

LETTER TO SHAREHOLDERS

MARCH 2019

Great game! What a match!

In 2018, Hermès encouraged us to play, invited us to not take ourselves seriously, to be creative, and to demonstrate agility while remaining ambitious. While the global social, political, economic and financial environment remains uncertain, playing one's cards right is a complex undertaking.

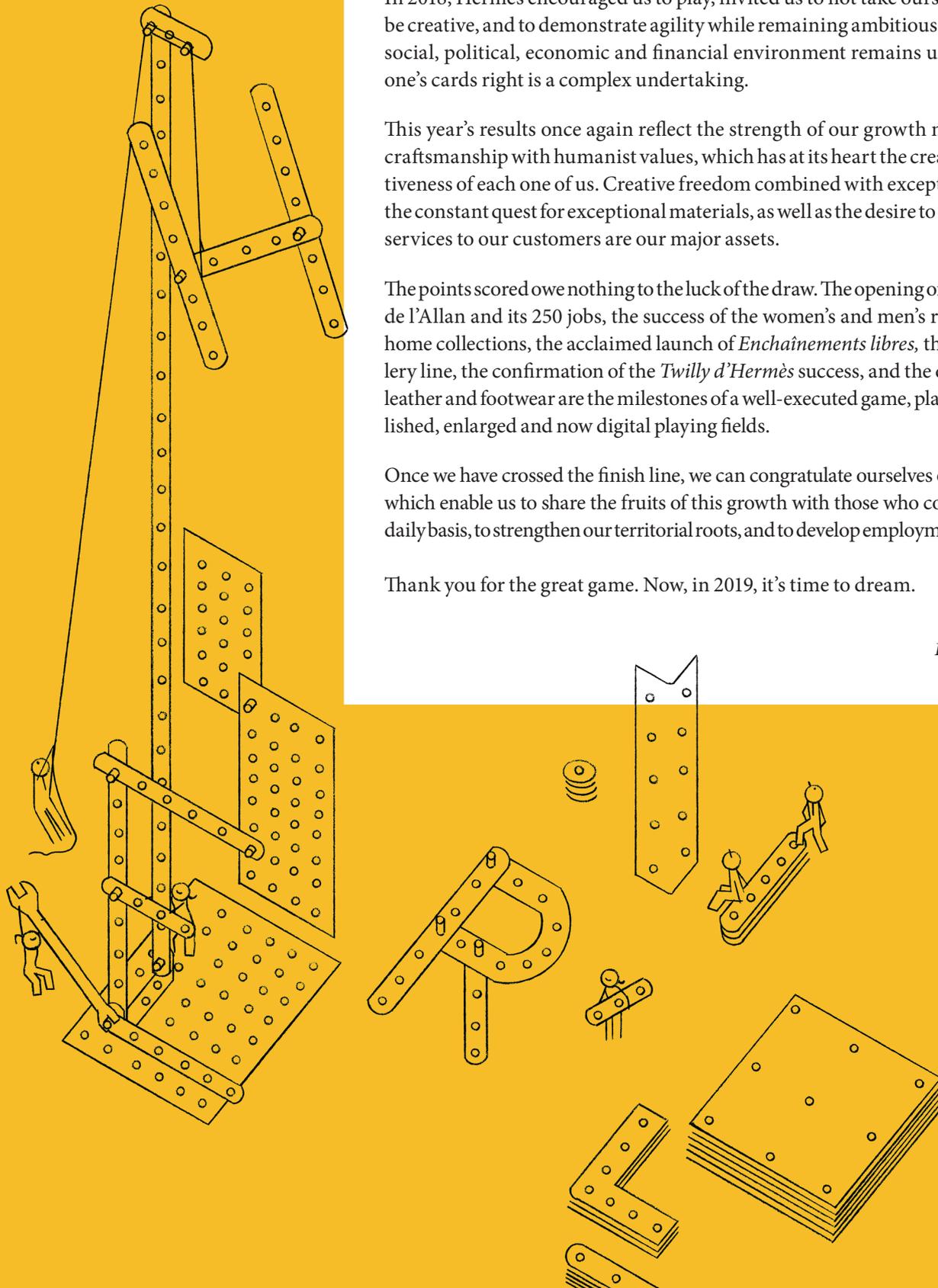
This year's results once again reflect the strength of our growth model: a model of craftsmanship with humanist values, which has at its heart the creativity and inventiveness of each one of us. Creative freedom combined with exceptional know-how, the constant quest for exceptional materials, as well as the desire to offer outstanding services to our customers are our major assets.

