

# LETTER TO SHAREHOLDERS

APRIL 2020

2019 bears witness to the solidity of our artisanal model based on balanced development across our métiers and regions.

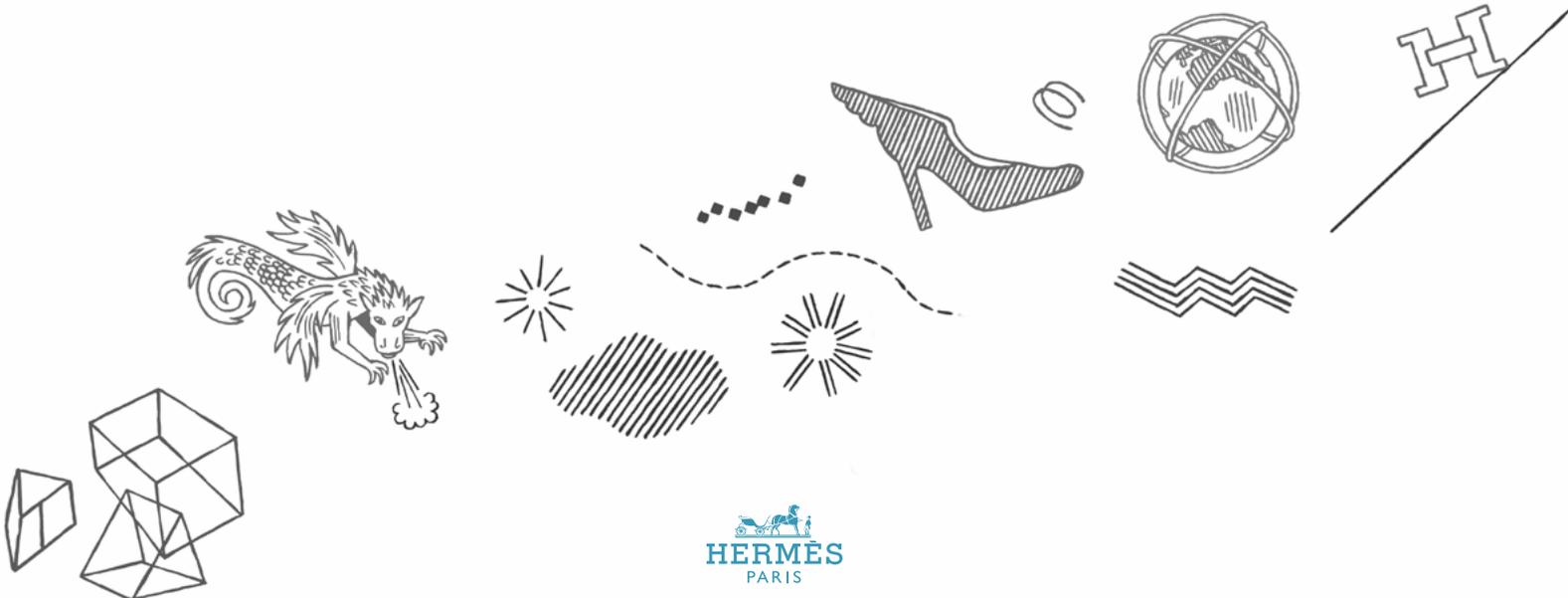
Though the decade has come to an end amid intense uncertainties and a general awakening to environmental and public health concerns, it is clear that Hermès' offering remains relevant and well-liked.

This offering is based on the simple idea of creating objects designed to last. They are the fruit of mastering tried-and-tested know-how that is passed down and enriched through the generations, crafted from exceptional materials that embrace time and are nourished by it, objects whose aesthetics are born of function.

This reality is one that we cherish and uphold. In the second half-year of 2019, we laid the foundation stone of our future Montereau manufacture, and we are preparing to open the Guyenne workshop later this year. Our collections have been a great success with our customers both long-standing and new, as confirmed by our results; our commitments have become more visible with the signature of the Fashion Pact; and we continue to extend and embellish our exclusive distribution network with confidence in our own future and that of our markets, which, with the recent addition of Poland, now total forty-five.

So we are right to stay confident, while remaining firmly anchored in our reality. Without distracting us from our path, but adjusting to our environment, our dreams – since this was our theme for 2019 – drive us ever onwards and contribute to the desirability and performance of our business model.

Axel Dumas  
*Executive Chairman*



# EXCEPTIONAL SALES AND RESULTS GROWTH IN 2019

The group's consolidated revenue reached €6.9 bn, a rise of +15% at current exchange rates and +12% at constant exchange rates. Recurring operating income<sup>1</sup>, up by 13%, amounted to €2.3 bn (34% of sales). Net income increased by 9% to €1.5 bn. Restated for the non-recurring capital gain on the sale of the former Galleria store in Hong Kong in 2018, net income increased by +13%.

