The Saddler’s spirit

This first half of 2020 has allowed us to test the resilience of the Hermès model and the confidence that we can have in our company.

As we endure a health crisis that is unprecedented in its severity, magnitude and duration, our thoughts are with all those who have suffered and are still suffering from the disease. We can be proud of our house’s employees, who, in every field of activity and throughout the world, have shown courage, commitment, solidarity and creativity. I would like to thank each and every one of them.

Our independence, our command of know-how and supply chains, our creativity, and the complementarity of an omnichannel sales network have carried us through the weeks of slowdown and prepared us for recovery.

It is a joy to see our loyal customers again with the reopening of stores, to discover the new collections, and to announce the future Louviers manufacture, a tangible sign of our desire to move forward.

Perhaps this is what defines the Saddler’s spirit – a collective and agile intelligence, a perpetual balance between the soundness of past choices and the daily desire to innovate.

2020 is seeing an acceleration in underlying trends: the vibrancy of Asian countries, global digitalisation, and social and environmental responsibility. Supported by its values and entrepreneurial spirit, Hermès remains confident in the future.

Axel Dumas
Executive Chairman
IN A CONTEXT OF GRADUAL IMPROVEMENT, FIRST-HALF RESULTS WERE STRONGLY PENALISED BY STORE CLOSINGS

At the end of June, revenues were down -24% at current exchange rates, recurring operating profitability reached 21.5% of sales.

The first half of 2020 was marked by an unprecedented health and economic crisis in scale, duration and geographic extent. As expected, the pandemic intensified in the second quarter in Europe, America and again in certain Asian countries, leading to the temporary closure of the stores in compliance with the various governmental directives, and the stoppage of the production sites in France and Europe to protect all the employees.

The group's consolidated revenue in the first half of 2020 amounted to €2,488 million.

Impact of the Health and Economic Crisis on Results in the First Half

Attached to its commitment as a responsible employer, Hermès saw its operating profitability impacted by strong vertical integration and the weight of fixed costs, consisting mainly of payroll and amortisation of investments and leases.

Recurring operating income reached €535 million compared €1,144 million in the first half of 2019, and the recurring operating margin amounted to 21.5% compared to 34.8%.

Consolidated net profit (Group share) was €335 million versus €754 million at the end of June 2019.

Operating investments (€162 million) reflected the decision to pursue the group's strategic projects.

The restated net cash position amounted to €3.9 billion compared to €4.5 billion as of December 31, 2019. The decrease results mainly from the payment of the ordinary dividend (€474 million) and share buybacks.

The Hermès group increased its workforce by almost 300 people, mainly in production. At the end of June 2020, the group employed 15,698 people, including 9,773 in France.

Outlook

For 2020, the impacts of the Covid-19 pandemic remain difficult to assess today due to the developments that are continuing in the various geographic areas. The craftsmanship model implemented mostly in France, the balanced distribution network and the local customer base are all factors that contribute to the company's resilience. The group remains highly involved and mobilised by adapting its systems to protect all its employees and customers.

In the medium term, despite growing economic, geopolitical and monetary uncertainties around the world, the Group confirms an ambitious goal for revenue growth at constant exchange rates.

Thanks to its unique business model, Hermès is pursuing its long-term development strategy based on creativity, maintaining control over know-how and singular communication.
AN ENTREPRENEURIAL SPIRIT

In the face of the Covid-19 pandemic, the group was guided in its actions by the values of unity, support and responsibility, and was able to maintain its investment and job creation objectives.

HERMÈS, UNITED AND SUPPORTIVE

In the context of the pandemic, Hermès made the health and safety of its employees and customers an absolute priority. In accordance with government instructions, the group closed its stores in Asia, France and certain other countries in Europe and the Americas. Production sites across France were also closed, with the exception of the Hermès Parfums site in Vaudreuil, where 50 tonnes of sanitising gel were produced on a voluntary basis. Similarly, as soon as activity resumed, 120,000 masks were made for hospitals by various company entities.

