



2009 ANNUAL REPORT OVERVIEW OF THE GROUP - REVIEW OF OPERATIONS





FILING OF REGISTRATION DOCUMENT WITH THE AUTORITÉ DES MARCHÉS FINANCIERS

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2009 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 2009. ISBN 978-2-35102-047-0

2009 THE BEAUTIFUL ESCAPE





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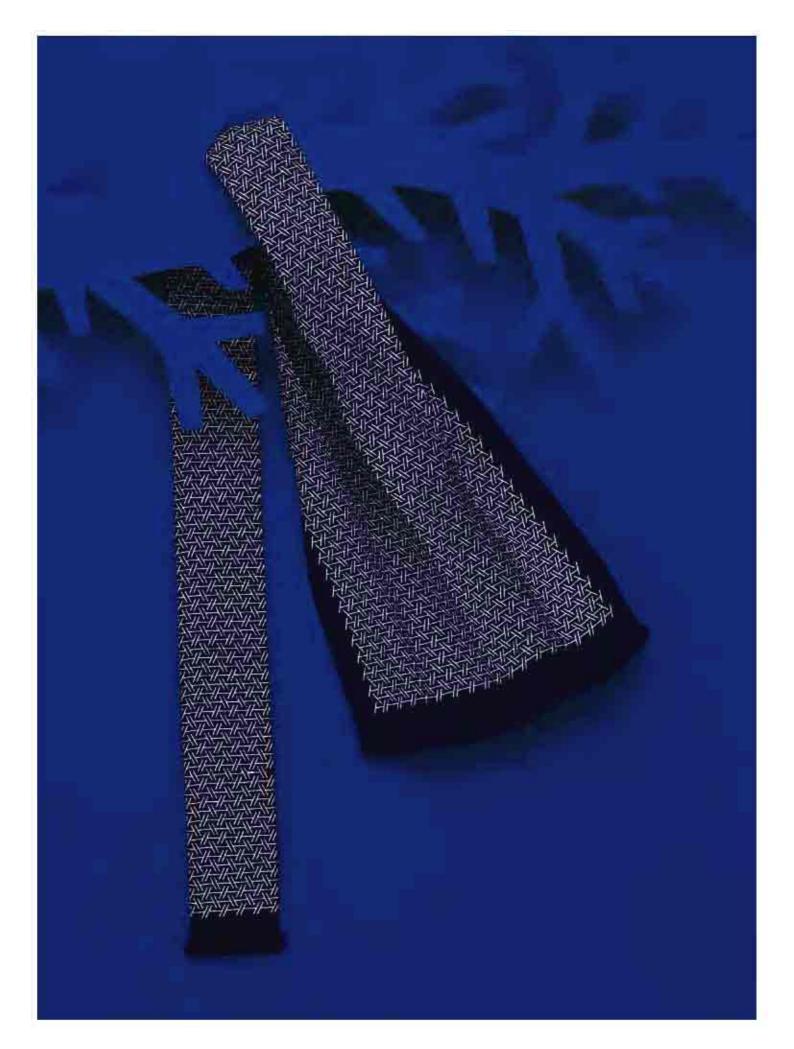
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VOLUME 2

Presentation of Hermès International and Émile Hermès SARL Corporate Governance Information on the Share Capital Property and Insurance NRE Annexes: Environmental Information NRE Annexes: Human Resources Consolidated Financial Statements Parent Company Financial Statements Five-year Summary of Financial Data Annual General Meeting of 7June 2010 Additional Legal Information Cross-reference Table



CHAIRMEN'S MESSAGE

The Hermès theme for 2009 was "The Beautiful Escape". This invitation to discover the world and to explore from within helped the house sustain its momentum throughout the year.

In a distressed economy, caution was our watchword. We managed our business with great care and focused on nurturing the spirit of creative craftsmanship that is our hallmark. Our stringent quality standards and exacting specifications for materials and know-how, our bold creativity and enduring style continued to drive growth, proving yet again that the strategic and human values on which Hermès was built still form the bedrock of our success. In 2009, Hermès continued to steer a steady course, delivering growth and safeguarding profits.

Our original business segments proved unshakable, with an impressive performance in Leather Goods & Saddlery and Ready-to-Wear & Accessories, which enticed customers with an alluring array of new products.

Our company-owned branches broke records in nearly all regions, with sales surging in the fourth quarter. The specialised retail channels, which distribute products such as watches, perfumes and tableware through specialty shops, showed a more modest performance.

A number of ambitious new projects were initiated and some of them were completed during the year. We opened or renovated more than 32 stores across the world and ventured into new countries, with our first locations in Brazil (São Paulo), Panama (Panama City), the Philippines (Manila) and Turkey (Istanbul). Other major projects were started, including a store in New York entirely dedicated to men and the first "Maison Hermès" in China, in Shanghai, which is to be inaugurated in 2012.

We reorganised our logistics chain to further enhance the quality of service to our customers. We broadened our approach to sustainable development and continued to encourage cross-pollination efforts across the different Hermès sectors.

We extend our sincerest thanks to everyone within our Group who contributed to this handsome progression.

Hermès is steeped in a rich heritage of artistry, craftsmanship, creativity and human talent. The theme for 2010, "Tales to be told," will be an ideal opportunity for us to help our customers learn more about this heritage, and in so doing, to inspire them to turn their own dreams into reality.

We wish to thank all our customers, and all of you.

Previous page: autumn-winter 2009 advertising campaign. Carré 90s in silk twill.

Patrick Thomas Chairman Émile Hermès SARL Chairman, represented by **Bertrand Puech**



Bertrand Puech and Patrick Thomas.





GROUP OVERVIEW

<u>GROUP MANAGEMENT</u>

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

EXECUTIVE COMMITTEE

Patrick Thomas Executive Chairman

Émile Hermès SARL Executive Chairman, represented by Bertrand Puech Patrick Albaladejo Deputy Managing Director Strategic Development & Corporate Image

Patrick Thomas

Executive Chairman

Christian Blanckaert Managing Director¹ International Affairs

Pierre-Alexis Dumas Artistic Managing Director

Beatriz González-Cristóbal Poyo Managing Director ² Sales

Mireille Maury Managing Director Finance & Administration

Mineaki Saito Deputy Managing Director Marketing

Guillaume de Seynes Deputy Managing Director

Previous page: Autumn-winter 2009 advertising campaign. *So Kelly* bag in matte alligator.

¹ Until 31 August 2009. ² Since 1 February 2009.



← 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.

SUPERVISORY BOARD

Jérôme Guerrand Chairman

Maurice de Kervénoaël Vice-Chairman

Ernest-Antoine Seillière Vice-Chairman

Charles-Éric Bauer Matthieu Dumas Julie Guerrand Renaud Momméja Robert Peugeot Guillaume de Seynes **AUDIT COMMITTEE**

Maurice de Kervénoaël Chairman

Charles-Éric Bauer Julie Guerrand Renaud Momméja Robert Peugeot

© COMPENSATION, APPOINTMENTS AND GOVERNANCE COMMITTEE

Ernest-Antoine Seillière Chairman

Matthieu Dumas Robert Peugeot 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.

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 Seynes



SIX GENERATIONS <u>OF CRAFTSMEN</u>

Today, Hermès employs 8,057 people worldwide and has 304 exclusive stores, 180 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 and Pascale Mussard. 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 Annie Baumel, summer 1967.





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.

1837

• Harnesses

1867

• Saddles

Around 1900

• *Haut à courroies* bag

1903

• *Rocaba* 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 fashion

1930

- Diaries
- · Sac à dépêches briefcase

1937

Silk scarves

1938

- Chaîne d'ancre bracelet
- · 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

Faubourg Saint-Honoré designed by Annie Baumel with Giulio Coltellacci, spring 1947.

← Window display at 24,



Dépêches 38-2 briefcase in box calfskin.



Clipper automatic watch in steel, charcoal dial, band in havane matte alligator.



The Parfums-Jardins.



Oxford in black ombré calfskin.

1969

 $\bullet \ Constance \ {\rm handbag}$

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





Rythme porcelain.



Jypsière 28 bag in white Swift calfskin.



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
- Nomade, Nomade boussole and Cape Cod deux zones watches
- 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
- Brasilia jumping saddle
- Skipper bracelet in silver with silk cord
- Hermessence fragrance collection

2005

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

2006

- Cape Cod 8 jours watch
- Terre d'Hermès fragrance for men
- · Paris-Bombay bag
- · Cheval d'Orient porcelain

2007

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

2008

- Silkycity bag
- Jypsière bag
- Horizon diary
- Bardette Andaluz (children's saddle)
- · Josef Albers carrés
- Carré fluide in silk jersey
- · Cape Cod Grandes Heures watch
- 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
- Silk'in leather accessories

KEY FIGURES

KEY CONSOLIDATED DATA

(in millions of euros)	feuros)	lions of	(in mill
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	2009	2008	2007	2006	2005
Revenue	1,914.3	1,764.6	1,625.1	1,514.9	1,427.4
Recurring operating income	462.9	449.2	414.5	401.1	383.5
Operating income	462.9	449.2	423.7	415.2	383.5
Net income attributable to owners of the parent	288.8	290.2	288.0	268.4	247.0
Operating cash flows	401.1	378.9	356.6	321.7	305.9
Investments (excluding financial investments)	207.3	160.4	155.9	134.3	118.5
Shareholders' equity ¹	1,789.9	1,588.5 ²	1,459.8 ²	1,409.0	1,380.2
Net cash position	507.6	450.5	480.5	538.2	584.7
Restated net cash ³	576.4	432.4	485.5	536.3	584.5
Economic value added ⁴	191.6	190.8	196.5	197.7	188.0
Return on capital employed (ROCE) ⁵	21%	22%	25%	26%	27%
Number of employees	8,057	7,894	7,455	6,825	6,150

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. See Note 1 in the Notes to the 2009 consolidated financial statements in Volume 2 of the annual report. 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

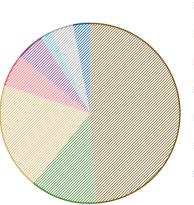
Leather Goods-Saddlery

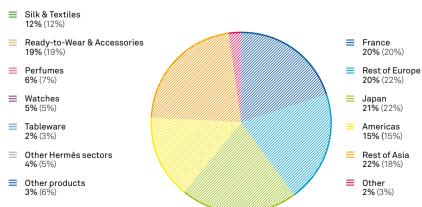
49% (43%)

(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.

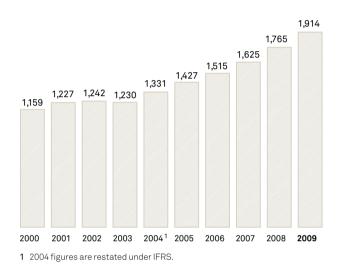
BREAKDOWN OF REVENUE BY SECTOR 2009 (2008)

BREAKDOWN OF REVENUE BY REGION 2009 (2008)

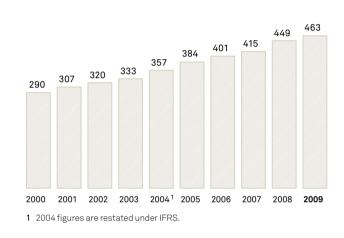




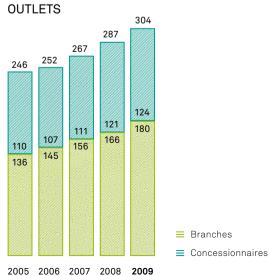
CONSOLIDATED REVENUE (in millions of euros)



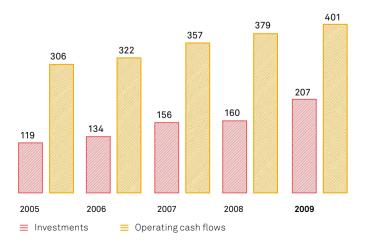
RECURRING OPERATING INCOME (in millions of euros)



NUMBER OF EXCLUSIVE RETAIL

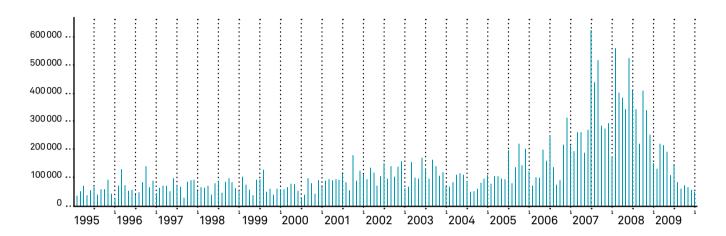


INVESTMENTS (EXCLUDING FINANCIAL INVESTMENTS) AND OPERATING CASH FLOWS (in millions of euros)



KEY STOCK MARKET DATA

	2009	2008	2007
Number of shares as at 31 December	105,569,412	105,550,012	106,089,214
Average number of shares (excluding treasury shares)	105,128,870	105,074,019	106,143,973
Market capitalisation as at 31 December	€9.85 Bn	€10,55 Bn	€9.17 Bn
Earnings per share (excluding treasury shares)	€ 2.75	€ 2.76	€ 2.71
Dividend per share	€ 1.05	€ 1.03	€ 1.00
Monthly average daily trading volume	117,933	370,644	325,714
12-month high share price	€106.70	€ 131.89	€108.70
12-month low share price	€64.84	€ 59.42	€70.00
12-month average share price	€92.91	€92.11	€90.12
Share price as at 31 December	€93.31	€ 100.00	€86.44



AVERAGE DAILY TRADING VOLUME (NUMBER OF SHARES)

HERMÈS INTERNATIONAL SHARE PRICE¹ / 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 81.

SIMPLIFIED ORGANISATION CHART AS AT 31 DECEMBER 2009

HERMÈS INTERNATIONAL

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

_ Retail distribution of Hermès brand products

Hermès Sellier 99.77% Hermès Distribution France Division France

- Hermès Bénélux Scandinavie 100% Belgium

Hermès GB 100% United Kingdom

- Hermès GmbH 100% Germany
- Hermès Iberica 100% Spain

- Hermès Internacional Portugal 100% Portugal

- Hermès Monte-Carlo 100% Principality of Monaco
- Hermès Grèce 100% Greece
- Hermès Italie 100% Italy
- Hermès Prague 100% Czech Republic
- Hermès Suisse 100% Switzerland
- <mark>. Hermès Istanbul</mark> 100% *Turkey*
- Hermès Canada 100% Canada
- Hermès de Paris (Mexico) 51% Mexico
- Hermès Argentina 100% Argentina
- Hermès of Paris 100%

Herlee 90% China

Hermès (China) 100% China

- Hermès Asia Pacific 100% China

Hermès India Retail and Distributors 51.01% India

Hermès Japon 100% Japan

Hermès Australia 100% Australia

- Hermès Middle East South Asia 100% Southern Asia
- **Saint-Honoré Consulting** 100%
- Hermès South East Asia 100% Asia Pacific

<mark>- Boissy Retail</mark> 100% Singapore – South Korea

Hermès Korea 94.59% South Korea

Hermès Retail (Malaysia) 51% Malaysia

- Hermès Singapore (Retail) 80% Singapore
- <mark>- Saint-Honoré Bangkok</mark> 51% Thailand

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

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 – Métier h *Hermès products - France*

Comptoir Nouveau de la Parfumerie 99.67% *Hermès perfumes - France*

La Montre Hermès 100% Hermès watches - Switzerland

Clerc Thierry Créations 100% Hermès watches - Switzerland

Castille Investissements 100% *Tableware - France*

. **Compagnie des Arts de la table** 100% La Table Hermès – Puiforcat - France

Compagnie des Cristalleries de Saint-Louis 99.96% Saint-Louis crystal - France

Holding Textile Hermès 100% *Textile - Bucol - France*

Ateliers A.S. 74.9% - Enoly - France

Créations Métaphores 80% Verel de Belval - Le crin - France

Établissements Marcel Gandit 100% - France

SIEGL 100% - France

Société Nontronnaise de Confection 100% *France*

Sport-Soie 95.5% - France

. **John Lobb** 100% John Lobb shoes - France

. **JL & Co** 100% John Lobb shoes - United Kingdom

Hermès Intérieur & Design 100% - France

Full More Group 95% - China

Full More Shanghai 100% Shang Xia products - China Production

Maroquinerie de Saint-Antoine 100% France

Maroquinerie de Sayat 100% France

Maroquinerie de Belley 100% *France*

La Manufacture de Seloncourt 100% *France*

La Maroquinerie Nontronnaise 100% *France*

Manufacture de Haute Maroquinerie 100% France

Maroquinerie des Ardennes 100% France

Ganterie de Saint-Junien 100% *France*

Gordon-Choisy 100% Tanning France

Hermès Cuirs Précieux 100% Tanning France

Exocuirs 100% Switzerland

Louisiane Spa 100%

T.C.I.M. 100% France

Michel Rettili 100% Italy

Reptile Tannery of Louisiana 100%

_ Minority holdings

Perrin & Fils 39.52% France

Compagnie Hermès de Participations 100%

- **Gaulme** 45% Jean-Paul Gaultier France
- Vaucher Manufacture Fleurier 21.05% Switzerland

- WHY 50% Principality of Monaco





REVIEW OF OPERATIONS

<u>GENERALTREND</u>

In 2009, revenue rose by 8.5%, or by 4.1% at constant exchange rates. Recurring operating income increased by 3.1%.

SALES INCREASED

The Hermès Group's sales amounted to \in 1,914.3 million in 2009, a year-on-year rise of 8.5% at current exchange rates and of 4.1% at constant exchange rates. The annual target was exceeded thanks to solid retail sales momentum throughout the year.

Solid sales over the Christmas period increased revenue in the Group's stores by 18% in the fourth quarter and by 11% on a consolidated basis. Business expanded in the Americas (+20%), in Asia (+12%) and in Europe (+9%).