“Hermès achieved outstanding performances this year, based on a balanced growth in all the business lines and in all the geographical areas. This sound momentum is supported by our craftsmanship model, the integration of the distribution network and ample creativity, thanks to the talent and incredible commitment displayed by all the women and men of Hermès.”

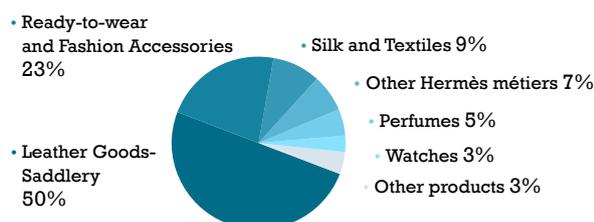
Axel Dumas, Executive Chairman

2019 Revenue  
**€6.9bn**

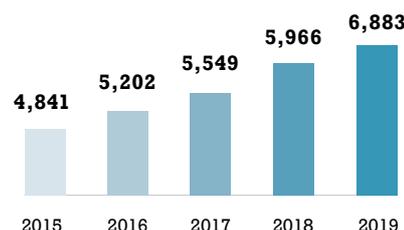
Restated net cash position  
as of 31<sup>st</sup> December 2019  
**€4.6bn**

KEY CONSOLIDATED DATA (IN €M)	2019	2018
Revenue	6,883	5,966
Recurring operating income <sup>(1)</sup>	2,339	2,075
In % of revenue	34.0%	34.8%
Net income attributable to owners of the parent	1,528	1,405
Operating cash flows	2,063	1,863
Adjusted operating cash flow <sup>2</sup>	1,406	1,447
Operating investments	478	312

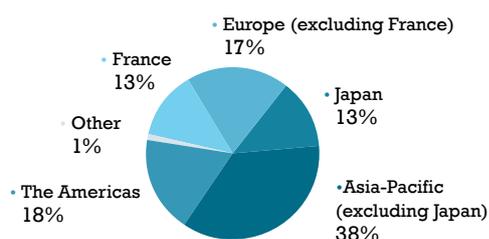
REVENUE BY BUSINESS LINE IN 2019



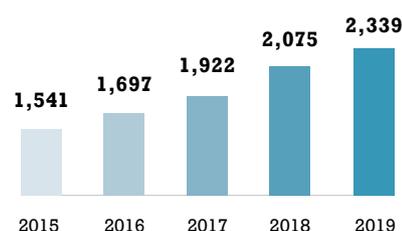
REVENUE (IN €M)



REVENUE BY GEOGRAPHICAL AREA IN 2019



RECURRING OPERATING INCOME<sup>1</sup> (IN €M)



## A SOLID BUSINESS MODEL AND HARMONIOUS GROWTH OF THE BUSINESS LINES

All métiers are growing, with remarkable performance in Clothing and Accessories and Jewellery. Leather Goods-Saddlery is enjoying sustained demand. The revenue achieved in 2019 in the group's stores (+13%) is particularly sound, and is based on growth in all regions.

## GROWTH IN WORKFORCE

The Hermès group continues its recruitment drive and increased its workforce by more than 1,100. At year-end 2019, the Group employed 15,417 people, of whom 9,522 are located in France.

True to its desire and commitment to share the fruits of growth with those who contribute to it on a daily basis, Hermès will distribute a bonus of €1,500 to all employees. This follows on from the announcement of a new free share allocation plan for all employees in July 2019.

<sup>1</sup> Including the impact of IFRS 16 on leases. In accordance with IAS8, Hermès has applied this new standard retrospectively and restated the financial statements for the period ending 31 December 2018.

<sup>2</sup> Adjusted operating cash flow corresponds to the sum of operating cash flow and the change in the working capital requirement, less operating investments and the repayment of rent debts in accordance with the IFRS table of cash flows.

# AN ENTREPRENEURIAL SPIRIT

Hermès continues to roll out its artisanal growth model by enhancing its production capacity in France. A guarantee of independence, this model is further strengthened by research and the transmission of exceptional know-how.

Combining creative freedom, innovation and the preservation and transmission of exceptional know-how, an “entrepreneurial spirit” continues to shape a unique, artisanal and independent house. It is by strictly pursuing this growth model that Hermès has achieved its ambitious goals in terms of CSR commitment, job creation and the continuity of outstanding craftsmanship.