Furthermore, Hermès made a donation of €20 million to the public hospitals in the Paris region (Assistance Publique – Hôpitaux de Paris), alongside the multiple support initiatives that were provided locally by subsidiaries to healthcare services across the world – in Italy, Germany, Benelux and Korea with the Red Cross, and in China through the Soon Ching Ling Foundation.

HERMÈS, RESPONSIBLE IN THE FACE OF THE CRISIS

The economic and financial solidity of the Hermès group has enabled it to cope with this unprecedented health crisis. True to its commitments as a responsible employer, the company maintained the jobs and basic salaries of its 15,417 employees in France and worldwide, without recourse to public subsidies. While being attentive to cost control, the group has also supported its suppliers.

The dividend was reduced from €5.00 to €4.55 per share, which is the same as the dividend paid in 2019. Lastly, the Executive Chairmen decided to forego the increases in their fixed pay for 2020 and the variable element due to be paid in 2020 for 2019, and will therefore receive the same total remuneration for 2020 as that received in 2019.

HERMÈS, RESPONSIBLE IN ITS BUSINESS ACTIVITY

With sufficient cash reserves, the group was able to pursue its operating investments aimed at strengthening production capacity. Work on the sites of the future Maroquineries de Guyenne in Saint-Vincent-de-Paul (Gironde) and Montereau (Seine-et-Marne), which had been interrupted by the lockdown, was able to resume, with a view to inauguration in 2021.

Work on the future Maroquinerie de Louviers (Eure), also interrupted by lockdown, has also resumed, leading to its foundation stone being laid on 4 September 2020. Regenerating an industrial brownfield site near the city centre, the future building will be a positive-energy construction – designed to produce more energy than it consumes – thanks to bioclimatic optimisation, geothermal energy and the use of natural construction materials. Dedicated to small leather goods, the Louviers site will also host saddlery and bridle-making expertise for the first time ever outside of the Paris workshop in Faubourg Saint-Honoré, to support the growth of the Equestrian business. Recruitment has therefore continued in order to train some of its artisans ahead of the opening, which is scheduled for spring 2022. Ultimately, the Normandy hub (made up of the Maroquinerie de Louviers and the nearby Maroquinerie de Val de Reuil, inaugurated in 2017) will house between 500 and 520 artisans in total.

The Pierre-Bénite textile site (Rhône) is also continuing its reconfiguration in order to accommodate two additional printing lines. The manufacture will consist of three buildings structured around planted courtyards and connected to each other by an overhead walkway. This investment will create 120 jobs in the textile sector.
CREATION AT OUR CORE

Despite the extraordinary context, the Hermès teams have continued their creative and innovative research – echoing the 2020 theme, “innovation in the making”. All métiers have displayed great freedom and abundance in their creativity.

Pierre-Alexis Dumas, artistic director of Hermès, unveiled the theme of the year in New York (USA) to 180 journalists from around the world. By celebrating “innovation in the making”, Hermès pays tribute to the exceptional tool that is the human hand, but also to the ingenuity of its artisans and to their creative boldness.

CREATION AND INNOVATION

A major event in the first half of 2020 was the successful launch of the house’s 16th métier, Beauty, with its first lipstick collection, Rouge Hermès. The message “Orange turns red” marked the start of a vast dedicated communication campaign, before focusing on the values of this new métier with a definition that is as simple as it is self-evident for Hermès: “Beauty is a gesture”.

For the women’s ready-to-wear spring-summer 2020 collection, Nadège Vanhée-Cybulski based the creation of her clothing on exceptional artisanal leather work, as if returning to the house’s fundamentals.

The choice of soft and light materials provided comfort and practicality for the men’s spring-summer 2020 wardrobe with its graphic lines, designed by Véronique Nichanian. The autumn-winter 2020 ready-to-wear runway shows took place in Paris on 18 January at the Mobilier national for men, and on 29 February at the Garde Républicaine for women.

