







# Message from the Chairmen



Axel Dumas and Henri-Louis Bauer.

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.

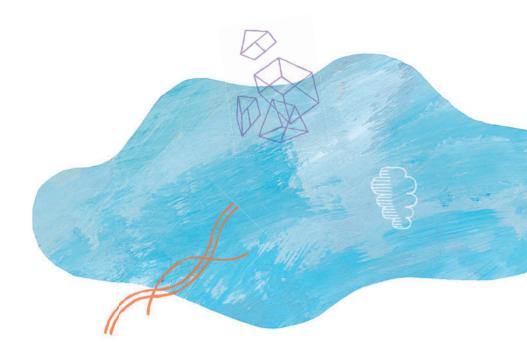
This reality is one that we cherish and uphold. In the second half-year of 2019, we laid the foundation stone of our future

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.

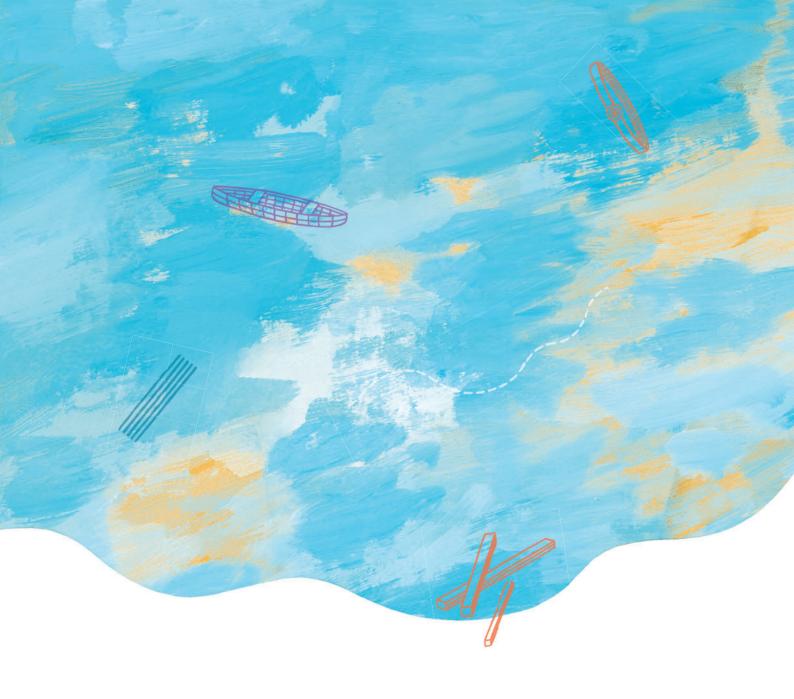
So we are right to stay confident, while remaining firmly anchored in our reality. Without deviating from our path, but adjusting to our environment, our dreams – since this was our theme for 2019 – drive us ever onwards and contribute to the desirability and performance of our business model.

**Axel Dumas**Executive Chairman

Émile Hermès SARL Executive Chairman, represented by Henri-Louis Bauer



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# GROUP OVERVIEW

# Group management

#### **EXECUTIVE CHAIRMEN**

#### **Axel Dumas**

**Executive Chairman** 

#### Émile Hermès SARL

Executive Chairman, represented **Henri-Louis Bauer** 

#### COMITÉ EXÉCUTIF

The Executive Management ensures the management of Hermès International.

The role of the Executive Chairman is to manage the Group and act in its general interest, within the scope of the corporate purpose and subject to those powers expressly granted by law or by the Articles of Association to the Supervisory Board, to the Active Partner and to Shareholders' General Meetings.

The roles of the Executive Chairmen are distributed as follows: Axel Dumas is in charge of strategy and operational management, and Émile Hermès SARL, through its Executive Management Board, is responsible for the vision and strategic areas.

The group management is comprised of the Executive Chairman and the Executive Committee, which consists of managing directors, each of whom has well-defined areas of responsibility. Its role is to oversee the group's strategic management and its composition reflects the group's principal areas of expertise.

#### **Axel Dumas**

**Executive Chairman** 

#### Florian Craen

Executive Vice-President Sales & Distribution

#### **Charlotte David**

Executive Vice-President Communication

#### Pierre-Alexis Dumas

Artistic Executive Vice-President

#### **Olivier Fournier**

Executive Vice-President Governance and Organisational Development

#### **Catherine Fulconis**

Executive Vice-President Leather Goods-Saddlery and petit h

#### Wilfried Guerrand

Executive Vice-President IT Systems and Data

#### Éric du Halgouët

Executive Vice-President Finance

#### Guillaume de Seynes

Executive Vice-President Manufacturing Division & Equity Investments



The Executive Committee in the Hermès store on Avenue George-V in Paris.

Left to right: Éric du Halgouët, Catherine Fulconis, Wilfried Guerrand, Axel Dumas, Olivier Fournier, Charlotte David, Guillaume de Seynes, Pierre-Alexis Dumas, Florian Craen.

# Management bodies



Éric de Seynes, chairman of the Supervisory Board.

#### **SUPERVISORY BOARD**

**Éric de Seynes** Chairman

Monique Cohen
Vice-Chairwoman
Dominique Senequier
Vice-Chairwoman
Dorothée Altmayer
Charles-Éric Bauer
Estelle Brachlianoff
Pureza Cardoso¹
Matthieu Dumas
Blaise Guerrand
Julie Guerrand
Olympia Guerrand
Rémy Kroll¹

#### **AUDIT AND RISK COMMITTEE**

Monique Cohen Chairwoman

Renaud Momméja

Alexandre Viros

Charles-Éric Bauer Estelle Brachlianoff Renaud Momméja Alexandre Viros

#### **CAG-CSR COMMITTEE**

**Dominique Senequier** Chairwoman

Estelle Brachlianoff Matthieu Dumas

#### **ACTIVE PARTNER**

Émile Hermès SARL

Active Partner, represented by its Executive Management Board:

Henri-Louis Bauer Executive Chairman

Frédéric Dumas
Vice-Chairman
Pascale Mussard
Vice-Chairwoman
Sandrine Brekke
Capucine Bruet
Alice Charbin
Édouard Guerrand

Laurent E. Momméja Jean-Baptiste Puech Guillaume de Seynes

1 Employee representative

# Hermès International - Simplified organisation chart

#### **HERMÈS BRAND** Retail distribution Production Production Bespoke design and wholesale Argentina Japan distribution Leather Goods Hermès Horizons Australia Malaysia division petit h Belgium Mexico Perfumes division Tanning and Brazil Poland Watchmaking **Precious Leathers** Canada Portugal division division Principality Home division Textiles division China, Hong Kong, of Monaco Taiwan Russia **OTHER BRANDS** Czech Republic Singapore Denmark South Korea France Spain Germany Switzerland John Lobb Bootmaker Furnishing fabrics: Cristallerie Saint-Louis Verel de Belval Greece Thailand Guam Turkey Puiforcat Bucol India United Kingdom Shang Xia Créations Métaphores USA Le Crin Italy

#### Key consolidated data in €m

	2019 2	018 restated*	2017	2016	2015
REVENUE	6,883	— 5,966 —	<b>5,549</b>	— 5,202 —	4,841
Growth at current exchange rates vs n-1	15.4%	7.5%	6.7%	7.5%	17.5%
Growth at constant exchange rates vs n-1 <sup>1</sup>	12.4%	10.4%	8.6%	7.4%	8.1%
RECURRING OPERATING INCOME <sup>2</sup>	2,339 _	2,075	1,922	1,697	1,541
in % of revenue	34.0%	34.8%	34.6%	32.6%	31.8%
OPERATING INCOME	2,339 _	2,128	1,922	1,697	1,541
in % of revenue	34.0%	35,7%	34.6%	32.6%	31.8%
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT —	1,528 22,2%	1,405 —	1,221	1,100	973
OPERATING CASH FLOWS	2,063	1,863	1,580	— 1,427 —	— 1,217
ADJUSTED FREE CASH FLOW <sup>3</sup>	1,406	1,447	1,340	1,212	933
OPERATING INVESTMENTS	478 -	312 —	265 _	262	252
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	6,568	5,470	5,039	4,383	3,742
NET CASH POSITION IFRS	4,372 -	3,465 —	2,912	2,320	1,571
RESTATED NET CASH POSITION <sup>4</sup>	4,562	3,615 —	3,050	2,345	1,614
WORKFORCE (NUMBER OF EMPLOYEES)	— 15,417 <i>—</i>	— 14,284 —	- 13,483 -	— 12,834 —	12,244

Growth at constant exchange rates is calculated by applying, for each currency, the average exchange rates of the previous period to the revenue for the period.

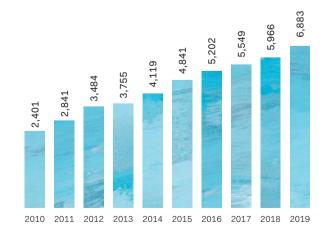
2. Current operating income is one of the main performance indicators monitored by the Group's Executive Management.

It excludes non-recurring items with a material impact that could affect the understanding of the Group's economic performance.