## REINFORCING LOCAL PRODUCTION SITES

Once construction work on the future leather goods workshop in **Guyenne** (Gironde), which will open in 2020, was launched in June, Hermès laid the foundation stone of the leather goods workshop in **Montereau** (Seine-et-Marne) – also scheduled to open in 2020 – on 3<sup>rd</sup> September. In the first half of the year, Hermès announced the opening of a new production site in **Louviers** (Eure) in 2021. By 2022, 250 additional jobs will be created by the construction of a new leather goods workshop between the villages of **Tournes** and **Cliron** (Ardennes), in a business park run by the Ardennes Chamber of Commerce and Industry. This manufacture will be the twenty-first leather goods workshop located in France. Eventually, more than 1,000 jobs will be created across these four production sites. On 27<sup>th</sup> September, the Pierre-Bénite (Rhône) production site, a key component of Holding Textile Hermès, celebrated 30 years of know-how in textile priming, printing and finishing. An extension is currently being planned for 2022.



Laying the foundation stone of the leather goods workshop in Montereau (Seine-et-Marne)

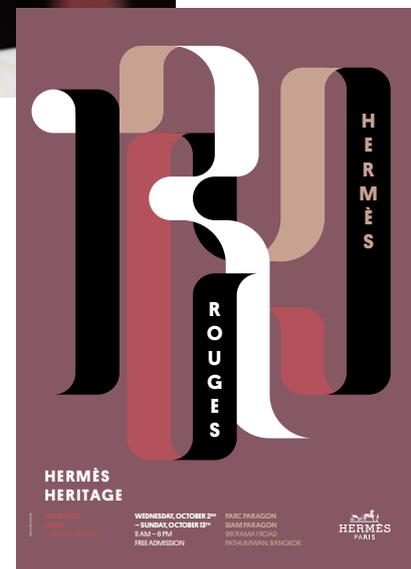
## INTERNATIONAL REACH

An entrepreneurial spirit lies behind the saddler’s creative heritage, which is the subject of the *Hermès Heritage* touring exhibitions. Each one invites the general public to immerse themselves in the fundamentals of the house. Thus *Rouges Hermès*, devoted to the emblematic Hermès colour, was presented in New Delhi (India) and Bangkok (Thailand), while *In Motion* introduced visitors in Hanoi (Vietnam) to the art of movement and travel to which Hermès has so often contributed.



Above:  
Hermès, an employer  
of craftsmen of excellence

Opposite:  
Poster from the *Rouges Hermès*  
exhibition in Bangkok (Thailand)



# CREATIVITY AT OUR CORE

In the second half of the year, the house's métiers continued to create in total freedom, inspired by our annual theme "In the pursuit of dreams".

## PROLIFICALLY CREATIVE UNIVERSES

For autumn-winter 2019, the women's wardrobe successfully brings together geometric tailoring and curves borrowed from the equestrian universe. The sustainable aspect of these pieces and their timelessness were highlighted in the media. The spring-summer 2020 men's collection was presented in June in the courtyard of the Mobiler National. The women's ready-to-wear collection was presented in late September at the Paris Tennis Club.

This winter, the media praised the simplicity of the men's look and its materials with metallic accents. The men's universe was celebrated with the *Walk the Line* event in Seoul (Korea), which offered a fun, interactive immersion in the men's collections.

A major event for the home universe was also organised in November at **Dubai Maison** (United Arab Emirates). All products of artisanal know-how adapted to the unique nature of selected materials, the *Hécate* lamp in black granite and the *Célèbes* bowls in solid mahogany and leather had a particularly strong impact.

## DESIGNS EXALTED BY EXCEPTIONAL KNOW-HOW

In Shanghai (China) in December, the Hermès community was invited to dream with eyes wide open at the *Please Check In* event, where an array of exceptional bags were presented in unusual settings. They included the amazing *Birkin Faubourg*, which is adorned with a meticulously stitched representation of the façade of the Faubourg Saint-Honoré store. The *Simone* bag, meanwhile, evokes school exercise books, tied with a belt and thrown over the shoulder. Echoing the annual theme, the *Bolide 1923 Chimères Dragon* travel bag is decorated with fantastic creatures using the tufting technique.

As radical as it is refined, the *Black to Light* jewellery collection presented at the Faubourg Saint-Honoré store in Paris in July features jewellery worthy of the most exquisite dreams, confirming the excellence of Hermès' gem-setting know-how. In parallel, the *Enchaînements libres* High Jewellery collection continued its tour, with stopovers in Tokyo (Japan), New York (United States) and Taiwan. Inspired by the annual theme, Hermès Horloger designed the *Arceau Ronde des heures* watch, with the Pegasus constellation marking out the time.