GROWTH IN ALL REGIONS EXCEPT JAPAN

(Figures on a comparable basis, at constant exchange rates) Despite the unfavourable business climate, the Group's own stores revenue advanced by 17% at current exchange rates and by 12% at constant exchange rates. Hermès rapidly expanded its distribution network, with the addition of fourteen new branches and the renovation or expansion of nine other locations.

Wholesale revenue dropped by 17% at comparable exchange rates over the year as distributors reduced their inventories. In Europe, overall growth was 2%. Retail sales jumped by 12% owing to excellent momentum in the fourth quarter. The distribution network benefited from, with the opening of two new branches, including the first store in Turkey (in Istanbul), which opened in December. In Japan, sales dropped by 11% over the year in a persistently dull business climate.

In the rest of Asia, sales rose by 29% over the year, propelled mainly by Mainland China, Macao and Hong Kong. Six new branches were opened in the region.

In the Americas, retail sales rebounded in the fourth quarter, pushing full-year sales up 7%. The distribution network was expanded with three new branches in the United States and one in Canada. Hermès opened its first location in Brazil, in the form of a concession in São Paulo.

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

Ready-to-Wear & Accessories (up 3%) benefited primarily from solid demand in Fashion Accessories.

In Perfumes, sales decreased by 7% as distributors reduced their inventories over the first nine months.

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

Previous page: Spring-summer 2009 advertising campaign. *Brides de gala* carré fluide in silk jersey.

OPERATING INCOME AND OPERATING CASH FLOWS INCREASED

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

Consolidated net income was steady compared with 2008 (\in 288.8 million vs. \in 290.2 million), despite lower interest rates on invested cash and the adverse currency impact. Thanks to the operating cash flows 5.9% growth, the net cash position significantly increased ($+ \in$ 57 million) and reached \in 508 million at the end of 2009.

SUSTAINED INVESTMENTS IN 2009

Hermès invested €207 million, of which €80 million to purchase a building at 167 New Bond Street in London. Other investments were primarily dedicated to increasing production capacity and expanding the distribution network. The Hermès Group did not buy back any of its own shares during 2009, other than shares traded under the liquidity contract.

NEW JOBS CREATED BY THE GROUP

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



ACTIVITY BY SECTOR

At Hermès, each *métier*, or sector, deploys its creativity and multi-faceted expertise to push beyond the boundaries of its respective domain. In 2009, 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.

	2009 (€m)	2009 (%)	2008 (€m)	2008 (%)	At current exchange rates	At constant exchange rates
Leather Goods-Saddlery	936	49%	763	43%	22.7%	16.3%
Ready-to-wear & Accessories	360	19%	337	19%	6.9%	3.1%
Silk and Textiles	227	12%	208	12%	9.0%	5.7%
Other Hermès sectors	78	4%	80	5%	(2.5)%	(6.0)%
Hermès Distribution Network ¹	1,601	84%	1,388	79%	15.3%	10.2%
Perfumes	117	6%	125	7%	(6.2)%	(6.7)%
Watches	87	5%	95	5%	(8.3)%	(12.5)%
Tableware	38	2%	48	3%	(20.0)%	(21.4)%
Specialised distribution networks ²	242	13%	267	15%	(9.4)%	(11.4)%
Other products	71	3%	109	6%	(34.7)%	(35.0)%
Consolidated revenue	1,914	100%	1,765	10%	8.5%	4.1%

1 Majority of sales generated through Hermès stores (branches and concessionnaires).

2 Majority of sales generated through specialised distribution networks.

HERMÈS DISTRIBUTION NETWORK

In 2009, the Hermès exclusive network generated sales of €1,601 million, or 84% of consolidated revenues, compared with 79% in 2008, and operating income of €507 million. This network consists of the business lines described below.

LEATHER GOODS-SADDLERY

Leather goods and saddlery are the Hermès Group's founding *métier* and account for 49% of sales. Products include handbags, luggage, diaries, small leather goods and equestrian items. In 2009, sales rose by 16% at constant exchange rates to €936 million.

The precision and skill with which Hermès leather goods are crafted are rooted in the House's original *métier* of harness and saddle-making. The sector has grown over time as its craftsmen and designers encounter new horizons – riding, luggage, handbags, small leather goods, diaries – and continue to learn from one another, inspired by the wealth of possibilities each new experience brings.

In 2009, nearly 2,000 leather workers in some ten workshops in Paris, Pantin and other parts of France participated in the creation of Hermès leather goods and saddlery. Working with passion and precision, each of these master craftsmen leaves his distinct mark on the unique objects that pass through his hands. The singularity of Hermès products, always available in multiple sizes, colours and materials, stems from the skilful mastery of its craftsmen, combined with an unusually rigorous leather selection process.

As demand continues to exceed supply, the Group further expanded its production capacity in 2009. A new manufacturing site, La Maroquinerie Nontronnaise, opened its doors in August, and renovations were completed in the leather workshop in Belley. Renovations to the Faubourg Saint-Antoine site in Paris are underway.

Hermès also pursued its training and skills enhancement programmes to foster greater versatility within its workforce.

Previous page: Silk'in money holder in printed silk with Bouclerie d'attelage and Epsom calfskin.

BAGS AND LUGGAGE

In stores, 2009 proved the popularity of the *So Kelly* and *Jypsière*. These two new stars joined the constellation of emblematic models such as the *Lindy*, the *Bolide*, the Evelyne, the *Birkin* and the *Kelly*.

In keeping with the spirit evoked by "The Beautiful Escape" theme, this year's light, practical designs were conceived as easy-going travel companions, for a day's wandering or longer journeys.

The easy, generous totes in the *Cabag* line, for example, combine freedom of movement and versatility in a clever double-handle system that makes it possible to carry them in a variety of ways.

For evening, the *Piano Duo* clutch can be converted to an elegant shoulder bag with a removable strap. Its elongated form and trademark clasp pair a squared silhouette and round, push-button closures, echoing the iconic lines of the 1954 *Piano* bag. Designed for city life, the *Alfred* messenger bag for men features an asymmetrical opening with a pocket directly under its flap, making for easy access without opening the entire bag. The Steve Meeting briefcase showcases the no-nonsense elegance of the Steve line, to which it is the latest addition. Crafted in supple calfskin, blending beauty and functionality, the bag's multi-pocket design is eminently practical, and includes a padded inner compartment designed to accommodate a laptop. For the businessman on the go, Hermès invented a new kind of UFO (Unparalleled Flying Object) for easy overnight travel. The ingeniously designed Ovni pouch holds a toiletries kit and complete change of clothes and slips easily into a briefcase pocket - a perfect fit for the Sac à dépêches, for example. Always ready for a quick getaway, the lightweight and supple Arion is the perfect all-terrain weekend bag, designed to adapt to its wearer with double-notched handles that can be adjusted to two strap lengths.

And last but not least, the latest edition of the *UL* suitcase is a zestful take on the classic design. Its snappy colours are an invitation to head off into the blue on a beautiful escape.



 ← Cabag bag in Officier canvas and Hunter cowhide.
 → Ovni pouch in Trekking cowhide.



→ Lindy 26 bag in ultra-supple matte crocodile.





DIARIES

Despite the proliferation of electronic organisers, enthusiasm for our traditional paper diaries continued unabated. In 2009 Hermès took advantage of the new format of its 2008 diary cover and invited Dimitri Rybaltchenko to illustrate a year's worth of "The Beautiful Escape". He brought the calendar refill pages to life with a breath of train-inspired adventure. The pages feature Courier New font in fresh blue and tender green, a tribute to the typewriters prized by history's great travellers. And since the unexpected is an essential part of any voyage, three surprises were slipped into the diary's pages to add spice to the year. The new Tout en carré line brings the beauty of silkscreen to stationery. Based on the Tohu-bohu pattern, its fourteen notebooks and notepads are presented together in a gift-case, like a puzzle to be assembled. Another important new arrival in 2009 was a portfolio catalogue devoted to diaries and small leather goods published for distribution through our networks. The breezy, colourful booklet was an excellent resource for customers, an irresistible invitation to discover our different products. It presented the collection's models in three families: diaries, notebooks and notepads and writing implements.

SMALL LEATHER GOODS

In the spirit of the *Silkypop* and *Silkycity* bags, the *Silk'in* combines two of the House's emblematic materials. A silk zipper tab graces the Epsom calfskin exterior, offering a hint of the wallet's silk lining. Inside, patterns dance across the different compartments and pockets in a whirlwind of colours and shapes. Featherweight silk makes the line a perfect gift idea for a special girl or woman, or just for oneself: "my first Hermès wallet" to match the mood or the bag.

And to prove that a taste for stationery doesn't preclude technological savvy, Hermès has created a case that hugs the curves of the iPhone® 3G, with specially designed perforations in the front so calls can be taken easily.

SADDLERY

The Saddlery division continues its growth by pushing the bounds of top-level performance to develop ever-better products for equestrians. In 2009, a new dressage saddle, the *Victoria*, was designed in collaboration with internationally renowned equestrienne Victoria Max-Theurer, who rode in the 2008 Summer Olympics and won fifth place in the European Jumping and Dressage Championships in the summer of 2009.

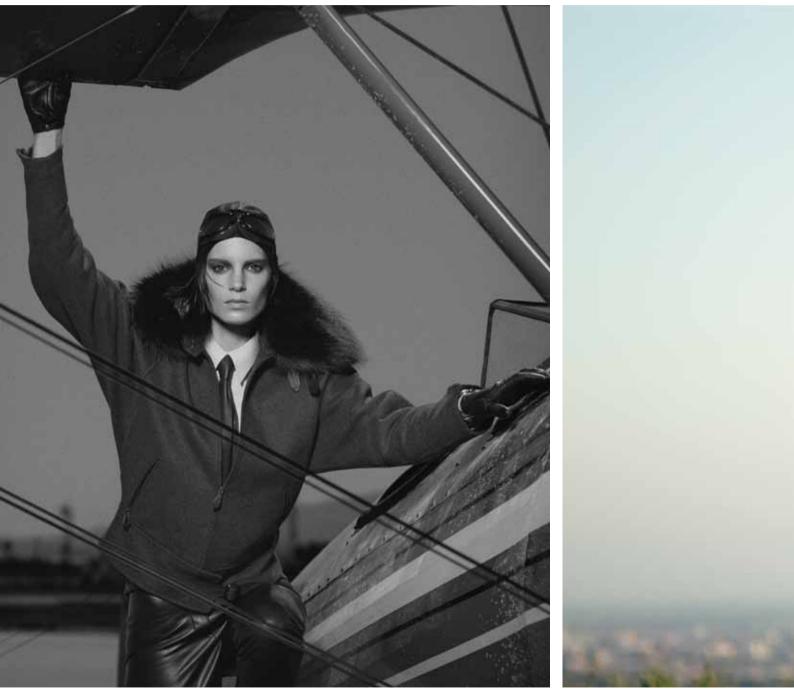
The range of accessories for the *Senlis* touring saddle was rounded out with the *Cristobal* saddle blanket rack and *Cadence* saddlebags. The division also re-launched its offering of felt saddle cloths with the *Steeple* and the *Hussard*. New additions to the clothing collection included the quilted *Piumino* jacket. Lightweight, warm and breathable, the *Piumino* is sold in a leather carrying case with a shoulder strap, making it easy to carry on long rides. Its practical design made it highly popular among customers of all kinds.

← Equestrian holdall bag in chevron canvas.

→ iPhone[®] 3G case in Swift calfskin. → → *Tout en carré* notepads and gift box.







Women's ready-to-wear, autumn-winter 2009 collection.

Men's ready-to-wear, autumn-winter 2009 collection.



READY-TO-WEAR & ACCESSORIES

Ready-to-wear & Accessories is the Hermès Group's second-largest business line, accounting for 19% of consolidated revenue. In 2009, it generated €360 million in sales, a rise of 3% at constant exchange rates.

WOMEN'S READY-TO-WEAR

Jean-Paul Gaultier, who has been designing the women's ready-to-wear collections for Hermès since the 2004 autumnwinter season, used geometrically layered stripes in bold colours to illustrate this year's "Beautiful Escape" theme. The spring-summer collection was a journey from Mexico to Texas, sprinkled with ultra-light, fine leathers like straw-coloured goatskin suede or satin-finish featherweight lambskin in a powder tint. Poncho blouses and coats offered up a fresh new silhouette with square forms, cinched waists and geometric borders, fluidly draped in jersey-knit viscose or crêpe de soie. Wraparound blouses that tied at the waist were a popular item. The autumn-winter collection played with the theme of the chic aviator, featuring long coats and blouses in Barénia leather, zippered jumpsuits made of soft calfskin and tapered trousers. Mink-lined hoods added a cosy touch the collection while astrakhan appeared in collars or was reinterpreted in new printed twillaine dresses and cardigans, as well as on long dresses in silk muslin. Jean-Paul Gaultier played extensively with trompe-l'oeil effects, using leather-clad collier de chien studs for buttons on a little jacket in Aqua lambskin, around the neckline for evening gowns in hammered silk sateen, and in the Carré Médor print on cutaway-sleeve dresses.

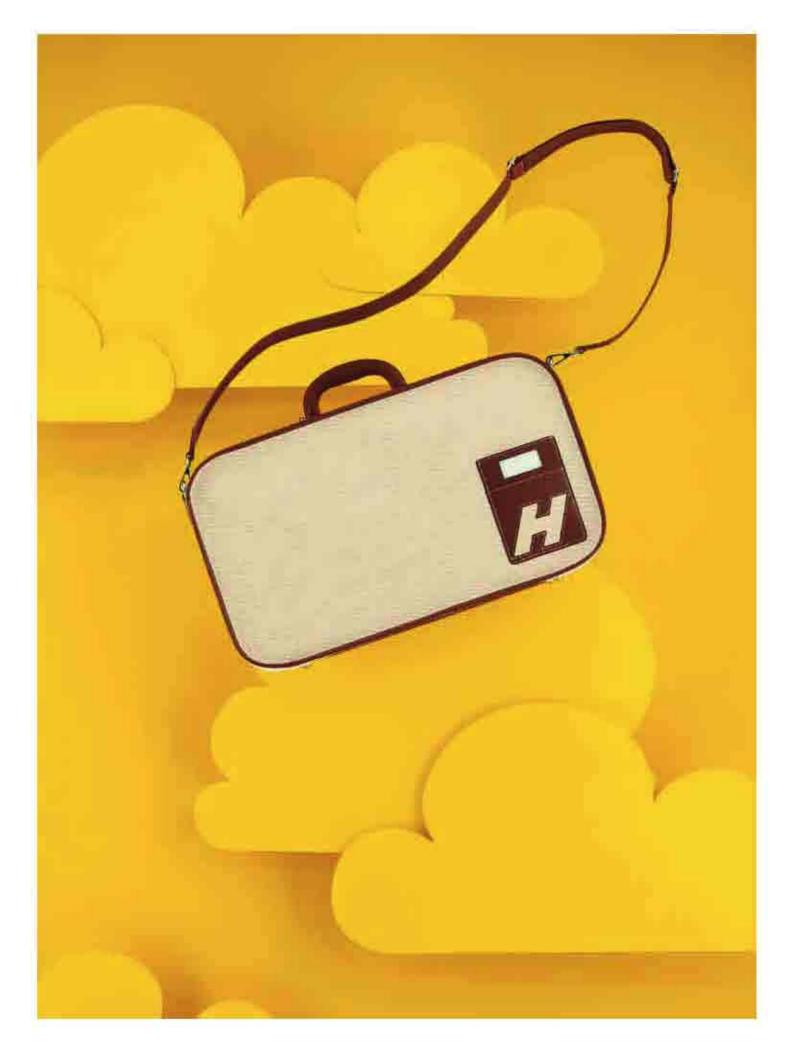
MEN'S READY-TO-WEAR

Designer Véronique Nichanian has been dressing the Hermès man for over twenty years, contributing to the house's eminence in the world of men's fashion.

In celebration of "The Beautiful Escape", Nichanian composed a journey from land to sea to sky for the spring-summer 2009 collection. Colours that recalled the vivid warmth of the African desert were set off with blue and green accents of distant horizons, or the far-flung seas of China, the Caribbean or the Maldives. The season's exceptional fabrics were chosen with travel in mind: lightweight and supple Super 200s, silk and wool, perforated lambskin suede, glove-weight lambskin and nubucked crocodile mixed with highly structured and wrinkle resistant wool, mohair or Toilvoyage. The collection showcased natural, relaxed silhouettes, particularly for parkas and jackets in ultra-lightweight fabrics, including our new Voyage jackets with leather detailing. A large selection of trousers was presented, ranging from straight-legged to wide and relaxed.

For the autumn-winter season, Véronique Nichanian focused on the idea of movement, expressing a free and rhythmic style through radical silhouettes and forceful fabrics. The collection was highly tonic, articulated around a play of contrasting colours and volumes in a palette of persimmon, charcoal, and black, illuminated with vibrant touches of bright yellow or vermillion. Short jackets were paired with narrow trousers, oversized parkas and convertible blouson jackets. The watchword was contrast: sensuous and sophisticated materials like pure cashmere, Super 250s wool and vicuna were paired with colourful, high-tech fabrics like Toilbright or military gabardine. The collection introduced new items such as Evasion coats and jackets with leather detailing or the shadowed effect jacket. And sweaters took centre stage with

jerseys and cardigans in printed silk, shadowed cashmere, cashmere and chinchilla blends, as well as *cachemire inversé*, a new and timeless knit available in four models and 27 colours.



ACCESSORIES

Accessories encompass enamel and leather jewellery, shoes, belts, gloves and hats.