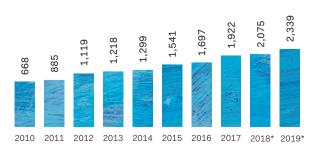
3. Adjusted free cash flow corresponds to cash flows relating to the business, less operating investments and the repayment of lease liabilities recognised in accordance with IFRS 16 (consolidated statement of cash flows).

Restated net cash includes investments that do not meet IFRS cash equivalent criteria as a result of their original maturity of more than 3 months.

#### Consolidated revenue in €m



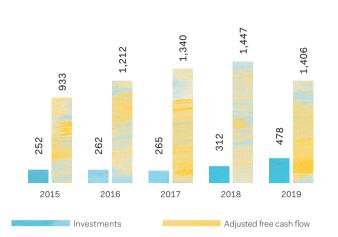
#### Recurring operating income in €m



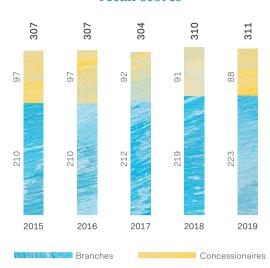
<sup>\*</sup> Including the impact of IFRS 16 on leases.

<sup>\*</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.

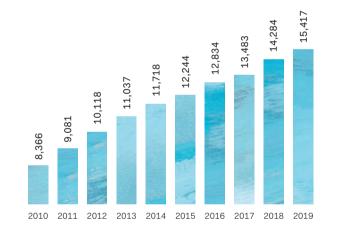
# Operating investments and adjusted free cash flow in €m



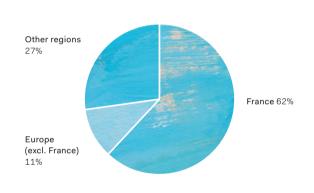
# Number of exclusive retail stores



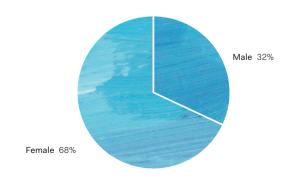
# Evolution of the group's total workforce over the last ten years



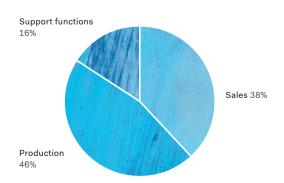
# Workforce geographical distribution



Female-Male ratio



# Workforce breakdown by sector



#### Revenue by métier and change 2019/2018

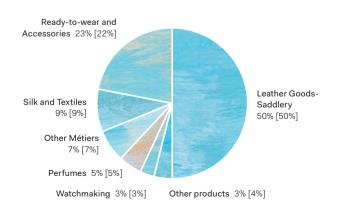
	2019 revenue in €m	Change at constant exchange rates
LEATHER GOODS-SADDLERY		11.3%
READY-TO-WEAR AND ACCESSORIES	1,574	17.1%
SILK AND TEXTILES —	592 —	7.5%
OTHER HERMÈS MÉTIERS ————————————————————————————————————	525 —	20.4%
PERFUMES —	326 —	4.1%
WATCHMAKING —	193 —	11.6%
OTHER PRODUCTS —	258 —	7.0%
CONSOLIDATED REVENUE	6,883	12.4%

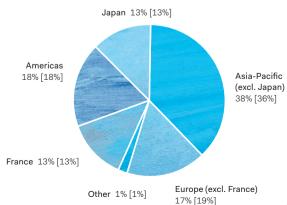
### Revenue by region and change 2019/2018

		Change
	2019	at constant
	revenue in €m	exchange rates
EUROPE —	2,069 —	8.1%
France	867	8.1%
Europe (excl. France)	1,202	8.1%
ASIA-PACIFIC —	3,454	15.3%
Japan	864	8.2%
Asia-Pacific (excl. Japan)	2,590	17.8%
AMERICAS -	1,241	12.0%
OTHERS —	120	10.9%
CONSOLIDATED REVENUE	6,883	12.4%

#### Revenue breakdown by métier 2019 [2018] in %

# Revenue breakdown by region 2019 [2018] in %





#### Key stock market data

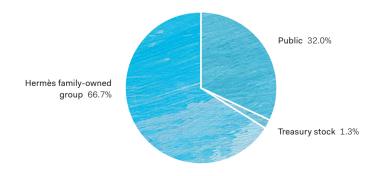
	2019	2018	2017
NUMBER OF SHARES AS AT 31 DECEMBER	105,569,412	105,569,412	105,569,412
AVERAGE NUMBER OF SHARES (EXCLUDING TREASURY SHARES)	104,233,233	104,227,077	104,435,755
MARKET CAPITALISATION AS AT 31 DECEMBER	€70.33bn	€51.18bn -	€47.11bn
EARNINGS PER SHARE (EXCLUDING TREASURY SHARES)	€14.66	——— €13.48 -	€11.70
DIVIDEND PER SHARE	€4.55 <sup>1</sup>	€4.55	€9.10 <sup>2</sup>
AVERAGE DAILY VOLUME (EURONEXT)	54,467	72,725	62,593
12-MONTH HIGH SHARE PRICE ————————————————————————————————————	€689.60	€614.60	€468.30
12-MONTH LOW SHARE PRICE	€462.20	€417.90	€386.30
12-MONTH AVERAGE SHARE PRICE	€607.44	€509.85	€433.02
SHARE PRICE AS AT 31 DECEMBER —	€666.20	€484.80	€446.25

<sup>1.</sup> Subject to approval by the Ordinary General Meeting of 24 April 2020. An interim dividend of €1.50 was paid on 5 March 2020.

#### Hermès share price history in 2019 in euros



#### Shareholding structure at 31 December 2019



<sup>2.</sup> Corresponds to an ordinary dividend of €4.10 and an extraordinary dividend of €5.

# General trend





The store in Vancouver, Canada.

# REVENUE INCREASED BY 15% AT CURRENT EXCHANGE RATES AND 12% AT CONSTANT EXCHANGE RATES. CURRENT OPERATING INCOME, UP 13%, REACHED €2.3 BILLION, OR 34% OF SALES.

In 2019, the group's consolidated revenue amounted to €6,883m, a rise of 15% at current exchange rates and 12% at constant exchange rates. Meanwhile, current operating income<sup>1</sup>, up 13%, amounted to €2,339m (34% of sales). Net income reached €1,528 million (22.2% of sales).

Axel Dumas, Executive Chairman of Hermès, commented on the results in these terms: "Hermès has performed particularly well this year, thanks to balanced growth across all métiers and geographic regions. This sound dynamic is based on our artisanal model, the integration of our distribution network, and abundant creativity. These results are the fruit of the commitment and talent of the men and women of Hermès."

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.

# OVER 2019, ALL REGIONS POSTED STRONG GROWTH.

(at constant exchange rates unless otherwise indicated)

The particularly strong increase in revenue achieved in 2019 in the group's stores (+13%) was driven by growth in all geographic regions. Hermès continued to improve the quality of its distribution network both through store openings and through the renovation and expansion of some twenty stores.

- Asia excluding Japan (+18%) continued its strong growth in Greater China, despite the impact of events in Hong Kong in the last quarter, as well as in South Asian countries. The stores in Qingdao in China and Hyundai in Korea were extended and reopened in December, following store openings in Xiamen in China and Phuket Floresta in Thailand earlier in the year. Hermès is continuing to develop its successful e-commerce platform, which was rolled out in October in Singapore and Malaysia.
- Japan (+8%) was up, with the end of the year impacted by advance purchases made ahead of the VAT increase in October. The new *hermes.jp* platform was inaugurated in June.

# Exceptional growth in sales and results in 2019

- The Americas (+12%) confirmed their strong momentum throughout the region. After recent store openings in the Meatpacking and Waikiki districts of New York and Honolulu respectively, the expanded San Francisco store reopened in November, testifying to sustained growth in both the United States and other countries in the region.
- Europe excluding France (+8%) posted a solid performance, driven in particular by the United Kingdom and Italy. Hermès opened its first store in Warsaw in November, marking the opening of a new market for the house in Poland. France (+8%) fared well, despite the negative impact of events at the end of the year.

# ACTIVITY BY MÉTIER AT END DECEMBER

(at constant exchange rates unless otherwise indicated)

All métiers are growing, with Ready-towear, Accessories and Jewellery posting excellent results.

Leather Goods and Saddlery (+11%) enjoyed sustained demand both for revisited classics and for new models. such as the Mosaïque, 24/24 and Twins bags. Production capacity is continuing to increase, with the expansion of the Manufacture de l'Allan and the launch of building work at the Guyenne and Montereau leather goods workshops, scheduled for completion in 2020. A leather workshop will be built in Louviers by 2021, while a new site in the Ardennes, due in 2022, will become the group's 21st leather workshop, strengthening its regional anchors in France and creating social value.

The Ready-to-wear and Accessories division (+ 17%) continues its strong momentum, driven in particular by the success of the women's and men's ready-to-wear collections, fashion accessories, and shoes.

The Silk and Textiles métier (+7.5%) is growing with collections that combine diverse materials and rich creativity not only in their designs and new formats but also in their techniques. The springsummer and autumn-winter 2019 collections were a great success.

The growth in Perfumes (+4%) was driven in particular by the success of Terre d'Hermès and Twilly d'Hermès, as well as by the new fragrances Un Jardin sur la Lagune and Twilly d'Hermès Eau poivrée. The house's entrepreneurial spirit continues to be expressed with the launch of a new métier, Hermès Beauty, in 2020.

