

NOVEMBER 2017

LETTER TO SHAREHOLDERS

The company of objects

It's easy to forget them. And yet there they are, all around us. Placed on a table, tidied in a drawer, or left out within easy reach. But if we think about it, objects, those companions of our everyday lives, carry within them an invisible power of no small magnitude. Think of the sensual feel of leather, the softness of silk or of paper, the unique warmth of wood. And what of all the services they provide, like faithful friends whose mute, still presence tells us that they will always be there, whatever life may throw at us. For some, like the book, their structure was quick to emerge and durable once it had. For others, it took thousands of years, and the touch of thousands of artisans in a patient confrontation with the material, for their form, often a very elementary one, to become fixed.

"The deepest mysteries lie in the simplest natural objects", wrote the German philosopher Ludwig Feuerbach. In fact, if we could go deep into the infinitely small world of their inner composition, we would discover a hidden order that constitutes their texture, their colour, and their feel. The tremendous respect we cultivate for objects speaks volumes about Hermès. For they bring warmth to our homes just as surely as good friends.

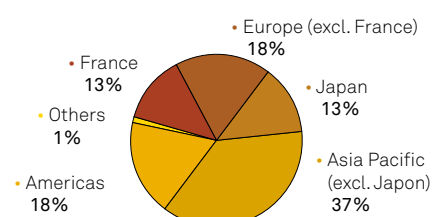
Pierre-Alexis Dumas
Artistic Director of Hermès

EXCELLENT PERFORMANCE IN SALES AND RESULTS IN THE 1st HALF 2017

Recurring operating income was up +13%. The operating margin reached an all-time high of 34.3% of sales, particularly due to the non-recurring favorable impact of foreign exchange hedges in the first months of the year. The net profit reached €605 million, up +11%.

Key consolidated data (€m)	June 2017	June 2016
Revenues	2,713	2,440
Recurring operating income	931	827
Net income attributable to owners of the parent	605	545
Operating cash flows	794	699
Investments	105	108

A balanced repartition of sales in all geographic areas



NEW PRODUCTION SITES ENSURING CONTINUOUS DEVELOPMENT OF CRAFTSMANSHIP

In 2017 Hermès is strengthening its production capacity in leather goods and gloves.

Left and below:
The Saint-Junien glove workshop located on the banks of the Vienne will accommodate 130 artisans.



In addition to the Seloncourt and Héricourt Manufactures, Hermès is establishing a third site in Franche-Comté: the **Allan workshop**.

As part of the Hermès leather goods - saddlery hub, the **Normandy leather workshop** has also established a new site with 130 employees at present. The **Saint-Junien glove workshop** has moved to the banks of the River Vienne, housed in a former wool workshop which has been transformed in a manner designed to safeguard its past. This new site, dedicated to leather goods and glove-making savoir-faire, will eventually accommodate 130 artisans. Encompassing the semi-customised “glove personalisation” service which is expanding in 2017, the Saint-Junien glove and leather goods workshops offers a short production cycle to meet these specific orders.

This craftsmanship of excellence, along with the other Hermès métiers, were honoured in Tokyo during the touring festival **Hermès at Work**. In 10 days, and against an *ad hoc* backdrop, 65,000 visitors not only met the artisans, but also discovered the techniques and materials they use. In parallel to the festival, the Hermès Maison in Ginza put on a programme of craftsmanship-related events that attracted 5,000 people.

THE CREATIVITY OF THE MÉTIERS THROUGH THE HERMÈS OBJECTS

With rigour and savoir-faire, Hermès creations transcend their role as everyday companions to celebrate “Object Sense”, the theme of 2017.



The *Chaîne d'ancre Punk* jewellery collection displayed in Kyoto in May 2017.

Leather goods, historic métier of the house, is reinterpreting its signature models with bold, printed leathers. The *Constance III*, *Birkin*, and *Kelly* bags are transformed, entirely, or with a single detail, in a playful and colourful spirit. Another colourful twist: woven and braided shoulder straps are adapted according to desire, allowing the personalisation of the *Bolide* and *Maxibox* bags.

In jewellery, a Hermès classic has been reinvented under the impetus of Pierre Hardy, Creative Director of Hermès jewellery. Launched in Kyoto in May, the **Chaîne d'ancre Punk** collection was born of an encounter between *Chaîne d'ancre* and the spirit of... punk. Intuition and audacity were required to stretch the 1938 design until it became a safety pin. Offered on various models, this provocative form explores a new Hermès jewellery personality, one that is particularly catching on with the younger generation.

Twilly d'Hermès, the new fragrance for women, adopts a ludic and mischievous bottle.



The younger generation has also been a source of inspiration for Christine Nagel, who has created **Twilly d'Hermès** for the young women of today. Associating ginger, tuberose and sandalwood, the new Hermès fragrance combines freshness, mystery and wood. With its lantern bottle knotted with a brightly coloured silk-tie, this mischievous object also bears witness to a collective adventure between the métiers of perfumery and silk.



The Men Upside Down event, in Hong Kong, was based on inverted senses, contrary senses, broad senses and a sense of humour.

The men's universe, designed by Véronique Nichanian, has taken up residence in Los Angeles where the spring-summer 2017 collection was presented, displaying its many facets in an immersive scenography with resolutely optimistic accents. In Hong Kong, around the men's ready-to-wear autumn-winter 2017 collection, the savoir-faire of the house marked a collection of garment-objects with timeless elegance.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

Hermès is committed to ensuring that its business model respects mankind and the environment.

