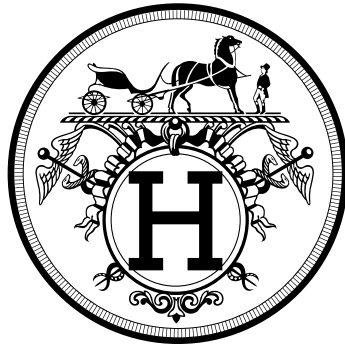




HERMÈS

2010 ANNUAL REPORT
OVERVIEW OF THE GROUP - REVIEW OF OPERATIONS







2010 REGISTRATION DOCUMENT FILED WITH THE AUTORITÉ DES MARCHÉS FINANCIERS

In accordance with Article 212-13 of the AMF General Regulation, this shelf-registration document, which contains the annual financial report and comprises Volume 1 and Volume 2 of the Annual Report, was filed with the AMF on 19 April 2011.

This document may be used in support of a financial transaction only if it is supplemented by an offering circular approved by the AMF.

**2010 ANNUAL REPORT
GROUP OVERVIEW - REVIEW OF OPERATIONS**

VOLUME 1

Hermès International

Partnership limited by shares with share capital of €53,840,400.12 - Commercial and Company Register of Paris No. 572 076 396
Registered office: 24, rue du faubourg Saint-Honoré, 75008 Paris. Tel.: + 33 (0)1 40 17 49 20. Fax: + 33 (0)1 40 17 49 21.

Legal filing, 2nd quarter of 2010. ISBN 978-2-35102-049-4

2010

Sales to be told!





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VOLUME 2

- Presentation of Hermès International and Émile Hermès SARL
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- Property and Insurance
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- NRE Annexes: Human Resources
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MESSAGE FROM THE CHAIRMAN



Bertrand Puech and Patrick Thomas.


In 2010 our designers were inspired by the theme “Tales to be told”. Hermès truly shone, making the most of the rich heritage that forms the basis of our individuality.

2009 was a year for prudence, but this year we gave our *métiers* and stores free rein to express themselves.

The prolific creativity of the leather goods, textiles, fashion accessories, ready-to-wear and other *métiers* strengthened our already rich product lines, providing our clients with a constant stream of delights and surprises.

Our *métiers* also devoted themselves to showcasing these creations, making the product offers lively and ensuring that supply remained smooth and continuous, thanks notably to a modern, integrated logistics system that was put into place.

Our stores harnessed Hermès’ distinctive creativity in increasingly more remarkable fashion, highlighted by a series of ambitious new openings: a space exclusively dedicated to menswear on Madison Avenue, New York, a new 1,400m² store on Paris’s Left Bank, and 11 other openings around the world in China, Japan, Singapore, Australia and the Netherlands.

Three new activities were added to our established sectors. Homeware, unveiled at the opening of our Left Bank store, now offers our customers furniture, carpets, furnishing fabrics and wallpaper. In the new department of “petit ”, a team of talented artists take discarded materials and objects and transform them into unique, magical creations. And finally, Shang Xia, a Chinese company with Chinese management, has been set up to design, produce, and sell a range of high-quality items based on Chinese craftsmanship.

In order to support the remarkably sustained growth, major efforts were made to ensure that in-store customer service was as personal and imaginative as possible.

Our subsidiaries John Lobb, Saint-Louis and Puiforcat also posted handsome results. The new perfume *Voyage d’Hermès* took off in style.

All this adds up to the finest year in Hermès’ history so far, in terms of both development and profitability which, all in all, is the best possible guarantee of our independence.

Responding to movements in our capital base, the Hermès family, the majority shareholder, reaffirmed their essential role in shaping the house’s philosophy and performance, and stated once more their strong determination to continue playing that same role in the long term.

These results were achieved thanks to the extraordinary commitment of every single person working for the house, as well as the shared knowledge of our business model.

We would like to extend our warmest thanks to each and every one of you.

We will no doubt continue to grow in 2011, especially with a theme that is so fitting for this house - “Hermès, contemporary artisan”.

Previous page: Spring-summer 2010 advertising campaign.

← Window display at 24, faubourg Saint-Honoré designed by Leïla Menchari, winter 2010.

Patrick Thomas
Executive chairman

Émile Hermès SARL
Executive chairman,
represented by **Bertrand Puech**





Group Overview

GROUP MANAGEMENT

The role of the Executive Chairmen is to manage the Group and act in its general interest, within the scope of the corporate purpose and subject to those powers expressly granted by law to the Supervisory Board and to General Meetings of shareholders. Hermès International's executive management is comprised of the Executive Chairmen and the Executive Committee, which consists of six Managing Directors, each of whom has well-defined areas of responsibility. Its role is to oversee the Group's strategic management.

EXECUTIVE CHAIRMEN

Patrick Thomas
Executive Chairman

Émile Hermès SARL
Executive Chairman,
represented by Bertrand Puech

EXECUTIVE COMMITTEE

Patrick Thomas
Executive Chairman

Patrick Albaladejo
Deputy Managing Director
Strategic Development & Corporate
Image

Axel Dumas¹
Managing Director Operations

Pierre-Alexis Dumas
Artistic Managing Director

Beatriz González-Cristóbal Poyo
Managing Director
Marketing

Mireille Maury
Managing Director
Finance & Administration

Mineaki Saito²
Deputy Managing Director
Marketing

Guillaume de Seynes
Managing Director
Manufacturing Division & Equity
Investments

MESSAGE FROM MANAGEMENT

On 11 March 2011, Japan was struck by a catastrophic earthquake of unprecedented magnitude. Our hearts and minds – and those of the entire Hermès family – 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 standard world-wide when it comes to appreciating quality and setting exacting requirements.



← Executive Committee.

MANAGEMENT BODIES

The Supervisory Board exercises ongoing control over company management. For this purpose, it has the same powers as the Statutory Auditors. The Supervisory Board determines the proposed earnings appropriation for the financial year to be submitted to the Annual General Meeting. The Active Partner must consult the Supervisory Board before making any decisions pertaining to strategic options, to consolidated operating and investment budgets or to recommendations to the General Meeting with respect to the distribution of share premiums, reserves and retained earnings. The Supervisory Board also submits to the Active Partner its considered recommendations on the appointment or possible revocation of the powers of the Executive Chairmen. The Audit Committee ascertains that the consolidated financial statements fairly and accurately reflect the Group's financial position. The role of the Compensation, Appointments and Governance Committee is to ascertain that the remuneration of the Executive Chairmen complies with the provisions of the Articles of Association and the decisions made by the Active Partner. The Committee also participates in drawing up proposed appointments of corporate executive officers and is responsible for monitoring corporate governance matters.



Jérôme Guerrand, Chairman
of the Supervisory Board until 3 March 2011.



Éric de Seynes, Chairman
of the Supervisory Board since 3 March 2011.

On behalf of our house, I wish to extend our deepest thanks to Jérôme Guerrand for his commitment and devoted efforts during his twenty years of service as Chairman of the Supervisory Board, alongside Jean-Louis Dumas and Bertrand Puech. Under his leadership, his expertise and his attachment to the family's values have made a major contribution to furthering the Board's work and to good governance within our house. I assure you that I intend to pursue these efforts and to follow in this path.

Éric de Seynes

The Active Partner is jointly and severally liable for all the Company's debts, for an indefinite period of time. The Active Partner has the authority to appoint or revoke the powers of the Executive Chairmen, after receiving the considered recommendation of the Supervisory Board. The Active Partner makes all decisions pertaining to the Group's strategic options, consolidated operating and investment budgets, and recommendations to the General Meeting with respect to the distribution of share premiums, reserves and retained earnings, on the recommendation of the Supervisory Board. It may submit recommendations to the Executive Management on any matter of general interest to the Group. It authorises all company loans, sureties, endorsements and guarantees, any pledges of collateral and encumbrances on the Company's property, as well as the creation of any company or acquisition of an interest whenever the investment amounts to more than 10% of the Group's net worth.

SUPERVISORY BOARD

Éric de Seynes¹
Chairman¹ and member²

Jérôme Guerrand
Chairman and member³

Maurice de Kervénoaël
Vice-Chairman

Ernest-Antoine Seillière
Vice-Chairman

Charles-Éric Bauer
Matthieu Dumas
Julie Guerrand
Olaf Guerrand¹
Renaud Momméja
Robert Peugeot
Guillaume de Seynes⁴
Florence Woerth²

AUDIT COMMITTEE

Maurice de Kervénoaël
Chairman

Charles-Éric Bauer
Julie Guerrand⁵
Renaud Momméja
Robert Peugeot
Florence Woerth²

COMPENSATION, APPOINTMENTS AND GOVERNANCE COMMITTEE

Ernest-Antoine Seillière
Chairman

Matthieu Dumas
Robert Peugeot

ACTIVE PARTNER

Émile Hermès SARL,
represented by its Management Board:

Bertrand Puech
Executive Manager, Chairman
and Member of the Management Board

Philippe Dumas
Vice-Chairman

Hubert Guerrand
Vice-Chairman

Henri Louis Bauer
Sandrine Brekke
Frédéric Dumas
Édouard Guerrand
Agnès Harth
Laurent E. Momméja
Pascale Mussard
Éric de Seynes⁶
Guillaume de Seynes⁷

¹ Since 3 March 2011

² Since 7 June 2010

³ Until 3 March 2011

⁴ Until 7 June 2010

⁵ Until 2 March 2011

⁶ Until 4 June 2010

⁷ Since 4 June 2010



SIX GENERATIONS OF CRAFTSMEN

Today, Hermès employs 8,366 people worldwide and has 317 exclusive stores, 193 of which are directly operated. Although it has achieved international stature, Hermès has never lost its human touch and continues its tradition of fine craftsmanship.

Thierry Hermès, a harness-maker, set up business in Paris in 1837. Ever since, his descendants have worked to build up the Hermès Group. In 1880, his son transferred the family business to its now-famous address, 24, faubourg Saint-Honoré, where he expanded into the saddlery business. Soon, he was supplying saddles and harnesses to aristocratic stables all over the world.

In 1918, with the advent of the automobile, the founder's grandson Émile Hermès foresaw the changes to come in transportation and envisioned a new kind of lifestyle. He launched a line of fine leather goods and luggage with "saddle stitching". The Hermès style was born and soon extended to clothing, jewellery, silver, diaries, silk scarves, and other items.

Émile Hermès also began a private collection, which was to become a source of inspiration for his designers.

During the 1950's, Émile Hermès' sons-in-law Robert Dumas and Jean-René Guerrand took charge of the Company and further diversified

its operations, while taking care to uphold the brand's integrity.

Beginning in 1978, and aided by other fifth- and sixth- generation members of the family, Jean-Louis Dumas brought a renewed freshness to Hermès by expanding into new crafts and establishing a global network of Hermès stores.

Twenty-eight years later, he handed the reins to Patrick Thomas, Co-Executive Chairman of Hermès since September 2004 (and Managing Director of the Group from 1989 to 1997).

The artistic directorship was passed to Pierre-Alexis Dumas since February 2011. Today, Hermès is active in fourteen different sectors: Leather Goods, Scarves, Ties, Men's and Women's Ready-to-Wear, Perfumes, Watches, Diaries, Hats, Footwear, Gloves, Enamel, Art of Living, Tableware and Jewellery. International in scope, Hermès has continued to grow while remaining a family firm with a uniquely creative spirit that blends precision manufacturing with traditional craftsmanship.



← Window display
at 24, faubourg Saint-Honoré
designed by Leïla Menchari,
winter 1978.



For over 170 years, Hermès has been creating, inventing and innovating. Some of our models have never gone out of style, and are still popular today, decades after they were first designed. Reissued, reinterpreted and reinvented, these timeless creations have forged the identity of Hermès.

← Les Maisons Enchantées
service in Faïence.

> 1837

- Harnesses

1867

- Saddles

Circa 1900

- *Haut à courroies* bag designed by Émile Hermès.

1903

- *Rocabar* blanket

1922

- Belts

1923

- Dual-handled handbag

1924

- Fabric gloves with zipper

1925

- First men's garment
- *Mallette à coins rapportés*

1927

- Wristwatches
- *Collier de chien* belt
- *Filet de selle* bracelet

1928

- *Ermeto* watch

> 1929

- Development of women's and men's fashions

1930

- Diaries
- *Sac à dépêches* briefcase
- *Kelly* handbag, designed by Robert Dumas

1937

- Silk scarves

1938

- *Chaîne d'ancre* bracelet, designed by Robert Dumas
- First garment with "silk scarf" pattern

1949

- Printed silk ties

1951

- *Eau d'Hermès*

1954

- Ashtrays
- Bath mats

1961

- *Calèche* fragrance for women

1968

- *Twillaine* knitwear and silk scarf garments



Bracelets in enamel.

> 1969

- *Constance* handbag

1970

- *Équipage* fragrance for men

1971

- *Nausicaa* bracelet

1972

- Hermès shoes for women

1974

- *Amazone* fragrance for women

1975

- *Kelly* watch

1976

- First complete men's ready-to-wear collection
- Enamel bracelets

1978

- *Ghillie* shoes

1979

- *Eau de Cologne* Hermès, renamed *Eau d'orange verte* in 1997
- Pleated scarves

1982

- John Lobb ready-to-wear shoes

1983

- *Clipper* watch

> 1984

- *Pivoines* porcelain
- *Parfum d'Hermès* fragrance for women

1985

- Silk gavroche scarf

1986

- *Bel Ami* fragrance for men
- *Toucans* porcelain
- *Pippa* furniture

1993

- *Oxer* saddle
- Cristal Saint-Louis *Bubbles* crystal tableware

1994

- Soft bag range
- *Touareg* jewellery

1995

- *24, Faubourg* fragrance for women
- *Fourre-tout* bag
- *Sadhou* diamond ring

1996

- *Fanfare* crystal glasses
- *Charnière* steel flatware
- *Harnais* watch
- Puiforcat *Nantes* flatware

1997

- Hermès shoes for men

1998

- *Herbag* bag
- Twice-round watch bands
- *Quick* trainers
- Puiforcat *Wave* flatware



Chaîne d'ancre bracelet in silver.



Jardin des Orchidées service in porcelain.



Eau des Merveilles fragrance for women



Bracelet in rose gold with brown diamonds.



Pippa armchair.

> 1999

- *Hiris* fragrance for women

2000

- *Corlandus* dressage saddle
- *Comète* flatware
- *Tandem* watch
- *Nil* and *Les matins de l'étang* porcelain

2001

- Creation of *Détail* silk scarves
- *Onde* flatware
- *Rythme* porcelain and crystal collection
- *Essentielle* jumping saddle

2002

- *Égypte* sandals in lacquer and leather
- *Picotin* handbag
- *Plein cuir* desk line

2003

- *Un Jardin en Méditerranée* fragrance
- *Twilly* in silk twill
- *Dressage* automatic gold watch
- *Étrivière* briefcase

2004

- *Eau des Merveilles* fragrance for women
- *Barénia* watch
- *Brasília* jumping saddle
- *Hermessence* fragrance collection

2005

- *Herlight* suitcase
- *Kelly 2* watch
- *Un Jardin sur le Nil* fragrance
- *Balcon du Guadalquivir* porcelain

> 2006

- *Lindy* bag
- *Cape Cod 8 jours* watch
- *Terre d'Hermès* fragrance for men
- *Paris-Bombay* bag
- *Cheval d'Orient* service

2007

- *Carré 70* in vintage silk
- *Kelly Calèche* fragrance for women
- *Fil d'argent* porcelain
- Rose gold and brown diamond jewellery

2008

- *Jypsière* bag
- *Horizon* diary
- *Bardette Andaluz* (children's saddle)
- *Carré fluide* in silk jersey
- *Un Jardin après la Mousson* fragrance
- *Jardin des Orchidées* porcelain

2009

- *Victoria* saddle
- Cross-dyed/Dip Dye carré
- *Colognes Hermès* collection
- *Mosaïque au 24* porcelain
- *Cape Cod Tonneau* watch

2010

- Automatic *Arceau Chrono* watch
- Haute Bijouterie collection
- *Les Maisons enchantées* service in faïence
- *Tie* in heavy twill
- *Talaris* saddle
- *Voyage d'Hermès* fragrance
- *Kelly 35 So-black* bag
- *Toolbox 20* bag
- Furniture, Jean-Michel Frank collection

KEY FIGURES

KEY CONSOLIDATED DATA (in millions of euros)

	2010	2009	2008	2007	2006
Revenue	2,400.8	1,914.3	1,764.6	1,625.1	1 514.9
Recurring operating income	668.2	462.9	449.2	414.5	401.1
Operating income	668.2	462.9	449.2	423.7	415.2
Net income attributable to owners of the parent	421.7	288.8	290.2	288.0	268.4
Operating cash flows	571.5	401.1	378.9	356.6	321.7
Investments (excluding financial investments)	153.8	207.3	160.4	155.9	134.3
Shareholders' equity ¹	2,150.3	1,789.9	1,588.5 ²	1,459.8 ²	1,409.0
Net cash position	828.5	507.6	450.5	480.5	538.2
Restated net cash ³	950.1	576.4	432.4	485.5	536.3
Economic value added ⁴	332.7	191.6	190.8	196.5	197.7
Return on capital employed (ROCE) ⁵	32%	21%	22%	25%	26%
Number of employees	8,366	8,057	7,894	7,455	6,825

¹ Equity excluding non-controlling interests.

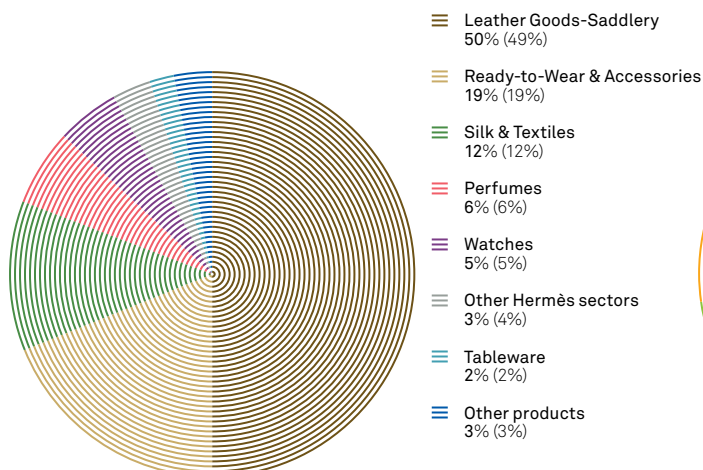
² After application of IAS 38 on the treatment of samples at the point of sale and of advertising and promotional expenditure.

³ Includes non-liquid financial investments and borrowings.

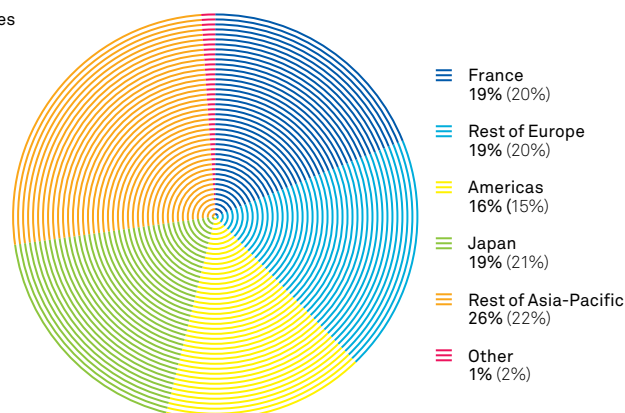
⁴ Difference between adjusted operating income after tax on operating income and the weighted average cost of capital employed (net value of long-term capital and working capital).

⁵ Difference between adjusted operating income after tax on operating income and the average cost of capital employed.

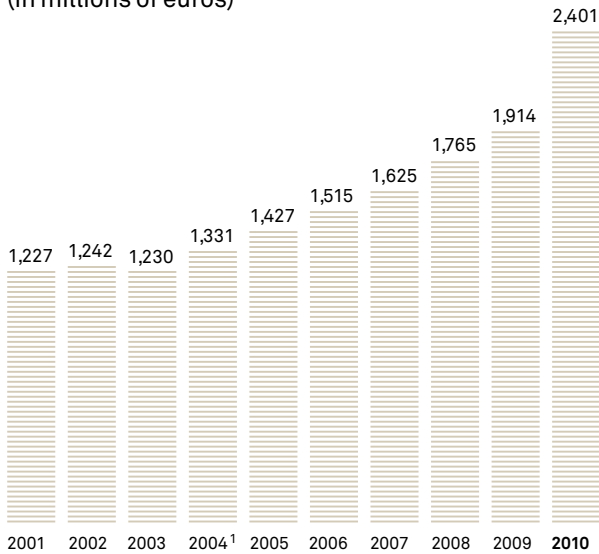
BREAKDOWN OF REVENUE BY SECTOR 2010 (2009)



BREAKDOWN OF REVENUE BY REGION 2010 (2009)

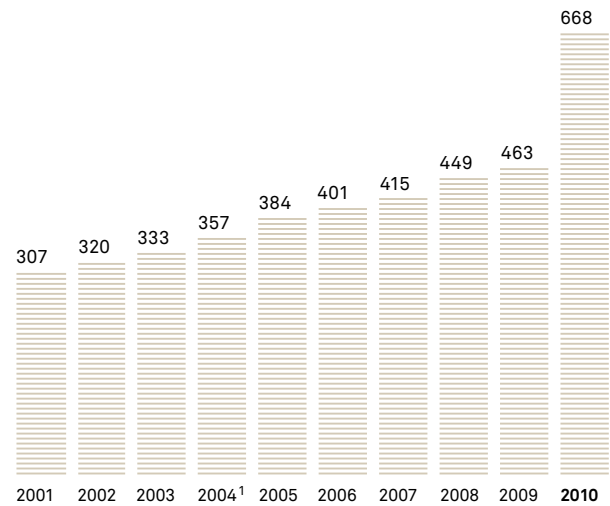


CONSOLIDATED REVENUE
(in millions of euros)



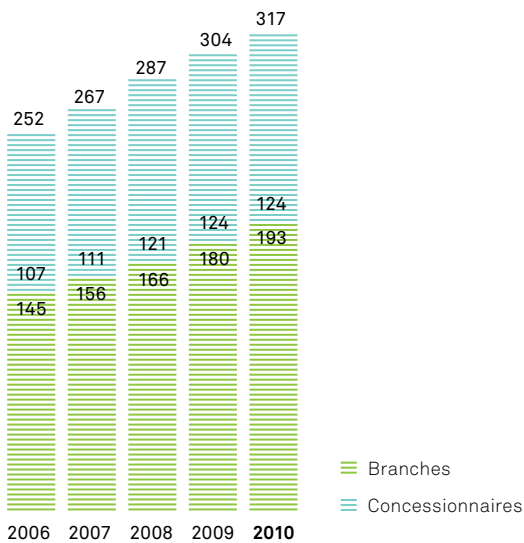
¹ 2004 figures are restated under IFRS.

RECURRING OPERATING INCOME
(in millions of euros)



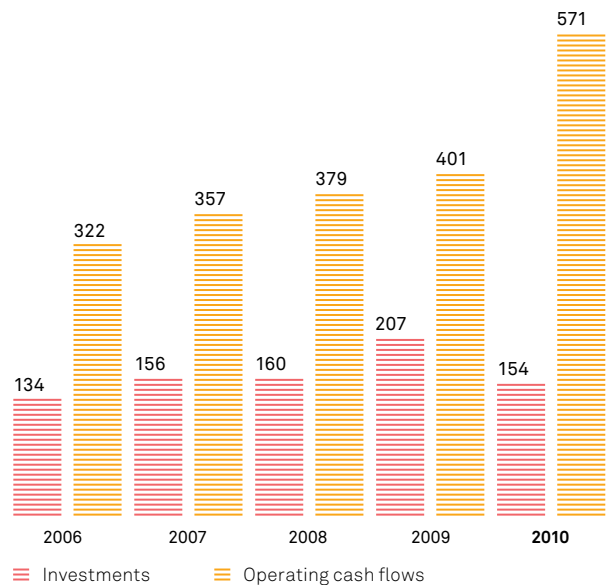
¹ 2004 figures are restated under IFRS.