Watchmaking (+12%) posted a strong sales performance reflecting the creativity of the collections and the selectivity of its network. The new *Galop d'Herm*ès women's watch was well received, while Hermès watchmaking was awarded the Grand Prix de l'Horlogerie de Genève for the fourth time, for its *Arceau L'heure de la lune* watch.

Bringing together Jewellery, Art of Living and La Table Hermès, Other Hermès Métiers (+20%) have risen sharply, with a strong increase in Jewellery, particularly high jewellery, which is exemplified by the *Black to Light* collection.

## STRONG EARNINGS GROWTH<sup>2</sup> IN 2019

Recurring operating income rose 13% to reach €2,339m compared to €2,075m in 2018. Current operating profitability, which is close to its all-time high, reached 34.0%, compared to 34.8% in 2018 due to the negative impact of foreign exchange hedges.

Consolidated net income attributable to the owners of the parent was €1,528m, up 9% from €1,405m at the end of December 2018. Adjusted for the non-recurring capital gain on the sale of the former Galleria store building in Hong Kong in 2018, net income increased by 13%.

Operating investments amounted to €478m and adjusted free cash flow<sup>3</sup> totalled €1,406m.

After payment of the ordinary dividend (€474 million), restated net cash increased by €946 million to €4,562 million compared with €3,615 million at 31 December 2018.

During 2019, Hermès International bought back 84,757 shares for €52.4m, excluding transactions carried out under the liquidity contract.

- 2. 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.
- Adjusted free cash flow corresponds to cash flows relating to the business less operating investments and the repayment of lease liabilities recognised in accordance with IFRS 16 (consolidated statement of cash flows).

#### **GROWTH IN WORKFORCE**

The Hermès group continues its recruitment drive and increased its workforce by nearly 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 its growth with those who contribute to it on a daily basis, Hermès will distribute a bonus of €1,500 to all employees in recognition of 2019's good results. This follows on from the announcement made in July 2019 of a new free share allocation plan for all employees.

#### **OUTLOOK**

In the medium term, despite world economic, geopolitical and monetary uncertainties, the group is asserting an ambitious target to increase turnover at constant exchange rates.

The start of the Covid-19 outbreak in January 2020 heightens the uncertainties in the global economy and the markets. Its consequences for society are difficult to assess at the time of writing, and will depend on the scale and geographical extent of its spread, as well as on the measures taken by the countries affected. The group remains highly vigilant and mobilised, regularly assessing the situation and adapting its responses.

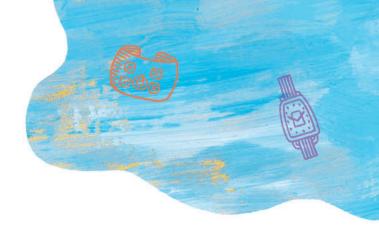
With pride in its artisanal model, in 2020 the house pays homage to the extraordinary tool of the human hand and the ingenuity that drives each of the house's artisans. It is this alliance that characterises the innovative spirit of Hermès, its *Innovation in the making*.

Building on its unique business model, Hermès continues to pursue its longterm development strategy based on creativity, maintaining control over know-how, and original communication.

#### PROPOSED DIVIDEND

A proposal will be submitted to the General Meeting on 24 April 2020 to set the dividend at €4.55 per share. The interim dividend of €1.50 paid on 5 March 2020 will be deducted from the dividend to be approved by the General Meeting.





# An ENTREPRENEURIAL SPIRIT

Combining creative freedom, innovation and the preservation and transmission of exceptional know-how, Hermès' vision of entrepreneurial spirit continues to shape an independent and unique house. It is by developing its demanding artisanal model that the house is able to achieve its ambitious goals.



# Six generations of craftsmen

The Hermès adventure began in 1837 when the harness-maker Thierry Hermès opened a workshop in rue Basse-du-Rempart in Paris. Gradually, generation after generation, the house followed a dual thread – on the one hand the painstaking work of the craftsman in his workshop, and on the other the active lifestyles of its customers. Carried by an enduring spirit of freedom and creativity, Hermès remains highly sensitive and attentive to the changing nature and needs of society.

In 1880, Charles-Émile Hermès, the founder's son, moved the workshops to 24 Faubourg Saint-Honoré, and set up an adjoining store. At this now-emblematic address, harnesses and saddles were made to measure. The business was already standing out for the excellence of its creations.

# AN INNOVATIVE HOUSE PASSIONATE ABOUT ITS ERA

During the interwar period, lifestyles changed and the house broke new ground under the management of Thierry's grandson, Émile Hermès. He decisively influenced the family firm's destiny when, while travelling in Canada, he discovered the opening and closing system of an automobile hood. In 1922 he obtained exclusive rights to this American "universal fastener" - known today as the zip - which was used extensively in the house's luggage and other designs. Under the impetus of Émile Hermès, the house opened up to other métiers, while retaining a close connection with the equestrian world, drawing on its mastery of raw materials and its artisanal culture to create its first ready-to-wear collections. In 1937, the famous silk scarf was born with the Jeu des omnibus et dames blanches design, the first in a long series.

Robert Dumas – one of Émile Hermès' sons-in-law, who took the helm of the house in 1951 – was a regular visitor to the workshops and designed objects whose details (buckles, fasteners, saddle nails and anchor chains) exuded an elegance that in no way diminished their practicality. Hermès objects stand out for their noble materials, their mastery of know-how, and their bold creativity, stimulated by the house's keen vision of the world. The silk métier now invites artists to create unique designs.

#### **A VISIONARY HOUSE**

From 1978 onwards, Robert Dumas' son Jean-Louis gradually revolutionised the house, diversifying it and projecting it onto the world map. Hermès embraced new métiers founded on unique know-how, with watchmaking from 1978, along with the integration of new houses into the group – the bootmaker John Lobb in 1975, Puiforcat silversmiths in 1993, and the Saint-Louis crystalworks in 1995. Hermès has also created its own footwear, designed by Pierre Hardy, since 1990.

In 1987, for the house's 150th anniversary, Parisians were treated to a memorable firework display that launched the first theme, a tradition that has been perpetuated annually ever since to nourish all forms of creativity with a shared source of inspiration.

Jean-Louis Dumas also supported the development of Hermès around the world with the opening of numerous stores, which all ingeniously combined the identity of 24 Faubourg with local culture. Among these stores, several Maisons Hermès were inaugurated: on Madison Avenure, New York in 2000, in Ginza, Tokyo – in a building of glass bricks designed by Renzo Piano – in 2001, and in Dosan Park, Seoul, in 2006.

From 2006, Patrick Thomas decentralised the strategic organisation of the métiers and reorganised Hermès' presence across the world into geographical regions. He also ensured the transition to the sixth generation of the family.

#### **HERMÈS TODAY**

In 2005, Pierre-Alexis Dumas, son of Jean-Louis Dumas, was appointed Artistic Director. The house expanded its range of know-how, complementing its jewellery product offer with a first Haute Bijouterie collection in 2010. The following year, the home universe offered home furnishing fabrics and wallpapers for the first time. Creativity, combining innovation and imagination, became ever more abundant within the different métiers. In 2008, Pierre-Alexis Dumas also created the Fondation d'entreprise Hermès, which supports artistic creation, supports artisanal know-how, and promotes the conservation of biodiversity.

Executive Chairman since 2013, Axel Dumas, nephew of Jean-Louis Dumas, strengthened the dynamic growth of the group with the inauguration of the fifth Maison Hermès in Shanghai in 2014. He has driven the implementation of the group's digital strategy, which culminated in the redesign of the hermes.com website in 2018. Axel Dumas has also taken Hermès into the new technological era in keeping with the expectations of customers who are becoming more and more connected. The Apple Watch Hermès, initiated in 2015, bears witness to a bold and innovative partnership with Apple. In addition, the group is stepping up the omnichannel dynamic within its organisation.

On 18 June 2018, Hermès International entered the CAC 40 index, illustrating the remarkable industrial trajectory and stock market performance of an independent, family-run house of artisans that distributes its objects through a dynamic network of 311 stores around the world. For over 150 years, Hermès has enriched its métiers without deviating from its strict quality standards. In this regard, the house attaches great importance to pursuing the development of its production in France, with its seventeen manufactures. Defying the trend for industrial standardisation and globalisation, Hermès stands out for its unique business model.



# Hermès in key dates

#### 1837

The workshop of artisan saddler and harness-maker Thierry Hermès opens in the Grands Boulevards district in Paris.

#### 1867

Thierry Hermès receives an award at the Universal Exhibition in Paris for the excellence of his work.

#### 1880

Thierry Hermès' son, Charles-Émile, moves the workshops to 24 Faubourg Saint-Honoré and opens a store selling bespoke harnesses and saddles.

#### 1900

Creation of the Haut à courroies bag.

#### 1922

Émile Hermès, son of Charles-Émile, brings the American "universal fastener", later known as the zip fastener, to France, with exclusive rights for its development.

#### 1925

Creation of a golf jacket, the first ready-to-wear garment.

#### 1927

Creation of the first piece of jewellery, the Filet de selle bracelet.

#### 1937

Creation of the first silk scarf. Jeu des omnibus et dames blanches.