JEWELLERY ACCESSORIES

Gilles Jonemann created an original jewellery line offering a playful twist on the stitched leather handles of a handbag and a harnesspiece in antiqued metal. The necklaces and bracelets feature hand-stitched leather and metal elements that are specially patinated to give them a vintage look. The printed enamel collection was enhanced with two new bracelets, *Balcon du Guadalquivir* and *Confettis d'Ex-Libris.* 2009 also ushered in a new colour in the gold detailing that accents the *Balcon du Guadalquivir* design.

🔅 HERMÈS SHOES

Hermès women's shoes celebrated this year's "Beautiful Escape" theme in a variety of ways. Bright colours dance over the architectural lines of the *Sunlight* sandal; the *Sofia* platform espadrille offers feather-light sophistication in sorbet yellow or white braided patent leather; the *Tonight* sandal flirts with the unexpected in four different precious leathers. The *Story*, Hermès first summer boot, was launched in 2009 and met with immediate success. Crafted in perforated goatskin, the boot can be worn up or folded down over the ankle for a more relaxed look. For chillier weather, the House offered *Triomphe*, inspired by the Argentine polo boot. English video artist Marcus Tomlinson created a contemporary, quirky take on women's footwear with a film that recounted 24 hours in the life of a Hermès shoe. The film was shown throughout the year in a number of Hermès stores – Madison Avenue in New York, Mitte in Berlin and Rive Gauche and Faubourg Saint Honoré in Paris. The story will continue in 2010.

Hermès men's shoes were an ode to lightness and flexibility, with models such as the *Syphnos* sandal in Étrivière calfskin or the *Subito* espadrille in unlined slate-coloured canvas with rope soles, all in pure cotton. *Section* Oxfords in sandy beige oiled Étrivière goatskin feature a new lightweight sole in natural rubber.

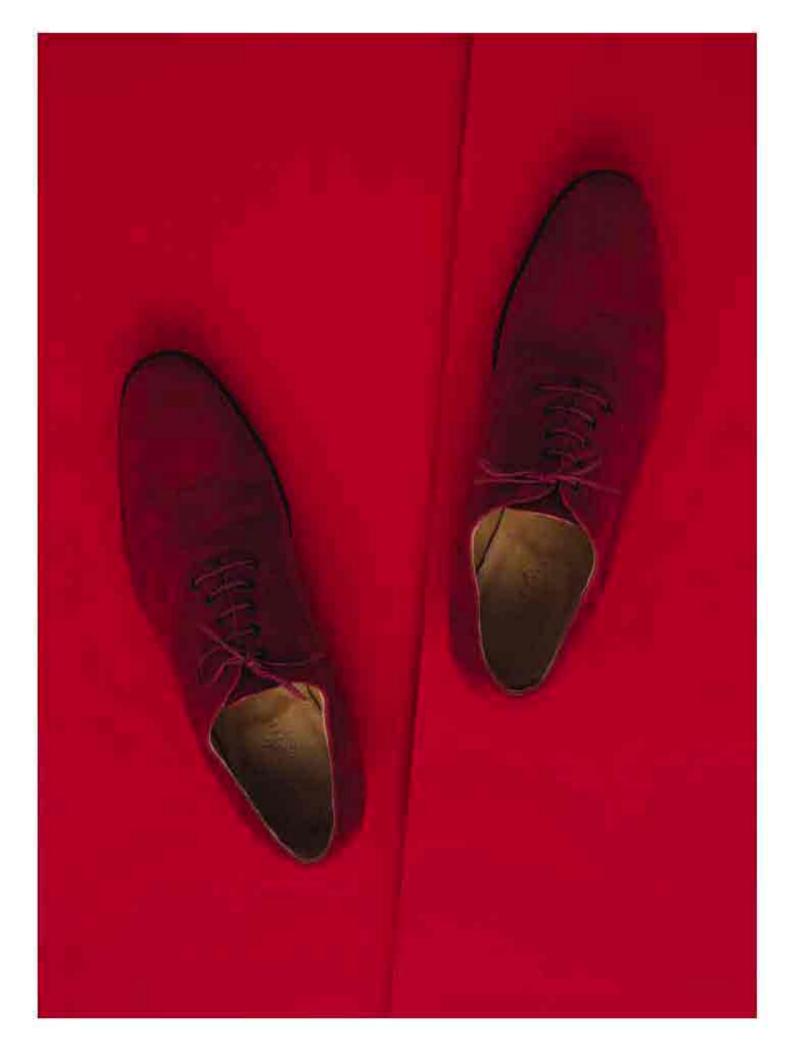
Hermès' new line of dress shoes was launched in the autumn-winter season. The line combines comfort with an elegant, streamlined style; shoes are available in shadowed calfskin and suede. Another hit of the season was the new

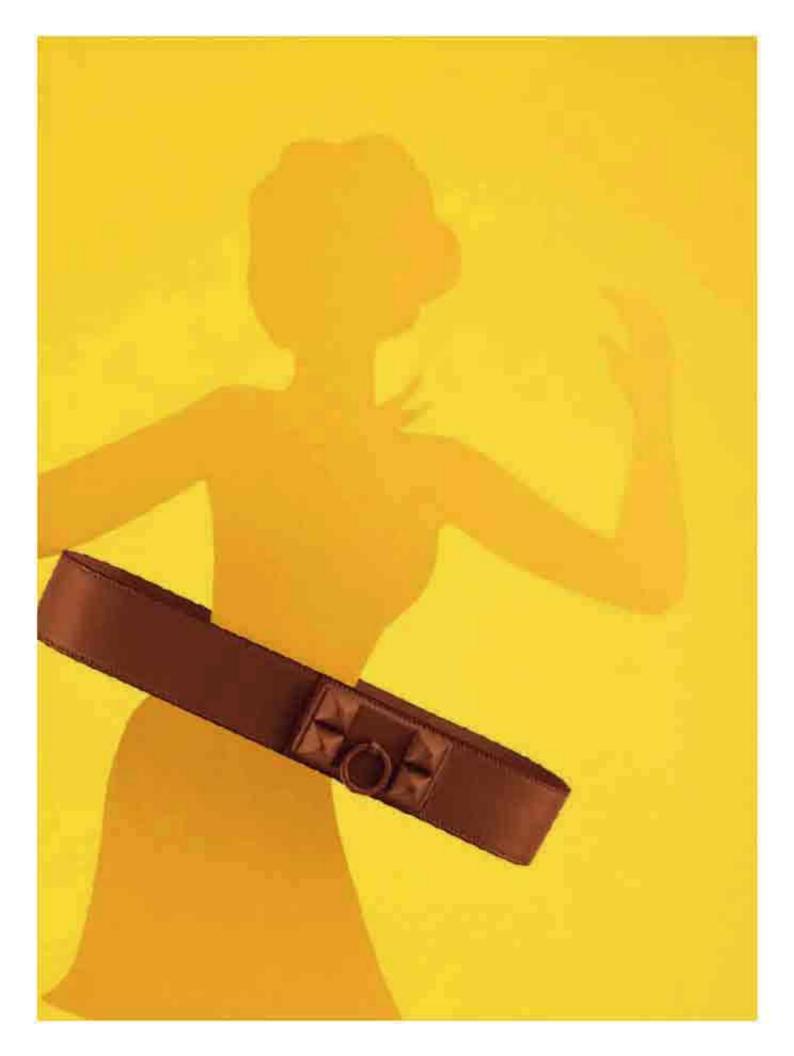
Tie-Break sport shoe, with its elongated silhouette, lightweight sole and oblique H decoration.



← Balcon du Guadalquivir extra-wide
 bracelets in enamel.
 → Sandal in woven lamskin.







BELTS

Echoing the women's ready-to-wear collection, the emblematic *Collier de chien* belt was revisited this season, sheathed in leather to create a new look with no metal components. The subtly shaded silhouette in soft relief is a testament to the House's expert craftsmanship. The *Sydney* buckle was a new addition to our offering in narrow belts, while the *Quizz* shone anew in 2009 with white lacquer inlay for a phosphorescent look.

In the 32mm belt kit line, the *Tilbury* model offered a playful trompe-l'oeil effect, revealing the leather's beauty through a buckle that recalled the reinforced corners of an antique suitcase.

In men's belts, the urban-inspired buckle of the new *Théodore* plays with vanishing lines to produce a geometrical perspective.

GLOVES

Glove collections this year inspired dreams of travel and played with the overlapping of different worlds. An inlaid *Collier de chien* bracelet adorned the wrist of the long *Taj Mahal* glove. A variety of cuffs accentuated the natural grace of the gloved hand, with nutria and glazed lambskin for the *Tasmanie* and cashmere chain stitching and a miniature *Kelly* lock detail for the *Torsade*. The reflective H emblem on the new *Trek* gloves for men made them the perfect accessory for a night-time bicycle ride through the city. For those who prefer automobiles, the mid-length *Travel* glove featured contrasting topstitching inspired by old-fashioned driving gloves.

HATS

In the spirit of women's ready-to-wear, new creations in 2009 showcased the range of skill and ingenuity of Hermès haberdashers, from the Sierra straw hat with its bright, Mexico-inspired stripes to the Travel aviator cap in grain goatskin or vintage crocodile. The Taylor paid tribute to felt in a tomboyish model available in grey or aubergine tones with decorative bands and gold piping. The Thelma paired cashmere and wool felt in autumn colours (pale beige and chestnut); a brighter version was offered in orange. Other popular items this year included the Scout with it side snap opening, the Trésor toque and the Tsar shapka in fox fur and stag leather, perfect for icy winter days.

 ← Collier de chien belt sheathed in Barénia calfskin.

→ Gloves in glazed lambskin and reflex jersey. → → Hat in felt. → → → Belt in box calfskin and buckle in silver-plated metal. Belt in Epsom and Chamonix calfskin with phosphorescent buckle.





Tie in silk twill, autumn-winter 2009 collection.

Tigre royal embroidered *Shiny* shawl in cashmere and silk.



SILK AND TEXTILES

Silk and Textiles is Hermès third-largest sector and accounts for 12% of consolidated revenue. In 2009, sales of carrés, ties and scarves totalled €227 million, up 6% at constant exchange rates.

WOMEN'S SILKS

"The Beautiful Escape" theme offered a powerful source of inspiration for the carré and textile accessory collections in 2009, an invitation to journey far and wide. *Hermès en voyage* with its myriad world flags might be a page taken from a world atlas, but a closer look reveals a kaleidoscope of Hermès symbols, the designer's nod to the House and its emblems. In *Voyage en étoffes*, garments flutter from a legion of poles like so many flags; though they come from the four corners of the Earth, their similarities and differences create a festive harmony.

Hermès also pursued its "socially responsible carré" project, launched in 2008, which offers customers the opportunity to join the House in supporting charitable endeavours. Le Monde est vaste was the pattern chosen for our 2009 initiative. In it, the artist used an antique Delagrave atlas to reinvent geography and re-imagine the world, cutting the world map to ribbons and reassembling it to form a colourful patchwork. Only those with an eagle eye and a zest for geography will be able to piece together this puzzle. Part of the proceeds from sales of this carré will be donated to the National Geographic Society in support of its Crittercam® programme, which helps protect endangered species by studying their behaviour and habitat.

2009 was a year for innovation for the carré 90. Supple carrés in silk jersey knit finished with a meticulous procedure known as "re-knitting" offered infinite possibilities for style and wear, combining motion, lightness and drape. The *Cross-dyed/Dip Dye* carré employed a novel over-dye technique to lend a touch of patina to the classic *Brides de gala* design. Once printed, the carré is briefly immersed in a dye bath to give it a vintage look and an intentional irregularity in feel and colour, highlighting the handmade qualities that give each carré its unique allure.

The House's textile division offered wonderful ways to dream in a panoply of new products, each with its own unique pairing of innovation and tradition. The Enveloppe-moi Plume stole in cashmere and silk comes folded in a silk envelope, perfect for carrying on all one's journeys. Measuring three-by-four-metres, the magnificent stole takes up to four days to weave and is crafted entirely by hand. Other exceptional products included the Tsigane shawl, a patchwork of carrés in silk twill pieced together by hand with hemstitch embroidery and a fringe of coloured glass beads; the embroidered silk and cashmere Tigre royal shawl and the Midnight poncho in shimmering mousseline, embroidered with sequins and faceted beads in a subtle recreation of the Bolduc pattern.

In 2009 Hermès celebrated silk in an advertising and promotional campaign featuring the *Petit journal de la soie* as its centrepiece, deploying activities centred on its publication. More than a million copies of the *Petit journal de la soie* were published, and a series of imaginative events was designed around it to showcase the House's silk products in an unexpected new light. One key goal of the initiative was to help younger customers

Solo Co

who might be less familiar with Hermès silk products discover our collections. Around the world, from scarf-knotting workshops in universities in Korea and Argentina to evening ping-pong matches in New York City, Hermès team members put their tremendous creativity to work to reach out to younger customers.

MEN'S SILKS

Each year, Hermès' collections of ties and other textile accessories for men offer models for every style and mood, from quintessentially classic to daringly bold.

"The Beautiful Escape" theme came along for the ride this year in our patterned silk ties: the *Twillbi* tie tells a story in pictures of journeys on horseback, by train or by glider. A line of children's ties was introduced this year, in exact replicas of Father's tie, or with playful patterns of Hermy the robot. Contemporary ties continued to fashion the future of neckwear with trailblazing items like the *Tie-foulard*, created in 2009, which upends convention and offers multiple possibilities for innovative uses and looks. Confirming the current trend for "dress up/dress down", this ingenious hybrid is a "tie-less tie" that may be worn in a number of ways: knotted close to the neck as a tie or more loosely as a cravat or ascot, wrapped as a scarf for casual elegance or carefully tied for a more sophisticated look. Your choice: a tie-foulard or foulard-tie. Our collection now includes a variety of other alternatives to the classic tie. The *losange* – cut large in solid or patterned cashmere for the winter months or in dress-shirt cotton for summer – has been particularly popular among customers. The men's carré 70 in vintage silk, cotton or cashmere has become another staple in our collections.

Scarves also gained ground in our collections, be it in the timeless *façonnée H* motif or the three-fold classic as well as contemporary models like the linen *Jet lag*,

the endless *Infini...* or *Pure longueur*, four metres of pure luxury in cashmere and silk. Men deserve pampering with exceptional accessories just as much as women do, and this year they were lavished with such remarkable pieces as an Orylag fur collar, a tie in matte crocodile skin, an embroidered tie and a scarf of pure vicuna.

A new catalogue was issued in 2009 to showcase the rich array of ties in the House's collections, with something special for every mood. Men's neckwear was brought to life in the booklet, which presented an array of different styles and ways in which items could be worn. The spring/summer and autumn/winter editions were greeted enthusiastically by customers and sparked renewed interest in our collections.

← Heavy silk hand-rolled tie.



OTHER HERMÈS SECTORS

Hermès derived 4% of its sales from its other *métiers*, which include Jewellery and Art of Living. In 2009, aggregate sales from this sector came to \notin 78 million, down 6% at constant exchange rates.

S JEWELLERY

Jewellery sales showed resilience in most markets despite the difficult economic climate, owing to the wide variety available in our easy-to-mix-and-match silver collections, which remained highly popular among customers.

Since 2002, Pierre Hardy's energetic style and magnificent skill have made Hermès a market leader in silver jewellery. Among the year's particular successes were *haute bijouterie* silver pieces, such as the *Collier de chien* ring and bracelet, the *Débridée* ring and bracelet or the *Rose des mers* necklace.

An exciting new line was rolled out in 2009: the light and airy *Crazy Calèche* in shaded silver and rose gold, which plays freely with the deconstructed components of the Hermès *calèche*.

ART OF LIVING

In 2009, Art of Living continued to shape the universe of the Hermès home, offering products for every room in the house and beyond. This sector comprises textile lines for beach and interior, decorative objects, baby gifts and toys. New high-end gifts showcased exquisite craftsmanship and extraordinarily fine materials: hand painted porcelain took the spotlight for change trays and ashtrays, while leather and wood came together in *Éléments*, a collection of cases for cigars, jewellery or watches. The *Génèse* line of vases and cups in enamelled ceramic was offered in a limited edition of unique pieces this year, each handmade by a master craftsman.

A set of games for young and old offered a playful, light-hearted illustration of the House's heritage. A memory game designed by Philippe Dumas featured objects from the Émile Hermès collection, chess and tangrams sets gleamed in hand-chiselled wood, and *Chasse en Inde*-patterned origami kits came folded in their own leather carrying case. The *O'Galop* bath line added a soft touch to children's products with embroidered terrycloth.

With *pareos* printed to match, the bold design of *Hermès en voyage* offered a lively modern take on the classic Hermès beach rug. A new collection of blankets, lap rugs and pillows in soft, luxurious materials like cashmere, silk and lambskin added a new dimension to Hermès' tradition of excellence in homewares.



¬ Crazy Calèche long necklace
 in rose gold and shaded silver.
 → Memory game,
 Émile Hermès collection.



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 2009, these sectors generated \leq 242 million in sales, for operating profit of \leq 44 million.

PERFUMES

Hermès perfumes proved resilient in 2009's distressed economy, generating 6% of total Group sales, or €117 million, down by 7% at constant exchange rates.

← Hermès Colognes Collection.



Kelly Calèche eau de parfum.



