HERMÈS

2011 ANNUAL REPORT

OTHER INFORMATION CONTAINED IN THE SHELF-REGISTRATION DOCUMENT

CONSOLIDATED FINANCIAL STATEMENTS AND PARENT COMPANY FINANCIAL STATEMENTS

FILING OF REGISTRATION DOCUMENT
WITH THE AUTORITÉ DES MARCHÉS FINANCIERS

In accordance with Article 212-13 of the AMF General Regulation, this shelf-registration document, which contains the annual financial report and comprises Volume 1 and Volume 2 of the Annual Report, was filed with the AMF on 12 April 2012. This document may be used in support of a financial transaction only if it is supplemented by an offering circular approved by the AMF.

This document is a free translation into English of the "Document de Référence", originally prepared in French, and has no other value than an informative one. Should there be any difference between the French and the English version, only the French-language version shall be deemed authentic and considered as expressing the exact information published by Hermès.

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CONSOLIDATED FINANCIAL STATEMENTS AND PARENT COMPANY FINANCIAL STATEMENTS

VOLUME 2

Hermès International
Partnership limited by shares with share capital of €53,840,400.12 - Commercial and Company Register of Paris no. 572 076 396
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Overview of Hermès International and Émile Hermès SARL

OVERVIEW OF HERMÈS INTERNATIONAL

Role

Hermès International is the Group's parent company. Its purpose is:
– to define the Group's strategy and its focuses for development and diversification;
– to oversee the operations of its subsidiaries and to provide corporate, financial, legal and commercial assistance;
– to manage the Group's real estate assets;
– to protect and defend its trademarks, designs, models, and patents;
– to maintain a documentation centre and make it accessible to the subsidiaries;
– to ascertain that the style and image of each brand name is consistent throughout the world and, for this purpose, to design and orchestrate advertising campaigns, actions and publications to support the various business activities;
– to provide guidance in design activities and to ensure that the Hermès spirit is consistently applied in each business sector.
Hermès International derives its funds from:
– dividends received from subsidiaries;
– royalties from trademarks, licensed exclusively to Group subsidiaries, to wit, Hermès Sellier, Comptoir Nouveau de la Parfumerie, Compagnie des Arts de la Table, La Montre Hermès and Hermès Intérieur & Design (amounts received in 2011 are presented on page 235).
Hermès brands, which belong to Hermès International, are protected by trademarks in many countries, for all categories of products in each of the Group's business sectors.
Hermès International's scope of consolidation encompasses 102 subsidiaries and sub-subsidiaries. A simplified organisational chart of the Group appears in Volume 1, pages 24 and 25.

Legal form

Hermès International is a *société en commandite par actions* (partnership limited by shares). In this form of partnership, the share capital is divided into shares and there are two classes of partners: one or more Active Partners, with the status of "commerçant", who actively engage in operating the business and are jointly and severally liable for all the Company's debts for an indefinite period of time, and limited partners, who are not actively engaged in the business and are liable only up to the amount of their contribution. The rules governing the operation of a *société en commandite par actions* are the following:
– the limited partners (or shareholders), who contribute capital, are liable in this capacity only up to the amount of their contribution;
– the Active Partner or partners, who carry on the business, are jointly and severally liable for all the Company's debts, for an indefinite period of time;
– the same party may be both an Active Partner and a limited partner;
– a Supervisory Board is appointed by the Ordinary General Meeting of Shareholders as a supervisory body (Active Partners, even if they are also limited partners, cannot vote on the appointment of Supervisory Board members);
– one or more Executive Chairmen, selected from among the Active Partners or from outside the Company, are chosen to manage the Company.

Limited partners (shareholders)

The limited partners:
– appoint the Supervisory Board members, who

must be selected from among the limited partners, and the Statutory Auditors, at the General Meetings of Shareholders;
– vote on the accounts approved by the Executive Management; and
– appropriate earnings (including the distribution of dividends).

Active Partner

Since 1 April 2006, Émile Hermès SARL has been the sole Active Partner of Hermès International.
The Active Partner:
– has the authority to appoint or revoke the powers of any Executive Chairman, on the considered recommendation of the Supervisory Board;
– takes the following decisions for the Group, on the Supervisory Board's recommendation:
  - determines the Group's strategic options;
  - determines the Group's consolidated operating and investment budgets; and
  - decides on any proposal submitted to the General Meeting pertaining to the appropriation of share premiums, reserves or retained earnings;

– may formulate recommendations to the Executive Management on any matter of general interest to the Group;
– authorises any loans of Hermès International whenever the amount of such loans exceeds 10% of the amount of the consolidated net worth of the Hermès Group, as determined based on the consolidated financial statements drawn up from the latest approved accounts (the "Net Worth");
– authorises any sureties, endorsements or guarantees and any pledges of collateral and encumbrances on the Company's property, whenever the claims guaranteed amount to more than 10% of the Net Worth;
– authorises the creation of any company or the acquisition of an interest in any commercial, industrial or financial operation, movable or immovable property, or any other operation, in any form whatsoever, whenever the amount of the investment in question amounts to more than 10% of the Net Worth.
In order to maintain its status of Active Partner, and failing which it will automatically lose such status *ipso jure*, Émile Hermès SARL must maintain in its articles of association clauses in their original wording or in any new wording as may be approved by the Supervisory Board of Hermès International by a three-quarter majority of the votes of members present or represented, stipulating the following:
– the legal form of Émile Hermès SARL is that of a *société à responsabilité limitée à capital variable* (limited company with variable capital);
– the exclusive purpose of Émile Hermès SARL is:
  - to serve as Active Partner and, if applicable, as Executive Chairman of Hermès International;
  - potentially to own an equity interest in Hermès International; and
  - to carry out all transactions in view of pursuing and accomplishing these activities and to ascertain that any liquid assets it may hold are appropriately managed;

– only the following may be partners in the Company:
  - descendants of Mr Émile-Maurice Hermès and his wife, born Julie Hollande; and
  - their spouses, but only as beneficial owners of the shares; and

– each partner of Émile Hermès SARL must have deposited, or arrange to have deposited, shares in the present Company in the corporate accounts of Émile Hermès SARL in order to be a partner of this company.

The Active Partner, Émile Hermès SARL, has transferred its business know-how to the Company, in consideration for its share of the profits in the Company, which amounts to 0.67% of distributable profits and is payable to the Active Partner on a priority basis (before dividends are paid to the limited partners).

Executive Management

The Executive Management ensures the management of Hermès International.
In accordance with the articles of association, the Company is administered by one or two Executive Chairmen, each having the same powers, who are physical persons and may be but are not required to be active or limited partners in the Company.
The Executive Chairmen are appointed by the Active Partner, after consultation with the Supervisory Board.
Currently, the Company is administered by two Executive Chairmen:
– Émile Hermès SARL, which was appointed by a resolution approved by the Active Partners on 14 February 2006 (appointment effective as of 1 April 2006);
– Mr Patrick Thomas, who was appointed by a resolution approved by the Active Partners on 15 September 2004.
The term of office of the Executive Chairmen is open-ended.

Supervisory Board

The Company is governed by a Supervisory Board, which currently comprises ten members who are appointed for a term of three years. The members are selected from among shareholders who are not Active Partners, legal representatives of an Active Partner, or an Executive Chairman.
The Supervisory Board exercises ongoing control over the Company's management. For this purpose, it has the same powers as the Statutory Auditors and receives the same documents as the Statutory Auditors, at the same time. In addition, the Executive Management must submit a detailed report to the Supervisory Board on the Company's operations at least once a year. The Supervisory Board submits to the Active Partners for consideration its recommendation:
– on the appointment and dismissal of any Executive Chairman of the Company; and
– in case of the Executive Chairman's resignation, on reducing the notice period.
The Supervisory Board:
– determines the proposed appropriation of net income to be submitted to the General Meeting each year;
– approves or rejects any proposed new wording of certain clauses of the articles of association of Émile Hermès SARL.
The Active Partner must consult the Supervisory Board prior to making any decisions on the following matters:
– strategic options;
– consolidated operating and investment budgets; and
– proposals to the General Meeting on the distribution of share premiums, reserves and retained earnings.
Each year, the Supervisory Board presents to the Annual Ordinary General Meeting of Shareholders a report in which it comments on the Company's management and draws attention to any inconsistencies or inaccuracies identified in the financial statements for the year.

The functions exercised by the Supervisory Board do not entail any interference with the Executive Management, or any liability arising from the Management's actions or from the results of such actions.

Joint Council

The Executive Management of Hermès International or the Chairman of the Supervisory Board of Hermès International shall convene a joint council meeting of the Management Board of Émile Hermès SARL and the Supervisory Board of Hermès International whenever they deem it appropriate.
The Joint Council is an institution designed to enable broad collaborative efforts between the Active Partner's Management Board, an internal body with a need to know the main aspects of Hermès International's management, and the Supervisory Board, which is appointed by shareholders. The joint council has knowledge of all matters that it addresses or that are submitted thereto by the party who convened the conference, but does not, in the decision-making process, have the right to act as a substitute for those bodies to which such powers are ascribed by law or by the articles of association of Hermès International or of Émile Hermès SARL. The Joint Council of the Management Board and Supervisory Board does not in itself have decision-making powers as such. It acts exclusively as a collaborative body. At their discretion, the Management Board and Supervisory Board may make all decisions or issue all recommendations within their jurisdiction in a joint council meeting.

Registered office – Principal administrative establishment

The registered office of Hermès International is located at 24, rue du Faubourg-Saint-Honoré, 75008 Paris, France.
The Company's principal administrative establishment is located at 13-15, rue de la Ville-l'Évêque, 75008 Paris.
The Legal Department is located at 20, rue de la Ville-l'Évêque, 75008 Paris.

Date created – Commercial and Company Register, APE Code

Hermès International was created on 1 June 1938. It is registered with the Paris Commercial and Company Register under number 572 076 396, APE code 7010Z.

Date of initial public offering

Hermès International was taken public on the Second Marché of the Paris Stock Market on 3 June 1993. It has been listed on the Eurolist by Euronext (Compartment A) since 2005.

OVERVIEW OF ÉMILE HERMÈS SARL

Legal form

Émile Hermès SARL is a *société à responsabilité limitée à capital variable* (limited company with variable capital) and was created on 2 November 1989. Its partners are the direct descendants of Émile-Maurice Hermès and his spouse.
In companies with variable capital, the share capital can increase or decrease constantly, as

existing partners or new "incoming" partners contribute additional funds, or as "outgoing" partners withdraw their funds.

Corporate purpose

The sole purpose of Émile Hermès SARL is:
– to serve as Active Partner and, if applicable, as Executive Chairman of Hermès International;
– potentially to own an equity interest in Hermès International; and
– to carry out all transactions in view of pursuing and accomplishing these activities and to ascertain that any liquid assets it may hold are appropriately managed.

Partners

Only the following may be partners in Émile Hermès SARL:
– descendants of Mr Émile-Maurice Hermès and his wife, born Julie Hollande; and
– their spouses, but only as beneficial owners of shares.
In the light of the Company's purpose, no person shall be a partner if, for each share he owns in the Company, he does not have on deposit in the corporate accounts:
– a number of non-dismembered Hermès International shares undivided and free from any encumbrance or commitment to third parties equal to 9,000 (nine thousand); or
– the beneficial or legal ownership of a number of Hermès International shares undivided and free from any encumbrance or commitment to third parties equal to 18,000 (eighteen thousand).

Executive Manager

Émile Hermès SARL's Executive Manager is Mr Bertrand Puech, a grandson of Émile-Maurice Hermès. He was appointed on 5 June 2007.

Management Board

The Company is governed by a Management Board comprising three to twelve members, including the Executive Manager, who is an *ex-officio* member of the Board and who serves as Board Chairman.
Management Board members must be natural persons. At least two-thirds of the Management Board members must be selected from among partners in the Company.
The Executive Manager of Émile Hermès SARL shall act in accordance with the Management Board's recommendations in exercising its powers as Active Partner of Hermès International.

Date created – Commercial and Company Register – Registered office

Émile Hermès SARL was created on 2 November 1989. It is registered with the Paris Commercial and Company Register under number 352 258 115. Its registered office is located at 23, rue Boissy-d'Anglas, 75008 Paris.

Share capital – Total assets – Net income

The authorised share capital is €343,840 and the share capital under the articles of association was €105,840 as at 31 December 2011.
It is divided into 6,615 shares with a par value of €16 each. As at 31 December 2011, Émile Hermès SARL had total assets of €15,944,660, including net income for the year of €1,183,127.90.

Corporate Governance

Corporate governance – Report from the Chairman of the Supervisory Board

on the corporate governance principles applied by the Company, on the composition of the Board and the application of the principle of the balanced representation of women and men within the Board, on the conditions for the preparation and organisation of the Supervisory Board's work and on the internal control and risk management procedures instituted by the Company

In accordance with the regulatory provisions and with the recommendations issued by the Autorité des Marchés Financiers, we hereby submit our report on the corporate governance principles applied by the Company, on the composition of the Board and the application of the principle of balanced representation of women and men within the Board, on the conditions for preparation and organisation of the Supervisory Board's work and on the internal control procedures instituted by the Executive Management.

The present report has been prepared by the Chairman of the Supervisory Board with the help of the Compensation, Appointments and Governance Committee (part relative to corporate governance), of the Audit Committee (part relative to internal control), of the board secretary and of the functional departments in question. It was approved by the Board during its meeting on 21 March 2012.

Corporate governance code

• Corporate governance principles applied

The Supervisory Board has officially adopted the latest version of the AFEP/MEDEF recommendations on corporate governance, which was released in April 2010, as it deemed these recommendations to be entirely in keeping with the Group's corporate governance policy.

• AFEP/MEDEF recommendations not adopted and explanations

Termination of employment contract upon appointment to a corporate office

Mr Patrick Thomas was hired as an employee in August 2003, with reinstatement of his years of service with the Group in respect of the positions he held there from 1 April 1989 to 31 March 1997. This employment agreement was suspended when Mr Patrick Thomas was appointed to the position of Executive Chairman, on the understanding that it would automatically be reinstated upon the termination of his appointment as Executive Chairman.

The Supervisory Board took the view that Mr Patrick Thomas was not obliged to abandon his contract of employment upon his appointment as Executive Chairman, as his permanent appointment could be revoked at will, and that he had successfully carried out his duties as an employee over an extended period of time well before his appointment to his corporate office.

Severance pay

The Company has agreed to pay Mr Patrick Thomas an amount equal to 24 months' compensation in the event that his appointment as Executive Chairman is terminated (decision of the Supervisory Board on 19 March 2008, approved by the Annual General Meeting on 3 June 2008), subject to meeting certain performance criteria.

Further to a decision adopted by the Supervisory Board on 18 March 2009, severance pay is contingent upon termination of the appointment as Executive Chairman resulting:

– either from a decision taken by Mr Patrick Thomas by reason of a change of control over the Company, a change in the Executive Manager of Émile Hermès SARL, which is an Executive Chairman of the Company, or a change in the Company's strategy; or

– from a decision taken by the Company.

The amount of such payment will automatically be charged, *ipso jure*, against the amount of any other compensation, particularly of a contractual nature, that may be due to Mr Patrick Thomas in respect of the termination of his employment agreement, which is suspended at this time.

Given the payment conditions defined, the Supervisory Board, acting on the recommendation of the Compensation Committee, found that there was no call for it to reconsider its deferred compensation commitment to Mr Patrick Thomas owing to the length of his service within the Group.

Supervisory Board members qualify as independent regardless of length of service on the Board

Because of the ownership structure of the Company, which is majority-owned by direct descendants of Mr Émile Hermès, several years ago, the Supervisory Board decided that it would be advisable to include members who are not related to the Hermès family.

Given the characteristics of a *société en commandite par actions* under the law and under the articles of association, and due to the complexity of the Hermès Group's business activities, the Supervisory Board decided that length of service was a key criterion in assessing Supervisory Board members' competency and knowledge of the Group, and that they could not therefore be disqualified as independent members based on this criterion.

With respect to Mr Maurice de Kervénoaël, on the recommendation of the Compensation, Appointments and Governance Committee, the Supervisory Board deemed that the conversion in 2010 of Comptoir Nouveau de la Parfumerie into a *société anonyme* with a Board of Directors, in which Mr Maurice de Kervénoaël now serves as a Director, did not call his independence into question.

Proportion of independent members on the Audit Committee

The Board determined that while less than two-thirds of Audit Committee members are independent directors, this situation was not detrimental to the Committee's operation.

In the Audit Committee rules of procedures, which were adopted on 24 March 2010, the Supervisory Board stipulates that at least one-half of the seats on the Audit Committee should be held by directors who qualified as independent at the time of their appointment and throughout their term of office.

• Corporate governance measures adopted in 2011 and 2012

At its meeting on 26 January 2011, the Supervisory Board:

– adopted the new wording of the Supervisory Board rules of procedure;

– adopted a Code of Conduct for the Supervisory Board incorporating the clauses on professional conduct that were previously included in the rules of procedure and sets out rules for the prevention of insider trading;

– reviewed the individual situation of each Supervisory Board member and of the Executive Chairmen with respect to the rules governing multiple offices and determined that no member of the Board is in violation of such rules.

At its meeting on 3 March 2011, the Supervisory Board:

– duly noted the resignation, for personal reasons, of Mr Jérôme Guerrand from his positions as Chairman and Supervisory Board member, effective as from 3 March 2011;

– co-opted Mr Olaf Guerrand as a new Supervisory Board member to serve until the end of the term

of his predecessor and subject to ratification of this appointment by the next Annual General Meeting of Hermès International Shareholders;
– appointed Mr Éric de Seynes as the new Chairman of the Supervisory Board for the remainder of his term as a member of the Supervisory Board;
– duly noted the resignation of Miss Julie Guerrand from her office as Audit Committee member effective as from 2 March 2011;
– duly noted the results of the Group's request for proposals for the joint audit over the period 2011-2016;
– was informed of the findings of the Compensation, Appointments and Governance Committee on the review of potential conflicts of interest of Supervisory Board members;
– found that all incumbent Audit Committee members had special expertise in finance or accounting;
– deemed that it was not incompatible for Miss Julie Guerrand to retain her seat on the Supervisory Board while holding an employment agreement for her position as Director of Corporate Development (the members of the supervisory board of a *société en commandite par actions* may be bound to the Company by an employment agreement with no conditions other than that resulting from the existence of a relationship of subordination with the Company and the recognition of effective employment);
– found that the target set by the Act of 13 January 2011 requiring that the Supervisory Board comprise at least 20% of each gender by 2014 had already been achieved;
– reviewed the Stock market ethics charter for employees who are considered to be insiders, which was drawn up by the Human Resources department and is to be instituted within the Group.

