

# HERMES

## **Strong increase in sales and results in H1**

Recurring operating income up by +11%  
Operating margin reaches an all-time high of 33.9% of sales

Paris, 14 September 2016

The Group's consolidated revenues amounted to €2,440 million in the first half of 2016, up 7% at constant exchange rates. After adjustment for the negative currency effect, growth was 6%. Operating income, up 11%, amounted to €827 million (33.9% of sales) and net income reached €545 million, up 13%.

### **Sales by region at the end of June**

*(at constant exchange rates, unless otherwise indicated)*

Over the first half of 2016, revenues rose in all the regions worldwide:

- Japan (+10%) achieved an excellent performance thanks to its selective distribution network, despite the strengthening of the Yen and a particularly high comparison basis.
- Asia excluding Japan (+5%), which re-opened the Liat Towers store in Singapore in May after extension and renovation, pursued its growth. In continental China, sales continued to rise even though the context remains challenging in Hong Kong and Macao.
- America (+8%) is developing in a still uncertain context and benefits particularly from last year's extensions and renovations.
- Europe (+8%) posted growth, performing well in the Group's stores which confirm their resistance, despite the impact of recent events, particularly in France.

### **Sales by sector at the end of June**

*(at constant exchange rates, unless otherwise indicated)*

In a more adverse context, growth was driven by the success of Leather Goods and Saddlery which confirmed its role as the mainstay of the Group.

Growth in Leather Goods and Saddlery (+16%) was remarkable, thanks to the success of the collections and the models' diversity, in particular the bags Constance, Halzan and Lindy, together with Birkin and Kelly. The development was supported by the sustained pace of production and the increase in capacities at the three sites in Charente, Isère and Franche-Comté. Investments for a third site in this latter region continue.

The Ready-to-wear and Accessories division (-2%) was down slightly, in contrast with the success of the latest women's ready-to-wear and shoe collections.

The Silk and Textiles business line (-7%) was penalized in the first semester by events in Europe, and by slowing sales in Greater China and America.

The Perfumes division (+4%) posted an increase, driven by the success of *Terre d'Hermès* and by the latest creations with the launch of colognes, *Eau de néroli doré* and *Eau de rhubarbe écarlate*.

Watches (+1%) remained stable, penalized by a still challenging market, particularly in Asia excluding Japan.

Other Hermès business lines (-2%) which encompass Jewellery, Art of Living and Hermès Table Arts, continued their development.

### **Operating margin in H1 reached 33.9% of sales**

Recurring operating income rose 11% to reach €827 million compared to €748 million in H1 2015. Operating margin (33.9% of sales) grew by 1.4 point compared to H1 2015, mainly due to the favourable impact of foreign exchange hedges taken out last year.

Group consolidated net income, up by 13%, reached €545 million, representing 22.3% of sales.

Operating cash flow reached €699 million, up by 22% and permitted to finance all operational investments (€108 million), the change in working capital needs (€118 million) and the payment of the ordinary dividend (€350 million). Net cash, which excludes financial investments of more than three months, amounted to €1,513 million as at 30 June 2016 compared to €1,571 million as at 31 December 2015.

In the first semester, Hermès International bought back 164,924 shares for €53.6 million, outside of transactions as part of the liquidity contract, in order to cover the free shares allocation plans dedicated to the employees.

Hermès continues job creation and employed 12,510 people at the end of June 2016, of which 7,683 are in France.

### **Outlook**

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

For the full year 2016, Hermès confirms its outlook of sales growth at constant exchange rates as announced when the Q2 2016 Revenues were published. Operating margin should be slightly higher than in 2015 given the favourable impact of foreign exchange hedges taken out last year.

In the medium term, despite growing economic, geopolitical and monetary uncertainties around the world, the Group confirms an ambitious goal for sales growth at constant exchange rates but not quantified anylonger.<sup>1</sup>

In 2016, Hermès celebrates "nature at a gallop". Through horses, its very first customer, Hermès has developed a genuine and profound bond with nature, built on inspiration, admiration and respect.

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<sup>1</sup> Compared to the medium-term goal of around 8% revenue growth at constant exchange rates (communicated on the 4<sup>th</sup> Quarter 2014 Revenues publication), the group will no longer communicate any quantified goal due to the reinforcement of economic, geopolitical and monetary uncertainties around the world, but maintains an ambitious goal for sales growth.