The points scored owe nothing to the luck of the draw. The opening of the Manufacture de l'Allan and its 250 jobs, the success of the women's and men's ready-to-wear and home collections, the acclaimed launch of *Enchaînements libres*, the new high jewellery line, the confirmation of the *Twilly d'Hermès* success, and the dynamism of silk, leather and footwear are the milestones of a well-executed game, played out on embellished, enlarged and now digital playing fields.

Once we have crossed the finish line, we can congratulate ourselves on these successes which enable us to share the fruits of this growth with those who contribute to it on a daily basis, to strengthen our territorial roots, and to develop employment opportunities.

Thank you for the great game. Now, in 2019, it's time to dream.

Axel Dumas
Executive Chairman



VERY GOOD SALES AND PERFORMANCE IN 2018

Recurring operating profitability amounts to 34.3 % of sales.
Net profit reaches €1.4 billion, up +15 %.

The Group's consolidated revenue amounted to €5,966 million, up +10.4 % at constant exchange rates and +7.5 % at current exchange rates. Recurring operating income increased 6 % to €2,045 million (34.3 % of sales). Net profit increased 15 % to €1,405 million.

Axel Dumas, Executive Chairman of Hermès, said: «This year again, Hermès achieves a remarkable performance, thanks to the talent and incredible commitment displayed by the women and men of Hermès, and confirms the strength of the Group's growth model.»

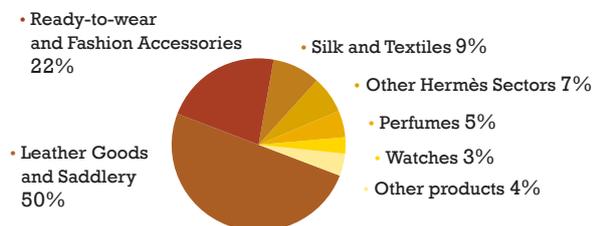
2018 Revenue
€6bn

Cash position as of
31st December 2018
€3.5bn

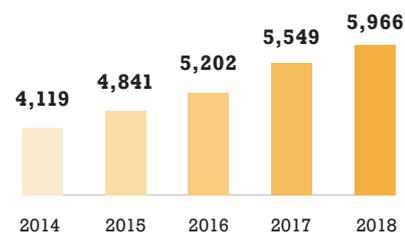
KEY CONSOLIDATED DATA (IN €M)

	2018	2017
Revenue	5,966	5,549
Recurring operating income	2,045	1,922
In % of revenue	34.3 %	34.6 %
Net profit - Group share	1,405	1,221
Operating cash flows	1,683	1,580
Operating Investments (excluding financial investments)	312	265

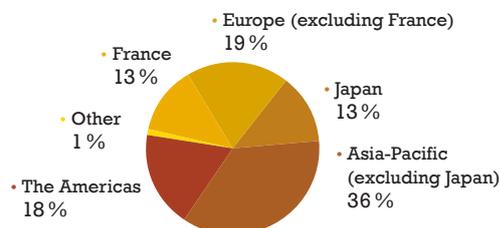
REVENUE BY BUSINESS LINE IN 2018



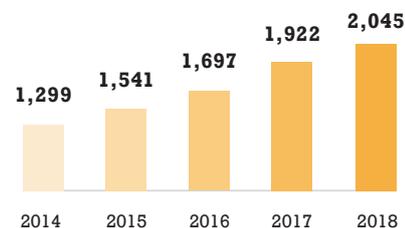
REVENUE (IN €M)



REVENUE BY GEOGRAPHICAL AREA IN 2018



RECURRING OPERATING INCOME (IN €M)



A SOLID BUSINESS MODEL AND HARMONIOUS GROWTH OF THE BUSINESS LINES

All business lines recorded growth, with a remarkable performance of the Ready-to-Wear and Accessories division, Perfumes and Other Hermès business lines. Leather Goods and Saddlery is particularly successful.

