a record level, due mainly to the success of the collections, the very high productivity of the production facilities and the positive impact of 2016 foreign currency hedges.

Net income, up by 11%, reached €1.2bn.

The net cash position increased by nearly €600m to €2.9bn at 31<sup>st</sup> December 2017.

2017 Revenue  
**€5.5bn**

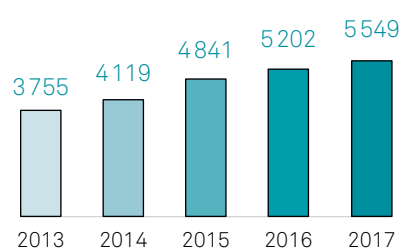


Key consolidated data (€m)	2017	2016
Turnover	5,549	5,202
Recurring operating income	1,922	1,696
Net income attributable to owners of the parent	1,221	1,100
Operating cash flows	1,598	1,439
Investments	265	285

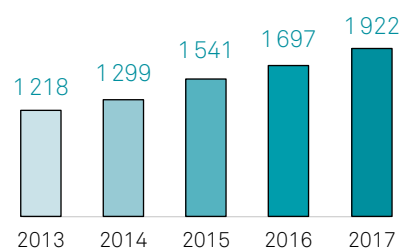
Cash position  
as of 31<sup>st</sup> December 2017  
**€2.9bn**



**SALES**  
(€M)



**RECURRING OPERATING INCOME**  
(€M)



## A SOUND BUSINESS MODEL AND HARMONIOUS GROWTH OF THE MÉTIERS

All métiers are growing, with remarkable performance in Clothing and Accessories, Fragrances and Other Métiers.

Leather Goods-Saddlery is highly successful.



# SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

Alongside the progressive increase in its production capacity, Hermès continues to pursue its commitment to offsetting its carbon emissions.



Laying the first brick of the Manufacture de l'Allan, Franche-Comté

## Creating jobs in France

In 2017, our bags, small leather goods, luggage, saddles and other equestrian objects were produced in fifteen Hermès leather goods workshops, all located in France.

A sixteenth site, the **Manufacture de l'Allan**, at Allenjoie in Franche-Comté, close to the Seloncourt and Héricourt manufactures, will be inaugurated in the first half of 2018.

Two further leather goods workshops are due to open by 2020, creating 500 new jobs for leatherworker artisans:

the **Maroquinerie de Montereau**, in the Paris region, and the **Maroquinerie de Guyenne**, located in Saint-Vincent-de-Paul within the conurbation of Bordeaux – an attractive destination for future teams, which meets the mobility desires of some craftspeople. Establishing roots in these different areas is testament to the company's commitment to regional social responsibility. The production sites in France currently employ **4,400 craftsmen**. In 2017, the Hermès Group increased its workforce by nearly 650, including more than 400 new recruits in France. Most of these joined the manufactures and the sales teams. At the end of 2017, the Group employed 13,483 people, including 8,319 in France.

## Promoting sustainable activities around the world

On 11<sup>th</sup> December 2017, more than 500 employees gathered at the Espace Jean-Louis Dumas in Pantin to celebrate the sixth anniversary of the **Livelihoods** Fund and the realisation of nine projects in Asia, Africa and South America.

Hermès has been a partner of this fund since 2012, alongside ten other European companies, supporting disadvantaged communities in undertaking sustainable activities to combat climate change, develop their own resources, and improve their living conditions. In its six years of existence, a million people have directly benefited from Livelihoods projects, and 130 million trees have been planted. Hermès has confirmed its intention to invest in a second investment fund.



Livelihoods Fund: transforming damaged soils in the Araku Valley, India

## THE GLOBAL REACH OF HERMÈS OBJECTS

Thanks to the know-how of its artisans, Hermès offers new creations that each in its own way interprets “Object Sense”, the theme of 2017.



Twilly d'Hermès  
fragrance



Hermès Club, Long Museum,  
Shanghai



The Hermès à  
tire-d'aile – Les mondes  
de Leïla Menchari  
exhibition,  
Grand Palais, Paris

### The success of abundant creativity

2017 was marked by enthusiasm and boldness in the wake of **Twilly d'Hermès**, the fragrance of today's young women, created by Christine Nagel, and in the form of the **Chaîne d'ancre Punk** collection, designed by Pierre Hardy, which reinvents one of the Hermès classics. It is in this spirit of creative freedom that other house classics have appeared in a new light: the **Kelly**, **Birkin** and **Constance** bags were transformed with *toile de camp* canvas, printed with an equestrian chain design from the Émile Hermès collection.