NUMBER OF EXCLUSIVE RETAIL OUTLETS



■ Branches
■ Concessionnaires

INVESTMENTS (EXCLUDING FINANCIAL INVESTMENTS) AND OPERATING CASH FLOWS (in millions of euros)

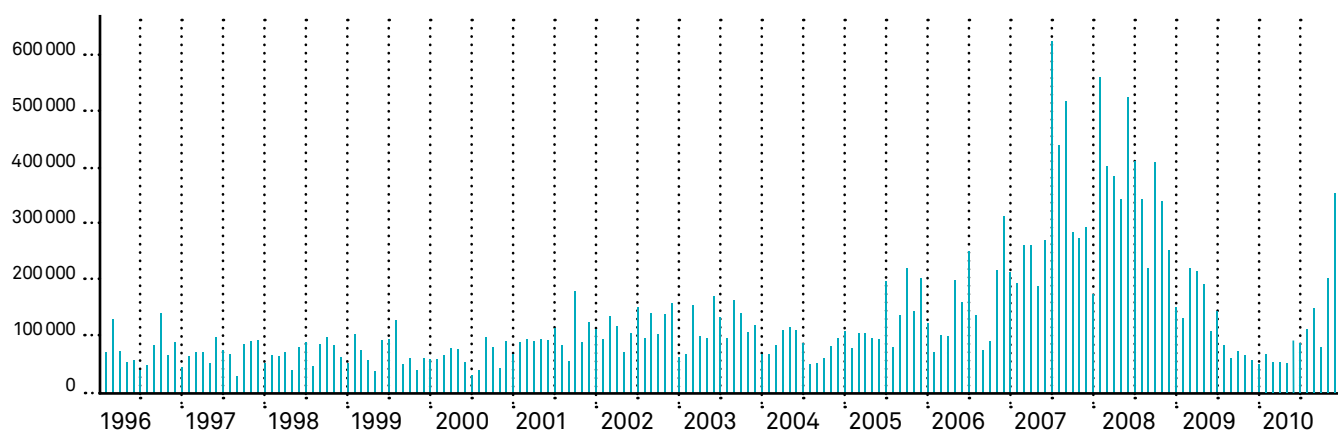


■ Investments ■ Operating cash flows

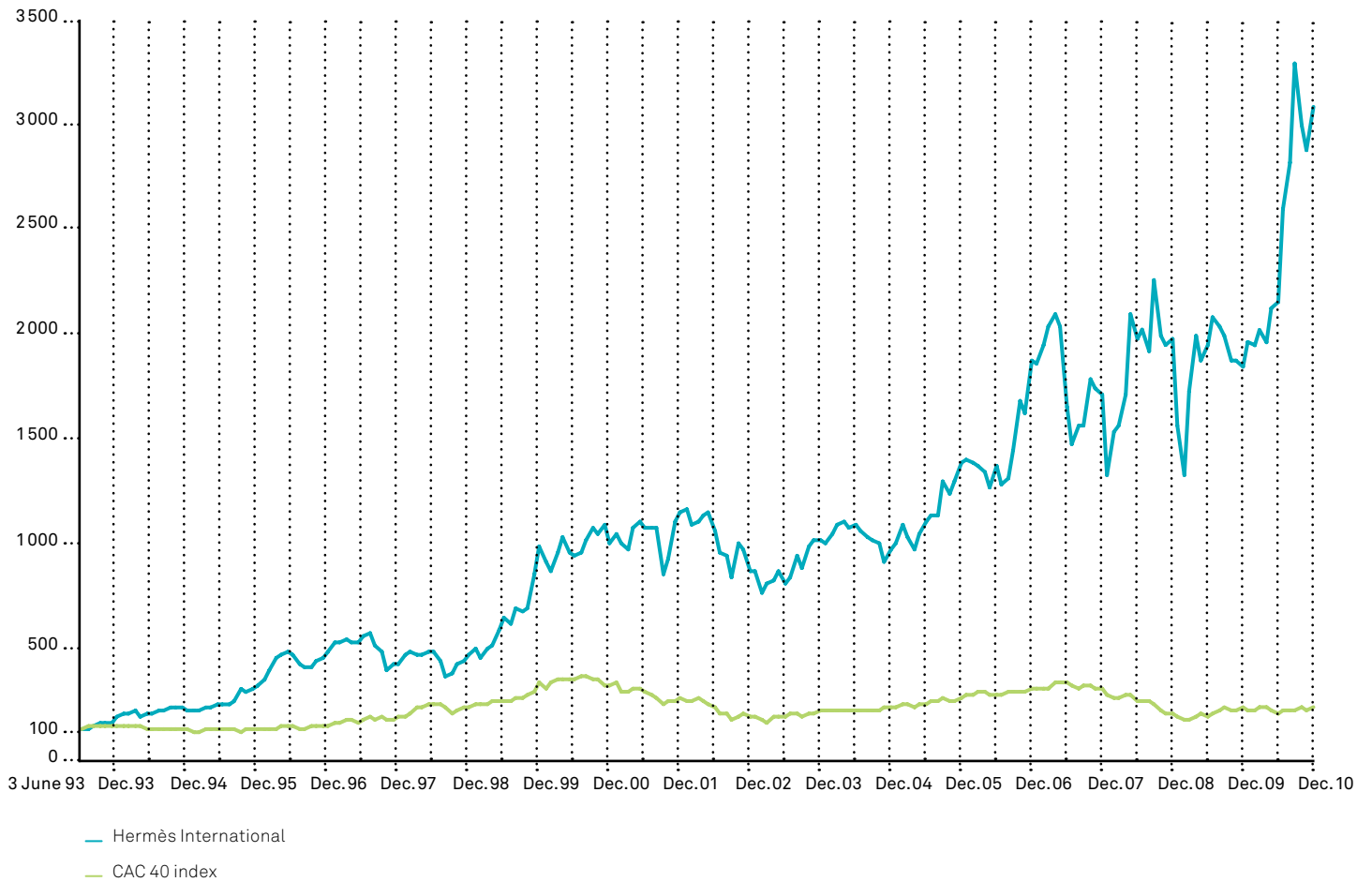
KEY STOCK MARKET DATA

	2010	2009	2008
Number of shares as at 31 December	105,569,412	105,569,412	105,550,012
Average number of shares (excluding treasury shares)	105,162,445	105,128,870	105,074,019
Market capitalisation as at 31 December	€ 16.54 Bn	€ 9.85 Bn	10.55 Bn
Earnings per share (excluding treasury shares)	€ 4.01	€ 2.75	€ 2.76
Dividend per share	€ 1.50	€ 1.05	€ 1.03
Monthly average daily trading volume	124,790	117,933	370,644
12-month high share price	€ 207.75	€ 106.70	€ 131.89
12-month low share price	€ 92.00	€ 64.84	€ 59.42
12-month average share price	€ 125.67	€ 92.91	€ 92.11
Share price as at 31 December	€ 156.75	€ 93.31	€ 100.00

AVERAGE DAILY TRADING VOLUME (NUMBER OF SHARES)



HERMÈS INTERNATIONAL SHARE PRICE ¹ / CAC 40 INDEX (BASE: 100 ON 3 JUNE 1993)



¹ Figures adjusted to reflect stock splits.

The monthly share price trend for Hermès International over the past five years is shown in Volume 2, on page 82.

SIMPLIFIED ORGANISATION CHART AS AT 31 DECEMBER 2010

HERMÈS INTERNATIONAL

The percentages in the chart represent direct or indirect ownership interests.

— Retail distribution of Hermès brand products

Hermès Sellier 99.77% Divisions Hermès Distribution France, Hermès Distribution Europe <i>France</i>	Herlee 100% <i>China</i>
Hermès Bénélux Nordics 100% <i>Belgium</i>	Hermès (China) 100% <i>China</i>
Hermès GB 100% <i>United Kingdom</i>	Hermès Asia Pacific 100% <i>China</i>
Hermès GmbH 100% <i>Germany</i>	Hermès India Retail and Distributors 51.01% <i>India</i>
Hermès Iberica 100% <i>Spain</i>	Hermès Japon 100% <i>Japan</i>
Hermès Internacional Portugal 100% <i>Portugal</i>	Hermès Australia 100% <i>Australia</i>
Hermès Monte-Carlo 100% <i>Principality of Monaco</i>	Hermès Middle East South Asia 100% <i>Southern Asia</i>
Hermès Grèce 100% <i>Greece</i>	Saint-Honoré Consulting 100% <i>India</i>
Hermès Italie 100% <i>Italy</i>	Hermès South East Asia 100% <i>Asia-Pacific</i>
Hermès Prague 100% <i>Czech Republic</i>	Boissy Retail 100% <i>Singapore – South Korea</i>
Hermès Suisse 100% <i>Switzerland</i>	Hermès Korea 94.59% <i>South Korea</i>
Hermès Istanbul 100 % <i>Turkey</i>	Hermès Retail (Malaysia) 70% <i>Malaysia</i>
Hermès Canada 100% <i>Canada</i>	Hermès Singapore (Retail) 80% <i>Singapore</i>
Hermès de Paris (Mexico) 51% <i>Mexico</i>	Saint-Honoré Bangkok 51% <i>Thailand</i>
Hermès Argentina 100 % <i>Argentina</i>	
Hermès of Paris 100% <i>USA</i>	

— Production and wholesale distribution
of Hermès brand products
Design, other brands and other sectors

— Production

— Minority holdings

<p>Hermès Sellier 99.77% Divisions Hermès Maison – Hermès Soie et Textiles – Hermès Femme – Hermès Homme – Hermès Maroquinerie-Sellerie – Hermès Bijouterie – Hermès Vente aux voyageurs – Hermès Services Groupe – Hermès Commercial – Hermès Marketing – Hermès, Petit h <i>Hermès products - France</i></p>
<p>Comptoir Nouveau de la Parfumerie 99.67% <i>Hermès perfumes - France</i></p>
<p>La Montre Hermès 100% <i>Hermès watches - Switzerland</i></p>
<p>Clerc Thierry Créations 100% <i>Hermès watches - Switzerland</i></p>
<p>Castille Investissements 100% <i>Tableware - France</i></p>
<p>Compagnie des Arts de la table 100% <i>La Table Hermès - Puiforcat - France</i></p>
<p>Compagnie des Cristalleries de Saint-Louis 99.96% <i>Saint-Louis crystal - France</i></p>
<p>Holding Textile Hermès (ex Sport Soie) 96.17% <i>Textile - France</i></p>
<p>Ateliers A.S. 74.90% - <i>Enoly - France</i></p>
<p>Ateliers de tissage de Bussière et de Challes 100% <i>Le Crin - Bucol - France</i></p>
<p>Créations Métaphores 100% <i>Verel de Belval - Métaphores - France</i></p>
<p>Établissements Marcel Gandit 100% - <i>France</i></p>
<p>SIEGL 100% - <i>France</i></p>
<p>Société Nontronnaise de Confection 100% <i>France</i></p>
<p>John Lobb 100% <i>John Lobb shoes - France</i></p>
<p>JL & Co 100% <i>John Lobb shoes - United Kingdom</i></p>
<p>Hermès Intérieur & Design 100% - <i>France</i></p>
<p>Full More Group (ex Full More Shanghai) 95% <i>ShangXia - China</i></p>

<p>Maroquinerie de Saint-Antoine 100% <i>France</i></p>
<p>Maroquinerie de Sayat 100% <i>France</i></p>
<p>Maroquinerie de Belley 100% <i>France</i></p>
<p>La Manufacture de Seloncourt 100% <i>France</i></p>
<p>La Maroquinerie Nontronnaise 100% <i>France</i></p>
<p>Manufacture de Haute Maroquinerie 100% <i>France</i></p>
<p>Maroquinerie des Ardennes 100% <i>France</i></p>
<p>Ganterie de Saint-Junien 100% <i>France</i></p>
<p>Gordon-Choisy 100% <i>Tanneries - France</i></p>
<p>Hermès Cuirs Précieux 100% <i>Tanneries - France</i></p>
<p>Exocuir 100% <i>Switzerland</i></p>
<p>Louisiane Spa 100% <i>Italy</i></p>
<p>T.C.I.M. 100% <i>France</i></p>
<p>Michel Rettili 100% <i>Italy</i></p>
<p>Reptile Tannery of Louisiana 100% <i>USA</i></p>

<p>Perrin & Fils 39.52% <i>France</i></p>
<p>Compagnie Hermès de Participations 100%</p>
<p>Jean Paul Gaultier 45% <i>France</i></p>
<p>Vaucher Manufacture Fleurier 21.05% <i>Switzerland</i></p>





Review of Operations

GENERAL TREND

In 2010, revenue rose by 25.4%, or by 18.9% at constant exchange rates. Operating income increased by 44.3%.

EXCEPTIONAL SALES GROWTH IN 2010

During the Supervisory Board meeting on 3 March 2011, Management presented the audited accounts 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 reno-vated 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

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.



→ The leather goods workshop in Pantin.



ACTIVITY BY SECTOR

At Hermès, each *métier*, or sector, deploys its creativity and multi-faceted know-how to push beyond the boundaries of its respective domain. In 2010, as in previous years, a multitude of new products designed and created by Hermès were added to collections comprising over 50,000 items, thereby continuing to nurture growth.

	2010 (€m)	2010 (%)	2009 (€m)	2009 (%)	At current exchange rates	At constant exchange rates
Leather Goods-Saddlery	1,205	50%	936	49%	28.7%	20.8%
Ready-to-Wear & Accessories	445	19%	360	19%	23.8%	17.5%
Silk & Textiles	284	12%	227	12%	25.1%	18.9%
Other Hermès sectors	87	3%	78	4%	10.5%	5.8%
Hermès Distribution Network	2,021	84%	1,601	84%	26.2%	19.0%
Perfumes	138	6%	117	6%	17.4%	16.3%
Watches	113	5%	87	5%	29.9%	22.9%
Tableware	44	2%	38	2%	14.0%	11.1%
Specialised distribution networks	294	13%	242	13%	21.4%	17.8%
Other products	86	3%	71	3%	21.1%	18.8%
Consolidated revenue	2,401	100%	1,914	100%	25.4%	18.9%

HERMÈS DISTRIBUTION NETWORK

In 2010, the Hermès exclusive network generated sales of €2,021 million, or 84% of consolidated revenue, the same as in 2009, and operating income of €680 million. This network consists of the business lines described below.

LEATHER GOODS - SADDLERY

Leather goods and saddlery are Hermès' founding *métier* and account for 50% of sales. Products include handbags, luggage, diaries, small leather goods and equestrian items. In 2010, sales rose by 21% at constant exchange rates to €1,205 million.

The soul of Hermès leatherwork is revealed when authentic materials pass through the expert hands of our master saddlers and leatherworkers. The skills of these craftsmen, cultivated through the centuries, have been honed over many years through a patient dialogue between artisan and skin. As the leather is tamed and shaped by the hands of the craftsman, he perpetuates the masterful tradition of saddle- and harness-making, Hermès' founding métiers. From this perfect union of the physical and the technical emerge the myriad beautiful objects that make up the Leather Goods and Saddlery collections: equestrian items, travel goods, bags, small leather goods and diaries.

To keep up with demand, the group further expanded its

production capacity in 2010. More than two thousand craftsmen work in this sector, in some ten production facilities in Paris, Pantin and across France. Hermès rolled out on-site training programmes at each facility to further enhance the impressive skill sets of its craftsmen who devote their passion and expertise to crafting objects of incomparable creativity and quality.

Modernisation and construction work continued at the Belley, Nontron and faubourg Saint-Antoine (Paris) facilities and Hermès' historic workshop on faubourg Saint-Honoré, where custom orders are prepared, were renovated during the last quarter of 2010.

BAGS AND LUGGAGE

In 2010, Hermès bags continued to prove that it is possible to innovate successfully and durably while cultivating the House's rich heritage. This year's highlights included the confirmed triumph of the *Jypsière* line, whose latest addition, the *Jypsière 28*, proved highly popular. Promising new models were unveiled while great classics were brought back into the spotlight and Hermès' legendary stars, the *Kelly* and the *Birkin*, continued to shine. Echoing this year's theme of "Tales to Be Told", each design in its own way offered a story to discover and pass on. New tales were born: the emblematic *Chaîne d'ancre* link was borrowed from its jewellery origins and turned into the shoulder strap for a bag bearing its celebrated name. Very Parisian, the bag is surprisingly roomy. Scaled down, it became a wallet whose offbeat, biker-inspired charm was underscored by a jewel-like chain – to be worn like a true king of the road. The *Chaîne d'ancre* link reappeared as a narrow, adjustable shoulder band and adorning the clasp of *Catenina*, the elegant little evening bag. Well-loved tales this year featured the vanity-case-inspired *Toolbox* – a veritable treasure chest – and the *Double sens* tote: crafted in astonishingly supple Clémence taurillon calfskin, this totally reversible bag offers a refreshing take on the sensible holdall. Old legends stepped back into the limelight as *Constance*, created in 1969, re-appeared in three new models: *Constance élan*, its elongated form faithful to the original; *Constance micro*, a little jewel of an evening bag and *Constance compact*, a chubby-cheeked charmer of a wallet whose highly practical square form has launched a new line of small leather goods. A hint of black magic hovered around the magnetic *So-black* versions of the

iconic *Kelly* and *Birkin* bags, whose metal findings were all finished in deep black. Both bags, crafted in matte black box calfskin and crocodile – the ultimate Hermès matériaux – came with matching black box and black bolduc ribbon, in a rare exception to the House's traditional colours.

Tales of wonder were woven into special fine leather goods pieces: for the opening of the Hermès Rive Gauche boutique, the *Kelly* was adorned in feather work inspired by the subtle shimmer of the location's historic mosaic. For Christmas, the *Constance* bag shone with festive brightness in a special edition whose clasp was adorned with a constellation of baguette-cut diamonds.

The Leather Goods division continued to broaden its offering for men, affirming the identity of *Plume homme* with two new models, *Plume 24 H* and *Plume 12 H*. These contemporary dress pieces are excellent companions for meetings and business trips, with compartments designed to fit every man's organisational needs.

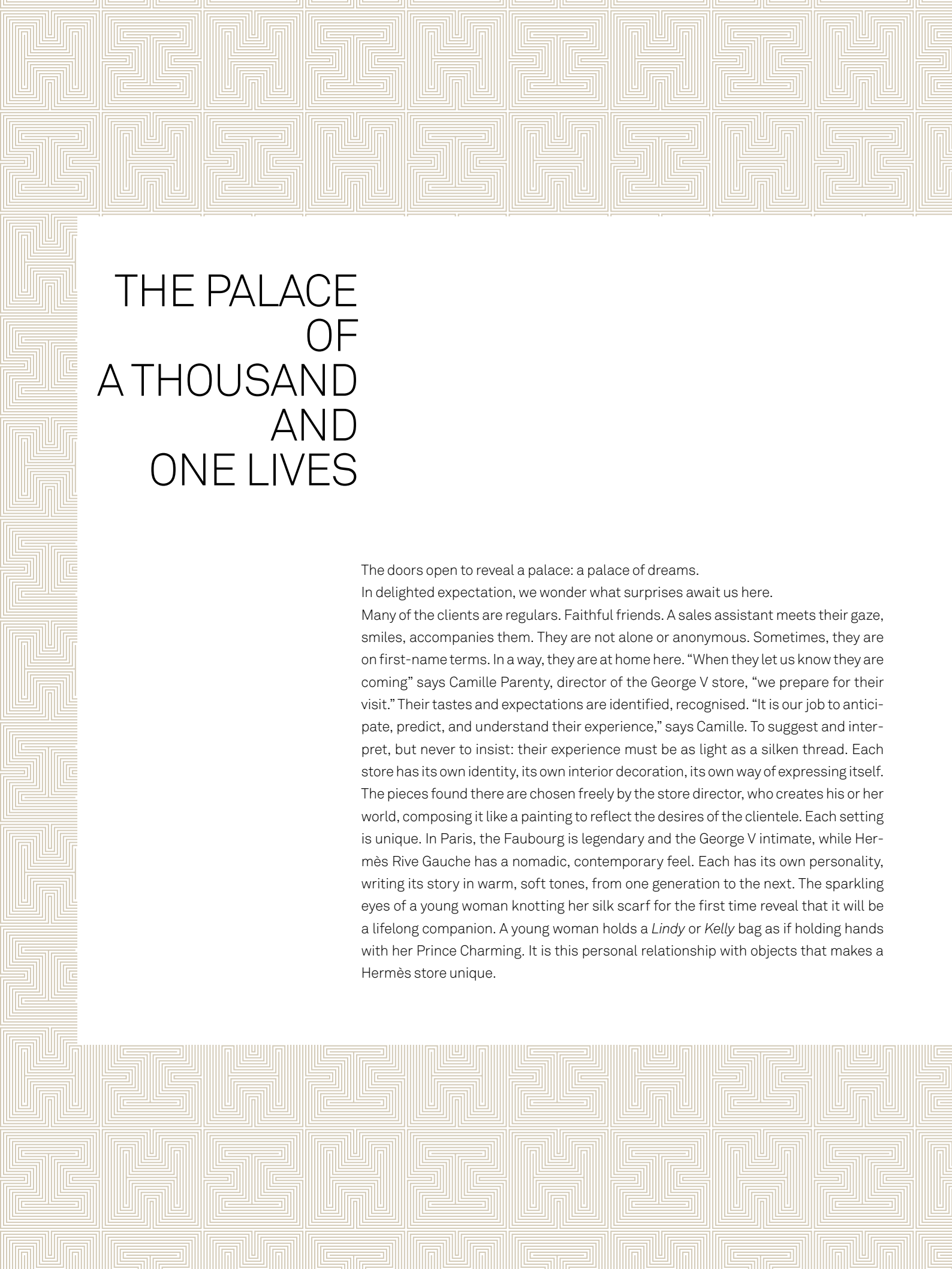
The *Étrivière shopping*, which boasts every detail of the stirrup leathers on a Hermès saddle – right down to the numbered notches to guarantee a perfect fit – is the answer to today's need for a sporty yet elegant men's tote. Last but not least, Hermès launched *Orion*, a new hard-sided, wheeled suitcase whose design, by Gabriele Pezzini, marries a streamlined silhouette and high-tech materials. With a brushed and anodised aluminium shell set off by two straps in natural cowhide and a fully leather-clad interior, this suitcase features a telescoping handle and multidirectional wheels, making it a magnificent object for any journey: easily stored, practical and quiet.



← *Toolbox 20* bag in Swift calfskin.
 ↗ *Constance Élan* bag in Tadelakt calfskin.



← *Constance micro* bag in lizard skin.



THE PALACE OF A THOUSAND AND ONE LIVES

The doors open to reveal a palace: a palace of dreams.

In delighted expectation, we wonder what surprises await us here.

Many of the clients are regulars. Faithful friends. A sales assistant meets their gaze, smiles, accompanies them. They are not alone or anonymous. Sometimes, they are on first-name terms. In a way, they are at home here. "When they let us know they are coming" says Camille Parenty, director of the George V store, "we prepare for their visit." Their tastes and expectations are identified, recognised. "It is our job to anticipate, predict, and understand their experience," says Camille. To suggest and interpret, but never to insist: their experience must be as light as a silken thread. Each store has its own identity, its own interior decoration, its own way of expressing itself. The pieces found there are chosen freely by the store director, who creates his or her world, composing it like a painting to reflect the desires of the clientele. Each setting is unique. In Paris, the Faubourg is legendary and the George V intimate, while Hermès Rive Gauche has a nomadic, contemporary feel. Each has its own personality, writing its story in warm, soft tones, from one generation to the next. The sparkling eyes of a young woman knotting her silk scarf for the first time reveal that it will be a lifelong companion. A young woman holds a *Lindy* or *Kelly* bag as if holding hands with her Prince Charming. It is this personal relationship with objects that makes a Hermès store unique.

DIARIES AND SMALL LEATHER GOODS

The *Evelyn* line of small leather goods was inspired by the perforations on the *Evelyne* bag, but breaks away from its namesake with a hint of offbeat mischief. Designed for men or for women – hence the absence of a final “e” – the line offers wallets in three different formats – long, compact or classic – as well as a change purse and a card holder.

The *Remix* line, another creation for both men and women, charms with its highly functional design, featuring vertical compartments for easy storage – and retrieval – of everything one might need to carry in a wallet.

Though always faithful to the House’s traditions of paper and writing, Hermès is nevertheless fully connected to the high-tech instruments that now power our everyday lives, offering coloured leather cases for the BlackBerry® as well as an iPad®¹ holder, whose leather base and beautifully supple flap allow the user to work and play in different positions – inclined for typing; vertical for viewing.

SADDLERY

The Saddlery division made a splash in the riding world in 2010 with a major new launch. Hermès’ passion and savoir-faire inspired the *métier* to reinvent itself with a radical redesign of the traditional saddle. The *Talaris* was born: a modular jumping saddle, a pioneer in its field. Hermès master saddler Laurent Goblet has created a saddletree whose every part is modular and easily put together. *Talaris* is made to fit the rider, the rider’s physique and the horse itself. It can be modified very rapidly to personalise the saddle, to adapt to other types of riding or to replace a worn piece. It can be put on, removed, disassembled and reassembled with ease.

