

5th June 2018

# COMBINED GENERAL MEETING

HERMÈS  
INTERNATIONAL





## FULL YEAR 2017 HIGHLIGHTS

## FULL YEAR 2017 HIGHLIGHTS

### CREATIVE ENERGY



- The collections in women's ready-to-wear
- Innovation in the materials, exploration of the exceptional know-how of the collections in the men's universe
- New models of bags: *Hermès Cinbetic*, *Bolide Shark*
- Creation of the line *Lien d'Hermès* within the home universe
- Successful launch of the new fragrance *Twilly d'Hermès*
- Success of the *Chaîne d'ancre punk* jewelry line

## FULL YEAR 2017 HIGHLIGHTS

### KNOW-HOW AT THE HEART OF THE COMPANY



- Ramp-ups of production capacities in Isère, Charente and Franche-Comté
- Opening of the *Maroquinerie de Normandie* and the *Ganterie-Marquinerie de Saint Junien* in June
- Development projects continue with the opening of the *Maroquinerie de l'Allan* in 2018, and the launch of the *Manufacture de Guyenne* and the *Manufacture de Montereau* for completion in 2020
- Recruitment and training of craftsmen, and responsible growth



## FULL YEAR 2017 HIGHLIGHTS

### DEVELOPMENT OF THE DISTRIBUTION NETWORK



- Opening of the new São Paulo Iguatemi store in Brazil
- Re-opening with extension of about twenty stores, in particular:
  - Sloane Street in London, Munich and Athens in Europe
  - Toronto and Palm Beach in North America
  - New Delhi, Sogo Fuxing in Taiwan, Kuala Lumpur, Tokyo, Yokohama, and Kowloon Elements in Hong Kong in Asia
- Three concession takeovers in Monterrey and Guadalajara in Mexico, and in Copenhagen in Denmark

## FULL YEAR 2017 HIGHLIGHTS

### DEVELOPMENT OF THE DISTRIBUTION NETWORK

- Launch of the new website hermes.com in Canada and in the United States that was deployed in Europe in the first half of 2018, and will be launched in China at the end of the year
- Initiatives of new buying experiences:  
Gion pop-up store in Kyoto, *Petit h* pop-up sales in Rome and Seoul



## FULL YEAR 2017 HIGHLIGHTS

### SINGULAR EVENTS

- Successful major institutional events:
  - 8<sup>th</sup> edition of the *Saut Hermès*
  - The *Margiela: the Hermès Years* exhibition in Anvers, and *Hermès à Tire-d'Aile – The Worlds of Leila Menchari* in Paris



## FULL YEAR 2017 HIGHLIGHTS



### SINGULAR EVENTS

- An abundance of creativity through new events:
  - *Hermèsmatic* and *Hermèsistible* for Silk and fashion Accessories
  - *Hermès Club* in Shanghai for the women's universe in Shanghai, *DwnTwnMen* in Los Angeles, *MenUpsideDown* in Hong Kong for the men's universe, and *Through The Walls* in Singapore for the home universe





## FULL YEAR 2017 HIGHLIGHTS

REVENUE PASSED THE €5.5 BILLION-MARK

	CURRENT RATES	CONSTANT RATES
REVENUE	+ 7 %	+ 9 %



## FULL YEAR 2017 HIGHLIGHTS

### DEVELOPMENT OF ALL THE BUSINESS LINES

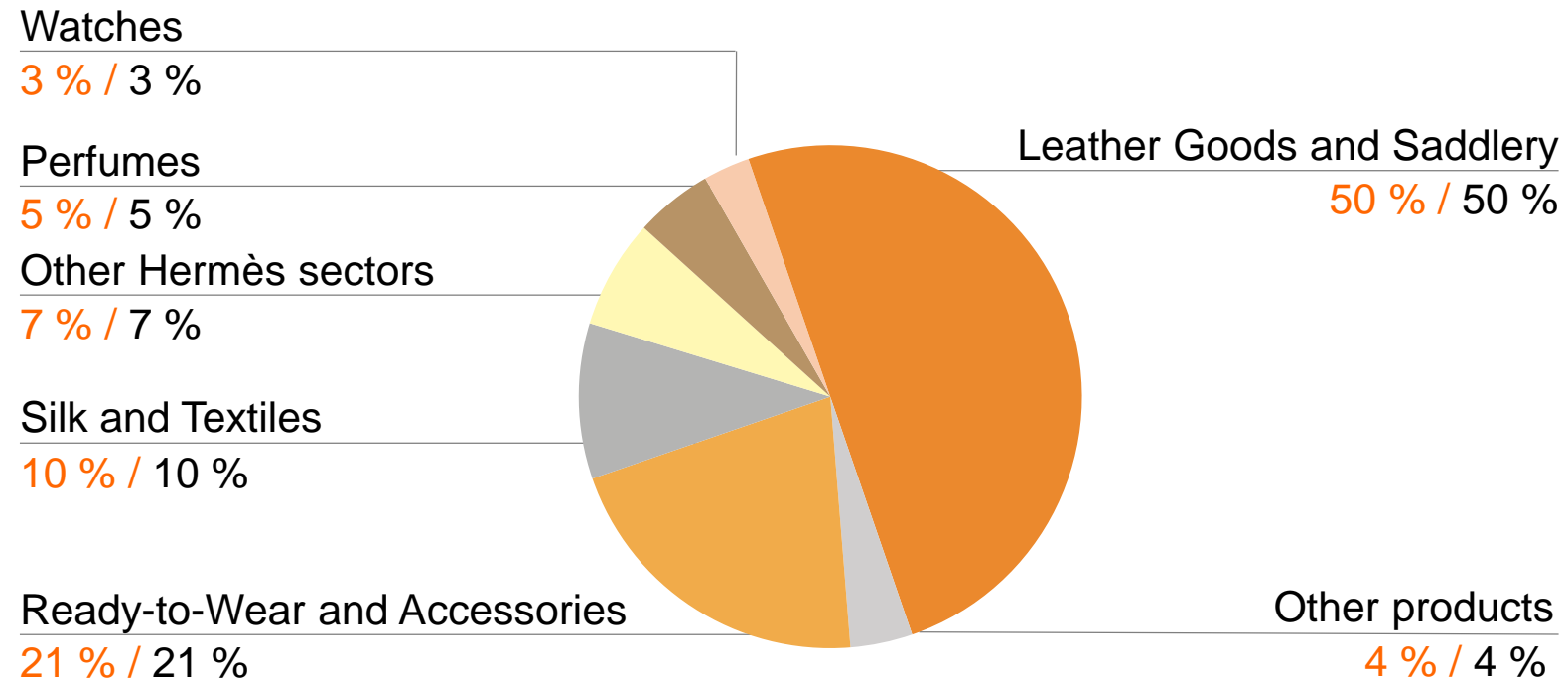
REMARKABLE PERFORMANCE OF THE READY-TO-WEAR AND ACCESSORIES, PERFUMES AND OTHER SECTORS AND STRONG SUCCESS OF THE LEATHER GOODS AND SADDLERY