On 30 May 2011, the Supervisory Board:
– renewed the term of Mr Éric de Seynes as Chairman of the Supervisory Board for the remainder of his term as a member of the Supervisory Board;
– renewed the terms of Messrs Maurice de Kervenoaël and Ernest-Antoine Seillière as deputy chairmen of the Supervisory Board for the remainder of their terms as members of the Supervisory Board;
– renewed the terms of the Audit Committee members and chairman;
– renewed the terms of the members and the chairman of the Compensation, Appointments and Governance Committee;
– examined the situation of the Supervisory Board members relative to the objectivity and independence criteria contained in the Supervisory Board's rules of procedure;
– decided to adjust the reimbursement schedules for the expenses of the Board members, using as model the rules applicable to the Group's employees.

On 29 June 2011, the Supervisory Board:
– adopted a master file for the use of the Supervisory Board members as indicated on page 22;
– analysed the application of the AFEP/MEDEF corporate governance code, then reviewed the provisions that had been set aside and the explanation given in the reference document;
– examined the avenues for improvement in the preparation of the Supervisory Board meetings relative to the Supervisory Board's 2010 assessment grid, and approved the improvements that are to be made regarding the composition of the Board and the information provided to it;
– decided, in view of the Company's progress in recent years relative to governance, to maintain a review of its works on the agenda of a Board

meeting each year, and to only perform a self-assessment on the basis of a questionnaire every 3 years;
– initiated a reflection on the determination of the criteria and calendar for changing the composition of the Supervisory Board.

On 30 August 2011, the Supervisory Board:
– directed the Compensation, Appointments and Governance Committee to make proposals to the Board with regard to the determination of the criteria for the selection of its members and the calendar for changing the composition of the Supervisory Board.

On 5 October 2011, the Supervisory Board:
– performed an informal annual assessment of the Board's works and considered that the Board's operation was globally satisfactory;
– discussed the Company policy with regard to professional and wage equality.

On 25 January 2012, the Supervisory Board:
– approved the proposals of the Compensation, Appointments and Governance Committee with regard to changing the composition of the Supervisory Board;
– adopted an update to the Supervisory Board's rules of procedure;
– adopted an update of the Stock market ethics charter, took note of the 2012 calendar of the negative windows and of a reminder of the inherent liability with regard to holding inside information.

On 21 March 2012, the Supervisory Board took note of and approved the conclusions of the works of the Compensation, Appointments and Governance Committee relative to:
– the analysis of the individual situation of the members of the Supervisory Board and of the Executive Chairmen with regard to the plurality of offices;
– the update of the Supervisory Board's master file;
– the annual examination intended to identify members of the Audit committee that have particular skills in financial or accounting fields;
– the annual examination of possible conflicts of interest of the Supervisory Board members;
– the review of the report from the chairman of the Supervisory Board on the corporate governance principles implemented by the Company, and reporting on the composition of the Board and the application of the principle of balanced representation of women and men within the Board, on the conditions for preparing and organising the works of the Supervisory Board as well as on the internal control and risk management procedures implemented by the Company;
– the verification of the compliance of the Supervisory Board members relative to the holding threshold of 200 shares;
– the self-assessment of the works of the Compensation, Appointments and Governance Committee;
– the examination of the Active Partner's proposals regarding the appointment / renewal of the terms of the Supervisory Board members at the time of the Hermès International General Meeting on 29 May 2012.

Conditions for preparing and organising the Board's works

• Composition of the Supervisory Board – Application of the principle of balanced representation of women and men within the Board

The Supervisory Board currently has ten members: Mr Éric de Seynes, chairman, Mr Maurice de Kervenoaël and Mr Ernest-Antoine Seillière, deputy chairmen, Mr Charles-Éric Bauer, Mr Matthieu Dumas, Miss Julie Guerrand, Mr Olaf Guerrand, Mr Renaud Momméja, Mr Robert Peugeot and Mrs. Florence Woerth. All of the Supervisory Board members are of French nationality.

From amongst its members, the Supervisory Board appoints two deputy chairmen, currently Mr Maurice de Kervenoaël and Mr Ernest-Antoine Seillière. The articles of association indicate that in case of the chairman's absence, his duties will be performed by the older of the two deputy chairmen.

Mrs. Nathalie Besombes, company law and stock market director, provides the secretariat under the chairman's control.

The objective defined by the law of 13 January 2011, i.e. a proportion of at least 20% from each sex in the composition of the Supervisory Board by 2014, had already been met by Hermès International since 2010.

On 22 March 2012, the Active Partner decided to increase the number of Supervisory Board members to 11, and to ask the General Meeting to appoint Mr Nicolas Puech as a new member of the Supervisory Board. The proportion of women will therefore be temporarily reduced to 18.18%, for the time needed for the Board to evolve as anticipated with the objectives listed below.

In 2011, the Compensation, Appointments and Governance Committee (hereinafter "CAG Committee") was directed to provide the Supervisory Board with recommendations regarding the change of the Board's composition, with the objective of reaching a proportion of at least 40% from each sex within the composition of the Supervisory Board by 2017.

The CAG Committee organised its task into three steps in order to provide the Supervisory Board with recommendations in 2012.

1. Definition of a "target supervisory board"

This step was carried out in late 2011 and early 2012.

To this end, the Board's secretary, working with the Board chairman and the chairman of the CAG Committee, prepared a "roadmap" on the basis of the works of the *Institut français des administrateurs*, while also including a review of the applicable rules and regulations.

The CAG Committee presented its recommendations to the Supervisory Board, that then decided on the following:

– optimal size (number of board members): the Board's current size is compliant with the marketplace recommendations and is currently satisfactory;

– age limit: the current statutory rule (no more than one third of the number of board members can be over the age of 75 years) is satisfactory;

– number of women: to reach the objectives indicated above, 2 men will have to be replaced by 2 women within the Board by 2017;

– number of "independent" members: the current proportion of more than one-third independent members according to the criteria used by the Company will be maintained;

– missing typical talents / profiles needed to improve the Board's operation: the applications will be assessed based on various criteria relating to the specific features of the Hermès house.

2. Shortlist, with the help of an external expert, of people likely to correspond with the identified needs

After examination of the proposals from several board recruiting firms, a firm was selected.

3. Setting of the calendar for changing the composition of the Supervisory Board

After examining a table of the ending dates of the terms, several scenarios were considered for the purpose of changing the Board's composition as desired and within the allotted time.

• Criteria for qualifying a Supervisory Board member as an "independent" – management of conflicts of interest

The criteria for qualifying a Supervisory Board member as an "independent", which were formally adopted by the Supervisory Board in 2009, are the following:

– they may not be a partner or member of the Management Board of Émile Hermès SARL, Active Partner;

– they must comply with the criteria set out in Article 8.4 of the AFEP/MEDEF Code of Corporate Governance, except the criterion pertaining to length of service, which has not been adopted (see explanations on page 17).

In 2011, the Board examined the situation of each of its members in the light of the aforesaid criteria, on a case-by-case basis, and determined that four directors qualified as "independent": Messrs Maurice de Kervénoaël, Robert Peugeot and Ernest-Antoine Seillière, and Mrs Florence Woerth. In particular, the Board identified no significant business relationship between the people and the Company.

The Board resolved that one-third of the Supervisory Board members should be independent members. This proportion is observed.

The analysis of the individual situation of each of the Supervisory Board members and of the Executive Chairmen with regard to the rules on the plurality of offices indicated that no Board member or Executive Chairman holds multiple offices, both with regard to the legal rules and the principles set down by the AFEP/MEDEF (not holding more than four other corporate offices in companies outside of the Group).

The Supervisory Board's Ethics charter stipulates that a Supervisory Board member must strive to avoid any conflict that could exist between his/her moral and material interests and those of the Company. S/he informs the Supervisory Board of any conflict of interest in which s/he could be involved. In cases in which a conflict of interest cannot be avoided, this person must refrain from taking part in the debate and in any decision relative to the matters in question.

• Operation of the Supervisory Board – rules of procedure

The Supervisory Board's rules of procedure, that have existed since 18 March 2009, and the last version of which were approved by the Supervisory Board on 25 January 2012, is provided in its entirety in page 35.

Only the following modification is made:

– modification of the rules for reimbursement of expenses for Board members in order to account for the adjustment of the reimbursement scales inspired by the rules applicable to the Group employees. These rules of procedure include an obligation for the Supervisory Board members to own a relatively significant number of registered shares (200 shares). On 21 March 2012, the Supervisory Board determined that all Board members were meeting this obligation.

Since 2011, a “master file” has been provided to the Supervisory Board. This master file contains the following headings:
– list and contact details of the Executive committee members, of the Supervisory Board members and of the Board’s committee and secretary;
– professional background of the Supervisory Board members;
– summary table of the ending dates of the terms of office;
– Supervisory Board rules of procedure;
– Audit committee rules of procedure;
– Compensation, Appointments and Governance Committee rules of procedure;
– Supervisory Board ethics charter;
– explanatory memo on the list of insiders;
– calendar of negative windows;
– regulations relative to the declaration and direct registration obligations of the directors;
– rules on the reimbursement of expenses;
– presentations of Hermès International and Émile Hermès SARL;
– articles of association with comments.
This master file has to be updated on a regular basis.

The Statutory Auditors and the Works Council representatives are systematically invited to attend all Supervisory Board meetings. According to the articles of association, the Supervisory Board meets at least twice each year.
In fiscal 2011, the Supervisory Board met seven times with the regular presence of almost all of its members, resulting in an average attendance rate of 97%, as shown in the following table.
Furthermore, as in previous years, the Chairman of the Supervisory Board was invited to attend all meetings of the Management Board of Émile Hermès SARL.

Attendance at Supervisory Board meetings in 2011

Board member	Attendance	Applicable number of meetings	Individual attendance rate
Mr Éric de Seynes	7	7	100%
Mr Jérôme Guerrand	2	2	100%
Mr Maurice de Kervénoaël	7	7	100%
Mr Ernest-Antoine Seillière	6	7	86%
Mr Charles-Éric Bauer	7	7	100%
Mr Matthieu Dumas	7	7	100%
Miss Julie Guerrand	7	7	100%
Mr Olaf Guerrand	5	5	100%
Mr Renaud Momméja	6	7	86%
Mr Robert Peugeot	7	7	100%
Mrs Florence Woerth	7	7	100%
Average			**97%**

To ensure that Supervisory Board meetings are held in due and proper form, a file containing background documents on matters appearing on the agenda is sent out to each Supervisory Board member prior to each meeting and, since 2001, at least 48 hours beforehand, insofar as possible.
Persons who are not Board members, in particular members of the Executive Committee and of the Management Committee, may be invited to attend Board meetings at the Chairman's discretion to provide any information that members of the Board might require to reach a full understanding of matters on the agenda that are technical in nature or require special expertise.
Since 2011, the Board has been required to travel to different sites in order to enhance its knowledge regarding one of the Group's particular subsidiaries.
As such, in 2011, the Board visited the leather goods and silk printing site in Pierre-Bénite.
Minutes are drawn up at the end of each meeting and sent to all Board members, who are invited to comment. Any comments are discussed at the next Supervisory Board meeting, which approves the final text of the minutes of the previous meeting.

• Role of the Supervisory Board

The primary role of the Supervisory Board of a *société en commandite par actions* is to maintain ongoing control over the Company's management in accordance with the law and with the articles of association. In this respect, the Supervisory Board is responsible for assessing the advisability of strategic choices; monitoring the correctness of Executive Management's actions; ensuring equal treatment of all shareholders; and verifying the procedures implemented by the Company to ensure the fairness and accuracy of the parent company and consolidated financial statements.
To fulfil these obligations, every year, the Supervisory Board presents any comments it may have on the parent-company and consolidated financial statements, decides on the proposed appropriation of net income, and provides all recommendations and authorisations.
The Supervisory Board has delineated the due diligence procedures it carried out during the year ended 31 December 2011 in a report presented to the Annual General Meeting called to approve the financial statements (page 229).
The functions exercised by the Supervisory Board do not entail any interference with the Executive Management, or any liability arising from the management's actions or from the results of such actions.
As an extra-statutory mission, the rules of procedure call for the Supervisory Board to approve or refuse an executive chairman's acceptance of any new appointment within a listed company.

• Assessment of the Supervisory Board

In 2009 and 2010, the Board carried out a self-assessment of its works, using a questionnaire.
In 2011, given the progress made by the Company in recent years in the area of governance, the Supervisory Board wondered about the advisability of continuing a formal annual assessment of its works and decided that, as of 2011, a self-assessment using a questionnaire would only be carried out every 3 years, while each year, a review of the Board's works would be included in the agenda of a board meeting. The next questionnaire-based self-assessment will therefore be in 2013.
Given that, in 2011, the Board had very regularly discussed matters pertaining to governance, and

that an examination of the areas for improving the preparation of the Supervisory Board meetings in relation with the 2010 Supervisory Board assessment grid has been carried out, the Board feels that the annual assessment requirement in the AFEP/MEDEF Code had been properly respected and that its operation was generally satisfactory.
A few areas for improvement were identified by the Board, and most have already been implemented since 2011, with the support of the Compensation, Appointments and Governance Committee as coordinated by the Board's secretary.

• Expense reimbursements

Supervisory Board members are reimbursed for travel, accommodation and restaurant expenses incurred thereby to attend the Supervisory Board meetings, upon presentation of substantiating documents or receipts. These reimbursements are capped (see rules of procedure, page 37).
In 2011, the Supervisory Board decided to adjust the reimbursement schedules for the expenses of the Board members, using as model the rules applicable to the Group's employees.

• Directors' fees and remuneration

The principles for apportioning directors' fees are set out in the Supervisory Board rules of procedure (page 37).
At its meeting of 25 January 2012, the Supervisory Board apportioned directors' fees and compensation of €387,000 in respect of 2011 out of a total of €400,000 approved by a resolution adopted by the Shareholders at the Ordinary General Meeting of 7 June 2010.
The amounts paid to members in respect of 2010 and 2011 are set out in the Management Report, on page 57.

• Special committees

Two special committees have been created:
– the Audit Committee (26 January 2005);
– the Compensation Committee (26 January 2005), to which the Board subsequently decided to assign new duties and responsibilities; it was renamed "Compensation and Appointments Committee" on 18 March 2009 and "Compensation, Appointments and Governance Committee" on 20 January 2010.
These committees act under the collective and exclusive responsibility of the Supervisory Board. Their role is to research and to prepare for certain deliberations of the Board, to which they submit their opinions, proposals or recommendations.

Compensation, Appointments and Governance Committee

The Compensation, Appointments and Governance Committee (hereinafter "CAG Committee") is made up of the following members:
– Mr Ernest-Antoine Seillière, Chairman;
– Mr Matthieu Dumas, member;
– Mr Robert Peugeot, member.
The CAG Committee has had rules of procedure since 24 March 2010.
The tasks of the CAG Committee are:
– with respect to compensation:
- to receive information and make recommendations on the terms and conditions of compensation paid to Executive Committee members;
- to receive information and draw up recommendations from the Board to the Executive Management on the terms and conditions of allotment of any share purchase options and bonus shares granted to Executive Committee members;

- to draw up proposals and recommendations on the aggregate amount of directors' fees and other compensation and benefits awarded to members of the Supervisory Board and of its special committees, and on the apportionment thereof, primarily on the basis of Board members' attendance at meetings;
- to review proposals for stock option plans and bonus share distributions to senior executives in order to enable the Supervisory Board to determine the aggregate or individual number of options or shares allotted, and the terms and conditions of allotment;
- to assist the Supervisory Board in determining the performance conditions and criteria to be met by the Executive Chairmen in order to receive stock options and/or supplemental pension benefits;
- to ascertain that the compensation of the Executive Chairmen complies with the provisions of the articles of association and the decisions made by the Active Partner;

– with respect to appointments:
- to draw up recommendations for the Board to submit to the Active Partner after reviewing all information that the Board must take into consideration in its deliberations, i.e. striking an appropriate balance in the composition of the Board in the light of the composition and changes in the Company's shareholder base, identifying and evaluating potential candidates, and examining the advisability of renewing terms of offices;
- to draw up a procedure for selecting future independent directors to sit on the Board and to carry out its own reviews of potential candidates;
- to prepare a succession plan for the corporate executive officers (the Executive Chairmen) to ensure that the Board is in a position to recommend potential successors to the Active Partner;

– with respect to corporate governance:
- to ascertain that the management bodies apply the Supervisory Board rules of procedure and the recommendations of the AFEP/MEDEF corporate governance code in their operations, *inter alia*;
- periodically to ascertain that independent Supervisory Board members meet the criteria pertaining to independence and objectiveness set out in the Supervisory Board rules of procedure;
- to recommend revisions to corporate governance rules, as needed;
- to review the composition of the special committees,
- to oversee the annual assessment of Supervisory Board practices.

During 2011, the CAG met three times. All members attended the meetings (the average attendance rate was 100%).

In 2011, the CAG Committee was notably required to examine and issue recommendations on the following elements:

– 2011 compensation, 2010 bonus and 2011 target bonuses of the Executive committee members;
– 2011 compensation of the Executive Chairmen;
– free share plans;
– co-opting of a new Supervisory Board member;
– appointment of a new chairman of the Supervisory Board;
– composition of the Audit committee;
– examination of possible conflicts of interest of the Supervisory Board members;

– annual examination intended to identify members of the Audit committee that have particular skills in financial or accounting fields;
– compatibility of Julie Guerrand's employment contract with her corporate office;
– law of 13 January 2011 relative to balanced representation of women and men within boards;
– implementation calendar;
– information on the creation of a stock market charter of ethics intended for employees considered to be insiders;
– assessment of the works of the CAG Committee;
– content of the Supervisory Board's master file;
– analysis of the application of the AFEP/MEDEF corporate governance code;
– examination of the areas for improvement in the preparation of Supervisory Board meetings;
– advisability of maintaining a questionnaire-based annual assessment of the Supervisory Board;
– start-up of the mission relative to changing the composition of the Board;
– 2011 AFEP/MEDEF annual report;
– 2011 AMF report on corporate governance and executive compensation;
– 2011 AFEP/MEDEF annual report on the distribution of directors' fees.

Audit Committee

The Audit Committee is composed of the following members:
– Mr Maurice de Kervénoaël, Chairman;
– Mr Charles-Éric Bauer, member;
– Mr Renaud Momméja, member;
– Mr Robert Peugeot, member;
– Mrs Florence Woerth, member.