Perfume sales suffered from the worldwide recession, which caused a drop in consumption and induced both retailers and distributors to scale back their inventories. Even so, Hermès' fragrance lines held up extremely well owing to the House's indomitable creativity and to its ongoing efforts to add exciting and beautifully made new products to fragrance collections. The first of these innovations was inaugurated at the beginning of the year. Jean-Claude Ellena, the House perfumer, followed up the Kelly Calèche eau de toilette and pure perfume extract with an eau de parfum, the final element in his fragrance triptych. A Kelly lock now hangs from the bottle's metal clasp as the symbolic imprint of this new creation. In May, customers discovered the Hermès Colognes Collection, a new territory in the olfactive journey the House began in 1979 with Eau d'orange verte. Inspired by the pure materials at their core, Jean-Claude Ellena added two new creations to the family,

Eau de pamplemousse rose and *Eau de gentiane blanche.* Customers enthusiastically greeted these figurative and generous expressions of instant olfactory pleasure.

The House perpetuated its tradition of boldness in autumn 2009, adding a new dimension to men's fragrances with Pure Perfume Terre d'Hermès. Much more than a concentration of the emblematic fragrance, this pure perfume offers a new interpretation of the extract's core identity: a name, a gesture, a signature - just for men. Alongside the eau de toilette, it journeys forward into an intense and uncharted realm where matter vibrates at a new frequency. Customers immediately recognised the seductive, unexpected, and warmly emotional qualities of Pure Perfume Terre d'Hermès and greeted the new product with great enthusiasm. This new addition to the line bolstered its ranking as one of the five most popular men's fragrances in France, confirming its status as a great classic in this area.

WATCHES

This sector represents 5% of the Group's total business. Sales came to \in 87 million in 2009, down 13% at constant exchange rates.

Despite a serious crisis in the Swiss watchmaking sector, La Montre Hermès gained market share, building on its reputation as an outstanding alternative to other famous names in watches. The sector expanded into new markets in Eastern Europe, the Middle East and South America, which yielded excellent results within the first few weeks. La Montre Hermès unveiled the new Cape Cod Tonneau collection with coordinating jewellery at the 2009 Basel Watch fair, along with a range of exceptional products embodying its prodigious know-how. Highlights included the 8-day Boule Spirale pendulette, a collaborative effort with Manufacture Vaucher; the Cape Cod watch in white gold with a grand feu enamelled face; a platinum Arceau watch with a movement in hand-engraved white gold; a limited edition series of 24 Arceau Pocket watches in rose and white gold with a Manufacture Vaucher movement (moon phase complication/ retrograde date). La Montre Hermès also demonstrated its technical expertise in timepieces by training five craftsmen to build Plein Cuir pendulettes.



↗ Cape Cod "H au galop" watch in 750 white gold, strap in black matte alligator. Grand feu enamel dial crafted according to the traditional technique used for miniature paintings.



↗ Arceau Chrono Alezan watch in steel, strap in smooth calfskin. → Tableware takes centre stage at tri-brand stores like the one pictured here in Taipei, Taiwan. Tri-brand stores showcase products from Hermès, Puiforcat and the Cristalleries de Saint-Louis.



TABLEWARE

Tableware encompasses La Table Hermès, Les Cristalleries de Saint-Louis and Puiforcat. In 2009, sales for this sector totalled €38 million, down 21% at constant exchange rates. The year was particularly difficult, owing to a combination of lower sales and substantial inventory drawdowns by distributors.

The Tableware division continued to expand its tri-brand flagship stores, featuring Hermès, Puiforcat and Saint-Louis. Three new stores opened in 2009: Pearl Centre in Doha (Qatar), Dubai Mall in Dubai (United Arab Emirates) and Bellavita in Taipei (Taiwan).

🔅 LA TABLE HERMÈS

Year after year, the success of La Table Hermès' collections has consolidated its status as France's premier name in tableware. In 2009, the brand launched a new porcelain service, Mosaïque au 24, a novel embodiment of the House's emblems. The 21-piece service was inspired by the décor at the Faubourg Saint-Honoré store in Paris, with geometric friezes that recall the ones that run along the top of the store's walls. The plates themselves are decorated with a multitude of tiny carrés, as if, one by one, they had drifted down and come to rest there. Building on its immense popularity throughout the world, the Balcon du Guadalquivir service now includes an Asian line and new, square-shaped pieces.

EES CRISTALLERIES DE SAINT-LOUIS

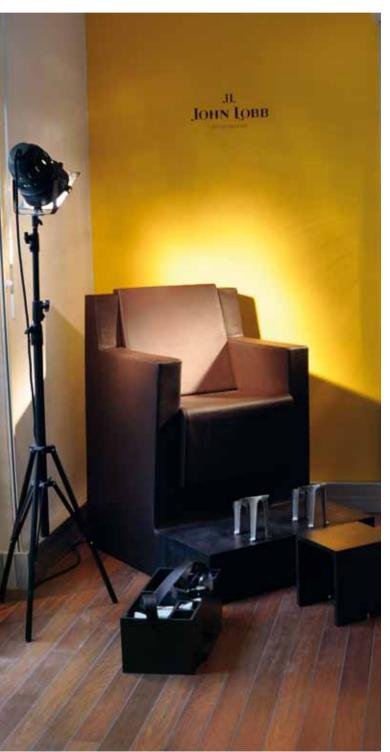
Éric Gizard's designs for Saint-Louis were a highlight in 2009. A play of angles and facets makes reflections dance through the crystal of his futuristic *Metropolis* line of generously sized glasses for bar and table. Gizard's designs show yet again how a designer's eye and exquisitely crafted crystal can come together to form truly exceptional pieces. Despite lacklustre sales in 2009, Asia proved to be a buoyant source of new business. Thirty-two exquisite pieces were presented in temporary exhibits in Macao and Hong-Kong, including the *Panda Fu Fu* paperweight, which was specially designed for these events.

Launched in 2008 and completed in 2009, the Jardins de Saint-Louis are designed to enhance the Saint-Louis-lès-Bitche site and to provide a fitting background for its historic *métiers*. The gardens are a showcase for the site's environmentally sustainable approach to water treatment.

PUIFORCAT

During the *Maison & Objet* show at the beginning of the year, Puiforcat made waves in the design community when it unveiled the *Donahue* bar set, a numbered series in solid silver with resolutely contemporary lines. The pieces' asymmetry required remarkable technical prowess on the part of the silversmith, as the silver plate had to be fused using a series of complex torsions and tensile manipulations. The body of the metal was worked to create invisible seams, then meticulously buffed and polished to preserve every edge and angle. With this creation, Claude Bouchard has developed a revolutionary range of shapes with an all-new design vocabulary for Puiforcat.





OTHER GROUP BRANDS AND PRODUCTS

🕅 JOHN LOBB BOOTMAKER

In 2009, John Lobb sales rose to €18 million, up 2% year-on-year.

The year's major event was the centralisation of the company's operations in Paris, which culminated in a move to 32 rue de Mogador, near the Opéra. The new address is home to the bespoke workshop and a showroom, both designed to showcase the exceptional know-how of John Lobb's master bootmakers. To commemorate the move, John Lobb created the Mogador Bespoke Collection. Its luxurious models include an oxford with silken laces, single- or double- buckle monk shoes cut from a single piece of leather, a hand-stitched apron loafer and an ankle boot with rounded edges. These timeless, highly original designs all share a unifying detail: their soles are coloured Mogador purple, an intense, violet-tinted red that has become the hallmark of bespoke shoes.

Since 1996, on 25 October of each year, John Lobb has paid tribute to Saint Crispin, the patron saint of shoe and bootmakers, creating a new model in honour of the saint's day. The 2009 edition was a masterpiece of precision and craftsmanship, which can be summed up in a single phrase: "a single pair of shoes, a single skin, a single cut". The company also rolled out Butler Service by John Lobb, a new luxury shoe care service offered in a number of luxury hotels. Launched in 2008 at the Connaught in London, the service was extended to Le Meurice in Paris, The Peninsula in Tokyo and La Réserve in Geneva. RDAI was commissioned to design the special shoeshine chair at the nexus of this custom shoe care service.

← Shoeshine chair, John Lobb
 2009.

→ At the Pantin Workshops, colourful rolls of leather ribbon, and ostrich leather, grain side on top (recognisable by its follicles) and flesh side underneath.

TEXTILES

House textile operations include design, colour and dye works, engraving, printing, weaving and fabrication, and are grouped under Holding Textile Hermès. Sales to non-Group entities were €15 million, down 26% year-on-year. Upholstery fabrics were particularly hard-hit by the recession in 2009, while the fashion and luggage sectors staged a rebound at year-end after a slow start. In response to the crisis, the division focused on rallying its creative efforts.

Fabrics unveiled at the *Première Vision* show showcased Bucol's expertise, with cutting-edge designs built around four colourways, available in silk/cotton, silk/linen and cotton/linen blends. Ink-jet printing proved to be an important precision technique in a variety of production processes and a mainstay alongside the traditional flat frame method. The sector continued to pave the way for fresh design possibilities with new fabrics such as knitted silk jersey and process innovations such as over-dyeing.

Investments in the sector were sustained, particularly in the fields of environmental protection and safety.

TANNING

In 2009, revenues dropped to €33 million from €65 million in 2008.

The highly specialised businesses in this sector are involved in purchasing, tanning, dyeing and finishing precious skins for high-end markets such as fashion and leather goods (bags, small leather items, shoes, belts, clothing, etc.) as well as luxury watch makers (watch bands). Following on a record year in 2008, the sector suffered as the majority of its customers scaled back orders as a result of lagging business. Even so, the sector pursued its capital spending programme in 2009. Its main goals were to continue to modernise its four production sites, cut back water and energy consumption and consolidate its position as a leader in complying with environmental standards of all kinds.









↗ Interior of the Smart Toile H.
 → Hélicoptère par Hermès.

INTERIOR DESIGN

In 2009, Hermès Intérieur & Design, which engineers and executes design projects and creative interiors, continued to expand through existing partnerships and custom orders. The first Hélicoptère par Hermès helicopters were delivered in 2009. Built in partnership with Eurocopter, this special edition of the EC 135 was launched in the United States in 2007 and in Europe in 2008. Hermès built on its vision of helicopter travel through a concept that used the finest materials and painstaking production methods to combine form and function. Hermès' dedication to consistency and functionality induced it to completely redesign the cabin's interior and layout. The vehicle's exterior was extensively revisited, as well. More specifically, Hermès redesigned the helicopter's landing gear to facilitate boarding and create a new aesthetic. The *Hélicoptère* par Hermès has taken flight in England, Japan and Abu Dhabi; new orders will take it to new skies in 2010. The Mori Building group has launched a special shuttle service between Narita Airport and the Tokyo city centre using the Hermès helicopter, offering travellers significant time savings as they enjoy an experience "by Hermès".

In the automotive sector, several editions of the *Bugatti Veyron Fbg par Hermès* and the *Smart Toile H* went on sale in 2009. Hermès also designed a horse-drawn carriage for the Hôtel Les Airelles in Courchevel.

Through its sales network and through direct customers, *Hermès Intérieur & Design* also executed a number of made-to-measure orders this year. It initiated a range of projects that will be implemented in 2010 and in subsequent years. For each project, Hermès assembles a dedicated team of designers and master craftsmen, then works closely and carefully with customers to help define their Hermès dream and make it a reality. Most of these projects are for private homes, offices or jet interiors.

SHANG XIA

In 2009, Hermès announced the launch of a new brand in Shanghai called Shang Xia, which will design, manufacture and distribute objects that employ exceptional Chinese materials and know-how. Shang Xia, whose Shanghai store opens in 2010, will offer a collection of furniture, art-of-living products, Ready-to-wear & Accessories. In this way, Hermès continued to underscore its commitment to craftsmanship and creative talent throughout the world, and its passion for promoting and celebrating it.

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.

PARTNERSHIPS

SEAN-PAUL GAULTIER

Hermès 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 2009, the company's sales came to €23 million, down 19% on 2008, in a difficult business climate.

LES TISSAGES PERRIN

The Hermès Group owns a 39.5% stake in Les Tissages Perrin. Most of the business is focused on weaving for sectors as wideranging as ladies' lingerie, upholstery fabric, ready-to-wear and accessories. This business generated sales of €20 million in 2009, 22% less than in 2008.

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.

🗄 WHY

Created in 2008, Wally Hermès Yachts began to offer a new way to live on the sea in 2009, combining the creativity and expertise of Hermès and the Wally group. In September 2009, a full-scale mock-up of a revolutionary 58-metre long yacht with a 38-metre wide beam was unveiled at the Ancona shipyard. Developed with a team of top designers, engineers and naval architects, WHY 58×38 combines comfort, privacy, stability, space and self-sufficiency and is designed to create a low environmental impact. In March 2009, the Hermès Group acquired 10% of Wally Yachts, the shareholder in the WHY joint venture. In February 2010, owing to the complexity of engineering studies and the required expertise in ship design, it became apparent that the project needed to be run by one decision-maker. Hermès naturally turned over the project to Wally Yachts and sold its entire equity interest in Wally Yachts and WHY. Hermès will receive commissions on yacht sales until 2020 in consideration for its contribution to developing the project.

A WARM, ATTENTIVE WELCOME^{Beatriz González-Cristóbal Poyo,} Managing Director, Sales

Despite the uncertain economic climate, Hermès stores generated strong sales growth in 2009. This is because they proved extraordinarily nimble in their response to the situation while steadfastly abiding by the house's fundamental values.

Instilling flexibility in the organisation

The distribution networks were restructured into five major regions: Northern Asia, Europe, Southern Asia/Middle East, Americas and Japan. Each region is now under the responsibility of independent managers who are encouraged to give free rein to their creativity. This system was an excellent source of vitality in a highly uncertain environment. Over the whole year, not one week went by without a fresh idea for an event or a new way to rekindle sales growth or boost staff motivation. All of these projects produced a positive impact on sales, troughout the world.

Continuing to inject momentum into the network

The network's drive and vigour was sustained by many new store openings. Hermès successfully ventured into four new countries – Panama, the Philippines, Turkey and Brazil. A number of units were renovated and some of them – including Milan, Cannes, Dubai and the Hong Kong airport – were given an entirely new look. This section of energy was made possible in large part thanks to the hard work accomplished by all Hermès concessionnaire partners, particularly in the new countries and in airports. These have become major sources of retail sales growth.

Cultivating the Hermès difference

By showcasing the timeless spirit of Hermès products, focusing on the quality of customer service and keeping staff motivated, the Hermès stores succeeded in putting smiles back on their customers' faces. This "back-to-basics" attitude was a great source of strength for us: to combine confidence with vigilance, to draw on our strong points while remaining humble, to keep a firm grip on the reins while never ceding to over-confidence... and above all, to spread joy. Hermès is a house in full colour, and all actions carried out in 2009 – the year of "The Beautiful Escape" – reflect this. This exceptional, group-wide momentum was rewarded by our handsome year-end figures, which reflect soaring sales.



ACTIVITY <u>BY REGION</u>

The Hermès Group's revenue amounted to €1,914.3 million in 2009. It increased by 4.1% at constant exchange rates and 8.5% at current exchange rates.

	2009 (€m)	2009 (%)	2008 (€m)	2008 (%)	At current exchange rates	At constant exchange rates
Europe	755	40%	742	42%	1.8%	2.3%
France	370	20%	359	20%	3.0%	3.0%
Rest of Europe	385	20%	383	22%	0.6%	1.6%
Americas	294	15%	265	15%	11.0%	6.7%
Asia-Pacific	831	43%	713	40%	16.5%	6.9%
Japan	408	21%	393	22%	3.9%	(10.9)%
Rest of Asia-Pacific	423	22%	320	18%	31.9%	28.6%
Other	34	2%	44	3%	(22.8)%	(23.6)%
Consolidated revenues	1.914	100%	1.765	100%	8.5%	4.1%

EUROPE

Sales increased by 2% at constant exchange rates and by 12% for Company-owned stores in 2009, owing to a very strong fourth quarter. They amounted to \in 755 million, or 40% of Group revenues.

In France, sales expanded by 3%, with an 8% increase in retail sales. During the year, Hermès began construction on its third location in Paris, on rue de Sèvres; pending completion of the work, it opened a temporary shop on rue de Grenelle. This space showcases Art of Living and tableware products. In Cannes, a new 100-square-metre store dedicated to watches, jewellery and the Hermès men's universe was opened adjacent to the existing location. In the rest of Europe, sales expanded by 2% despite difficult economic conditions in the region as a whole. Business momentum was robust for Company-owned stores, which delivered growth of over 16%. Hermès continued to enlarge its distribution network, opening a new branch in Manchester in the UK and its first store in Turkey, in Istanbul. Turkey has long been a source of creative inspiration for Hermès objects, such as the *Céramique ottomane* and *Cheval turc* carrés or the *Kilim* and *Derviche* jewellery lines. However, the House's only presence in the country had been an outlet at the Istanbul airport, until 7 December 2009, when Hermès inaugurated its first store there, a 200-square-metre shop in Istanbul. Two other stores were renovated: one in Knokke-le-Zoute (Belgium), the other in Milan (Italy), where the streamlined proportions of the redesigned space played with light and crystal to produce an airy, modern ambiance. Other renovations included the Group's concessions in Nice and Toulouse, and the watch and jewellery specialty boutique in the Le Printemps Haussmann department store in Paris.

Expertise was our hallmark in 2009, particularly for silk products. Hermès inaugurated its first-ever pop-up shop at Liberty of London, dedicated to silk scarves and ties. A number of events were held to celebrate the opening, including the *Soie Belle* show and a workshop on hand-embroidering monograms taught by experts from Hand & Lock. The release of *Petit Journal de la Soie* was an occasion to showcase the world of Hermès silks, for long-time connoisseurs or those just discovering its myriad possibilities. Among the many events held across Europe throughout the year, our special mobile photo booths were a particular success.