	CHANGES AT CONSTANT RATES 2017 / 2016	
Leather Goods and Saddlery	+	9.7 %
Ready-to-wear and Accessories	+	9.4 %
Silk et Textiles	+	5.7 %
Perfumes	+	10.1 %
Watches	+	1.4 %
Other Hermès sectors	+	10.5 %
Other products	-	0.9 %
<b>TOTAL</b>	<b>+</b>	<b>8.6 %</b>



## FULL YEAR 2017 HIGHLIGHTS

### BREAKDOWN OF REVENUE BY SECTOR 2017 / 2016





## FULL YEAR 2017 HIGHLIGHTS

### GROWTH IN ALL REGIONS

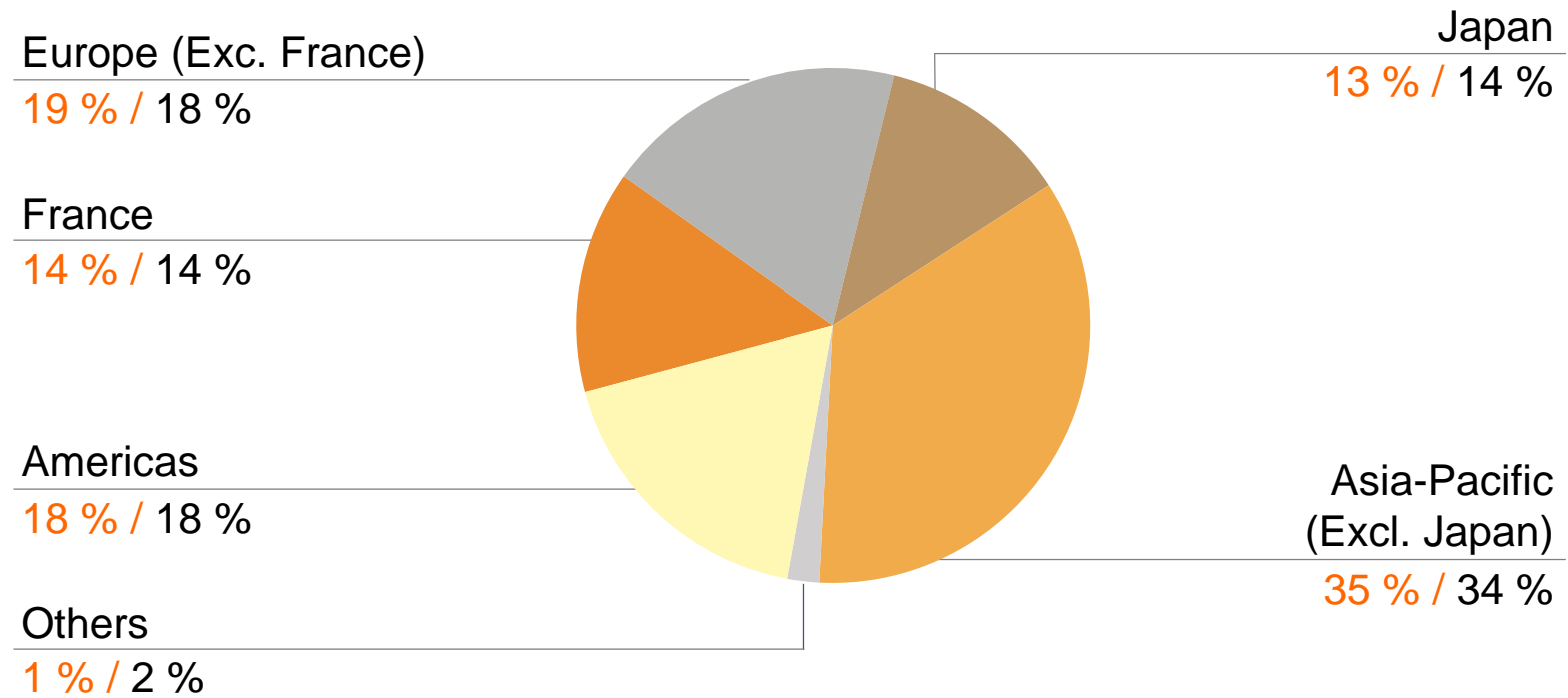
STRONG INCREASE IN GROUP'S STORES (+ 9 %)

	CHANGES AT CONSTANT RATES 2017 / 2016	
FRANCE	+	5.0 %
REST OF EUROPE	+	9.6 %
JAPAN	+	4.1 %
ASIA-PACIFIC (EXCLUDING JAPAN)	+	11.3 %
AMERICAS	+	7.7 %
OTHERS	+	19.9 %
<b>TOTAL</b>	<b>+</b>	<b>8.6 %</b>



