CHANEL

CHANEL LIMITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

London, 18 June 2020

KEY 2019 FINANCIAL INFORMATION

- 2019 results show strong growth, confirming the strength of the CHANEL Brand and the company’s commitment to sustainable, long-term value creation
- Revenues of $12.273 billion, up 13.0% compared to 2018 on a comparable basis at constant currency
- Operating profit of $3,496 million, up 16.6% compared to 2018
- Positive net cash balance at the end of the year, confirming CHANEL’s financial strength
- Investment of $1,770 million in brand support activities to deliver the strategy focused on creation and innovation
- Capital expenditures reached $771 million, representing 6.3% of sales
- Free cash flow of $2,245 million in 2019, up 84.9% compared to 2018

COVID-19 AND CURRENT TRADING

- Significant impact of COVID-19 after a strong start to the year; the temporary closure of boutiques in all regions will reduce revenue and earnings for the full year 2020
- Priority given to supporting our people and our business partners, and to protecting our suppliers during this time
- Decision taken not to utilise government employment support during the lockdown
- Measures taken to preserve CHANEL cash flow, strong balance sheet and desirability as a global brand
- Currently reopening boutiques on a country-by-country basis, in accordance with government guidance; encouraging initial customer response to reopened boutiques in Asia

Philippe Blondiaux, Global Chief Financial Officer, commented:

“Chanel delivered a strong performance in 2019, underpinned by its long-term approach to investment and a strategy based on creativity, the application of a unique savoir-faire, and a permanent quest for innovation.

“However, the world has become a very different place in 2020, and CHANEL is not immune to the impact of the ongoing global crisis.

“Despite those challenges, CHANEL has stayed true to its core and differentiating values. Our priority has been to ensure the safety of our colleagues and clients, and the protection of our partners. We are also supporting the communities in which we operate and seeking to contribute to wider society wherever possible, such as adapting our manufacturing facilities to produce face masks and gowns.

“While near-term conditions will remain difficult, we are confident that the passion and expertise of our teams, our record of innovation, and our strong financial fundamentals leave us well-placed. We remain confident of the long-term opportunities to strengthen our position as one of the world’s most iconic and innovative brands.”
2019: KEY OPERATIONAL HIGHLIGHTS

- CHANEL produced strong 2019 performances across all regions and product categories despite the challenging macro-economic context within the year, including Hong Kong demonstrations and strikes in France.

- **Fragrance and Beauty** continued to deliver robust growth across all product categories and channels. In Fragrance, CHANEL reinforced its leadership, supported by the launch of CHANCE Eau Tendre Eau de Parfum, the new GABRIELLE Essence that confirmed its position as a new pillar of the House’s fragrances, and the sustained success of BLEU DE CHANEL. In Beauty, CHANEL continued to gain market share in makeup, boosted by the success of ROUGE COCO FLASH and ULTRA LE TEINT, while SUBLIMAGE, along with LE LIFT fuelled the growth of the skincare category.

- **Fashion** showcased outstanding performances, achieving double-digit growth in all regions and across all product lines. Ready-to-wear, in particular, delivered strong results, driven by the collections designed by the House’s new creative director, Virginie Viard, following the legacy of Gabrielle Chanel and Karl Lagerfeld, and reaffirming CHANEL’s leadership in Fashion. In April, CHANEL opened a seven-floor flagship boutique in the heart of Seoul’s cosmopolitan Cheongdam-dong district, its 10th store in South Korea, offering a unique high-end retail experience. CHANEL’s Maisons d’Art showcased once again creativity and exceptional know-how during the latest Métiers d’Art collection.

- **For Watches and Fine Jewellery**, 2019 was a year of accelerated double-digit growth, supported by the launch of the new iconic J12 watch with its manufacture 12.1 caliber by Kenissi and honoured with an award in the Ladies category at Le Grand Prix d’Horlogerie de Genève 2019 last November. In Precious Jewellery, Coco Crush has become a new icon, confirmed by the double-digit growth in all regions. In High Jewellery, CHANEL explored the beauty of the camellia flower for the creative new 1.5 collection, while the stunning LE PARIS RUSSE collection, inspired by Gabrielle Chanel’s fascination with Russian culture and design, also delivered results beyond expectations.

