

# HERMÈS

## EXCEPTIONAL SALES AND EARNINGS GROWTH

### OPERATING MARGIN WIDENS TO 27.8%

During the Supervisory Board meeting on 3 March 2011, Management presented the audited accounts<sup>1</sup> for 2010, with sales of 2,400.8 million euros, up 25.4% (+18.9% at constant exchange rates) and operating income of 668.2 million euros, up 44.3%. **“This performance reflects the quality of our corporate model and the efficiency of our staff who implement it”** Patrick Thomas declared.

#### **Harmonious growth in regions and sectors**

*(Data on a comparable basis and at constant exchange rates)*

Sales in the group's own stores were up 31% at current exchange rates or 24% at constant exchange rates. The group continued to develop its distribution network, with 13 new branches opened and 9 others renovated or enlarged.

Wholesale revenues were up 3% for the full year at comparable exchange rates.

In Europe (+18%), all countries performed strongly. A new Paris store was opened on Rue de Sèvres at the end of the year. Great interest was aroused by the originality of its interior architecture and the space devoted to home interiors. Elsewhere in Europe, the network was extended with a new branch in Amsterdam, while three other stores were renovated or enlarged.

In the Americas (+24%), growth was sustained throughout the year, particularly in the group's own stores (+28%), boosted by the first Hermès store devoted to men, which was opened on Madison Avenue, New York, at the start of the year.

In Asia, sales rose 19% for the full year. In Japan, sales were virtually stable. Growth in other countries (+38%) was driven by strong momentum in mainland China, Macao and Hong Kong. The extension of the network continued, with 10 new branch openings, including four in China.

Sales of Silks & Textiles grew 19%, boosted both by new women's silk collections, which were expanded to include exceptional new products in cashmere and silk, and by the increasing appeal of the new products to young customers.

Driven by small leather accessories and leather bags, where demand remained very strong, Leather Goods & Saddlery recorded growth of 21% in 2010.

Ready-to-Wear & Fashion Accessories (+18%) benefited from new ready-to-wear collections and growth in fashion accessories.

In Perfumes, (+16%) sales were boosted by the successful launch of *Voyage d'Hermès* in March and by *Terre d'Hermès*, which continues to enjoy success year after year.

Watches recovered (+23%) while Tableware achieved a noticeable improvement (+11%).

#### **Exceptional growth in earnings and cash**

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<sup>1</sup> In the process of certification

Operating income rose 44.3% to 668.2 million euros from 462.9 million euros in 2009. The operating margin rose by 3.6 percentage points to 27.8%, the best performance recorded by the group since it went public in 1993.

Consolidated net income (421.7 million euros against 288.8 million euros) and net income per share grew by 46.0% compared with 2009.

Thanks to a 42.5% increase in operating cash flows and a significant reduction in the working capital requirement, net cash increased by 321 million euros to 829 million euros at the end of 2010 compared with 508 million euros at the end of 2009.

### **Investments sustained over 2010**

Investments in operating activities, mainly channelled into developing the distribution network and strengthening production capacity, totalled 153.8 million euros.

The Group did not buy back any of its own shares in 2010, other than shares traded under the liquidity contract.

### **Increased headcount**

The Hermès Group created 309 new jobs, mainly in sales and production. At the end of 2010, the Group had 8,366 employees.

### **Outlook for 2011**

Hermès will continue to follow its long-term strategy of maintaining control over its know-how and distribution network. In 2011, Hermès will continue to invest in expanding its distribution network, with 13 branch openings. Hirings of new staff will be pursued to face the Group's strong development.

In 2011, Hermès, the “contemporary artisan”, will emphasise the excellence and authenticity of its craftsmanship, which is the base on which it has built its success and its future. The virtuosity of our craftsmen represents a foundation of unique quality and an indispensable support for our ambitious and inspired creativity.

### **Proposed dividend**

A proposal will be submitted to the AGM on 30 May 2011 to set the dividend at €1.50 per share. The interim dividend of €1.00 paid on 10 February 2011 will be deducted from the dividend to be decided by the AGM.

The full consolidated accounts will be available by 30 April 2011 at [www.hermes-international.com](http://www.hermes-international.com), as well as on the AMF's site ([www.amf-france.org](http://www.amf-france.org)).