Lastly, Hermès selected its 24, Faubourg and Munich stores as venues to celebrate the second annual *Fête de la Couleur* in support of UNICEF and its initiatives to guarantee children's rights and access to education.



 → Window display at the Hermès store in London.
 → Window display at the Hermès store in Frankfurt.

CREATIVITY AND IMAGINATION Bruno Guillon, Managing Director, Hermès Distribution France

The French market has always been the standard-bearer for Hermès' heritage, and it reflects the House's vibrant momentum. In 2009, in response to the turbulent business climate, the distribution network strengthened its fundamentals, nurtured its ability to showcase our products and creatively brought to life this year's theme, "The Beautiful Escape".

Showcasing our products

Extraordinary objects require extraordinary settings to bring out all their magic. To help our salespeople build displays that inspire the senses, staff at all our stores received training in merchandising, helping them build better backdrops for our products.

Opening up the "World of Hermès"

The opening of new sales outlets was an opportunity to draw even broader attention to our products. Our temporary store on rue de Grenelle – our first location on Paris's Left Bank – met with resounding success. The renovation of the La Table Hermès department at the 24, Faubourg store was celebrated with an exhibition around the beauties of home, as well as a magnificent dinner for some 180 delighted customers. Store re-openings in Toulouse and Nice offered additional occasions to celebrate, and our Cannes store stepped into the limelight with a new watch and jewellery section and a novel "for men-only" concept. In 2009, online sales advanced by 23%, indication that the internet is becoming an increasingly popular medium.

The importance of telling our story

With an exhibition of the work of Erwin Wurm in Bordeaux inspired by the Hermès men's universe, a new edition of *The Galop Hermès* in Deauville, fine watchmaking demonstrations and much more, this year more than ever Hermès reaffirmed its commitment to offering its customers unexpected new experiences. Highly successful events in this vein included the *Festival des métiers*, which featured in-store demonstrations by master craftsmen, and the joyful *K'Hermès* celebration at the Faubourg location in November.

Offering impeccable customer service

Our entire sales force took part in intensive training, during which they learned to share their own experience, showcase our collections, and answer customers' questions. Our strong sales figures are testament to the success of their hard work.

CONQUER AND DELIGHT^{José Auriemo Neto,}

The first Hermès concession in Brazil opened its doors in 2009. The store, located at the heart of the prestigious Shopping Cidade Jardim de São Paulo, had been long-awaited by the public, who gave it a resoundingly warm welcome.

Embarking on an ambitious project

Creating the first Hermès store in Brazil was a considerable challenge. The store would be welcoming a singular combination of customers: discriminating connoisseurs well-acquainted with the house and accustomed to travelling abroad to purchase their favourite products, alongside "admirers from afar" who had never had the opportunity to explore a Hermès store. The opening of the concession was carefully prepared in partnership with the Brazilian developer JHSF, and particular thought was applied to finding the perfect location

Choosing a strategic location

Hermès' first home in Brazil had to be in an exceptional location, and the all-new Shopping Cidade Jardim de São Paulo was a natural choice. The centre, which opened in 2008, is dedicated to luxury products, and its tree-lined promenades have the graceful allure found in the world's most beautiful cities, combining all the pleasures of a leisurely stroll with the pleasure and convenience of a shopping centre.

Create the event

For the store opening on 14 September, Hermès called on a team of highlyrespected professional events coordinators to offer its new customers a magnificent party. The house's core values of tradition and creativity were beautifully expressed through light-hearted activities that took place in and around the new store. The event received wide attention from the important publications in Brazil and beyond, thus adding to the prestige and allure of the occasion while underscoring the authenticity of the new location.

Promises kept

Thanks to a judicious choice of opening date as well as a thoughtful selection of products, the store met with immediate and immense success. There is no doubt that Hermès' Brazilian customers are highly receptive and attentive to the beauty of our products and enchanted by the quality of our offer.

* Owns Shopping Cidade Jardim and manages the Hermès concession in São Paulo.

AMERICAS

In 2009, the Hermès Group generated 15% of its sales in the Americas. Revenues for the region rose by 7% to \leq 294 million at constant exchange rates, with growth of 11% for its network of branches.

As in 2008, difficult economic conditions persisted in North America throughout 2009. The Hermès distribution network nevertheless continued to expand, with four new branches in Las Vegas, Denver, Seattle and Calgary. Another noteworthy event in 2009 was the inauguration of a Hermès summer store in East Hampton – a first in the Americas – which was open from May to September.

The Group also continued to expand in Latin America, despite the adverse effects of the A H1N1 virus. It opened two new concessions, one in São Paulo (Brazil) and the other in Panama – a symbolic location at the crossroads of the Pacific and the Atlantic, an emblem of adventure and travel, two themes that have long inspired Hermès.

A number of events were held in the Americas in 2009. The H-Box (a travelling projection space designed to accommodate up to ten viewers) continued its world tour with stops in the United States, and the *Petit Journal de la Soie* was launched in Canada and Mexico. Canadian customers could explore the world of Hermès silk in a Citroen *Deux Chevaux*, or with a glimpse of horseback riders trotting through the city centre. In Mexico, customers admired tents sewn from carrés during Design Week at Universidad Iberoamericana design school.

→ Opening of the Hermès store in São Paulo.



ASIA-PACIFIC

In 2009, the Asia-Pacific region generated 43% of the Hermès Group's sales. It delivered revenues of €831 million, rising by 7% at constant exchange rates and by 13% in the retail sector.

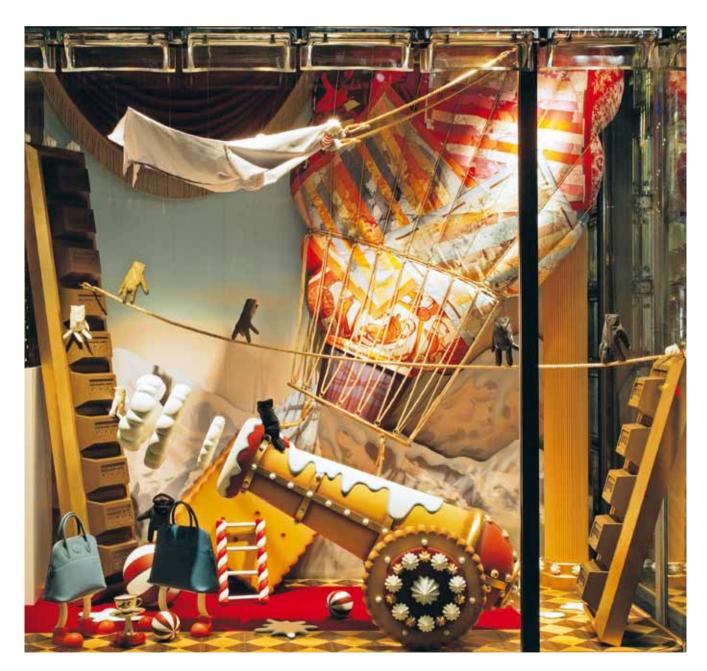
In Japan, sales declined by 11% at constant exchange rates (and by 6% in the retail sector), owing to the country's prolonged recession. Even so, Hermès expanded its distribution network in 2009. It took over the JR Nagoya Takashimaya concession in March and opened the Umeda Hankyu store in September. Japan received a visit from the *Caravane de la Soie* during 2009, bringing immense pleasure to devoted connoisseurs and younger generations alike. In the rest of Asia, sales increased by 29% at constant exchange rates and by 36% in the Group's stores, buoyed by the Group's significant expansion of the distribution

network: six new Hermès branches were opened, including two in China, and one was renovated in Singapore. Three new stores were inaugurated in Taiwan, in Taipei's Bellavita complex. The first is a standard-bearer for the Hermès métiers, the second is dedicated to men's footwear and accessories by John Lobb and the third is specialised in tableware. The John Lobb store opening featured an appearance by Michel Raballand, the head of the John Lobb bespoke workshop in Paris, who showed onlookers the key phases in crafting a pair of John Lobb shoes. Petit Journal de la Soie was also presented in Asia in 2009, offering customers an opportunity to discover and play with the world of Hermès silks. The occasion was celebrated with a number of events, including the Silk Bar in Hong Kong and the "PS I Silk You" exhibit in Singapore.









↗ Window display at the Hermès Ginza store in Tokyo.

Next page: Dip Dye *Brides de gala* cross-dyed carré.

UNEXPECTED PROMISE^{Florian Craen,} Managing Director, Hermès Northern Asia

China is a unique market and it's essential to strike the right balance there – to maintain the right rhythm. Bearing that in mind will allow us to grow in a way that expresses our singularity while remaining faithful to our core values.

Hermès opened its first stores in Northern Asia in the early 1990's, first in Hong Kong and Taiwan, then in South Korea and finally in Beijing, China in 1997. By the end of 2009, the region counted 40 stores, fuelled primarily by our fourteen stores in continental China, where sales soared.

This year in China we celebrated the immense successes of our most exceptional creations – particularly in leather goods and watches – as well as an increase in special orders and the first interior decorating project realized by *Hermès Intérieur & Design* in the country

Strengthening our presence

Our growth in China has taken place in what is in many ways a wholly unique context, as we witness the emergence of what will one day be the world's biggest market. Cities are being planned and developed. New living spaces and modes of consumption are appearing. Every day, ever-larger crowds flock to ever-larger shopping centres where brand names jostle with one another for prominence.

In the years ahead, Hermès will significantly reinforce its presence in Chinese cities and expand to new locations at a measured but steady pace. *Maison Hermès* locations will also be created, like the one opening in Shanghai in 2012.

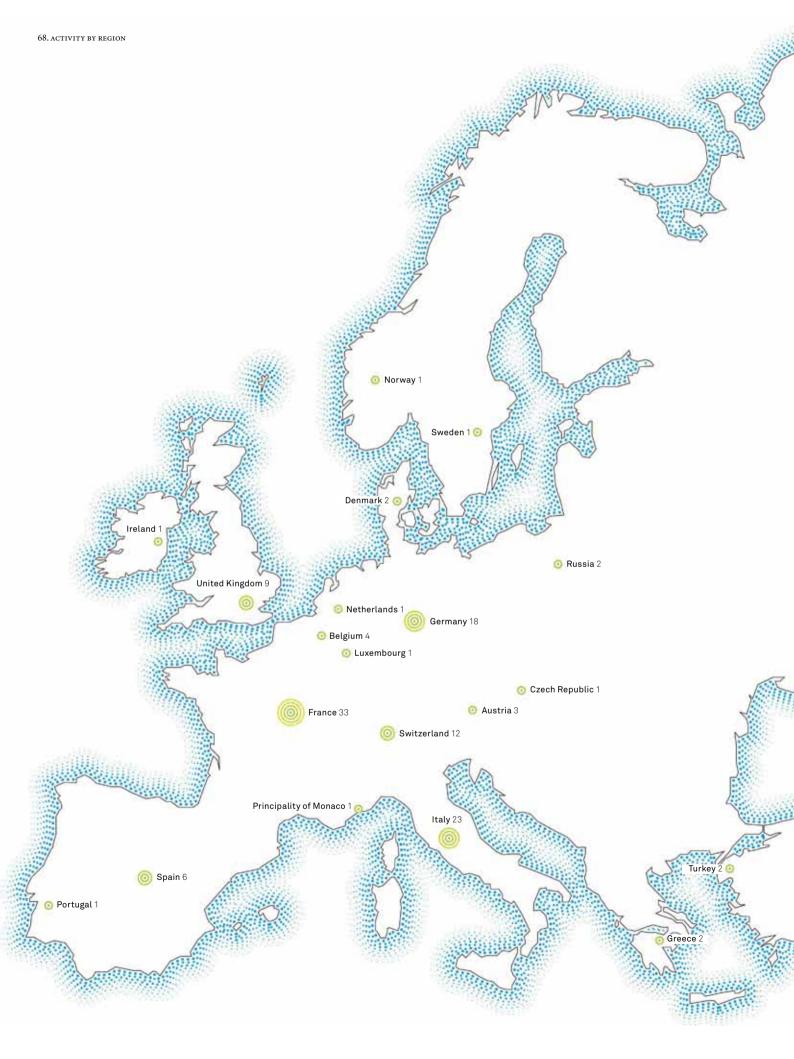
Our focus is on quality above all else, particularly in the service we offer our customers, which must evolve and even be re-invented at times – and always, always improved.

Teaching our creations

Our marketing and publicity campaigns will remain targeted and ambitious. Their goal will be to teach our customers about our know-how and our creations. These customers tend to be young, are often male and already show a marked sensitivity to our style and products.

Lastly and most importantly, we will be giving our all to the 700 Hermès employees currently working in Northern Asia, as well as to those who will be joining us in the coming years.





HERMÈS AROUND THE WORLD

Hermès products are available worldwide through a network of 304 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.

325 RETAIL OUTLETS

EUROPE

Austria: 3

3 stores (concessionnaires) Belgium: 4 3 stores (branches): Antwerp Brussels Knokke-le-Zoute 1 store (concessionnaire) Czech Republic: 1 1 store (branch): Prague Denmark: 2 2 stores (concessionnaires) France: 33 14 stores (branches): Aix-en-Provence Biarritz Bordeaux Cannes Deauville Lille Lyon Marseille Paris Faubourg Saint-Honoré Paris George-V Rennes Rouen Saint-Tropez Strasbourg 19 stores (concessionnaires) Germany: 18 10 stores (branches): Baden-Baden Berlin (2) Cologne Düsseldorf Frankfurt Hamburg Hanover

Munich Nuremberg 8 stores (concessionnaires) Greece: 2 1 store (branch): Athens 1 store (concessionnaire) Ireland: 1 1 store (branch): Dublin Italy: 23 11 stores (branches): Bologna Capri Florence Milan Naples Padua Palermo Porto Cervo Rome Turin Venice 12 stores (concessionnaires) Luxembourg: 1 1 store (concessionnaire) Norway: 1 1 store (concessionnaire) Netherlands: 1 1 store (branch): Amsterdam Portugal: 1 1 store (branch): Lisbon Principality of Monaco: 1 1 store (branch): Monte-Carlo Russia: 2

2 stores (concessionnaires)

Spain: 6

6 stores (branches): Barcelona Paseo de Gracia Madrid Madrid Corte Inglés Marbella Pau Casals Valencia Sweden: 1 1 store (concessionnaire) Switzerland: 12 9 stores (branches): Basel Bern Crans Geneva Gstaad Lausanne Lugano Saint-Moritz Zurich 3 stores (concessionnaires) Turkey: 2 1 store (branch): Istanbul 1 store (concessionnaire) 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 (concessionnaire)



NORTH AMERICA

Canada: 5

4 stores (branches): Calgary Montreal Toronto Vancouver 1 store (concessionnaire) Caribbean: 2 1 store (branch): Saint-Barthélemy 1 store (concessionnaire) Mexico: 3 3 stores (branches): Mexico Mazaryk Mexico Palacio Perisur Mexico Santa Fe USA: 54 24 stores (branches): Atlanta Bergen County Beverly Hills Boston

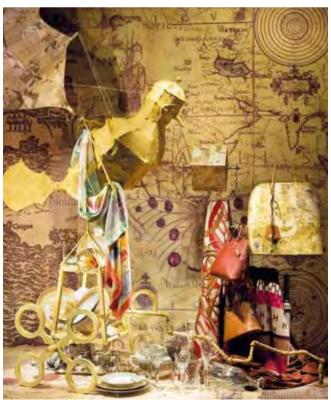
Charlotte Chicago Dallas Denver Hawaii Ala Moana Hawaii Duty Free Kalakaua Hawaii Duty Paid Waikiki Houston King of Prussia Las Vegas Las Vegas Wynn Miami Bal Harbour New York Madison New York Wall Street Palm Beach San Diego San Francisco Seattle South Coast Plaza Washington Fairfax 9 stores (concessionnaires) 21 other retail outlets

SOUTH AMERICA

Argentina: 1 1 store (branch): Buenos Aires Chile: 1 1 store (concessionnaire) Brazil: 1 1 store (concessionnaire) Panama: 1 1 store (concessionnaire)

Hermès window displays in Montréal, at New York Madison and in Toronto.