#### 1945

The Duc attelé, groom à l'attente design by Alfred de Dreux from the Émile Hermès collection, representing a horse-drawn carriage, becomes the Hermès emblem.

#### 1949

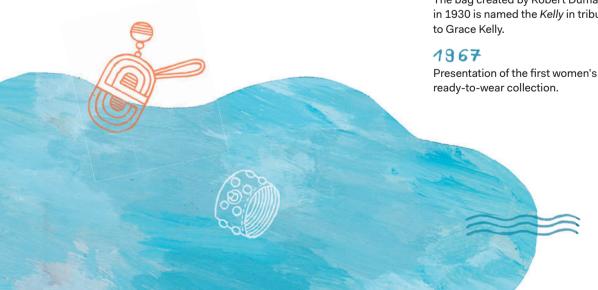
Creation of the first tie.

#### 1951

Robert Dumas creates the Chaîne d'ancre bracelet. The creation of the Eau d'Hermès fragrance marks the founding of a new métier.

#### 1956

The bag created by Robert Dumas in 1930 is named the Kelly in tribute



#### 1973

Launch in Germany of the publication Die Welt von Hermès.

Le Monde d'Hermès is created two years later in France.

#### 1978

Jean-Louis Dumas, Robert Dumas's son, takes the reins of the house. Creation of the La Montre Hermès watchmaking subsidiary in Bienne, Switzerland.

#### 1984

Jean-Louis Dumas creates the *Birkin* bag, named after the singer and actress Jane Birkin.

Creation of the first dinner service, Les Pivoines.

#### 1987

Hermès celebrates its 150th anniversary with a firework display on the Pont-Neuf bridge in Paris. Ever since, an annual theme has guided inspiration for all of the house's métiers.

#### 1992

Leather workshops established in Pantin.

#### 1993

Flotation of Hermès International on the stock exchange.



#### 2000

A Maison Hermès opens on Madison Avenue in New York.

#### 2001

A Maison Hermès opens in Ginza, Toyko. Launch of the first e-commerce website in the United States.

#### 2006

Patrick Thomas becomes Executive Chairman of Hermès.

A Maison Hermès opens in Dosan Park, Seoul.

#### 2008

Creation of the Fondation d'entreprise Hermès under the impetus of the house's artistic director Pierre-Alexis Dumas, son of Jean-Louis Dumas.

#### 2010

Creation of petit h.
Creation of the first haute bijouterie collection, designed by Pierre Hardy.
The first Saut Hermès at the
Grand Palais takes place in Paris.



#### 2013

Axel Dumas, nephew of Jean-Louis Dumas and sixth generation family member, is appointed Executive Chairman.

#### 2014

A Maison Hermès opens in Shanghai.

#### 2015

Apple and Hermès launch the Apple Watch Hermès.

#### 2018

Hermès International enters the CAC 40. Launch of the new hermes.com website in Europe and China.

#### 2019

A new market launches in Poland with the opening of a store in Warsaw. At 31 December, Hermès has 311 stores worldwide.

Opening of the Fitilieu leather workshop, the group's 17th manufacture in France.

# The Hermès business model



2019 is remarkable for its
exceptional results with 15% growth
at current exchange rates and 12%
at constant exchange rates,
demonstrating the group's solidity. This
growth is well-balanced both across the
métiers and across geographical regions.
Moreover, store traffic is particularly vibrant,
with a 13% increase in sales in the group's stores.

On 18 June 2018, the house entered the benchmark index of the Paris stock exchange, reserved for the largest listed French groups. The saddler continues to follow an exemplary industrial and stock market performance trajectory.



The Pierre-Bénite site, in the Rhône, is a key asset for the Holding Textile Hermès.

Hermès workforce worldwide at 31 December 2019: 15,417, of whom 9,522 are based in France.

Hermès, an employer of exceptional craftsmen.

#### **AN INDEPENDENT HOUSE**

The house of Hermès remains committed to retaining the majority of its production in France, and to perpetuating its creative know-how. It continues to assert the independence which, supported by a family-based shareholding structure, testifies to the house's solidity and encourages the entrepreneurial spirit that has become its business model.

In 2019, Hermès objects were almost exclusively made in France, at 43 sites in 8 of the country's 13 regions. These sites are grouped into regional clusters that give structure to Hermès' geographical presence.

The decade drew to close in a context of social and political tension, both in France and abroad. Hermès' economic model continues to produce results in all markets, due to its unique nature. This vitality drives the house forwards in keeping with its values of transmission, sustainability and humanism. The house also remains committed to the principle of strengthening its integration in areas with strong manufacturing know-how in order to develop high-quality jobs.

#### A HOUSE THAT CREATES SOCIAL VALUE

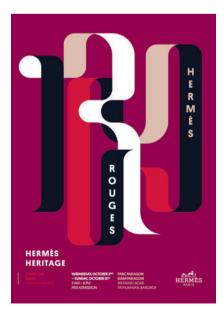
Hermès demonstrates its attachment to creating social value to encourage sustainable development.

This is firstly manifested collectively, by job creation. In 2019, 1,133 people joined the community of Hermès men and women, including 676 new employees in France.

Social value is also created at an individual level, with annual profit-sharing and incentive schemes benefiting all staff. On 1 July 2019, employees were once again involved in the long-term corporate vision with a fifth free share plan.

Furthermore, the salaries of the 8,846 employees in France were increased by 100 euros (gross) from 1 January 2019. In accordance with the commitments made in 2018, the company paid an exceptional bonus of 1,000 euros to more than 7,000 of its employees in France. Hermès employees working abroad also received a bonus.

Hermès thus demonstrates its commitment to sharing the fruits of its growth with the men and women who contribute every day to its excellent results through their work.



Poster for the Rouges Hermès exhibition, the second installment of the Hermès Heritage cycle, in Bangkok, Thailand.

## AN ENTREPRENEURIAL SPIRIT AT THE HEART OF HERMÈS

Since 1837, an entrepreneurial spirit has guided Hermès in all aspects of its development. Embodying the humanist values of craftsmanship, it is demonstrated in its prolific creativity and constant capacity for innovation, combined with exceptional know-how, new manufactures and store openings, in synergy with local cultures. In 2019, the company was preparing to launch a new métier – Beauty – with its first chapter, *Rouge Herm*ès. Beauty is consistent with the house's values, and combines high standards, ethics and aesthetics with a sustainable approach, using noble materials to create a refillable object.

This entrepreneurial spirit is manifested in the broad creative freedom that nourishes each métier. It is through this freedom, and the commitment of each employee, that the house's creativity is abundantly expressed, as seen in the many scarf designs produced each year and the new objects offered.

In close proximity to their customers, store directors also actively demonstrate this entrepreneurial spirit. They are free to compose the selection of objects offered in their store; this is why each of the 311 Hermès retail outlets throughout the world is a truly unique house of objects. This approach enables the specific requirements of customers in each area to be met with a distinct purchasing experience. The offer is extended to the hermes.com online store, which is being rolled out worldwide.

This entrepreneurial spirit, which lies at the heart of the Hermès model, presides over the design of all the objects that have shaped the house's creative heritage since its origins. The Hermès Heritage cycle of exhibitions immerses the public in these fundamentals. The second instalment of this project, the Rouges Hermès exhibition, has been presented to the public in Bangkok, Thailand, and in New Delhi, India. Combining pieces from the Émile Hermès collection and the Hermès archives with more recent creations, the exhibition illustrates the house's attachment to this emblematic colour and the twenty or so associated shades that embellish Hermès objects, from wood to crystal, leather and silk. The third instalment of the Hermès Heritage cycle, the In Motion exhibition, visited Busan in Korea, and Singapore, before travelling to Hanoi in Vietnam, introducing visitors to the art of movement so beloved by Hermès. From relaxed strolls to stationary journeys, from the horse and carriage to the most modern of vehicles, movement has never ceased to inspire this contemporary house with a resolutely vibrant heritage.





Inspired by the year's theme, "In the pursuit of dreams", the métiers gave full rein to their creativity, supported by the house's exceptional know-how.

# CREATIVE FREEDOM

at the core of the house's strategy





# Hermès' life in dreams

Where do the ideas for the Hermès annual themes come from? The answer is simple. They are my dreams. This very personal intuition renews my vision of our house every time. It stimulates my imagination and energises me. I am not at all surprised that dreams in their own right came to me as a theme. It is true to say that dreaming has been a more or less permanent state at Hermès since 1837 - it provides the material with which we shape our world! It would be impossible to create without listening to the silent and transgressive part of ourselves that assimilates, condenses and expresses our deepest aspirations and drives us to act, sometimes against our better judgement, with humour, poetry and boldness.

**Pierre-Alexis Dumas** Artistic Director of Hermès

## LEATHER GOODS AND SMALL LEATHER GOODS

In 2019, the bag and luggage collections were inspired by the annual theme, showcasing materials, know-how and uses.

New identities in leather goods were guided by ingenious clasps and wearing styles.

Behind its appearance of a clutch with simple, tapered lines, the Clic-H bag offers enhanced silversmithing craftsmanship with a leather-sheathed metal rail that gives the bag structure. The Hermès Twins bag is a double-faceted model composed of two clutches to be worn together or separately. The Simone bag, inspired by the way schoolchildren used to tie their books together, can be worn in different ways by means of the belt, which serves as a shoulder or wrist strap.