Miss Julie Guerrand was a member until 2 March 2011, at which time she expressed her desire to withdraw from the Audit committee as a result of new salaried duties within the Company.

The Audit committee has had rules of procedure since 24 March 2010.

In 2011, the Supervisory Board:
– identically renewed the composition of the Audit committee after the renewal of the terms of the Supervisory Board members by the General meeting on that same date;
– identified those Audit Committee members who can be qualified as "independents", i.e. Mrs Florence Woerth, Mr Maurice de Kervenoaël and Mr Robert Peugeot;
– considered that all Audit committee members have special skills in the areas of finance or accounting in view of their experience and their training, as described in pages 40 to 43.

The missions of the Audit Committee are:
– to review and comment on the Company's parent company and consolidated financial statements prior to approval by the Executive Management;
– to ascertain that the accounting methods applied are relevant and consistent;
– to verify that internal data collection and control procedures guarantee the quality of information provided;
– to review the work programme and results of internal and external audit assignments;
– to carry out special tasks assigned to it by the Supervisory Board;
– to monitor the effectiveness of the internal control and risk management systems, of the statutory audit of the parent company financial statements and, if applicable, of the consolidated financial statements by the Statutory Auditors;
– to ascertain compliance with the rules guaranteeing the independence and objectiveness of the Statutory Auditors;

– to participate in the procedure for selecting the Statutory Auditors.

During 2011, the Audit Committee met three times. Nearly all of its members attended the meetings (the average attendance rate was 96%).

Before each Audit committee meeting, the Audit committee members receive, in a timely manner, with reasonable advance notice and subject to confidentiality requirements, a file describing the elements on the agenda that will require analysis and prior reflection.

In 2011, the Audit Committee reviewed the following matters:

– review of financial statements:
  - parent company and consolidated financial statements for the year ended 31 December 2010;
  - consolidated financial statements to 30 June 2011,
  - statutory auditors' report on the consolidated financial statements,
  - review of the press release on half-year and full-year results;

– examination of the internal control and risk management systems:
  - activity of the audit and risks department in 2010 and of the major elements of the audit plan for 2011,
  - review of the system for following up the recommendations,
  - review of the report from the Chairman of the Supervisory Board;

– selection procedure for statutory auditors:
  - invitation to tender for statutory auditors,
  - assessment grid proposal,
  - preliminary presentation of the analysis of the candidates by the finance department,
  - hearing of the candidates and preparation of an opinion,
  - presentation of the new co-auditor appointed by the general meeting;

– field audit engagements:
  - committee members carried out two audit assignments, with the support of the Audit and Risk Management Department, to check the effectiveness of the Group's internal control and risk management systems;

– special missions:
  - annual self-assessment of Audit committee operation;
  - review of 2011 budget and verification that strategic guidelines were followed appropriately.

As part of its missions, the Audit committee heard from the Group finance director both with regard to the accounting data and the cash data, the audit and risk director, and the statutory auditors.

Compensation of Committee members

Members of the special committees receive €10,000 per year and the chairmen of those committees receive €20,000 per year.

Operation of the Committees

The rules applying to the composition, duties and responsibilities and operating procedures for each Board Committee are set out in rules of procedure proposed by the said Committee and approved by the Supervisory Board.

Each Committee meets when convened by its Chairman in writing or orally, at any place indicated in the notice of meeting.

The deliberations of each Committee meeting are recorded in minutes, which are entered in a special register and signed by the Committee chairman and by the members in attendance.

• Factors liable to affect the outcome of a public offering

Factors liable to affect the outcome of a public offering are described in the Management Report (page 76).

• Special terms and conditions for participating in general meetings

The terms and conditions for participating in general meetings are set out in Volume 1 (page 109).

Internal control and risk management procedures instituted by the Company

Pursuant to Articles L 225-37, L 225-68, L 823-19 and L 823-20 of the *Code de Commerce*, below is the report on the principal risk management and internal control procedures instituted within the Company, using the new "Reference Framework" published by the AMF in 2010, AMF recommendation n° 2011-18, published in December 2011, and the AFEP/MEDEF code of corporate governance.

• Objectives of risk management and internal control system at Hermès International

Risk management systems are designed to address major risks. They include methods for identifying and prioritising internal and external risks and for handling the main risks at the appropriate operating level in order to reduce the Company's exposure, for instance by strengthening internal control procedures.

Internal control systems rely on ongoing, recurring actions that are integrated into the Company's operating processes. They apply to all functions and processes, including those associated with the production of financial and accounting information.

The Hermès internal control objectives are to ensure:

– compliance with laws and regulations;

– proper observance of the Executive Management's instructions and strategy directions;

– that the Company's internal procedures, particularly those that help to protect its assets, are operating effectively; and

– the reliability of financial information.

In general, the internal control system enables the Company to maintain control over its businesses, to enhance the efficiency of its operations and to optimise the use of its resources.

• Internal control environment

While Hermès has attained the stature of an international group, it has also retained its human dimension. The Company is dedicated to a culture and spirit of craftsmanship and seeks to cultivate strong values among its staff members.

Among these values, quality is paramount. The Group's commitment to quality – the very essence of Hermès' business – applies not only to its products and services but also to its management methods. Hermès attaches great importance to its senior executives' managerial skills.

The Hermès culture, which is propagated mainly through integration programmes for new managers and special training, imparts to each individual a thorough understanding of his or her role in the organisation and of the need to abide by the Group's Code of Conduct and rules of behaviour.

The quality-oriented values and mentality shared by all employees serve as a solid foundation to underpin acceptance and observance of stringent internal control policies and procedures.

The way in which the two systems work together and their balance are contingent on the control environment which forms their common base, and more specifically, on the Company's ingrained risk management and internal control culture, management style and corporate values. In this area, to underpin the risk management culture promoted by the Group, in 2009, the Group adopted a formal Code of Conduct and has disseminated it to further strengthen this culture.

However, no risk management and internal control system, no matter how well-designed and applied, can provide absolute certainty that the Company will achieve its objectives.

• Parties responsible for management and internal control system

Senior management

The senior management designs risk management and internal control procedures commensurate with the Company's size, business operations, geographical footprint and organisation.

In addition to establishing procedures for delegating authority established at different hierarchical levels, senior management has ultimate responsibility for guaranteeing the effectiveness of the risk management system and its adequacy for meeting the Group's strategy objectives. Senior management therefore oversees the system as a whole to safeguard its integrity and, where applicable, to initiate any corrective measures needed to remedy any failures.

Audit Committee

The Audit Committee was created in 2005 within the Supervisory Board. In accordance with Article L 823-19 of the *Code de Commerce*, the Audit Committee, "acting under the exclusive and collective responsibility of the members of the Supervisory Board, is responsible for ensuring controls over:

– the process for preparing financial information;

– the effectiveness of the internal control and risk management systems;

– the statutory audit of parent company financial statements and consolidated financial statements by the Statutory Auditors;

– the independence of the Statutory Auditors."

The roles and duties of the Audit Committee were formally documented in rules of procedure drawn up by the Supervisory Board in 2010.

Twice each year, the Audit committee travels with the audit and risk department in order to understand and verify the reality of the internal control systems implemented within the subsidiaries.

Every year, the Audit Committee carries out a self-assessment of its own operation and of the work it has performed, in the light of its assigned objectives, in order to identify any potential areas of improvement.

Audit and Risk Management Department

The Audit and Risk Management Department (A&RMD) performs three main roles for the Group:

– it identifies and analyses risks;

– it performs internal audits;

– it coordinates internal control actions.

The A&RMD coordinates the work of a team of internal auditors and a network of internal control correspondents, in France and in other countries.

The Department reports to the Group's senior management, which guarantees its independence, and has unlimited authority to review any matter at its discretion. An audit charter setting out the duties and responsibilities of the internal auditors and their professional conduct and detailing their audit engagements was released and circulated in 2010.

The Head of Audit and Risk Management attends Audit Committee meetings. He meets in a private session with the Audit Committee at least once each year and with its Chairman several times during the year.

The Group's operational staff

The senior executives, the major functional and operating departments, and members of the Management Committees of the Group's various entities serve as the main conduits for applying the system; they are the main beneficiaries of the system and also key contributors to its proper operation.

Control activities carried out at the level of each entity fall under the joint responsibility of the chief executive officer and chief financial officer, as evidenced by the signature of a letter of affirmation relating to the knowledge of the Hermès internal control objectives and of the quality of the controls implemented within the entity.

• Risk management system

The Group's risk management processes are underpinned by a variety of factors that contribute to risk identification, analysis and prioritisation, and to implementing the required action plans.

The ongoing risk mapping programme was initiated in 2004 and has been fine-tuned over the years.

Hermès International has also deployed specific processes to monitor certain risks through special committees or working groups. These committees meet on a regular basis (usually, once a month). For instance, committees assigned to property risk and treasury risk meet to analyse the main risks identified and ascertain that existing control systems comply with Group procedures. These surveys of the main identifiable risks serve as a basis for internal control procedures and activities.

The A&RMD is responsible oversight of the risk management system. It manages the risk mapping process designed to help the Group's companies to identify and analyse their main risks. It monitors the progress of the resulting action plans in the relevant entities on a regular basis and ensures that risk management procedures are observed and kept up to date.

The A&RMD may revise its work schedule to factor in any new risks identified during the year, notably alerts issued by the Group departments.

• Internal control system

Organisation

The Company's management is organised into an Executive Committee, a Management Committee and several special Committees, and ensures that strategic directions are followed consistently and that information is disseminated effectively. Detailed organisational charts and memoranda outlining strategic directions give staff members a thorough understanding of their role in the organisation and a way periodically to evaluate their performance by comparing it with stated targets.

The sales organisation is based on an approach designed to foster a high level of accountability among local managers, whose duties and responsibilities are clearly defined. The retail sales outlets are supervised by entities responsible for the geographical area, whose managers report to the Group's International Affairs Department, thereby ensuring consistency in operations and providing a means of control. The business sectors are organised based on a clearly defined allocation of duties and responsibilities.

In its human resources processes, Hermès has established hiring, training and skills development programmes designed to enable each individual effectively to perform his or her duties, now or in the future. Within Hermès International, the

Finance Department has primary responsibility for preparation and control of financial information (see below).

Information systems

Hermès International uses effective IT tools tailored to its requirements in preparing and controlling information. Integrated applications are used to centralise data reported to Hermès International by the subsidiaries, for account consolidation and for cash management. Managers have access to data generated the management systems on a weekly and monthly basis, giving them the information they need to manage business operations effectively, to monitor performance consistently, and to identify any irregularities in internal control processes.

The information systems are designed to ensure that the accounting and financial information produced complies with security, reliability, availability and relevance criteria. Specific rules on the organisation and operation of all IT systems have been defined, applying to system access, validation of processing and year-end closing procedures, data archiving and record verification.

Furthermore, procedures and controls have been set up to ensure the quality and security of operation, maintenance and upgrading of accounting and management systems and all systems that directly or indirectly send data to these systems.

As a supplement to the detailed reviews performed with the information systems department within the main subsidiaries, the A&RMD verifies the implementation of the general IT controls during the audits.

Internal control procedures

Hermès International and its subsidiaries have several manuals of internal control procedures applying to the business sectors, activities and regions.

All Group procedures are posted on one intranet site. This site contains the main procedures covering the Company's operating functions, including purchasing, sales, treasury, inventories, fixed assets, human resources, IT systems, as well as the store internal control procedures for the distribution subsidiaries, which cover sales, account collections, inventory management and store security. These procedures are managed by the A&RMD, which is responsible for posting them online, for updating them and for ensuring that they cover critical control points for the processes described.

Highly formalised procedures are also applied to the logistics function, and one of the major logistics centres has obtained ISO 9001 certification.

In addition, detailed manuals covering accounting and financial procedures have been drawn up and are updated on a regular basis.

With respect to financial and accounting processes, the Financial Manual contains all rules to be followed for financial reporting. It describes all accounting and financial procedures, as well as detailed instructions on bookkeeping and recordkeeping requirements. The Group Chart of Accounts, drawn up in accordance with International Financial Reporting Standards (IFRS), also sets outs the rules for financial record-keeping. It is available on the intranet. Moreover, the Group Finance Department periodically issues instructions that are sent to the subsidiaries for the year-end account closing and at other times on any topic related to financial information. The Investment Project Management Manual describes the applicable rules within the Group. The Business Development and Investment Department (DPEI) is in charge of keeping these procedures up to date, circulating them and ascertaining that they are applied. The DPEI examines each investment project by coordinating the preliminary business and financial analyses and issuing opinions on investment return calculations. The procedure is carried out in stages. The managers involved issue recommendations, which are summarised by the DPEI. Depending on the scale of the projects, the Executive Management reviews the summary recommendations and takes the ultimate decision on whether or not to approve the project.

Moreover, extremely stringent cash management procedures have been put in place. The Treasury Security Rules Manual details the following procedures:

– rules for opening and operating bank accounts, called Prudential Rules, for each of the Group's companies, which are constantly updated and include monitoring of the authorised signatories, *inter alia*;

– an exchange risk management procedure approved by the Group's Supervisory Board (this procedure describes all authorised financial instruments and sets limits on their use by members of the Hermès International Treasury Management Department);

– a foreign exchange agreement with each relevant subsidiary, which provides a framework for the relationships between the Hermès Group and its subsidiaries, sets out cash management policy and rules, and defines the terms and conditions for calculating and applying the annual guaranteed exchange rates; and

– a Group cash investment policy, which is also approved by the Supervisory Board of Hermès International and sets out the criteria for investing the Group's cash and limits on its use by members of the Hermès International Treasury Management Department.

The internal control self-assessment works

Self-assessment of internal control items is based on questionnaires to be completed by the subsidiaries. This system helps to disseminate an internal control-oriented culture throughout the Group and serves as a tool for assessing the level of internal control within the subsidiaries and determining how operational and functional risks are handled at the appropriate level. If the control processes assessed are found to be ineffective, the subsidiaries are required to draw up an action plan to remedy the situation.

Each year, the subsidiaries perform self-assessment using three questionnaires available on the intranet, in the "CHIC" ("Check your Hermès Internal Control") application administered by the A&RMD. The self-assessment uses a general internal control questionnaire (CHIC Practices) for which the repository is linked with the AMF "Reference framework", a specific cash management questionnaire (CHIC Treasury) and a questionnaire on the operational procedures within the distribution network (CHIC Boutique).

The A&RMD is in charge of the consolidation, of the analysis of the action plans and of the summary of the CHIC Practices and CHIC Treasury self-assessment questionnaires. The CHIC Boutique questionnaire is monitored on the level of the country directors within the distribution network.

The A&RMD verifies the answers to the three questionnaires, in order to obtain reasonable assurance regarding the quality of the internal control within the subsidiaries. The A&RMD can also perform an on-site audit in order to verify the actual deployment of any necessary corrective action plans.

Internal control system monitoring

The A&RMD is in large part responsible for monitoring the system. Auditors work on the basis of an audit plan approved by the Executive Management and by the Audit Committee, which is drawn up yearly and may be adjusted every six months if required. The A&RMD may call on outside firms to conduct specialised audits. Each year, the A&RMD presents a report on its work to the Audit Committee.

Upon completion of the audits, reports are prepared containing the audit findings, identifying risks and recommending solutions to remedy any problems. Proper implementation of the recommendations is verified during follow-up audits. All of the recommendations and results from the audit follow-ups are included within a dedicated tool administered by the A&RMD. The audit reports are sent to the managers of the audited subsidiaries or departments and to the Group's general management or Executive Management.

• Internal control system for accounting and financial information

The internal control system applicable to accounting and financial information is a key component of Hermès International's overall management system. It is designed to ensure stringent financial oversight of the Company's business activities. It encompasses all processes involved in producing and reporting accounting and financial information and to meet the following goals:

– the prevention and identification of any accounting or financial fraud or inconsistencies, inasmuch as this is possible;

– the reliability of information circulated and used in-house by the senior management;

– the reliability of the published accounts and of other information reported to investors.

Oversight of the accounting and financial organisation

Hermès has set up an organised, documented system to ensure the consistency of reported consolidated accounting and financial data. This system is based on a strict division of responsibilities and on Hermès International's tight controls on information produced by the subsidiaries.

The internal control process for accounting and financial information involves the following parties:

– the Group's executive management, which includes the Executive Chairmen and the Executive Committee. As part of the parent company and consolidated financial statement review and approval process, the Executive Management receives all information that it deems to be useful, such as information on the main options applied for the reporting period, accounting estimates and changes in accounting methods. It analyses the subsidiaries' accounts on a regular basis and meets with their senior executives from time to time, particularly during the budget preparation and account closing periods. Lastly, it reviews the findings of the Statutory Auditors;

– the Supervisory Board, which exercises ongoing control over the Company's management. By consulting the Executive Management, the Board can verify that oversight and control systems are adequate to ensure that the financial information published by the Company is reliable;

– the managing directors and finance directors of the subsidiaries, who have primary responsibility for the quality of the financial information preparation processes applied by the entities they oversee. They are also responsible for circulating procedures drawn up and issued by Hermès International and for ensuring that these are properly applied.

– the Managing Director for Finance and Administration, who is a member of the Executive Committee, is in charge of internal control for accounting and financial information at the Group level. He is responsible for implementing an appropriate accounting policy oversight system, together with adequate resources (organisation, human resources, tools). He also ascertains that the year-end account closing process is carried out properly;
– the Group Finance Department, which carries out the controls needed to monitor operations and to ensure the reliability of financial information. These controls are performed primarily during reviews conducted when the year-end and half-year accounts are closed, when estimates are updated and budgets are prepared.

Procedures for preparing published accounting and financial information

The procedures that Hermès has implemented in drawing up the financial statements aim to ensure the following:
– that published accounting and financial information is impartial, objective and relevant in the light of user requirements; that reporting deadlines are met (via a timetable for closing the accounts), and that such information is understandable;
– that year-end consolidated account closing procedures that meet these criteria are drawn up and circulated to all consolidated entities, namely via the Group Chart of Accounts, the Manual of Financial Procedures, and instructions sent to the subsidiaries;
– the traceability of closing accounting entries within the information systems;
– that individual accounts are controlled to ascertain that they comply with Group accounting standards and practices and to verify their consistency prior to integration of the consolidation packages, *inter alia*;
– that systems are in place for analysing the accounts, such as reviews conducted by the auditors, verification of consolidation transactions, ascertaining that IFRS have been properly applied, analysis of internal transactions, etc.

The reporting and consolidation procedures call for the controls required to ensure the reliability of financial information. Reliability in preparation of the consolidated accounts is ensured by the use of the same information for both financial management and financial reporting, which is available through a common tool.

