



Press release — Paris, December 8, 2021

Analyst day Pantin

Hermès organises today an Analyst day in its premises in Pantin.

Hermès sustainable and agile model is anchored in the values of craftsmanship. After having been through an exceptional worldwide situation, the first nine months of 2021 illustrate the incredible dynamic of the group in all geographical areas. Hermès model confirms its resilience, while posting excellent results.

Today is an opportunity to share the values of the house, around three presentations:

- first, the major trends in the *métiers* and the exclusive distribution network, presented by Éric du Halgouët, Executive Vice-President Finance,
- then, an immersion in the house's first *métier*, Leather Goods & Saddlery, and the excellence of our artisan's know-how, presented by Guillaume de Seynes, Executive Vice-President Manufacturing Division and Equity Investments,
- finally, Hermès' commitments to social and environmental responsibility, developed by Olivier Fournier, Executive Vice-President Corporate Development and Social Affairs.

Main topics on the agenda of the Analyst day

The dynamics of the business model

The exceptional performance of the house over the first nine months of 2021 shows the strength and resilience of the Hermès business model which is based on solid pillars:

- Hermès women and men,
- an authentic artisanal model,
- the power of creation,
- a multi local dynamic,
- financial robustness.

At the end of September 2021, sales increased by +35% compared to 2019. Over the first nine months, all the business lines posted double-digit growth, both compared to 2019 and 2020, with a remarkable progress in Ready-to-wear and Accessories, Watches and Other Hermès Business Lines (Jewellery and Homeware). Over 10 years, the first half revenue compounded annual growth rate is +12.5%.

The group continued its operational investments which amounted to €214 million in the first half and should be around €500 million for the full year 2021.

The distribution network, exclusive and balanced, continued to develop, as online sales central to our omnichannel strategy. This strategy is supported by a singular communication serving the 16 *métiers* of the house.

The group maintained a strong cash generation, despite the Covid-19 crisis, with an adjusted free cash flow close to €1 billion in 2020 and €1.2 billion in the first half of 2021. The year 2021 should be characterised by excellent cash generation, due in particular to the decrease in inventories.

The entrepreneurial spirit is at the heart of the business lines, both for Leather Goods which continues to grow based on its fundamentals and which benefits from a strong demand, and for Silk and Textiles, a *métier* emblematic of the house since 1937, which has been able to adapt with innovations in designs and new formats. Perfume and Beauty is having a dynamic year, marked by several launches, notably in Beauty with the launch of *Les Mains Hermès* this fall. Hermès watches have met with great success, with timepieces that carry know-how, emotion, and value. Along with houseware, Jewellery is another fast-growing *métier* with a strong identity. Finally, the Ready-to-wear and Accessories *métier* has also experienced strong growth in recent years and now accounts for nearly a quarter of sales.

The group's outlook remains unchanged, under the aegis of the *Odyssey*. In the medium-term, despite the 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 a singular communication.

Hermès Leather & Saddlery: a unique and constantly reinvented expertise

With more than 60% of its products made in our internal and exclusive workshops, and 80% of our products made in France, the integrated and artisanal model of production is one of Hermès' pillar combining durability, creativity and innovation since 1837. The sustained development of the craftsmanship model is continuing, with the 51 workshops and production sites in France enabling the preservation and development of know-how, the creation of jobs and the reinforcement of local integration, while being mindful of natural environments and local ecosystems. At the end of June 2021, the group employs around 17,000 people, including nearly 10,600 in France of which more than 5,600 are craftsmen.

The increase in production capacity is continuing with the construction of three new workshops underway by 2024, which will enable us to sustain an increase in production volumes of around +6-7% per year in average. The production of our leather goods is 100% made in France. The transmission of this unique know-how is organised around our 90 trainers and 200 leather goods tutors, via workshops, in collaboration with training centres and now the *École Hermès des savoir-faire*.

The requirement of the highest quality standards is at the heart of this model, with a very proactive training policy around the mastery of techniques and know-how for the 4,300 saddler-leather craftspeople, consisting of an average of 5 years to master these skills and that continues as lifelong training to develop expertise and versatility.

This development is based on a responsible development strategy that guarantees rigorous traceability of its materials and strict control of supply chains and production. Since its inception, Hermès produces objects made to last and thus has placed reparability at the heart of its objects, from the design stage and in the implementation of manufacturing techniques. Lastly, Hermès' artisanal identity, which is based on a constant dialogue between design and production, opens up infinite possibilities for innovation.

An artisanal, responsible and sustainable business model

Hermès places quality at the heart of its responsible and sustainable craftsmanship model.

Women and men of Hermès are placed at the core of its project, with a workforce that has doubled in the last ten years and an average group's employee seniority of nine years. Hermès is in the first place of the *Financial Times'* Diversity Leaders ranking and at the top of the *Capital* 500 best employers in France, for fashion and luxury.

Unique know-how is transmitted within the house, in our workshops and schools, in line with the humanist values of the house. Hermès believes that the diversity of talents is the foundation of growth, creativity, and innovation. The company is taking concrete and recurrent measures illustrated by the following results in 2020: 92/100 in the gender pay equality index, 60% of women among managers and a 5.7% disabled employment rate.

The artisanal model is particularly respectful of the planet. Hermès is committed to fighting climate change with a low-emission artisanal production model and with an ambitious strategy to reduce its greenhouse gas emissions by 50% in absolute terms for scope 1 and 2 emissions and by 50% in intensity for scope 3 over the period 2018 to 2030. The group relies on a science-based approach in its targets, in particular the science-based targets initiative (SBTi) which Hermès joined in 2020. This model enables a rational use of resources with, in particular, a -41.5% reduction in industrial energy intensity over ten years, and -25.3% in industrial water intensity.

Sources of inspiration and creation, nature and biodiversity are also priority issues for Hermès, which has renewed its commitment to Act4Nature in 2020. In addition, Hermès participated in the third Livelihoods fund and acted with numerous *métiers* level initiatives.

Respect for animal welfare is a requirement for the house, which has set up a very strict policy and a systematic work lead by upstream partners, as well as professional bodies of the sectors. Tailored control mechanism is set up for each sector, with audits carried out at the supply chain level.

Hermès objects are designed to last and integrate the principles of eco-design, re-use and circularity. In 2020, over 123,000 Hermès objects were repaired in the workshops. In particular, the orange box, an iconic object, is FSC-certified and 100% recyclable.

Recent rankings reflect Hermès' sustainable development strategy. In particular, MSCI with an A rating in its analysis of the company's resilience to environmental, social and governance risks, Vigeo-Eiris which ranks Hermès in the "Advanced" category, and CDP with an A- Climate change ranking.

*The Analyst Day will be held today from 8:30 a.m. to 12:30 p.m. CET.
All presentations are available on the group's website: <https://finance.hermes.com/en/publications>*

1837, Hermès has remained faithful to its artisan model and its humanist values. The freedom to create, the constant search for beautiful materials, the transmission of savoir-faire of excellence, and the aesthetic of functionality all forge the singularity of Hermès, a house of objects created to last. An independent, family owned company, Hermès is dedicated to keeping the majority of its production in France through its 51 workshops and production sites and to developing its network more than 300 stores in 45 countries. The group employs almost 17,000 people worldwide, including nearly 10,600 in France, among whom more than 5,600 are craftsmen*. Axel Dumas, a sixth-generation family member, has been Hermès CEO since 2013. Founded in 2008, the Fondation d'entreprise Hermès supports projects in the areas of artistic creation, training and the transmission of savoir-faire, biodiversity, and the preservation of the environment.

* As of 30th June 2021

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