Some classic models were updated in new sizes - such as a mini version of the Lindy - or with new canvases as for the Herbag. Meanwhile, the Birkin remained highly topical with several versions, including a lightweight one in felt and a more structured saddlery construction. The Birkin Shadow was once again in the limelight, showcasing remarkable skill in moulded leather that revealed the imprint of the flap and the side straps on the front and that of the zip pull and key holder on the back. Lastly, a refined version with a touch of humour presented the façade of the Faubourg Saint-Honoré store. This Birkin Faubourg features extremely precise stitching work.





Birkin Faubourg bag.

In the men's collections, some new classic and timeless bags emerged, such as the Webdo bag in reporter format worn over the shoulder, and the Kelly Dépêches, which adopts new dimensions for its comeback. For casual and sports use, a new generation of bags has been rolled out in an innovative textile developed exclusively for Hermès. Dynamo technical knit is a seamless 3D knit that updates existing models such as the Étrivière Shoulder and the Cityslide Cross. Meanwhile, the Haut à courroies Cosmos bag in Togo calfskin was sprayed with colour during the tanning process, creating a halo of light resembling an aurora borealis, making each piece unique.

For small leather goods, functionality went hand in hand with imaginative creativity to create unique formats and respond to new uses. *Kelly* small leather goods were also reinterpreted with the *Kelly Pocket*.

These new designs were showcased in December 2019 at a colourful party in Shanghai entitled *Please Check In!* At this event full of surprises, guests discovered emblematic bags displayed in quirky, dreamlike settings as they wandered through the exhibition following their dreams.



Poster for the tenth Saut Hermès at the Grand Palais in Paris.

#### **EQUESTRIAN**

This year, the house launched a new jumping saddle, the Hermès Vivace, which offers riders an unparalleled sensation of proximity with their horse, as well as providing optimum comfort. This saddle was particularly under the spotlight at the Saut Hermès at the Grand Palais. Over three days, the world's finest riders came together under the glass roof of this Parisian monument. Hermès partner rider Simon Delestre and his horse Hermès Ryan won the prestigious CSI 5\* certified Grand Prix Hermès class for the second year running. A wonderful achievement! Combining competition, entertainment, encounters and experiences all on an equestrian theme, the tenth edition of this event drew more than 16,000 spectators.

#### **SILK**

#### Bali Barret

Artistic Director of the women's universe **Christophe Goineau** 

Creative Director of men's silk

The silk scarf, with its narrative power, constitutes a choice medium for presenting the boldest interpretations of the annual theme. And in 2019, dreams were everywhere. They came to life in a phantasmagorical city peopled with appealing animals in Animapolis by the young Polish designer Jan Bajtlik, his first scarf for the house. They lay at the heart of the imaginary town, designed by the duo Octave Marsal and Théo de Gueltzl, concealed in À l'ombre des pivoines. They could also be found in the redesigned map of Paris in Cité cavalière, created by Octave Marsal, inspired by a historic engraving and in which the Ile Saint-Louis and the Île de la Cité form the shape of a horse. Dreams also brought a twist to the classics, from the bright colours applied to the Brides de gala Shadow, to the unique knowhow of a Kyoto workshop, which transformed the Marble Silk Balade en Berline design. Lastly, winter was welcomed with an array of 100% cashmere shawls, as well as, for the first time, a cashmere knit version of the Brides de gala design on a muffler scarf.



Brides de gala Shadow scarf 90 × 90 cm in silk twill, by Hugo Grygkar.



Dreams also flourished at the heart of the men's collections. For her first scarf, young designer Maylis Vigouroux created a very detailed, dreamlike and volatile pattern with Nothing But a Dreamer, while the High Flyer giant scarf flew the observer over snowy mountain peaks at the controls of a helicopter conjured up by Dimitri Rybaltchenko. The Le Jardin de la Maharani scarf designed by Annie Faivre was reinterpreted in two delicately dégradé shades, a technical achievement by the Lyon-based artisan printers. The men's collections were rounded off with scarves that focus on materials, formats and techniques.

Hermès Carré Club, devised by Bali Barret, continued to inspire dreams with a visit to Hangzhou in China, followed by the Carreau du Temple in Paris. Scarffolding workshops, demonstrations, meetings with designers, and conferences enabled visitors to explore the rich creativity of Hermès.

To allow the men's collections to resonate with their audience, the *Silk Mix* event continues its musical, silky and joyful tour to the four corners of the world. In 2019, *Silk Mix* visited Dubai in the United Arab Emirates, Melbourne in Australia, Taipei in Taiwan, Mexico City in Mexico and Milan in Italy.



Women's ready-to-wear autumn-winter 2019 runway show at the Garde républicaine in Paris.

#### **WOMEN'S READY-TO-WEAR**

#### Nadège Vanhée-Cybulski

Artistic Director of women's ready-to-wear

In 2019, Nadège Vanhée-Cybulski explored the various spheres of femininity. Hermès' functional women's wardrobe juxtaposed different elements drawn from the house's heritage, with the design codes of leather goods and nautical style for summer, and the feminised men's suit and equestrian inspirations for winter.

The autumn-winter collection was presented in spring 2019 at the headquarters of the Garde républicaine in Paris, a venue that resonated subtly with the pieces presented. Following the runway show, the press focused particularly on the collection's longevity, for the high quality and timeless character of its offering. In late September, the spring-summer 2020 collection was presented at the Paris Tennis Club.

Men's ready-to-wear autumn-winter 2019 runway show at the Mobilier national in Paris

#### **MEN'S READY-TO-WEAR**

#### Véronique Nichanian

Artistic Director of the men's universe

In 2019, Véronique Nichanian concentrated on broadening her vision of men's ready-to-wear through the pursuit of exceptional, innovative materials, attention to detail, and the concept of the garment-object. The Hermès man, multifaceted and always on the move, demonstrates calculated informality.

There was a media consensus over the timeless elegance of this wardrobe, whose pieces are nonetheless under constant transformation, as a subtle incarnation of French luxury.

The autumn-winter collection was presented in January 2019 in the storerooms of the Mobiler national in Paris. This was also the venue for the spring-summer 2020 collection runway show in June 2019, this time taking place outdoors.

The men's universe also travelled worldwide for some celebratory events. The surprise-filled *Step into the Frame* event, which took place in London in the spring, celebrated men's designs with a runway show featuring several personalities with ties to the house, a private concert, and a host of activities. In Korea in the autumn, visitors had

the opportunity to discover the men's collections at the Hermès *Walk* the Line event in Seoul.

With playful scenography and interactive activities, the autumn-winter wardrobe revealed its many facets during a party that mingled dreams with reality.

#### THE HOME UNIVERSE

## Charlotte Macaux Perelman and Alexis Fabry

Artistic Directors of the home universe

The home universe continues to develop worldwide, and is particularly appreciated for the pure forms, rich colours and beautiful materials that characterise this métier.

In 2019, inspiration for new designs was drawn from the material, and its natural qualities symbolic of traditional use. Each object represents a point of connection between designers and artisans.

The Célèbes bowls, vases and boxes, for example, combine two areas of expertise from the other side of the world: solid mahogany turning from Indonesia, and hand lacquering from Vietnam. The Cheval cosmique printed plaid, designed by Gianpaolo Pagni, brings together a graphic pattern and the texture of 100% Mongolian cashmere. The table lamps in granite (Hécate) and porcelain (Halo) stand out as lighting objects with pure lines.

The presentation of these exceptional pieces at Milan Design Week was in itself a tribute to materials, with a set design inspired by a vernacular architecture, cadenced by different-coloured stones laid out to give the space a graphic and contemporary feel. This presentation was attended by more than 56,000 people.

#### **ACCESSORIES**

#### Shoes

For women, Pierre Hardy approached summer with a varied and joyful collection interspersed with unusual combinations, while winter was marked by a spirit of reverie and wanderlust in a confident and sophisticated style. The men's summer collections featured supple, slipper-style loafers embellished with metal details for a relaxed and elegant look. For winter, Pierre Hardy opted for a chic and assertive look through strong new models with varied stylistic languages, from sandals to boots.

#### Jewellerv

The house's emblematic leather bracelet, the *Collier de chien*, celebrated its 70th anniversary in 2019 with a lighter version, the *Collier de chien 24*. Echoing the annual theme, a steel pendant with a sliding enamel cover offered a little dream-holder, to be worn close to the body. Horn jewellery reached a pinnacle of technical achievement with elongated, intertwined rings that gives the earring and pendant collections a new twist. The men's collections included their first pendants, crafted in braided leather or metal.



Sandal in suede goatskin with wedge heel in lacquered wood, spring-summer 2019 collection.

#### Gloves

The glove collections continue to showcase a wide range of skills.

Amongst the innovations, the clever Volte face kit is composed of a pair of gloves in knit and a pair in leather so that they can be worn together or separately. In the stores, the semi-bespoke glove service continues to be very popular.

#### Hats

The cap inspired by the riding hat still features prominently in the collections, and is offered this year in a studded, dual-material version in silk and leather. Hats are still predominantly in straw for summer and felt for winter. There are also some exceptional pieces such as a Montecristi panama and a widebrimmed felt hat with leather details.