Lastly, as part of its audit engagements, the A&RMD ascertains that key controls applied to the preparation of accounting and financial information are properly implemented.

The Chairman of the Supervisory Board

Supervisory Board rules of procedure

(version dated 25 January 2012)

PURPOSE

These rules of procedure define the terms and conditions of organisation and operation of the Supervisory Board of Hermès International (hereinafter referred to as the "Board") and its Committees. They supplement the provisions set out by the applicable laws and by the articles of association (an extract of the articles of association is attached to this report).

Their purpose is to enhance the quality of the Board's work by promoting the application of good corporate governance principles and practices, in the interests of ethics and greater effectiveness.

TITLE I – SUPERVISORY BOARD

A - Composition of the Board

ARTICLE 1 - *Ownership of a minimum number of the Company's shares by members of the Board*

All Board members shall own 200 Hermès International shares registered in their own name during the year in which they are appointed. The directors' fees they receive may be applied towards purchasing these shares.

ARTICLE 2 - *Independence of Board members*

A Board member is independent if he or she has no relationship of any kind whatsoever with the Company, its Group or its management that is liable to compromise the exercise of his or her freedom of judgement in any way.

• Independence criteria

The independence criteria applicable to Board members are as follows:

– they may not be a partner or member of the Management Board of Émile Hermès SARL, Active Partner;

– they must comply with the criteria set out in Article 8.4 of the December 2008 AFEP/MEDEF Code of Corporate Governance, except the criterion pertaining to length of service, which is expressly excluded.

• Procedure for qualifying members as "independent directors"

The qualification of a Board member as independent is discussed each year by the Compensation, Appointments and Governance Committee, which draws up a report on this matter and submits it to the Board.

Each year, in the light of this report, the Board reviews the situation of each member to determine whether he or she qualifies as an "independent director".

The Board is required to report the findings of is review to the shareholders in the Annual report.

• Proportion of independent members on the Board

One-third of the Board members must be independent members.

ARTICLE 3 - *Professional conduct of members of the Board and their permanent representatives*

Members of the Supervisory Board undertake to abide by the rules contained in the Supervisory Board Code of Conduct and to apply them.

B - Operation of the Board

ARTICLE 1 - *Meetings of the Supervisory Board*

• Frequency of meetings

The Board meets at least four times per year and whenever required by the Company's best interests or operations.

The duration of each meeting shall be sufficient to properly review all business on the agenda.

The procedures for calling a meeting and participating therein and the quorum and majority

requirements are those stipulated by law and by the articles of association.
The schedule of Board meetings other than special meetings is drawn up from one year to the next.

• **Attendance by persons who are not Board members**

The Statutory Auditors and the Works Council representatives are invited to attend all Supervisory Board meetings.
Persons who are not Board members, and members of the Executive Committee and the Management Committee, *inter alia*, may be invited to attend Board meetings at the Chairman's discretion to provide any information that members of the Board might require to reach a full understanding of matters on the agenda that are technical in nature or require special expertise.

• **Minutes**

Minutes are drawn up following each meeting and sent to all Board members, who are invited to comment. Any comments are discussed at the next Supervisory Board meeting, which approves the final text of the minutes of the previous meeting.

ARTICLE 2 - ***Information of Board members***

Board members are entitled to receive all information required to fulfil their duties and responsibilities and may request any documents that they deem to be useful.
Before each Board meeting, members are sent in good time, with reasonable lead time and subject to confidentiality requirements, a file containing documentation on items on the agenda requiring prior analysis and review.
Between scheduled Board meetings, members receive all important information pertaining to the Company on a regular basis and are notified of any event or change with a material impact on transactions or information previously disclosed to the Board.
Board members shall send requests for additional information to the Chairman of the Board, who is responsible for assessing the usefulness of the documents requested.
Board members have a duty to request any information that they deem to be useful and essential to carry out their duties.

ARTICLE 3 - ***Continuing education for Board members***

Each Board member may receive additional education on the special attributes of the Group, its organisation and its business lines, and in the areas of accounting, finance or corporate governance.

ARTICLE 4 - ***Supervisory Board mission not covered by the articles of association***

The Supervisory Board approves or rejects the acceptance of any new office in a listed company by an Executive Chairman.

C - Assessment of the Board by its members

The Board periodically carries out assessments of its performance covering its areas of responsibility and its commitment, by using an assessment matrix proposed by the Compensation, Appointments and Governance Committee.
As part of this process, the different areas of responsibility and commitment of the Board and its members are reviewed and assessed; and any applicable recommendations for improving performance are issued.

TITRE II – SPECIAL COMMITTEES OF THE SUPERVISORY BOARD

The Board may create special Board Committees, to which it appoints members and the chairman.

These Committees act under the collective and exclusive responsibility of the Supervisory Board. Their role is to research and to prepare for certain deliberations of the Board, to which they submit their opinions, proposals or recommendations.

Two Committees have been created:

– the Audit Committee (26 January 2005);

– the Compensation Committee (26 January 2005), to which the Board subsequently decided to assign new duties and responsibilities; it was renamed "Compensation and Appointments Committee" on 18 March 2009 and "Compensation, Appointments and Governance Committee" on 20 January 2010.

The rules applying to the composition, duties and responsibilities and operating procedures for each Board Committee are set out in rules of procedure proposed by the said Committee and approved by the Supervisory Board.

TITRE III – COMMON PROVISIONS

Article 1 – ***Compensation of Board members and directors' fees***

The principles for allotting directors' fees and other compensation adopted by the Board are as follows:

– €100,000 fixed component for the Supervisory Board Chairman's compensation, with no variable component since he is required to chair all meetings;

– €15,000 for the fixed component and €1,000 for the variable component per meeting, up to a maximum of five meetings per year, for each Vice-Chairman of the Supervisory Board;

– €15,000 for the fixed component and €1,000 for the variable component per meeting, up to a maximum of five meetings per year, for other Supervisory Board members;

– €20,000 for the fixed component and no variable component for the Chairmen of the Audit Committee and of the Compensation, Appointments and Governance Committee;

– €10,000 for the fixed component and no variable component for the other members of the Audit Committee and of the Compensation, Appointments and Governance Committee;

– if a member is appointed during the year, the outgoing member and his successor will share the fixed component and the variable component will be allotted based on their attendance at meetings;

– members of Hermès International's Executive Committee do not receive any directors' fees.

The fixed and variable components are determined by the Board at its first meeting of the year following the year for which compensation and directors' fees are paid.

Article 2 – ***Rules governing reimbursement of accommodation and travel expenses***

Supervisory Board members are reimbursed for travel (from their principal residence), accommodation and restaurant expenses incurred to attend the Supervisory Board meetings, upon presentation of substantiating documents or receipts.

The Board determines the applicable policy for the reimbursement of expenses that will have to be inspired by the rules applicable to the Group's employees. This policy lists the eligible transportation classes and the ceilings for expenses incurred for each meeting of the Supervisory Board, of the Audit Committee and of the Compensation, Appointments and Governance Committee.

These reimbursements only pertain to meetings of the Board and of the committees, and in no way apply to the General Meetings.

The corporate governance principles established by the Company are described in the Report from the Chairman of the Supervisory Board, on pages 16 to 34.

COMPOSITION AND OPERATION OF THE ADMINISTRATIVE, EXECUTIVE AND SUPERVISORY BODIES

The composition of the management bodies appears in Volume 1, pages 10 to 13 of the Annual Report. Their operation is described on pages 9 to 11.

Changes during fiscal 2011

At its meeting of 3 March 2011, the Supervisory Board:
– duly noted the resignation of Mr Jérôme Guerrand from his offices of Chairman and Supervisory Board member, effective as from 3 March 2011;
– co-opted Mr Olaf Guerrand as a new Supervisory Board member until the next renewal of the Board and subject to ratification of this appointment by the next Annual General Meeting of Hermès International Shareholders;
– appointed Mr Éric de Seynes as the new Chairman of the Supervisory Board to serve for the remainder of his term as Supervisory Board member.

At its meeting of 30 May 2011, the Supervisory Board:
– ratified the co-optation of Mr Éric de Seynes and of Mr Olaf Guerrand as members of the Supervisory Board;
– renewed the terms as Supervisory Board members of:

- Mr Matthieu Dumas, Mr Olaf Guerrand and of Mr Robert Peugeot for a period expiring at the end of the Annual General Meeting that is called in order to approve the financial statements of the fiscal year ending on 31 December 2011,
- Mr Charles-Éric Bauer, Miss Julie Guerrand and Mr Ernest Antoine Seillière for a period expiring at the end of the Annual General Meeting called to approve the financial statement of the fiscal year ending on 31 December 2012,
- Mr Maurice de Kervenoaël, Mr Renaud Momméja and Mr Éric de Seynes for a period expiring at the end of the Annual General Meeting called to approve the financial statements of the fiscal year ending on 31 December 2013.

For the first application of the annual one-third renewal rule, the Supervisory Board organised a random draw to determine the duration of the proposed renewal terms.

INFORMATION ON CORPORATE EXECUTIVE OFFICERS AND SUPERVISORY BOARD MEMBERS

The Executive Chairmen, Active Partner and Supervisory Board members are domiciled at the Company's registered office.

Executive Chairmen

Mr Patrick Thomas, a French national, age 65 in 2012, is not related to the Hermès family. He served as Managing Director of Hermès International from 1989 until 1997. He is a graduate of École Supérieure de Commerce de Paris (ESCP).

Summary information on corporate executive officers and Supervisory Board members

Name	Date of birth (dd/mm/yy)	Age in 2012	Office	Date first appointed (dd/mm/yy)	Term of office/ Expiry date	Years in office in 2012
Patrick Thomas	16/06/1947	65	Executive Chairman	15/09/2004	Open-ended	8
Émile Hermès SARL			Executive Chairman	01/04/2006 (and from 1990 to 1994)	Open-ended	6
Éric de Seynes	09/06/1960	52	Chairman of the Supervisory Board	03/03/2011	2014 General Meeting	1
			Supervisory Board member	07/06/2010 (and from 2005 to 2008)	2014 General Meeting	2
Maurice de Kervénoaël	28/09/1936	76	Vice-Chairman of the Supervisory Board	02/06/2005	2014 General Meeting	7
			Supervisory Board member	03/06/2003 (and from 1995 to 2001)	2014 General Meeting	9
			Audit Committee Chairman	26/01/2005	2014 General Meeting	7
Ernest-Antoine Seillière	20/12/1937	75	Vice-Chairman of the Supervisory Board	02/06/2005	2013 General Meeting	7
			Supervisory Board member	29/05/1997	2013 General Meeting	15
			Chairman of the Compensation, Appointments and Governance Committee	26/01/2005	2013 General Meeting	7
Charles-Éric Bauer	09/01/1964	48	Supervisory Board member	03/06/2008	2013 General Meeting	4
			Audit Committee member	26/01/2005	2013 General Meeting	7
Matthieu Dumas	06/12/1972	40	Supervisory Board member	03/06/2008	2012 General Meeting	4
			Member of the Compensation, Appointments and Governance Committee	03/06/2008	2012 General Meeting	4
Julie Guerrand	26/02/1975	37	Supervisory Board member	02/06/2005	2013 General Meeting	7
Olaf Guerrand	28/02/1964	48	Supervisory Board member	03/03/2011	2012 General Meeting	1
Renaud Momméja	20/03/1962	50	Supervisory Board member	02/06/2005	2014 General Meeting	7
			Audit Committee member	03/06/2008	2014 General Meeting	4
Robert Peugeot	25/04/1950	62	Supervisory Board member	24/01/2007	2012 General Meeting	5
			Member of the Compensation, Appointments and Governance Committee	03/06/2008	2012 General Meeting	4
			Audit Committee member	03/06/2008	2012 General Meeting	4
Florence Woerth	16/08/1956	56	Supervisory Board member	07/06/2010	2013 General Meeting	2
			Audit Committee member	07/06/2010	2013 General Meeting	2

He was Chairman of the Lancaster Group from 1997 until 2000 and Chairman and Chief Executive Officer of William Grant & Sons of the UK from 2000 until 2003. He returned to the Hermès Group on 15 July 2003 as Managing Director of Hermès International and was appointed Executive Chairman on 15 September 2004 for an open-ended term of office.
As at 31 December 2011, he was the legal owner of 28,528 Hermès International shares.

Émile Hermès SARL (see paragraph below on the Active Partner).

The term of office of the Executive Chairmen is open-ended.

Active Partner

Émile Hermès SARL is a *société à responsabilité limitée à capital variable* (limited company with variable capital), operating under French law. Its partners are the direct descendants of Émile-Maurice Hermès and his spouse. Émile Hermès SARL's Executive Manager is Mr Bertrand Puech, a grandson of Émile-Maurice Hermès. The Company is governed by a Management Board. Émile Hermès SARL's main purpose is to be the Active Partner of Hermès International.
The Company's *modus operandi* is described on pages 11 and 12.
Émile Hermès SARL has been Active Partner of Hermès International since 27 December 1990. Émile Hermès SARL was appointed Co-executive Manager on that date and held that office until 31 December 1994. On 1 April 2006, it was again appointed Co-executive Manager of Hermès International for an open-ended term.
As at 31 December 2011, Émile Hermès SARL was the legal owner of 2 Hermès International shares. It does not now hold nor has it in the past held any offices in any other company.

Supervisory Board

Mr Éric de Seynes, who will turn 52 in 2012, is a French citizen and a direct descendant of Émile-Maurice Hermès. He was co-opted as Supervisory Board member on 7 June 2010 to replace Mr Guillaume de Seynes, who resigned. He previously held this office from 2005 until 2008. He also served as Audit Committee member from 2005 to 2008 and as member of the Management Board of Émile Hermès from 2008 to 2010. He was appointed Chairman of the Supervisory Board on 3 March 2011 to replace Mr Jérôme Guerrand, who resigned. He is a graduate of École Supérieure Libre des Sciences Commerciales Appliquées (ESLSCA) with a specialisation in marketing.
Until 2009, he successively served as: Head of Development for Mobil Oil Française, Director of Sponsoring for Seita, Marketing Director for Sonauto-Yamaha, Director of Marketing and Sales for Yamaha Motor France and Chairman of Groupe Option.
In 2009, he joined Yamaha Motor France, where he is currently Chief Executive Officer, member of the global executive committee of Yamaha Motor Corporation and of the Strategic Committee of Yamaha Motor Europe. He is also the Chairman (Motorcycle branch) of the Chambre syndicale internationale de l'automobile et du motocycle.
On 31 December 2011, he was the legal owner of 203 Hermès International shares, at least 200 of which are registered.
His term of office as Member of the Supervisory Board will expire at the end of the Annual General

Meeting convened to approve the financial statements for 2013.

Mr Maurice de Kervénoaël, a French citizen who will be 76 in 2012, is not related to the Hermès family and is an independent director based on the criteria applied by the Company. He has been a member of the Supervisory Board since 3 June 2003 and previously held that office from 1995 until 2001. He was appointed Vice-Chairman of the Supervisory Board on 2 June 2005. Mr de Kervénoaël has also served as Chairman of the Audit Committee since its inception on 26 January 2005. He is a graduate of École des Hautes Études Commerciales (HEC).

Mr de Kervénoaël is currently Executive Manager of MDK Consulting, Chairman of the Supervisory Board of Champagnes Laurent-Perrier, a Director on the Board of Holding Reinier (Groupe Onet) and Chairman of the Board of Directors of Mellerio International.

As at 31 December 2011, he was the legal owner of 200 Hermès International shares, all registered.

His term of office as member of the Supervisory Board will expire at the end of the Annual General Meeting convened to approve the financial statements for 2013.

Mr Ernest-Antoine Seillière, a French citizen, age 75 in 2012, is not related to the Hermès family and is deemed to be an independent director based on the criteria adopted by the Company. He has been Vice-Chairman of the Supervisory Board since 2 June 2005 and a member of the Supervisory Board since 31 May 1995. He has also served as Chairman of the Compensation Committee (renamed "Compensation, Appointments and Governance Committee") since its inception on 26 January 2005.

He is a graduate of École Nationale d'Administration (ENA).

He was appointed Chairman of the Supervisory Board of Wendel on 31 May 2005.

As at 31 December 2011, he was the legal owner of 230 Hermès International shares, at least 200 of which are registered.

His term of office as Member of the Supervisory Board will expire at the end of the Annual General Meeting convened to approve the financial statements for 2012.

Mr Charles-Éric Bauer, a French citizen, age 48 in 2012, is a direct descendant of Mr Émile-Maurice Hermès. He has been a member of the Supervisory Board since 3 June 2008. Mr Bauer has also served as member of the Audit Committee since its inception on 26 January 2005.

He holds a degree in technical analysis from Institut des Techniques de Marchés. He is also a graduate of École d'Administration et Direction des Affaires (EAD) business school, option: finance.

He served as Co-Managing Director of and Head of Mutual Fund Management at CaixaGestion from 2000 to 2005, and as Director, Corporate and Institutional Clients, CaixaBank France, from 2005 to 2007.

Since March 2007, he has been Associate Director of Hem-Fi Conseil, a consulting firm active in the allocation and selection of financial assets.

As at 31 December 2011, he was the legal owner of 88,948 Hermès International shares, at least 200 of which are registered.

His term of office as member of the Supervisory Board will expire at the end of the Annual General Meeting convened to approve the financial statements for 2012.

Mr Matthieu Dumas, age 40 in 2012, is a direct descendant of Mr Émile-Maurice Hermès. He has been a member of the Supervisory Board and of the Compensation, Appointments and Governance Committee since 3 June 2008.
He holds a Master of Law degree from Université Paris II-Assas and a Master of Management degree majoring in strategic marketing, development and corporate communication from the Institut Supérieur de Gestion.
From 2001 to 2003, he served as Head of Promotion and Partnerships at Cuisine TV (Canal+ Group), then as Marketing and Business Development Director from 2003 to 2006. In 2008, he served as Head of Brands at 13e Rue, NBC Universal group. He is currently Deputy Chief Executive Officer for all PureScreens brands.
On 31 December 2011, he was the legal owner of 213 Hermès International shares, at least 200 of which are registered.
His term of office as Member of the Supervisory Board will expire at the end of the Annual General Meeting convened to approve the financial statements for 2011.