1,000

people had management training

1,200

salespeople were trained to become better ambassadors

70%

positions in France (excluding artisans) filled by internal promotions

In order to encourage the employees' personal development within the company, a **meshing** programme between the employees has been launched: The Tandem exchange programme allows a salesperson and an artisan to switch roles for a week. Fifty such exchanges take place each year, which both reinforces the maison's cohesion and contributes to the employees' bond to Hermès' core values.

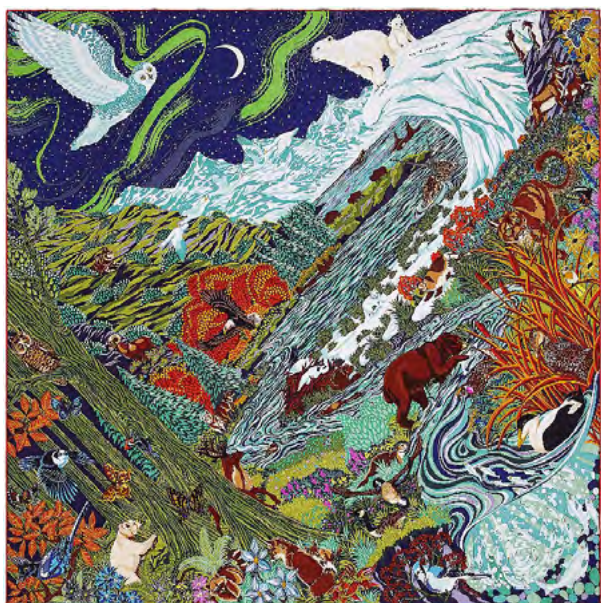
Furthermore, employees are supported in their career progressions, thanks to the many **training courses** offered by the maison: each year, 1,000 people take part in management training, and 1,200 salespeople are trained to become better ambassadors. As a result of this, in France, 70% of the maison's positions (excluding artisans) are filled by internal promotions.

In terms of its commitment to a more sustainable world, Hermès has significantly **decoupled its level of water and energy consumption** from its production level. By way of example, the maison's consumption in the textile sector is lower today than it was 10 years ago, demonstrating Hermès' more mindful use of natural resources.

In France, all energy consumed is "green," specifically hydro-electric. Deliveries to the Parisian sites are carried out by hybrid or electric vehicles. Moreover, over half of stores are already fully equipped with LED technology.

Finally, preserving its long tradition of philanthropy, Hermès has organised several **Carrés solidaires** incentives in Hong Kong, China, Luxemburg, England and Canada. The proceeds from the silk scarves printed specially go to several charities, in order to support the development of their local projects.

Into the Canadian Wild, a silk twill scarf designed by Alice Shirley, was sold in a limited edition to profit the organisation Evergreen Canada.



GLOBAL REACH OF THE HERMÈS UNIVERSE

With new stores and singular events,
the reach of the Hermès collections is expanding around the world.

From top to bottom:
The new Hermès store
in Copenhagen in a
neo-classical building,
in Munich at the heart
of the historic
Münzarkaden district,
and in London
in the two-storey listed
building at
1 Cadogan Place.



New stores are opening at prestigious addresses.

In the heart of **Copenhagen**, at 4 Højbro Plads, one of the most beautiful squares in the Danish capital is now home to a new 347 m² store in a neoclassical building with 17 arcaded windows. In Brazil, Hermès has celebrated the opening of its third **São Paulo** store in the prestigious Iguatemi shopping centre. In **London**, the Sloane Street store has moved nearby to both levels of the magnificent listed building at 1 Cadogan Place.

In **Munich**, the store has also expanded (640 m² spread over 3 levels), now established at number 8 Maximilianstraße in the heart of the historic Münzarkaden district. The **Athens** store has reopened, while the Maison Hermès Dosan Park in **Seoul** has been metamorphosed.

Hermès also offers events throughout the year designed to encounter its public.

Alongside these permanent locations, **Hermèsmatic** pop-up stores have sprung up all over the world (Dubai, Geneva, Brussels, Basel, Paris, New York, Washington, Washington, Moscow, Manchester, Turin, Nashville, Istanbul, Zurich, Vienna and Los Angeles). Joyful and offbeat laundromats, Hermèsmatic offers a free dyeing service for silk carrés, as well as over-dyed carrés for sale.

In Paris, the year has been marked by the success of the **8th edition of the Saut Hermès at the Grand Palais**, attended by 16,000 spectators. For the first time, the international competition included a Saturday evening, which allowed us to discover a new event, the *Prix du 24 Faubourg*.

HERMÈS SHARE

HERMÈS SHARE PRICE HISTORY



AT CLOSE OF TRADING

First half of 2017
higher share price (Euronext)

€ 461.55



First half of 2017
lower share price (Euronext)

€ 388.00

FOCUS

ANNUAL GENERAL MEETING AND EMPLOYEE SHARE OWNERSHIP

Hermès, loyal to its family tradition, associates all its employees around the world with the Group's growth, through employee share ownership mechanisms that are part of the Group's long-term remuneration policies, contributing to the motivation and loyalty of its employees in the long term.

The Hermès Group has offered its employees, in France and abroad, free share plans since 2007, which are detailed in the Reference Document.

In accordance with the authorisations approved and renewed at the General Meetings, the Group has pursued this strategy with a new free share plan in 2016 for all employees of the Group.

As of 30th September 2017, employee share ownership, based on plans already acquired, represented 0.8% of the Group's share capital with 845,734 shares in Hermès.

AGENDA

Thursday 8th February 2018*
2017 Revenues

Wednesday 21st March 2018*
2017 Results

Thursday 3rd May 2018*
1st quarter 2018 Revenues

Tuesday 5th June 2018
General Meeting of Shareholders

* Published in the morning, before stock market opening

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