#### **Belts**

The women's one-size belt collections continue to grow with the arrival of three models that take on the attributes of several pieces of jewellery – the Kelly clasp, and that of the Collier de chien and Hermès 2002 bracelets.

For men, a technical innovation was introduced in the form of the reversible band in two-tone technical webbing with chevron pattern.

These accessories are showcased with humour in *Hermès on Stage*, a four-part mini-series that can be viewed online.





Niloticus Lumière necklace in rose gold, brown diamonds and black stones, Black to Light collection.

#### **JEWELLERY**

#### Pierre Hardy

Creative Director of Hermès jewellery

In 2019, Hermès confirmed its remarkable high jewellery culture of artisans of light. Its high jewellery creations give prominence to form, reinterpret tradition, and reveal a unique palette of colours with rose gold, brown diamonds and black stone.

Presented in Paris, *Black to Light* designed by Pierre Hardy is a refined collection that combines the beauty of the house's heritage forms with the nobility of black stone. "I envisaged black for its ability to expose light," he explained. Black jade and black spinels, sought after for their intensity, highlight the depth of the material and the purity of the forms.

Presented last year in Paris, the Enchaînements libres collection has since been revealed to the public in Shanghai (China), Hong Kong, Tokyo (Japan), New York (United States) and Taiwan.

#### WATCHMAKING

#### Philippe Delhotal

Director of Creation and Development of La Montre Hermès

The Hermès watch family has been expanded with two new models, *Galop d'Herm*ès and *Arceau L'heure de la lune*, which were enthusiastically received by both the media and the public.

The *Galop d'Herm*ès watch, a new addition to the women's collections, is the result of a collaboration between the house and the talented American designer Ini Archibong. He drew inspiration from the harness collections to design a transformed stirrup, a contemporary hybrid with aerodynamic curves, producing a feminine and elegant watch with strong lines.

In the men's collections, *Arceau L'heure de la lune* provides a new and unorthodox slant on a classic watch complication: the moon phase. Two mobile counters gravitate on a meteorite or aventurine dial, revealing mother-ofpearl moons (one for the northern hemisphere, the other for the southern) in step with an exclusive module, coupled with a Manufacture Hermès movement. This timepiece's new complication received the Grand Prix d'Horlogerie de Genève (GPHG) in November 2019 in the "calendar and astronomy" category.

These creations were presented at the Salon International de la Haute Horlogerie (SIHH) in Geneva, where Hermès asserted its unique relationship with time, as "Time, a Hermès object".

#### **HERMÈS HORIZONS**



Dark Art, Apple Watch Hermès Series 5

#### THE INTERNET OF THINGS

Apple and Hermès continued their collaboration with radical designs for both watch cases and straps. There are also new dials, which show the time permanently on the Retina display, by means of the "Always-On" feature.

For *Dark Art*, the dial and the strap of the Apple Watch Hermès Series 5 were all in black. After creating versions in an infinite palette of colours, Pierre Hardy wanted to design an entirely monochrome model. He chose black, which he sees as "a secret, a mystery, which conceals and reveals cutting edge technology and emphasises the passing of time with interplays of light and shadow".

Creating and crafting bespoke objects have been central to the story of Hermès since its origins, and today, Hermès Horizons undertakes special orders to make customers' dreams come true. This year, Hermès artisans created some remarkable and elegant outdoor sports and leisure equipment in the form of a canoe and a fly-fishing kit. For music lovers, Hermès Horizons offers objects that are both technically sophisticated and stylish. The Jukebox, with leather sheathing and marquetry, integrated a high-performance sound system, as did the Boombox, a portable turntable for vinyl records with a surprising vertical position. This métier was showcased at the Hermès Bespoke exhibition in Tokyo. The aim of this project was to open up the field of possibilities for Hermès customers by inviting them to imagine objects for themselves.



Zip Dog, zips and bullcalf, a petit h creation.

#### **PETIT H**

#### Godefroy de Virieu

Artistic Director of petit h

Drawing inspiration from materials to invent objects: this is creation in reverse, the approach taken by petit h, which provides artists and designers with unused materials and objects from other Hermès métiers. Petit h creates unexpected objects by means of a unique artistic perspective on exceptional materials. This unique approach extends to its original and inventive distribution system, a far cry from convention, with sales that are designed as experiences. As it does every year, petit h set out to meet its customers with two major events in Asia, which were highly acclaimed by both the public and

In the first half-year, a family of leather pandas created by Dutch artist Marjolijn Mandersloot was installed in the Chengdu store in China. Over three weeks, the store was transformed with a light-as-air structure in paper, bamboo and brick - producing light and shade effects - to present petit h's unique and ingenious objects. Visitors could also attend creative workshops. At the end of November, the métier travelled to the garden city of Singapore. This time, petit h's joyful and unexpected creations were showcased for visitors in a landscape of organic earthen shapes, and in a second area filled with light and luxuriant vegetation. Quintessentially nomadic, petit h nonetheless has a permanent base in Paris, in the rue de Sèvres store. Six times a year, visitors can discover objects that never fail to surprise.



Twilly d'Hermès Eau poivrée.

#### **PERFUMES**

#### **Christine Nagel**

Director of olfactory creation for Hermès Parfums

In 2019, the range of Hermès' olfactory creations was expanded with two remarkable new offerings. In the first half-year, the Parfums-Jardins collection was enhanced with *Un Jardin sur la Lagune*, a floral and woody eau de toilette inspired by a secret Venetian garden as imagined by Christine Nagel.

In the second half-year, the Hermès girls welcomed a new fragrance: *Twilly d'Hermès Eau poivrée*. Christine Nagel revisited the original three ingredients of the first *Twilly* to complement the vivacity of today's young women. For them, she developed a peppery, sensual, and irreverent fragrance composed of pungent pink peppercorn, heart notes of youthfully fresh rose, and elegant and bewitching patchouli.

Lastly, the Perfumes métier is evolving and preparing for the launch of Beauty, with Rouge Hermès, the opening chapter of this new know-how, in early 2020. This lipstick results from collaborative work on the object, the material, colour and gesture.

#### **OTHER GROUP MÉTIERS**

#### Cristallerie Saint-Louis

Glassworks founded in 1586, renamed the Verrerie Royale de Saint-Louis in 1767, then the Cristallerie Saint-Louis, joined the group in 1995.

#### Puiforcat

French silversmiths established in 1915, joined the group in 1993.

#### John Lobb

British bootmaker established in 1829, joined the group in 1976.

#### Shang Xia

A brand dedicated to a contemporary art of living based on Chinese know-how, launched in 2010 by Hermès.

Creations by all of the house's métiers flow through the pages of *Le Monde d'Hermès*, with narratives and daydreams showcased with imaginative flair. In September, this twice-yearly magazine revealed its new look, and a whole ecosystem has been set up around it. The content of *Le Monde d'Hermès* magazine is now extended in the form of podcasts, with new stories that can be listened to over and again.



Le Monde d'Hermès, autumn-winter 2019 issue.





Driven by a manufacturing model, Hermès has strengthened its regional presence in France with new production sites and job creations. This strategy demonstrates the company's commitment to virtuous development.

# RESPONSIBLE SUSTAINABLE DEVELOPMENT

# The performance of an artisanal model



Opening of the leather workshop in Fitilieu, in Isère.

# **HIGH QUALITY JOBS**

At the heart of the house's model lies an emphasis on people. Through its manufacturing activity, principally based in France, the group contributes to regional development by creating long-term jobs. Looking to the future with confidence, Hermès continues to expand its production capacity and its network of manufactures in France, with each new leather workshop providing 250 new jobs on average. The production sites are designed to be human-sized, offer a pleasant working environment, and open to their surroundings to foster high-quality connections between employees and their management.

On 17 May 2019, Hermès opened its 17th leather workshop in Fitilieu, in Isère, joining the Savoie-Dauphiné production cluster comprising the maroquinerie de Belley in Ain, and the maroquinerie Iséroise and the manufacture de haute maroquinerie in Savoie. The Ateliers de Fitilieu have a training school on the premises and employ artisans with disabilities.

Work on the future leather workshops in Guyenne (Gironde) and Montereau (Seine-et-Marne) started this year and are scheduled to open in 2020. Temporary workshops, open since 2018, have enabled their artisans to commence their training.



Hermès Employeur communication campaign.

one involving the creation of 250 jobs. A new leather workshop, in Louviers (Eure), will reinforce the Normandy leather goods-saddlery cluster. Scheduled for 2021, it will be a low energy building, in compliance with the company's CSR standards. In 2022, the 21st Hermès Maroquinerie-Sellerie production site will open in the Tournes-Cliron area in the Ardennes. The buildings will blend in with landscape and will also meet the group's sustainable development criteria. These new sites all adhere to the house's local integration

Lastly, two more manufacture projects

were announced this year, each

More than 1,100 jobs were thus created in 2019, taking the group's total number of employees to 15,417 at 31 December 2019. When recruiting, the company is attentive to diversity and to professional parity. With this in mind, on 15 October 2019 the house launched an institutional communication

strategy for its leather workshops, all of

which are located in France.

campaign to highlight its status as a responsible business and job creator. With national reach – in the press as well as online – and with a particular focus on developing areas, this campaign for the Hermès Employeur brand will continue in 2020 to support the house's future recruitment across all categories of staff.