To design this multi-functional saddle, the product of a bold idea and an ambitious dream, Laurent Goblet broke away from the classic saddletree. For while the frame remains the backbone of every saddle, its traditional anatomy in wood and steel is stubbornly rigid and resists any significant change. So, to meet the increasingly stringent demands of professional and amateur riders, Goblet turned to materials generally associated with

¹ The iPad® brand is the property of Apple, Inc.

cutting-edge technologies. Carbon fibre and titanium make the frame strong, rugged, flexible and feather-light. High-performance polyamide and injection-moulded polyurethane provide comfort and support. Injected foam padding offers precision shaping, making it possible to alter density and redistribute pressure over the saddle. *Talaris* was perfected as a precision mechanical piece. Each component was carefully designed to snap perfectly into the main structure. Every assembly technique was revisited. Each and every function was integrated through ingenious fastenings. Every bit of the craftsman’s talent was put to work to find ingenious ways to affix the saddle’s parts to the carbon frame.

A Hermès exclusive, this saddletree, a distillation of technological prowess, is hand-clad by the saddler in meticulously selected leathers. Stitching on the seat, always a prime spot for wear and tear, has been eliminated. The only stitching that remains is the edging, in orange thread. Nothing is superfluous here. The *Talaris* has nothing to hide; the secret of its elegance lies in plain sight. Underneath, the saddle reveals its streamlined structure and the details of its carbon-lathed frame. Its technical and functional features serve the form and beauty of the object. The fruit of years of research and development, *Talaris* underwent technical, thermographic, radiographic and veterinary testing and was approved by a committee of professional riders in a series of comparative training sessions. This testing revealed indisputable advantages: the saddle adapts instantly to the back of any horse and to the form of every rider. Elongated and more slender, it allows for close contact between horse and rider. Designed to distribute the weight of the rider and to protect the animal’s spine, the carbon tree sets new standards for lightness, flexibility, dynamics, and balance. This new material, known for its strength, brings added safety. In addition, the carbon lathing of the frame acts as a shock absorber while relieving stress on the backs of horse and rider alike. The seat, padded in injected polyurethane, optimises the saddle’s ergonomic aspect, providing added comfort for the rider. The structure accommodates movement.



→ BlackBerry® cases
in Barénia and Swift calfskin.



→ *Evelyn* wallets and change purse
in Barénia calfskin.



READY-TO-WEAR

Ready-to-wear and accessories is Hermès' second-largest business line, accounting for 19% of consolidated sales. In 2010, it generated €445 million in sales, a rise of 18% at constant exchange rates.

WOMEN'S READY-TO-WEAR

Jean-Paul Gaultier drew his inspiration for the spring-summer 2010 collection from 1930s tennis and seaside costumes, as immortalised in the photographs of Jacques-Henri Lartigue. A rounded take on the tennis collar was featured in fluid jersey for tops lengthened into dresses or jumpsuits.

Skirts, tops and dresses boasted pleats reminiscent of the 1930s. Wide-striped borders on pullovers recalled the "four musketeers" of the 1926 Davis Cup. Overcoats evoked the memory of seaside boardwalks in Biarritz. The earthy red of clay tennis courts contrasted with crisp blues and whites.

This breezy collection featured *H en fil* and *brides rebelles* pop prints with airy materials such as seersucker in a sleeveless shirt or baby-doll dress. Graphic and fluid, the *après-match* was embodied in a shawl-collar jacket and pantsuit in viscose jersey with contrasting edging.

Autumn-winter 2010 adopted the "London City" style of the 1960s. The spirit of *The Avengers* ran through the collection, and in particular the iconic allure of Emma Peel with her razor-sharp silhouette and tailored, Savile Row look. Leather featured in three-piece suits, collars and frock coats. Trapeze coats shimmered in roomy, supple fabrics, such as double-faced hammered cashmere or bison. Mohair was showcased in ultra-light coats, outdoor cardigans, and – the ultimate in refinement – a silk-lined pullover. The colourful sheen of printed panther accentuated the fluidity of dobby-loomed silk and the volume of printed taffetas.

After seven years of fruitful cooperation, Hermès and Jean-Paul Gaultier decided to part ways, as Jean-Paul Gaultier wished to focus on his own projects. The spring-summer 2011 collection, presented in October of 2010, was his last collection for Hermès. Hermès wishes to express its deepest appreciation to Mr Gaultier for his remarkable design contributions over the past seven years. Christophe Lemaire took over as artistic director of Hermès women's ready-to-wear for the autumn-winter 2011 collection, presented in March 2011.

MEN'S READY-TO-WEAR

In her more than twenty years as designer of Hermès men's ready-to-wear collections, Véronique Nichanian has helped make Hermès a prominent name in the world of men's fashion. To celebrate the 2010 theme, Véronique Nichanian's spring-summer 2010 collection "told tales" of the bohemian soul, wavering between shadow and light. The sober grey tones of slate, verdigris and bronze played off summery touches of white, apple green and mandarin. A parade of natural fabrics betokened the spirit of high summer: cotton or silk seersucker, linen and cotton, pure linen, *washi* canvas... Leathers were worked for an airy feel: *veau papier* calfskin, perforated calfskin and nubuck lambskin beckoned to adventure. The collection accented contrasting volumes, with short jackets and narrow trousers or full-sleeved cagoules and wide, elastic-waist trousers. For the autumn-winter 2010 collection, Ms Nichanian's creations spoke of a casual sophistication that showcased assertive solids and the free expressiveness of microprints, woven Prince of wales plaids, stripes and prints. Neutral tones such as navy, grey, flannel, cement and pepper were mixed with Prussian blue and amaranth. Jackets and suits were featured in woollen seersucker for the wintertime; timeless *agneau gomme* lambskin and *Toilavent* were showcased this season in a reversible "baseball" jacket. A newly innovative spirit shone through in unlined *Relax* rain jackets and sportswear in cashmere or technical wool. These contrasted with the exceptionally sensuous touch of fabrics such as hand-plaited cashmere, pure vicuna or perforated *Étrivière* mink for hooded sweatshirts. These beautiful tales reaffirmed the success of Hermès menswear in 2010 and were showcased in the first Hermès boutique entirely devoted to the world of the Hermès man, which opened in New York City in February.



→ Men's ready-to-wear autumn-winter 2010 collection.

ACCESSORIES

Accessories encompass jewellery in enamel, leather, horn and lacquered wood; as well as shoes, belts, gloves and hats

JEWELLERY ACCESSORIES

Printed enamel tells beautiful tales of horses ready for show, whether dressed and harnessed in the figurative “*Couvertures et tenues de jour*” or in the more abstract graphic look of “*Pour sortir*”. In homage to her grandmother, who embroidered bags in a workshop not far from the faubourg Saint-Honoré store, Karen Petrossian created *Cachemire de Tamara* in platinum, bronze, red or violet-green. The *Assam* and *Ariodante* bracelets in lacquered wood could be worn stacked, or mixed and matched with *Astral* leather bracelets in a meld of material and colour evocative of a palette by Mondrian. Winter was an occasion to revisit the House’s heritage and its traditional *métier* of saddlery. Drawing inspiration from the *Hermès Conservatoire*, the *Bérénice* recalls the clasp and hinges of a leather-clad suitcase, while numerous novelties play with and reinterpret the House’s traditional codes: the *So-black* finish made its *début* on the *Kelly double tour*, while the *Clic H* was featured in an extra-large edition; the bit closure of the *Pavane* was reinvented in miniature and oversized versions. The stirrup in all its forms featured as leitmotiv: Milanese mesh in pure metal for the *Bellini*, in a studded version or yet again in four- and six-round versions.



← Bracelet in Hunter cowhide.
 ← ← Bracelets in
 Evercalf calfskin
 and lacquered wood.



HERMÈS SHOES

For summer 2010, Hermès women's shoes offered a series of variations on the ghillie, playing with perforations, notching and pompom details. The theme returned in the sandal, pairing matte lizard and alligator, and again in a sporty shoe offered in white goatskin, the summer's uncontested success.

Ever faithful to the heritage of the Hermès shoe, espadrilles were reinterpreted by Pierre Hardy in mixes of materials and saturated colours, such as suede goatskin in yellow or celestial blue.

Ankle boots were at their summer best with the *Lennon* model in white patent kidskin; the *Lennon* in *étoupe* was a particular success among our customers, who crowned this colour a new Hermès essential. The emblematic *Oran* and *Night* sandals were featured in python for the summertime and leopard-print suede goatskin for the winter, continuing the House's infinite play on this chic and functional classic.

Winter illustrated the "Tales to be Told" theme in a lovely range of colours, from electric blue and vivid red for the *Bluff* ankle boot, *rouge H* for the iconic *Jumping* boot and a two-tone variation for the Puss-in-Boots-inspired *Babylone* boot, with its square heel.

The *Bal* pump celebrated the pairing of leather and silk, while

the *Baronne* and *Bagatelle* models played on a *Beauty and the Beast* theme, marrying soft feminine lines in powder kid suede with touches of marmot and mink. Hermès men's shoes offered a complete shoe wardrobe, with a pair to fit every circumstance and perfect for every occasion.

The *Wall Street* line, for lovers of classic, streamlined shoes, featured two new models, the *Alistair* and the *Austin*.

For a more relaxed look, the *Amico* loafer combined comfort and quality craftsmanship with its hand-stitched apron.

Espadrilles have been offered for several summers now, and this year their ranks were extended with the addition of quirky high- and low- top models in cotton canvass.

For autumn-winter 2010, the *Fumoir* line offered a resolutely high-fashion spirit for the modern-day "man-about-town": loafers, Oxfords and ankle boots featured in sober-toned, black-lined suede. For a fashion-forward evening look, a range of exotic skins such as lizard and alligator were rolled out.

Boots and ankle boots were paired with a range of different soles: crêpe for casual models, gum for the ultimate in flexibility and comfort or, for *Banquise* and *Belfast*, a thick leather outsole ingeniously paired with a gum insert to face winter's harshest weather.

↗ Sandals in suede goatskin and marmot.

→ Sandal in *Nappa* calfskin and sea serpent.



← Ankle boot in goatskin.





BELTS

In 2010, Hermès belts offered a welter of material and colours to accompany the changing seasons. The lightweight and summery *Açores* in braided cotton offered a casual look for men and women alike. The *Étrivière 32 finesse* provided a more slender take on the emblematic *Étrivière* buckle, designed for easy wear with a suit. In the spirit of the *Quizz* buckle, the all-new *Athena* offered a lacquered buckle in a *Chaîne d'ancre* shape, available in a range of colours: white, Indian pink, orange and slate. The whimsical *Bricolo* belt, a new interpretation of the *Étrivière* belt, featured segmented black bridle leather hinged with saddle tacks; in a nod to the carpenter's rule, it folds and unfolds at will. The semi-rigid and shimmering *Bellini* belt makes an exceptional statement in all metal: silver- and palladium-plated Milanese mesh is accentuated with glossy loops to reflect the light. Launched in 2007, the "kit" echoed the colour pairings used in Hermès leather goods: iris/ruby, flax/Maltese blue, ruby/chocolate, etc. These same pairings were used in the leather links of the *Brio*, which can be interlaced, turned or removed as the wearer wishes.

GLOVES

Inspired by this year's theme, the glove collections focused on creativity, playing with designs that scampered from one hand to the other: the well-received *Astuce* featured a perforated *calèche* carriage, while the *Absolue* offered an unexpected combination of silk and glazed lambskin. For winter, women and men's gloves were adorned with *étrivière double tour* bracelets. Materials were warm and comfortable: glazed lambskin for the women's *Babel* and stag skin for its masculine counterpart, the *Balthazar*.

The women's *Bagatelle*, with its cashmere knit, ensured a warm, cosy winter.

In 2010, a splendid partnership was forged with the Middle East; its result was a new technical glove, the *Fauconnier*. Designed according to traditional falconry techniques, this glove offers the ultimate in both comfort and safety.

HATS

Yet again, Hermès reaffirmed its skill and creativity as a haberdasher in a plethora of new designs that showcased a range of exceptional materials. The sailing-inspired *Agathe* cap in indigo linen drill and the asymmetrical, wide-rimmed *Amazone* offered a sporty yet elegant allure and were especially popular in 2010.

Ingenious interpretations and combinations of different materials featured in a number of models: matte, glazed and polished lambskin plaited together in the *Aurore*; the bold, print-like look of sea snake skin in the *Adam*, or leather piping in the *Arles* for a look that married canvass and leather.

The mink and cashmere *Boa* and the cashmere and marmot *Bolchoï* offered cosy protection for even the coldest winter weather.

Hermès also perfected a new lustrous felt with a velvety finish, available in two unisex models, the *Belta* and the *Belleza*.

Lastly, in a nod to the women's ready-to-wear collections, the *Bémol* and *Brio* were offered in panther-print-inspired models.

← Felt bowler hat.

→ Belt in Barénia calfskin.

→ → Gloves in stag skin and *Étrivière* calfskin.

→ → Belt in bridle leather.





SILK AND TEXTILES

Silk and Textiles is Hermès' third-largest sector and accounts for 12% of sales. In 2010, sales of carrés, ties and scarves totalled €284 million, up 19% at constant exchange rates.

WOMEN'S SILKS

When Hermès is the storyteller, carrés become tales, legends, travelogues, and much more. We thrill beside a horseman's tireless journey across the world, we encounter a marquis in his most elegant finery, we dream of faraway isles and verdant paradises, we rediscover all our childhood heroes...

Scrolls unfurl around a large-scale H: the *H comme Histoires* pattern, designed by Dimitri Rybaltchenko, is a celebration of all these marvellous adventures. These myths, legends, love stories or fairytales, not to mention the fabled universe of the mythical god Hermès, whose powerful charm transports us through time and into dreams...

In 2010, Hermès continued its "socially responsible carré" project, begun in 2008, with the *L'Ombrelle magique* silk twill carré. The design, by Pierre Marie, was inspired by an umbrella cane from the Émile Hermès collection, and shows a young prince travelling the world. Part of the proceeds from sales of this carré was donated to the *Fondation de France* in support of its work for victims of the Haiti earthquake, and more specifically to rebuilding a school.

In 2010, the Hermès carré continued its ceaseless self-reinvention, this time with a giant carré in washed silk twill. Fluid, smooth, supple, velvety – this special silk twill is crafted following a completely original artisanal process. The giant-sized and incomparably soft giant carré plays by its own rules; lavish

abundance is the name of its game. Draped across the shoulders, knotted around the neck or waist, this carré can become a shawl, a skirt, a scarf – all the while, of course, remaining a carré. Exceptional stories abounded this year: in the *Ex-Libris* carré, a treasure in silk bedecked in light and shadow, tiny beads shimmered and shone to catch the eye, hand-sewn by master embroiderers in the Bombay region following a centuries-old process.

For its sixth edition of works of art on silk, Hermès invited renowned contemporary artist Daniel Buren to leave his imprint on House's emblematic silk scarf. His exceptionally broad-reaching and highly original design, titled *Photos-souvenirs au carré*, was a series of 365 unique scarves. His ambitious project affirms the melding of the world of Hermès and its time-honoured know-how with the contemporary art world. Photo printing on silk required an ink jet technique new to the House, providing the opportunity to call upon all our mastery and excellence in the field.

Lastly, Hermès honoured silk in 2010 through its *J'aime mon carré* ('I love my silk carré') promotional campaign. Throughout the year, thirty-four countries organised activities and cooperative projects with fashion magazines and helped the House to create a festive, dreamlike atmosphere. The online launch of www.jaimemoncarré.com helped Hermès share its passion for this legendary square of silk, which never ceases to surprise with the tales it tells.



MEN'S SILKS

For Hermès men's silks, invention is a constant throughout the year.

In 2010, the all-new Hermès tie in heavy twill was added to the twill tie stable. This tie features a weightier, more matte fabric with a more geometric pattern that makes its perfect drape even more irresistible to wear.

A new pattern was born with “*rencontre*” ties, whose motif evolves and changes along the length of the tie; new graphic possibilities also emerged with the first winners of the DesignBoom contest.

The *Tie 7*, little brother to the classic 9.1 cm twill tie, joined forces with the men's ready-to-wear department, enriching its offering and marking out a territory of its own with its colourful diagonal stripes. The Hermès spirit was embodied in heavy silk: for this year's theme, *Boston 8* cm ties became messengers, speaking through *calligramme* poems on silk composed by fashion expert Olivier

Saillard, bringing us “Astro tie”, “Season tie”, “Lucky tie”, and others. Always in keeping with their times, the uniqueness of Hermès ties stood out in unexpected fabrics and widths – 5, 6 or 7 cm – and in shirtwaist cotton or printed cashmere and silk. The tie-foulard has also found its niche in our collections, reinventing a new, more relaxed look. In the “tie-less tie” family, the *GM losange* for men, an impeccable example of the house's unique brand of elegance in motion, was highly popular in 2010. Carrés for men were a success as well, available in a wide range of materials and patterns. Another standout in 2010 was the creation of a rich, innovative, and comprehensive range of scarves for summer and winter, organised around two major themes, “Timeless” and “Contemporary”: *Pure musique*, *Grand froid* and *Désert* were a few of the year's major successes.

↖ Silk twill ties 2.75 inches and handrolled heavy silk ties, 2.75 inches.
→ Tie 7 *Calligramme* in silk twill.





THE ENCHANTED BESTIARY

Leather, silk, cashmere, linen, wool, cotton: the world of Hermès is an enchanted bestiary. Each skin, each fabric is created in a unique encounter between man and nature. This magical union of noble material and supreme savoir-faire is nourished by adventure, curiosity and perfectionism. On Planet Hermès, there is a man who tracks crocodiles in the same way that Peter Pan follows his dreams. “There are three main species,” explains Guillaume de Seynes, executive vice president, who follows this adventurer closely: “the alligator, the *niloticus*, and the largest and most aggressive of all, renowned for the regularity of its scales: the *porosus*.” After many processes – cleaning, drying, tanning – the skin finally yields its full beauty when rubbed with agate stone, a technique touched with genius. In the same way, the world’s finest silk is perfected in the workshops of Lyon’s weavers, and in Nepal artisans spin and weave a cashmere as light as the clouds, while the Tuaregs of Mali work silver with a skill that is truly precious. The quest for perfection is stirring, thrilling, and never-ending. It is the Hermès signature.

OTHER HERMÈS SECTORS

Hermès derived 3% of its sales from its other *métiers*, Jewellery and Art of Living. In 2010, aggregate sales from this sector rose by 6% at constant exchange rates to €87 million.

JEWELLERY

The major event of 2010 was the launch of the first Hermès *Haute Bijouterie* collection. Comprising fourteen pieces unrivalled in style and the consummate know-how required to craft them, the collection drew its inspiration from the House's equestrian roots. Pierre Hardy captured the essence of the horsewhip and horseshoe in materials as rare as they are precious: diamonds, platinum, black jade,

rose gold, orange aventurine, pink opal.

The first *Haute Bijouterie* collection was presented to the press in April, and acclaimed by media in France and around the world. Spanish *Vogue* awarded its 2010 prize for excellence to the *Fouet* necklace, crafted in platinum and set with 3,669 diamonds. Customers were enchanted with these new designs, some twenty of which have already been made to order.



→ *Centaure* rings in rose gold, white gold and diamonds; and in rose gold, white gold, diamonds and aventurine.

ART OF LIVING

The year 2010 was a major milestone for Hermès Maison.

The opening of the new Paris store in the rue de Sèvres marked the entry of Hermès Maison into the world of home interiors, with upholstery fabric, wallpaper, rugs and furniture, featuring the exclusive reissue of pieces by Jean-Michel Frank.

The faubourg Saint-Honoré store in Paris also welcomed new collections during a temporary exhibit in mid-December.

Hermès now offers a line of furniture faithful to the original work of Jean-Michel Frank. The *Confortable* chairs and sofas that make up the heart of this collection were first upholstered in unusual, noble leathers by Hermès in the 1920s. Two new collections of contemporary furniture by Hermès will be unveiled in 2011.

Hermès also presented its first collection of upholstery fabrics and wallpaper, crafted with the most exquisite savoir-faire and broadly inspired by the house's extraordinary heritage of pattern, illustration and design. Hand-knotted silk rugs, whose designs express rich texture with an understated, contemporary style, are the perfect finishing touch for the Hermès home interior, a faithful representation of the House's core values of elegance, timelessness and quality.

New and highly popular additions to the art of living collections included decorative objects such as the *Pléiade* photo frame in wood and leather, *Adage* crystal vases and *Finish* votive lights in painted porcelain. In textiles, new printed patterns danced across cashmere lap rugs, while our beach line featured the new *Nomade* beach rug in lightweight terrycloth.

Hermès remains devoted to the development of new sales tools, and innovated in 2010 with the "*Hermès, La Maison*" application for iPad®¹, designed for the sales teams at the rue de Sèvres and Faubourg stores.

¹ The iPad® brand is the property of Apple, Inc.

→ Jean-Michel Frank collection.
Round low tables in straw marquetry.
Confortable club armchair in ivory goatskin.





PRODUCTS DISTRIBUTED THROUGH SPECIALISED RETAIL NETWORKS

Three Hermès sectors – Perfumes, Watches, and Tableware – comprise products distributed to a broader public through specialised retail networks. In 2010, these sectors generated €294 million in sales, for an operating profit of €56 million.

PERFUMES

Perfumes sales rebounded in 2010, generating 6% of total revenue, with sales of €138 million, up 16% at constant exchange rates.

Terre d’Hermès continued its remarkable growth in 2010, confirming its status as a major classic in men’s fragrances – it is now France’s fourth most popular men’s perfume.

A number of new creations were rolled out this year. *Voyage d’Hermès* was released in the first half of 2010. Faithful to the Hermès spirit of intrepid travel, house perfumer Jean-Claude Ellena imagined this creation as a journey, an invitation to discover, to encounter, to share. This woody, musky fragrance is at once lively and reassuring, forging bonds and inspiring a spirit of sharing, for men or women.

For this new story in fragrance, designer Philippe Mouquet created an object that is the soul of travel. Available in stores since March, *Voyage d’Hermès* was acclaimed by both press and public.

Eau Claire des Merveilles, the fourth chapter in a saga begun in 2004, was launched in September: after *Eau des Merveilles*, *Parfum*

des Merveilles and *Elixir des Merveilles*, *Eau Claire* gives new momentum to our premier line of women’s fragrances, exploring a new facet of the original woody amber theme and playing with the sparkling clarity of aldehyde tempered by the presence of powdery notes. An exclusive in Hermès stores, the *Hermessence* line now boasts a ninth olfactive poem, *Iris Ukiyoé*, a veritable haiku in scent. A lover of Japanese prints, Jean-Claude Ellena wished to share in fragrance his admiration for this form of artistic expression, which places nature’s fragile beauty at the heart of its inspiration. Literally translated, this new *Hermessence* means “*Iris of images of the floating world*”; it reveals a bouquet of unexpected scents, hovering between orange flower and strokes of rose and mandarin.

Echoing its floral namesake, *Iris Ukiyoé* comes clad in a two-tone case of *Swift* calfskin, iris-coloured on the outside and orange within.

WATCHES

This sector represents 5% of the Group's total business. Sales came to €113 million in 2010, an increase of 23% at constant exchange rates.

La Montre Hermès reaped the full benefits of the recovery in the global watch market, as reflected by sales generated by Hermès stores and specialised retail outlets. Revenue growth in this sector outstripped the average for the Swiss watch export market overall. It was driven by Asia – and by China in particular – as well as by a strong showing in North America and Western Europe. Hermès timepieces are now distributed through an extremely selective and high quality distribution network. The development of Watch and Watch & Jewellery stores strategically located in key markets such as Asia, the United States or Europe, has made a strong contribution to this sector's impressive results and has enhanced Hermès' image and historic legitimacy as a fine watchmaker.

To optimise its production processes and group synergy benefits, La Montre Hermès adopted and implemented a new integrated management system. Over the year, as part of its plan to expand its range of services, La Montre Hermès completed the launch of its global network of customer service outlets.

The 2010 Basel Show set the stage for unveiling the new design of the complete *Clipper* line and served as a showcase for the exceptional products that Hermès continues to develop and for our know-how as fine watchmakers,

as demonstrated by such models as the *Arceau*, *Cape Cod* émail, *Cape Cod* snow setting, the *Cape Cod* tourbillon watch and the *Arceau* perpetual calendar watch.

The latter two models are made with Vaucher movements, the result of a partnership between Vaucher and Hermès.