The inspired clasps of the **Hermès Cinhétic** and **Hermès 2002** bags revealed subtle inventiveness, while the **Opli** collection is distinctive by its very nature – a single piece of ingeniously folded leather. The ready-to-wear collections displayed this same creative dynamism, with a new series of garment-objects designed by Véronique Nichanian for the men's wardrobe, while the women's looks, designed by Nadège Vanhée-Cybulski, combined know-how with new uses, and materials with new shapes. The women's universe was celebrated at the Long Museum in Shanghai where, for one night only, the **Hermès Club** set the objects of the autumn-winter 2017 collection in light and motion with a series of refined mises en scène.

### The unforgettable window displays of Faubourg Saint-Honoré

With the **Hermès à tire-d'aile – Les mondes de Leïla Menchari** exhibition at the Grand Palais in Paris, the house celebrated a key figure in its history. Leïla Menchari joined Hermès in 1961 alongside Annie Beaumel to “draw her dreams”. In 1978, Leïla Menchari took charge of the window displays at the Faubourg Saint-Honoré store, where she created exuberant scenes. The exhibition provided an opportunity to see – or revisit – objects from the house staged in eight flamboyant compositions. The “Queen of Enchantment”, according to her great friend Michel Tournier, was well before her time in her ability to exalt object sense in the window displays of the Parisian store, much to the delight of passers-by.

# HERMÈS AROUND THE WORLD

Internationally, new stores and original events enable Hermès to meet and interact with customers.



Hermès store in  
Toronto, Canada

## New addresses in Europe and in America...

2017 has been marked by the opening of new stores and the **expansion** of others, such as **Copenhagen, São Paulo** and **Palm Beach**. The new Toronto store, a stone's throw from its former location, extends over two levels at 100 Bloor Street West. A hockey bag, limited edition hockey sticks, and two models of bicycle were specially developed for this Canadian store.

## ...and unique events in Asia

It was at the **Maison Hermès in Shanghai** that *Harnessing the Roots* was presented, to celebrate the 20<sup>th</sup> anniversary of Hermès entry into the Chinese market. This exhibition is the first instalment of ***Hermès Heritage***, “a series of travelling exhibitions designed to share the richness of a living heritage with a wider public”, in the words of Pierre-Alexis Dumas. The first chapter of the series is dedicated to equestrian harnesses, their successive metamorphoses, and their influence on Hermès creations.

In Seoul, the **Maison Hermès in Dosan Park** took on the appearance of an enchanted garden to welcome petit h and its offbeat pieces. Visitors and *flâneurs* admired an astonishing cockerel-origami-bookcase and a life-size tiger whose coat, composed of 189 pieces of leather, is the result of a remarkable work of marquetry by the house's craftsmen. Finally, the ***Through the Walls*** installation completely transformed the **Singapore** store in the autumn. The latest creations from the home universe were mischievously brought to life in a large-scale reflection – a house within the house – where anything became possible: walls split open, objects conversed, furniture became mobile... An immersive installation that turned the spotlight on *object sense*.



The *Harnessing the Roots*  
exhibition, Maison Hermès in  
Shanghai



# THE HERMÈS SHARE

## HERMÈS SHARE PRICE HISTORY IN 2017

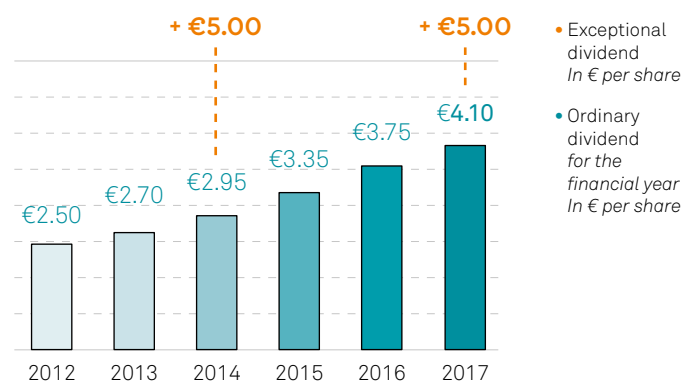


## KEY STOCK MARKET DATA



# PROPOSED DIVIDEND

A proposal will be submitted to the General Meeting on 5<sup>th</sup> June 2018 to set the dividend at €4.10 per share. The interim dividend of €1.50 paid on 22<sup>nd</sup> February 2018 will be deducted from the dividend to be approved by the General Meeting. Moreover, the payment of an exceptional dividend of €5.00 per share will be proposed at the annual general meeting.



## AGENDA

**Thursday 3<sup>rd</sup> May 2018\***

1<sup>st</sup> quarter 2018 revenue

**Tuesday 5<sup>th</sup> June 2018**

General Meeting of Shareholders

**Friday, 20<sup>th</sup> July 2018**

2<sup>nd</sup> quarter 2018 revenue

\* Published in the morning, before stock market opening

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