

## HERMÈS INTERNATIONAL

Partnership Limited by Shares with capital of €53,840,400.12,  
Registered with the Paris Trade and Companies Register under no. 572 076 396  
Head office: 24, rue du Faubourg Saint-Honoré 75008 PARIS



## Report on the Combined General Meeting of 24 April 2020

Due to the Covid-19 epidemic, in accordance with the government's measures, and pursuant to the provisions of Order no. 2020-321 of 25 March 2020, the Hermès International Combined General Meeting was exceptionally held on Friday 24 April 2020 at 9:30 am in closed session, without its shareholders being physically present, at the Company's premises in Pantin, France.

Shareholders had the opportunity to follow this General Meeting in its entirety *via* a live webcast on Hermès International's financial information website: <https://finance.hermes.com> in the "General Meetings - General meeting as of 24<sup>th</sup> April 2020 - webcast" section. The webcast of the General Meeting is available at the same address, in an e-accessible version.

A dedicated e-mail address has also been set up in advance of the General Meeting to make it easier for the shareholders to send their written questions.

The Combined General Meeting was chaired by Mr Éric de SEYNES, Chairman of the Supervisory Board. The following persons sat next to him on stage:

- Mr. Axel DUMAS, Executive Chairman,
- Mr. Henri-Louis BAUER, Chairman of the Management Board of the company Émile Hermès SARL, Executive Chairman and Active Partner,
- Mr. Éric du HALGOUËT, Executive Vice-President Finance.

Mrs Julie GUERRAND and Mr. Renaud MOMMEJA, shareholders and present in the room, acted as scrutineers.

Mr. Vincent FRAMBOURT, from Didier Kling & Associés, represented the College of Statutory Auditors.

Mrs Nathalie BESOMBES, General Counsel corporate law and stock exchange regulations, acted as secretary of the meeting.

The General Meeting was held in compliance with the prevailing health and safety conditions relating to the fight against the Covid-19 epidemic.

Due to the exceptional situation generated by the epidemic, and in accordance with Decree No. 2020-418 of April 10, 2020 published in the Official Journal on April 11, 2020, the shareholders were encouraged to vote by mail or to give proxy to the Chairman and their votes were closed the day before the Meeting, *i.e.* on Thursday, April 23, 2020, at 3 pm.

The quorums required by law in ordinary and extraordinary meetings were met:

- 86.38% for the 1<sup>st</sup> to the 3<sup>rd</sup>, and for the 5<sup>th</sup> to the 16<sup>th</sup> resolutions,
- 86.98% for the 4<sup>th</sup> resolution,
- 86.38% for the 17<sup>th</sup> to the 21<sup>st</sup> resolutions.

Shareholders were asked to vote on:

- ❑ the approval of the parent company's and the consolidated financial statements for the fiscal year 2019,
- ❑ the appropriation of the earnings and the distribution, on 30 April 2020, of the remainder of ordinary dividend for the year (since an interim dividend of €1.50 per share was paid on 5 March 2020), that is €3.05 per share<sup>1</sup>,
- ❑ the approval of related- party agreements,
- ❑ the authorisation granted to the Executive Management in order to implement a share purchase and cancellation programme,
- ❑ the approval of total compensation and benefits of all kinds paid during or awarded in respect of the financial year ended 31 December 2019 to the Company Officers (global and individual *ex-post* votes)<sup>2</sup>,
- ❑ the approval of the compensation's policies for Executive Chairmen and Supervisory Board members (*ex-ante* votes),
- ❑ the re-election of the terms of Supervisory Board members Mrs Dorothée ALTMAYER and Mrs Monique COHEN and of Mr. Renaud MOMMÉJA and Mr. Éric de SEYNES, for a period of three years,
- ❑ the authorisations to be given to Executive Management to grant stock-options and free existing shares,
- ❑ the amendments to the Articles of Association in order to bring Hermès International's Articles of Association into compliance with new laws or regulations.