Another major event this year was the release of the new *Carré H* watch, born of an encounter between designer and architect Marc Berthier and the house of Hermès. This timepiece has captured the essence of balance and stability with boundless elegance. The rounded angles, subtly curved dial, gently domed upper glass and curved case compose an architectural object formed of squares within a square, enhanced by the clean guilloché lines on the face. The pure, modern design is set off by the surprising lightness of microbead blasted titanium, the material that La Montre Hermès selected for the case. The sapphire caseback reveals the finest mechanical movement available, built following the strictest rules of the craft: circular-grained baseplate, bridges with hand-polished angles and oscillating weight decorated with a sprinkling of "H's". Finally, a strap in black Barénia calfskin adds the perfect finishing touch to this creation, produced in a numbered, limited edition of 173 pieces.



→ *Arceau* skeleton watch in 950 platinum with matte alligator strap.

← *Carré H* watch in microbead blasted titanium, anthracite face with black Barénia calfskin strap.





TABLEWARE

Tableware encompasses La Table Hermès, Les Cristalleries de Saint-Louis and Puiforcat. In 2010, sales for this sector totalled €44 million, up 11% at constant exchange rates.

The Tableware division continued to expand its stores, featuring Hermès, Puiforcat and Saint-Louis. Four new stores opened in 2010: in Kiev, in Düsseldorf (in the Franzen department store), in Shanghai (in the Plaza 66 Mall) and in Singapore (on Orchard Road, in the Renaissance Palace).

LA TABLE HERMÈS

La Table Hermès regained momentum in 2010, with sales rising by 11% to €23 million.

The year opened with the launch of a new faïence table service, *Les Maisons enchantées*, which was unveiled at an artist's studio in Paris. The début of this twenty-one-piece service was a major event for Hermès, as it was the first time in many years that the House has focused on faïence. It was an opportunity to combine illustration and the most wildly dream-like forms: enchanting teacups, a vegetable dish, a lobed-edge platter, a sauceboat resembling a gardener's watering can... and of course the dessert plates, decorated with enchanted cottages, for which the service was named.

In the autumn, Hermès presented *Iliane*, a new line of flatware in solid steel designed by Rena Dumas, as well as several variations on the celebrated *Balcon du Guadalquivir* table service coloured in gold, platinum and black.

LES CRISTALLERIES DE SAINT-LOUIS

Sales rebounded in 2010, with a 10% surge, underpinned primarily by lights and decorative objects, and by resilient business for the brand's major lines.

Growth was galvanised by the Middle East, Asia, Russia and the United States. Major French stores, particularly the one on rue

Royale, maintained significant momentum as well. The *Versailles* vase marked its anniversary in 2010. It was a year to celebrate in vivid colours, such as the lilac Roemer *Bubbles* champagne flute, or the opal blue *Bilbao* line.

2010 also featured a new foray into the world of home decorating with the *Veilleur de nuit* duo or the *Bilbao* line; there was much activity surrounding the *Vibration* and *Excess* lines, which were enhanced with decorative objects and gift suggestions. The olive-cut *Cléopâtre* line made itself at home in a modern, elegant bar setting, and was well received throughout the distribution network.

Production capacity was expanded with substantial investments, primarily to rebuild the glass-tank furnace and to replace a tunnel lehr.

PUIFORCAT

In 2010, the house of Puiforcat began a new, contemporary chapter in its never-ending story as a creative silversmith.

Presented in January, the powerful design of the new *Zermatt* steel flatware collection was an immediate hit among customers and the press. Created by designer Patrick Jouin, each piece is conceived as an ingot of raw metal, becoming a sculpted object animated by a play of light and shadow. *Zermatt* received accolades from the *Observateur du design* and was acquired by the

↗ → *Balcon du Guadalquivir* porcelain service in gold.

→ → *Zermatt* steel flatware.
→ → → *Veilleur de nuit* carafe.





collections of the National Museum of Modern Art at the Pompidou Centre in Paris. The *Champagne* collection, launched in autumn, was designed around the “*timbale à champagne*” champagne beaker, a unique tasting tool developed through a collaborative effort between Puiforcat and Bruno Paillard, maker of exceptional champagnes. With its silver beaker, daring champagne daggers and generous glasses, this collection transforms the tasting ritual into a cascade of experiences. Other new creations rolled out in autumn included new pieces based upon designs for the *Ruban* candleholder and the *Art déco* tea and coffee services by Jean Puiforcat, placing the spotlight on the visionary nature of the inventor of modern silversmithing in the 1930s. Sales in 2010 rose by 14% year-on-year to €5 million.



OTHER GROUP BRANDS AND PRODUCTS

JOHN LOBB BOOTMAKER

In 2010, John Lobb generated consolidated sales growth of 12% year-on-year. The company focused on developing its network of exclusive stores and inaugurated its first two locations in China, in Shanghai and Beijing. These openings also attracted many Chinese customers to the Mandarin Oriental and International Airport outlets in Hong Kong, which delivered robust growth.

The focus on supporting new markets paid off. In the United Arab Emirates, the John Lobb store opened in the Dubai Mall in 2009 met with unqualified success in 2010, its first full year of operation. In Moscow, sales soared as John Lobb consolidated its presence in the Gum department store and in specialised retail outlets.

The company formed new partnerships with celebrated department stores, including Le Bon Marché in Paris, France and Maison Degand in Brussels, Belgium. In John Lobb's other traditional markets such as the United Kingdom, the United States and Japan, sales grew appreciably owing to the unqualified success of the ready-to-wear collections and to high demand for special orders. The opening of a Parisian workshop at 32, rue de Mogador in 2009 boosted growth for the bespoke department. Efforts to foster interaction between craftsmen and customers paid off handsomely, as evidenced by the numerous encounters organised throughout the year and across the world. Every year, on Saint Crispin's Day, celebrated on 25 October, John Lobb reveals a numbered, special edition shoe – a tradition that has been observed – and eagerly anticipated – for the past fifteen years. The 2010 model was a virtuoso interpretation

of the double-buckle shoe, crafted from a single piece of leather – a prime example of John Lobb's consummate skills.

In ready-to-wear, the company continued to refocus its range on iconic models. A new collection of casual shoes in supple leather, including *Driver by John Lobb* indoor loafers, was greeted with enthusiasm.

John Lobb has built partnerships with several luxury hotels across the world, offering shoe care through *Butler Service by John Lobb*, which has allowed the brand to consolidate its visibility and prestige. The brand also added further prestige with the publication of marketing campaign through its website. Revealed this year and titled "190 steps", the campaign showcases the many steps required to create John Lobb shoes.

→ Samples of heavy silk.

→ → Natural Barénia calfskin.

TEXTILES

Hermès' textile businesses include design, colour and dye works, engraving, printing, weaving and fabrication, and are grouped under Holding Textile Hermès, formerly known as Sport Soie. Sales were €16 million in 2010, up 12% year-on-year.

The fashion and luggage segments experienced vigorous growth this year, while upholstery fabrics – marketed under the brands Métaphores, Verel de Belval and Le Crin – regained stability despite the negative impact of the ongoing recession in this sector.

Upholstery fabrics woven in its workshops were selected to cover a section of the walls in the Rhône-Alpes Pavilion at the Shanghai World's Fair, providing an excellent opportunity for the business line to promote its public image.

Investment spending remained high, with a focus on renovating production facilities and upgrading equipment to meet ongoing quality improvement targets and new safety and environmental requirements.

PRECIOUS LEATHER TANNING

Sales in the tanning sector advanced by 29% to €42 million from €33 million in 2009. This sector is responsible for purchasing, tanning, dyeing and finishing exotic skins for high-end markets such as fashion and leather goods (bags, small leather items, shoes, belts, clothing, etc.) as well as for luxury watch makers (watch straps).

Business picked up in all market segments in 2010, particularly in watchmaking, where demand for leather for watch bands rose considerably.

In 2010, the sector continued its efforts to improve quality across the entire supply chain and achieved remarkable progress within its own production facilities.

Hermès continues to invest heavily in tanning to consolidate its position and reputation for excellence in precious leathers, to maintain its lead in complying with environmental standards and best practice in all areas and to cut water and energy consumption.



INTERIOR DESIGN

Hermès Intérieur & Design engineers and executes design projects and creative interiors. In 2010, the sector continued to expand through new projects and by progressively building its marketing network. Projects in 2010 included a partnership with Yamaha Motor France, which took form in the Yamaha VMax 1700H motorcycle, a legendary model whose non-mechanical parts – seat, fuel tank, handlebars, hand grips, lamp housings, mudguards, muffler – are entirely clad in leather. The toolkit stored beneath the motorcycle’s seat was also specially designed. For this project, Hermès selected Skipper buffalo hide, a matte, naturally waterproof leather that is easy to maintain, is suitable for outdoor use and accentuates the sporty look of the VMax. Worked in two shades of leather – black and chocolate – the cladding highlights the sculptural lines of this unique object and showcases its emotional force. The vehicle’s mechanical parts were also designed to complement the leatherwork, with the rear-view mirrors, radiator and gauge mounts crafted in brushed aluminium.


The project has generated a promising number of orders, which will be delivered in 2011.

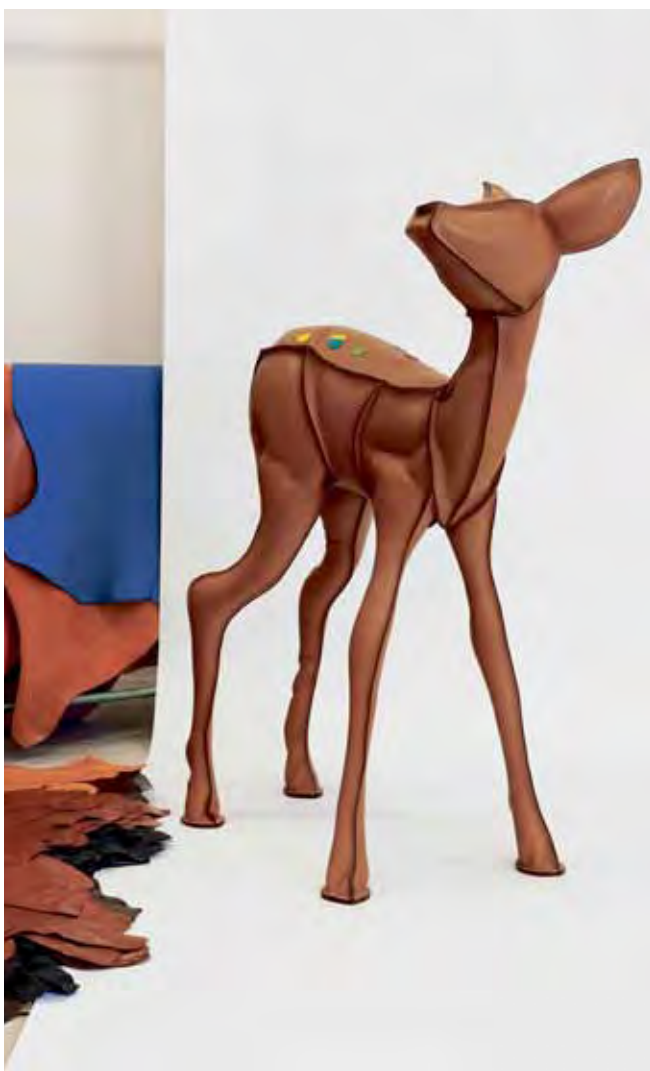
In 2010, Hermès Intérieur & Design also completed a number of private custom orders and has a solid order backlog for 2011 and beyond. For each project, Hermès assembles a dedicated team of designers and master craftsmen, then works closely with the customers to help define their Hermès dream in meticulous detail and to turn it into reality. Most of these projects are for car or jet interiors, private homes or offices.



“PETIT ”

The new workshop in Hermès,  (pronounced “petit h”) – the brainchild of Pascale Mussard – brings together the House’s wealth of skills and materials in one place, where Hermès artists use them to make “re-creative” works. Scraps of leather, sponge, silk or horsehair, bits of porcelain and crystal, metal findings and much more – these beautiful, precious materials, set aside in our workshops, unused and brimming with potential, are reborn in the hands of our master leatherworkers, saddlers, silversmiths, seamstresses, glassblowers and potters... serving the vision of a variety of artists and designers.

This direct interaction between ideas and hands, inspired by these noble materials, brings to life marvellous, unexpected objects, which are sold through ephemeral travelling exhibits in Hermès stores. The first such event was held at the faubourg Saint-Honoré store from 13 November to 4 December in an exhibit space specially designed for the occasion. It met with great success among our customers, who were charmed by this unexpected and highly original offering of Hermès products. In 2011, the world of “petit ” will set sail for other shores, including Japan and the United States.



SHANG XIA

One of the year's highlights was the September opening of Shang Xia, Hermès' new Chinese brand. The goal of the resolutely modern Shang Xia brand is to present traditional know-how from China and across Asia within a contemporary context and lifestyle.

Through Shang Xia, Hermès approaches the Chinese market with the utmost respect and creativity: its goal is to forge strong mutual bonds, as Shang Xia manufactures and sells its own products. These products are crafted in keeping with Hermès' core values – creativity, quality and commitment to excellence – using local skills, culture and resources.

Like Hermès, Shang Xia embodies a combination of age-old tradition and technological innovation. Drawing inspiration from the millenary heritage of China and greater Asia, the brand's first collection focused on home interiors, with a range of furniture, decorative objects, accessories, clothing and objects linked to the tea ceremony.

With the opening of the new brand's first store, Hermès has reaffirmed its passionate commitment to recognising and promoting craftsmanship and creative talent across the world.

OTHER ACTIVITIES OF THE HERMÈS GROUP

This sector includes activities carried out at Hermès production sites for non-Group brands, notably the packaging of perfumes at Le Vaudreuil in Normandy.

↗ Fawn in gold buffalo hide and togo calfskin.

↗ ↗ Jewellery hooks in natural Barénia calfskin and porcelain: teapot and coffee pot spouts from the *Early America* and *Africa* sets. Necklace in silk twill: *Les Poneys de polo carré*.

PARTNERSHIPS

JEAN PAUL GAULTIER

Hermès initially acquired a stake in the Jean Paul Gaultier couture house in 1999 and now owns 45% of the company. Sales mainly consist of licence revenues from ready-to-wear, perfumes and accessories, the haute couture collections and retail sales in the Jean Paul Gaultier boutiques. In 2010, the company repositioned its product range and delivered revenue of €24 million, a rise of 5% on 2009.

LES TISSAGES PERRIN

The Hermès Group owns a 39.5% interest in Les Tissages Perrin. Most of the business is focused on weaving for sectors as wide-ranging as ladies' lingerie, upholstery fabric, ready-to-wear and accessories. This business generated revenue of €20 million in 2010, or 4% less than in 2009.

VAUCHER MANUFACTURE FLEURIER

Hermès has owned 21% of watchmaker Vaucher Manufacture Fleurier since 2007. Located in the heart of traditional watch-making territory, between Neufchatel in Switzerland and the French border, La Manufacture Vaucher has superior expertise in premium and prestige watch movements.

Dressage annual calendar watch, in white gold made by La Manufacture Vaucher.



Detailed key financial data on investments in associates is provided in Volume 2, on page 153.



THE MAGICIAN

His life is not a novel, but a magical tale. And he is its magician. His fingers weave spells ; he has the patience of a saint and the humility of a prince. He has a taste for perfection, for challenges and adventure. Leather, silk, silver, crystal: each precious material entrusted to his expert hands is transformed into a charmed and charming object. He gives it life, as if it were a child. According to Laurence Quelier, director of manufacture in the workshop at Pantin, who speaks of the place like a family home, the birth of their first object sometimes draws an awed “It’s my baby!” from its creator. The artisan’s emotions, on seeing the fruition of their labours, are palpable. Into this object he has put all his skill, his heart and soul. “He takes its history to heart,” says Laurence, “and that of the house, too.” There is a real pride in belonging here. You can read it in his eyes, hear it in his words. You can see it in the work to which he adds his signature – a discreet, almost invisible signature – as if signing a painting. He does this not out of pride, but out of love. This is his work; it is unique, like the person who will adopt it. He pays homage to them both. Later, he will pass on his savoir-faire, just as it was once passed on to him. It is his treasure. This magic power must be learned over time, and through hard work. It demands perseverance, attention to others, a hunger to learn, and the determination to push one’s limits. If the artisan is a magician, that is because the realization of his work is also self-realization.



ACTIVITY BY REGION

The Hermès Group's revenue totalled €2,401 million in 2010, a rise of 19% at constant exchange rates and of 25% at current exchange rates. All continents delivered impressive growth.

	2010 (€m)	2010 (%)	2009 (€m)	2009 (%)	At current exchange rates	At constant exchange rates
Europe	901	38%	755	40%	19.2%	18.0%
France	437	19%	370	20%	18.1%	18.1%
Rest of Europe	463	19%	385	20%	20.2%	17.9%
Americas	385	16%	294	15%	31.0%	24.1%
Asia-Pacific	1,084	45%	831	43%	30.5%	19.0%
Japan	453	19%	408	21%	11.0%	(0.8)%
Rest of Asia-Pacific	631	26%	423	22%	49.3%	38.0%
Other	31	1%	34	2%	(8.2)%	(8.8)%
Consolidated revenue	2,401	100%	1,914	100%	25.4%	18.9%

EUROPE

Sales in Europe rose by 18% at constant exchange rates to €901 million in 2010 and accounted for 38% of the total for the consolidated entity.

In France, sales expanded by 18%. In November 2010, Hermès opened its third store in Paris, on rue de Sèvres, in the former Lutetia hotel's indoor swimming pool. The site is steeped in history and boasts original interior architecture with a vast selling area. It carries an extensive display of home furnishings and accessories, including furniture, upholstery fabric, wallpaper and carpeting. This new store fulfils three objectives: it gives Hermès an address on the Left Bank, it serves as a showcase for our Home Interiors universe and it is more than a shop – it is an inviting place inspired by the atmosphere of its lively neighbourhood. The space beckons visitors, encourages them to wander and to wonder, to explore the alcoves dedicated

to the wares of our partners – Baptiste the florist, Chaîne d'Encre, the Actes Sud bookstore and the Saint-Clair tea bar, aptly known as the Diving Board.

Elsewhere in France, the Strasbourg store was renovated and expanded. After a five-year absence, Hermès returned to Nantes in November. Lastly, the Montpellier concessionaire was renovated.

In the rest of Europe, growth averaged 18% at constant exchange rates over the year. Hermès expanded its distribution network: in September, the Zurich store relocated to larger premises and a second location was opened in Amsterdam, within the Bijenkorf department store. Four other stores were renovated: in Glasgow, Scotland; Munich, Germany; Antwerp, Belgium; and Bologna, Italy, where the interior layout was updated with pure, modern lines and new, light-refracting materials.

➤ Le Saut Hermès at the Grand Palais in Paris, April 2010.

A variety of events was held throughout the year. One of the most spectacular was Le Saut Hermès at the Grand Palais in April 2010, an event that will be held every year. This production is symbolic of the return of the horse to central Paris. It also gave Hermès its first opportunity to organise a CSI 5-star international dressage show. The Grand Palais' vaulted glass roof once again thrummed to the sound of horses' hooves beats, as it did when it first opened for the 1900 World's Fair. The focus this year was on silk products, once again, with *J'aime mon carré* events staged in Milan, Brussels and Madrid and mobile photo studios touring Europe. Lastly, Hermès chose its flagship store at 24, faubourg Saint-Honoré to launch its new line of "petit  " products, which was greeted enthusiastically by customers.



AMERICAS

In 2010, the Hermès Group generated 16% of its sales in the Americas. Revenue for the region moved up 24% at constant exchange rates to €385 million.

In North America, after two difficult years, economic conditions improved considerably in 2010, particularly during the second half. The distribution network was enlarged with the addition of a new store dedicated entirely to men on Madison Avenue in New York City. Its architecture and materials, highlighted by the interplay of light and crystal, lend the space a masculine feel in an atmosphere of warmth and intimacy. The ground floor invites visitors to discover the world of ties, silk products, small leather goods, fashion accessories, diaries and fragrances. On the second level, visitors enter the world of casual dressing, where the ready-to-wear collection is at its sportiest and most informal, alongside collections of accessories – shoes, hats, travel bags – that embody the same spirit. The third level houses the classical, elegant, urban gentleman's universe: coats, suits, shirts and ties, dress shoes. Messenger bags and briefcases are also on display. The top storey is dedicated to custom and semi-custom apparel, the evening wear collection, the Pippa collection and a selection of exceptional objects reflecting the Hermès lifestyle in its masculine incarnation.

In addition to this highly successful new venue, two other stores in the United States were renovated or expanded. In Las Vegas, the emblematic Bellagio store closed in January 2010 after eleven years of uninterrupted magic, then reopened nine hours later at Crystals Mall in CityCenter. And in June 2010, the Chicago store inaugurated its new showcase at the corner of East Oak and Rush streets. In Latin America, the business climate improved after the downturn in 2009 sparked by the H1N1 flu. The Group continued to expand in the region, with a new concessionaire in Mexico, at the Palacio de Hierro in Guadalajara. Throughout 2010, numerous events were held in the Americas, including the Sprockets Toronto International Children's Film Festival organised with the Fondation Hermès and *J'aime mon carré* activities organised in Argentina in September and in Toronto, Canada in November.



➤ Inauguration of the Hermès Men's Store on Madison Avenue in New York City.

ASIA-PACIFIC

In 2010, the Asia-Pacific region generated 45% of the Hermès Group's sales, with revenue totalling €1,084 million, up 19% year-on-year at constant exchange rates.

In Japan, sales edged down by 1% at constant exchange rates. Two new Hermès stores opened during the year, one Urawa Isetan to the north of Tokyo in March, the other in Sapporo Daimaru on Hokkaido Island in November. The Chiba Sogo and Iyotetsu Takashimaya concessionaires on Shikoku Island also became part of the retail network at the end of the first quarter. Like many countries, Japan celebrated the *J'aime mon carré* promotional tour, which travelled beyond Tokyo and across the nation. The vitality and magic of the different installations attracted new customers, both male and female.

In the rest of Asia, sales expanded by 38% at constant exchange rates. The distribution network continued to grow at a robust pace, with six new Hermès branches opened – four in China, one in Singapore and one in Australia. Three other stores were renovated or enlarged, including Shilla in Korea, which is now the second largest outlet in that country.

In July 2010, the Group opened its first concessionaire in Lebanon, in downtown Beirut. The store is on the ground floor of a 1920's building that is classified as a historic monument.

Among other events, silk products were highlighted with *J'aime mon carré* activities in Australia, Singapore and Malaysia. The Shanghai World's Fair set the stage for Leather Forever, an exhibition highlighting our craftsmen's leather goods and know-how installed in the building that will become our future "House".



↗ Window display at the Hermès store in Taiwan.



↗ Window display at the Hermès Ginza store in Tokyo.
 ↗↗ Window display at the Hermès store in Sydney.




