

HERMÈS

SALES AND OPERATING INCOME MOVED HIGHER

The Executive Management presented the audited accounts¹ for 2009 to the Supervisory Board at its meeting on 24 March 2010. These accounts reflect sales of €1,914.3 million, a year-on-year rise of 8.5% (4.1% at constant exchange rates) and a 3.1% increase in operating income.

Solid business over the Christmas holidays drove up sales in the Group's stores up by 18% in the fourth quarter and by 11% on a consolidated basis. Sales expanded by a robust 20% in the Americas, by 12% in Asia and by 9% in Europe.

All regions other than Japan delivered growth over the full year *(Like-for-like, at constant exchange rates)*

Despite a difficult business climate, sales for the Group's own stores advanced by 17% at current exchange rates and by 12% at constant exchange rates.

Hermès rapidly expanded its distribution network, with the addition of fourteen new branches and the renovation or expansion of nine other locations.

Wholesale revenues dropped by 17% at comparable exchange rates over the year as distributors drew down their inventories.

In Europe (up 2%), retail sales were driven up by 12% owing to excellent momentum in the fourth quarter. The distribution network was enlarged, with the opening of two new branches, including the first store in Turkey, in Istanbul, which opened in December.

In Japan, in a consistently lacklustre business climate, sales receded by 11% over the year.

In non-Japan Asia, sales moved up 29% over the year, propelled mainly by Mainland China, Macau and Hong Kong. Six new branches were opened in the region.

In the Americas, the fourth-quarter improvement in retail business pushed up annual sales by 7%. The distribution network was expanded with three new branches in the United States and one in Canada. Hermès opened its first location in Brazil, in the form of a concession in Sao Paulo.

By sector, sales growth was driven by Leather Goods & Saddlery (up 16%), under the impetus of leather bags, and by Silks & Textiles (up 6%), owing to a stream of new silk creations for women and men.

Ready to Wear & Fashion Accessories (up 3%) benefited primarily from solid demand in fashion accessories, while sales of Perfumes, which were adversely affected by distributor inventory drawdowns over the first nine months, fell by 7%.

Lastly, despite an improvement over the last two quarters, sales for the other sectors were down, primarily in Watches and Tableware, where the bulk of sales is generated through non-Group distribution channels.

Operating income and operating cash flow moved higher

Operating income advanced by 3.1% to €462.9 million from €449.2 million in 2008. The operating margin was 24.2% compared with 25.5% in 2008. At constant exchange rates, operating income rose by 3.9% and the operating margin was the same as in 2008.

Consolidated net income was steady compared with 2008 at €288.8 million compared with €290.2 million, despite the fall in interest rates paid on invested cash and the adverse currency impact.

Operating cash flow expanded by 5.9%, boosting the net cash position by €57 million to €508 million at the end of 2009.

Persistently high investments in 2009

Hermès invested €207 million, including €80 million to purchase a building at 167 New Bond Street in London. Other investments were dedicated primarily to increasing production capacity and expanding the distribution network.

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

New jobs created in 2009

The Hermès Group created 163 new jobs during the year. At the end of 2009, the Group had 8,057 employees throughout the world.

Outlook for 2010

Hermès will continue to follow its long-term strategy of maintaining control over its know-how and distribution network. In 2010, Hermès will continue to invest in expanding its distribution network. It plans to open twelve branches, including the new store on rue de Sèvres in Paris and a second branch on Madison Avenue in New York, which will be the first Hermès store dedicated entirely to men.

Hermès' sales growth remains being driven by its ambitious, alluring creative designs and by the vitality of its craftsmanship. This momentum will be sustained by rallying the distribution network's efforts to showcase our lavish collections and to highlight customer service – the strongest advantage in maintaining growth.

Proposed dividend

At the Annual General Meeting, the shareholders will be asked to approve a dividend of €1.05 per share.

The Annual General Meeting will take place on 7 June 2010.

The complete consolidated financial statements will be available by no later than 30 April 2010 at www.hermes-international.com and on the AMF website at www.amf-france.org.

¹ In the process of being certified.