The Chairman, before handing over to Mr. Henri-Louis BAUER, warmly thanked the shareholders who voted massively by remote means and who logged on to the webcast to follow the General Meeting live.

Mr. Henri-Louis BAUER, Chairman of the Management Board of Émile Hermès SARL, Executive Chairman and Active Partner, addresses his first words to all those affected by the disease or who have lost a loved one as a result of the coronavirus pandemic. He pays tribute and salutes the memory of Leila MENCHARI, Artistic Director of the windows of 24 Faubourg, the Hermès flagship store in Paris, who never ceased to arouse curiosity, astonishment and surprise to the amazement of bystanders, creating windows that opened to another realm. His thoughts also go out to employees, shareholders and their families, but he hopes that this new and tragic situation will bring "*a new way of appreciating our lives and building our future*". He added that Hermès has already chosen to take this path by demonstrating exemplary solidarity and by participating in the national effort in France and in the countries that have always welcomed the House.

Mr. Henri-Louis BAUER then spoke a few words about Hermès' activity in 2019. He emphasised the solidity of the results with 2019 once again synonymous with success for the Group but stressed that this year's results were above all qualitative, ethical and human. Qualitative first through the ability of the House's designers to reinvent certain designs and products and to create new *métiers*. Ethical, secondly, because Hermès' ambition is to grow sustainably, notably through the quality of its products and its actions in the field of the environment. Mr. Henri-Louis BAUER mentioned that the Group's new manufacturing facilities are energy-

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<sup>1</sup> On proposal of the Executive Management, the Supervisory Board has decided to amend the proposed ordinary dividend to be submitted to the General Meeting of 24 April 2020, reducing the amount from €5.00 to €4.55 per share, identical to the amount paid in 2019. The press release related to this decision, dated 30 March 2020, is available on <https://finance.hermes.com>.

<sup>2</sup> The Executive Chairmen have decided to forego the increases in their gross annual fixed compensation paid in 2020 and their gross annual variable compensation awarded in 2020 in respect of 2019, and will therefore receive in 2020 a total compensation identical to that received in 2019. The Management Board of Émile Hermès SARL, Active Partner, and the Supervisory Board of the Company took note of this waiver on 30 March 2020 and approved the amended resolutions submitted to the General Meeting. The press release related to this decision, dated 30 March 2020, is available on <https://finance.hermes.com>.

neutral and are designed to help maintain and develop biodiversity. Lastly, Hermès has always believed in the values of respect, excellence and learning, as well as in the values of trust and solidarity among employees.

Mr. Henri-Louis BAUER expressed his gratitude and thanks to all the employees of the company. He ended his speech with an invitation to continue to help each other and to surpass oneself and recalled these few words from Jean-Louis Dumas: "*The success of a company is a company that makes its employees, customers, suppliers and shareholders proud, but above all that helps men and women to rise and reach the best of themselves*".

Mr. Axel DUMAS, Executive Chairman, also thanked all the shareholders who logged on to follow the General Meeting. He then presented the General Review for 2019, outlining the highlights of the year, during which Hermès achieved a remarkable performance with revenue exceeding €6.9 billion.