Each new leather workshop creates an average of 250 jobs.



The training hub in the new leather workshop in Isère.

# TRAINING AND TRANSMISSION OF KNOW-HOW

Attentive to the continuous improvement of its artisans' exceptional know-how, the house is involved at an early stage to guarantee continuity for its métiers and excellence in its artisan skills. Nearly 5,200 artisans in France pass on often exclusive techniques and know-how to future generations. This year, Hermès opened Les Ateliers de Fitilieu, a training hub in its new leather workshop in Isère, teaching skills for professions in saddleryleather goods, cutting and mechanics. This school will ultimately accommodate around a hundred craftsmen and women, including artisan-instructors who have learned sign language in order to adapt training and production for people with a range of disabilities. In this regard, the group has made commitments to social inclusion and to keeping disabled workers in employment, in the same vein as the partnerships entered into over the last decade by the Leather Goods Division with adapted companies (EAs) and social enterprises (ESATs). In 2019, disabled workers thus represented over 7% of the group's total workforce.

In order to share the realities of its know-how with as wide an audience as possible, *Hermès at Work* festival continued its highly successful grand tour, from Rome in Italy to Stuttgart in Germany, followed by Xi'an and Xiamen in China. Through the gestures of the artisans who work in front of visitors, Hermès demonstrates the fundamentals of its artisanal approach: ensuring the continuity of unique know-how, the nobility of the materials used, and the durability of the objects created. Since 2011, more than 750,000 people in 23 countries have attended this travelling exhibition of the house's know-how.

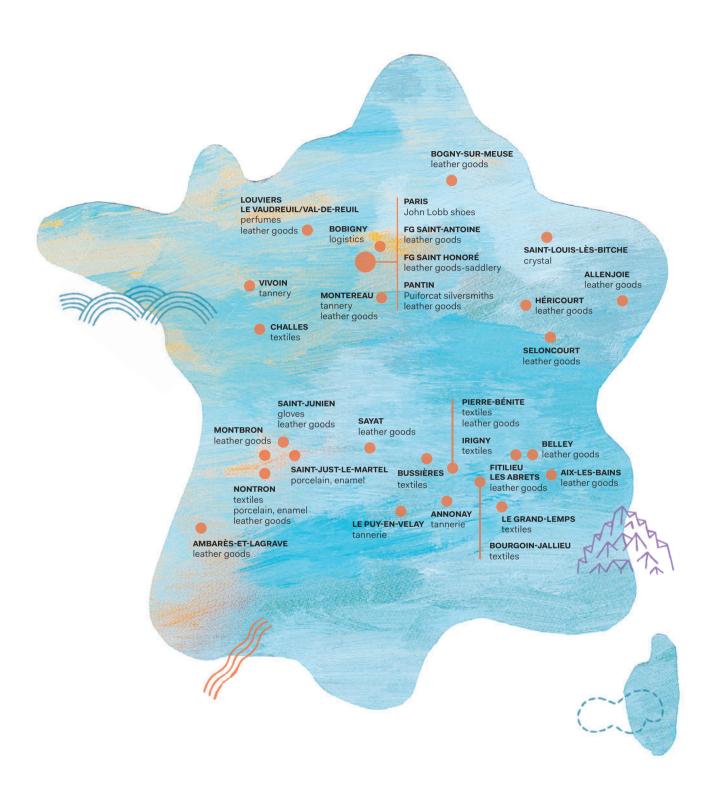
# **REGENERATING REGIONS**

As a socially responsible company, Hermès contributes to significantly regenerating the regions in which it opens production sites. Through its projects, the house works with local authorities to contribute to local socio-economic development in terms of access to housing, public transport, schooling, and medical care. This dynamic makes it possible to provide staff with comfortable working conditions combining proximity with stable employment.

Hermès also assists in the development of other artisan stakeholders, partners and the group's brands. Its participation in regional community life also contributes to preserving know-how that has become rare and fragile. Through its integrated production model, Hermès carries out 61% of the manufacture of its objects in its own, exclusive workshops.



The new leather workshop in Fitilieu illustrates the importance of the local integration of Hermès manufactures



# Economic development embodying values

# PROTECTING THE ENVIRONMENT

Hermès systematically seeks long-term and ambitious solutions to better preserve the environment. The sustainability of the group's activities relies on the availability of high-quality materials, most of which are renewable, and which are at the heart of the house's uniqueness. Each supply chain is subject to careful monitoring and analysis of its impacts with a view to improvement. Partnerships with international organisations (such as WWF France) make these actions even more relevant.

The vast majority of artisanal manufacturing processes are implemented in-house, mainly in France or in Europe, which ensures strict compliance with demanding environmental regulations. Each métier takes action to control its footprint, such as for its water or industrial energy consumption, which has been significantly uncoupled from growth in activity over the last ten years (activity x 3.6, energy x 1.3 and water x 1.9). The group's carbon footprint figures rank it among the lowest emitters, in both absolute and relative terms, of the CAC 40 index companies. In addition, Hermès offsets its carbon emissions from all its industrial sites, offices, logistics centres and stores (Scopes 1&2) through a partnership initiated in 2012 with the Livelihoods fund, which contributes to the reforestation of fragile natural areas and the development of local communities.

The artisanal and empowering manufacturing model has inherent characteristics of restraint that can help meet the challenges of future transitions. Not only does it have a small footprint, but it also creates objects for the long term that are durable, passed down and repaired. More than 100,000 repair requests are processed each year. illustrating the words of Robert Dumas: "Luxury is what can be repaired." In addition, the house's distribution management, which is based on the purchasing freedom of store directors, makes it possible to produce accurate quantities, limit stocks and reduce the number of unsold items.

Furthermore, the house as a whole takes action in support of preserving our planet, as demonstrated by its ambitious commitments. In August 2019, the house signed the Fashion Pact, which was presented to the heads of state who attended the G7 summit in Biarritz. This pact is based on action in three main areas: halting climate change, restoring biodiversity and protecting the oceans.



By signing the Fashion Pact, Hermès undertakes to halt climate change, restore biodiversity and protect the oceans.

Among the specific commitments announced is the goal of net zero greenhouse gas emissions by 2050, greater use of renewable energy, and the elimination of single-use plastics by 2030. Lastly, as one of the 99 French companies that met on 29 August 2019 for the Rencontre des Entrepreneurs de France, Hermès shared its desire to reduce its greenhouse gas emissions by signing the French Climate Pledge. For Hermès, this objective will be met in the following ways: integrating a "climate" criterion into the variable remuneration of Hermès International's executive chairmen, increasing the proportion of renewable energies, improving the energy performance of the house's sites, and uncoupling business growth from energy consumption.

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

SUPPORTING STAKEHOLDERS 41

Hermès is committed to its suppliers and to the regions or communities in which they operate, and addresses all its quality, ethical, social, economic and environmental challenges. Hermès ensures that its entire value chain is involved in the key sustainable development issues. The quality and longevity of supplier relationships (19 years on average for the main partners) contribute to the robustness of the system.

As a corporate citizen, Hermès works alongside communities in the regions in which it operates and participates in local initiatives in various forms.

Hermès' sites in Pantin and Bobigny in Seine-Saint-Denis represent a total surface area of 100,000 m<sup>2</sup> and accommodate 2,000 employees, of whom 400 live in the department. As one of the major employers in Seine-Saint-Denis, Hermès is also involved in promoting talent in the region. Committed to diversity and professional equality, the house has also joined the Réseau Entreprendre 2003 association, and participates in providing financial support and coaching for projects with a strong potential for creating jobs. Over the years, the scope of this support has broadened: today, a dozen Hermès employees share their expertise in communication, logistics and other fields with new businesses through a skills sponsorship programme.

Group partners and brands: Textiles, tanning and precious leathers activity, Faubourg Italia, J3L, Perrin & Fils, Vaucher Manufacture Fleurier, Bettina, Maison Pierre Hardy.



The Fondation d'entreprise Hermès supports the Atelier Paysan, where fleets of agricultural machinery are converted to the quick hitch triangle system.

The house's many commitments are the subject of a series of films directed by Frédéric Laffont entitled Footprints Across the World. In 2019, two new episodes were added to this collection. The first, filmed in Saint-Ouen, paints a portrait of the artisans who pass on their know-how to children as part of the Manufacto programme implemented in schools by the Fondation d'entreprise Hermès. The second, made in Hong Kong, features operations in of one of the house's fifteen repair workshops. A selection of films from this collection was shown in France (Marseille, Lille and Bordeaux) and around the world (Nashville, New York, Copenhagen, Milan and Stuttgart), and broadcast on Chinese television by a Shanghai documentary channel.

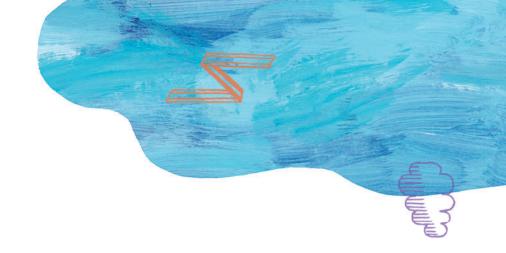
Hermès' commitments have been recognised on several occasions by independent bodies – dedicated rating agencies and ESG rankings – as part of their 2019 assessments (Sustainalytics: rating 72/100, "Outperformer" category; CDP Climat, eau et forêts: rating B; Global Compact: "Advanced" level; Institut de l'économie positive: rating B+, positivity index: 75.6 %).

