

HERMES

Sales up 7.6%, operating income constant

Solid sales momentum in the first half

Sales for the six months ended 30 June came to €874.9m, up 7.6% at current exchange rates. At constant exchange rates, sales were about the same as in the first half of 2008, despite the economic downturn.

Sales for the Group's own stores advanced by 19 % at current exchange rates and by 9% at constant exchange rates, driven by growth in all regions other than Japan, where they dipped 4%.

Hermès continued to expand its distribution network. It opened five new branches (two in the United States, one in the United Kingdom, one in China and one in Korea) and took over a concession in Japan.

Wholesales were down 22% owing to scaled back purchasing by the specialised distribution networks for watches, perfumes and tableware.

Consolidated sales edged down slightly in Europe (excl. France), in the Americas and in Japan. They were higher in France and non-Japan Asia, where business was buoyed by robust expansion in China and Korea.

By sector, sales were driven by silk scarves, fashion accessories and the Leather Goods & Saddlery division, which enjoyed persistently strong demand for its products. Despite a small improvement in the second quarter, primarily for Perfumes, sales for the other sectors receded. The decline was most pronounced in Watches and Tableware, where sales generated through non-Group distribution channels were adversely affected by inventory drawdowns.

Operating income and operating cash flow remained constant

Operating income was €199.8m, down 2.0% compared with the €203.8m registered in the first half of 2008. The operating margin was 22.8%, against 25.1% at 30 June 2008.

Consolidated net income was €125.4m, down 7.0% on €134.9m in the first half of 2008. It was curtailed by the decline in the rate of return on financial investments and by the impact of valuation adjustments on foreign exchange instruments.

Operating cash flow was stable at €169.5m against €169.8m in the first half of 2008. Net cash amounted to €354m at 30 June 2009.

Investments amounted to €52.1m in the first half and were dedicated primarily to expanding the distribution network.

The Group did not buy back any of its own shares during the first half of 2009, other than shares traded under its liquidity contract.

Hermès had 7,988 employees at 30 June 2009. The Group created 94 new jobs during the first half, most of them in production and sales.

Outlook for the second half

The trend seen in the first half is consistent with the Group's target of steady sales over the full year at constant exchange rates and a slight contraction in current operating income.

Hermès will continue to follow its long-term strategy of maintaining control over its know-how and distribution network. It will continue to invest significantly in the second half during which it will open or renovate more than ten stores, primarily in Asia and in the United States.

Activity will continue to be driven by its ambitious, alluring creative designs and by the vitality of its craftsmanship.

The condensed interim consolidated financial statements will be available by latest 31 August 2009 at: www.hermes-international.com.