GROWTH IN WORKFORCE

The Hermès Group increased its workforce by almost 800 people, including more than 500 in France, mainly in the production units and sales teams. At the end of 2018, the Group employed 14,284 people, including 8,846 in France.

AN ENTREPRENEURIAL SPIRIT

Hermès has pursued its development, paying particular attention to job creation, to its regional attachment, and to sharing the fruits of its growth.

Hermès continues to assert its independence, thanks to a family-based shareholding structure committed to retaining the core of its production in France and perpetuating its know-how to serve creativity.

Nurturing our regional roots, developing employment and a commitment to creating social value are at the heart of Hermès' development.

After the inauguration of its sixteenth leather goods workshop, **the Manufacture de L'Allan** in Franche-Comté, Hermès continued its regional development in the Gironde and Seine-et-Marne areas. Since September 2018, these two sites have housed temporary workshops ahead of the construction of new leather goods workshops in 2020 and the creation of new jobs.

In September 2018, Hermès' commitment to the **creation of social value in a context of sustainable growth** was reflected in the announcement of a pay rise of 100 euros per month (gross) on 1st January 2019 for all of the 8,800 employees in France. Furthermore, an exceptional bonus of €1,000 was paid to all employees who received a salary of less than three times the annual minimum wage in 2018.

This move aligns Hermès with the legislation of 24th December 2018, benefiting over 7,000 employees in France. Hermès employees working abroad have also earned an additional bonus. These measures bear witness to the company's desire to share the fruits of its growth with those who contribute, through their daily work, to its exceptional results.

The *Hermès Héritage* series of travelling exhibitions offers an opportunity to explore the founding values of the house, upon which the success of this entrepreneurial model is based. In autumn 2018, the Maison Hermès in **Shanghai** hosted a new episode in this series. After *Harnessing the Roots* and *Rouges Hermès*, *In Motion* introduced visitors to the ceaseless movement which has always characterised Hermès.



Inauguration of the Maroquinerie de l'Allan in April 2018



Inauguration of the *Hermès Héritage* exhibition in Shanghai in September 2018

CREATION AT OUR CORE

The métiers responded enthusiastically to the theme for 2018, “Let’s play!”. It led to creative successes which marked the second half of the year.

For winter, the artistic director of women’s ready-to-wear, Nadège Vanhee-Cybulski, devised a women’s wardrobe featuring casual silhouettes, punctuated by new twists on emblematic motifs. This collection was the focus of a veritable cinematic experience at the National Art Center in Tokyo, simply and intriguingly entitled **Avec Elle**. Also of note was the **Sailor-Sellier** collection, presented in September at the Longchamp Hippodrome, perfectly accompanying a woman on the move.

Véronique Nichanian, Artistic Director of the men’s universe, designed an “outdoor” autumn-winter collection, in which generously proportioned silhouettes contrast perfectly with natural materials and innovative techniques.

Pierre Hardy, Creative Director of shoe collections, likes to play with convention, combining sporty and city looks to produce a playful hybrid perfect for contemporary men and women.

Silk took innovative directions with wash scarves: softened, gentle and smooth, for a lasting patina. Silk scarf collectors can now discover **Hermès Carré Club**, successfully launched in New York in September. With the emphasis on creativity, this unique and festive experience celebrated the latest scarf designs and their designers, to the delight of all scarf fans...

Opening a new chapter for Hermès luxury jewellery, the **Enchainements libres** collection designed by Pierre Hardy, Creative Director of jewellery at Hermès, was unveiled at the Gaité Lyrique in Paris in early summer.