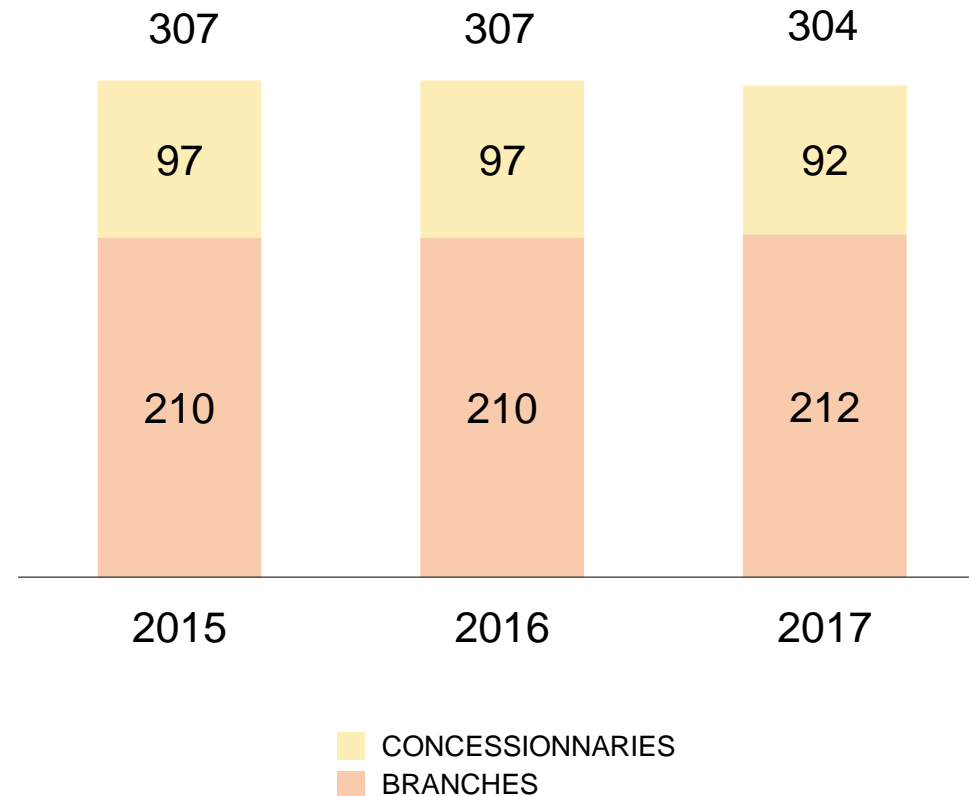
## FULL YEAR 2017 HIGHLIGHTS

### BREAKDOWN OF REVENUE BY REGION 2017 / 2016



## FULL YEAR 2017 HIGHLIGHTS

### EVOLUTION OF THE NUMBER OF STORES



**304**  
STORES  
AT THE END OF  
2017





**WOMEN AND MEN**





## WOMEN AND MEN

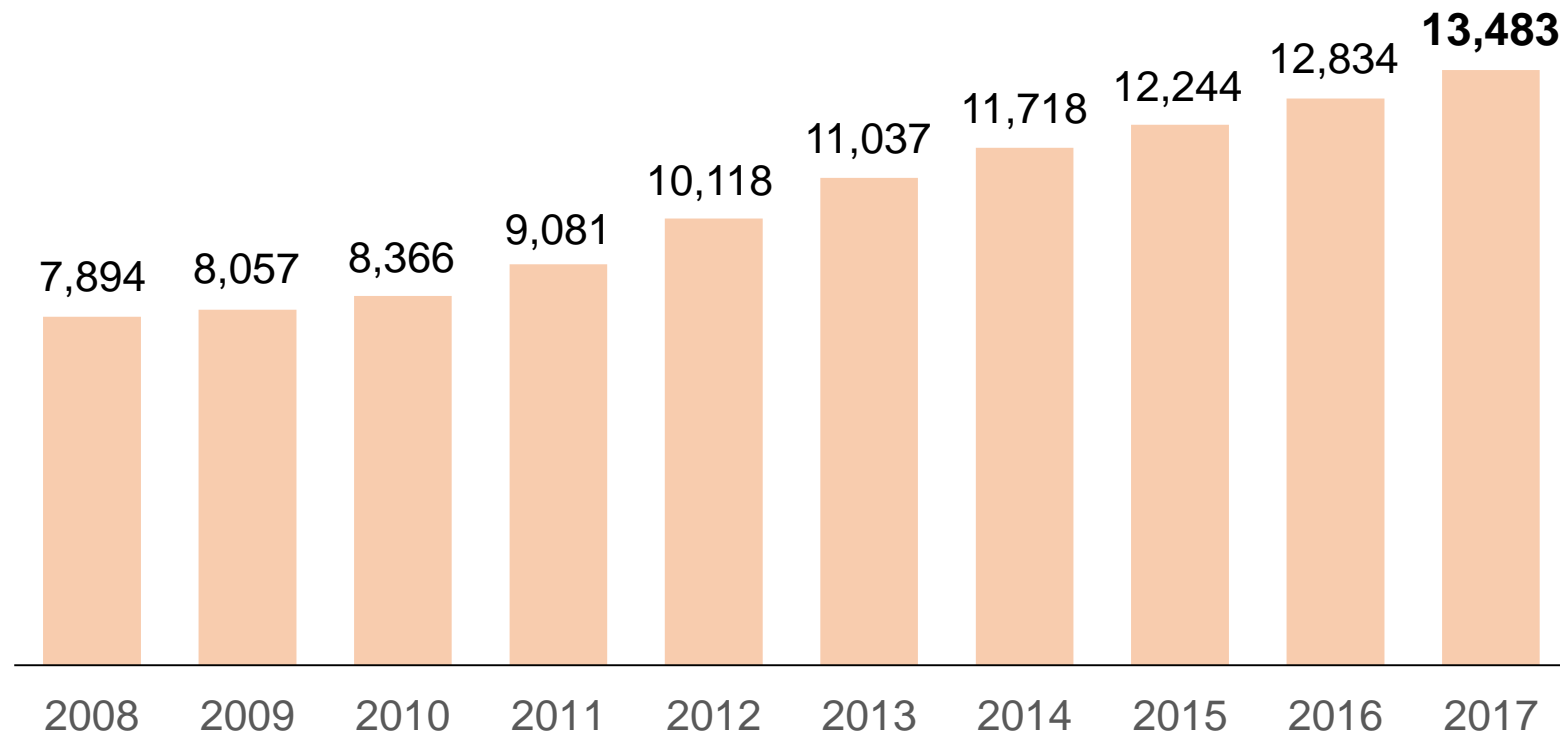
- A workforce of 13,483 employees at year end 2017 including 8,319 in France
- 649 new employees in 2017 of which more than 400 in France, mainly in workshops and sales teams