Miss Julie Guerrand, a French national, age 37 in 2012, is a direct descendant of Mr Émile-Maurice Hermès. She has been a member of the Supervisory Board since 2 June 2005. She also served as member of the Audit Committee from its inception on 26 January 2005 until 2 March 2011, when she withdrew from the Audit Committee to take the new position she now holds as a salaried employee of the Company (see below).
She holds a DEUG advanced degree in applied mathematics and the social sciences and a Master of Economics and Industrial Strategy from Université Paris IX-Dauphine. From 1998 until 2006, Miss Guerrand served first as Executive Assistant, then as Authorised Representative, Assistant Director and later Deputy Director of the Financial Affairs Department (mergers and acquisitions counsel) at the Rothschild & Cie investment bank. From 2007 until 2011, she was Director of Equity Investments at Paris Orléans, a holding company listed on Euronext and controlled by the Rothschild family. She was appointed Director of Corporate Development of Hermès International in March 2011.
As at 31 December 2011, she was the legal owner of 4,805 Hermès International shares, at least 200 of which are registered.
Her term of office as Member of the Supervisory Board will expire at the end of the Annual General Meeting convened to approve the financial statements for 2012.

Mr Olaf Guerrand, who will turn 48 in 2012, a French citizen and a direct descendant of Émile-Maurice Hermès, was co-opted as Supervisory Board member on 3 March 2011 to replace Mr Jérôme Guerrand, who resigned.
He holds a Master's degree in International and European Law, a Master of Corporate Law from Université Paris II-Panthéon-Assas and a Master of Comparative Law from NYU (New York University). Mr Guerrand is admitted to the New York Bar. He began his career with Proskauer Rosé, Sullivan & Cromwell and Nomura in New York. He is co-founder of the Santa Aguila Foundation and of Coastal Care, an association dedicated to the preservation of shorelines around the world.
He currently sits on the board of a number of companies in the United States and Canada.
On 31 December 2011, he was the legal owner of 201 Hermès International Share, at least 200 of which are in the process of being registered. His term of office as member of the Supervisory Board will expire at the end of the Annual General

Meeting convened to approve the financial statements for 2011.

Mr Renaud Momméja, who will be 50 in 2012, is a direct descendant of Mr Émile-Maurice Hermès. He has been a member of the Supervisory Board since 2 June 2005. He has also served as Audit Committee member since 3 June 2008.
He is a graduate of École Supérieure Libre des Sciences Commerciales Appliquées (ESLSCA).
He served as Marketing Director at Carat Local Agence Conseil Media, then as Director of Carat Sud-Ouest and lastly, as Associate Director of Marand Momméja Associés Marketing Consultants. He is currently Executive Manager of SARL Tolazi, a corporate organisation and strategy consulting firm.
As at 31 December 2011, he was the legal owner of 121,139 Hermès International shares, of which at least 200 are registered, and the beneficial owner of 12 shares.
His term of office as Supervisory Board member will expire at the end of the Annual General Meeting convened to approve the financial statements for 2013.

Mr Robert Peugeot, a French citizen, age 62 in 2012, is not related to the Hermès family and is deemed to be an independent director based on the criteria adopted by the Company. He has been a member of the Supervisory Board of Hermès International since 24 January 2007. Since 3 June 2008, he has also served on the Audit Committee and on the Compensation, Appointments and Governance Committee.
After his studies at the École centrale de Paris and the INSEAD, Robert Peugeot held various positions of responsibility within the PSA Peugeot Citroën group and was a member of the group's executive committee between 1998 and 2007, in charge of the innovation and quality functions. He has been a member of the Peugeot PLC supervisory board since February 2007, he is a member of the financial committee and has chaired the strategic committee since December 2009. He is also a member of the appointments and governance committee. He has directed the development of FFP since late 2002.
As at 31 December 2011, he was the legal owner of 200 Hermès International shares, all of which are registered.
His term of office as member of the Supervisory Board will expire at the end of the Annual General Meeting convened to approve the financial statements for 2011.

Mrs Florence Woerth, a French citizen who will be 56 in 2012, is not related to the Hermès family and is an independent director based on the criteria applied by the Company. She has been a member of the Supervisory Board since 7 June 2010. She has also been a member of the Audit Committee since 7 June 2010.
She holds degrees from Société française des analystes financiers (SFAF) and École des Hautes Études Commerciales (HEC). From February 2006 until October 2007, Mrs Woerth was Senior Private Banker for development and management of high net worth accounts, in charge of wealth management at La Compagnie 1818, the private banking arm of Groupe Caisse d'Épargne. She also served as Portfolio and Wealth Management Director and Manager, then as Executive Manager in charge of advertising and marketing for the private bank, Head of Business Development for very high net worth customers, and member of the Private Banking Executive Committee at Rothschild & Cie Gestion.

From November 2007 until June 2010, she was Head of Investments and Research in charge of financial asset management at Clymène.
Since December 2010, Mrs Woerth has been a financial investment consultant.
As at 31 December 2011, she was the legal owner of 200 Hermès International shares, all of which are registered.
Her term of office as member of the Supervisory Board will expire at the end of the Annual General Meeting convened to approve the financial statements for 2012.

OFFICES AND POSITIONS HELD BY THE CORPORATE EXECUTIVE OFFICERS AND SUPERVISORY BOARD MEMBERS AT ANY TIME DURING THE PAST FIVE YEARS

The list of offices and positions held by the corporate executive officers and Supervisory Board members at any time during the past five years appears on pages 63 to 72.

STATEMENTS BY CORPORATE EXECUTIVE OFFICERS AND SUPERVISORY BOARD MEMBERS

According to the statements made to the Company by the corporate executive officers and Supervisory Board members:
– no corporate executive officer or Supervisory Board member has been convicted of fraud within the last five years;
– no corporate executive officer or Supervisory Board member has been involved in any bankruptcy, sequestration or liquidation within the last five years in his or her capacity as a member of an administrative, management or supervisory body or as a senior executive;
– no corporate executive officer or Supervisory Board member has been barred by a court from acting as a member of an administrative, management or supervisory body of a listed company or from participating in the management or in conducting the business of a listed company over the past five years;
– no corporate executive officer or Supervisory Board member has been the subject of any official public accusation or penalty issued by the statutory or regulatory authorities (including designated professional bodies).

CONFLICTS OF INTEREST

Each year since 2010, the Company has been sending out a very detailed questionnaire to all Supervisory Board members, asking them to indicate any potential conflicts of interest that may exist due to their office as member of the Supervisory Board of Hermès International.
This questionnaire covers all possible situations, with specific examples, and asks the Board members to report all situations that could present a potential conflict of interest.
The Compensation, Appointments and Governance Committee analysed each of these situations and found that none of them constituted a conflict of interest as such for the relevant parties.

TRANSACTIONS IN HERMÈS INTERNATIONAL SHARES HELD BY SENIOR EXECUTIVES AND IMMEDIATE FAMILY MEMBERS

In accordance with Article L 621-18-2 of the *Code Monétaire et Financier* and Article 223-22 of the AMF General Regulation, we hereby report to you transactions in the Company's shares effected by the Company's senior executives and their immediate family members during the past year.

Declaration N°	Transaction date	Name and office held	Description of transaction	Type of instrument	Unit price	Transaction amount
211D2584	31 May 2011	Pierre-Alexis Dumas, Executive Committee Member	Other operation types (contributions of shares)	Shares	€130	€42,200,000
211D2585	31 May 2011	SC TEMPIO, a legal entity related to Pierre-Alexis Dumas, Executive Committee Member	Other operation types (beneficiary of a contribution of shares)	Shares	€130	€42,200,000
211D2586	31 May 2011	Sandrine Brekke, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Other operation types (contributions of shares)	Shares	€130	€42,200,000
211D2587	31 May 2011	SC FOR 4, a legal entity related to Sandrine Brekke, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Other operation types (beneficiary of a contribution of shares)	Shares	€130	€42,200,000
211D2588	31 May 2011	SC AFEA, a legal entity related to Pierre-Alexis Dumas, Executive Committee Member, and to Sandrine Brekke, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Other operation types (beneficiary of a contribution of shares)	Shares	€130	€39,000,000
211D2589	31 May 2011	Sandrine Brekke, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Other operation types (contributions of shares)	Shares	€130	€19,500,000
211D2590	31 May 2011	Pierre-Alexis Dumas, Executive Committee Member	Other operation types (contributions of shares)	Shares	€130	€19,500,000
211D2591	1er June 2011	SC TEMPIO, a legal entity related to Pierre-Alexis Dumas, Executive Committee Member	Exchange	Shares	€130	€39,950,080
211D2592	1er June 2011	SC FOR 4, a legal entity related to Sandrine Brekke, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Exchange	Shares	€130	€39,950,080
211D2593	1er June 2011	SC AFEA, a legal entity related to Pierre-Alexis Dumas, Executive Committee Member, and to Sandrine Brekke, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Exchange	Shares	€130	€39,950,080
211D2594	2 June 2011	SAS FLÈCHES, a legal entity related to Frédéric Dumas, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Purchase	Shares	€130	€72,378,670
211D2595	2 June 2011	SC TEMPIO, a legal entity related to Pierre-Alexis Dumas, Executive Committee Member	Sale	Shares	€130	€5,054,400
211D2615	2 June 2011	SC FOR 4, a legal entity related to Sandrine Brekke, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Sale	Shares	€130	€5,054,400
211D3572	21 July 2011	Patrick Thomas, Executive Manager	Exercise of stock options	Shares	€44.43	€222,150
211D3573	21 July 2011	Natural person linked to Patrick Thomas, Executive Manager	Other operation types (donation)	Shares	€228.45	€1,142,250
211D3574	21 July 2011	Patrick Thomas, Executive Manager	Other operation types (donation)	Shares	€228.45	€1,142,250
211D5288	25 October 2011	SDH SAS, a legal entity related to Guillaume de Seynes, Executive Committee Member, and to Éric de Seynes, Chairman of the Supervisory Board	Other operation types (dividend distribution in kind consisting of Hermès International shares)	Shares	€130	€12,446,980
211D5289	25 October 2011	GUISE SAS, a legal entity related to Guillaume de Seynes, Executive Committee Member	Other operation types (dividend distribution in kind consisting of Hermès International shares)	Shares	€130	€1,629,810

Declaration N°	Transaction date	Name and office held	Description of transaction	Type of instrument	Unit price	Transaction amount
211D5290	25 October 2011	SFERIC SAS, a legal entity related to Éric de Seynes, Chairman of the Supervisory Board	Other operation types (dividend distribution in kind consisting of Hermès International shares)	Shares	€130	€1,629,810
211D5297	25 October 2011	POLLUX SAS, a legal entity related to Laurent E. Momméja and to Henri-Louis Bauer, members of the Management Board of Émile Hermès SARL, to Renaud Momméja and to Charles-Éric Bauer, Supervisory Board members	Purchase	Shares	€130	€9,854,260
211D5293	27 October 2011	Natural person linked to Pierre-Alexis Dumas, Executive Committee Member	Sale	Shares	€130	€672,750
211D5294	27 October 2011	LUSICA SC, a legal entity related to Pierre-Alexis Dumas, Executive Committee Member	Purchase	Shares	€130	€672,750
211D5295	27 October 2011	Natural person linked to Pierre-Alexis Dumas, Executive Committee Member	Other operation types (contributors of shares to a company)	Shares	€130	€1,950,000
211D5296	27 October 2011	LUSICA SC, a legal entity related to Pierre-Alexis Dumas, Executive Committee Member	Other operation types (beneficiary of a contribution of shares to the company)	Shares	€130	€1,950,000
211D5291	28 October 2011	Éric de Seynes, Chairman of the Supervisory Board	Purchase	Shares	€130	€26,000
211D5292	28 October 2011	SFERIC SAS, a legal entity related to Éric de Seynes, Chairman of the Supervisory Board	Sale	Shares	€130	€26,000
211D5457	7 November 2011	Patrick Thomas, Executive Manager	Exercise of stock options	Shares	€44.43	€1,110,750
211D5571	14 November 2011	Sandrine Brekke, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Other operation types (contributor of shares to a company)	Shares	€130	€158,089,230
211D5572	14 November 2011	Pierre-Alexis Dumas, Executive Committee Member	Other operation types (contributor of shares to a company)	Shares	€130	€158,089,230
211D5573	14 November 2011	AFEA SC, a legal entity related to Pierre-Alexis Dumas, Executive Committee Member, and to Sandrine Brekke, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Other operation types (beneficiary of a contribution of shares to the company)	Shares	€130	€316,178,460
211D5574	14 November 2011	Agnès Harth, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Other operation types (contributor of shares to a company)	Shares	€130	€103,796,160
211D5575	14 November 2011	SIRANO SC, a legal entity related to Agnès Harth, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Other operation types (beneficiary of a contribution of shares to the company)	Shares	€130	€103,796,160
211D5576	16 November 2011	FALAISES SAS, a legal entity related to Philippe Dumas, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Purchase	Shares	€130	€14,157,000
211D5577	16 November 2011	VIA RELAGIA SC, a legal entity related to Philippe Dumas, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Sale	Shares	€130	€14,157,000
211D5578	16 November 2011	VIA RELAGIA SC, a legal entity related to Philippe Dumas, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Purchase	Shares	€130	€14,157,000
211D5579	16 November 2011	AFEA SC, a legal entity related to Pierre-Alexis Dumas, Executive Committee Member, and to Sandrine Brekke, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Sale	Shares	€130	€14,157,000

Declaration N°	Transaction date	Name and office held	Description of transaction	Type of instrument	Unit price	Transaction amount
211D5982	9 December 2011	Sandrine Brekke, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Sale	Shares	€130	€2,622,750
211D5983	9 December 2011	The company FOR 4, a legal entity related to Sandrine Brekke, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Purchase	Shares	€130	€2,622,750
211D5984	9 December 2011	LUSICA , a legal entity related to Pierre-Alexis Dumas, Executive Committee Member	Sale	Shares	€130	€2,622,750
211D5985	9 December 2011	The company TEMPIO, a legal entity related to Pierre- Alexis Dumas, Executive Committee Member	Other operation types (contribution)	Shares	€130	€2,622,750
211D5953	12 December 2011	The company AFEA , a legal entity related to Pierre-Alexis Dumas, Executive Committee Member, and to Sandrine Brekke, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Other operation types (contribution)	Shares	€130	€131,888,250
211D5954	12 December 2011	The company JAKY VAL, a legal entity related to Édouard Guerrand, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager and to Julie Guerrand, Supervisory Board member	Other operation types (contribution)	Shares	€130	€586,554,930
211D5955	12 December 2011	The company LOR, a legal entity related to Laurent Momméja, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager, and to Renaud Momméja, Supervisory Board member	Other operation types (contribution)	Shares	€130	€90,998,700
211D5956	12 December 2011	The company ALTIZO, a legal entity related to Renaud Momméja, Supervisory Board member	Other operation types (contribution)	Shares	€130	€2,367,300
211D5957	12 December 2011	The company CLOVIS, a legal entity related to Laurent E. Momméja, members of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Other operation types (contribution)	Shares	€130	€782,730
211D5958	12 December 2011	The company SABAROTS, a legal entity related to Henri-Louis Bauer, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager, and to Charles-Éric Bauer, Supervisory Board member	Other operation types (contribution)	Shares	€130	€69,418,830
211D5959	12 December 2011	The company AUCLERIS, a legal entity related to Henri-Louis Bauer, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Other operation types (contribution)	Shares	€130	€1,051,830
211D5960	12 December 2011	The company ALMAREEN, a legal entity related to Charles-Éric Bauer, Supervisory Board member	Other operation types (contribution)	Shares	€130	€1,051,830
211D5961	12 December 2011	The company CINTAPHEE, a legal entity related to Agnès Harth, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Other operation types (contribution)	Shares	€130	€70,198,440
211D5962	12 December 2011	The company SIRANO, a legal entity related to Agnès Harth, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Other operation types (contribution)	Shares	€130	€217,378,200
211D5963	12 December 2011	The company Émile Hermès SARL, Active Partner and Executive Manager	Other operation types (contribution)	Shares	€130	€16,639,740
211D5964	12 December 2011	The company H51, a legal entity related to Bertrand Puech, Executive Manager and Chairman of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Other operation types (contribution)	Shares	€130	€1,309,210,500
211D5986	12 December 2011	Agnès Harth, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Other operation types (contribution)	Shares	€130	€26,203,710

Declaration N°	Transaction date	Name and office held	Description of transaction	Type of instrument	Unit price	Transaction amount
211D5987	12 December 2011	The company SIRANO, a legal entity related to Agnès Harth, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Other operation types (contribution)	Shares	€130	€26,203,710
211D5965	13 December 2011	The company AFEA, a legal entity related to Pierre-Alexis Dumas, Executive Committee Member, and to Sandrine Brekke, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Sale	Shares	€130	€169,077,870
211D5966	13 December 2011	The company TEMPIO, a legal entity related to Pierre- Alexis Dumas, Executive Committee Member	Sale	Shares	€130	€2,819,310
211D5967	13 December 2011	The company FOR 4, a legal entity related to Sandrine Brekke, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Sale	Shares	€130	€2,819,310
211D5968	13 December 2011	The company SIRANO, a legal entity related to Agnès Harth, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Sale	Shares	€130	€23,964,720
211D5970	13 December 2011	The company H51, a legal entity related to Bertrand Puech, Executive Manager and Chairman of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Sale	Shares	€130	€339,438,060
211D5971	13 December 2011	Pierre Alexis Dumas, Executive Committee Member	Other operation types (contribution)	Shares	€130	€64,999,090
211D5972	13 December 2011	Sandrine Brekke, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Other operation types (contribution)	Shares	€130	€64,999,090
211D5973	13 December 2011	Pascale Mussard, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Other operation types (contribution)	Shares	€130	€44,605,860
211D5974	13 December 2011	Hubert Guerrand, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Other operation types (contribution)	Shares	€130	€157,050,010
211D5975	13 December 2011	Julie Guerrand, Supervisory Board member	Other operation types (contribution)	Shares	€130	€1,208,350
211D5976	13 December 2011	Bertrand Puech, Executive Manager and Chairman of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Other operation types (contribution)	Shares	€130	€15,896,140
211D5977	13 December 2011	Laurent E. Momméja, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Other operation types (contribution)	Shares	€130	€6,812,390
211D5978	13 December 2011	Renaud Momméja, Supervisory Board member	Other operation types (contribution)	Shares	€130	€8,527,740
211D5979	13 December 2011	Agnès Harth, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Other operation types (contribution)	Shares	€130	€258,046,100
211D5980	13 December 2011	The company H51, a legal entity related to Bertrand Puech, Executive Manager and Chairman of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Other operation types (contribution)	Shares	€130	€840,884,850
211D5981	13 December 2011	The company AFEA, a legal entity related to Pierre-Alexis Dumas, Executive Committee Member, and to Sandrine Brekke, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Sale	Shares	€130	€1,106,430

No other corporate executive officer (Executive Chairman or Supervisory Board member) of Hermès International reported any trades in Hermès International shares in 2011.