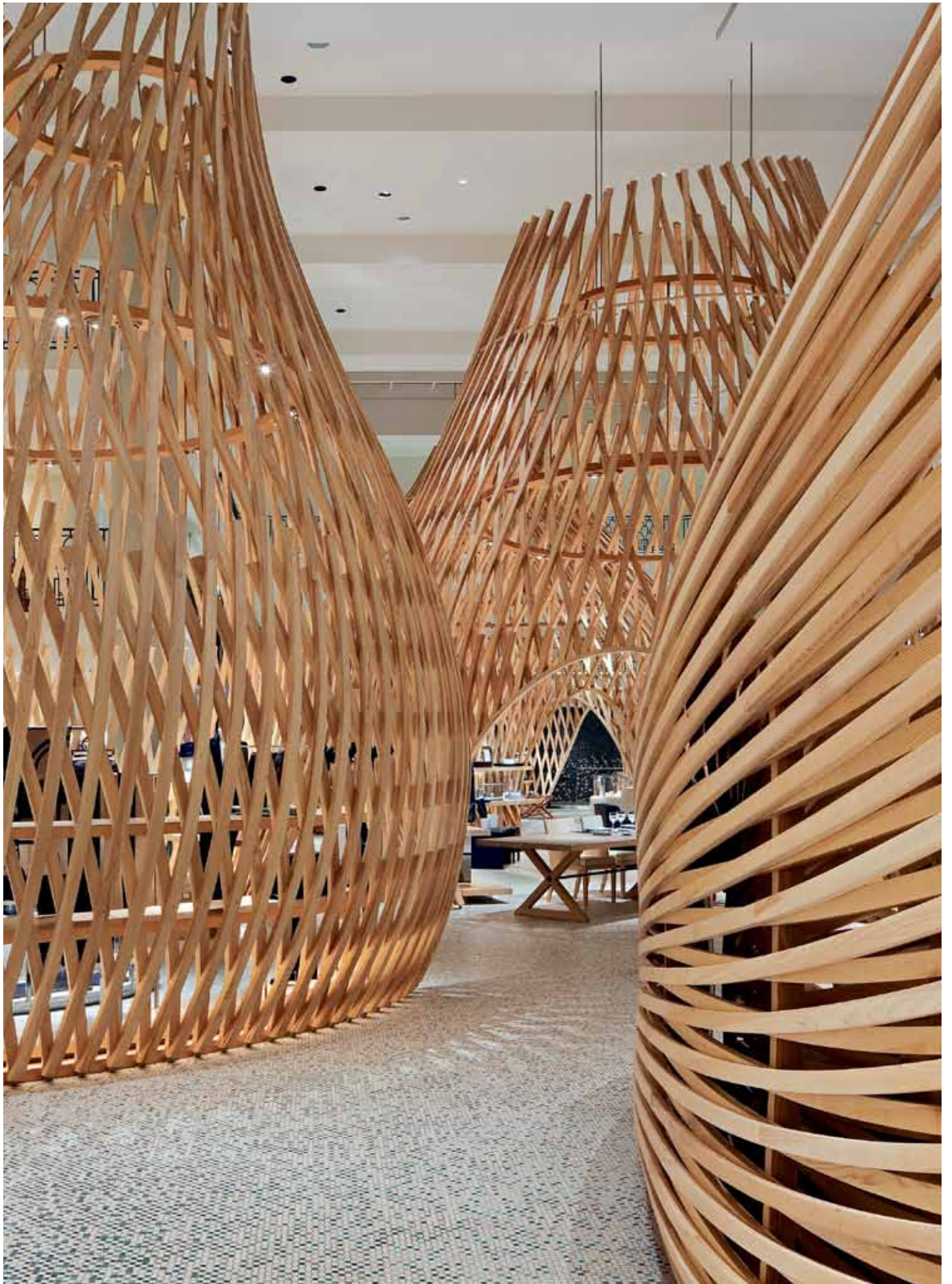
Next page: interior of the Hermès store on rue de Sèvres in Paris.

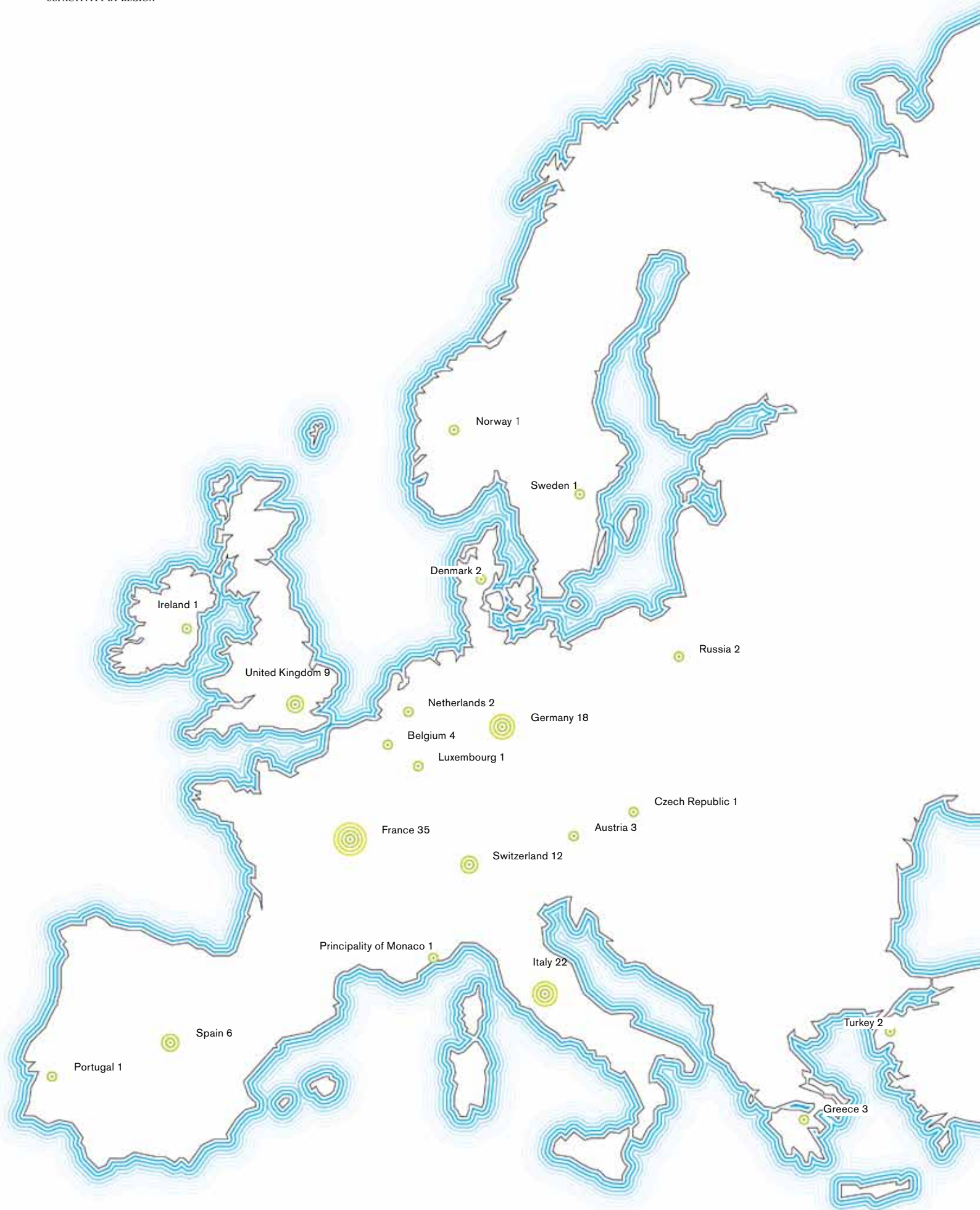


ALI BABA'S CAVE

It is a gallery of extraordinary beauty and diversity, a real Ali Baba's cave, breathtaking in its riches. Everything is unique, distinctive, and vibrant. The Hermès kingdom is like no other: alive, dynamic, colourful, harmonious, and ever-changing. Tens of thousands of new subjects are born there every year. They are made to grow, to flourish and to endure. Here, legendary figures – the silk scarf, *Kelly bag* and *Chaîne d'ancre* bracelet – dance with striplings. Leather goods, saddles, perfumes, jewels, watches, tableware, ready-to-wear, precious objects for the home: the court is royal, the profusion magical, and the nuances of form and colour, infinite. The diversity of leathers, fabrics and models never ceases to amaze. Every piece adds its harmonious song to the visual symphony. It is an audacious fantasia. Later each will be worn with love and passion by its owner. This is what Axel Dumas, Managing director of Métier Hermès Leather and Saddlery, calls "giving free rein." With time, a new detail may modify its style and magnify its beauty. From one store to the next, each encounter will offer new discoveries, new surprises. In this constellation, creations are united by a family resemblance, a style that is never lost. In Hermès, there's no need to try to dazzle. You will be noticed.







HERMÈS AROUND THE WORLD

Hermès products are available worldwide through a network of 317 exclusive stores and 21 other retail outlets. Hermès watches, perfumes and tableware are also sold through networks of specialised stores, in airport duty-free stores and on board aircraft.

338 RETAIL OUTLETS

EUROPE

Austria: 3

3 stores (cessionnaires)

Belgium: 4

3 stores (branches):

Antwerp

Brussels

Knokke-le-Zoute

1 store (cessionnaire)

Czech Republic: 1

1 store (branch):

Prague

Denmark: 2

2 stores (cessionnaires)

France: 35

15 stores (branches):

Aix-en-Provence

Biarritz

Bordeaux

Cannes

Deauville

Lille

Lyon

Marseille

Paris faubourg Saint-Honoré

Paris George-V

Paris Sèvres

Rennes

Rouen

Saint-Tropez

Strasbourg

20 stores (cessionnaires)

Germany: 18

10 stores (branches):

Baden-Baden

Berlin (2)

Cologne

Düsseldorf

Frankfurt

Hamburg

Hanover

Munich

Nuremberg

8 stores (cessionnaires)

Greece: 3

2 stores (branches):

Athens

Mykonos

1 store (cessionnaire)

Ireland: 1

1 store (branch):

Dublin

Italy: 22

11 stores (branches):

Bologna

Capri

Florence

Milan

Naples

Padua

Palermo

Porto Cervo

Rome

Turin

Venice

11 stores (cessionnaires)

Luxembourg: 1

1 store (cessionnaire)

Norway: 1

1 store (cessionnaire)

Netherlands: 2

2 stores (branches):

Amsterdam

Amsterdam Bijenkorf

Portugal: 1

1 store (branch):

Lisbon

Principality of Monaco: 1

1 store (branch):

Monte-Carlo

Russia: 2

2 stores (cessionnaires)

Spain: 6

6 stores (branches):

Barcelona Paseo de Gracia

Madrid

Madrid Corte Inglés

Marbella

Pau Casals

Valencia

Sweden: 1

1 store (cessionnaire)

Switzerland: 12

9 stores (branches):

Basel

Bern

Crans

Geneva

Gstaad

Lausanne

Lugano

Saint-Moritz

Zurich

3 stores (cessionnaires)

Turkey: 2

1 store (branch):

Istanbul

1 store (cessionnaire)

United Kingdom: 9

8 stores (branches):

Glasgow

London Harrods

London Bond Street

London Royal Exchange

London Selfridges

London Sloane Street

Manchester

Manchester Selfridges

1 store (cessionnaire)

Window display at the Hermès store in Zurich.





NORTH AMERICA

Canada: 5

4 stores (branches):
 Calgary
 Montreal
 Toronto
 Vancouver
 1 store (concessionaire)

Caribbean: 2

1 store (branch):
 Saint-Barthélemy
 1 store (concessionaire)

USA: 55

25 stores (branches):
 Atlanta
 Bergen County
 Beverly Hills
 Boston
 Charlotte
 Chicago
 Dallas
 Denver
 Hawaii Ala Moana
 Hawaii Duty Free Kalakaua

Hawaii Duty Paid Waikiki
 Houston
 King of Prussia
 Las Vegas (CityCenter)
 Las Vegas Wynn
 Miami Bal Harbour
 New York Madison
 New York Man on Madison
 New York Wall Street
 Palm Beach
 San Diego
 San Francisco
 Seattle
 South Coast Plaza
 Washington Fairfax
 9 stores (concessionaires)
 21 other retail outlets

Mexico: 4

3 stores (branches):
 Mexico Mazaryk
 Mexico Palacio Perisur
 Mexico Santa Fe
 1 store (concessionaire)

SOUTH AMERICA

Argentina: 1

1 store (branch):
 Buenos Aires

Brazil: 1

1 store (concessionaire)

Chile: 1

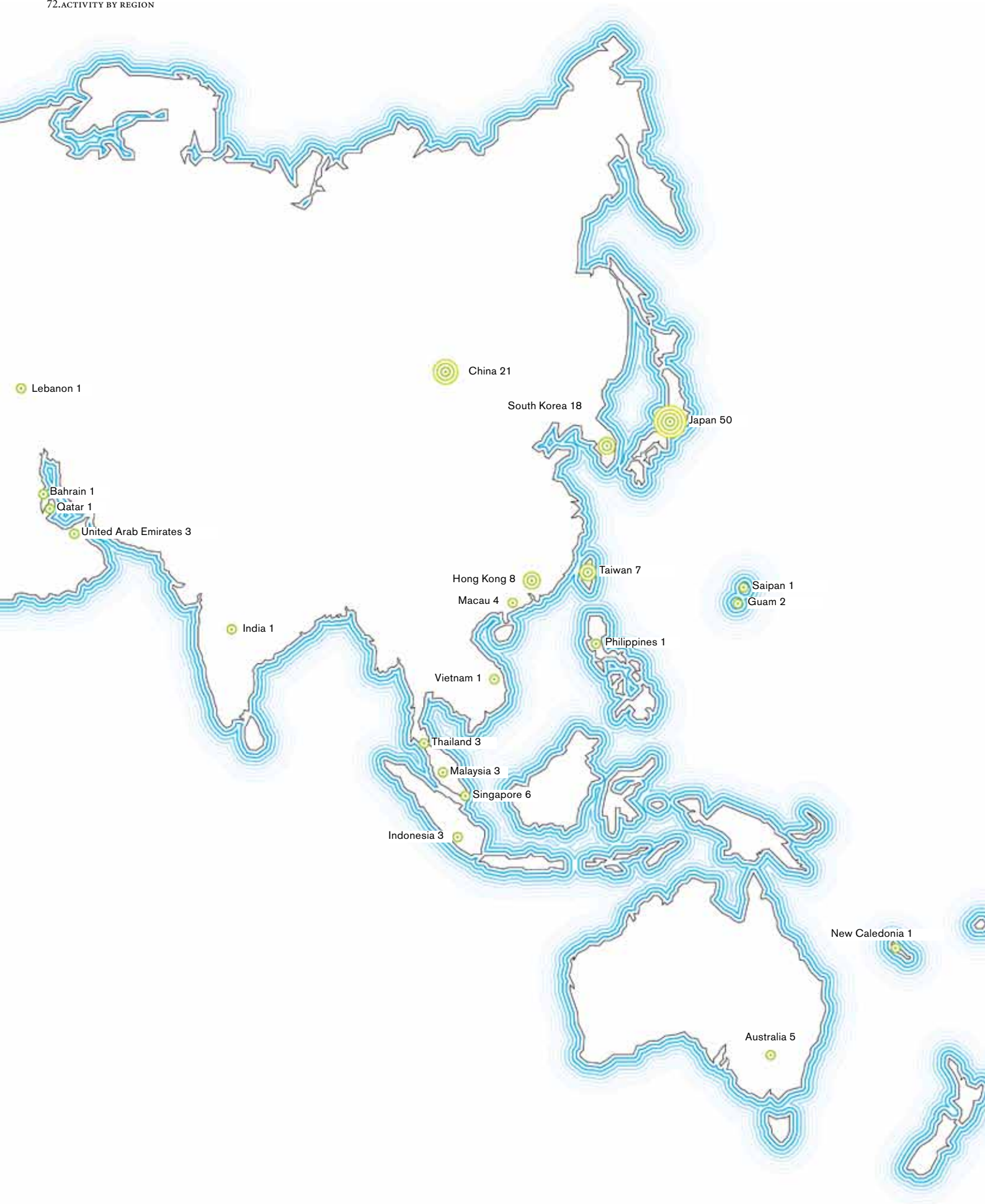
1 store (concessionaire)

Panama: 1

1 store (concessionaire)

Window displays at the Hermès and Men's stores on Madison Avenue in New York city.





ASIA

China: 21

17 stores (branches):
 Beijing China World
 Beijing Palace Hotel
 Beijing Park Life
 Canton Guangzhou La Perle
 Chengdu Maison-Mode
 Dalian
 Hangzhou Eurostreet
 Hangzhou Tower
 Harbin
 Kunming Golden Eagle
 Nanjing Deji
 Qingdao Hisense Plaza
 Shanghai
 Shanghai IFC
 Shenzhen City Crossing
 Suzhou Matro
 Wuxi Commercial Mansion
 4 stores (concessionaires)

Hong Kong: 8

8 stores (branches):
 Galleria
 HK Peninsula Hotel
 Hong Kong Airport
 Kowloon Elements
 Lee Gardens
 Ocean Center
 Pacific Place
 Sogo

Macao: 4

4 stores (branches):
 Four Seasons
 Mandarin Oriental Macao
 One Central
 Wynn

South Korea: 18

9 stores (branches):

Busan Paradise
 Hyundai
 Seoul Dosan Park
 Seoul Galleria
 Seoul Hyundai Coex
 Seoul Shilla
 Seoul Shinsegae Busan
 Seoul Shinsegae North
 Seoul Shinsegae South
 9 stores (concessionaires)

Indonesia: 3

3 stores (concessionaires)

Japan: 50

28 stores (branches):
 Chiba Sogo
 Iyotetsu Takashimaya
 Kobe Daimaru
 Kobe Sogo
 Kyoto Takashimaya
 Nagoya JR Tokai Takashimaya
 Osaka Hilton
 Osaka Midusoji
 Osaka Pisa Royal
 Osaka Takashimaya
 Sapporo Daimaru
 Sendai Fujisaki
 Tokyo Ginza
 Tokyo Ikebukuro Seibu
 Tokyo Isetan Shinjuku
 Tokyo Marunouchi
 Tokyo Nihombashi Mitsukoshi
 Tokyo Nihombashi Takashimaya
 Tokyo Ritz Carlton Hinokicho Park
 Tokyo Shibuya Seibu
 Tokyo Shibuya Tokyu
 Tokyo Shinjuku Takashimaya
 Tokyo Tachikawa Isetan
 Tokyo Tamagawa Takashimaya

Umeda Hankyu
 Urawa Isetan
 Yokohama Sogo
 Yokohama Takashimaya
 22 stores (concessionaires)

Malaysia: 3

2 stores (branches):
 Kuala Lumpur
 Kuala Lumpur Pavilion
 1 store (concessionaire)

Singapore: 6

4 stores (branches):
 Liat Tower
 Marina Bay Sands
 Scottswalk
 Takashimaya
 2 stores (concessionaires)

Taiwan: 7

6 stores (branches):
 Flagship Taipei – Bellavista
 Kaohsiung Han Shin
 Mitsukoshi Tainan
 Regent Taipei
 Sogo Fuxing Taipei
 Sogo Taichung
 1 store (concessionaire)

Thailand: 3

2 stores (branches):
 Bangkok Emporium
 Bangkok Siam Paragon
 1 store (concessionaire)

India: 1

1 store (branch):
 New Delhi

Vietnam: 1

1 store (concessionaire)

Philippines: 1

1 store (concessionaire)

MIDDLE EAST

Barhein: 1

1 store (concessionaire)

Qatar: 1

1 store (concessionaire)

United Arab Emirates: 3

3 stores (concessionaires)

Lebanon: 1

1 store (concessionaire)

OCEANIA

Australia : 5

5 stores (branches):
 Brisbane
 Gold Coast
 Marina Mirage
 Gold Coast Surfers Paradise
 Melbourne
 Sydney Skygarden

Guam: 2

1 store (branch)
 1 store (concessionaire)

New Caledonia: 1

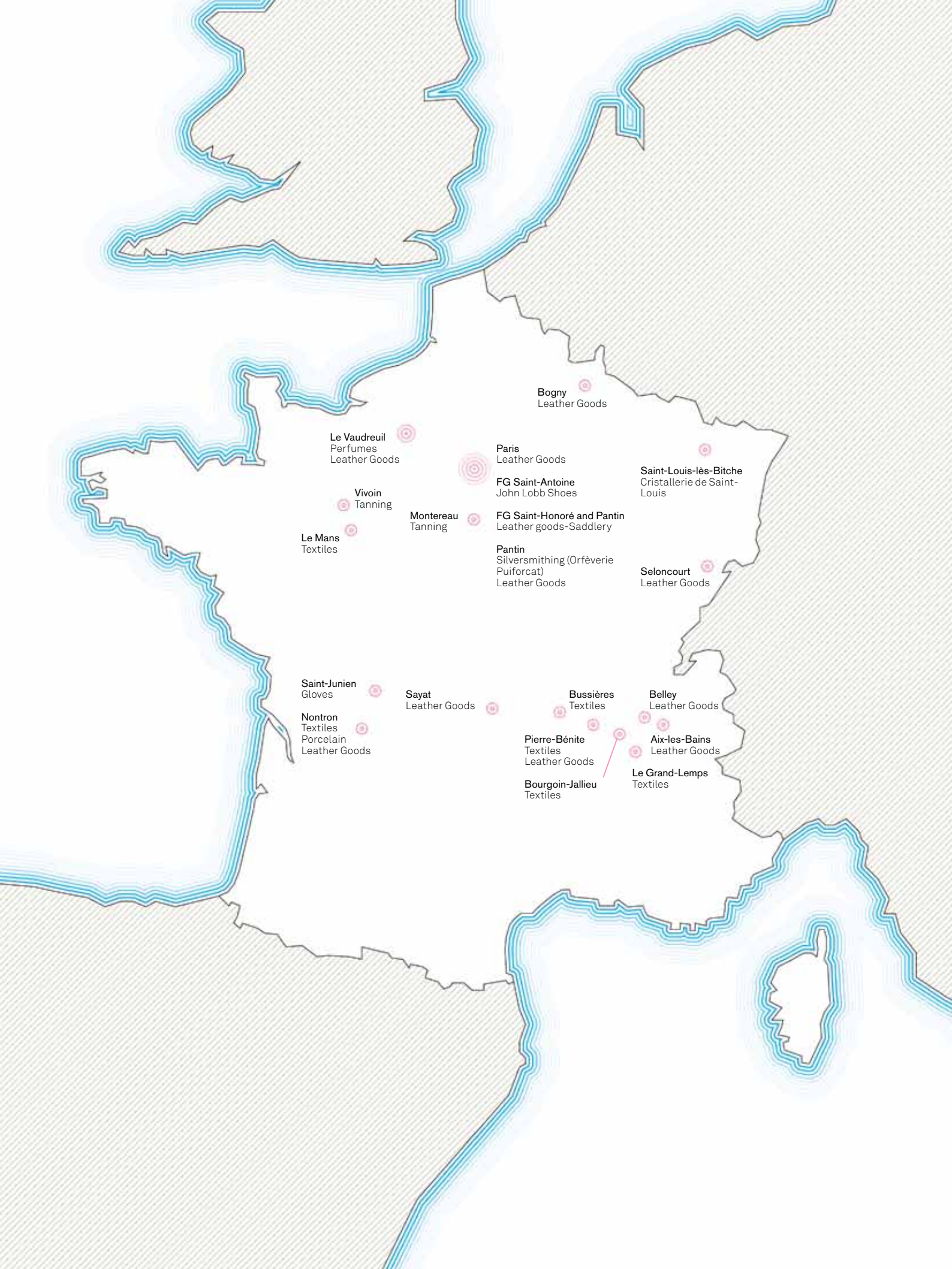
1 store (concessionaire)

Saipan: 1

1 store (branch)

Window displays at the Hermès stores in Ginza and Osaka.





Bogny
Leather Goods

Le Vaudreuil
Perfumes
Leather Goods

Paris
Leather Goods

Saint-Louis-lès-Bitche
Cristallerie de Saint-Louis

Vivoin
Tanning

FG Saint-Antoine
John Lobb Shoes

Montereau
Tanning

FG Saint-Honoré and Pantin
Leather goods-Saddlery

Le Mans
Textiles

Pantin
Silversmithing (Orfèverie
Puiforcat)
Leather Goods

Seloncourt
Leather Goods

Saint-Junien
Gloves

Sayat
Leather Goods

Bussièeres
Textiles

Belley
Leather Goods

Nontron
Textiles
Porcelain
Leather Goods

Pierre-Bénite
Textiles
Leather Goods

Aix-les-Bains
Leather Goods

Bourgoin-Jallieu
Textiles

Le Grand-Lemps
Textiles

ENVIRONMENT

The Hermès Group's manufacturing operations encompass thirty-three production units spread across twenty-seven sites, twenty-three of them in France, one in Great Britain, one in Italy, one in Switzerland and one in the United States. Hermès makes objects to extremely high quality standards, using traditional craftsmanship and natural materials like leather and silk. At all facilities and across all business lines, conservation of natural resources like water and energy and respect for the environment are our priority.

OUR GOALS

Since 2003, the group Industrial Department has consistently operated an environmental programme for all sectors and members of its thirty-three production units, with the same objectives:

- To comply with environmental and workplace health and safety (EHS) regulations and to prepare for changes in such regulations whenever possible.
- To enhance production processes by choosing the cleanest possible technologies and the most environmentally friendly materials available.
- To conserve natural resources, particularly water and energy.
- To minimise waste production and to reuse and recycle whenever possible.
- To reduce the carbon footprint of our business operations.



OUR ACCOMPLISHMENTS

WATER: CONSERVING A VITAL NATURAL RESOURCE

Since 2002, Hermès has made conservation of water – a vital natural resource – a main priority, through two programmes designed to achieve the following goals.