**+ 649**  
EMPLOYEES



## WOMEN AND MEN

### JOB CREATION CONTINUED



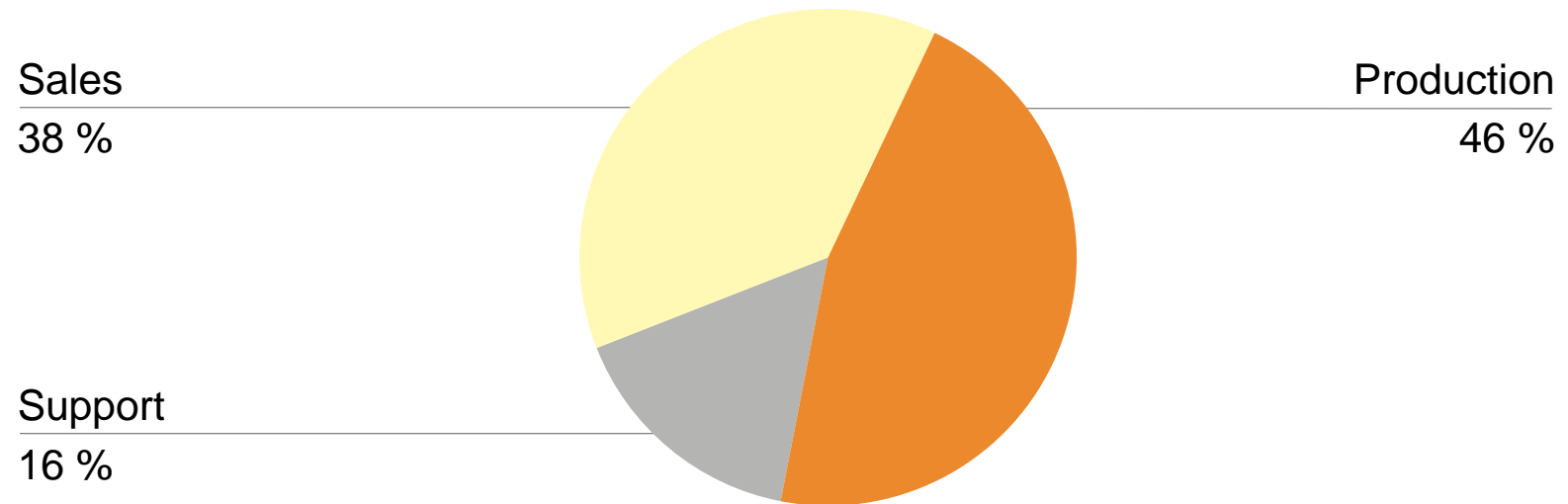
**3,365**

NEWS JOBS  
IN 5 YEARS  
OF WHICH 2,208  
IN FRANCE



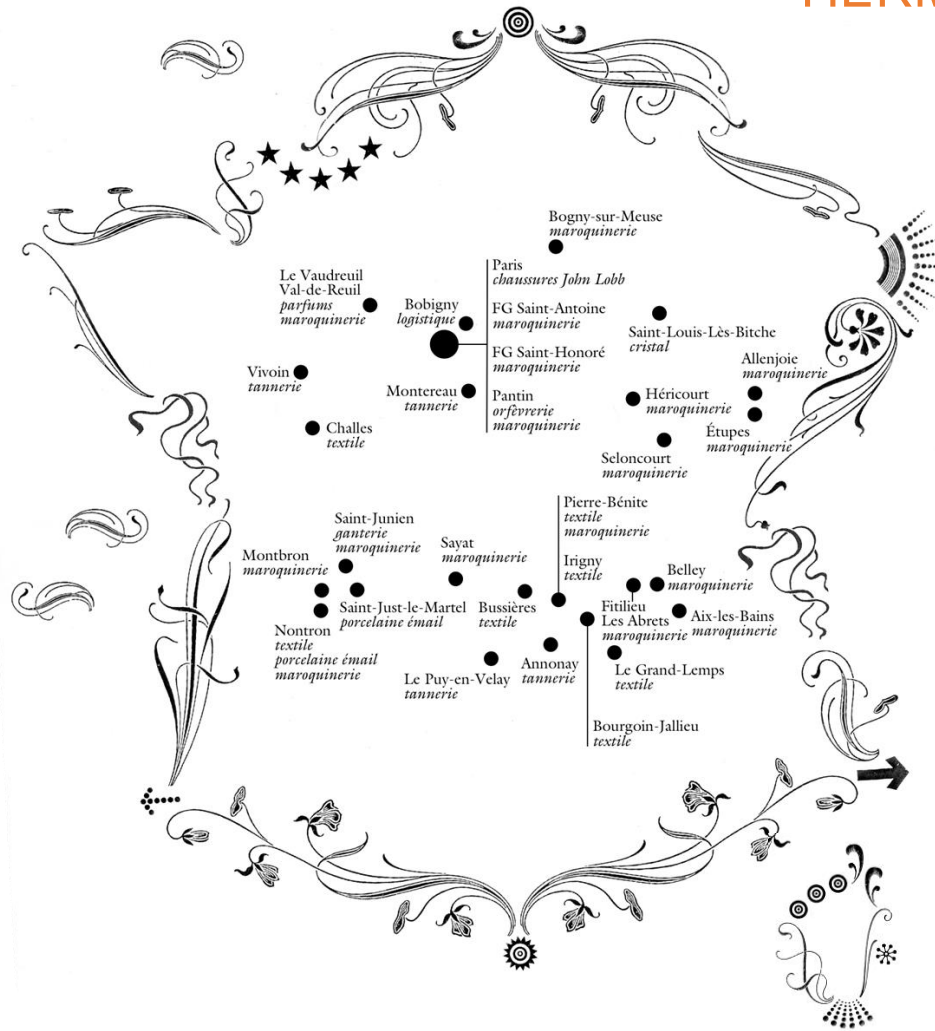
## WOMEN AND MEN

### BALANCE PRODUCTION / SALES



## WOMEN AND MEN

### HERMÈS MANUFACTURES



- 41 production sites in France, 16 of them are manufactures





## WOMEN AND MEN

### WORKFORCE BREAKDOWN BY REGION

**WOMEN: 67 %**  
**MEN: 33 %**

Americas

7 %

Asia-Pacific (excl. Japan)

15 %

Japan

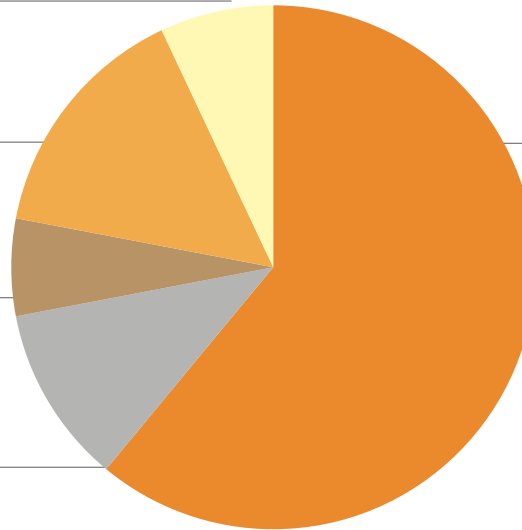
6 %

Europe (excl. France)

10 %

France

62 %



## SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

- A collective initiative “All artisans of our sustainable development”:
  - A singular approach nurtured by our history of craftsmanship: responsibility, authenticity, respect for time
  - Development ethics
- Our action reinforced in 2017, particularly:
  - Disability Agreement in France
  - 2/3 of our electricity comes from “green” sources
  - Water and energy consumption delinked from growth
  - Second investment in the Livelihoods carbon fund, after 6 years of success of the first fund