No other member of senior management (Executive Committee member) of Hermès International reported any trades in Hermès International shares in 2011.

Neither did the Company receive any other reports of such trades from any of their immediate family members.

OWNERSHIP INTERESTS OF CORPORATE EXECUTIVE OFFICERS, SENIOR EXECUTIVES AND SUPERVISORY BOARD MEMBERS IN THE COMPANY

As of 31 December 2011, the corporate executive officers, senior executives and Supervisory Board members' interests in the Company's share capital, as reported to the Company, were as follows:

	Shares held by legal owners and beneficial owners[1] (OGM called to vote on appropriation of earnings)				Shares held by legal owners and reversionary owners[1] (votes at other general meetings)			
	Number of shares	%	Number of vote	%	Number of shares	%	Number of vote	%
Share capital as at 31/12/2011	**105,569,412**	**100.00%**	**143,656,896**	**100.00 %**	**105,569,412**	**100.00 %**	**143,656,896**	**100.00%**
Executive Chairmen								
Émile Hermès SARL	2	0.00%	4	0.00%	2	0.00%	4	0.00%
Patrick Thomas	28,528	0.03%	28,531	0.02%	28,528	0.03%	28,531	0.02%
Supervisory Board members								
Éric de Seynes	203	0.00%	206	0.00%	203	0.00%	206	0.00%
Charles-Éric Bauer	88,948	0.08%	177,878	0.12%	88,948	0.08%	177,878	0.12%
Matthieu Dumas	213	0.00%	216	0.00%	213	0.00%	216	0.00%
Julie Guerrand	4,805	0.00%	9,610	0.01%	4,805	0.00%	9,610	0.01%
Olaf Guerrand [2]	201	0.00%	201	0.00%	201	0.00%	201	0.00%
Maurice de Kervénoaël	200	0.00%	200	0.00%	200	0.00%	200	0.00%
Renaud Momméja	121,139	0.11%	239,143	0.17%	121,151	0.11%	239,167	0.17%
Robert Peugeot	200	0.00%	210	0.00%	200	0.00%	210	0.00%
Ernest-Antoine Seillière	230	0.00%	260	0.00%	230	0.00%	260	0.00%
Florence Woerth	200	0.00%	200	0.00%	200	0.00%	200	0.00%
Executive Committee (excluding Executive Chairmen and Supervisory Board members)								
Patrick Albaladejo	25	0.00%	25	0.00%	25	0.00%	25	0.00%
Axel Dumas [3]	28	0.00%	31	0.00%	28	0.00%	31	0.00%
Pierre-Alexis Dumas	416,309	0.39%	718,618	0.50%	416,309	0.39%	718,618	0.50%
Beatriz González-Cristóbal Poyó	25	0.00%	25	0.00%	25	0.00%	25	0.00%
Mireille Maury	25	0.00%	25	0.00%	25	0.00%	25	0.00%
Guillaume de Seynes	225	0.00%	225	0.00%	225	0.00%	225	0.00%

OGM: ordinary general meeting.

(1) The method of reporting and allocating voting rights is described on page 76.

(2) Supervisory Board member since 3 March 2011.

(3) Executive Committee member since 2 May 2011.

COMPENSATION AND BENEFITS PAID TO CORPORATE EXECUTIVE OFFICERS

The tables cited and presented on pages 56 to 62 have been numbered by reference to the AMF's recommendation of 22 December 2008 on information on executive compensation to be disclosed in shelf-registration documents, except Tables 11 and 12, which were numbered by the Company.
The Executive Chairmen, the Active Partner and the members of the Supervisory Board are shareholders and as such, they received a dividend of €1.50 per share in 2011.

Executive Chairmen

• Compensation and benefits in kind
Each Executive Chairman has the right to receive certain compensation under Article 17 of the articles of association, and may also receive additional compensation, the maximum amount of which is determined by the Ordinary General Meeting with the unanimous approval of the Active Partners.
The gross annual remuneration of each Executive Chairman for a given year, as authorised by the articles of association, shall not be more than 0.20% of the Company's consolidated income before tax for the previous financial year.
Within the ceiling set forth herein, which amounts to €1,305,162 for 2011, the Management Board of the Active Partner Émile Hermès SARL determines the effective amount of the annual compensation pursuant to the articles of association payable to each Executive Chairman. The Ordinary General Meeting of 31 May 2001 decided to allocate to each Executive Chairman gross annual compensation in addition to their compensation pursuant to the articles of association, subject to a ceiling of €457,347.05. This ceiling is indexed each year, but it can only be adjusted upwards. Since 1 January 2002, this amount has been indexed to growth in the Company's consolidated revenue for the previous financial year at constant exchange rates and on the same scope of consolidation, by comparison with revenue for the next to last financial year. Within the limits of the ceiling defined above, which for 2011 was €1,085,783, the Management Board of Émile Hermès SARL, Active Partner, sets the effective amount of the annual additional compensation payable to each Executive Chairman.
Both the compensation provided by the articles of association and the additional compensation are in the nature of "variable" salaries, since the calculation methods provided merely constitute ceilings subject to which the Active Partner is free to set the actual compensation of the Executive Chairmen as it sees fit. Thus, Executive Chairmen are not guaranteed any minimum compensation.
In order to make it easier to understand the manner of calculation of the compensation of the Executive Chairmen, the Company has always described their additional compensation, before indexation, as "fixed compensation", by analogy with market practices.
Mr Patrick Thomas formally requested that, for 2011, his own compensation increase should be limited to 5%, which is accepted by the Management Board.
In 2011, each Executive Manager will effectively receive:
1) individual gross annual statutory compensation of:
– €1,305,162 for the company Émile Hermès SARL, *i.e.* the maximum,
– €931,705 for Mr Patrick Thomas in order to account for an increase capped at 5% relative to the compensation received in 2010;

2) individual gross annual supplementary compensation of:
– €1,085,783 or the maximum, for the company Émile Hermès SARL;
– €870,719 for Mr Patrick Thomas in order to account for an increase capped at 5% relative to the compensation received in 2010.

Furthermore, Patrick Thomas expressly requested that the increase in his own compensation for 2012 be capped at 9.85%, which was accepted by the Management Board. In 2012, each Executive Manager will effectively receive:

1) gross annual compensation as authorised by the articles of association of:
– €1,786,336, or the maximum, to Émile Hermès SARL;
– €1,023,480 to Patrick Thomas, including an increase capped at 9.85% over the amount of compensation received in 2011;

2) gross annual additional individual compensation of:
– €1,284,559, or the maximum, to Émile Hermès SARL;
– €956,520 for Patrick Thomas, including an increase capped at 9.85% over compensation received in 2011.

A breakdown of effective compensation paid to the Executive Chairmen set by the Management Board of Émile Hermès SARL for the last two years is provided in Table 2 on page 56. Each year, the Compensation, Appointments and Governance Committee of the Supervisory Board of Hermès International is responsible for ascertaining that compensation paid to the Executive Chairmen complies with the provisions of the articles of association and the decisions made by the Active Partner.

Mr Patrick Thomas has the use of a company car. This is the only benefit in kind that he receives.

Mr Bertrand Puech does not personally receive any compensation from Hermès International.

• Pension plan

Mr Patrick Thomas is eligible for the top-up pension scheme for senior management that was instituted in 1991. Under this scheme, an annual pension is paid which is calculated on the basis of years of service and annual compensation. The payments amount to a percentage of compensation for each year of service.

Mr Thomas is also eligible for the supplemental defined-contribution pension plan established for all employees of the Group's French companies. The maximum annual payments, including those received under mandatory and supplementary pension plans, may not in any event exceed 70% of annual compensation (compensation pursuant to the articles of association and additional compensation) for the last year of service. The base period used to calculate the benefits is three years. The beneficiary is also eligible for a reversion scheme, under which the surviving spouse receives 60% of annual compensation.

The total amount accrued to reserves for this purpose is shown in Note 29 of the Consolidated Financial Statements on page 186.

As a fundamental condition of the pension regulations, in order to be eligible for the scheme, beneficiaries must have reached the end of their professional career with the Company and be eligible to draw pension benefits under the basic state Social Security regime.

• Deferred compensation obligations

The Company has agreed to pay Mr Patrick Thomas an amount equal to 24 months' compensation (sum of remuneration as authorised by the articles of association and supplemental compensation) in the event that his appointment as Executive Chairman is terminated (decision of the Supervisory Board on 19 March 2008, approved by the Combined General Meeting on 3 June 2008).

To ensure that the conditions of Mr Thomas' departure are in line with the Company's situation, this commitment is contingent on Mr Thomas achieving budget targets in at least four out of the five previous years (with revenue and operating profit growth measured at constant rates), without deterioration in the Hermès brand and corporate image.

On 18 March 2009, the Supervisory Board decided that the payment of this amount would be subject to the termination of Mr Thomas' appointment as Executive Chairman resulting:

– either from a decision of the Executive Chairman by reason of a change of control over the Company, a change in the Executive Manager of Émile Hermès SARL, which is an Executive Chairman of the Company, or a change in the Company's strategy; or

– from a decision taken by the Company.

Furthermore, the amount of this payment will automatically be charged, *ipso jure*, against the amount of any other compensation, particularly of a contractual nature, that may be due to Mr Patrick Thomas in respect of the termination of his employment agreement, which is suspended at this time. For the record, Mr Patrick Thomas was hired as an employee in August 2003, with reinstatement of his years of service with the Group in respect of the positions he held therein from 1 April 1989 to 31 March 1997. This employment agreement was suspended when Mr Patrick Thomas was appointed to the position of Executive Chairman, on the understanding that it would automatically be reinstated upon the termination of his appointment as Executive Chairman.

Mr Patrick Thomas is not covered by any commitment to deferred compensation in consideration of a non-competition undertaking.

• Options to subscribe for and/or to purchase shares - Bonus share distributions

This paragraph only concerns Mr Patrick Thomas, a natural person, in his capacity as Executive Chairman. No options to subscribe for or to purchase shares were granted to Mr Patrick Thomas in 2011.

As at 31 December 2011, he did not hold any options to subscribe for Hermès International shares and held 11,000 options to purchase Hermès International shares.

Mr Patrick Thomas did not exercise any subscription options in 2011.

In 2011, he exercised 30,000 stock options for Hermès International shares under the conditions of the Management decision of 15 December 2004, shown on page 60.

Pursuant to Article L225-185, paragraph 4 of the *Code de Commerce*, at its meeting on 23 January 2008, the Supervisory Board decided that Mr Patrick Thomas could sell no more than 50% of shares in the Company obtained from the exercise of stock options before the end of his term of office as Executive Chairman. The Supervisory Board confirmed this restriction at its meeting on 20 January 2010. No bonus shares or performance shares were granted to Mr Patrick Thomas in 2011.

Mr Patrick Thomas received 25 bonus shares of Hermès International in 2007 pursuant to the Executive Management's decision of 30 November 2007 as detailed in Volume 2, page 21 of the 2007 Annual Report.

This allotment, which was granted to all employees, was not subject to any performance criteria.

The transfer (definitive acquisition) of the 25 allotted shares occurred on 2 December 2011.
Mr Patrick Thomas has formally committed not to use hedge instruments relative to the subscription options, stock options or performance shares (free shares) that have been allotted to him or that will be allotted to him by the Company within the framework of his duties and as long as he continues to hold a corporate office as a director within the Company.

Active Partner

Under the terms of Article L 26 of the articles of association, the Company pays 0.67% of the distributable profits to the Active Partners. The amounts paid in respect of the last two fiscal years are shown in the table below.

Compensation of the Active Partner	Distribution of the profits paid with regard to the previous fiscal year	
	2011	2010
Émile Hermès SARL	€2,179,153.62	€1,629,504.57

Supervisory Board, Audit Committee and Compensation, Appointments and Governance Committee

• Compensation
Supervisory Board members receive directors' fees and compensation in a total amount that is approved by the shareholders at the General Meeting and that is apportioned by the Supervisory Board.
Compensation paid to members of the Audit Committee and of the Compensation, Appointments and Governance Committee is deducted from the total amount of directors' fees.
Since 2008, the rules for the allotment of directors' fees include a variable component based on attendance at meetings.
The Supervisory Board decided to maintain the following principles for the distribution of directors' fees and compensation in respect of 2011:
– €100,000 for the fixed component of the Supervisory Board Chairman's compensation, with no variable component since he is required to chair all meetings;
– €15,000 for the fixed component and €1,000 for the variable component per meeting, up to a maximum of five meetings per year, for each Vice-Chairman of the Supervisory Board;
– €15,000 for the fixed component and €1,000 for the variable component per meeting, up to a maximum of five meetings per year, for other Supervisory Board members;
– €20,000 for the fixed component and no variable component for the Chairmen of the Audit Committee and the Compensation, Appointments and Governance Committee;
– €10,000 for the fixed component and no variable component for the other members of the Audit Committee and of the Compensation, Appointments and Governance Committee;
– if a member is appointed during the year, the outgoing member and his successor will share the fixed component and the variable component will be allotted based on their attendance at meetings;
– members of Hermès International's Executive Committee do not receive any directors' fees.
The total amount of directors' fees and compensation paid to the Supervisory Board members was set at €400,000 by the Ordinary General Meeting of 7 June 2010, relative to each fiscal year beginning as of 1 January 2010 and until the adoption of a decision to the contrary.
On 25 January 2012, the Supervisory Board apportioned the total annual amount of directors' fees and compensation approved by the General

Meeting based on the rules set out above and paid out an amount of €387,000.

Table3 on page 57 et 58 shows compensation and benefits of all kinds due and/or paid to the corporate executive officers in respect of their office by Hermès International and the companies under its control.

The members of the Supervisory Board of a *société en commandite par actions* may be bound to the Company by an employment agreement with no condition other than that resulting from the existence of a relationship of subordination with the Company and the recognition of effective employment.

Since 7 March 2011, in her position as Director of Corporate Development, Miss Julie Guerrand has been covered by an employment agreement and in this respect, she receives compensation that is not tied to the corporate office she holds in the Company.

• Options to subscribe for and/or to purchase shares – Bonus share distributions

No options to subscribe for or to purchase shares were allotted to Supervisory Board members during 2011, nor were any such options exercised by those persons.

No bonus shares were granted to any Supervisory Board members during 2011.

OPTIONS TO SUBSCRIBE FOR SHARES AS AT 31 DECEMBER 2011

All share subscription option plans lapsed in 2009.

OPTIONS TO PURCHASE SHARES AS AT 31 DECEMBER 2011

The Executive Management was authorised to grant options to purchase shares to certain employees and corporate officers of Hermès International and of affiliated companies by the Extraordinary General Meetings of 3 June 2003, 6 June 2006, 2 June 2009 and 30 May 2011.

These grants of authority were not used in 2011.

After the three-for-one stock split on 10 June 2006, by a decision of 12 June 2006, the Executive Management made the following adjustments for plans remaining in effect as of that date:

– the number of shares to which all outstanding share purchase options entitle the holders was tripled;

– the exercise price of all outstanding stock options was divided by three.

Information on the terms and conditions applying to stock option plans that remained in effect at 1 January 2011 and reflecting these adjustments is shown in Table 8 on pages 59 and 60. Table 9 on page 61 shows the number of options to purchase shares granted to the ten non-executive employees who received the largest number of options and options exercised by such employees.

BONUS SHARE DISTRIBUTIONS AS AT 31 DECEMBER 2011

In accordance with Article L 225-197-4 of the *Code de Commerce*, we hereby report to you on bonus shares granted during 2011.

The Executive Management has been authorised to allot bonus shares, on one or more occasions, to some or all employees and/or senior executives of the Company or companies affiliated therewith,

by granting existing shares in the Company for no consideration:
– by the Extraordinary General Meeting of 6 June 2006 (tenth resolution);
– by the Extraordinary General Meeting of 5 June 2007 (fifteenth resolution);
– by the Extraordinary General Meeting of 2 June 2009 (fifteenth resolution).
– by the Extraordinary General Meeting of 30 May 2011 (twentieth resolution).

The total number of shares allotted for no consideration relative to each of these authorisations and the total number of share purchase options that were allotted and not yet exercised is capped at 2% of the number of shares in the Company as of the allotment date, without considering the ones already allotted pursuant to previous authorisations.

When it granted the above authority, the General Meeting of 6 June 2006 resolved that the beneficiaries' entitlement to these shares would be fully vested only after a vesting period of at least two years from the date on which the rights are granted by the Executive Management and that the shares would be subject to a minimum two-year holding period as from the end of the vesting period.

The General Meetings of 5 June 2007, 2 June 2009 and 30 May 2011 approved the same conditions for beneficiaries who are employees of French subsidiaries; the Executive Management is authorised to waive the vesting period for employees of foreign subsidiaries providing that the holding period is at least four years.

No usage of these delegations was made in 2011.

Information on the terms and conditions applying to bonus share plans appears in Table 11 on page 62.

Information on bonus shares granted to the ten non-executive employees who received the largest number of shares appears in Table 12 on page 62.

Bonus share distributions do not dilute the share capital because they consist exclusively of existing shares in the Company.

TABLES PREPARED IN ACCORDANCE WITH THE AMF RECOMMENDATION OF 22 DECEMBER 2008 PERTAINING TO INFORMATION ON EXECUTIVE COMPENSATION TO BE DISCLOSED IN SHELF-REGISTRATION DOCUMENTS

Table 1

Summary of compensation, stock options and shares granted to each Executive Chairman	2011	2010
Patrick Thomas		
Compensation due in respect of the year (detailed in Table 2)	€1,802,424	€1,716,594
Value of stock options granted during the year (detailed in Table 4)	n/a	n/a
Value of performance shares granted during the year (detailed in Table 6)	n/a	n/a
Total	**€1,802,424**	**€1,716,594**
Émile Hermès SARL		
Compensation due in respect of the year (detailed in Table 2)	€2,390,945	€1,716,594
Value of stock options granted during the year (detailed in Table 4)	n/a	n/a
Value of performance shares granted during the year (detailed in Table 6)	n/a	n/a
Total	**€2,390,945**	**€1,716,594**

n/a : not applicable.

