

SEPTEMBER 2017

LETTER TO SHAREHOLDERS

Our true nature
(or) Our values are alive

Like good gardeners, we seek to cultivate our values. Loyalty to our spirit of work well done, the preservation of our know-how, and the importance we attach to its transmission are all factors that ensure our house is built on firm ground. Solidity is one thing; vitality is quite another, and just as important. While ancient palaces have their charm, our preference is for vibrant houses resounding with ideas, dialogue and laughter. Above all, we cultivate that which has thus far safeguarded our good health: the creativity of artists and the ingenuity of artisans. This desire to renew and reinvent ourselves is constant. It is etched into our most profound nature and is a fundamental value that determines our path. Finally, with a gardener's spirit, we tend to this vitality while respecting the great equilibrium of the world, an issue that concerns and motivates us, and drives us to progress. As I am sure you are aware, since our house was founded in 1837, respect for nature has never ceased to be a guiding spirit!

Axel Dumas
Executive Chairman

Émile Hermès SARL
Executive Chairman,
represented by Henri-Louis Bauer

EXCELLENT PERFORMANCE IN SALES AND RESULTS IN 2016

The Group's consolidated revenue passed the €5 billion mark to reach €5,202 million, up 7.4% at constant exchange rates.

The operating margin increased to 32.6% of sales, its all-time highest level.

Operating cash flow rose to €1,439m. It notably enabled the financing of the entirety of operating investments and the ordinary dividend payment. Net cash rose by nearly €750m, amounting to €2.3bn as of 31 December 2016.

Revenue
€5.2bn
up 7.4%

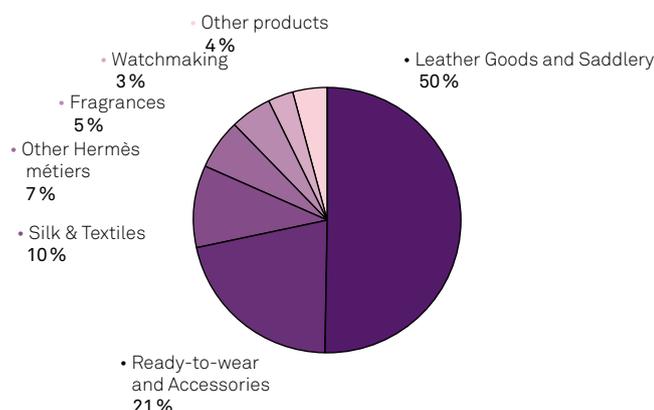
Key consolidated data (€m)	2016	2015
Revenue	5,202.2	4,841.0
Operating income	1,696.5	1,540.7
Net income attributable to owners of the parent	1,100.3	972.6
Operating cash flows	1,438.7	1,218.2
Investments (excluding financial investments)	285.4	266.6

Operating income
€1.7bn
up 10%

DYNAMIC GROWTH AND STRONG CREATIVITY IN THE MÉTIERS

The Métiers are showing strong growth, notably the Ready-to-wear and Accessories divisions, as well as Silk and Textiles.

REVENUE BY MÉTIER



Driven by the 2016 annual theme "Nature at full gallop", there was an abundance of creativity in the collections. As an example, we can cite the success of the new *Verrou* line of bags and clutches: a reinterpretation of a model from 1938 designed by Robert Dumas, with its simple lines and clasp inspired by a stable bolt.



Women's ready-to-wear, autumn-winter 2016.



Galop d'Hermès fragrance for women.

Women's ready-to-wear designed by Nadège Vanhée-Cybulski asserted itself once again with four collections presented in January and March for autumn-winter, and in July and October for spring-summer. Concise, pure lines, and relaxed proportions, the language of Hermès is expressed in techniques and finishes, high standards in the construction of each garment, and the association of noble and exclusive materials.

Galop d'Hermès, another example of the house's abundant creativity, is the first women's fragrance by Christine Nagel. This again reflects Hermès' ability to draw on its heritage, with iconic materials – rose and leather – creating a highly contemporary sillage, and a stirrup-shaped bottle, a modernised reissue of a bottle given to guests at the opening of the New York store in 1930.

Craftsmanship, the core value and soul of the house since 1837, guarantees the quality and beauty of its objects. In 2016, craftsmanship was celebrated at the *Hermès hors les murs* festival. Presented in Amsterdam at the start of the year, in Mexico in June, and Vancouver in September, this travelling festival of craftsmanship enjoyed a highly successful run at the Carreau du Temple in the heart of Paris in November. The festival featured artisans from ten different métiers showcasing their know-how, experience and passion. Within an area of 550m², a dedicated ten-module circuit enabled visitors to discover the talented hands that transform materials and produce bags, saddles, scarves, ties, jewellery, watches, gloves, and more. Furthermore, an immersive 360-degree film allowed visitors to discover the master glass-makers and cutters of the Cristallerie Saint-Louis.



Hermès hors les murs festival, in Paris.

GROWTH IN ALL REGIONS IN 2016

All regions posted growth with a strong rise in sales across the group's stores (+8%).