Reappropriating the use of bridle leather to make appealing desk accessories, the home universe developed the **Pli’H** line. Meanwhile, the **Périmètre** line comprises graphic trays and vases in porcelain. In the second half of the year, these creations were well received in Taiwan, Dubai and Seoul as part of the **Species of Spaces** event, which showcased the collections with playful, subtle harmony.

The leather métiers created objects full of fantasy. The Faubourg mosaic inspired the elegant clasp of the **Mosaïque au 24** bag, with its surprising, highly structured interior. A veritable invitation to travel, the **Haut à courroies** bag and its **Endless Road** design – a true technical achievement – transports us to the wide-open spaces and never-ending freeways of California.

Seeking to deconstruct an emblematic fragrance, Christine Nagel, olfactory Creative Director of Hermès Parfums, created **Terre d’Hermès eau intense vétiver**, offering a new expression of the power of **Terre d’Hermès**.



Artist Alice Shirley at the Hermès Carré Club event in New York, in September 2018

The *Species of Spaces* event in Taiwan, in October 2018



Endless Road Haut à courroies bag

WE ARE ALL ARTISANS

Hermès adheres to the values of craftsmanship, deploying a responsible development model which is humanistic and respectful of biodiversity.

The house is committed to integrating biodiversity into its global development strategy and to contributing to the objectives set by the international community. Last year on 10 July, Hermès undertook to adhere to the “ten mutual commitments” of the **Act4Nature project, promoting corporate support for biodiversity**, alongside some sixty other companies. It also published a number of “individual commitments” it aims to observe within its business activities and its sphere of responsibility. The design of the Manufacture de l’Allan responds to these demands with, amongst other examples, thermal solar pannels, rainwater recovery and the maintenance of onsite biodiversity.

Produced by Frédéric Laffont, the collection of films entitled “**Footsteps Across the World**” now includes three new stories, shot in London, Paris and Tokyo. Dedicated to the house’s commitment to sustainable development, they were presented in Los Angeles, San Francisco and New York, as well as in Moscow at the **Hermès at Work** festival. Offering an opportunity to observe the work of artisans as they produce various objects, discover materials, skills and know-how, and take part in discussions, this immersion in the métiers of Hermès was a real success, attracting more than 700,000 visitors since it began.

In November 2018, the **Fondation d’entreprise Hermès** celebrated its tenth anniversary. Over 700 people joined our teams for a delightfully convivial evening.

Buoyed by the support it receives from the house of Hermès, the Foundation has begun a new five-year mandate with a heightened sense of its responsibility. It thus intends to pursue its activities in various fields – performing arts, photography, visual arts, promotion of artisanal know-how, solidarity and biodiversity.



Hermès at Work Festival in Moscow, in September 2018



The *Footsteps Across the World* collection. The episode filmed in Japan paints a portrait of Eriko, whose late mother’s *Kelly bag* now continues her presence.

HERMÈS AROUND THE WORLD

To remain close to its customers, Hermès is opening new stores in strategic areas, while also strengthening its web presence.

In October, Hermès launched its **e-commerce site in China**, which was built without intermediation and achieved immediate success. Hermès has thus rolled out a coherent digital environment around its online store **hermes.cn** and the local social network **wechat**.

All around the world, openings and reopenings are enabling customers and travellers to enjoy a unique Hermès experience on each and every visit.

In Paris, the emblematic store on **Avenue George-V**, with its winning combination of heritage and modernity, has reopened. The façade of Ernest Motsch's hat shop, opened in 1870, is now listed, and the original wooden shop front has been restored to its former glory. Internally, the extended surface area of 555 sq.m. covers three floors, connected by a staircase designed to resemble a ribbon. At the inauguration, guests enjoyed a housewarming party full of surprises, including animations projected onto the façade and the chance to meet some surprising artists.