Table 2

Gross annual compensation of the Executive Chairmen	2011			2010		
	Ceilings approved by the Articles of Association or by the General Meeting	Amounts due (or granted) by the Management Board (1)	Amounts paid	Ceilings approved by the Articles of Association or by the General Meeting	Amounts due (or granted) by the Management Board (1)	Amounts paid
Patrick Thomas						
Variable compensation under the articles of association	€1,305,162	€931,705	€931,705	€887,338	€887,338	€887,338
Additional remuneration	€1,085,783	€870,719	€870,719	€913,380	€829,256	€829,256
Fixed component	*€913,380*	*€732,464*	*€732,464*	*€877,037*	*€796,260*	*€796,260*
Percentage indexed to revenue growth	*€172,403*	*€138,255*	*€138,255*	*€36,343*	*€32,996*	*€32,996*
Exceptional compensation	–	–	–	–	–	–
Directors' fees	n/a	n/a	n/a	n/a	n/a	n/a
Benefits in kind	n/a	n/a	€3,864	n/a	n/a	€3,904
Émile Hermès SARL						
Variable compensation under the articles of association	€1,305,162	€1,305,162	€1,305,162	€887,338	€887,338	€887,338
Additional remuneration	€1,085,783	€1,085,783	€1,085,783	€913,380	€829,256	€829,256
Fixed component	*€913,380*	*€913,380*	*€913,380*	*€877,037*	*€796,260*	*€796,260*
Percentage indexed to revenue growth	*€172,403*	*€172,403*	*€172,403*	*€36,343*	*€32,996*	*€32,996*
Exceptional compensation	–	–	–	–	–	–
Directors' fees	n/a	n/a	n/a	n/a	n/a	n/a
Benefits in kind	n/a	n/a	n/a	n/a	n/a	n/a

(1) Management Board decision of 3 March 2011.
(2) Management Board decision of 23 March 2010.
n/a : not applicable.

Table 3

Directors' fees and other compensation received by Hermès International Supervisory Board members **Directors' fees received by non-executive corporate executive officers in companies controlled by Hermès International**	Amounts paid in 2012 in respect of 2011	Amounts paid in 2011 in respect of 2010
Total amount of directors' fees and compensation approved by the shareholders of Hermès International	€400,000	€400,000
Total amount of directors' fees and compensation actually paid by Hermès International	€387,000	€367,000
Éric de Seynes		
Compensation as Chairman of the Supervisory Board	€75,000 (1)	n/a
Directors' fees - Hermès International		
– fixed component	*€7,500*	*€7,500*
– variable component based on attendance	*€2,000*	*€3,000*
Directors' fees - Hermès Sellier	€12,000	€12,000
Jérôme Guerrand		
Compensation as Chairman of the Supervisory Board	€25,000 (2)	€100,000
Directors' fees - Hermès International	–	–
Directors' fees - Comptoir Nouveau de la Parfumerie	€10,000	€9,000
Maurice de Kervénoaël		
Compensation as Audit Committee Chairman	€20,000	€20,000
Directors' fees - Hermès International		
– fixed component	*€15,000*	*€15,000*
– variable component based on attendance	*€5,000*	*€5,000*
Directors' fees - Comptoir Nouveau de la Parfumerie	€10,000	€9,000
Ernest-Antoine Seillière		
Compensation as Chairman of the Compensation, Appointments and Governance Committee	€20,000	€20,000
Directors' fees - Hermès International		
– fixed component	*€15,000*	*€15,000*
– variable component based on attendance	*€5,000*	*€5,000*
Charles-Éric Bauer		
Compensation as Audit Committee Member	€10,000	€10,000
Directors' fees - Hermès International		
– fixed component	*€15,000*	*€15,000*
– variable component based on attendance	*€5,000*	*€5,000*
Matthieu Dumas		
Compensation as member of the Compensation, Appointments and Governance Committee	€10,000	€10,000
Directors' fees - Hermès International		
– fixed component	*€15,000*	*€15,000*
– variable component based on attendance	*€5,000*	*€5,000*
Julie Guerrand		
Compensation as Audit Committee Member	€5,000 (3)	€10,000
Directors' fees - Hermès International		
– fixed component	*€15,000*	*€15,000*
– variable component based on attendance	*€5,000*	*€5,000*

(1) Appointment on 3 March 2011.
(2) Resignation on 3 March 2011.
(3) Resignation on 2 March 2011.

Table 3 (continuation)

Directors' fees and other compensation received by Hermès International Supervisory Board members **Directors' fees received by non-executive corporate executive officers in companies controlled by Hermès International**	Amounts paid in 2012 in respect of 2011	Amounts paid in 2011 in respect of 2010
Olaf Guerrand		
Directors' fees - Hermès International		
- fixed component	*€7,500* (1)	–
- variable component based on attendance	*€5,000*	–
Directors' fees - Hermès of Paris	10,000 $	–
Renaud Momméja		
Compensation as Audit Committee Member	€10,000	€10,000
Directors' fees - Hermès International		
- fixed component	*€15,000*	*€15,000*
- variable component based on attendance	*€5,000*	*€5,000*
Directors' fees - Comptoir Nouveau de la Parfumerie	€10,000	€9,000
Robert Peugeot		
Compensation as Audit Committee Member	€5,000	€10,000
Compensation as member of the Compensation, Appointments and Governance Committee	€5,000	€10,000
Directors' fees - Hermès International		
- fixed component	*€12,000*	*€15,000*
- variable component based on attendance	*€5,000*	*€5,000*
Florence Woerth		
Compensation as Audit Committee Member	€10,000	€5,000
Directors' fees - Hermès International		
- fixed component	*€15,000*	*€7,500*
- variable component based on attendance	*€5,000*	*€4,000*

(1) Appointment on 3 March 2011.
n/a : not applicable.

Table 4

Options to subscribe for or to purchase shares granted during the year to the Executive Chairmen by Hermès International and any Group company						
Name of corporate executive officer	Plan no. and date	Option type	Value of options based on method adopted for consolidated financial statements	Number of options granted during the year	Exercise price	Exercise period
Patrick Thomas	n/a	n/a	n/a	–	n/a	n/a

n/a : not applicable.

Table 5

Options to subscribe for or to purchase shares exercised during the year by the Executive Chairmen of Hermès International			
Name of corporate executive officer	Plan no. and date	Number of options exercised during the year	Exercise price
Patrick Thomas	no. 6 of 15/12/2004	30,000	€44.43
Total	**n/a**	**30,000**	**n/a**

n/a : not applicable.

Table 6

Performance shares granted to each corporate officer						
Performance shares granted by the shareholders during the year to each corporate officer by the issuer and all Group companies (list of names)	Plan no. and date	Number of shares granted during the year	Value of shares based on method adopted for consolidated financial statements	Acquisition date	Vesting date	Performance criteria
Patrick Thomas	n/a	–	n/a	n/a	n/a	n/a
Total	**n/a**	**–**	**n/a**	**n/a**	**n/a**	**n/a**

n/a : not applicable.

Table 7

Number of performance shares that became available during the year			
Name of corporate officer	Plan no. and date	Number of shares that became available during the year	Vesting conditions
Patrick Thomas	Plan (a) of 01/12/2007	25	none (1)
Total	**n/a**	**–**	**n/a**

(1) This allotment, which was granted to all employees, was not subject to any performance conditions.
n/a : not applicable.

Table 8

History of stock option grants **Information on stock options**				
General Meeting of 25/05/1998 – Share subscription or purchase options	Plan no. 1	Plan no. 2	Plan no. 3	Plan no. 4
Date of Executive Management decision	Expired	Expired	Expired	Expired
Total number of shares that may be subscribed or purchased				
Number of shares that may be subscribed or purchased by Executive Chairmen and Supervisory Board members				
Options exercisable as of				
Expiration date				
Subscription or purchase price				
Terms for exercising options (if plan comprises several tranches)				
Aggregate number of shares subscribed at 29/02/2012				
Aggregate number of options cancelled or forfeited				
Number of options outstanding at year-end				

Table 8 (continuation)

General Meeting of 03/06/2003 – Share purchase options	Plan no. 5	Plan no. 6
Date of Executive Management decision	04/07/2003	15/12/2004
Total number of shares that may be purchased	42,000	84,000
Number of shares that may be purchased by Executive Chairmen and Supervisory Board members in office on option grant date	Expired	*0*
Patrick Thomas		0
Options exercisable as of		16/12/2004
Expiration date		15/12/2011
Purchase price		€44.43
Terms for exercising options (if plan comprises several tranches)		n/a
Aggregate number of shares purchased as of 29/02/2012		84,000
Aggregate number of options cancelled or forfeited		–
Number of share purchase options outstanding at year-end		0
General Meeting of 06/06/2006 – Share purchase options	**Plan no. 7**	
Date of Executive Management decision	02/01/2008	
Total number of shares that may be purchased	244,420	
Number of shares that may be purchased by Executive Chairmen and Supervisory Board members in office on option grant date	*14,300*	
Patrick Thomas	11,000	
Guillaume de Seynes	3,300	
Options exercisable as of	03/01/2012	
Expiration date	02/01/2015	
Purchase price	€82.40	
Terms for exercising options (if plan comprises several tranches)	n/a	
Aggregate number of shares purchased as of 29/02/2012	110,300	
Aggregate number of options cancelled or forfeited as of 29/02/2012	23,100	
Number of share purchase options outstanding at year-end	221,870	
General Meeting of 02/06/2009 – Share purchase options	**No plan established in 2009, 2010 and 2011**	
General Meeting of 30/05/2011 – Share purchase options	**No plan established in 2011**	

n/a : not applicable.

Table 9

Number of options to subscribe for or to purchase shares granted to the ten non-executive employees who received the largest number of options and options exercised by such employees	Total number of options granted/ number of shares purchased or subscribed	Weighted average price	Plan no. 1	Plan no. 2	Plan no. 3	Plan no. 4	Plan no. 5	Plan no. 6	Plan no. 7
Options granted during the year to the ten employees of the issuer and any company included in the issuer's scope of consolidation who received the largest number of options (aggregate information)	–	–	Expired	Expired	Expired	Expired	Expired	–	–
Options held in the issuer and the aforesaid companies that were exercised during the year by the ten employees of the issuer and of such companies who purchased or subscribed for the largest number of shares under these options (aggregate information)	–	–						–	–

Table 10

Senior executives (natural persons)	Employment agreement (suspended)	Supplementary pension scheme	Compensation or benefits due or liable to be due upon termination or change in function	Compensation under a non-competition clause
Patrick Thomas, Executive Chairman Term began: 15/09/2004 Term ends: Indefinite	yes	yes	yes	no

Table 11

Information on bonus share distribution plans in effect as at 1 January 2011								
Date of Executive Management decision	Total number of shares granted	Shares granted to senior executives [1]	Number of senior executives concerned [1]	Fair value on the allotment date	Ownership transfer date of shares granted	Date from which shares may be sold	Number of shares vested [4] as at 31/12/2011	Number of shares forfeited as at 31/12/2011
General Meeting of 06/06/2006 – Bonus shares								
None								
General Meeting of 05/06/2007 – Bonus shares								
30/11/2007 (plan a)	170,025	150	6	€84	02/12/2011	03/12/2013 [2] 02/12/2011 [3]	135,200	34,825
General Meeting of 02/06/2009 – Bonus shares								
31/05/2010 (plan b)	188,500 [5]	24,000	6	€101	01/06/2014 [2] 01/06/2016 [3]	02/06/2016	250	3,000
31/05/2010 (plan c)	229,860	180	6	€101	01/06/2014 [2] 01/06/2016 [3]	02/06/2016	180	13,230
General Meeting of 30/05/2011 – Bonus shares								
None								

(1) For purposes of Table 11, "senior executives" include the Executive Chairmen, the members of the Supervisory Board and the members of the Executive Committee as of the grant date.
(2) Beneficiaries employed by the Company and its French subsidiaries.
(3) Beneficiaries employed by the Company's foreign subsidiaries.
(4) Including through waiver of the vesting period in accordance with plan regulations (in case of death or disability).
(5) Maximum.

Table 12

Number of bonus shares granted to the ten non-executive employees who received the largest number of shares	Total number of shares granted	Date of plan
Shares granted during the year to the ten employees of the issuer and any company included in the issuer's scope of consolidation who received the largest number of shares (aggregate information)	n/a	n/a

n/a : not applicable.

Tables 1-10 above were numbered by reference to the AMF's recommendation of 22 December 2008 pertaining to information on executive compensation to be disclosed in shelf-registration documents.
Tables 11 and 12 were numbered by Hermès International.

Corporate appointments and offices held by the corporate officers and Supervisory Board members at any time during the past five years

Patrick Thomas

Date of birth: 16 June 1947

Offices and positions held during 2011

Company name		Country	Office
Hermès International	H ◆	France	Executive Manager
Ateliers A.S.	H	France	Permanent Representative of Hermès International, Director
Boissy Mexico	H	Mexico	Acting Director
Boissy Retail	H	Singapore	Chairman
Boissy Singapore Pte Ltd	H	Singapore	Director
Castille Investissements	H	France	Permanent Representative of Hermès International, Chairman
Compagnie des Cristalleries de Saint-Louis	H	France	Permanent Representative of Hermès International, Director
Compagnie Hermès de Participations	H	France	Permanent Representative of Hermès International, Chairman
Créations Métaphores	H	France	Permanent Representative of Hermès International, Director
Créations Métaphores	H	France	Member of the Management Board
Faubourg Italia	H	Italy	Director
Full More Group	H	Hong Kong	Chairman and Director
Full More Trading (Shanghai), renamed Shang Xia Trading (Shanghai) Co, Ltd	H	China	Executive Manager
Gaulme		France	Vice-Chairman and Supervisory Board member
Grafton Immobilier	H	France	Permanent Representative of Hermès International, Chairman
Hercia, renamed Immobilière charentaise de la Tardoire	H	France	Permanent Representative of Hermès International, Chairman
Herlee	H	Hong Kong	Chairman and Director
Hermès (China)	H	China	Chairman and Director
Hermès Asia Pacific	H	Hong Kong	Chairman and Director
Hermès Australia	H	Australia	Director
Hermès Benelux Scandinavie, renamed Hermès Benelux Nordics	H	Belgium	Director
Hermès Canada	H	Canada	Chairman and Director
Hermès de Paris (Mexico)	H	Mexico	Acting Director
Hermès do Brasil	H	Brazil	Member of the Consultative Committee
Hermès GB Limited	H	United Kingdom	Chairman and Director
Hermès Grèce	H	Greece	Director
Hermès Iberica	H	Spain	Director
Hermès Immobilier Genève	H	Switzerland	Chairman and Director
Hermès Italie	H	Italy	Chairman of the Board and Director
Hermès Japon	H	Japan	Director
Hermès Korea	H	South Korea	Chairman and Legal Representative
Hermès Monte-Carlo	H	Principality of Monaco	Permanent Representative of Hermès Sellier, deputy Director Permanent Representative of Hermès International, deputy Chairman
Hermès of Hawaï	H	USA	Chairman of the Board and Director
Hermès of Paris	H	USA	Chairman of the Board and Director

H Hermès Group company ◆ Listed company

Corporate appointments and offices held by the corporate officers and Supervisory Board members at any time during the past five years

Company name		Country	Office
Hermès Prague	H	Czech Republic	Supervisory Board member
Hermès Retail (Malaysia)	H	Malaysia	Chairman and Director
Hermès Sellier	H	France	Permanent Representative of Hermès International, Chairman and Managing Director of the divisions: Hermès Maroquinerie Sellerie, Hermès Commercial, Hermès Marketing, Hermès Soie et Textile, Hermès ventes aux voyageurs, Hermès Service Groupe, Hermès Distribution Europe
Hermès Singapore (Retail)	H	Singapore	Director
Hermès South East Asia	H	Singapore	Director
Hermtex	H	USA	Chairman of the Board and Director
Holding Textile Hermès, formerly Sport Soie	H	France	Permanent Representative of Hermès International, Chairman
Immauger	H	France	Permanent Representative of Hermès International, Executive Manager
Isamyol 11, renamed Immobilière du 5 rue de Furstemberg	H	France	Permanent Representative of Hermès International, Chairman
Isamyol 16, renamed Maroquinerie de la Tardoire	H	France	Permanent Representative of Hermès International, Chairman
Isamyol 17, renamed Maroquinerie Iséroise	H	France	Permanent Representative of Hermès International, Chairman
Isamyol 18, renamed Immobilière Textile Honoré	H	France	Permanent Representative of Hermès International, Chairman
Isamyol 19, renamed Immobilière Iséroise	H	France	Permanent Representative of Hermès International, Chairman
Isamyol 21	H	France	Permanent Representative of Hermès International, Chairman
Isamyol 22	H	France	Permanent Representative of Hermès International, Chairman
Isamyol 23	H	France	Permanent Representative of Hermès International, Chairman
John Lobb Japan	H	Japan	Director
Lacoste		France	Director
La Montre Hermès	H	Switzerland	Director
Laurent Perrier		France	Supervisory Board member
Leica Camera AG	◆	Germany	Supervisory Board member
Massilly Holding		France	Vice-Chairman and Supervisory Board member
Motsch George V	H	France	Permanent Representative of Hermès International, Chairman
Rémy Cointreau	◆	France	Director
Saint-Honoré (Bangkok)	H	Thailand	Director
SAS Ateliers Nontron	H	France	Permanent Representative of Hermès International, Chairman
SC Honossy	H	France	Permanent Representative of Hermès International, Executive Manager
SC Les Choseaux		France	Executive Manager
SCI Auger-Hoche	H	France	Permanent Representative of Hermès International, Executive Manager
SCI Boissy les Mûriers	H	France	Permanent Representative of Hermès International, Executive Manager
SCI Boissy Nontron	H	France	Permanent Representative of Hermès International, Executive Manager
SCI Édouard VII	H	France	Permanent Representative of Hermès International, Executive Manager
SCI Les Capucines	H	France	Permanent Representative of Hermès International, Executive Manager
Sipryl Informatique (GIE)		France	Director

H Hermès Group company ◆ Listed company

Other offices and positions held during the previous four years and ending before 1 January 2011

Company name		Country	Office
Ateliers A.S.	H	France	Permanent Representative of Sport-Soie, Director
Banque Neuflize OBC		France	Supervisory Board member
Castille Investissements	H	France	Director
Héraklion	H	France	Permanent Representative of Hermès International, Member of the Management Board
Hermès India Retail & Distributors Private Ltd	H	India	Director
Hermès Korea Travel Retail	H	South Korea	Chairman and Legal Representative
Hermès Monte-Carlo	H	Principality of Monaco	Permanent Representative of Sport Soie, Director
Holding Textile Hermès	H	France	Chairman
Isamyol 9	H	France	Permanent Representative of Hermès International, Chairman
Isamyol 12, renamed Ateliers de Tissage de Bussières et de Challes	H	France	Permanent Representative of Hermès International, Chairman
John Lobb	H	France	Permanent Representative of Hermès International, Director
John Lobb (Hong Kong) Limited	H	Hong Kong	Director
Saint-Honoré Chile	H	Chile	Acting Director
SCI Florian Mongolfier	H	France	Executive Manager
Wally Yachts		Luxembourg	Director

