

CHANEL

CHANEL LIMITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

London, 17 June 2019

A year of strong growth and significant investment in CHANEL's long-term development

KEY FINANCIAL INFORMATION

- The results demonstrate CHANEL's financial strength and its commitment to sustainable, long-term value creation
- Sales of **\$11.1 billion**, up 10.5% compared to 2017 on a comparable basis at constant currency
- Operating profit of **\$2,998 million**, up 8.0% compared to 2017
- Positive net cash balance at the end of the year, confirming CHANEL's financial strength
- Investment of **\$1,653 million** in brand support activities to deliver the strategy focused on creation and innovation
- Capital expenditures increased to over **\$1 billion**, representing **9.1%** of sales, more than double the prior year
- Free cash flow of **\$1,214 million** in 2018 after significantly increased capital expenditures

Philippe Blondiaux, Global Chief Financial Officer, commented:

"Chanel has had another strong year. Our successful collections and new product launches contributed to the growth of our business across all product lines. 2018 was also a year of significant investment by the group as part of a strategic multi-year program to secure our supply chains, accelerate our digital transformation, and strengthen our social and environmental commitments. These investments and the commitment of our talented teams will secure the brand's iconic status and its long-term development".

KEY HIGHLIGHTS

- 2018 has been a successful year for CHANEL, with strong growth across all product lines and regions.
- The growth in **Fragrance and Beauty** was driven by successful launches such as COCO MADEMOISELLE Eau de Parfum Intense and BLEU de CHANEL Le Parfum, which delivered double-digit growth in almost all countries. In Beauty, CHANEL presented its first make-up line for men in September 2018, reaffirming its vision that Beauty is not a matter of gender but a matter of style. In addition, other key successes included Le mascara VOLUME REVOLUTION, a breakthrough 3D technology in makeup, and LA CRÈME MAINS RICHE, both of which won multiple innovation awards in the Beauty category.

- In **Fashion**, most product lines achieved double-digit growth with great performance in leather goods and ready-to wear. The successful introduction of two new capsule collections, Coco Beach and Coco Neige, again demonstrated the brand's dynamic creativity across all of its collections. In December, CHANEL took over the Temple of Dendur at the Metropolitan Museum of Art to unveil the 2018-2019 Métiers d'Art collection, showing the exceptional craftsmanship and know-how of CHANEL's **Maisons d'Art**.
- **Watches and Fine Jewelry** had a year of solid growth, fueled by Precious Jewelry and in particular Coco Crush, which confirmed its success with double-digit growth across all regions. 2018 also showcased the creativity of the **High Jewelry** studio with the Coromandel collection, inspired by Gabrielle Chanel's Coromandel screens, and the Esprit du Lion collection.
- Capital expenditures increased to more than \$1 billion, doubling the level of investment in the prior year, reflecting the company's commitment to long-term sustainable growth. During the year, CHANEL renovated some of its boutiques (i.e. the **57th Street Flagship in New York**) and consolidated its boutique network. CHANEL also increased its investments in the digital transformation of its next generation boutiques. The iconic **19 Rue Cambon** boutique will be the testing ground for innovations to develop a customer journey combining a great e-service offering with a genuine CHANEL boutique experience.
- Further supply chain investments to enhance know-how and ensure the highest quality of raw materials included the acquisition of 100% of Colomer Leather Group, one of the most established leather suppliers in Europe. In addition, CHANEL has taken an equity stake and signed a partnership agreement with the Swiss company **KENISSI**, strengthening CHANEL's position at the forefront of watchmaking expertise using the highest quality watch movements.
- CHANEL also continued its transformational journey to create shared value for both business and society around three strategic areas: climate, the circular economy, and human rights. Among its commitments, CHANEL became in 2018 the first luxury fashion house to end the use of **exotic animal skins**. In another field, CHANEL, through its Foundation, supports and partners with UN Women, a United Nations entity dedicated to gender equality and the empowerment of women worldwide. The Fondation CHANEL has supported over 70 projects in 35 countries promoting the improvement of economic and social conditions of women and adolescent girls around the world. The company also supports French Heritage, for example as the exclusive sponsor of the renovation of the Grand Palais, and sponsor of the Palais Galliera which will become the first permanent fashion museum in France.
- At the end of 2018, CHANEL **employed more than 25,000 people** worldwide. Since 2008 the number of employees has nearly doubled, with a focus on retail staff to support the company's expansion and further enhance the customer experience. CHANEL also continued to invest in new workplaces that offer stimulating environments and foster collaboration and well-being.

Financial Highlights

	<u>2018</u>	<u>2017 (restated) *</u>	<u>% change</u>
Revenue	\$11,119m	\$9,881m	12.5%
Comparable revenue ¹			10.5%
Operating profit	\$2,998m	\$2,775m	8.0%
Tax rate	25.5%	29.9%	
Profit after tax	\$2,166m	\$1,861m	16.4%
Revenue by Geography			
Asia Pacific	\$4,730m	\$3,946m	19.9%
Europe	\$4,280m	\$3,972m	7.8%
Americas	\$2,109m	\$1,963m	7.4%
Net cash (debt) ²	\$2m	(\$22m)	109.1%
Free cash flow ³	\$1,214m	\$1,696m	-28.4%
Capital investments ⁴	\$1,007m	\$439m	129.4%
Employees ⁵	25,295	22,284	13.5%

¹ Revenue is determined using exchange rates at 31 December 2018 for both periods and with a comparable legal entity structure

² Net cash (debt) equals total borrowings (including loans to and borrowings from related entities outside of the consolidation perimeter) less cash

³ Free cash flow is defined as operating cash flow less capital expenditures plus proceeds on disposals

⁴ Capital investments comprise acquisitions and development of property, plant and equipment, investment property and intangible assets (excluding goodwill)

⁵ Represents the number of employees at the end of the year

* Amounts restated as a result of merger accounting for the acquisition of entities under common control in 2018

About CHANEL

CHANEL is a private company and a world leader in creating, developing, manufacturing and distributing luxury products. Founded by Gabrielle Chanel at the beginning of the last century, CHANEL offers a broad range of high-end creations, including Ready-to-Wear, Leather Goods, Fashion Accessories, Eyewear, Fragrances, Makeup, Skincare, Jewelry and Watches. CHANEL is also renowned for its Haute Couture collections, presented twice yearly in Paris, and for having acquired a large number of specialized suppliers, collectively known as the Métiers d'Art. CHANEL is dedicated to ultimate luxury and to the highest level of craftsmanship. It is a brand whose core values remain historically grounded on exceptional creation. As such, CHANEL promotes culture, art, creativity and "savoir-faire" throughout the world, and invests significantly in people, R&D and innovation. At the end of 2018, CHANEL employed more than 25, 000 people worldwide.