# THE FONDATION D'ENTREPRISE HERMÈS

In 2019, the Fondation d'entreprise Hermès sought a closer connection to the men and women who work in the field. Among the nine programmes supporting creation or promoting know-how, some have been expanded, such as the initiative to preserve biodiversity and ecosystems. In addition to renewing its aid to WWF France, the foundation now supports the Atelier Paysan, which assists operators in the agroecology sector in developing environmentally friendly tools, and Vigie-Nature École, an initiative run by the Muséum national d'Histoire naturelle, which combines information gathering for researchers with raising young people's awareness of the fragility of living species. The same focus on pragmatism and performance has led the foundation to launch a bursary scheme as part of the Artistes dans la Cité programme, enabling students enrolled in dance or drama courses at higher education level to continue their studies with improved living conditions.

To find out more: fondationdentreprisehermes.org





# **CUSTOMERS**

at the

CORE

of an omnichannel network



Hermès customers are a true community that transcends borders. For this loyal and ever-increasing audience, the house has created veritable "houses of objects", both online and in its international network of stores. Each with its own distinct offering, they provide visitors with a unique experience.



The store in Vancouver, Canada.

# **HOUSES OF OBJECTS ONLINE...**

Hermès continues to strengthen its online presence: after Canada, the United States and China, in June the house launched the new version of the hermes.com platform in Japan. The special services now available to customers from the archipelago include order tracking via a customer account, a Web-to-shop service, choice of time slot for home delivery, and access to news from the Maison Hermès in Ginza and its archives. Furthermore, since October the house is open to online orders from Singapore and Malaysia.

Present in 25 countries, e-commerce has grown steadily, with 75% of traffic via smartphones. This digital offer thus represents strong growth potential. Due to their ease of use, these platforms ensure strategic consistency between their commercial purpose and their power of communication. Rich in content, they offer internet users an intense community-based experience, nourished by the house's stories and heritage as well as by the events that add colour to the day-to-day life of Hermès.

## ... AND WORLDWIDE

Hermès continues to reach out to its customers through new stores worldwide. Each one marks the start of a new story, since every store is a unique "house of objects" due to the purchasing freedom enjoyed by its director, and to the attention paid to window displays, which are different from one location to another. Whether they are the work of artists, such as in Tokyo, Shanghai, Hong Kong and Singapore, or they are dramatically revealed like in Barcelona, New York Madison, Beverly Hills, São Paulo Iguatemi, Sydney, Melbourne, and Paris George-V, the window displays offer a fabulous immersion in the world of Hermès even from outside in the street.

In 2019, Hermès firmly consolidated its presence on the American continent with a number of significant openings and reopenings. In the United States, 36 stores enable the house to maintain a strong connection with American customers, and bear witness to the house's continued confidence in this market. Firstly, a new store was opened in the heart of New York's Meatpacking district. This vast, listed building features a distinctive light-coloured brick façade and restored wrought ironwork. Florida now has a third Hermès address with a store in the Mall at Millenia in Orlando. On the West Coast, Hermès celebrated its dynamic growth in California with the reopening of the San Francisco store on Grant Avenue, in the magnificent listed building that has been its home since 2003. Lastly, the house reopened its Waikiki store in Honolulu, Hawaii. In Vancouver, Canada, Hermès opened a new store with a very contemporary style just a stone's throw from its previous address, while in Mexico City, the house has transformed the Masaryk store, which

In Asia, Hermès continues to have confidence in the region's various markets. The Chinese network now has 26 addresses after the opening of the Xiamen store. The house reopened its store in the Hisense Plaza shopping centre in Qingdao.

was its first location in Mexico.

Three stores reopened in Japan, in the Iwataya shopping centre in Fukuoka, in the Sogo shopping centre in Chiba, and in the Nihombashi district of Tokyo. Hermès know-how was also made available to customers in Thailand with a new store in Phuket, in the Central Phuket Floresta shopping centre, and the reopening of the Siam Paragon store in Bangkok. Lastly, Hermès reopened its renovated store located in the Hyundai Apgujeong shopping centre in Seoul.

In Europe, a whole new chapter began in Poland with the opening of a store in Warsaw, the first in the country, thereby strengthening the house's presence in Central Europe. This store will enable Hermès' loyal Polish customers and new visitors alike to discover the house's know-how and creations in a neoclassical building in the centre of the Polish capital.

The Stuttgart store has moved into a Bauhaus-style building, bringing the total number of stores in Germany to 16. In the Netherlands, the Amsterdam store has reopened a stone's throw from its previous address; it now features a remarkable brick and sparkling glass façade. Finally, the stores in Prague in the Czech Republic, Stoleshnikov Lane in Moscow, Russia, in Marbella, Spain and Montpellier, France, also reopened this year.



The store in Warsaw, Poland.



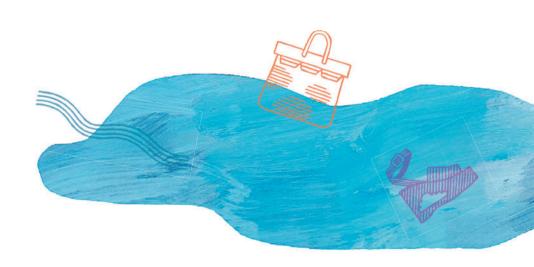
The store in the Meatpacking district of New York, USA.

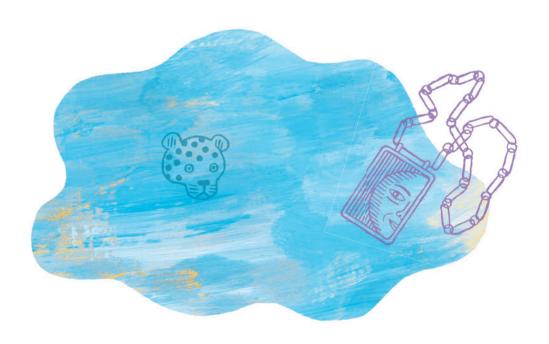
# THE HERMÈS COMMUNITY

This international network of stores is accompanied by innovative services, the aim of which is to provide ever-better support to the Hermès community of customers. Welcoming visitors and inspiring dreams: this encapsulates the spirit that permeates Hermès stores and the hermes.com website. A vibrant place of encounters and experiences, each store is designed to take an omnichannel approach, and the company is accelerating this dynamic to keep in step with the development of new technologies. Two new omnichannel services have thus been launched to improve the customer purchasing experience. The product locator allows them to locate the stores which stock an object seen on the website. The eReservation service then enables them to reserve a product available in a store.

The house supplements these experiences with special occasions that help to strengthen the bonds that unite the Hermès community. In 2019, the "In the pursuit of dreams" theme was naturally conducive to events full of surprises. The Hermès communities in Dubai and Geneva enjoyed "An extravagant dream" for an evening, while loyal customers in Taiwan were invited to attend a "dinner in the clouds". In Kuala Lumpur, Miami and the store on avenue George-V in Paris, guests were offered the experience of a multi-sensory dinner designed around beeswax. In September, the Faubourg Saint-Honoré store welcomed customers, journalists, influencers and friends for the traditional Back-to-Work party devoted to the annual theme, offering a fresh opportunity to share Hermès' dreams.







# 2020, INNOVATION in the MAKING

2020 will be driven by
"Innovation in the making",
inspired by creativity and
exceptional craftsmanship.
This theme, which has
nourished the story of Hermès
since 1837, demonstrates
the house's ability to constantly
reinterpret itself. In February in
New York, it was central to the Heurêka

New York, it was central to the *Heurêka* event, which celebrated Hermès creations with some entertaining and artistic experiences.

On 5 February, Hermès presented Beauty, the house's sixteenth métier, which combines quality, durability and aesthetics. *Rouge Herm*ès lipstick is the first chapter in this new adventure. Other creations will illustrate the 2020 theme,

such as double-sided scarves, a major technical innovation that allows a different expression of the same design to be produced on each side of the scarf. In accessories, the Sunset cuff bracelets in anodised aluminium present deep, luminous colours by means of a unique technical process. In 2020 Hermès will continue to develop its stores worldwide as well as online. A new Maison Hermès will open in Sydney, Australia, alongside the reopening of a number of renovated stores such as in rue de Sèvres, Paris. On the internet, e-commerce platforms will be launched in Hong Kong, Macao and Korea during the first half-year.

The impacts of the Covid-19 outbreak, whose magnitude, duration and geographic scope are evolving daily, are difficult to assess at the time of writing. Hermès' artisanal model, which is mainly based in France, its balanced distribution network and its local clientele all contribute to the house's resilience. The group remains highly vigilant and mobilised, regularly assessing the situation and adapting its responses. The priority is the safety of all employees and their relatives within the framework of measures taken by the relevant medical and public authorities. On the date of publication of this activity report and on the basis that this outbreak and the disruption it causes will not exceed a few months in duration, we are confident in our ability to mobilise all employees and reconnect with our customers.



Rouge Hermès is the first chapter of the house's sixteenth métier, Beauty.

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