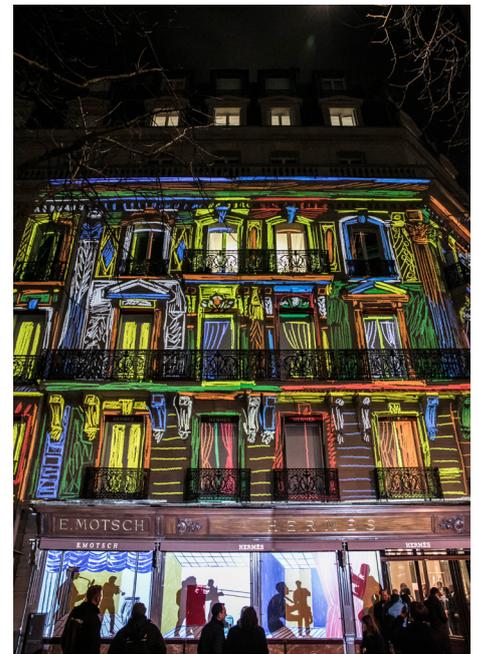
In the United States, the surface area of the Las Vegas Crystal store has almost tripled, and now presents its home and office furniture to an international clientele.

Finally, there were several highlights during the autumn in China. On 5th September, Hermès opened its twenty-fifth store, in the city of Xi'an. On 2nd November, the house celebrated the reopening of its Harbin store, before ending the year by reopening the Shanghai IFC store. Opened in 2010 in the heart of the Lujiazui financial district, it now offers a surface area of 568 sq.m. across two floors. These events demonstrate Hermès' high level of confidence in the Chinese market, reflected in its ever deeper regional roots.

Other store reopenings added to this momentum: in Buenos Aires, London, Beirut, Osaka, Mexico City, Gstaad, Busan and Bangkok.

Petit h loves to set sail from its home port at the Rue de Sèvres store in search of new adventures and sources of inspiration. During the second half of 2018, petit h made an initial stopover at Lisbon in Portugal, with creations echoing the city's history of global exploration, including a leather pirogue bench and a silk scarf yacht, before travelling on to Hong Kong, six years after its first visit.

Inauguration event for the Parisian store on the avenue George-V, in November 2018



Petit h pop-up, Hong Kong Landmark Prince's, in November 2018

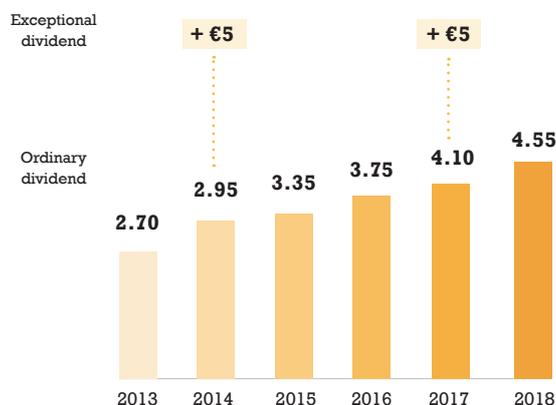
THE HERMÈS SHARE

Hermès International joined the CAC 40 index, decided by the Index Steering Committee and as announced by Euronext on 7th June 2018, reflecting the strength of its business model.

HERMÈS SHARE PRICE HISTORY IN 2018 (IN €)



EVOLUTION OF DIVIDEND (IN € PER SHARE)



KEY STOCK MARKET DATA IN 2018

Number of shares as of 31st December

105,569,412

12-month average share price

€509.85

Share price as of 31st December

€484.80

Average daily volume (Euronext)

72,725

PROPOSED DIVIDEND

At the General Meeting of 4th June 2019, a dividend proposal of €4.55 per share will be made. The €1.50 interim dividend paid on 22nd February 2019 will be deducted from the dividend approved by the General Meeting.

AGENDA

Thursday 25th April 2019*

1st Quarter 2019 Revenue

Tuesday 4th June 2019

General Meeting of Shareholders

Tuesday 23rd July 2019*

2nd Quarter 2019 Revenue

* Published in the morning, before stock market opening

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Illustrations: Laurent Cilluffo, photography: Ren Yong, Studio Grand Angle, Andrea Pisapia, Edouard Caupeil, Shi Ting Huang, Sergey Krasnyuk, image taken from *Footsteps Across the World*, directed by Frédéric Laffont, Benoît Teillet, Amanda Kho. © Hermès, Paris 2019.

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