- ❑ Freedom of creation:
  - The theme "In the pursuit of dreams" in 2019 to stimulate unbridled creativity,
  - Great success of the men's and women's ready-to-wear collections,
  - Leather goods collections enriched with *Twins*, *Simone Hermès*, *Birkin Faubourg* models and the *Cosmos* and *Chimère* lines,
  - Release of numerous new designs for men's and women's silk,
  - Successful launches of the *Galop d'Hermès* women's watch and the *Arceau L'heure de la lune* men's watch.
- ❑ Freedom of purchase at the core of our strategy:
  - Success of the collections presented twice a year to the sales team,
  - Freedom of purchase for store and country managers ensuring a selection of items tailored to local expectations,
  - 311 stores worldwide, true "*maisons d'objets*" (houses of objects),
  - Inspired by the theme of the year, unique windows reflecting the singularity and multi-local dimension of our stores.
- ❑ The dynamic of an exclusive distribution network (311 stores as of December 2019):
  - Store openings in Orlando and New York Meatpacking (USA), in Phuket (Thailand) and in Xiamen (China)
  - Opening of a 45<sup>th</sup> market in November in Poland, in Warsaw,
  - Some 20 stores expansion and renovation, including Amsterdam and Moscow Stoleshnikov in Europe, Qingdao and Iwataya Fukuoka in Asia, and San Francisco and Vancouver in America.
- ❑ Omni-channel services to boost customer experience:
  - Continued successful deployment of the new hermes.com platform: in Japan in June, and in Singapore and Malaysia in October,
  - Modern users supported in an omni-channel approach,
  - Positive results of the e-commerce worldwide.
- ❑ An abundant and bold communication:
  - Showcasing the offering's uniqueness...
    - Presentation of men's fashion through the events *Step into the Frame* in London (Great Britain) and *Walk the Line* in Seoul (Korea),
    - Emphasising Hermès' identity as leatherworkers and saddlers with *Please Check In!* in Shanghai (China), *petit h* in Chengdu (China) and Singapore, *Hermès Bespoke* in Tokyo (Japan),
    - Disclosure of the jewellery collections: *Black to Light* in Paris and *Enchaînements libres* touring exhibition in Shanghai (China), Hong Kong, Tokyo (Japan), New York (US) and Taiwan,
    - Encounters with Hermès designers at the *Hermès Carré Club* in Paris and Hangzhou (China).
  - ...and the craftsmanship model
    - 10<sup>th</sup> edition of the *Saut Hermès at the Grand Palais*,
    - *Hermès at Work* exhibition in Roma (Italy), Stuttgart (Germany), Xian and Xiamen (China),

- *Hermès Heritage* exhibition in Busan (Korea) and in Singapore,
  - Enriching the *Footprints Across the World* films collection,
  - Rolling out the *Hermès Employer* campaign.
- ❑ Uniqueness and performance of the craftsmanship model:
    - A craftsmanship model with human-size sites,
    - Inauguration of the 17<sup>th</sup> leather goods workshop in Fitilieu (Isère),
    - Laying of the first stone of leather goods workshops in Guyenne (Gironde) and Montereau (Seine-et-Marne),
    - Announcement of new production sites in Louviers (Eure) to open in 2021 and in the Ardennes region by 2022,
    - Expansion of the Saint-Junien and Pierre-Bénite for textile sites planned for 2022
    - Inauguration of a new shoe manufacturing site in Italy.
  - ❑ Hermès workshops:
    - 43 production facilities in France, including 17 leather workshops,
    - 12 production facilities located outside France in 5 countries: Switzerland, Italy, the United Kingdom, the United States and Australia.

Mr. Axel DUMAS then presented Hermès' policy and actions in the area of responsible and sustainable development.

- ❑ A craftsmanship model creator of social value:
  - Over 1,100 new jobs created in 2019,
  - Training and internal transmission of our craftsmanship know how: nearly 300 tutors and trainers in our 17 leather goods workshops,
  - Well-being on the workplace,
  - Commitment on diversity,
  - Sharing economic value: compensation, profit-sharing and incentive schemes, and free share plans,
  - Engagement of employees towards local authorities and territories: 280 local charitable initiatives worldwide.
- ❑ Uninterrupted job creation, workforce breakdown by sector and by region:
  - 3,699 new jobs in 5 years including 2,471 in France,
  - Balance of production/sales staff,
  - Geographical breakdown of the workforce, reflecting the location of the production facilities with 62% of the workforce in France and the high representation of women in the Group. Women represent 68% of the total workforce, 54% of the workforce within the governing bodies and half of the Supervisory Board members.
- ❑ A craftsmanship model creator of societal value:
  - Long-term partnerships with regional vocational schools,
  - Most of the objects are produced in our internal and exclusive workshops, grouped to create regional clusters of excellence, participating to the vitality of regions,
  - 80% of production in France,
  - Loyal partners: the average seniority of relations with our main suppliers is 19 years,
  - Positive value creation: one of the CAC 40 best performance in the Positivity index,
  - Initiatives backed by the *Fondation d'entreprise* Hermès around 4 efforts: creativity, solidarity, ecological and of transmission.
- ❑ A craftsmanship model with low environmental footprint:
  - Offering long lasting, repairable objects,
  - Low water and energy consumption in absolute value, and decoupled from activity growth since 2002,
  - Lowering carbon intensity, and offsetting of 100% of carbon emissions from production, administrative and logistics sites, and stores (scopes 1 and 2) with *Livelihoods*,