Innovation was also evident in the leather goods collections, such as the Chaîne d’ancre bag, which borrows the design of the iconic chain link to structure the simple lines of a light leather tote. The Bolide model was adorned with a rainbow of leather bands using the piqué-collé technique to become the Bolide 1923-30 Rainbow, while the Bolide 1923-45 Racing bag stood out for its exceptional leather sheathing and stitching evoking speed. The Birkin bag, in its 35 Cargo version, was adorned with additional pockets.

For jewellery, Pierre Hardy designed the Hermès Réponse line of silver jewellery, the result of an innovative process designed for the house that revisits chain-making expertise. The uniqueness of the pieces, each a veritable sculpture in metal, is found in their adherence to the jewellery of form as defined by Hermès.

Silk scarves are now available in a double-sided version, made possible by the development of an innovative technique. This new generation of prints includes the Wow scarf, designed by Ugo Bienvenu, which reveals a comic strip with two facets: one side polychrome and in French, the other monochrome and in English. This dual perception of the same design was also applied to the fabulous bestiary on the Della Cavalleria Favolosa scarf by Virginie Jamin.

Accessories included anodized aluminium cuff bracelets produced in bright tones thanks to innovative technology that increases colour density.

In a tribute to idealised nature, Passifolia features exuberant vegetation on a delicate porcelain. Composed of 32 colours in total, this new dinner service is a technical feat that showcases designs by Nathalie Rolland-Huckel.

THE INTERNATIONAL DISTRIBUTION OF CREATIONS

In March, petit h made a stopover in the Hermès store in the GUM on Red Square in Moscow (Russia). This creation “in reverse” was presented to the press, to the house’s loyal customers, and to students of design and architecture, all of whom appreciated the relevance of this creative approach to upcycling.

Ever committed to the purchasing freedom enjoyed by store directors, the house changed the format of the Podium in accordance with health requirements, so that from across the world, each of them could continue to create a unique offer that meets the needs and expectations of its customers.
WE ARE ALL ARTISANS

Hermès continues to work in a spirit of responsible and sustainable development, both within the company itself and through the actions carried out by its corporate foundation.

PRESCRIVING THE ENVIRONMENT

As part of its commitment to preserving biodiversity, since 2019 the Fondation d’entreprise Hermès has supported L’Atelier Paysan, a cooperative that helps stakeholders in the field of agroecology pass on traditional know-how and develop environmentally-friendly tools. The Foundation also supports the Vigie-Nature École scheme: a participatory science project conducted in schools by the French National Museum of Natural History (MNHN). Following strict protocols, volunteer classes observe nature and collect data that is then used by scientists. Raising young people’s awareness of issues in their immediate environment thus contributes to the study of this everyday biodiversity. In 2019, the Fondation d’entreprise Hermès extended Vigie Nature to the house’s manufactures, distributing 2,000 booklets to 20 sites to observe pollinators. Since then, employees, too, have contributed to collecting scientific data whether individually, with their teams or with their families.

WORKING TOGETHER

The first half of 2020 was devoted to preparing the second Group Disability agreement for the next three years, signed on 22 July. Negotiated with union and management representatives, this agreement commits the house’s stakeholders to continuing to ensure the inclusion and ongoing employment of people with disabilities. The objectives of the first agreement, signed in 2017, have been achieved and exceeded. As a result, the proportion of disabled employees increased from 4% of the workforce in 2017 to 5.66% in 2019, while the use of organisations in the assisted sector – centres for the assisted employment of disabled people, and adapted companies – has doubled in two years.

PROMOTING COMMUNITY SPIRIT

When the lockdown was lifted, the Fondation d’entreprise Hermès launched its call for applications for the fifth edition of the Skills Academy, which is devoted this time to glass. This biennial programme is aimed at artisans, designers and engineers who, together, explore a universal material with a forward-looking approach. The know-how is addressed in a cross-cutting manner through conferences (open to the public), as well as in masterclasses and a workshop aimed at academics. Following the call for applications last May, participants will be selected by the Foundation during the second half of 2020 and take part in the Academy from January 2021. This edition will be under the educational direction of French designer Noé Duchaufour-Lawrance.