Significant cutbacks in consumption:

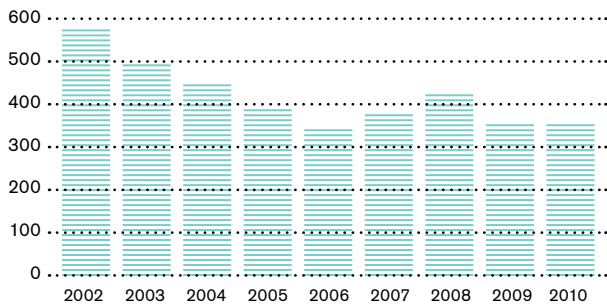
Between 2002 and 2010, the group's revenue nearly doubled, in-house production consistently accounted for approximately 75% of all products sold, the group acquired three exotic skin tanneries in mid-2007, and yet it managed to reduce aggregate water consumption by 38%.

In 2010, despite substantially higher production across all business sectors, Hermès' overall water consumption was about the same as in 2009. This accomplishment was made possible by a variety of measures in all of our operations, including:

- The use of measurement tools that have been installed to accurately analyse and control water consumption at each stage in the production process.
- Gradual development of recycling projects, for example to reuse water discharged by water softeners in washing machines at Ateliers AS.
- Upgrading equipment; as an example, the new washing machine for fabrics placed in service at SIEGL at the end of 2009 uses about 20% less water than its predecessor. At RTL, the exotic skin tannery in Louisiana, water consumption was slashed by 52% during the year after paddle vats were replaced with revolving drums and the plumbing system was updated.

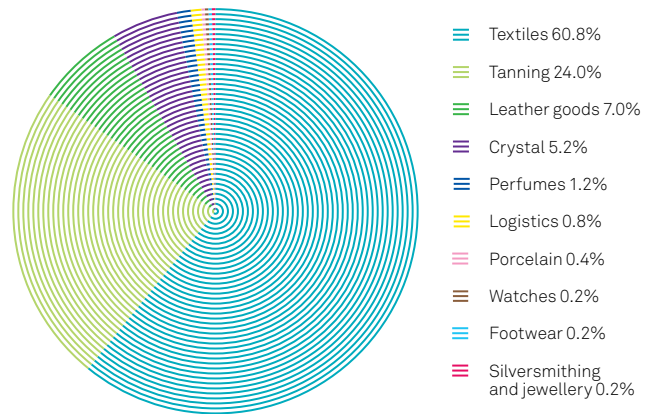
← Maroquinerie Nontronnaise in the verdant Perigord.

CHANGE IN WATER CONSUMPTION (in thousands of cubic metres)



(including Hermès Cuirs Précieux as from 2008)

WATER CONSUMPTION BY SECTOR



Improvement in the quality of pollutant releases:

Since 2002, substantial investments have been made to improve the quality of the pollutants released by our production facilities, such as the installation of the nanofiltration system at T.C.I.M. in 2008 and of a membrane bioreactor system at SIEGL in 2009. Moreover, since 2009, two facilities, Les Cristalleries de Saint-Louis and La Maroquinerie Nontronnaise, have used an environmentally-friendly Phytorestore system for effluent treatment.

In 2010, a new machine for applying and recovering the solvent used to clean the screen-printing tables was installed at Ateliers AS, thereby cutting the use of this chemical by 17%.

The two printing facilities, AS and SIEGL, continued to improve recovery of colours and chemicals, thereby lowering the COD (chemical oxygen demand, expressed in mg/l) of their pollutant releases by 23%.

ENERGY CONSERVATION

Growth in aggregate energy consumption was confined to 5% despite substantially higher production volumes and a colder winter than in 2009.

In 2010, the fuel oil-fired furnaces at Gordon-Choisy and at Pantin CIA were replaced with gas units. In addition, energy assessments were carried out by all sectors and at most production sites. Based on the findings of these assessments, various measures were adopted to improve energy efficiency. Établissements Marcel Gandit, T.C.I.M. and Maroquinerie de Belley added roofing insulation, while Maroquinerie des Ardennes improved the weatherproofing on its buildings

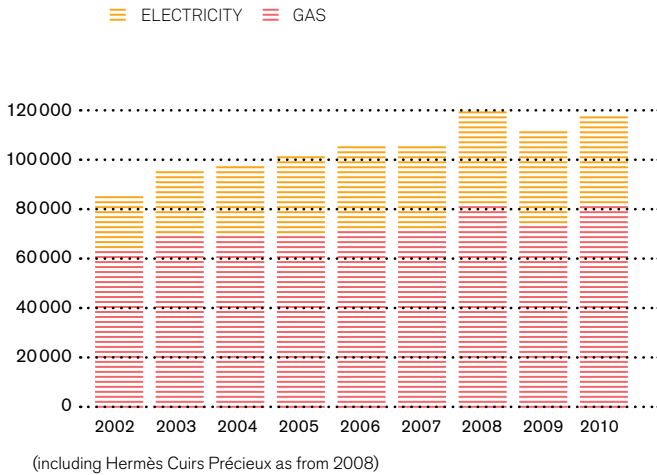
and La Manufacture de Seloncourt, John Lobb and the Bobigny logistics unit replaced their lighting systems with «low-energy» alternatives. In Leather goods, the overall electricity consumption was held down to 1%. La Maroquinerie Nontronnaise generated nearly half of its heating requirements through its wood-burning furnace, which uses renewable energy, and La Maroquinerie de Saint-Antoine switched from gas heating to the City of Paris district heating system.

REDUCING OUR CARBON FOOTPRINT

In mid-2010, Hermès obtained its overall Bilan Carbone® carbon audit. This is the culmination of the individual audits carried out at its distribution and production facilities based on the French Environment and Energy Management Agency (ADEME) method, with the help of an outside consultant, under a programme initiated in 2006.

Now that all the measurements have been analysed and synthesized, this cycle is complete, and action plans will be implemented. They will cover fossil fuel consumption and be integrated into the overall energy consumption review. Certain changes have already been implemented as a result of the carbon audits. As an example, the Tanning sector now ships untanned hides from the United States, Africa or Australia by sea instead of by air. This has reduced its carbon footprint per shipment by a factor of ten compared with air cargo, without jeopardising the cold chain, as the raw hides must be kept under constant refrigeration, to prevent spoilage. In another area, the Pierre-Bénite facility is reducing its carbon footprint through an inter-company transport plan (PDIE) to promote car-pooling

CHANGE IN ENERGY CONSUMPTION



and to encourage employees to use eco-friendly transportation by taking advantage of the infrastructure in the greater Lyon area.

ENCOURAGING PARTICIPATION

The Environment-Health-Safety-Fire Safety network, created in 2003, is overseen by the Industrial Department and coordinates Hermès' actions for these issues. The network comprises some twenty members who meet on a quarterly basis to exchange information on good practices, tools and results, to attend training sessions covering the new regulations, and to develop action plans for the future. All participants have access to the latest information through a common database.

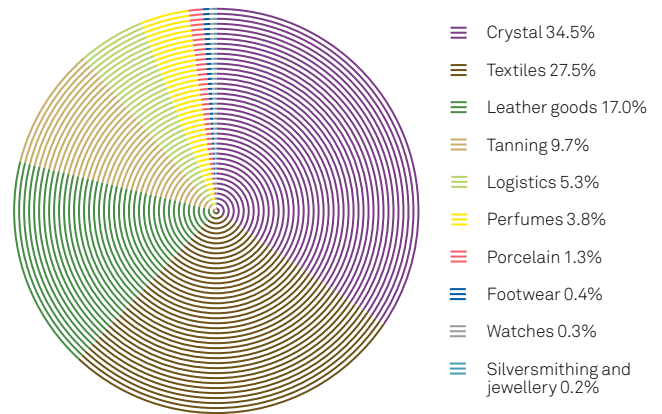
The second cycle of production site audits, which were carried out with an outside consulting firm, was completed in early 2010. The year was dedicated to addressing important matters that were brought to light during this cycle and these were successfully resolved, as verified by self-assessments.

A consultation procedure was set up for selecting the outside consultant to carry out the third audit cycle, which is scheduled for the years from 2011-2014, and for choosing the software to be used to track audit results and regulations.

The group operates an intranet site dedicated to building awareness of sustainable development issues and to providing information to employees both in and outside France.

The site covers all environmental issues addressed by Hermès, including measures adopted to reduce water consumption, energy use and carbon emissions as well as activities carried out by the network.

GAS AND ELECTRICITY CONSUMPTION BY SECTOR



CONCLUSION

The group did not set aside any provisions for environmental liabilities in the 2010 financial statements. None of the Group's companies was ordered by a court to pay compensation for environmental damages during the year.

A detailed description of this programme in each sector appears in Volume 2, on page 93.



HERMÈS: A RESPONSIBLE, COMMITTED EMPLOYER

DEVELOPING TALENT

NOURISHING HERMÈS CULTURE AT THE SOURCE

The two-session IFH training programme has been conducted yearly since 1993; in 2010 it was intensified with the addition of a third session. More than sixty division managers took part in the ten-day programme this year. Its goal is to illuminate the house's vision and values by recounting the major milestones and minute moments that have contributed to Hermès' renown throughout its history. Participants came away from the programme with a deepened sense of house culture, and thus a renewed desire to continue generating new ideas and a stronger sense of commitment to the challenges and goals that motivate us.

MOSAÏQUE: THE STORY OF HERMÈS AS A PATH TO BELONGING

Mosaïque, the orientation programme for new employees, was also stepped up in 2010. It now comprises six sessions. Created for new members of the Hermès team in Europe, the programme immerses them in a three-day journey through the world of Hermès, its many *métiers*, its know-how and its talents, combining discipline and creativity. More than two hundred people participated in this congenial introduction to the house, which offered an enjoyable opportunity to forge lasting bonds while opening doors to the complex and diverse world of Hermès.

→ The "Légendes" class of the *Mosaïque* programme. 24, rue du faubourg Saint-Honoré, November 2010.



← *Kelly en perles giant carré* in washed silk twill.

GROWING AS A TEAM MANAGER

In 2010 four management training programmes were set up at different levels within the Group. These programmes use Hermès' values and its vision of leadership as teaching tools to encourage excellence in everyday leadership skills and to hone managers' abilities to pilot group projects while fostering teamwork. This year, more than one hundred and sixty managers participated in one of the two programmes, *Animateur Hermès 1 and 2* or *Ateliers de l'Animateur Hermès 1 and 2*.



GUARANTEEING OUR CUSTOMERS A WARM WELCOME AND EXCEPTIONAL SERVICE

The year 2010 was a lively one in our stores, inspiring an intensive focus on skills development for sales staff.

This year's "Hermès Merchant School" (*École des Marchands Hermès*) was structured around two themes: product knowledge and the "art of selling". More than five hundred staff members in our global retail network took part in it, perfecting the art of building a personal relationship to ensure that each customer walks away from our stores with a memorable experience of his or her time in the world of Hermès. Training to familiarise staff with our products was held locally as well as through centralised sessions in Paris, to help sales representatives build general knowledge of products' history and the skill and artistry their manufacture requires, or to hone their command of the season's collections.

FORMAL RECOGNITION OF SKILL SETTING TO ENSURE GREATER EMPLOYABILITY

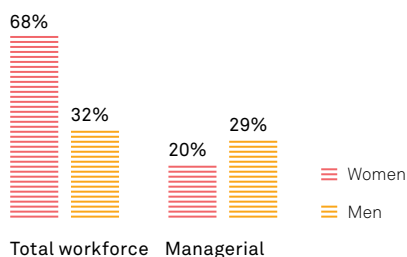
In 2010, in response to the business downturn caused by the recession, Les Cristalleries de Saint-Louis, with support from the Hermès Group, set up a series of measures intended to maintain and strengthen the division's human capital. These measures included a process known as *validation des acquis de l'expérience*, or VAE, through which employees may obtain an equivalency degree or certificate that officially recognises knowledge and skills acquired outside a traditional educational setting, particularly through work experience.

The Lorraine Region supported Les Cristalleries de Saint-Louis in the implementation of this programme through its VAE service hub, which helped to pilot the programme and assisted employees who wished to participate all the way through to the final interview. Les Cristalleries de Saint-Louis provided information to employees who wished to benefit from the VAE, and then guided them through the process of identifying the degree or certificate that corresponded with their work experience. Management also created work groups to help employees describe their work experience and to frame it in the appropriate terms and to practice interviews. This first phase of the programme took place in the first half of 2010. A total of twenty-five employees applied for equivalencies, ranging from certificates from the French Ministry of Employment to CAP vocational diplomas to Masters' degrees. Interviews for certificates from the French Ministry of Employment and secondary diplomas from the *Éducation Nationale* began in the last quarter of 2010; interviews for university-level degrees will be finished by the end of the first half of 2011.

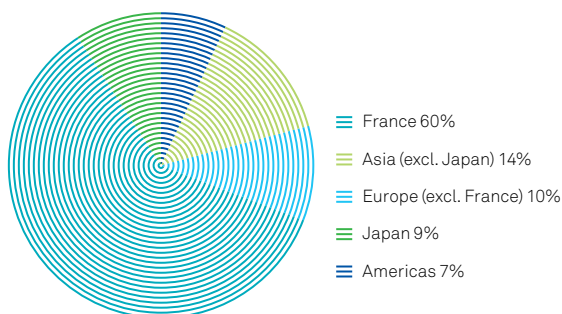
DISTRIBUTION OF BONUS SHARES

In 2010 as in certain previous years, each employee was given thirty Hermès shares in recognition of their service and as further incentive to work towards achieving the Group's goals. This embodies Hermès' desire to cultivate loyalty to the Group and to foster a sense of belonging to a family-owned, forward-looking company.

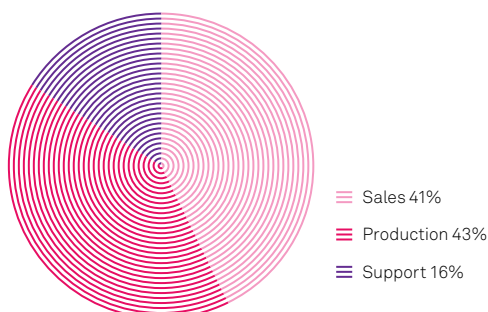
Breakdown
of workforce by gender



Breakdown
by region



Breakdown by job category



HELPING EMPLOYEES TO FORGE STRONG BONDS

TANDEM, NOW BRIDGING WORLDS WITHIN THE TEXTILE DIVISION

The Tandem programme was launched in 2008 to foster cross-disciplinary relationships between the leather and sales divisions. It was designed to help employees from these sectors to see their work from a different angle by exploring the skills and know-how required of a complementary *métier* other than their own, and thus to gain a better understanding of each other by spending time in each other's shoes. The programme's success exceeded all expectations. In addition to helping employees build strong new ties with one another, this simple idea has broadened its participants' perspectives on their own work.

Tandem proved to be an ideal solution to meeting a clear-cut professional need, and it was only natural to extend it to other *métiers* within the group. The programme now encompasses artisan leather cutters, sewing machine operators and glovemakers, as well as craftsmen and operators in the textiles division, including graphic artists, engravers, seamstresses, weavers, printers and textile inspectors.

In 2010, Tandem celebrated its second anniversary by opening its doors to the textile world and some fifty employees took part in the programme. In true resonance with the house's values, the programme deepened participants' sense of belonging and expanded their vision of their *métier*, thus adding even greater pleasure to it. Employees agreed that the experience of sharing know-how and getting to know one another was an extremely valuable one. Tandem will continue to grow in 2011, taking care to ensure that each exchange is a success.



TALES TO BE TOLD: BRINGING ALIVE HERMÈS' TRADITION OF STORYTELLING IN OUR STORES ...

“When I arrived, he stood up. Between two whinnies he confided to me, ‘I’ve always dreamed of trading in these horseshoes for some riding boots’. No surprise there – at Hermès, horses are and always have been our main customer....”

What better storyteller than a sales representative? Every day of the year, they tell the stories of Hermès products, offering us a glimpse of the dreams hidden within them. In 2010, every store in our global distribution network was invited to tell a tale. It could be real or imagined, lived or dreamed, something that happened in a store or outside it, with a customer or within a team... all tales were welcome. Putting pen to paper to tell a story was a true exercise in style – and in teamwork!

Organised as a competition, the game piqued the interest of a great number of Hermès sales teams, who were excited by the challenge of collaborating on a project that showcased their creativity and their writing skills. The prize committee selected winners based on the poetry, magic, imagination, originality and emotion of their submissions.

The men’s ready-to-wear department at the 24 Faubourg store in Paris won first place for *Le pommier de Monsieur D* (Mr D’s Apple Tree). The prize committee awarded a special mention to the Dubai store for “The Second Night After The One Thousand”. Lastly, the Hermès store in the Nagoya International Airport received the Mousseline prize for “Dreams Blowing on the Wind”.

→ Awards ceremony for the “Tales to be told” competition. Paris, *Musée de la Chasse*, January 2010.

→ → Awards ceremony for the *Prix des Entrepreneurs*, Forum H, Paris, June 2010.

→ → → Launch party for the 2011 theme, “Hermès, contemporary artisan”.

MADE IN HERMÈS IN HONG KONG

Some two hundred employees from nearly fifteen countries across Asia were invited to spend three days in Hong Kong. The trip to the island was organised in appreciation of their major contributions to Hermès’ growth over the past ten years, and to awaken their curiosity within the world of Hermès. Participants were given the opportunity to hand-stitch leather, to consider challenges the future may hold, to catch up with developments in the life of the company in Asia and throughout the world and to participate in workshops that enriched their knowledge of the house’s culture. These festive, fun-filled days were full of surprises and moments for reflection, and offered an ideal forum for conversation and intercultural dialogue – yet again showing that Hermès truly is a world without borders.



FORUM H: A BIENNIAL REUNION FOR STAFF IN PARIS AND THE GREATER PARIS AREA

Nearly one thousand people assembled for an afternoon at the *Palais des Congrès* in Paris for a final tribute in images to Jean-Louis Dumas, an inspiration and a leader for the preceding generation of craftsmen. The Forum also gave an overview of events affecting the house today, refocused attention on the Group's corporate vision, discussed results from the year 2009 and planned in 2010. The *Prix des Entrepreneurs* (Entrepreneurs' Prize) was awarded to the best entrepreneurial projects completed or launched in 2009. First prize went to the advertising team at Hermès Singapore for multiple promotional projects linked to *Petit Journal de la Soie*, aimed at attracting a younger audience. Second prize was awarded to support teams in Pantin in recognition of their initiatives in fostering dialogue and encouraging a spirit of service within the company, with the goal of "giving your all to help others succeed". Third prize went to a team from John Lobb for its Butler Service concept, which creates partnerships with luxury hotels to provide four different shoe-care services to customers.



PROMOTING AND SHOWCASING CRAFTSMANSHIP AND CRAFTSMEN

A major event, *La ronde des savoir-faire*, was held at the *Ateliers Hermès* in Pantin for some thousand staff members on 16 December to prepare for 2011, whose theme will be the contemporary artisan. The event included demonstrations of Hermès' many *métiers*, an introduction to the year's theme and a presentation of the programmes to be rolled out in manufacturing sites over the course of 2011. The event was the perfect occasion to prepare participants to embrace the coming year and its theme, which will celebrate the craftsmen who drive our *métiers* and inspire our workforce.



PROMOTING SUSTAINABLE DEVELOPMENT AND ENVIRONMENTAL PROTECTION

After publishing the Hermès Code of Conduct and rolling out the Harmonie Hermès intranet site dedicated to sustainable development within the company in 2009, the Group dedicated further efforts to building momentum in the area of sustainable development and corporate social responsibility. This determination is evidenced by a range of practical measures taken on a local level by our subsidiaries and coordinated by the Group's Sustainable Development Committee.

ENCOURAGING UNDERSTANDING AND ACCOMMODATING DIFFERENCES

In the spirit of progress fostered by the Sustainable Development Committee, many new programmes dedicated to employee welfare have emerged, on the recommendation of task forces organised to brainstorm ideas around issues such as disabilities, fighting addiction, equal opportunity, well-being in the workplace and literacy.

The Textiles division has spearheaded a number of initiatives to encourage the employment of persons with disabilities. The engraving company Gandit has sub-contracted its catering, housekeeping and industrial cleaning services to a specialised organisation that helps those with disabilities find work in adapted conditions. Staff at the site were also educated about issues pertaining to disabilities.

For six weeks, the HTH facility in Pierre-Bénite hosted a team of six persons from an ESAT (*Etablissement et Service d'Aide par le Travail*), an organisation that helps and employs the disabled. The team helped produce samples for the HTH collections. This cooperative effort was a success and will be repeated in 2011. For the past two years, the Manufacture de Pierre-Bénite has worked with an ESAT called *La Sandale du Pèlerin* to employ disabled persons to help prepare leathers, specifically to buff skins and cut straps.

For France's National Disability Awareness Week, two companies from the Textiles division, Créations Métaphores and SIEGL, invited URAPEDA, a regional group that offers courses in French sign language, to give two workshops, one that introduced employees to sign language and one that simulated the experience of deafness, immersing them in a silent world in which speech becomes a series of incomprehensible mouth movements. Employees thus discovered what it felt like to be isolated and cut off from the rest of the world, giving them an awareness of what it is like to live with such a disability. This will pave the way to better communication with certain co-workers. In Paris, through the organisation *Nos Quartiers ont des Talents*, members of the management team were invited to assist a young university graduate entering the job market as he or she looked for his or her first job.



ENCOURAGING ENVIRONMENTAL AWARENESS ON THE INDIVIDUAL LEVEL

To help protect the environment, the Pierre-Bénite site near Lyon, which is home to the Ateliers A.S. textile printing facility, the HTH quality control unit and a leatherworking facility, implemented a two-pronged commuting plan to encourage car-pooling and cycling to work. An all-day information programme was held to raise awareness about alternative modes of transportation and to allow employees to test-drive electric bicycles.

IMPROVING WELL-BEING AT WORK

Continuing growth and increased economic pressure have spurred the Human Resources Department to pay even closer attention to well-being among staff members, in particular those who engage in manual work, which is more physically demanding. As a result, many manufacturing facilities now offer morning warm-up sessions to ensure optimal comfort throughout the workday and to prevent musculoskeletal problems.

An experimental training programme to prevent work-related stress and psychological problems and designed to optimise working conditions was implemented at Maroquinerie de Sayat. This programme supplements existing measures, such as improved ergonomics at workstations and warm-up sessions. This experiment was explained to the site's employees in 2009 during a two-hour workshop led by a human resources consultant and a clinical psychologist who discussed subjects such as well-being in the workplace, factors affecting physical and mental health and ways to improve one's quality of life at work. Following this workshop, twenty-five employees volunteered to participate in a comprehensive seven-month programme composed of three workshops: a brainstorming session on stress management, communication techniques and time and priority management; a sophrology workshop and a yoga workshop. In 2011, a new group of employees will participate in this experimental programme, which will be enhanced by lessons learned from the workshops held in 2010.



← Launch party for the 2011 theme, "Hermès, contemporary artisan".

FONDATION D'ENTREPRISE HERMÈS



FONDATION D'ENTREPRISE HERMÈS STRENGTHENS ITS PHILANTHROPIC COMMITMENT

Created in 2008, the *Fondation d'entreprise Hermès* (Hermès Corporate Foundation) structures its initiatives based on a five-year plan (2008-2012) set at its inception. Year after year, it has strengthened its philanthropic commitment in its different areas of activity, guided every step of the way by the unifying principle of *savoir-faire*. In 2010, the Foundation set up new strategic projects and programmes to expand the reach of its actions. The *Fondation d'entreprise Hermès* draws its core values from the culture of its two founding companies, Hermès International and Hermès Sellier. It defines its activities around four themes: promoting traditional craft skills, supporting the creative arts, fostering access to education and protecting biodiversity. One of the Foundation's special attributes, which showed more than ever this year, is its ability to build bridges among these different themes.

PROMOTING TRADITIONAL CRAFT SKILLS

Reflecting the values and activities of the House, the Foundation has chosen to support organisations that preserve and uphold the practice of exceptional craft skills, both traditional and contemporary. Partnerships built around this theme have been highly diverse. The Foundation works in close cooperation with cultural institutions and organisations that foster economic development in this sector, as this is a crucial element in the continued vibrancy of the craft world.

In 2010, the Foundation provided backing for the “*Animal*” exhibit at the *Musée des Arts décoratifs* and to the “*Autres maîtres de l'Inde*” exhibit at the *Musée du Quai Branly*. For the third consecutive year, the Foundation lent its support for cultural programming at the *Cité de la Céramique* in Sèvres, and the *Cité de la Musique*, with which it partnered to create a full-scale reproduction of an early nineteenth-century piano built by a master piano-builder and his apprentice.