- Commitment to supporting biodiversity, notably into our supply chain and production sites,
- Social and environmental performances recognised externally with sound CSR rankings.

Mr. Axel DUMAS then presented the 2019 activity:

- ❑ The revenue reached €6.9 billion, representing an increase of 15% at current rates and 12% at constant rates,
- ❑ Development of all the business lines with a remarkable performance of the Ready-to-wear and Accessories, and Jewellery divisions,
- ❑ Revenue breakdown by sector 2019/2018,
- ❑ The variations and breakdown of revenue by geographic region in 2019/2018

Mr. Éric du HALGOUËT, Executive Vice-President Finance, presented the 2019 consolidated financial statements. He first recalled that the Group has applied the IFRS 16 - Leases standard from January 1, 2019, on a full retrospective basis and that the financial statements for the year ended December 31, 2018 have been restated accordingly. It specifies that, for Hermès, these relate exclusively to lease liabilities. He added that the application of IFRS 16 had the effect of increasing operating income for both years by approximately +0.4 point. Conversely, net financial income includes a financial expense on lease liability. The balance sheet total is increased by approximately €1 billion with the recognition of a right-of-use in assets and a lease liability in liabilities.

He continued with the presentation of the following elements:

- ❑ Consolidated income statement, with a net income of € 1,528 million, an increase of 8.7% compared to 2018,
- ❑ Recurring operating profitability amounts to 34% of revenue in 2019, and its history,
- ❑ Details of operating investments which amounted to €478 million,
- ❑ Operating cash flows which increased by 9.7% in 2019 to €2,063 million,
- ❑ Restated cash flow statement showing a restated net cash position amounting to €4,562 million,
- ❑ Simplified balance sheet (assets and liabilities) as of December 31, 2019,
- ❑ Shareholders' equity and restated net cash 2019/2018.

To conclude, Mr. Axel DUMAS presented the outlook for 2020:

- ❑ 2020: innovation in the making
  - Launching in March Hermès' 16<sup>th</sup> *métier*: Beauty,
  - Introducing innovations with new materials and new objects, such as the double-sided scarf, the line of anodised aluminium cuff bracelets,
  - Opening of a new flagship store in Sydney (Australia) and planned re-openings of over fifteen stores,
  - The ongoing roll out of e-commerce in the first half of 2020, with the launch of the new platform in Hong Kong, Macao and Korea.
- ❑ 1<sup>st</sup> quarter 2020:
  - Revenue at the end of March: - 7% at current exchange rates and - 8% at constant exchange rates,
  - Impact of the health crisis on all geographical areas,
  - As of the date of the General Meeting, only stores in Greater China and Korea are open, while business is very slow in Japan. The evolution of the pandemic and the measures decided by the States do not allow at this stage to predict the dates of reopening of the stores,
  - The craftsmanship model set up mainly on French territory, the balanced distribution network and its local customer base are all elements that contribute to the House's resilience.
- ❑ Covid-19:
  - The beginning of 2020 is marked by a health crisis of an unprecedented scale, that has heightened uncertainties surrounding the global economic environment and markets. The consequences for the

- Group are currently difficult to assess and will depend of the scale, length and geographic scope, as well as of the measures taken by public authorities of the countries affected,
- Facing this health crisis, Hermès demonstrates support and responsibility,
- Everything is done to ensure the safety of Hermès employees as a priority in the countries affected by this health crisis,
- Hermès' economic and financial solidity enables the Group to weather this unprecedented health crisis. Hermès has maintained its strategic investments, both in production capacities and in the distribution network, in order to prepare to resume business in the best possible conditions, while controlling costs,
- The Group is partially and gradually resuming operations in the production and logistics sites, in full compliance with safety rules, in order to mobilise all its employees and to reconnect with its customers as soon as possible.