The Fondation d’entreprise Hermès is committed to preserving biodiversity by supporting the Atelier Paysan cooperative

Signing the Group’s second disability inclusion agreement
HERMÈS AROUND THE WORLD

More than ever, Hermès is committed to strengthening ties with its customers around the world. On the web and in its international network of stores, the saddler is enhancing its offer to serve the needs of its audience.

THE GROWTH OF HERMÈS ON THE WEB

For several years, Hermès has made the strategic choice of supporting the rise of e-commerce in Asia, through the overhaul of its platform in Japan, Singapore and Malaysia, not forgetting the creation of the hermes.cn site in China in 2018. In the first half of 2020, the hermes.com digital store continued its roll-out, opening up to customers in Hong Kong, Macau and South Korea. The strong potential of the latter market prompted the house to develop the site in the Korean language and currency, offering specific payment methods to meet local needs.

Driven by significant growth, the hermes.com site has become one of the group’s leading points of sale. Designed and built with an omnichannel mindset, it allows the public to discover online products that are available in stores. 75% of visitors to the platform were new customers won over by this digital experience. The company has thus succeeded in capitalising on the opportunities offered by digital technology, while continuing to maintain the level of service excellence offered to customers in all its stores worldwide.

STRENGTHENING THE INTERNATIONAL NETWORK OF STORES

As an important step in its development in the Middle East, the opening of a new store in Kuwait City (Kuwait) on 19 February consolidates Hermès’ presence in this capital city. Located in the country’s largest mall, The Avenues, this new address presents all Hermès métiers – including Beauty – in a harmonious space combining the house’s design references with an intimate setting for its visitors.

On 13 June, Hermès opened a new store in Sydney (Australia), located in the vast Trust Building which was built between 1914 and 1916, redesigned in the 1930s, and now a listed building. Guests can discover all of the house’s sixteen métiers in a vast and airy space bathed in light. Reflecting the Australian way of life, a surfboard and longboard featuring the design of Cassandre’s Perspectives scarf were created. This motif, hot-stamped with 22-carat gold leaf, is also featured on the Birkin Sellier 30. The window displays, which echo the building’s architecture, were designed by French artist Julien Salaud.

The first half of 2020 was punctuated with several store reopenings. On 6 March, the Lugano store in Switzerland reopened after a major transformation. The renovated and extended sales outlets in Guangzhou (China), located in a new space in the Taikoo Hui mall, and Taipei (Taiwan), in the Bellavita mall, reopened on 11 April and 15 May respectively. Finally, Hermès has doubled the size of its former Sherbrooke Street address in Montreal (Canada), by moving to the Holt Renfrew Ogilvy multi-brand store.

Hermès thus continues to strengthen its anchors in the four corners of the world in line with a geographic strategy that aims to bring the house closer to its customers. With this strategy in mind, various projects for store openings or extensions are currently underway in the United States, China and Europe.
GENERAL MEETING

Due to the Covid-19 epidemic, the Hermès International Combined General Meeting was exceptionally held on Friday 24 April 2020 in closed session. Shareholders were encouraged to vote by mail and a dedicated e-mail address has also been set up in advance of the General Meeting to make it easier for them to send their written questions.

This General Meeting was the occasion to present a general review for 2019, outlining the highlights of the year; in particular the remarkable performance of sales, amounting to €6.9 billion, showing the loyalty of the customers in all their markets, as well as the creative excellence that stimulates all our métiers. This performance is also the result of the talent and incredible commitment of the women and men of Hermès.

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. The replay of the webcast of the General Meeting is available at the same address, in an e-accessible version.

KEY STOCK MARKET DATA IN 2020

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
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<tr>
<td>Number of shares as at 30 June 2020</td>
<td>105,569,412</td>
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<tr>
<td>Highest price in the first half of 2020 (Euronext intraday)</td>
<td>€788.20</td>
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<tr>
<td>Lowest price in the first half of 2020 (Euronext intraday)</td>
<td>€516.00</td>
</tr>
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AGENDA

- 22 October 2020
  3rd quarter turnover

- 19 February 2021
  2020 turnover and results

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