ASIA

China: 16 13 stores (branches): Beijing China World Beijing Park Life Beijing Palace Hotel Canton Chengdu Maison-Mode Dalian Hangzou Eurostreet Hangzou Tower Kunming Golden Eagle Qingdao Hisense Plaza Shangai Shenzhen City Crossing Wuxi Commercial Mansion 3 stores (concessionnaires) 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 North Seoul Shinsegae South Shinsegae Busan 9 stores (concessionnaires) Indonesia: 3 3 stores (concessionnaires) Japan: 50 25 stores (branches): Kobe Daimaru Kobe Sogo Kyoto Takashimaya Nagoya JR Tokai Takashimaya Osaka Hilton Osaka Midusoji Osaka Pisa Royal Osaka Shinsaibashi Sogo Osaka Takashimaya 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 Yokohama Sogo

Yokohama Takashimaya 25 stores (concessionnaires) Malaysia: 3 2 stores (branches): Kuala Lumpur Kuala Lumpur Pavilion 1 store (concessionnaire) Singapore: 5 3 stores (branches): Liat Tower Scottswalk Takashimaya 2 stores (concessionnaires) Taiwan: 7 6 stores (branches): Flagship Tapei – Bellavista Kaohshung Han Shin Mitsukoshi Tainan Regent Taipei Sogo Fuxing Taipei Sogo Taichung 1 store (concessionnaire) Thailand: 3 2 stores (branches): Bangkok Emporium Bangkok Siam Paragon 1 store (concessionnaire) India: 1 1 store (branch): New Delhi Vietnam: 1 1 store (concessionnaire) Philippines: 1 1 store (concessionnaire)

MIDDLE EAST

Bahrain: 1

1 store (concessionnaire) Qatar: 1 1 store (concessionnaire) United Arab Emirates: 3 3 stores (concessionnaires)

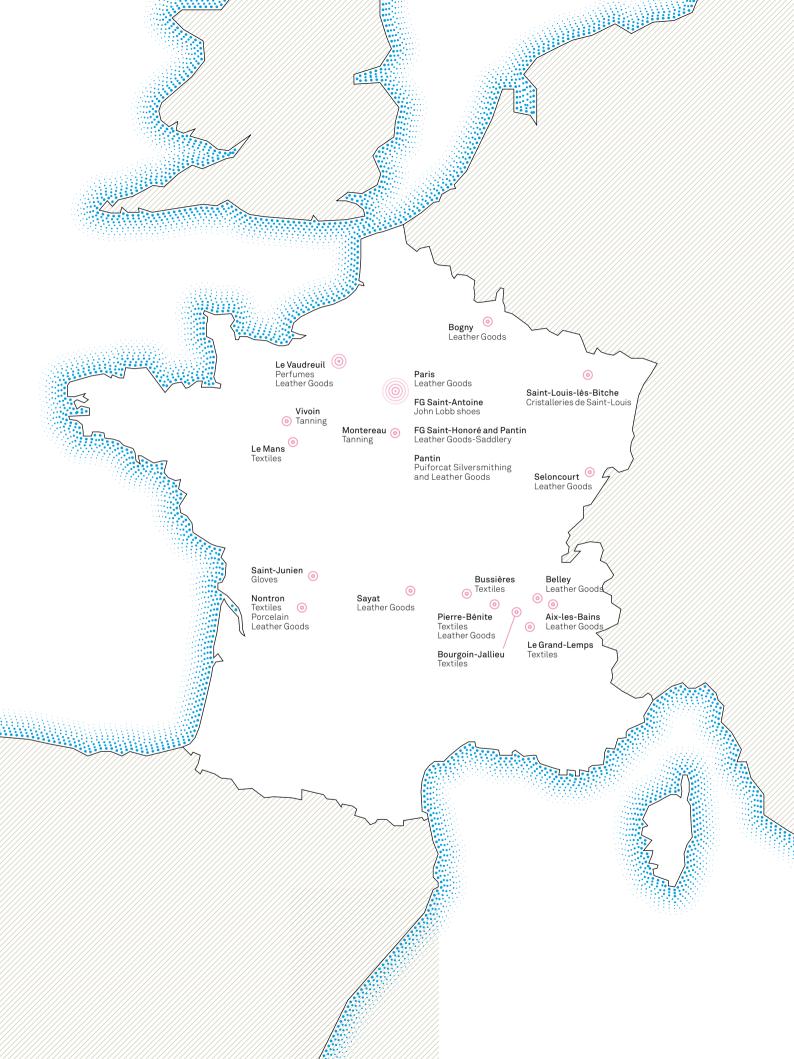
OCEANIA

Australia: 4 4 stores (branches): Gold Coast Marina Mirage Gold Coast Surfers Paradise Melbourne Sydney Skygarden Guam: 2 1 store (branch) 1 store (concessionnaire) New-Caledonia: 1 1 store (concessionnaire) Saipan: 1 1 store (branch)

Hermès window displays at the Marunouchi store in Tokyo, and in Dubai.







ENVIRONMENT

The Hermès Group's manufacturing operations encompass thirty-three production units spread across twenty-six sites, twenty-two of them in France, one in Great Britain, one in Italy, one in Switzerland and one in the United States. Hermès tradition is to manufacture objects to extremely high quality standards, using natural materials like leather, silk and sand (for crystal). At all facilities and across all business lines, conserving natural resources and respect for the environment are an integral part of the House's approach.

OUR GOALS

Since 2003, the Group Industrial Department has operated an environmental programme for all sectors and members of its thirty-three production units, with the following objectives: • To comply with environment and workplace health and safety (EHS) regulations and to prepare for changes in these 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 the carbon footprint of manufacturing operations.
To minimise waste production and to reuse and recycle whenever possible.



OUR ACCOMPLISHMENTS

WATER: CONSERVING A VITAL NATURAL RESOURCE

Since water is a critical resource for production, Hermès has made water conservation a main priority since 2002, using a two-pronged approach.

1. Reduction: cutting back on consumption.

Despite a substantial rise in production and a significantly broader scope following the integration of new facilities, including the tanneries acquired in 2007, Group water consumption declined by 38% between 2002 and 2009.

This accomplishment was made possible through major efforts by all business sectors, particularly in textiles, leather goods (tanneries) and crystal. Initiatives included:

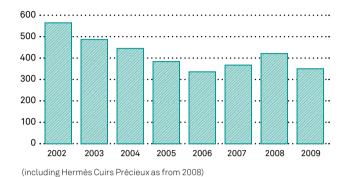
- Installing measurement tools to accurately monitor water consumption during different stages in the production process.
- Upgrading to production equipment that uses less water. In 2009 this approach was mainly employed by Group tanneries.
- Recycling water in certain phases of the manufacturing process, particularly in the textiles sector.

• Building staff awareness of the importance of conservation. Les Cristalleries de Saint-Louis set an example in 2009, decreasing water consumption by 41% year-on year, as did the TCIM tannery, which cut back water consumption by 33% over the same period.

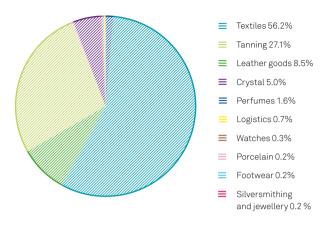
← Manufacture de Pierre-Bénite in the Rhône region of France.

CHANGE IN WATER CONSUMPTION

(in thousands of cubic metres)



WATER CONSUMPTION BY SECTOR



2. Compliance: making bold, innovative choices to meet regulatory obligations concerning the quality of liquid waste emissions.

Since 2002, Hermès has invested in numerous water treatment projects, enabling the Company to meet existing regulatory requirements and to be prepared for future trends in this area: •In 2006, TCIM added a nanofiltration system to its water treatment plant, cutting back average COD (chemical oxygen demand) levels by nearly two-thirds.

• Since the beginning of 2009, investments at the SIEGL textile printing facility have further improved the existing wastewater treatment system through the addition of submerged aerators to existing filtration tanks and the installation of a membrane bioreactor system. This decreased wastewater pollution (expressed in kilograms per day) by 38% year-on-year. • In 2009, two sites began using natural filtration systems for effluent treatment or to supplement effluent purification. At Les Cristalleries de Saint-Louis, a Jardin Filtrant® was brought into service during the first half of 2009. This innovative natural wastewater filtration system has reduced the level of aggregate pollutants in the facility's wastewater by a factor of three and decreased the volume of heavy metals by a factor of nine. This system is the first of its kind in the world to be used in the glass and crystal industry. Since opening in 2009, the new La Maroquinerie Nontronnaise site has used a Phytorestore system for sanitation treatment.

ENERGY CONSERVATION EFFORTS

Energy consumption is also stringently monitored. Despite a significant increase in production and scope, total energy consumption has risen by only 21% since 2001. Though gas is the main energy source for the Group's production systems, gas consumption rose by just 9% over the same period. Echoing the efforts to raise awareness at all levels within the Group, energy performance assessments are carried out at production facilities to help them build adapted energy conservation action plans.

The systems used to heat production equipment in textile factories and tanneries, which alone account for over one-third of the Group's energy consumption, were upgraded this year. Heat efficiency was also targeted at the new Maroquinerie Nontronnaise site, where a wood-fired boiler was installed. As a result, the facility now relies almost exclusively on a renewable energy source.

MEASURING AND REDUCING OUR CARBON FOOTPRINT

In addition to its efforts to conserve natural resources, Hermès is committed to measuring and reducing the impact of its manufacturing operations on global warming. Since 2006, the Group has conducted Bilan Carbone® carbon audits that allow each production facility to identify and assess emissions-producing activities and convert them to tonne carbon dioxide equivalents. For this approach, Hermès has adopted the Bilan Carbone® method of the French Environment and Energy Management Agency (ADEME), which is being implemented with the assistance of an outside consultant.

By the first quarter of 2010 the Group will have completed audits of all its manufacturing operations, but efforts are already underway to reduce our carbon footprint.

INVOLVING STAFF ON A DAILY BASIS

The Environment-Health-Safety-Fire Safety (EHS) network, created in 2003, is overseen by the Industrial Department. It provides training and coordinates Hermès' actions for these issues. Today, the EHS network comprises over twenty members. Every quarter, EHS managers and officers meet with permanent representatives from the Group's Human Resources, Property Management and Administrative departments. These meetings are seconded by a database for pooling information, and provide a venue for sharing best practices and effective tools. Furthermore, since 2006, an independent firm has audited all production sites in order to verify facilities' compliance with EHS and fire safety standards. A number of actions and improvement plans have been implemented to follow up on these audits. Lastly, an intranet site was launched in 2008 to help build awareness of sustainable development issues and to serve as a

source of information to Group employees both in and outside France. The site offers a space to exchange information on Hermès' activities and accomplishments in this field. In 2009, the site addressed water treatment, energy conservation, ergonomics in the workplace and Bilan Carbone® audits.

CONCLUSION

The Group did not set aside any provisions for environmental liabilities in the 2009 financial statements and none of its entities 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 91.

GAS AND ELECTRICITY CONSUMPTION BY SECTOR



ENERGY CONSUMPTION Electricity

2003

(including Hermès Cuirs Précieux as from 2008)

2004

2005

2006

2007

2008

2009

100 000 ••

80 000

60 0 00

40 000

20 000

n 2002 ≡ Gas

120 000 ••••••



PROFESSIONAL GROWTH IS PERSONAL GROWTH

CREATING CONNECTIONS BETWEEN NEWCOMERS

MOSAÏQUE: WHERE STORIES INTERSECT

For newcomers to the Hermès workforce, the House set up a three-day orientation programme designed in a spirit of thoughtful personal exchange through storytelling, games and travel. As they gained knowledge and understanding of Hermès, envisioning the House's future – and their future within it – participants got to know the other members of their "freshman class", which numbered more than 30. The programme was designed to offer a warm and highly personal welcome, helping participants to directly experience the House's singularity as a way of preparing them to assume their new professional roles within the Group. A mosaic of talents that continues to expand...

MOSAÏQUE BOX: A NEVER-ENDING STORY

"Your roots will flourish if you plant them in the stars." (Jean-Louis Dumas)

Constance Fages, a product manager in the Hermès Perfumes Collections Development Department shares her experiences in this year's programme, which was themed around the idea of a "Mosaic Box":

"We each came from our own set of roots: roots in our careers, in our professions, in our personalities and talents. And we were a diverse group – a leather worker, a silk printer, an event decorator, a marketing assistant, a sales representative, a unit manager, a logistician and a human resources manager, to name just a few.

The three days we spent together were like the three movements in a symphony, with a rhythm of meaningful moments. There were fascinating presentations by people who make up the heart and soul of Hermès – the ones who continue to "build" the House. Listening to Bertrand Puech and Ménéhould de Bazelaire was like getting a chance to step back in time to live Hermès' history firsthand.

I can still feel the emotion of Pascale Mussard as she showed us sketches that Jean-Louis Dumas had drawn especially for her. Our visit to the 24, Faubourg store at nightfall was nothing short of awe-inspiring: walking through after the customers had gone, it was as if some entirely new spirit had permeated the place. We had the chance to explore all of the House's *métiers* and see creativity unleashed in the most unexpected ways: invention fuelled by tradition. From the epic story of *Brides de Gala* to *Chaîne d'ancre*, as the saying goes, "if we want things to stay as they are, things will have to change".

And that's exactly what we began to realise: the magic of Hermès lies in the genius of its hand-crafting, and from there it reaches out to our five senses. So we learned about saddle stitching, and then moved on to the touch of different leathers, the feel of silk and the pure sentiment of perfume.

Slowly and almost imperceptibly, under the guidance of Axel Dumas, our sponsor, our "Mosaic Box" began to take shape. It came alive.

The way we see and understand Hermès has changed – we now have a more multi-dimensional, more nuanced, more acute view of things. As we got to see the broader outlines of the House, we began to realise that we ourselves are becoming a part of it – and that it's time for us, too, to plant our roots among the stars... We came away from the programme feeling we had experienced something truly unique, spent a very special moment together. It was hard to say goodbye, and we left knowing there was so much more to share, and so much more to add to our Hermès mosaic... and other mosaics to come."

HELPING EMPLOYEES FORGE STRONGER BONDS

🔅 TANDEM: BRIDGING WORLDS WITHIN HERMÈS

Launched in 2008 to foster cross-disciplinary relationships between the leather and sales divisions, the Tandem programme expanded in 2009. Leather craftsmen and sales team members jumped at the opportunity to open the doors of their work universe to one another. This year, nineteen leather artisans travelled to the Hermès store of their choice to spend a week in the life of a sales representative and to see how the products they make are showcased and sold. In turn, they welcomed their hosts for a week in the world of leather crafting. The Tandem initiative fosters pride in the nobility of each métier, sparks excitement through teaching and sharing know-how, and nurtures openness through a spirit of reciprocity – to name just a few of the advantages that will continue to drive the programme forward for several years to come. It will be extended to other sectors in 2010.

A BRIDGE BETWEEN PIERRE-BÉNITE, FRANCE AND TOKYO, JAPAN

Delphine Braymand-Roudier, a leather artisan at the Manufacture de Pierre-Bénite, near Lyon, France, recounts her trip to Tokyo to exchange with Yukiko Goto, a sales representative in the Shibuya Seibu store:

"On a personal level, it was a truly memorable encounter. It was as if I had entered a completely new world – everything took on a slightly exotic tinge. It was a different way of living, eating, seeing and presenting things, and also a different way of interacting with people, with a very measured, polite approach and profound discretion in dealing with others.

On a professional level, I discovered a whole new way of working: hours were different and responsibilities were not the same as those I'm used to, since everything is focused on making the customer feel welcome. Each customer is unique and all receive preferential treatment. The sales representatives' only goal is to make sure that customers are happy, that they receive the best possible service and, above all, are eager to come back. Nothing shines through but politeness and the desire to serve. My stay was beautifully organised and planned, which really helped to make the experience a success.

The hosts and organisers – particularly Maria Robalo in Paris and Sakano-san in Tokyo, and those of the Shibuya store team – were extremely meticulous and thoughtful. Everything went perfectly, which enabled me to really immerse myself in the megalopolis and in my new role of observer/participant at the Shibuya store. Everyone on the Shibuya team and the whole Hermès Japon team was warm and welcoming to me, so conscious of what I was representing within the house, both during business hours and after hours.

I was able to gain a much more critical perspective on the finished item as a final product that will be purchased by a customer. It is important for us to constantly remind ourselves that "what I produce in the workshop is exactly what the customer will see", and not to rely on all the quality controls that a product will go through before it gets into the store. Yukiko-san and I have stayed in touch by email and she seems excited to be coming to the Evercalf workshop at Pierre-Bénite, where she will be able to see what we do and our view of things."

Yukiko Goto looks back on her Tandem experience as host and "chaperone" to Delphine Braymand-Roudier in the Shibuya store in Tokyo:

"At first I was very concerned about the language barrier. But during the time we spent together, we quickly realised what a joy it was to communicate intuitively, from the heart, even more than with words. To me, that's exactly what the *Tandem* project is all about. By the end, we had moved beyond our work relationship and were able to share a lot about our personal lives and our values. We felt a bit like sisters. Experiencing mutual understanding that transcends words is a truly wonderful memory.

Professionally speaking, I wondered what kind of image Delphine, as a Frenchwoman and as an artisan, had of the House's Japanese customers. She confided to me that although she thinks of them as highly demanding and unwilling to compromise on quality, their stringency is in fact what inspires artisans like her to strive always to do their best. I must say her words impressed me deeply. I told myself that as sales representatives, we ought to keep that passion in mind to motivate us in serving our customers, to remember the energy that drives Hermès craftsmen and their know-how – indeed, that might sum up the spirit of Hermès.

I wanted to give Delphine the best possible experience with Hermès Japon, so in addition to her training at the Shibuya Seibu store we toured the Ginza, Hinokicho, Marunouchi and Shibuya Tokyu stores, the logistics centre and our offices and workshops. She took a lively interest in everything. I also called on the culinary talents of my colleagues so she could taste new Japanese specialties every day. On the last day, we organised a small going-away party where we made her *Tori Nabe* (traditional chicken and vegetable hot pot) and presented her with a photo album.

Thanks to Delphine and her expertise as a leather worker, I learned how to better explain the value of our leather bags – and picked up some very useful leather care tips. Now I know which pieces are the most technical, and which ones require the most know-how, and I can use that knowledge to hone my sales pitch. And since I spend a good part of every day answering a barrage of questions about bags, I'll have better answers now!"

HERMÈS RIVE GAUCHE: A REUNION WORTH CELEBRATING

On 19 November 2009, a few days before breaking ground on the renovation work at 17 rue de Sèvres in Paris, some 1,000 Hermès employees from the greater Paris area gathered to celebrate the myriad Hermès store renovations and openings throughout the world in 2009 – and of course for the simple pleasure of each other's company. A few lucky names were drawn to attend the 2010 openings of our Istanbul store in Turkey and of Hermès Man in New York, as well as the Rive Gauche store in Paris, which will be inaugurated in late 2010.

Through the Tandem initiative, Delphine Braymand-Roudier, a leather artisan at the Manufacture de Pierre-Bénite, and Yukiko Goto, a member of the sales team at the Shibuya store in Tokyo, were able to discover each other's métiers.