□ Outlook:

- Thanks to its unique business model, Hermès is pursuing its long-term development strategy based on creativity, maintaining control over know-how and ever best quality,
- In the medium term, despite economic, geopolitical and monetary uncertainties around the world, the Group confirms an ambitious goal for revenue growth at constant exchange rates.

On behalf of the shareholders, the Chairman took the floor and thanked Mr. Axel DUMAS and Mr. Éric du HALGOUËT, for the quality of their presentations and the shared results, as well as all of the employees, craftsmen, store managers, unit managers, country managers and members of the Executive Committee, who all contributed to these formidable results. He then expressed his support and encouragement to all the employees and managers of the Company who are coping with the current crisis and enabling Hermès International to hold its course despite exceptional environment and circumstances. And a few words were expressed to thank the shareholders for their loyal and solid support.

The Chairman then presented the main resolutions put to the vote by the meeting.

In particular, the proposed dividend distribution was reduced from €5.00 euros per share to €4.55 euros per share by decision of the Supervisory Board on 30 March 2020, in the context of the Covid-19 epidemic and on the proposal of the Executive Management. It was emphasised that this amount of €4.55 per share is identical to the amount paid in 2019.

With respect to the actual compensation of Company officers paid during or awarded in respect of the financial year 2019 (*ex-post* votes), the Chairman highlighted that the Executive Chairmen decided to forego the increases in their gross annual fixed compensation paid in 2020 and in their gross annual variable compensation awarded in 2020 in respect of 2019, and that they will therefore receive in 2020 a total compensation identical to that received in 2019. It also specified that all of the items that were put to the vote are presented in the tables on pages 4 to 11 of the addendum to the Notice of Meeting, which is available on Hermès International's financial information website: <https://finance.hermes.com> in the "General Meetings - General meeting as of 24<sup>th</sup> April 2020" section.

The Chairman recalled that a proposal was made for the the re-election, for a period of three years, of the terms of four expiring terms of office of Supervisory Board members, including his own. He also informed the shareholders of the appointment of two new members of the Board representing employees, appointed by the Group Committee on 12 November 2019 (Mrs Pureza CARDOSO, craftsman-leather at *Maroquinerie de Sayat* (Sayat production unit) and Rémy KROLL, Director of Exceptional Sales at Hermès Commercial division of Hermès Sellier).

Then, the Chairman mentioned the Supervisory Board's report on corporate governance, and the Supervisory Board's report to the Combined General Meeting of 24 April 2020 and gave the floor to the statutory auditors.

Before presenting the results of the votes on the resolutions, the Chairman informed the Meeting that the company has received, via the dedicated e-mail address, written questions from two of its shareholders. In

accordance with applicable regulations, the Executive Management's answers to these questions are published on Hermès International's financial information website: <https://finance.hermes.com> in the "General Meetings - General meeting as of 24<sup>th</sup> April 2020" section.

Finally, the Chairman presented the results of the votes, which had been closed the day before the General Meeting, *i.e.* on Thursday 23 April 2020, at 3.00 pm. These results, as well as the correct conduct of all the General Meeting were controlled by Mrs Stéphanie SCHAMBOURG, bailiff.

The detailed results of the votes indicated that **21 resolutions**, including 5 extraordinary resolutions, **were adopted with a very large majority**.

These results are available on the Hermès International financial communication Internet site: <https://finance.hermes.com> in the document "*Voting results Combined General Meeting 24 April 2020*".