The Foundation is also sponsoring photographer Jean-Marc Tingaud's work in Japan, as he captures inside views of the country's “Living Treasures,” as well as a documentary by Marc Petitjean on one of these “Living Treasures,” kimono painter Kunihiko Moriguchi. The Foundation has provided funding for the restoration of works by Jean-Louis Forain, which will be exhibited in 2011 in a retrospective of the artist's work at the *Petit Palais* in Paris.

Lastly, the Foundation continues to build relationships with organisations close to home. In this spirit of neighbourly philanthropy, over the past three years, it has supported the founding and the development of *Maison Ravel* in Pantin, a departement-wide resource centre for skilled artisans.

NEW PROGRAMMES TO SUPPORT THE CREATIVE ARTS

In 2010, the *Fondation d'entreprise Hermès* confirmed its leading role in the arts community and extended its activities as a producer through new programmes.

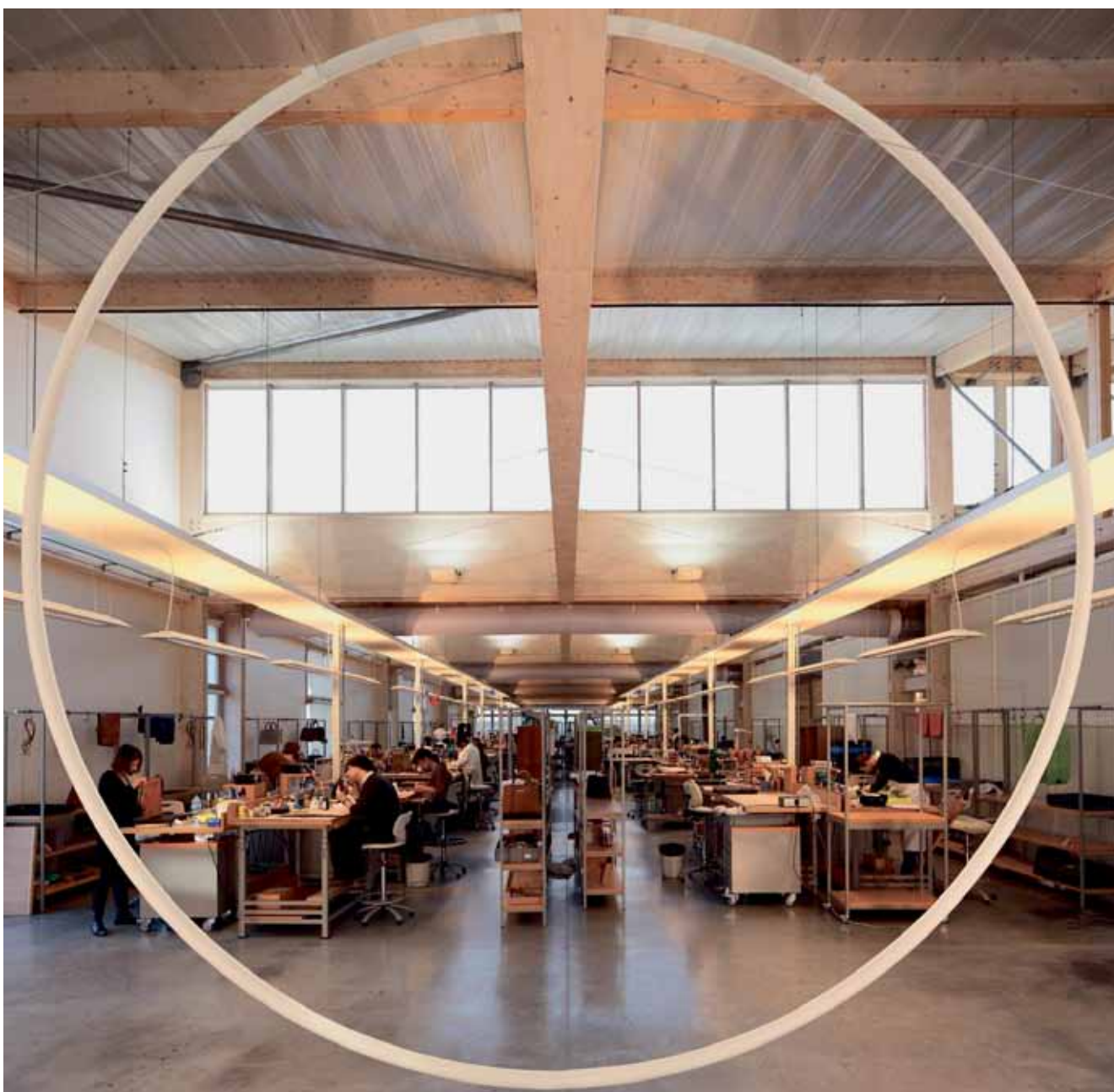
The Foundation established its first four artist-in-residence programmes at Maroquinerie de Sayat, Holding Textile Hermès, Maroquinerie des Ardennes and Les Cristalleries de Saint-Louis. *New Settings*, a programme that supports the performing arts, was also launched this year. Both programmes will be repeated each year.

Invitations to submit projects for the *Prix Émile Hermès* design competition were extended beyond France's borders, and applications came from sixty-three countries in 2010.

These new strategic initiatives complement those already underway, including eighteen new shows in six exhibit spaces, *La Verrière* in Brussels (which celebrated its tenth anniversary this year), the *Forum* in Tokyo, the *Atelier Hermès* in Seoul, *Third Floor* in Singapore, *The Gallery at Hermès* in New York and *TH13* in Bern. HBox, the Foundation's initiative to support video art, travelled to Mexico, New York and Basel this year.



↳ *À travers* by Elisabeth Clark at the Maroquinerie de Sayat. 2010 artist-in-residence programme.





↳ *Dais nuptial et Twill de soie*. Benoît Piéron at Holding Textile Hermès. 2010 artist-in-residence programme.
→ Unbaked bricks for *La Voûte Nubienne*, an environmentally friendly building alternative in sub-Saharan Africa.

The Foundation continues to commission four new video installations for HBox each year.

The *Fondation d'entreprise Hermès* expanded its support for the performing arts, for both the creation of new works and their performance before diverse audiences. Highlights this year included the co-production of *Babel*, a dance performance choreographed by Sidi Larbi Cherkaoui and Damien Jallet, which travelled to a number of cities this year and will continue touring through 2012. The Foundation also provided support for *Divine Féminin*, a musical and visual performance by *Traffic Quintet*, for Christian Rizzo's *L'Oubli, toucher du bois* and for two new contemporary music compositions by the *Ensemble Intercontemporain*. Other projects funded included the *Danse élargie* competition, the *Transforme* training programme for young choreographers at the *Fondation Royaumont*, the *Plastique Danse Flore* festival in Versailles, the *Centre national de la Danse* in Pantin and *Convoi Exceptionnel*, an organisation that promotes the performing arts in Africa. Lastly, the Foundation continued its support for *Shinbai, the flight of the Soul*, in Japan. In the field of design, in 2010, the Foundation maintained funding to the *Musée des Arts décoratifs* in Paris, to the *Design Parade* festival in Hyères, to the *Bourse Agora* and to *In Progress*, a project that questions the meaning of progress in today's world through exhibits, debates and lectures.

The Foundation again sponsored the Association for the International Diffusion of French Art through support for the Marcel Duchamp Prize for young visual and plastic artists.

ACCESS TO EDUCATION: AT THE CROSSROADS OF CULTURE AND SOLIDARITY

Another of the Foundation's goals is to extend Hermès' culture of humanism and solidarity to the less fortunate. Since education is a crucial tool for improving living conditions and building a better future, the Foundation sponsors education initiatives in numerous countries across the world. These projects all include artistic expression as an important vector for living

harmoniously in society and learning to function in an educational setting.

In 2010, on the recommendation of the Group's foreign subsidiaries, the Foundation funded a number of local projects dedicated to educating disadvantaged children. It selected eight programmes to support on a yearly or multi-year basis. These include Tara, a home in New Delhi, India that helps abandoned children prepare for school and university studies and the *Centre de formation aux métiers ruraux* in Thailand, which provides professional training to youth of the Karen people for economic and agricultural development.

The Foundation also continued to support initiatives selected in 2009, such as the *Ranch and Fence Musical Club* and the *Robot Club* in South Korea; the *Arts Access* programme at the Museum of Art and Design in New York; *Gol de Letra* in Brazil and the Special Delivery Program, a part of the *Sprockets Toronto International Film Festival* for Children.

Other organisations supported over the years by the *Fondation d'entreprise Hermès* include *Pour un sourire d'enfant* in Cambodia; *Mille pages aux enfants des dunes* in the Sahara of Mauritania; *Couleurs de Chine* in Myanmar, founded by François-Xavier Bagnoud; and, in France, *Théodora*, *La Source* and *A Chacun Son Everest*.

PRESERVING BIODIVERSITY: A KEYSTONE TO DEVELOPMENT

In 2010, the Foundation partnered with IDDRI (the French Institute for Sustainable Development and International Relations) to organise a series of lectures and workshops on biodiversity. This programme is intended to disseminate knowledge by bringing together researchers from around the world, to raise awareness of the need to preserve biodiversity, to encourage action in this area and to rethink growth models. The programme opened at the *Musée du Quai Branly* in Paris on 16 February 2010 with a daylong conference on "*Biodiversité 2010, et après?*" (Biodiversity in 2010 and Beyond) and continued

with another daylong conference on "*Biodiversité et droits de propriété intellectuelle*" (Biodiversity and Intellectual Property Rights) held at the *Théâtre de la Cité internationale* on 17 June. Since 2009, the Foundation has also supported IDDRI's research programme focused on the impact of economic factors in decisions regarding biodiversity.

In other fields related to biodiversity, the Foundation finalised its three-year commitment to *La Voûte Nubienne*, an organisation that links vocational training and environmental protection through a positive cycle in which builders are given specialised training in the construction of environmentally sustainable brick homes in sub-Saharan Africa.

The Foundation's website now features over a hundred completed projects, and is its main information tool. To find out more, please visit www.fondationentreprisehermes.org.



RISK MANAGEMENT

LIMITING INDUSTRIAL RISKS AND PROTECTING THE ENVIRONMENT

Hermès pays special attention to risk prevention in all of its manufacturing operations, encompassing thirty-three production sites, most of them located in France, and it does not operate any Seveso-rated facilities.

The Group Industrial Department works closely with the Industrial Officers in the business sectors to coordinate the implementation of processes designed to protect our manufacturing assets, our employees and the environment. These efforts are carried out jointly with the Property Management, Insurance & Prevention and Human Resources Departments. They encompass internal diagnostics and audits which are carried out by specialised third parties then integrated into operational action plans when appropriate. The key recommendations resulting from these diagnostics in the areas of organisation, procedures, training or investments are subject to careful follow-up, as the Group places a priority on safety when making budget choices.

As mentioned in the «Environment» section on page 74 of Volume 1, Hermès is committed to a stringent environmental protection and risk mitigation programme.

MINIMISING RISKS TO OUR PROPERTY ASSETS

All property-related transactions are handled by the Property Development Department, which centralises and helps control critical processes, including:

- Identification and assessment of the viability of retail store locations, production facilities and administrative offices based on qualitative and technical criteria;
- Direct or indirect oversight of key construction projects in France, to ensure the work is carried out properly;
- Supervising inspection plans applicable to the Group's main sites and covering structural/fire safety issues, compliance with labour laws and environmental considerations.

These inspections are supplemented by prevention system reviews carried out by the Group's insurance companies.

Furthermore, the Property Safety Committee is responsible for oversight of potential risks and for ascertaining that Group safety rules are duly applied. It also systematically follows up on all action plans.

PROTECTING OUR ASSETS THROUGH A PRUDENT INSURANCE PROGRAMME

The Group holds policies from leading insurers to provide property and casualty, operating loss and civil liability cover, as described in the «Insurance» section in Volume 2 (page 95).

In addition to this insurance cover, Hermès has adopted an active risk prevention policy and carefully follows up on recommendations issued by the insurers.

COMPLIANCE WITH APPLICABLE LAWS IN ALL AREAS

The Group keeps abreast of changes in legislation in all relevant areas to ensure that it complies with French and foreign laws and regulations. It uses in-house resources and outside firms for its legal and regulatory watch.

Internally, to address the growing complexity of different areas of the law, the Legal Department is organised by centres of expertise specialising in each major branch of the law: intellectual property, corporate and securities, real estate, business law (contracts of all kinds, competition, distribution, consumer law). Labour and tax matters are respectively handled by the Group Human Resources Department and Group Tax Department, which work in conjunction with the Legal Department as necessary. In addition, in each region where the Group operates, Hermès uses leading local law firms that specialise in the many areas covered.

While the Group is involved in ongoing litigation, there are no pending settlements that are expected to produce a material impact on its business or on its financial results.

The Company is not aware of any other pending or potential governmental, legal or arbitration proceedings that may have, or that over the last twelve months have had, a material impact on its financial condition or profitability and/or on the financial condition or profitability of the Group.

RISKS ASSOCIATED WITH INTELLECTUAL PROPERTY RIGHTS

The Group continues actively to protect its creations in every possible way, including through the registration of brand names, trademarks, design marks and patents. The shapes of the Kelly and Birkin bags have been registered as three-dimensional trademarks in France and in other countries. Expanding the scope of protection of these rights has yielded significant, visible results in the Group's ongoing battle against counterfeiting. Hermès remains exposed to the sale of counterfeit goods over the internet. It prosecutes sites that offer counterfeit items to the public with the same steadfast determination that it fights brick-and-mortar stores that sell unlawful imitations and it has won an important case against a world-famous auction site.

BALANCING AND SAFEGUARDING OUR DISTRIBUTION

Hermès holds a unique place in the luxury market and represents only a minute fraction of it (between 1% and 1.5% of a market that Bain & Company valued at just over €168 billion in 2010). Hence, the Group has relatively little exposure to general trends in the sector. Its extensive portfolio of products reduces the risk of dependence on any particular sector or range and its distribution is well-balanced geographically.

Hermès is present through over 338 sales outlets, 193 of which are directly operated by the Group (these account for 80% of revenue). It relies on a distribution organisation that significantly reduces customer risk.

Moreover, revenue has limited seasonal exposure: in 2010, the Group generated 55% of total sales in the second half, compared with 54% in both 2009 and 2008.

In each country where the Group operates, products are distributed through a selective distribution network specific to each house, in keeping with applicable local laws. Hermès is implementing a number of actions to ensure compliance with local requirements.

CONSERVATIVE TREASURY AND CURRENCY MANAGEMENT

As the Group has a cash surplus, it is not exposed to liquidity risk and it applies a conservative policy in managing market risks, including interest rate and counterparty risks. Because the bulk of its production is in the euro zone and as it derives a significant percentage of its sales in US dollars, Hong Kong dollars and Japanese yen, Hermès is naturally exposed to currency risks. In this respect, treasury and currency management is centralised by the Group Treasury Department and follows stringent management and oversight rules. On a monthly basis, the Treasury Security Committee ascertains that these procedures have been followed and that any risks identified have been addressed.

The Group's investment policy places the priority on maintaining liquidity to minimise risk and to give it financial leeway to respond quickly and independently when it needs to make strategy changes.

The Group deals only with leading banks and financial institutions. Most cash surpluses are invested for the short term, mainly in money-market mutual funds with very low sensitivity offered by leading financial institutions.

Exposure to currency risk is systematically hedged on an annual basis as a function of projected cash inflows and outflows.

The Finance Department adjusts its procedures and tools on an ongoing basis to accommodate changes in its environment.

IT RISK MONITORING AND MANAGEMENT

Hermès' expenditure on IT systems (equipment and maintenance) is on par with that of its peers in the sector. Its goal is to ensure good operational performance and to control IT-related risks.

The Group's IT Systems Department works under an information technology governance charter and has drawn up a corpus of procedures that apply to all Group companies. IT system security audits have been carried out within the major subsidiaries to verify compliance with the Group's procedures. In 2010, work to further enhance IT systems security entailed harmonising the different systems in use around a standard ERP system and the continued roll-out of the new, state-of-the-art management tool for the stores and distribution subsidiaries. IT risk prevention work conducted in 2010 focused primarily on enhancing IT security infrastructures (particularly those connected to the internet), upgrading and enhancing payment systems security, and improving critical back-up and fault tolerance systems and procedures to ensure the continuity of operations in the event of an incident.

As is the case each year, network intrusion testing and computer crash simulations were carried out.

CONTROL OVER SOURCING

Hermès retains control over production and over two-thirds of its products are manufactured in-house. Hermès has developed long-term relationships with its partners and suppliers, thereby protecting its sources of supply and critical know-how. Hermès carries out targeted audits to ascertain that its suppliers' operations meet the Group's expectations. In some cases, it will buy into carefully selected companies to ensure the stability of these relationships. Significant work has also been carried out to optimise and secure the supply chain.

AN ACTIVE RISK MANAGEMENT APPROACH

The Audit and Risk Management Department plays a dual role within the Group. Firstly, it identifies risks and provides assistance to operational managers in developing action plans to strengthen internal controls. Secondly, it works with the relevant departments and participates in oversight of major risks and in the different risk monitoring committees.

Risk mapping projects are conducted within the different Hermès entities on a regular basis and risk maps have been drawn up for each of the main subsidiaries at least once over the past four years. Based on the findings of these analyses, action plans have been drawn up as needed.

The Audit and Risk Management Department dedicates special efforts to the development of business continuity plans for each of the Group's major entities, including a plan to be implemented in case of a pandemic. As described in the Executive Management's Report on internal control procedures (Volume 2, page 25), via internal audits, the Department plays a key role in providing a clear overall view of the Group's control over its key risks, particularly by analysing the internal control organisation for financial information.

The Audit and Risk Management Department works closely with the other departments to coordinate local actions in areas such as internal communications and self-assessment procedures, thereby helping to instil a culture of risk awareness that fosters a spirit of caution and initiative within the Company.



CONSOLIDATED RESULTS

CONSOLIDATED RESULTS

In 2010, the Hermès Group's consolidated revenue amounted to €2,400.8 million, a year-on-year rise of 18.9% at constant exchange rates and of 25.4% at current exchange rates.

The gross margin rose by 2.8 percentage points over the year to 66.1%, owing to the favourable currency impact, growth in retail sales and the upturn in the production businesses.

Selling, marketing and administrative expenses amounted to €802.2 million, compared with €660.6 million in 2009. They included €126.4 million of advertising expenditures, which increased significantly (by 32.5% at constant exchange rates) and represented 5.3% of sales.

Other income and expenses came to €115.4 million, including €84.5 million of depreciation and amortisation charges, which rose owing to persistently high investments, as a large number of branches were newly opened or renovated over the past two years.

Operating income jumped by 44.3% to €668.2 million from €462.9 million in 2009. The operating margin advanced by 3.6 percentage points to 27.8% from 24.2 % in 2009.

Net financial income was €(12.5) million, about the same as the €(12.7) million registered in 2009. Net financial income comprises financial income from invested cash, foreign exchange gains and losses and financial provisions.

Income tax expense rose in proportion with pre-tax income, to €220.9 million from €148.2 million in 2009.

Net income attributable to non-controlling interests totalled €10.0 million compared with €6.7 million in 2009.

After a net loss of €3.1 million from associates, net income attributable to owners of the parent was €421.7 million, 46.0% higher than the €288.8 million registered in 2009.

INVESTMENTS

In 2010, Hermès continued to expand at a robust pace, with investments of €153.8 million (excluding financial investments). Hermès continued to enlarge the distribution network, with over 25 stores opened or renovated, including 20 Hermès branches.

FINANCIAL POSITION

Operating cash flows advanced by 42.5% to €571.5 million, amply covering total investments of €216.3 million and dividends of €119.1 million. After a substantial €92.4 million reduction in working capital requirement, the net cash position rose by €320.9 million to €828.5 million as at 31 December 2010 from €507.6 million at the end of 2009. Restated net cash (including non-current financial investments and borrowings) totalled €950.1 million as at 31 December 2010, compared with €576.4 million as at 31 December 2009.

Strong earnings growth drove up shareholders' equity to €2,150.3 million as at 31 December 2010 from €1,789.9 million a year earlier.

BREAKDOWN OF INVESTMENTS

(in millions of euros)	2010	2009	2008
Operating investments	138.2	197.8 ²	155.4
Investments in financial assets	15.5	9.5	5.1
<i>Subtotal - Investments (excluding financial investments)</i>	<i>153.8</i>	<i>207.2</i>	<i>160.4</i>
Financial investments ¹	62.5	69.8	1.9
Total investments	216.3	277.1	162.3

¹ Financial investments are investments whose sensitivity and maturity require that they be classified as financial assets in accordance with IFRS.

² During 2009, the Hermès Group purchased a building at 167 New Bond Street in London for €80 million.

VALUE CREATION

The notions of economic value added and return on capital employed were implemented within Hermès several years ago as performance indicators for the Group's investments. Economic value added is the difference between adjusted operating income after operating tax and the weighted average cost of capital employed (net value of long-term assets and working capital). Return on capital employed is the difference between adjusted operating income after operating tax and the average cost of capital employed.

High earnings growth in 2010 drove up economic value added to €333 million from €192 million in 2009. Return on capital employed increased appreciably, from 21% to 32%, owing to a combination of strong earnings growth and a substantial fall in inventories.

EXCEPTIONAL EVENTS

There were no exceptional events in 2010 other than those described under the heading Investments on the previous page.

In March 2011, Japan was struck by an earthquake and a tsunami. Hermès Japon took precautionary measures to protect its employees and temporarily closed certain stores. At this time, the consequences and financial impact of this catastrophe cannot be predicted, and the final outcome is highly uncertain.



→ Round low table in straw marquetry, Jean-Michel Frank collection.
 Rectangular change tray, orange birman lacquered wood,
 tab in natural chamonix calfskin. Rectangular change tray in laquered
 wood, tab in black chamonix calfskin.



PERSPECTIVES

FURTHER EXPANSION FOCUSED ON THE “CONTEMPORARY ARTISAN” THEME

After demonstrating the remarkable resilience of our business model in 2009 and staging a vigorous recovery in 2010, Hermès will continue to expand in 2011, with a dual focus on business growth and accentuating the house’s unique position as the ultimate in the quality of its craftsmanship. This year’s theme, “Contemporary artisan”, will give us the opportunity to reaffirm that for our house, artisanship is not just a convenient catchword, but a deep-seated conviction that lies at the very core of our business model. Hermès is now more closely attuned than ever to the changing aspirations of societies around the world, and we must continue to steer the course that has enabled us to create our widely acclaimed, unique universe of sumptuous luxury and our highly prized one-of-a-kind culture.

In 2010, our impressive growth was underpinned by the opening or renovation of twenty-five stores, including twenty Hermès branches. The two main events of the year were the new store on rue de Sèvres in Paris and the first Hermès store entirely dedicated to men, on Madison Avenue in New York City.

The group further enlarged its distribution network in Asia, with the addition of ten new branches, including four in China. After asserting its presence in three new countries in 2009 (Turkey, Brazil and Panama), Hermès ventured into more new territories in 2010 and opened its first store (a concessionaire) in Beirut, Lebanon.

In 2011, Hermès will maintain its long-term strategy of maintaining control over its know-how and distribution network. The group will continue to invest in projects to expand production capacity in its different sectors and in extending its distribution network, with an ambitious programme to open ten new branches and renovate some twenty stores in 2011. Nearly half of the new stores will be opened in Asia – in China, India and Korea – to accommodate the region’s vibrant growth.

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.

To support these projects and its expansion into new regions and sectors, the group will continue to dedicate a substantial budget to advertising, so as to nurture the brand’s image and broaden its reach, especially in emerging markets, and to capitalise on the breadth and depth of the Hermès product ranges. It will also continue its active efforts to recruit new staff.



SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

(in millions of euros)	2010	2009
Revenue (Note 3)	2,400.8	1,914.3
Cost of sales (Note 4)	(815.0)	(701.7)
Gross profit	1,585.8	1,212.6
Selling, marketing and administrative expenses (Note 5)	(802.2)	(660.6)
Other income and expense (Note 6)	(115.4)	(89.1)
Recurring operating income (Note 3)	668.2	462.9
Other non-recurring income and expense	-	-
Operating income	668.2	462.9
Net financial income (Note 7)	(12.5)	(12.7)
Pre-tax income	655.7	450.2
Income tax expense (Note 8)	(220.9)	(148.2)
Net income from associates (Note 15)	(3.1)	(6.5)
Consolidated net income	431.7	295.4
Net income attributable to non-controlling interests (Note 21)	(10.0)	(6.7)
Net income attributable to owners of the parent (Note 3)	421.7	288.8
Earnings per share (in euros) (Note 9)	4.01	2.75
Diluted earnings per share (in euros) (Note 9)	4.00	2.74

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(in millions of euros)	2010	2009
Consolidated net income	431.7	295.4
Actuarial gains and losses (Note 20.3)	(8.9)	(9.9)
Foreign currency adjustments (Note 20.3)	75.9	(5.5)
Derivatives included in equity (Note 20.3)	(25.3)	37.3
Gain/(loss) on sale of treasury shares (Note 20.3)	2.0	(0.3)
Income tax relating to components of other comprehensive income (Note 20.3)	11.8	(8.7)
Comprehensive income	487.1	308.4
Attributable to owners of the parent	475.2	301.6
Attributable to non-controlling interests	11.8	6.8

The note numbers refer to the Notes to the Consolidated Financial Statements in Volume 2 of the 2010 Annual Report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010**ASSETS**

(in millions of euros)	31/12/2010	31/12/2009
Non-current assets	1,354.8	1,175.6
Goodwill (Note 10)	37.2	34.8
Intangible assets (Note 11)	75.2	61.2
Property, plant & equipment (Note 12)	774.2	685.1
Investment property (Note 13)	98.3	95.3
Financial assets (Note 14)	151.7	118.6
Investments in associates (Note 15)	14.3	15.0
Loans and deposits (Note 16)	24.3	21.0
Deferred tax assets (Note 8.3)	178.1	143.1
Other non-current assets (Note 18)	1.5	1.6
Current assets	1,563.8	1,264.9
Inventories and work in progress (Note 17)	468.6	485.8
Trade and other receivables (Note 18)	159.0	132.3
Current tax receivables (Note 18)	1.1	3.5
Other current assets (Note 18)	69.5	55.6
Fair value of financial instruments (Note 22.2.3)	21.7	58.2
Cash and cash equivalents (Note 19.1)	843.8	529.5
TOTAL ASSETS	2,918.6	2,440.5

The note numbers refer to the Notes to the Consolidated Financial Statements in Volume 2 of the 2010 Annual Report.

EQUITY & LIABILITIES BEFORE APPROPRIATION

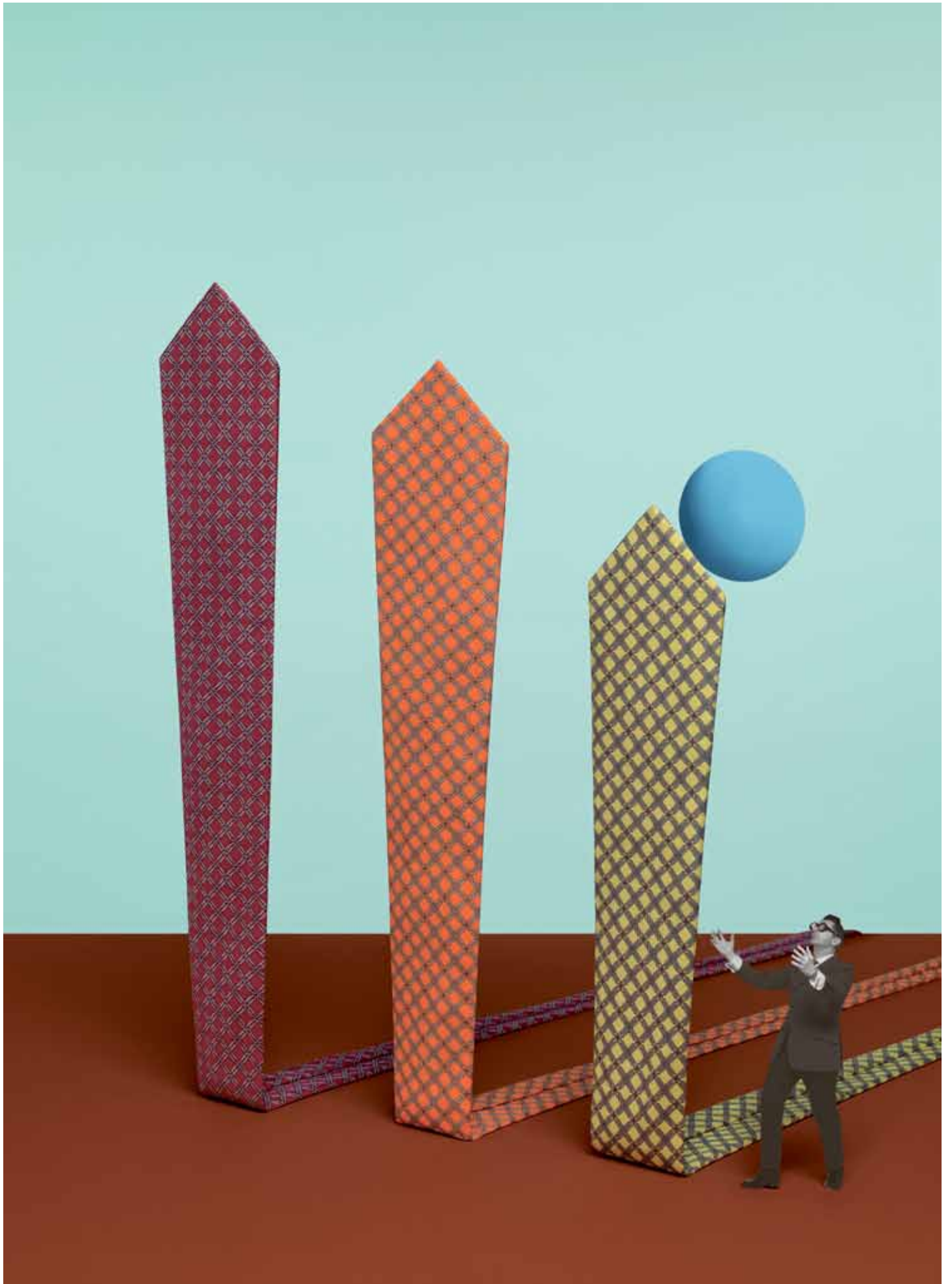
(in millions of euros)	31/12/2010	31/12/2009
Equity	2,163.2	1,803.9
Share capital (Note 20)	53.8	53.8
Share premium	49.6	49.6
Treasury shares (Note 20)	(33.0)	(32.5)
Reserves	1,621.3	1,451.6
Foreign currency adjustments (Note 20.1)	42.7	(31.4)
Derivatives included in equity (Note 20.2)	(5.9)	10.0
Net income attributable to owners of the parent (Note 3)	421.7	288.8
Non-controlling interests (Note 21)	12.9	14.0
Non-current liabilities	130.8	115.4
Borrowings and debt (Notes 22.3 and 22.4)	17.9	19.4
Provisions (Note 23)	14.4	7.5
Post-employment and other employee benefit obligations (Note 25)	56.3	54.6
Deferred tax liabilities (Note 8.3)	12.1	10.0
Other non-current liabilities (Note 26)	30.1	23.9
Current liabilities	624.6	521.2
Borrowings and debt (Notes 22.3 and 22.4)	26.0	45.4
Provisions (Note 23)	31.0	13.8
Post-employment and other employee benefit obligations (Note 25)	6.2	4.2
Trade and other payables (Note 26)	234.6	198.3
Fair value of financial instruments (Note 22.2.3)	30.1	36.8
Current tax liabilities (Note 26)	76.3	39.4
Other current liabilities (Note 26)	220.3	183.3
TOTAL EQUITY AND LIABILITIES	2,918.6	2,440.5

The note numbers refer to the Notes to the Consolidated Financial Statements in Volume 2 of the 2010 Annual Report.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2010

(in millions of euros)	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income attributable to owners of the parent (Note 3)	421.7	288.8
Depreciation and amortisation (Notes 11 and 12)	97.1	81.7
Impairment losses (Notes 11 and 12)	3.8	2.8
Marked-to-market value of derivatives	7.1	3.9
Currency gains/(losses) on fair value adjustments	(8.3)	2.1
Change in provisions	23.2	7.4
Net income from associates (Note 15)	3.1	6.5
Net income attributable to non-controlling interests (Note 21)	10.0	6.7
Capital gains/(losses) on disposals	2.0	2.0
Deferred tax	2.8	(5.7)
Accrued expenses and income related to share-based payments (Note 30.4)	9.1	4.9
Other	-	0.2
Operating cash flows	571.5	401.1
Cost of net debt	3.5	4.2
Current tax expense	226.5	161.2
Operating cash flows before cost of debt and current tax expense	801.5	566.5
Change in working capital (Note 19.2)	59.5	59.2
Cost of net debt	(3.5)	(4.2)
Income tax paid	(193.6)	(164.0)
Net cash from operating activities	663.8	457.5
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of intangible assets (Note 11)	(23.9)	(19.2)
Purchase of property, plant and equipment (Notes 12 and 13)	(114.4)	(178.5)
Investments in associates	(15.5)	(9.5)
Purchase of other financial assets (Note 14.1)	(62.5)	(69.8)
Amounts payable relating to fixed assets	2.0	(1.7)
Proceeds from sales of operating assets	0.4	0.8
Proceeds from disposals of consolidated securities	0.1	-
Proceeds from sales of other financial assets (Note 14.1)	25.7	-
Net cash used in investing activities	(188.1)	(277.9)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Dividends paid	(119.1)	(116.2)
Purchase of treasury shares	(0.5)	4.3
Borrowings	1.8	9.1
Reimbursements of borrowings	(23.1)	(25.7)
Other increases/(decreases) in equity	-	1.0
Net cash used in financing activities	(140.9)	(127.5)
Effect of changes in the scope of consolidation (Note 19.1)	0.1	0.9
Effect of foreign currency exchange on intragroup transactions	(26.5)	6.7
Effect of foreign currency exchange (Note 19.1)	12.5	(2.6)
CHANGE IN NET CASH POSITION (Note 19.1)	320.9	57.1
Net cash position at beginning of period (Note 19.1)	507.6	450.5
Net cash position at end of period (Note 19.1)	828.5	507.6
CHANGE IN NET CASH POSITION (Note 19.1)	320.9	57.1

The note numbers refer to the Notes to the Consolidated Financial Statements in Volume 2 of the 2010 Annual Report.





SHAREHOLDER'S GUIDE

FINANCIAL INFORMATION

Since 2005, Hermès International's annual report has been registered with the *Autorité des Marchés Financiers* (AMF) as a shelf-registration document. The annual report is prepared jointly by Hermès' Legal Department, Finance Department and Publishing Department and is available in French and English versions.

The Annual Report is available in hard copy or on CD-ROM free of charge upon written request sent to the Company.

The Annual Report may be consulted and downloaded on the Company's financial reporting website, www.hermes-international.com.

Shareholders and investors can also find the following information on the site, in French and in English:

- quarterly sales;
- half-year and full-year results;
- monthly statements of the number of shares and voting rights;
- disclosures on the share buyback programme;
- documents needed to prepare for the Annual General Meeting;
- minutes of the Annual General Meeting and results of votes on resolutions submitted to shareholders;
- press releases;
- most recent Articles of Association;
- annual information documents;
- letters to the shareholders.

2011 CALENDAR (FOR INFORMATION ONLY)

Q1 2011 consolidated sales:	11 May 2011
Combined General Meeting of shareholders:	30 May 2011
Q2 2011 consolidated sales:	19 July 2011
H1 2011 consolidated net income:	31 August 2011
Q3 2011 consolidated sales:	9 November 2011

SHAREHOLDER INFORMATION

The Letter to the Shareholders, which keeps shareholders informed on the Company's business and financial results, is available on www.hermes-international.com.

Shareholders and investors may obtain information on the Hermès Group by contacting:

Mr Lionel Martin-Guinard
Deputy Finance Manager
Hermès International
24, rue du Faubourg Saint-Honoré
75008 Paris.
Tel.: +33 (0) 1 40 17 49 26
Fax: +33 (0) 01 40 17 49 54
E-mail: lionel.martin.guinard@hermes.com

Financial information website: www.hermes-international.com.

During the lifetime of this Annual Report, the shareholders may consult the following documents relating to Hermès International on the Company's website (www.hermes-international.com) and/or at the Company's main administrative office at 13/15 rue de la Ville-l'Évêque, 75008 Paris, during business hours, or at its nearby annexe, by appointment only:

- the Company's Articles of Association;
- the registration documents for the last two financial years.

HOW TO BUY HERMÈS INTERNATIONAL SHARES

REGISTERED SHARES

These shares are registered in a securities account opened with:

BNP PARIBAS SECURITIES SERVICES

Services aux émetteurs

Immeuble G.M.P. Europe

9, rue du Débarcadère

93761 Pantin Cedex

Tel.: +33 (0) 826 10 91 19

Shareholders who opt for this method of administration automatically receive the Shareholders' Newsletter, notices of General Meetings and a form to complete if they wish to receive a hard copy of the Annual Report. They may place orders to buy or sell shares with BNP Paribas Securities Services under the terms and conditions stipulated in the service agreement.

Fully registered shares are handled directly by BNP Paribas Securities Services. You must sign a service agreement to open a fully registered share account, setting out the terms and conditions for buying and selling shares via BNP Paribas. The Company covers the custody fees.

Administered registered shares are handled by another financial institution that may apply custody fees.

BEARER SHARES

Bearer shares are handled by another financial institution that may apply custody fees. Shareholders who opt for this form of administration are not known to the Company and must identify themselves if they wish to obtain documents and attend General Meetings.

HOW TO PARTICIPATE IN GENERAL MEETINGS OF SHAREHOLDERS

All shareholders or representatives of shareholders are entitled to attend the Meeting and participate in the proceedings, regardless of the number of shares they hold. However, in order to attend the Meeting, to be represented at the Meeting or to vote by mail, shareholders must be shareholders of record as evidenced by registration of shares in their name (or in the name of the financial intermediary registered on their behalf if they are not residents of France) by 12:00 midnight (CET) on the third business day preceding the Meeting:

- in the register of registered shares held on behalf of the Company by its agent BNP Paribas Securities Services; or
- in a securities account held by the financial intermediary with which their shares are registered if the shares are bearer shares.

Shareholders may choose to participate in the General Meeting in one of three different ways:

- by attending the Meeting and voting in person;
- by voting by post: by casting their vote by postal ballot or by giving a proxy to the Chairman of the General Meeting or to another authorised representative;
- by voting online: by casting their vote online or by giving a proxy to the Chairman of the General Meeting or to another authorised representative.

IF YOU WISH TO ATTEND THE GENERAL MEETING OF HERMÈS INTERNATIONAL

To expedite admittance to the General Meeting, shareholders are asked to obtain an admission card prior to the Meeting, which they will receive by post or which may be downloaded by following these instructions:

- If you did not opt to receive the meeting notice by e-mail, and your shares are registered shares, you will automatically receive the meeting notice together with the attendance form by post; you should complete the form and return it in the enclosed postage-paid envelope. In addition, all registered shareholders may now obtain an admission card online. You need only to log on to the GISproxy site using your access code, as described in the «Voting online» section below.
- If you hold bearer shares, you should request a certificate from your financial intermediary evidencing your status as a

shareholder as of the date of the request. Your financial intermediary will then forward this certificate to BNP Paribas Securities Services, which will send you an admission card. If you have not received your admission card by the third business day before the General Meeting and if you hold bearer shares, you should request a shareholding certificate from your custodian institution; if you hold registered shares, you may register directly at the General Meeting. On the day of the Meeting, all shareholders will be asked to submit evidence of their status as shareholders and proof of identity at the registration desk.

IF YOU ARE UNABLE TO ATTEND THE GENERAL MEETING OF HERMÈS INTERNATIONAL

Shareholders who are unable to attend the General Meeting may vote by post or online, either directly or by giving their proxy to the Chairman of the Meeting, or any other representative authorised for this purpose.

If voting by post:

If you hold registered shares, you will automatically receive the attendance form together with the meeting notice.

If you hold bearer shares, you should send a request to your custodian institution, which will forward the attendance form together with a shareholding certificate to BNP Paribas Securities Services. Requests for attendance forms will be honoured only if received by no later than Friday, 20 May 2011. The duly completed form should be returned using the enclosed postage-paid envelope and must be received by BNP Paribas Securities Services by no later than 12:00 midnight (CET) on Wednesday, 25 May 2011.

Voting online:

Shareholders may now vote online before the General Meeting via a dedicated secure website, by following the instructions below:

If you hold *registered shares*:

If you hold fully registered shares and wish to vote online, before the Meeting, you should log onto the website at the address shown below, using the identification number and password that was sent to you.

If you hold administered registered shares, you may request that your password be sent to you by post, by logging onto the GISproxy website, using the login code shown in the upper right corner of the attendance form enclosed with the meeting notice sent to you by post.

If you hold *bearer shares*:

If you hold bearer shares and wish to vote online before the General Meeting, you should request a shareholding certificate from the financial institution that is the custodian of your shares and provide your e-mail address. The custodian will send the shareholding certificate, together with your e-mail address, to BNP Paribas Securities Services, the manager of the online voting site. BNP Paribas Securities will use this e-mail address to send you a username and a password, which will enable you to log onto the site at the address shown below.

In both cases, you need only follow the instructions that will appear on the screen.

The secure website dedicated to voting will open on 9 May 2011. Shareholders may vote online before the General Meeting until 3:00 p.m. (CET) on the day before the meeting, i.e., until Sunday, 29 May 2011.

To avoid possible bottlenecks on the dedicated website, it is recommended that you not wait until the last minute before voting.

Address of the secure dedicated website: <https://gisproxy.bnpparibas.com/hermesinternational.pg>

It is specified that:

Shareholders who have already voted, applied for an admittance card or requested a shareholding certificate (Article R.225-85 of the Code de Commerce):

- may not choose another method of participating in the meeting;
- may opt to sell some of all of their shares.

However, if the sale takes place before 12:00 midnight (CET) on Wednesday, 25 May 2011, the Company shall invalidate or make the applicable changes to any postal vote, online vote, proxy, admission card or shareholding certificate, as appropriate. The authorised intermediary acting as custodian shall notify the Company or its agent of any such sale and shall forward the necessary information. Any sale or other transaction completed after 12:00 midnight CET on Wednesday,

25 May 2011, by any means whatsoever, shall not be notified by the authorised financial intermediary or taken into consideration by the Company, notwithstanding any agreement to the contrary.

Proxies:

In accordance with the provisions of Article R 225-79 of the French Commercial Code, notice of the appointment or revocation of a proxy may be made by post, under the same conditions as those applying to the appointment of a proxy, and must be sent to the General Meeting Department (*Service assemblées générales*) of BNP Paribas Securities Services.

Such notice may also be made online, and will be processed more rapidly, by following the instructions below:

If you hold *fully registered shares*:

- you may submit your request by logging onto Planetshares, 'My Shares', using your customary username and password, then going to "My shareholder area – My general meetings" and clicking on the «Appoint or Revoke Proxy» button.

If you hold *bearer shares or administered registered shares*:

- you should send an e-mail to paris.bp2s.france.cts.mandats@bnpparibas.com

This e-mail must contain the following information:

name of the company concerned, date of the general meeting, last name, first name, address, bank references of the shareholder, as well as the first name, last name and, if possible, the address of the proxy.

- Shareholders should ask the financial intermediary that manages their securities account to send a written confirmation to the General Meeting Department of BNP Paribas Securities Services – CTS Assemblées Générales – Les Grands Moulins de Pantin, 9, rue du Débarcadère, 93761 Pantin Cedex.

Only instructions pertaining to the appointment or revocation of proxies should be sent to the above e-mail address; any requests or instructions pertaining to other matters will not be considered and/or processed.

In order for instructions on the appointment or revocation of proxies submitted by e-mail to be duly taken into consideration, the confirmation notice must be received by no later than 3:00 p.m. (CET) on the day before the Meeting. Instructions to appoint or revoke a proxy sent by post must be received by no later than three calendar days before the date of the Meeting.

THRESHOLD	EQUIVALENT (%)	RELATED OBLIGATIONS
1/20 ^e	5.00%	
1/10 ^e	10.00%	Statement of intent
3/20 ^e	15.00%	Statement of intent
1/5 ^e	20.00%	Statement of intent
1/4	25.00%	Statement of intent
3/10 ^e	30.00%	File a public takeover bid or offer of exchange
1/3	33.33%	
1/2	50.00%	
2/3	66.66%	
18/20 ^e	90.00%	
19/20 ^e	95.00%	

OWNERSHIP THRESHOLD DISCLOSURES

STATUTORY OWNERSHIP THRESHOLDS (ARTICLES L. 233-7 ET SEQ. OF THE CODE DE COMMERCE AND ARTICLES L.433-3 ET SEQ. OF THE CODE MONETAIRE ET FINANCIER)

Any natural or legal person, acting alone or jointly, coming into possession of more than 5% of Hermès International's share capital or voting rights (see table below) is required to disclose to the Company the total number of shares or voting rights held. Such disclosure must also be made whenever the percentage of share capital or voting rights held falls below one of the thresholds indicated above.

Any person who is subject to this requirement must also disclose these facts to the AMF.

Owing to the existence of double voting rights, in practice, twenty-two thresholds must be monitored.

The thresholds may be attained after shares are acquired or sold, whether by means of purchase, transfer, merger, demerger, scrip dividends or by any other means, or following a change in the apportionment of voting rights (gain or loss of double voting rights). The shares to be taken into account include not just newly acquired shares, but the shares that the shareholder has the right to acquire at its sole initiative pursuant to an agreement (contract of sale, option, etc.) and those that the shareholder can acquire at its sole initiative, immediately or in the future, as a result of holding a financial instrument (bond redeemable for shares, equity swap, warrant, etc.). Share ownership threshold disclosures must be filed no later than by the close of business on the fourth trading day following attainment of the threshold.

By the 15th of each month, the Company publishes a report on its website (www.hermes-international.com) disclosing the total number of shares, the total number of theoretical voting rights (including shares disqualified from voting) and the total number of exercisable voting rights (excluding shares disqualified from voting) that make up the share capital on the last day of the previous month.

OWNERSHIP THRESHOLDS AS PROVIDED BY THE ARTICLES OF ASSOCIATION

Any natural or legal person, acting alone or jointly, coming into possession, in any manner whatsoever, within the meaning of Articles L 233-7 *et seq.* of the *Code de Commerce*, of a number of shares representing 0.5% of the share capital and/or of the voting rights in General Meetings, or any multiple of this percentage, at any time, even after attaining one of the thresholds as provided by Articles L. 233-7 *et seq.* of the *Code de Commerce*, is required to disclose to the Company the total number of shares it owns by sending a notice by registered post, return receipt requested to the registered office within five days from the date it has exceeded one of these thresholds.

Such disclosure must also be made, under the same conditions as those provided above, whenever the percentage of share capital and/or voting rights held falls below one of the aforesaid thresholds.

In the event of failure to comply with these requirements, the shares exceeding the threshold which is subject to disclosure shall be disqualified from voting.

In the event of an adjustment, the corresponding voting rights may be exercised only after expiration of the period stipulated by law and the applicable regulations.

Unless one of the thresholds covered by the aforesaid Article L. 233-7 is attained, this sanction shall be applied only at the request of one or several shareholders individually or collectively holding at least 0.5% of the Company's share capital and/or voting rights and duly recorded in the minutes of the General Meeting.

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P.51: Claude Joray (*Arceau* squelette watch).

PP.52-53: Christophe Fillieux (*Balcon du Guadalquivir* porcelain), Patrick Burban (*Zermatt* flatware), Frédéric Goetz (*Veilleur de nuit* carafe).

P.55: Willy Vanderperre (heavy silk), Paul Lepreux (natural Barénia calfskin).

P.56: Frédéric Chehu.

P.57: Vincent Leroux.

P.58: Claude Joray.

P.60: Vicente Sahuc (ankle boots).

P.62: Elisabeth Rull (at left), Frédéric Chehu (at right).

P.63: Frank Oudeman.

PP.64-65: Andrea Huang (Hermès store in Taiwan),

Satoshi Asakawa (Hermès store in Ginza, Tokyo),

Murray Fredericks (Hermès store in Sydney).

P.67: Michel Denance.

P.69: Marc Gysin.

P.71: Richard Cadan.

P.73: Julian Lee (Hermès store in Singapore),

Nacasa & Partners Inc. (Hermès store in Osaka).

P.75: Nicolas Ravinaud.

P.79: Studio des Fleurs.

PP.82, 83, 84-85: La Company.

PP.87, 88: Tadzio.

P.89: La Voûte nubienne.

P.94: Studio des Fleurs (*Confortable* club armchair).

P.97: Andrea Ferrari.

P.98: Studio des Fleurs (*Centaure* ring)

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