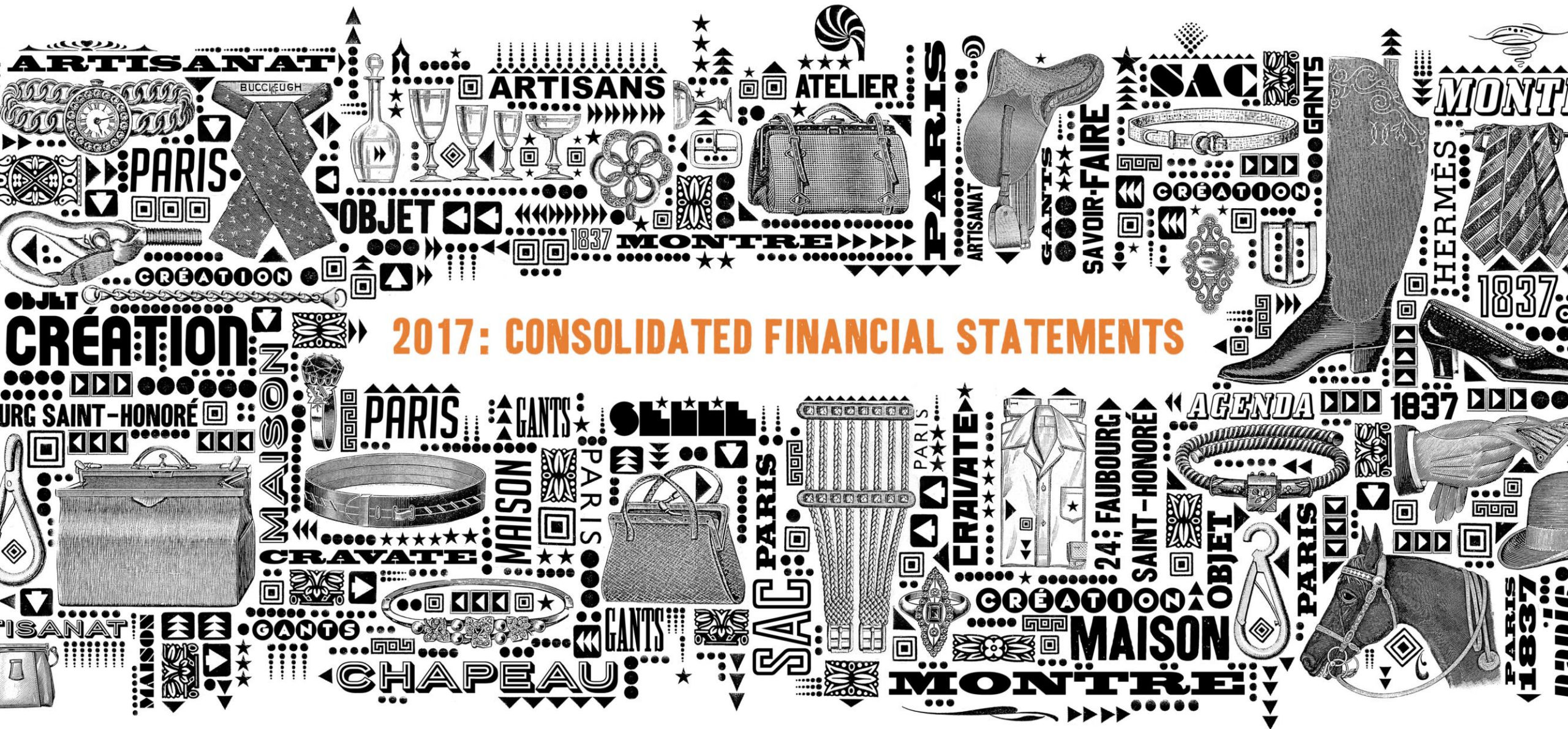


## SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

- Leave a positive imprint on the world, through three themes:
  - Women and men: humanistic vision of HR management, knowledge transfer
  - The planet: respect for raw materials and our natural environment
  - Our partners: a role as a corporate citizen and responsibility to local communities
- Share the fruits of our success and give back to the world a part of what it gives us
  - Actions by the Group, our business lines and our distribution subsidiaries
  - Role of the Hermès corporate Foundation









## 2017: CONSOLIDATED FINANCIAL STATEMENTS



### CONSOLIDATED INCOME STATEMENT

IN MILLIONS OF EUROS	2017	2016	%
REVENUE	5,549	5,202	+ 6.7 %
GROSS MARGIN	3,890	3,520	
SELLING, MARKETING AND ADMINISTRATIVE EXPENSES	- 1,656	- 1,545	
OTHER INCOME AND EXPENSES	- 312	- 279	
<b>OPERATING INCOME</b>	<b>1,922</b>	<b>1,697</b>	<b>+ 13.3 %</b>

