

HERMÈS

First quarter financial report (three months ended 31 March 2011)

MESSAGE FROM MANAGEMENT

On 11 March 2011, Japan was struck by a catastrophic earthquake of unprecedented magnitude. Our hearts and minds go out to all the people who are suffering enormous hardship in the aftermath of this tragic disaster. We are deeply grateful to Hermès employees in Japan and greatly admire the extraordinary courage and dignity they have shown in coping with this terrible situation. Hermès reiterates and stands firmly behind its long-term commitment to Japan – a market that sets the benchmark world-wide when it comes to appreciating quality and setting exacting standards.

Sales expanded by 25.5% in the first quarter

Consolidated revenue totalled €637.1 million in the first quarter, a rise of 25.5 % at current exchange rates and of 20.7 % at constant exchange rates. The remarkable performance and exceptional business momentum registered in 2010 persisted throughout the first three months of 2011.

The Group's own stores generated extremely robust growth of 20 % at constant exchange rates – a noteworthy performance, given the very high increase registered in the first quarter of 2010. Wholesale revenue moved up 23 % at constant exchange rates, propelled by vigorous demand, particularly in the Watch and Perfumes segments.

First-quarter sales by sector and region

(at constant exchange rates, unless otherwise indicated)

All regions other than Japan delivered high growth in the first quarter. Hermès opened two new branches.

France, which benefited from the success of the new store on rue de Sèvres in Paris opened in late of 2010, delivered robust sales growth (19 %), as did the rest of Europe (21 %).

The Americas and non-Japan Asia registered exceptional growth of 33 % and 27 %, respectively.

In Japan, sales were stable in the three months to 31 March. The favourable trend at the beginning of the year reversed after the earthquake on 11 March.

All sectors benefited from ongoing innovation and fresh, new creative designs.

The uptrend in sales was underpinned by the new collections in Silks & Textiles, which were greeted enthusiastically, and by the success of fashion accessories. Watches staged a recovery with a 34 % increase. In Perfumes, momentum remained strong, with sales advancing by 33 %. The Jardins collection was enhanced with a new fragrance, *Un Jardin sur le toit*. In Leather Goods & Saddlery, demand for leather bags continued to run high, and sales expanded by 17 %.

Significant events during the first quarter

The exchange rate trend at end-March was favourable. It produced a positive impact of €24 million on sales.

The Group did not buy back any shares during the first quarter of 2011, other than shares traded under the liquidity contract.

Hermès has owned a stake in Jean-Paul Gaultier since 1999 and has supported that company's international development. Mr Jean-Paul Gaultier wished to step up the pace of expansion and to inject new momentum into his firm. By mutual agreement with the designer, on 3 May, Hermès sold its entire 45 % interest to the Spanish group Puig. The proceeds from disposal of this investment (€16 million) and from repayment of loans to the company (€14 million) will generate a like amount of accounting profits in 2011 (€30 million).

Outlook for 2011

The forecast for 2011 is clouded by geopolitical and economic uncertainties, and more specifically by trends in the Japanese market. As a result, it is difficult to make any projections. Our consolidated revenue growth target for the year remains unchanged, in the range of 8 % to 10 % at constant exchange rates.

Hermès will not deviate from 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 and plans to open ten branches.

The theme for 2011, "Hermès Contemporary Artisan" focuses on the excellence and authenticity of the expertise in craftsmanship that is the foundation on which the house has built its success over time, and that will continue to underpin it in the future. The consummate skill of our craftsmen serves as the basis for our unrivalled quality and as the cornerstone for our ambitious, inspired creations.

INFORMATION BY SECTORS

In millions of Euros	1 st quarter		Evolutions	
	2011	2010	published	at constant exchange rates
<i>Distribution via the Hermès exclusive network :</i>				
Silk & Textiles	78.6	60.4	30.3%	25.5%
Leathergoods & Saddlery (1)	302.9	247.9	22.2%	16.6%
Ready-to-wear & fashion accessories (2)	129.4	103.2	25.5%	21.0%
Other Hermès Sectors (3)	21.0	16.9	23.4%	19.4%
Subtotal	531.9	428.4	24.2%	19.0%
<i>Distribution via specialist outlets :</i>				
Perfumes	40.9	30.6	33.6%	32.9%
Watches	27.9	20.0	39.5%	33.6%
Tableware	10.8	9.7	12.0%	9.7%
Subtotal	79.6	60.3	32.1%	29.4%
Other products (4)	25.6	19.0	34.1%	32.0%
TOTAL	637.1	507.7	25.5%	20.7%

(1) Leathergoods & Saddlery include bags & luggages, horse riding, diaries and small leather goods.

(2) Ready-to-wear and fashion accessories include ready-to-wear, male and female, belts, accessories jewellery, gloves, hats and Hermès shoes.

(3) Other Hermès sectors include jewellery and products of the art of living department.

(4) Other products include John Lobb shoes as well as production activities realized for third parties (textile printing, perfumes, tanning,...).

INFORMATION BY GEOGRAPHICAL ZONES (1)

In millions of Euros	1 st quarter		Evolutions	
	2011	2010	published	at constant exchange rates
France	108.5	90.9	19.4%	19.4%
Europe (Excl. France)	117.7	95.1	23.7%	20.9%
Total Europe	226.2	186.0	21.6%	20.2%
Japan	102.6	91.7	11.9%	0.3%
Asia Pacific (Excl. Japan)	192.1	143.9	33.5%	27.3%
Total Asia	294.7	235.6	25.1%	16.8%
Americas	105.1	77.5	35.6%	33.3%
Others (2)	11.1	8.6	28.3%	27.6%
TOTAL	637.1	507.7	25.5%	20.7%

(1) Sales by geographical zones are by destination

(2) Including sales to airline companies