ENLISTING OUR STAFF TO PROMOTE SUSTAINABLE DEVELOPMENT

For several decades, Hermès has made respect for nature – the source of all raw materials – a key priority.

As early as the 1930's, this approach was reflected in a line of diaries made from leather scraps.

A Sustainable Development Committee was formed in 2008 to oversee coordination of environmental initiatives across the sectors and to ensure they all comply with the Group's overall sustainable development strategy.

A far-reaching in-house educational campaign was launched in all Group sectors in April 2009, scheduled to coincide with France's National Sustainable Development Week. The campaign deployed two key educational tools:

• A Code of Conduct, published in nine languages, will galvanise progress and dialogue by explaining the values and principles we apply to our relationships with our employees, customers, suppliers and society as a whole, and help to defend the integrity and authenticity of each product.

• An intranet site called *Harmonie Hermès* will help to raise awareness of sustainable development issues within our workforce and to involve personnel in local environmental initiatives.

Excerpt from the Code of Conduct / Ethics Charter published in April 2009.



RELATIONS BET WEEN HERMÈS AND ITS PERSONNEL

are founded on a duty of mutual recognition between the women and men who contribute with integrity to the goals of the firm and the company itself.

SKILLS ENHANCEMENT FOR CAREER-BUILDING

Numerous training programmes were offered to employees who work in the Group's production and retail sales fields to hone know-how and foster excellence.

The *Profession: industriel* programme helped facility managers to reinforce their expertise in all areas of responsibility (production, finance, labour relations, real estate law, etc.).

The "Hermès Merchant School" (École des Marchands Hermès) programme, designed for store managers and sales representatives in our global distribution network, continued to be deployed in numerous locations. Over a hundred employees in China, Switzerland, Belgium, France, Italy and the United Kingdom took part in the programme this year, refining their sales skills through work with an eclectic, demanding and well-informed pool of customers. At the same time, product-focused training sessions helped sales teams hone their presentation skills and refine their knowledge of a given product's history, its aesthetic and intrinsic qualities and the know-how needed to produce it. Management training helped team directors sharpen their leadership skills. The management programme is built around three modules, and will soon include a fourth. Drawing on the strong human values on which Hermès has based its strategy over the years, the content is designed to strengthen individual relationships and group cohesion and to ensure good work is appreciated and recognised in a way that balances rigour and compassion.

A number of our executives also participated in workshops to improve their managerial skills in a wide variety of fields, including purchasing, project steering, human resources and safety.

CHANGING ATTITUDES TOWARDS DISABILITY

In 2009, the Textiles division inaugurated the first phases of the Handi'Cap project. In its first stage, the project analysed existing policies and identified actions that would encourage the employment of persons with disabilities, which will be implemented in each of the textile production division's subsidiaries starting in 2010.

A number of concrete measures were taken in 2009. The division commissioned an ESAT (*établissement et service d'aide par le travail*), an organisation that helps and employs the disabled, to produce samples for its collections. Long-term partnerships for facilities maintenance and landscaping were also set up with local ESATs.

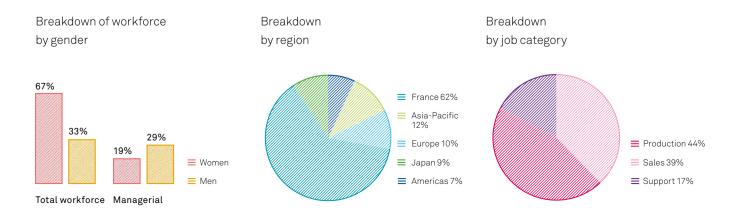
A number of facilities worked with ESAT teams to set up educational events that helped personnel change their outlook on disabilities through deeper understanding.

Other sites helped break down stereotypes through meetings with disabled persons who talked about their professional and business success stories.

CULTIVATING THE SPIRIT OF SERVICE

The Artisans du service programme, launched in 2008, was an initiative based on ideas suggested by staff in *Hermès Services Group* central support functions (IT, corporate support services, logistics, customer service, accounting, purchasing, etc.). It drew to a successful close in 2009.

Over an eighteen-month period, the project brought nearly 400 people together in 46 daylong workshops, where they collaborated on a definition of the "spirit of service" that guides their work, shared success stories and challenges and helped build new approaches for seeking concrete, appropriate solutions. Each of the workshops brought together managerial and support staff from all levels and all departments and highlighted the fact that promoting the "spirit of service" is incumbent upon each and every individual, regardless of their job title, category, rank or seniority. The programme, which built on the daily experiences each participant brought to the table, helped to rally teams around a single, unifying principle: the spirit of service – or, in other words, "giving your all to help others succeed".



FONDATION <u>D'ENTREPRISE HERMÈS</u>



THE FONDATION D'ENTREPRISE HERMÈS TAKES FLIGHT

The Fondation d'entreprise Hermès (Hermès Corporate Foundation) was founded in April 2008 and 2009 was its first full year of operation. The Foundation's structure was finalised and it was able to pick up the pace of its activities, in line with the five-year (2008-2012) programme set at its inception. The Foundation has taken the helm of projects initiated before its creation and launched new partnerships and projects that are consistent with its assigned purposes.

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 several themes: promoting traditional craft skills, supporting the creative arts, fostering access to education and training and protecting the environment. In addition to funding existing projects, the Foundation organises its own events.

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. At the *Manufacture de Sèvres*, the Foundation provides support for cultural programming, reflecting a shared ambition to keep heritage alive while meeting the demands of innovation. The Foundation has also partnered with the *Cité de la Musique* to create a full-scale reproduction of an early nineteenthcentury piano built by a master piano-maker. In another area, it is sponsoring Jean-Marc Tingaud in a journey to Japan, where he is photographing the daily lives of the country's "Living Treasures". Finally, the Foundation is forging relationships with organisations close to home, such as the *La Maison Revel* in Pantin, a *département*-wide resource centre for skilled artisans.

SUPPORTING THE CREATIVE ARTS

The Foundation has been immensely active in the field of creative arts this year. It oversees planning and programming for six House exhibit spaces devoted to contemporary art, and in 2009 mounted eighteen exhibits in these locations: at *La Verrière* in Brussels, at *TH13* in Bern, at the *Forum* in Tokyo, at the *Atelier Hermès* in Seoul, at *Third Floor* in Singapore and at *The Gallery* in New York. The exhibits displayed an array of cutting edge approaches, and each space could determine its own guiding theme. In Brussels, for example, shows at La Verrière were designed around the concept of abstraction.

In 2009, the Foundation also celebrated the tenth anniversary of the Prix Missulsang, which in 2008 became the Hermès Foundation Missulsang. Each year, the prize is awarded to a Korean visual artist in a salute to the country's vibrant young contemporary art scene.

HBox is a "nomadic viewing unit" for commissioned video art. In 2009 it set off for the United States, to the Orange County Museum of Art in California, and to Houston, Texas. The Foundation has continued commissioning videos for the project, and this year extended invitations to Mark Lewis, Ali Kazma, Julika Rudelius and Kota Ezawa, whose creations are now a part of the HBox's programme of sixteen original works. The Foundation also supported artistic performances that showcase creative impulse and the risks inherent in any creative endeavour. In 2008, it contributed to the production of *In-I*, choreographed and danced by actress Juliette Binoche and choreographer Akram Khan. Following a European tour in 2008, in the first half of 2009 the show travelled to Australia, Canada, Dubai, China, Korea and Japan, closing in New York in September.



→ Nervous Track, a Jim Lambie exhibition at the Atelier Hermès in Seoul.

The Foundation also provided support to *L'Ensemble Intercontemporain*, a chamber orchestra devoted to music of the twentieth and twenty-first centuries, for the production of two performance works. It also supported the creation of *Shinbai*, *the flight of the Soul* for the 2010 Autumn Festival in Japan.

FOSTERING ACCESS TO EDUCATION: THE KEYSTONE TO SELF-DETERMINATION AND A BETTER FUTURE

Another core goal of the Foundation is to extend Hermès' commitment to helping others by reaching out to the less fortunate. In 2009, it asked the House's foreign subsidiaries to submit projects initiated by local charitable organisations dedicated to educating disadvantaged children. Four new programmes were identified: in Brazil, the Gol de Letra Foundation helps children from the favelas of São Paulo by offering educational support and training programs to help them take control of their future. In the United States, the Foundation chose to focus its support on a programme run by the New York Museum of Arts and Design that offers arts education to children from underserved communities in the New York area. In South Korea, the Foundation is supporting the Boys Town orphanage and Dogye High School, which helps children re-engage socially through artistic expression. Other organisations supported by the Fondation d'entreprise Hermès include UNICEF, the Fondation François-Xavier Bagnoud and the Theodora Children's Trust.

PRESERVING BIODIVERSITY: A KEY TO HUMAN WELL BEING

In 2009, the Foundation continued its support of two organisations that foster skills training while protecting the environment to create positive feedback loops: the International Network for Development and Peace, an Indian NGO that operates a programme dedicated to restoring farmland threatened by desertification and improving living conditions in village communities by reintroducing the cultivation of medicinal plants that can be harvested for sale; and *La Voûte Nubienne*, which trains builders to construct sustainable brick homes in sub-Saharan Africa.

In 2009, the Foundation clarified and formalised its partnership with the Institut du Développement Durable et des Relations Internationales (IDDRI). The two organisations agreed to collaborate on issues related to biodiversity in a two-pronged approach that supports research in the field and raises awareness among the broader public throughout the world. The first IDDRI research programme to receive support from the Foundation focused on the impact of economic factors in decisions regarding biodiversity.

The Foundation's website, wwww.fondationdentreprisehermes.org, went live in 2009, offering the public an opportunity to explore the organisation's activities and values. The site, designed by the AM/PM agency, featured a streamlined, cheerful aesthetic that is easy to navigate and highly content-focused, with an array of images and photographs that enliven the site's written content on every page.

In 2009, the Foundation expanded its already vibrant activities, guided by its core philosophy of affirming humanistic values by respecting know-how.

<u>RISK MANAGEMENT</u>

LIMITING INDUSTRIAL RISKS AND PROTECTING THE ENVIRONMENT

Hermès is involved in manufacturing through its thirty-three production sites, most of which are located in France, and it pays special attention to risk prevention. Hermès does not operate any Seveso-rated facilities.

The Group Industrial Department, which is organised as a network comprising the Industrial Officers at the business sectors and production sites, coordinates 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 75 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 key 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;

• Supervision of inspection plans applicable to the Group's main sites and covering structural/fire safety issues, labour code considerations and environmental issues. 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 89). In addition to this insurance cover, Hermès has adopted an active risk prevention policy and it systematically 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 in every speciality to deal with each major branch of the law: intellectual property, corporate, securities, real estate and business law, covering all types of contracts such as 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 on certain cases.

The Group also uses a network of external law firms that specialise in the various matters handled in all regions where it is active and where it is developing its business operations. While the Group is involved in ongoing litigation, any pending settlements are not 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 relentless 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-renowned auction site.

BALANCING AND SAFEGUARDING OUR DISTRIBUTION

Hermès holds a unique position in the luxury sector and represents only a minute fraction of the market (just over 1% of a market worth an estimated €161 billion in 2009, according to Bain & Company). 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 325 sales outlets, 180 of which are directly operated by the Group (these account for 77% of revenue). It relies on a distribution organisation that significantly reduces customer risk.

Moreover, revenue has limited seasonal exposure: in 2009, the Group generated 54% of total sales in the second half, compared with 54% in 2008 and 56% in 2007.

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 dollars and yen, Hermès is naturally exposed to currency risks. Treasury and currency management is centralised by the Group's 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 through 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.

In 2009, work to further enhance IT security continued, using a standard ERP system to coordinate the different systems in use and the Group continued to expand its new, state-of-the-art management tool for the stores and distribution subsidiaries.

IT risk prevention work conducted in 2009 focused primarily on setting up an IT system auditing procedure for all the subsidiaries, enhancing user awareness of IT security, improving the fault tolerance systems for Windows-based software, and installing redundant hardware 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

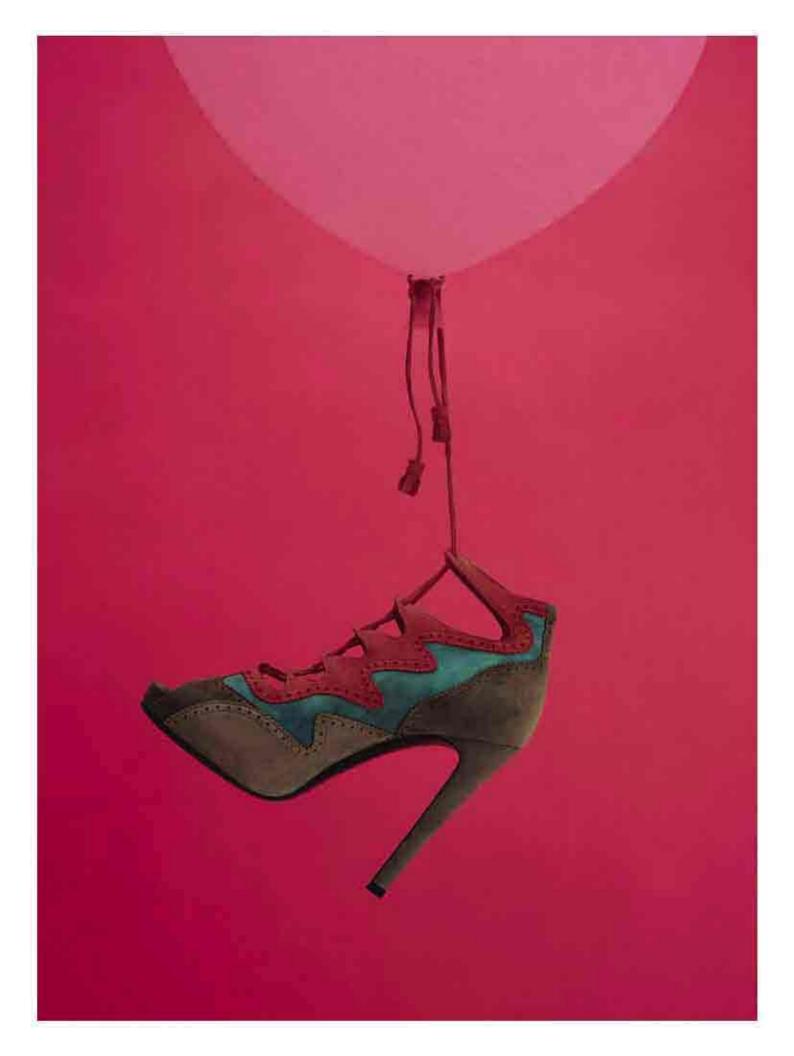
Hermès has retained control over production and over two-thirds of its products are manufactured in-house. Hermès has developed long-term relationships with its partners and suppliers, thereby protecting its sources of supply and critical know-how. Hermès carries out targeted audits to ascertain that 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 carrying out action plans in the area of controls. Secondly, it participates in overseeing the major risks discussed above and in the different risk monitoring committees.

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

In 2009, the Audit and Risk Management Department dedicated 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), the Department carried out internal audits and played a key role in providing a clear overall view of the Group's control over its key risks, including an analysis of the internal control organisation for financial information. The Audit and Risk Management Department works closely with the other departments mentioned above 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 <u>RESULTS</u>

CONSOLIDATED RESULTS

In 2009, the Hermès Group's consolidated revenue amounted to \in 1,914.3 million, a year-on-year rise of 4.1% at constant exchange rates and of 8.5% at current exchange rates.

The gross margin was 63.3%, a 1.3 percentage point decrease compared with 2008, due to the adverse currency impact and to reduced activity at certain production sites.

Selling, marketing and administrative expenses totalled €660.6 million compared with €612.2 million in 2008, including, among other things, €91.4 million of advertising expenditures.

Other income and expenses came to \notin 89.1 million. They included \notin 70.7 million of depreciation and amortisation charges, which increased due to sustained investments, with a large number of newly opened or renovated branches over the past two years.

Operating income increased by 3.1% to ≤ 462.9 million from ≤ 449.2 million 2008. The operating margin was 24.2%compared with 25.5% in 2008. At constant exchange rates, operating income rose by 3.9% and the operating margin was stable compared with 2008. The net financial loss was €12.7 million compared with income of €17.6 million in 2008. The change was partly due to the unfavourable impact of valuation adjustments to hedging instruments and to lower interest rates on invested cash.

Income tax expense was €148.2 million compared with €160.1 million in 2008. Non-controlling interests totalled €6.7 million compared with €5.0 million in 2008.

After a net loss of ≤ 6.5 million from associates, net income attribuable to owners of the parent was stable, at ≤ 288.8 million compared with ≤ 290.2 million in 2008. At constant exchange rates, it edged up by 0.5% and the operating margin was the same as in 2008.

Operating cash flows rose by 5.9% to €401.1 million from €378.9 million in 2008.

INVESTMENTS

Hermès continued to make substantial investments during 2009, for a total of €207.3 million over the period (excluding financial investments).

Hermès continued to expand the distribution network, with over 30 stores opened or renovated, including 23 Hermès branches.

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

FINANCIAL POSITION

Operating cash flows amounted to €401.1 million and covered total investments (€277.1 million) and dividends (€116.2 million).

Working capital declined by \in 56.4 million (compared with a rise of \in 76.3 million in 2008), while the net cash position rose to \in 507.6 million as at 31 December 2009 from \in 450.5 million at the end of 2008.

Restated net cash (including non-current financial investments and borrowings) totalled \in 576.4 million as at 31 December 2009, compared with \in 432.4 million as at 31 December 2008. Equity increased once again thanks to the profits generated by the Group. Shareholders' equity rose from \in 1,588.5 million as at 31 December 2008 to \in 1,789.9 million as at 31 December 2009.