## 2017: CONSOLIDATED FINANCIAL STATEMENTS



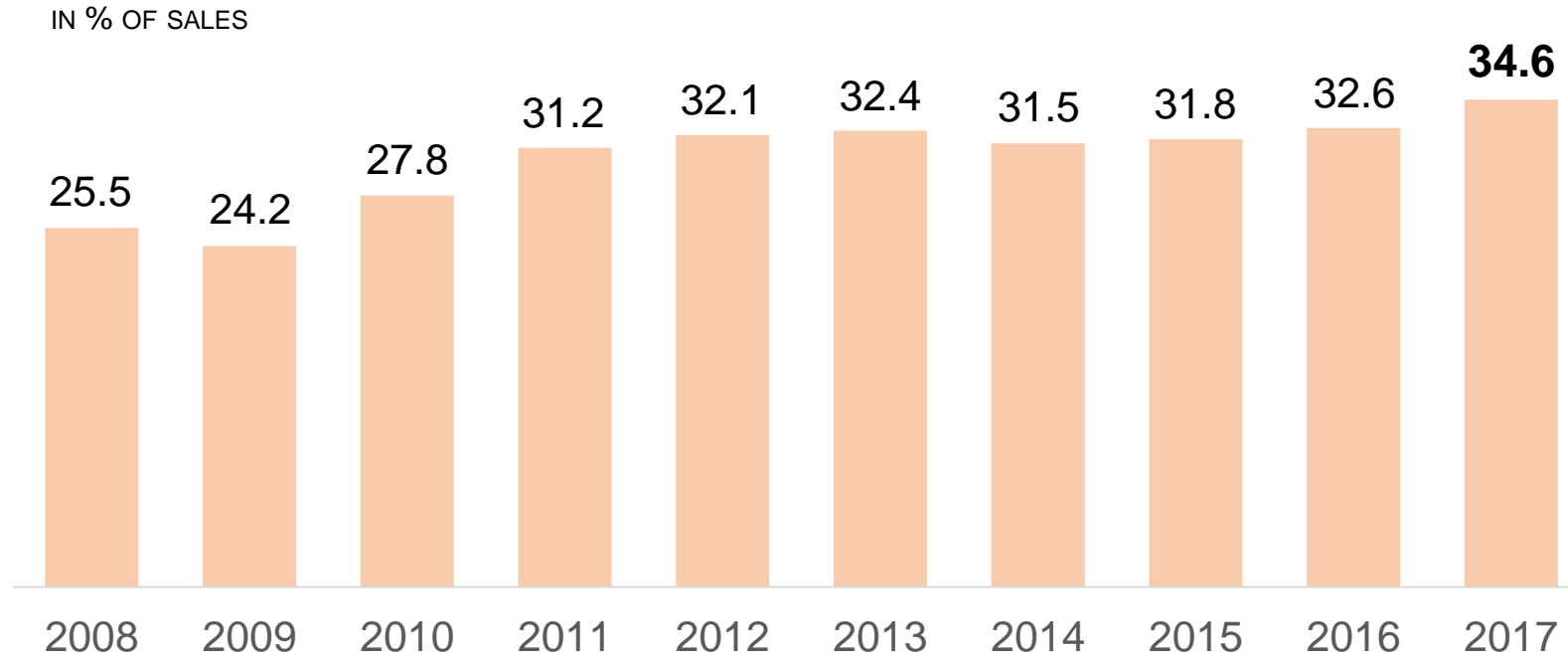
### CONSOLIDATED INCOME STATEMENT

IN MILLIONS OF EUROS	2017	2016	%
OPERATING INCOME	1,922	1,697	+ 13.3 %
NET INCOME	- 32	- 48	
INCOME TAX EXPENSE	- 669	- 555	
NET INCOME FROM ASSOCIATES	5	11	
NET INCOME ATTRIBUTABLE TO NON CONTROLLING INTERESTS	- 4	- 4	
<b>NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b>1,221</b>	<b>1,100</b>	<b>+ 11.0 %</b>

## 2017: CONSOLIDATED FINANCIAL STATEMENTS



OPERATING MARGIN REACHES  
34.6 % OF THE SALES



## 2017: CONSOLIDATED FINANCIAL STATEMENTS



### INVESTMENTS

IN MILLIONS OF EUROS

	2017
STORES AND DISTRIBUTION	128
PRODUCTION CAPACITY AND SECURING OF SUPPLIES	73
REAL ESTATE AND OTHER	64
<b>OPERATING INVESTMENTS</b>	<b>265</b>

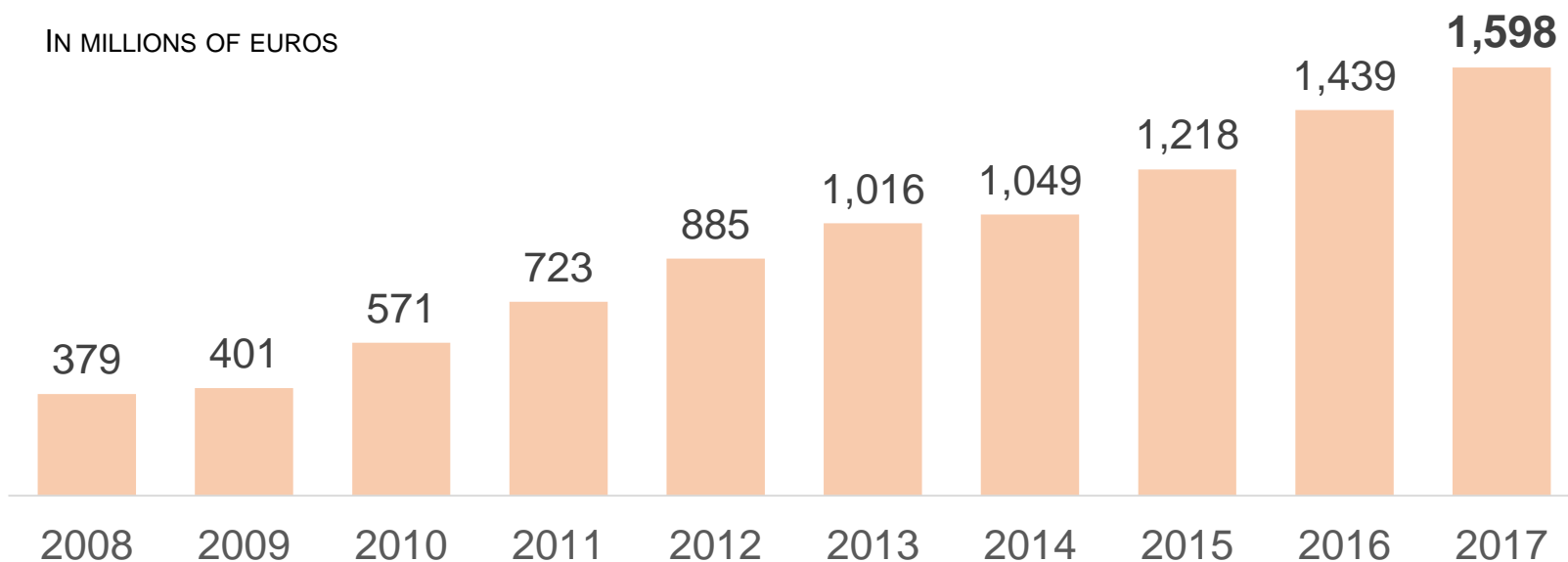


## 2017: CONSOLIDATED FINANCIAL STATEMENTS

### OPERATING CASH FLOWS

**+ 11 %  
IN 2017**

IN MILLIONS OF EUROS







## 2017: CONSOLIDATED FINANCIAL STATEMENTS

### IFRS CASH FLOW STATEMENT

**NET CASH**  
**2,912**  
MILLION EUROS

IN MILLIONS OF EUROS	2017	2016
<b>OPERATING CASH FLOW</b>	<b>1,598</b>	<b>1,439</b>
INVESTMENTS	- 413	- 298
CHANGE IN WORKING CAPITAL	+ 35	+ 22
DIVIDENDS PAID	- 402	- 360
OTHER CHANGES	- 226	- 54
<b>CHANGE IFRS NET CASH POSITION</b>	<b>592</b>	<b>749</b>
<b>CLOSING IFRS NET CASH POSITION</b>	<b>2,912</b>	<b>2,320</b>

## 2017: CONSOLIDATED FINANCIAL STATEMENTS



### SIMPLIFIED BALANCE SHEET AS AT 31 DECEMBER 2017

IN MILLIONS OF EUROS

<b>ASSETS</b>	<b>2017</b>	<b>2016</b>
NON CURRENT ASSETS	2,298	2,186
INVENTORIES	896	915
OTHER CURRENT ASSETS	642	569
CASH AND CASH EQUIVALENT	2,932	2,329
<b>TOTAL</b>	<b>6,768</b>	<b>5,999</b>

## 2017: CONSOLIDATED FINANCIAL STATEMENTS



### SIMPLIFIED BALANCE SHEET AS AT 31 DECEMBER 2017

IN MILLIONS OF EUROS

<b>LIABILITIES</b>	<b>2017</b>	<b>2016</b>
EQUITY	5,046	4,385
PROVISIONS	353	287
OTHER LIABILITIES	1,369	1,327
<b>TOTAL</b>	<b>6,768</b>	<b>5,999</b>