## KEY FIGURES – 2016 FIRST HALF RESULT

in millions of euros

	<b>First half of 2016</b>	<b>Fiscal year 2015</b>	<b>First half of 2015</b>
Revenue	2,440.4	4,841.0	2,299.4
Operating income	826.8	1,540.7	748.2
Net income attributable to owners of the parent	545.4	972.6	482.5
Operating cash flows	699.4	1,218.2	573.9
Investments (excluding financial investments)	107.6	266.6	101.4
Shareholders' equity <sup>(1)</sup>	3,863.3	3,742.0	3,227.8
Net cash position	1,513.4	1,571.2	951.9
Restated net cash <sup>(2)</sup>	1,625.4	1,614.0	1,018.3
Number of employees	12,510	12,244	11,857

(1) Corresponds to equity excluding non-controlling interests.

(2) The restated net cash includes non-liquid financial investments, as defined by the IAS 39 standard, and borrowings.

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

*The interim activity report, the press release and the presentation of the 2016 interim Results are available on the Group's website: <http://finance.hermes.com>.*

### Next events:

- 3 November 2016: publication of 3<sup>rd</sup> Quarter 2016 Revenues
- 8 February 2017: publication of 2016 Revenues
- 22 March 2017: publication of 2016 Results

**REMINDER OF PREVIOUS PUBLICATIONS**

**INFORMATION BY GEOGRAPHICAL ZONE (1)**

<b>In millions of Euros</b>	<b>First Half</b>		<b>Evolutions</b>	
	<b>2016</b>	<b>2015</b>	<b>Published</b>	<b>At constants exchange rates</b>
France	352.3	328.3	7.3%	7.3%
Europe (excl. France)	433.8	406.7	6.6%	9.1%
<b>Total Europe</b>	<b>786.1</b>	<b>735.1</b>	<b>6.9%</b>	<b>8.3%</b>
Japan	329.8	279.7	17.9%	10.0%
Asia Pacific (excl. Japan)	856.1	842.2	1.7%	5.3%
<b>Total Asia</b>	<b>1,185.9</b>	<b>1,121.9</b>	<b>5.7%</b>	<b>6.5%</b>
Americas	431.6	403.8	6.9%	8.3%
Other	36.7	38.7	-4.9%	-4.9%
<b>TOTAL</b>	<b>2,440.4</b>	<b>2,299.4</b>	<b>6.1%</b>	<b>7.2%</b>

  

<b>In millions of Euros</b>	<b>2nd quarter</b>		<b>Evolutions</b>	
	<b>2016</b>	<b>2015</b>	<b>Published</b>	<b>At constants exchange rates</b>
France	188.2	172.9	8.8%	8.9%
Europe (excl. France)	222.3	214.4	3.7%	6.7%
<b>Total Europe</b>	<b>410.6</b>	<b>387.3</b>	<b>6.0%</b>	<b>7.7%</b>
Japan	162.0	138.1	17.4%	7.3%
Asia Pacific (excl. Japan)	430.4	425.2	1.2%	6.7%
<b>Total Asia</b>	<b>592.4</b>	<b>563.3</b>	<b>5.2%</b>	<b>6.9%</b>
Americas	227.5	209.3	8.7%	12.1%
Other	19.3	17.3	11.4%	11.7%
<b>TOTAL</b>	<b>1,249.7</b>	<b>1,177.2</b>	<b>6.2%</b>	<b>8.1%</b>

(1) Sales by destination.

## INFORMATION BY SECTOR

In millions of Euros	First Half		Evolutions	
	2016	2015	Published	At constants exchange rates
Leathergoods and Saddlery (1)	1,231.2	1,067.4	15.3%	16.3%
Ready-to-wear and fashion accessories (2)	517.5	534.1	-3.1%	-1.7%
Silk and Textiles	230.3	250.6	-8.1%	-6.9%
Other Hermès sectors (3)	150.6	154.9	-2.8%	-1.5%
Perfumes	124.6	120.3	3.5%	3.7%
Watches	74.6	75.0	-0.5%	0.7%
Other products (4)	111.8	97.1	15.1%	15.8%
<b>TOTAL</b>	<b>2,440.4</b>	<b>2,299.4</b>	<b>6.1%</b>	<b>7.2%</b>

In millions of Euros	2nd quarter		Evolutions	
	2016	2015	Published	At constants exchange rates
Leathergoods and Saddlery (1)	640.6	556.1	15.2%	17.1%
Ready-to-wear and fashion accessories (2)	261.1	271.8	-3.9%	-1.5%
Silk and Textiles	109.1	116.7	-6.5%	-4.2%
Other Hermès sectors (3)	80.2	82.7	-3.0%	-0.9%
Perfumes	64.7	58.3	11.0%	11.3%
Watches	40.1	39.3	2.1%	4.2%
Other products (4)	53.9	52.4	2.9%	3.8%
<b>TOTAL</b>	<b>1,249.7</b>	<b>1,177.2</b>	<b>6.2%</b>	<b>8.1%</b>

(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.