BREAKDOWN OF INVESTMENTS

(in millions of euros)	2009	2008	2007
Operating investments	197.8	155.4	119.9
Investments in financial assets	9.5	5.1	36.0
Subtotal - Investments (excluding financial investments)	207.3	160.4	155.9
Financial investments ¹	69.8	1.9	20.4
Total investments	277.1	162.3	176.3

1 Financial investments are investments whose sensitivity and maturity

require that they be classified as financial assets in accordance with IFRS.

VALUE CREATION

EXCEPTIONAL EVENTS

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.

As earnings were stable, economic value added was maintained at €191.6 million in 2009, while return on capital employed decreased slightly from 22% to 21%, due to the high level of investments. There were no exceptional events in 2009 other than those described in the "Investments" paragraph.





OUTLOOK

PURSUIT OF EXPANSION IN 2010

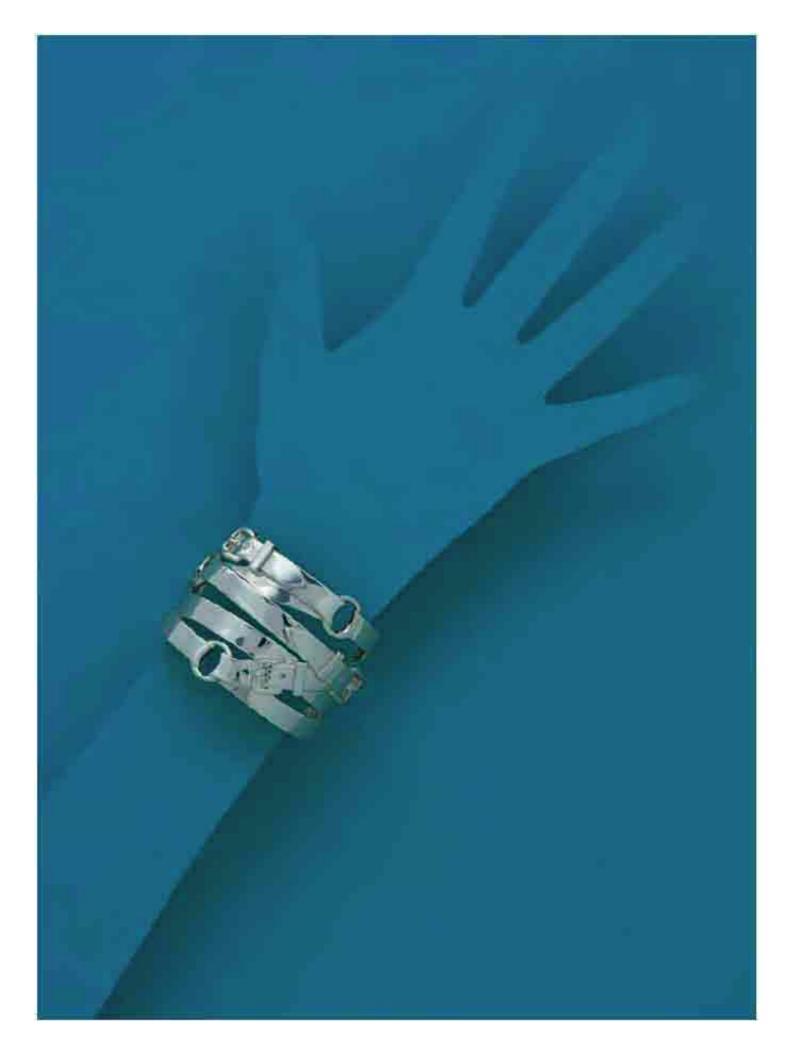
In times of crisis, the longing for a special object tends to be nurtured by ambitious, bold design, the finest of materials and exquisite workmanship. Our customers want to own a thing of beauty, made to exacting standards, that they can use and become attached to. This never-ending quest for meaning, value and precision is our guiding force and we gear our every effort to meeting this ongoing challenge.

In 2009, Hermès opened or renovated over 30 stores, including 23 branches. It added six new stores in the Asia-Pacific region (two of them in mainland China), three in the United States and one in Canada.

The distribution network was expanded to three new countries – Turkey, Brazil and Panama. In Turkey, we inaugurated a branch in Istanbul. In South America, we opened two new concessions – our first units in Brazil (São Paulo) and Panama (Panama City). In 2010, Hermès will continue to dedicate substantial investments to further enlarge its distribution networks, to increase production capacity in its different sectors, to enhance its know-how and to develop new technologies. The Group plans to open 12 new branches, including a new store in Paris, on rue de Sèvres and its first New York store entirely dedicated to men, on Madison Avenue. It is also planning an intensive renovation programme encompassing more than 15 stores, half of them in Europe.

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

The Company will maintain its advertising budget in order to nurture the brand's image and to optimise the communication of the breadth and depth of the Hermès product ranges. These investments are expected to pay off handsomely, especially in emerging countries that hold high growth potential in the medium term.



SUMMARY CONSOLIDATED FINANCIAL <u>STATEMENTS</u>

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

(in millions of euros)	2009	2008
Revenue (Note 3)	1,914.3	1,764.6
Cost of sales (Note 4)	(701.7)	(624.5)
Gross profit	1,212.6	1,140.1
Selling, marketing and administrative expenses (Note 5)	(660.6)	(612.2)
Other income and expense (Note 6)	(89.1)	(78.8)
Recurring operating income (Note 3)	462.9	449.2
Other non-recurring income and expense	-	-
Operating income	462.9	449.2
Net financial income (Note 7)	(12.7)	17.6
Pre-tax income	450.2	466.8
Income tax expense (Note 8)	(148.2)	(160.1)
Net income from associates (Note 15)	(6.5)	(11.4)
Consolidated net income	295.4	295.3
Net income attributable to non-controlling interests (Note 21)	(6.7)	(5.0)
Net income attributable to owners of the parent (note 3)	288.8	290.2
Earnings per share (in euros) (Note 9)	2.75	2.76
Diluted earnings per share (in euros) (Note 9)	2.74	2.76

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(in millions of euros)	2009	2008
Consolidated net income	295.4	295.3
Actuarial gains and losses (Note 20.3)	(9.9)	(2.1)
Foreign currency adjustments (Note 20.3)	(5.5)	18.6
Derivatives included in equity (Note 20.3)	37.3	(47.1)
Gain/(loss) on sale of treasury shares (Note 20.3)	(0.3)	1.6
Income tax relating to components of other comprehensive income (Note 20.3)	(8.7)	15.2
Comprehensive income	308.4	281.3
- Attributable to owners of the parent	301.6	277.2
- Attributable to non-controlling interests	6.8	4.1

The note numbers refer to the Notes to the Consolidated Financial Statements in Volume 2 of the 2009 Annual Report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

ASSETS

(in millions of euros)	31/12/2009	31/12/2008 (1)	01/01/2008 (1)
Non-current assets	1,175.6	999.2	845.8
Goodwill (Note 10)	34.8	35.7	32.4
Intangible assets (Note 11)	61.2	53.2	45.1
Property, plant & equipment (Note 12)	685.1	672.1	564.6
Investment property (Note 13)	95.3	10.1	11.9
Financial assets (Note 14)	118.6	49.7	44.9
Investments in associates (Note 15)	15.0	15.7	21.8
Loans and deposits (Note 16)	21.0	19.8	15.2
Deferred tax assets (Note 8.3)	143.1	141.2	109.7
Other non-current assets (Note 18)	1.6	1.6	0.1
Current assets	1,264.9	1,326.3	1,216.7
Inventories and work in progress (Note 17)	485.8	521.6	430.1
Trade and other receivables (Note 18)	132.3	153.4	135.4
Current tax receivables (Note 18)	3.5	5.0	2.5
Other current assets (Note 18)	55.6	65.9	59.8
Fair value of financial instruments (Note 22.2.3)	58.2	94.8	58.9
Cash and cash equivalents (Note 19.1)	529.5	485.8	529.9
TOTAL ASSETS	2,440.5	2,325.5	2,062.5

The note numbers refer to the Notes to the Consolidated Financial Statements in Volume 2 of the 2009 Annual Report.

EQUITY & LIABILITIES BEFORE APPROPRIATION

(in millions of euros)	31/12/2009	31/12/2008 ⁽¹⁾	01/01/2008 (1)
Equity	1,803.9	1,602.5	1,472.5
Share capital (Note 20)	53.8	53.8	54.1
Share premium	49.6	48.6	43.5
Treasury shares (Note 20)	(32.5)	(36.8)	(33.8)
Reserves	1,451.6	1,273.4	1,136.2
Foreign currency adjustments (Note 20)	(31.4)	(25.7)	(45.2)
Derivatives included in equity (Note 20)	10.0	(15.1)	17.0
Net income attributable to owners of the parent (Note 3)	288.8	290.2	288.0
Non-controlling interests (Note 21)	14.0	14.0	12.7
Non-current liabilities	115.4	107.7	99.6
Borrowings and debt (Notes 22.3 and 22.4)	19.4	24.5	25.3
Provisions (Note 23)	7.5	2.8	1.5
Pension and other employee benefit obligations (Note 25)	54.6	48.9	39.8
Deferred tax liabilities (Note 8.3)	10.0	9.6	8.1
Other non-current liabilities (Note 26)	23.9	21.9	24.9
Current liabilities	521.2	615.4	490.4
Borrowings and debt (Notes 22.3 and 22.4)	45.4	71.0	60.7
Provisions (Note 23)	13.8	15.0	15.1
Pension and other employee benefit obligations (Note 25)	4.2	3.0	4.0
Trade and other payables (Note 26)	198.3	210.8	204.7
Fair value of financial instruments (Note 22.2.3)	36.8	105.3	32.6
Current tax liabilities (Note 26)	39.4	44.5	34.6
Other current liabilities (Note 26)	183.3	165.8	138.7
TOTAL EQUITY AND LIABILITIES	2,440.5	2,325.5	2,062.5

The note numbers refer to the Notes to the Consolidated Financial Statements in Volume 2 of the 2009 Annual Report.

(1) Following the adoption of the amendments to IAS 38 – *Intangible* Assets on the treatment of expenditures for samples at the point of sale, advertising and promotional activities or catalogues (see Note 1), the figures for the comparative periods of the consolidated statement of financial position have been restated.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2009

(in millions of euros)	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES	000.0	000.0
Net income attributable to owners of the parent (Note 3)	288.8	290.2
Depreciation and amortisation (Notes 11 and 12)	81.7	74.5
Impairment losses (Notes 11 and 12)	2.8	1.7
Marked-to-market value of derivatives	3.9	(5.3)
Currency gains/(losses) on fair value adjustments	2.1	(11.5)
Change in provisions	7.4	3.1
Net income from associates (Note 15)	6.5	11.4
Non-controlling interests (Note 21)	6.7	5.0
Capital gains/(losses) on disposals	2.0	0.9
Deferred tax	(5.7)	4.9
Accrued expenses and income related to share-based payments (Note 30.4)	4.9	3.9
Other	0.2	0.1
Operating cash flows	401.1	378.9
Cost of net debt	4.2	(19.3)
Current tax expense	161.2	163.7
Operating cash flows before cost of debt and current tax expense	566.5	523.3
Change in working capital (Note 19.2)	59.2	(80.5)
Cost of net debt	(4.2)	19.3
Income tax paid	(164.0)	(159.6)
Net cash from operating activities	457.5	302.6
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of intangible assets (Note 11)	(19.2)	(16.9)
Purchase of property, plant and equipment (Notes 12 and 13)	(178.5)	(138.6)
Investments in associates (Note 14.1)	(9.5)	(5.0)
Purchase of other financial assets (Note 14.1)	(69.8)	(1.9)
Amounts payable relating to fixed assets	(1.7)	(5.1)
Proceeds from sales of operating assets	0.8	0.1
Proceeds from disposals of consolidated securities	-	1.1
Net cash used in investing activities	(277.9)	(166.2)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Dividends paid	(116.2)	(111.0)
Purchases of treasury shares	4.3	(50.9)
Borrowings	9.1	22.6
Reimbursements of borrowings	(25.7)	(4.1)
Other increases/(decreases) in equity	1.0	5.8
Net cash used in financing activities	(127.5)	(137.6)
Effect of changes in the scope of consolidation (Note 19.1)	0.9	-
Effect of foreign currency exchange rate changes on intragroup transactions	6.7	(27.6)
Effect of foreign currency exchange rate changes (Note 19.1)	(2.6)	(1.2)
CHANGE IN NET CASH POSITION (Note 19.1)	57.1	(30.0)
Net cash position at beginning of period (Note 19.1)	450.5	480.5
Net cash position at end of period (Note 19.1)	507.6	450.5
CHANGE IN NET CASH POSITION (Note 19.1)	57.1	(30.0)

The note numbers refer to the Notes to the Consolidated Financial Statements in Volume 2 of the 2009 Annual Report.



SHAREHOLDER'S GUIDE



Birkin bag in brick box calf.

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.

Previous page: *Hermès en voyage* beach towel in terry cloth.

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 Director Hermès International 24, rue du Faubourg-Saint-Honoré, 75008 Paris Tel.: +33 (0) 1 40 17 49 26 Fax: +33 (0) 1 40 17 49 54 Email: 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, or a copy of such documents, at the Company's main administrative office (preferably by appointment) at 13/15 rue de la Ville-l'évêque, 75008 Paris: • the Company's Articles of Association; • the Annual Reports for the two previous years.

These documents are also available on www.hermes-international.com.

2010 CALENDAR (FOR INFORMATION ONLY)

Q1 2010 consolidated sales:	6 May 2010
Combined General Meeting of shareholders:	7 June 2010 at 10:00 a.m.
Q2 2010 consolidated sales:	20 July 2010
H1 2010 consolidated net income:	31 August 2010
Q3 2010 consolidated sales:	9 November 2010

HOW TO BUY HERMÈS INTERNATIONAL SHARES

REGISTERED SHARES

These shares are registered in a securities account opened with:

BNP PARIBAS SECURITIES SERVICES Securities Service

Immeuble G.M.P. Europe 9, rue du Débarcadère 93761 Pantin Cedex Tél.: 0826 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

If you wish to attend the meeting in person, appoint a proxy or vote by mail, you must show proof of identity at the time of registration and be a shareholder of record at least three clear days before the meeting, as evidenced by one of the following: **For registered shares**

• By the registration of your shares in your name with BNP Paribas Securities Services.

For bearer shares

• By delivering to BNP Paribas Securities Services, GCT – Services des Assemblées, Immeuble G.M.P. Europe, 9, rue du Débarcadère, 93761 Pantin Cedex, a certificate issued by the authorised financial intermediary that holds your account (bank, La Poste, securities firm, etc).

ATTENDING THE MEETING IN PERSON

In order to attend the meeting and to vote, you must obtain an admission card by written request.

PARTICIPATING IN THE MEETING BY PROXY

If you wish to vote by proxy, please return the mail ballot/ proxy form indicating that you wish to vote by proxy to BNP Paribas Securities Services, GCT - Services des Assemblées, G.M.P. Europe, 9, rue du Débarcadère, 93761 Pantin Cedex by the date indicated in the notice of meeting, either directly (for registered shares) or through your financial intermediary (for bearer shares).

You may appoint the Chairman, your spouse or another shareholder as your proxy.

Shareholders may be represented at the meeting only by another shareholder, by their spouse or by their legal representative.

VOTING BY MAIL

If you wish to vote by mail, please return the mail ballot/proxy form, after checking the box to show that you have opted to vote by mail and indicating how you wish to vote on each resolution, BNP Paribas Securities Services, GCT - Services des Assemblées, G.M.P. Europe, 9, rue du Débarcadère, 93761 Pantin Cedex, by the date indicated in the notice of meeting, either directly (for registered shares), or through your financial intermediary (for bearer shares).

OWNERSHIPTHRESHOLD DISCLOSURES

STATUTORY OWNERSHIP THRESHOLDS (ARTICLES L.233-7 ET SEQ. OF THE CODE DE COMMERCE)

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 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 following are to be included in the calculation: 1) newly acquired shares; 2) shares that the shareholder has the right to acquire on its own initiative by virtue of an agreement (call option or other option, etc.); and 3) shares that the shareholder may acquire on its own initiative, immediately or in the future, by virtue of 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 (not including shares disqualified from voting) that make up the share capital on the last day of the previous month.

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
1/3	33.33%	Filing a public takeover bid or offer of exchange
1/2	50.00%	
2/3	66.66%	
18/20 ^e	90.00%	
19/20 ^e	95.00%	

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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PP. 44, 45: from left to right, Éric Nehr, Sophie Delaporte. P. 46: Andrew McKim. P. 47: Vicente Sahuc. P. 49: from top to bottom, Bertand Bozon, Studio des Fleurs. PP. 50, 51: from left to right, Alain Petitpierre, Sully Balmassière, Kyle Yu. P. 52: Guy Gallice. P. 53: Jérôme Galland. P. 54: from top to bottom, Studio des Fleurs, David Everitt. P. 58: Véronique Mati. P. 60: from top to bottom, Andrew Meredith, Jürgen Holdenried. P. 63: Francio de Holanda. P. 64: Vincent Huang. P. 65: Satoshi Asakawa. P. 71: from left to right, Ani Harroch, Skot Yobbagy, Jennifer Morden. P. 73: from left to right, Nacasa & Partners Inc., Lilia Roumiantseva. P. 75: ©Hermès. All rights reserved. P. 81: ©Hermès. All rights reserved. P. 82: Daniel Aron. P. 85: Kiyoung Nam. P. 93: Sandrine Expilly. P. 102: Philippe Lacombe.

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