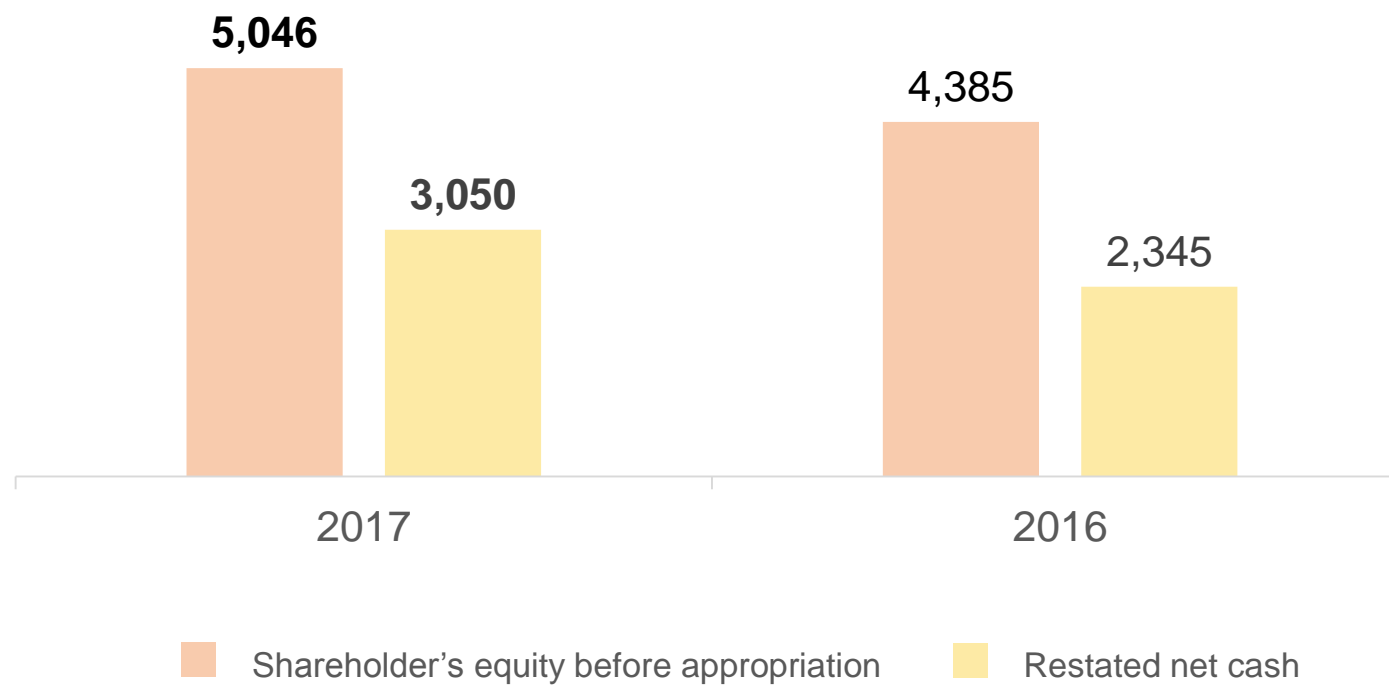


## 2017: CONSOLIDATED FINANCIAL STATEMENTS

### SHAREHOLDER'S EQUITY AND RESTATED NET CASH

IN MILLIONS OF EUROS

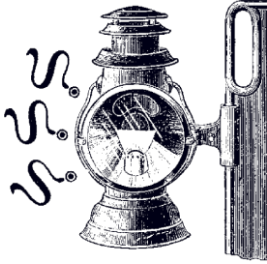
SHAREHOLDER'S  
EQUITY  
**€ 5**  
BILLION



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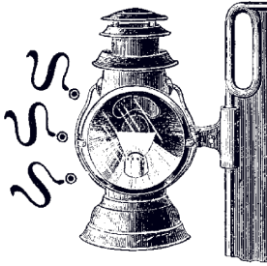


## OUTLOOK



- Long-term development strategy based on creativity, maintaining control over know-how and singular communication
- Strengthening of our production capacities
- A dynamic distribution network with the opening or renovation of over twenty branches
- Continued job creation

## OUTLOOK

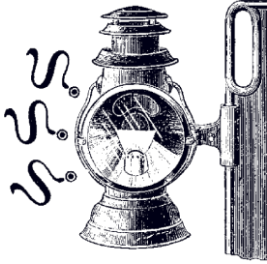


- New stores opening in January in Central Hong Kong, and in March at Dubai Mall
- Inauguration of the *Manufacture de l'Allan* in April
- European launch of the new hermes.com website at the end of March

## OUTLOOK

### 1<sup>ST</sup> QUARTER 2018

- Q1 2018 revenue: + 11% at constant exchange rates and + 3% at current exchange rates
- + 11% in group stores
- Strong sales growth in the first quarter across all the business lines and in all geographical areas





## MAIN RESOLUTIONS



## PRESENTATION OF THE MAIN RESOLUTIONS

### RESOLUTIONS RELATING TO ORDINARY BUSINESS 2017: DIVIDEND

- *Dividend per share proposed by the Supervisory Board*

IN EUROS

COMMON SHARE DIVIDEND

EXTRAORDINARY SHARE  
DIVIDEND

2013	2014	2015	2016	2017
2.70	2.95	3.35	3.75	4.10 *
	5.00			5.00

\* Including an interim dividend of €1.50 paid on 22 February 2018

## PRESENTATION OF THE MAIN RESOLUTIONS

### ORDINARY RESOLUTIONS

- *Agreements and commitments authorised during the passed year (5<sup>th</sup>)*
  - Riders for the renewal of brand-name licensing contracts maturing at 31 December 2016
  - Agreement between Hermès International and the company MOCE (brand “EatMe”) for the provision of fast food restaurant services
  - The signing of a new framework agreement with the architectural firm RDAI to define the scope of the RDAI mission for the exclusive application of the architectural Concept in the Hermès projects

## PRESENTATION OF THE MAIN RESOLUTIONS

### ORDINARY RESOLUTIONS

- *Opinion on the compensation elements owed or allocated to Executive Chairmen in respect of the passed year (7<sup>th</sup> and 8<sup>th</sup>)*
  - Mr. Axel Dumas
  - Émile Hermès SARL