Making dreams come true is also the privilege of **Hermès Horizons**, which crafts bespoke objects. This exceptional know-how was showcased in autumn at the *Beauty of Dreams* exhibition in Tokyo (Japan), just before *petit h* visited Singapore to present the poetry and ingenuity of its reverse creations.

At the same time, the Apple Watch Series 5 was graced with black in a supremely elegant *Dark Art* version.

## SILK CREATIONS

The invitation to dream continued to inspire our silk scarf designers such as Jan Bajtlik, whose imaginary landscape adorns *Cosmographia Universalis*.

Meanwhile, men had the opportunity to skim over snow-capped mountain peaks in a helicopter with *High Flyer* by Dimitri Rybaltchenko, or to immerse themselves in a scene depicted by Maylis Vigouroux in *Nothing But a Dreamer*, her first scarf for the house.

These designs proved unfailingly popular with Parisian visitors at the vibrant and colourful *Hermès Carré Club*, while the *Silk Mix* event continued its international music and silk tour, stopping off in Mexico City (Mexico) in October and Milan (Italy) in November.

Lastly, in July Hermès girls gave a warm welcome to *Twilly d'Hermès Eau poivrée*, a sensual and irreverent new fragrance.



Opposite:  
*Simone* bag

Below:  
*High Flyer* scarf  
in cashmere and silk



# WE ARE ALL ARTISANS

Driven by the values of craftsmanship and respectful of our ecosystems, Hermès is rooted in local communities, where it creates employment and is committed to sustainable and responsible development.

## PROTECTING THE ENVIRONMENT

Mindful of reducing its impact on the environment ever further, Hermès has made two additional commitments over the last six months. The house is now a signatory of the **Fashion Pact**, which was presented to the heads of state who gathered in Biarritz for the G7 summit in August 2019. This pact formalises the voluntary involvement of businesses operating in the fashion and textile industry in three areas – climate, biodiversity and the oceans – and is based on tangible objectives, such as the elimination of single-use plastics by 2030.

At the Rencontre des entrepreneurs de France, Hermès also announced its commitment to reduce greenhouse gas emissions and publicly ratified this objective by signing the **Climate Pledge**.

From 2019, 10% of the variable remuneration of the two executive chairmen of Hermès is subject to CSR (corporate social responsibility) criteria, reflecting the group's commitment to sustainable development.

## WORKING TOGETHER

Since 2010, Hermès has opened nine leather goods workshops in France and recruited over 1,900 artisans, bringing the total number of saddlers and leather workers to 3,800.

In this context of rising recruitment, the house launched an institutional communication campaign on 15<sup>th</sup> October 2019 to confirm its status as a responsible business and employer. The influence of the **Employer brand**, particularly in regions experiencing strong development, is expected to bolster the house's future recruitments in all categories of personnel.

Supported by the house's artisans, the **Hermès hors les murs** festival continued on its grand tour of China, stopping off in Xiamen and Xi'an before moving on to Stuttgart in Germany. This touring event continues to showcase the excellence of the house's know-how, the nobility of the materials it selects and the durability of the objects it creates to a wide audience.

## SUPPORTING COMMUNITIES

2,000 employees work at the Pantin and Bobigny sites in Seine-Saint-Denis, 400 of whom live in the department itself. Hermès actively promotes talent from this area within the company, as well as via the Réseau Entreprendre 93 association. The group also supports projects that are likely to generate a large number of jobs: 1,700 jobs have been created by 175 companies in 16 years.

Tous artisans, Hermès recrute.

« Les compétences techniques pour faire un sac sont nombreuses: il existe 60, 800, voire 100 étapes. Il faut être très organisé, savoir où aller, comment aller, où aller, comment aller... » Thomas, artisan.

Nos offres d'emploi sur [hermes.com/employeur](https://hermes.com/employeur)

HERMÈS PARIS

The Hermès  
Employeur  
communication  
campaign

# HERMÈS AROUND THE WORLD

Simultaneously, Hermès has strengthened its online presence and continued to expand its international network of stores, fostering the closest ties possible with its customers.

## A STRONGER ONLINE PRESENCE

Hermès launched two new **hermes.com** platforms in the second half of the year – in **Singapore** and **Malaysia** – to support development there. The house continued to consolidate its omnichannel approach by introducing two new services that contribute to strengthening the synergy between its network of stores and online presence. The *product locator* enables customers to find which stores stock a product shown online, while the *e-reservation* service allows them to reserve a product available in store online.