- A continued focus on investment saw capital expenditures of $771 million for 2019. Promoting further its unique brand experience and creativity, CHANEL invested heavily in its boutique portfolio, developing iconic projects such as opening in the heart of Seoul’s Cheongdam-dong district, while continuing to enhance customer experience in Fragrance and Beauty through the development of its own retail network. CHANEL operated 144 Fragrance & Beauty boutiques around the world as of end 2019, which, combined with its e-commerce platform on chanel.com, reinforces its omnichannel approach.

- Other investments included information technology projects to continue strengthening CHANEL’s infrastructure and embracing new innovative technologies to further enhance client experience. Some illustrations include the implementation of an interactive video tech-solution in our High Jewellery Salon in Hong-Kong, to enable real-time connectivity with the Jewellery Creation team, or our successful augmented retail approach in our 19 Cambon Flagship which will be rolled out in other boutiques in Paris. Significant investments have also been made in building inspiring work environments across all regions, demonstrating CHANEL’s ongoing commitment to its employees’ wellbeing.

- One of the strategic priorities for 2019 has been to strengthen the response of the company to tackle climate change. CHANEL has made four commitments: reduce its carbon footprint across its own operations and its entire supply chain to meet Science-Based Targets, shift to 100% renewable electricity on a worldwide basis by 2025, balance its residual carbon emissions and finance climate change adaptation. The company’s 2030 carbon emissions targets were approved by the Science Based Targets initiative. CHANEL has reached carbon neutrality in 2019. Doing so, CHANEL continues to intensify its commitment to responsible and sustainable business practices in both its business and supply chain and has accelerated its transformation for a more sustainable future.
Financial Summary

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<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>% change</th>
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<tbody>
<tr>
<td>Revenue</td>
<td>$12,273m</td>
<td>$11,119m</td>
<td>10.4%</td>
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<tr>
<td>Comparable revenue ¹</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td>$3,496m</td>
<td>$2,998m</td>
<td>16.6%</td>
</tr>
<tr>
<td>EBITDA ²</td>
<td>$3,914m</td>
<td>$3,454m</td>
<td>13.3%</td>
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<tr>
<td>Tax rate</td>
<td>26.5%</td>
<td>25.5%</td>
<td></td>
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<tr>
<td>Profit after tax</td>
<td>$2,410m</td>
<td>$2,166m</td>
<td>11.3%</td>
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Revenue by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>2019</th>
<th>2018</th>
<th>% change</th>
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</thead>
<tbody>
<tr>
<td>Europe</td>
<td>$4,534m</td>
<td>$4,280m</td>
<td>5.9%</td>
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<tr>
<td>Asia Pacific</td>
<td>$5,426m</td>
<td>$4,730m</td>
<td>14.7%</td>
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<tr>
<td>Americas</td>
<td>$2,313m</td>
<td>$2,109m</td>
<td>9.7%</td>
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Net cash ³           | $282m      | $2m        | NM       |
Free cash flow ⁴     | $2,245m    | $1,214m    | 84.9%    |
Capital investment ⁵ | $771m      | $1,007m    | -23.4%   |
Employees ⁶          | 27,713     | 25,295     | 9.6%     |

¹ Revenue is determined using exchange rates at 31 December 2019 for both periods and with a comparable legal entity structure.

² EBITDA is based on an adjusted operating profit that excludes restructuring costs, impairment charges and reversals, investment gains and losses on corporate owned life insurance and other one-off expenses in the year. The addback of depreciation and amortisation does not include depreciation on Right-of-use assets, in order to provide relatively comparable data.

³ Net cash equals cash less total borrowings (including loans to and borrowings from related entities outside of the consolidation perimeter and excluding lease liabilities, in order to provide comparable data).

⁴ Free cash flow defined as operating cash flow less capital expenditures plus proceeds on disposals, reduced by capitalised fixed lease principal payments.

⁵ Capital investment comprises acquisitions and development of property, plant and equipment, investment property and intangible assets (excluding goodwill).

⁶ Represents the number of employees at the end of the year.

ENQUIRIES

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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 2019, CHANEL employed close to 28,000 people worldwide.