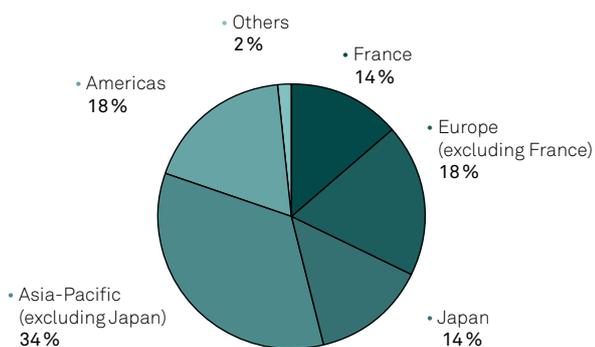
The Hermès network is growing larger and more beautiful. In Rome, for example, a new 630m² space was inaugurated on Via Bocca di Leone. Spread over two floors, this is the largest store in Italy, offering Romans a unique place to explore the collections. Its décor is faithful to the codes of the house while paying tribute to the historic character of the palace.

In Paris, forty of the world's top show jumpers gathered to compete in the seventh *Saut Hermès* under the glass dome of the Grand Palais. Attracting over 12,000 spectators and broadcast on international television, this competition confirmed its status as a major event.

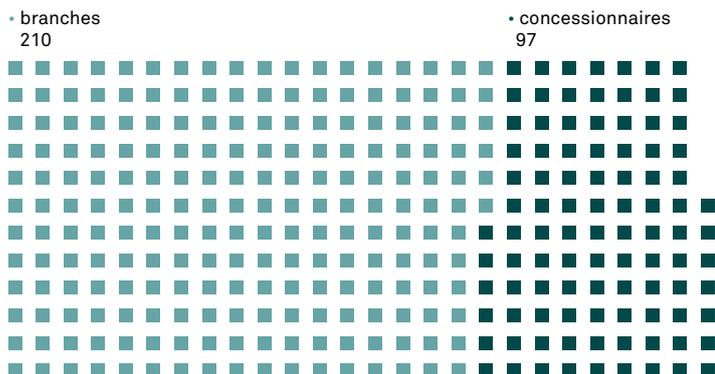


The new store in Via Bocca di Leone in Rome.

REVENUE BY REGION



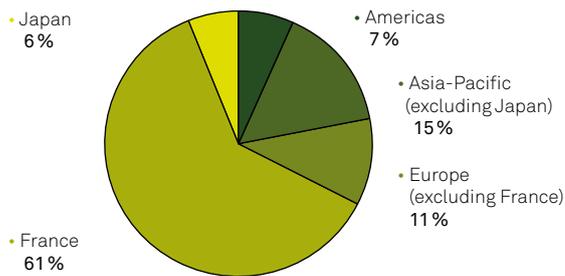
307 EXCLUSIVE STORES



The seventh *Saut Hermès* at the Grand Palais in Paris.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

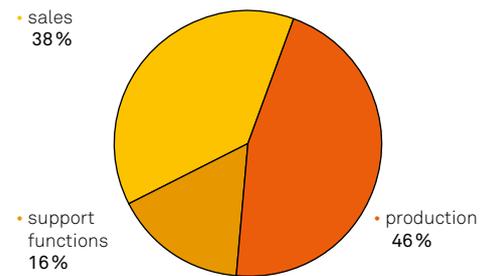
WORKFORCE BY REGION



+ 590 employees in 2016
12,834
 Hermès employees worldwide

including
7,881
 in France

GLOBAL WORKFORCE BY JOB CATEGORY



Opening of the Héricourt workshop.

In Franche-Comté, the Héricourt workshop opened on 1st April 2016. It is Hermès' 15th manufacturing site and currently employs 170 skilled saddler-leatherworkers. Hermès continued its recruitment and training programme in partnership with the École Boudard (Bethoncourt) and the Lycée des Huisselets high school (Montbéliard). The Héricourt leather workshop will eventually employ 280 artisans. Following on from the Seloncourt and Héricourt workshops, Hermès will open its third site in Franche-Comté, the Allan workshop, in 2017.

It is important to highlight the particular importance that Hermès pays to its environment: growth can only be achieved in a way that is responsible and sustainable for the planet. An example of this is our involvement with the Livelihoods fund, which aims to improve the living conditions of disadvantaged communities in a sustainable manner by developing large-scale projects that have a genuine impact in fighting climate change (www.livelihoods.eu).

The Livelihoods fund invests in three types of projects in Africa, Asia and Latin America:

- The restoration and preservation of natural ecosystems, such as mangroves.
- Agroforestry and soil remediation through sustainable agricultural practices.
- Access to rural energy, reducing deforestation.

In 2016, these projects improved the lives of over 1 million people.

The Livelihoods Fund: restoration of the Casamance mangrove.



Hermès pays particular attention to the treatment of industrial wastewater. At the Cristallerie Saint-Louis, for example, a phyto-treatment solution for water discharged from its workshops has been installed. This process, which uses plant filters, can treat an average of 12,000m³ per year. It was updated at the end of 2015 to work more efficiently.

THE HERMÈS SHARE

HERMÈS SHARE PRICE HISTORY



KEY STOCK MARKET DATA

Number of shares
as at 31 December 2016

105,569,412



2016 average
share price

€345.52

GENERAL MEETING

The General Meeting was held on 6th June 2017. This was an opportunity to carry out a review of Hermès' strategy, its values based on creativity, know-how and their transmission within the house, the development of the distribution network, and social and environmental responsibility.

All of the 24 resolutions were adopted by a high number of votes. These results, as well as the presentations shown, are available on the website www.finance.hermes.com.

The 2018 General Meeting will be held on Tuesday 5th June.

DIARY

Thursday 14th September*
Half-yearly results 2017

Wednesday 8th November 2017*
3rd quarter 2017 revenue

Thursday 8th February 2018
2017 revenue

*Published in the morning, before stock market opening

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