## PRESENTATION OF THE MAIN RESOLUTIONS

### REMINDER OF PRINCIPLES OF DEFINITION OF COMPENSATION TO THE EXECUTIVE CHAIRMEN

- *The Active Partner decides on the effective compensation of each Executive Chairman each year within the limits determined in accordance with Article 17 of the Articles of Association and the decisions of the General Meeting of 31 May 2001 as follows:*
  - Fixed compensation (additional compensation):  
indexed to growth in consolidated revenue for the previous financial year, at constant exchange rates and on the same scope of consolidation
  - Variable compensation (gross annual compensation):  
0.20% of consolidated net income before tax for the previous financial year



## PRESENTATION OF THE MAIN RESOLUTIONS

### RESOLUTIONS RELATING TO ORDINARY BUSINESS

- *Renewal of three expiring appointments of Supervisory Board members (9<sup>th</sup> to 12<sup>th</sup>)*

For three years:

- Mr. Matthieu Dumas
- Mr. Blaise Guerrand
- Mrs Olympia Guerrand

For one year:

- Mr. Robert Peugeot

## PRESENTATION OF THE MAIN RESOLUTIONS

### RESOLUTIONS RELATING TO ORDINARY AND EXTRAORDINARY BUSINESS

- *Share buyback programme (6<sup>th</sup>)*
  - Authorisation for 10% of share capital
  - Maximum amount that may be committed: 1.5 billion euros
  - Objectives: galvanise the share through a liquidity contract, cancellation, sale, allocation of free shares and stock options, growth by acquisition
  - Maximum purchase price: 750 euros instead of 650 euros initially proposed because of the recent evolution of the Hermès international share price
  - Authorisation validity: 18 months
- *Authorisation to cancel shares (13<sup>th</sup>)*
  - Authorisation for 10% of share capital
  - Authorisation validity: 24 months

# REPORTS FROM THE SUPERVISORY BOARD

- ON CORPORATE GOVERNANCE
- TO THE COMBINED GENERAL MEETING

# AUDITORS' REPORTS

ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

PricewaterhouseCoopers Audit  
Olivier Auberty

Cabinet Didier Kling & Associés  
Didier Kling – Guillaume Giné

## **AUDITORS' REPORTS**

ISSUED IN RESPECT OF THE ORDINARY BUSINESS OF THE GENERAL MEETING

### **REPORTS ON THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS**

- Purpose:

- Obtain reasonable assurance that the financial statements and information present a true and fair view

- Opinion on the annual and consolidated financial statements: unconditional certifications

- Key points of the audit:

- Consolidated financial statements: valuation methods of inventories and work-in-progress; methods of accounting for foreign exchange hedges and provisions for contingencies and charges
- Annual financial statements: valuation methods of investment securities



## **AUDITORS' REPORTS**

ISSUED IN RESPECT OF THE ORDINARY BUSINESS OF THE GENERAL MEETING (CONT.)

### **SPECIAL REPORT ON RELATED-PARTY AGREEMENTS AND COMMITMENTS**

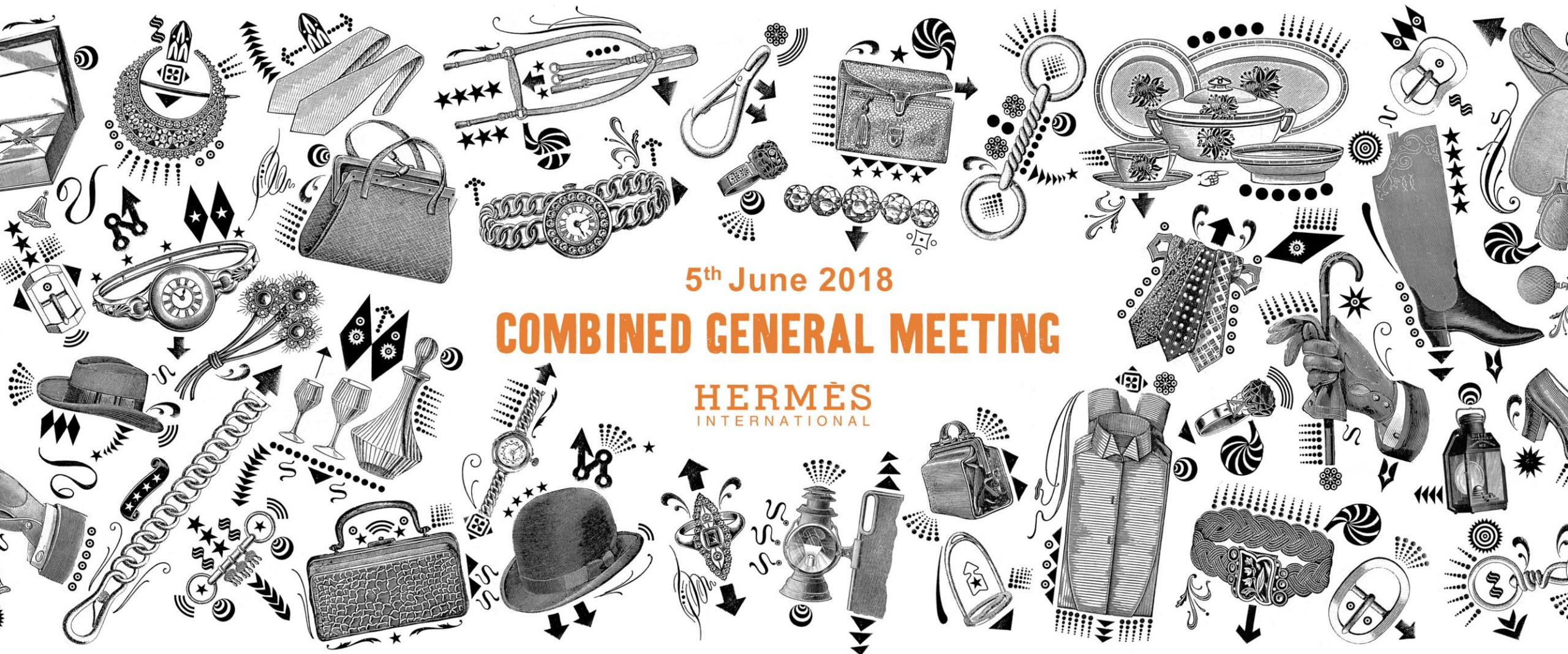
- 3 new agreements authorised in 2017 by the Supervisory Board
- Continued performance of agreements and commitments approved in previous years

## **AUDITORS' REPORTS**

ISSUED IN RESPECT OF THE EXTRAORDINARY BUSINESS OF THE GENERAL MEETING

### **REPORT ON THE VARIOUS RESOLUTIONS CONCERNING YOUR COMPANY'S CAPITAL**

- Capital reduction through cancellation of purchased shares (13<sup>th</sup> resolution)



5th June 2018

# COMBINED GENERAL MEETING

HERMÈS  
INTERNATIONAL