## NEW STORES TO DISCOVER

In Europe, an exciting new chapter has begun in Poland with the opening of a store in **Warsaw** – the country's first – on the ground floor of the emblematic Europejski Hotel, a carefully restored neoclassical building. This opening marks the beginning of a new market for Hermès in Central Europe. The saddler has moved to a Bauhaus-style building in **Stuttgart**, bringing the total number of stores in Germany to 16.

In Asia, Hermès continues to reinforce its presence in its Chinese network, which now has 26 locations after the opening of the **Xiamen** store.

Another highlight of this second half-year was the opening of a new store in **Vancouver** (Canada), just a stone's throw from its previous location.



Above:  
The new Hermès store in Warsaw, Poland

Left:  
The new Hermès store in Vancouver, Canada

## STORE TRANSFORMATIONS

Hermès celebrated its dynamic growth in California with the reopening of the **San Francisco** store (United States), in the magnificent listed building that has been its home since 2003. In **Mexico City** (Mexico), the house has transformed its Masaryk store, which was its first Mexican location in 1993.

The house has several major, ever-more buoyant markets in Asia. Three stores were re-opened in Japan: in the Iwataya shopping centre in **Fukuoka**, in the Nihonbashi district of **Tokyo** and in the Sogo shopping centre in **Chiba**, testifying to the house's confidence in the Japanese market. Meanwhile, in **Qingdao** (China), a refurbishment of the Hermès store has given the house an entirely new presence in this coastal town in Shandong Province. Thai customers and an international clientèle are now able to rediscover Hermès' know-how thanks to the reopening of the Siam Paragon store in **Bangkok**. In **Seoul**, Hermès strengthened its presence in the dynamic South Korean capital by extending and transforming its point of sale in the Hyundai Apgujeong department store. Lastly in Europe, the stores in **Prague** (Czech Republic) and **Montpellier** (France) also reopened in 2019.

# THE HERMÈS SHARE

The beginning of the COVID-19 epidemic in January 2020 reinforces uncertainties on global economic context and on markets. Its consequences for the group are currently difficult to assess, and will depend on the scale, duration and geographic extent as well as on the measures taken by the countries concerned. The Group remains very involved and mobilized by assessing the situation every day and adapting its actions.

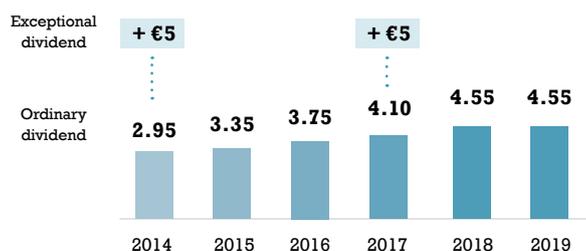
## HERMÈS SHARE PRICE HISTORY IN 2019 (IN €)



## KEY STOCK MARKET DATA IN 2019

Number of shares as of 31 <sup>st</sup> December	12-month average share price
<b>105,569,412</b>	<b>€607.44</b>
Share price as of 31 <sup>st</sup> December	Average daily volume (Euronext)
<b>€666.20</b>	<b>54,467</b>

## EVOLUTION OF DIVIDEND (IN € PER SHARE)



## PROPOSED DIVIDEND

In the current context, the Supervisory Board has decided, on 30<sup>th</sup> March 2020, to amend the proposed ordinary dividend to be submitted to the Annual Shareholders' Meeting of 24<sup>th</sup> April 2020, reducing the amount from €5.00 to €4.55 per share, which is the same as the amount paid in 2019. The €1.50 interim dividend paid on 5<sup>th</sup> March 2020 will be deducted from the dividend approved by the General Meeting.

Due to the Covid-19 epidemic, and in accordance with the government's measures, the Executive Management decided to hold the Hermès International Combined General Meeting of 24 April 2020 in closed session at the Company's premises in Pantin. Under these conditions, we invite you to vote by mail or to give proxy to the Chairman. We remind you that you may send your written questions in advance (by e-mail at [ag2020@hermes.com](mailto:ag2020@hermes.com) or by recorded delivery letter). You can find all the useful on our website <https://finance.hermes.com>, as well as in the Notice of meeting. The General Meeting will be broadcast in full on the Company's website <https://finance.hermes.com> on April 24, 2020 at 9.30 am (Paris time), and in replay.

The press release and the presentation of the 2019 Results are available on the Group's website: <https://finance.hermes.com>

## AGENDA

**Thursday 23<sup>rd</sup> April 2020**  
publication of Q1 2020 revenue

**Friday 24<sup>th</sup> April 2020**  
General Meeting of Shareholders

**Thursday 30<sup>th</sup> July 2020**  
publication of 2020 half-year results

## CONTACTS

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