Bertrand Puech
Date of birth: 18 February 1936

Offices and positions held during 2011

Company name		Country	Office
Hermès International	H ◆	France	Permanent Representative of Émile Hermès SARL, Executive Manager
Compagnie Hermès de Participations	H	France	Member of the Management Board
Émile Hermès SARL		France	Executive Manager et Chairman of the Management Board
Hermès of Paris	H	USA	Director
HDGP, renamed H51 SAS		France	Chairman (until 12 December 2011) and Director
HPF		France	Executive Manager
Isamyol 11, renamed Immobilière du 5 rue de Furstemberg	H	France	Corporate officer
SC MB Varenne 6		France	Executive Manager
Posettes		France	Executive Manager
Théodule		France	Executive Manager

H Hermès Group company ◆ Listed company

Other offices and positions held during the previous four years and ending before 1 January 2011

Company name		Country	Office
Ateliers A.S.	H	France	Permanent Representative of Sport Soie, Director
Hermès Sellier	H	France	Member of the Management Board
Isamyol 10, renamed Grafton Immobilier	H	France	Corporate officer
Isamyol 12, renamed Ateliers de Tissage de Bussières et de Challes	H	France	Corporate officer
Jakyval		Luxembourg	Director
John Lobb	H	France	Director
Motsch George V	H	France	Executive Manager
Sifah		France	Executive Manager
Société Nontronnaise de Confection	H	France	Chairman of the Board and Managing Director
28-30-32, rue du Faubourg-Saint-Honoré		France	Chairman

Éric de Seynes
Date of birth: 9 June 1960

Offices and positions held during 2011

Company name		Country	Office
Hermès International	H ◆	France	Chairman and Supervisory Board member
Brame et Lorenceau		France	Director
Groupe Option SAS		France	Chairman
H51 SAS		France	Director
Hermès Sellier	H	France	Member of the Management Board
Les Producteurs		France	Director
Naturéo Finance SAS		France	Member of the Management Board
Option Organisation SAS		France	Chairman
Sféric		France	Chairman and Member of the Management Board
Yamaha Motor France		France	Director and Chief Executive Officer

Other offices and positions held during the previous four years and ending before 1 January 2011

Dénomination		Pays	Mandats/fonctions
Émile Hermès SARL		France	Member of the Management Board
Hermès International	H ◆	France	Supervisory Board member and Audit Committee member
Option Sports Événements SAS		France	Chairman
SIGO SAS		France	Chairman
Éditions Signes de Caractère SARL		France	Executive Manager

H Hermès Group company ◆ Listed company

Maurice de Kervénoaël

Date of birth: 28 September 1936

Offices and positions held during 2011

Company name		Country	Office
Hermès International	H ◆	France	Vice-Chairman and Supervisory Board member, Chairman of the Audit Committee
Comptoir Nouveau de la Parfumerie	H	France	Director
Holding Reinier		France	Member of the Board of Directors
Laurent Perrier	◆	France	Chairman and Supervisory Board member
MDK Consulting		France	Executive Manager
Jouan-Picot		France	Executive Manager
Mellerio International		France	Chairman of the Board

Other offices and positions held during the previous four years and ending before 1 January 2011

Dénomination		Pays	Mandats/fonctions
Charles Riley Consultants International		France	Director
Comptoir Nouveau de la Parfumerie	H	France	Supervisory Board member
Onet		France	Supervisory Board member
Petit Bateau		France	Chairman
SIA Groupe SA		France	Chairman and Supervisory Board member

Ernest-Antoine Seillière

Date of birth: 20 December 1937

Offices and positions held during 2011

Company name		Country	Office
Hermès International	H ◆	France	Vice-Chairman and Supervisory Board member, Chairman of the Compensation, Appointments and Governance Committee
Aseas Participations		France	Executive Manager
Bureau Veritas	◆	France	Supervisory Board member
Gras Savoye & Cie		France	Supervisory Board member
Legrand	◆	France	Director
Odyssas		France	Executive Manager
PSA Peugeot Citroën (Peugeot SA)	◆	France	Supervisory Board member
Sofisamc		Switzerland	Director
Wendel	◆	France	Chairman of the Supervisory Board
Wendel-Participations		France	Chairman of the Board

H Hermès Group company ◆ Listed company

Corporate appointments and offices held by the corporate officers and Supervisory Board members at any time during the past five years

Other offices and positions held during the previous four years and ending before 1 January 2011

Company name		Country	Office
Bureau Veritas	◆	France	Permanent Representative of Oranje Nassau Groep BV, Supervisory Board member
Editis Holding		France	Supervisory Board member
Oranje Nassau Groep BV		Netherlands	Chairman of the Supervisory Board
Société Lorraine de Participations Sidérurgiques (merged into Wendel-Participations)		France	Chairman of the Board and Managing Director
Trader Classified Media		Netherlands	Chairman of the Supervisory Board

Charles-Éric Bauer

Date of birth: 9 January 1964

Offices and positions held during 2011

Company name		Country	Office
Hermès International	H ◆	France	Supervisory Board member, Audit Committee member
H51 SAS		France	Director
Hem Fi		France	Associate Director
Almareen		France	Executive Manager
Yundal		France	Executive Manager
SAS Pollux & Consorts		France	Executive Committee Member
SC Sabarots		France	Co-Executive Manager
Samain B2		France	Co-Executive Manager

Other offices and positions held during the previous four years and ending before 1 January 2011

Company name	Country	Office
None		

Matthieu Dumas

Date of birth: 6 December 1972

Offices and positions held during 2011

Company name		Country	Office
Hermès International	H ◆	France	Supervisory Board member and member of the Compensation, Appointments and Governance Committee
Eaque		France	Executive Manager
AMMCE		France	Executive Manager
ASOPE		France	Executive Manager
AXAM		France	Executive Manager
AXAM 2		France	Executive Manager
L.D.M.D.		France	Executive Manager
MATHEL		France	Executive Manager
PureScreens		France	Deputy Managing Director

H Hermès Group company ◆ Listed company

Other offices and positions held during the previous four years and ending before 1 January 2011

Company name	Country	Office
Cuisine TV, groupe Canal +	France	Director of Marketing and Development
13e Rue, groupe NBC Universal	France	Head of Brands

Julie Guerrand

Date of birth: 26 February 1975

Offices and positions held during 2011

Company name		Country	Office
Hermès International	H ◆	France	Supervisory Board member, Audit Committee member (until 2 March 2011), Corporate Development Director
Antonino		France	Executive Manager
Groupement forestier Forêt de Saint-Fargeau		France	Executive Manager
H51 SAS		France	Chairman and Director
Jakyval		Luxembourg	Director
Jerocaro		France	Executive Manager
La Mazarine-SCIFAH		France	Executive Manager
SCI Apremont		France	Executive Manager
SCI Briand Villiers I		France	Executive Manager
SCI Briand Villiers II		France	Executive Manager
SCI Petit Musc		France	Executive Manager
SCTI		France	Executive Manager
Société Immobilière du Faubourg Saint-Honoré « SIFAH »		France	Executive Manager
Société Immobilière du Dragon		France	Executive Manager
Val d'Isère Carojero		France	Executive Manager

Other offices and positions held during the previous four years and ending before 1 January 2011

Company name		Country	Office
Paris Orléans	◆	France	Director of Equity Investments

H Hermès Group company ◆ Listed company

Corporate appointments and offices held by the corporate officers and Supervisory Board members at any time during the past five years

Olaf Guerrand
Date of birth: 28 February 1964

Offices and positions held during 2011

Company name		Country	Office
Hermès International	H ◆	France	Supervisory Board member
COALISION		Canada	Director
Hermès of Paris	H	USA	Director
Saida 2		Morocco	Director
SCI Le Réfectoire de l'Abbaye		France	Executive Manager

Other offices and positions held during the previous four years and ending before 1 January 2011

Company name		Country	Office
Émile Hermès SARL		France	Unregistered auditor
Hermès Sellier	H	France	Member of the Management Board

Renaud Momméja
Date of birth: 20 March 1962

Offices and positions held during 2011

Company name		Country	Office
Hermès International	H ◆	France	Supervisory Board member and Audit Committee member
28-30-32, rue du Faubourg-Saint-Honoré		France	Chairman
Binc		France	Executive Manager
Comptoir Nouveau de la Parfumerie	H	France	Director
GFA Château Fourcas Hosten		France	Co-Executive Manager
HUSO		France	Director
J.L. & Co	H	United Kingdom	Director
Rose Investissement		France	Executive Manager
SARL Tolazi		France	Executive Manager
SAS Pollux & Consorts		France	Chairman
SC Altizo		France	Executive Manager and majority shareholder
SC Lor		France	Co-Executive Manager
SCI Briand Villiers I		France	Executive Manager
SCI Briand Villiers II		France	Executive Manager
SCI de l'Univers		France	Executive Manager
Société civile du Château Fourcas Hosten		France	Permanent Representative of Lor, Executive Manager
Société civile immobilière du 74, rue du Faubourg-Saint-Antoine		France	Co-Executive Manager
Société Immobilière du Faubourg Saint-Honoré « SIFAH »		France	Executive Manager

H Hermès Group company ◆ Listed company

Other offices and positions held during the previous four years and ending before 1 January 2011

Company name		Country	Office
Catapult Asset Management		United Kingdom	Director
Comptoir Nouveau de la Parfumerie	H	France	Supervisory Board member
Newsweb		France	Permanent Representative of Altizo, Supervisory Board member

Robert Peugeot

Date of birth: 25 April 1950

Offices and positions held during 2011

Company name		Country	Office
Hermès International	H ◆	France	Supervisory Board member, Audit Committee member, member of the Compensation, Appointments and Governance Committee
CHP Gestion		France	Executive Manager
DKSH		Switzerland	Director
Établissements Peugeot Frères		France	Director
Faurecia	◆	France	Director
Financière Guiraud SAS		France	Permanent Representative of FFP, Chairman
Holding Reinier		France	Director
IDI-EM		Luxembourg	Supervisory Board member
Imerys	◆	France	Director
PSA Peugeot Citroën (Peugeot SA)	◆	France	Supervisory Board member
SCI Rodom		France	Executive Manager
Sanef		France	Director
Sofina	◆	Belgium	Director
Zodiac Aérospace	◆	France	Permanent Representative of FFP, Supervisory Board member

Other offices and positions held during the previous four years and ending before 1 January 2011

Company name		Country	Office
Alpine Holding		Austria	Director
Aviva France		France	Supervisory Board member
Aviva Participations		France	Director
B-1998, SL		Spain	Director
Citroën Danemark A/S		Denmark	Director
Citroën Deutschland Aktiengesellschaft		Germany	Supervisory Board member
Citroën UK Ltd		United Kingdom	Director
FCC Construccion, SA		Spain	Director
Fomentos de Construcciones y Contratas, SA	◆	Spain	Director
GIE de recherche et d'études PSA Renault		France	Director

H Hermès Group company ◆ Listed company

Company name		Country	Office
Immeubles et Participations de l'Est		France	Director
LFPF – La Française de Participations Financières		France	Director
Simante S.L.		Spain	Chairman-Chief Executive Officer
Société Foncière, Financière et de Participations – FFP	◆	France	Chairman-Chief Executive Officer
WRG – Waste Recycling Group Ltd		United Kingdom	Director

Florence Woerth

Date of birth: 16 August 1956

Offices and positions held during 2011

Company name		Country	Office
Hermès International	H ◆	France	Supervisory Board member
Association Jean-Bernard		France	Member of the Board of Directors
Fondation Conde		France	Member of the Board of Directors and Treasurer
SC Conde		France	Executive Manager
Expert Isi Conseil		France	Chairman
Écurie Dam's		France	Chairman

Other offices and positions held during the previous four years and ending before 1 January 2011

Company name	Country	Office
Clymène	France	Head of Investment and Research

H Hermès Group company ◆ Listed company

Information on the share capital and on the Shareholders

SHARE CAPITAL

	Amount	Number of shares	Par value
As at 01/01/2011	€53,840,400.12	105,569,412	€0.51
As at 31/12/2011	€53,840,400.12	105,569,412	€0.51
As at General Meeting date	€53,840,400.12	105,569,412	€0.51

All shares are fully paid.

VOTING RIGHTS

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

On 29 February 2012, there were 146,317,817 voting rights in circulation.

Each share gives the holder the right to at least one vote in General Meetings of shareholders, except for treasury shares held by the Company, which have no voting rights.

Ownership of certain shares is split between a beneficial owner and a legal owner. In accordance with the articles of association, voting rights attached to the shares are exercised by the legal owners at all general meetings (ordinary, extraordinary or special meetings), save for decisions regarding the appropriation of net income, in which case the beneficial owner exercises the voting rights.

Furthermore, double voting rights are allocated to:

– any fully-paid registered share which has been duly recorded on the books in the name of the same shareholder for a period of at least four years from the date of the first general meeting following the fourth anniversary of the date when the share was registered on the books; and

– any registered share allotted for no consideration to a shareholder, in the event of a capital increase effected by capitalisation of sums in the share premium, reserve or retained earnings accounts, in proportion to any existing shares which carry double voting rights.

Double voting rights are automatically eliminated under the conditions stipulated by law.

Failure to disclose attainment of certain ownership thresholds as provided by law or by the articles of association may disqualify the shares for voting purposes (see Article 11 of the articles of association on page 253).

INFORMATION ON FACTORS LIABLE TO AFFECT THE OUTCOME OF A PUBLIC OFFERING

As a *société en commandite par actions* (partnership limited by shares), Hermès International is governed by certain provisions specific to this corporate form, stipulated by law or by the articles of association, and which are liable to have an effect in case of a takeover bid, namely:

– the Executive Chairmen may only be appointed or dismissed by the Active Partner;

– Émile Hermès SARL, the Active Partner, must retain in its Articles of association certain provisions concerning its legal form, corporate purpose and the conditions to be met to qualify as a partner (see Article 14.3 of the articles of association of Hermès International on page 255);

– the Company may be converted into a SARL (limited liability company) or SA (corporation) only with the consent of the Active Partner; and

– decisions taken by the general meetings of partners (shareholders) are valid only if approved by the Active Partner no later than by the end of the same meeting.

Hermès International's articles of association also contain stipulations that are liable to produce an impact on the outcome of a public offering, namely:
– voting rights are exercised by the legal owners at all general meetings, except for decisions regarding the appropriation of net income, in which case the beneficial owner shall exercise the voting rights;
– double voting rights are allocated to each share registered on the books in the name of the same shareholder for a period of four consecutive years;
– any shareholder who comes to hold 0.5% of the shares and/or voting rights, or any multiple of that fraction, must disclose this fact.
– the priority acquisition right to Hermès International shares that the company H51 has declared holding under the conditions shown on page 82.
Lastly, the Executive Management has a grant of authority to carry out capital increases.

CHANGES IN SHARE CAPITAL OVER THE PAST THREE YEARS

No material transaction affecting the share capital has been effected over the past three years. All changes in the share capital over the period are due exclusively to the exercise of stock options or to the cancellation of treasury shares.

Date	Transaction	Share capital after transaction	Number of shares after transaction	Par value	Share premium	Number of shares issued [I]/ cancelled [C].
12/01/2009	Capital increase of €33,405 for options exercised by employees between 1 July 2008 and 31 December 2008	€53,830,506.12	105,550,012	€0.51	€51.58	65,500 [I]
06/07/2009	Capital increase of €9,894 for options exercised by employees between 1 January 2009 and 30 June 2009	€53,840,400.12	105,569,412	€0.51	€51.58	19,400 [I]

There have been no other changes to the share capital since 06/07/2009.

DELEGATIONS OF AUTHORITY AND POWERS GRANTED TO THE EXECUTIVE MANAGEMENT BY THE SHAREHOLDERS

In accordance with the provisions of Article L 225-100, paragraph 7 of the *Code de Commerce*, the table below summarises the delegations of authority and powers granted to the Executive Management by the General Meeting of Shareholders for purposes of increasing the share capital. It shows all authorisations currently in effect, any authorisations used during 2011, and new authorisations to be submitted to the shareholders at the General Meeting of 29 May 2012.

<table>
<tr><th></th><th>Resolution No.</th><th>Term of authorisation
Expires (1)</th><th colspan="2">Characteristics</th><th>Used during 2011</th></tr>
<tr><td colspan="6">**General Meeting of 2 June 2009**</td></tr>
<tr><td>Capital increase by capitalisation of reserves</td><td>10th</td><td>26 months
30 May 2011</td><td rowspan="3">The face value of the debt instruments likely to be issued pursuant to each delegation cannot be greater than 20% of the issued capital, with this cap being common to all issues carried out pursuant to the delegations granted in resolutions 11 and 12.</td><td rowspan="3">The face value of the capital increases likely to be carried out immediately and/or in the future pursuant to each delegation cannot be greater than 20% of the issued capital, with this cap being common to all capital increases carried out pursuant to the delegations granted in resolutions 10, 11 and 12.</td><td>None</td></tr>
<tr><td>Issues with pre-emptive subscription rights all securities giving access to equity</td><td>11th</td><td>26 months
30 May 2011</td><td>None</td></tr>
<tr><td>Issues without pre-emptive subscription rights all securities giving access to equity</td><td>12th</td><td>26 months
30 May 2011</td><td>None</td></tr>
<tr><td>Employee rights issue</td><td>13th</td><td>26 months
30 May 2011</td><td colspan="2">The face value of the capital increases likely to be carried out immediately and/or in the future pursuant to the present delegation cannot be greater than 1% of the issued capital, with this cap being autonomous and separate from the one indicated in resolutions 10, 11 and 12.
Discount set at 20% of the average of the listed prices of the Company's shares during the twenty Stock market sessions preceding the day of the decision establishing the subscription opening date.</td><td>None</td></tr>
<tr><td>Options to purchase existing shares</td><td>14th</td><td>38 months
30 May 2011</td><td rowspan="2">The number of call options granted pursuant to resolution 14 and the number of shares allotted at no cost in accordance with resolution 15 cannot represent a number of shares greater than 2% of the total number of shares existing at the time of the allotment, without taking into account the ones granted pursuant to the preceding authorisations.</td><td>The Management will set the share purchase price within the limits and pursuant to the provisions of article L 225-177 sub-paragraph 4 of the Commercial Code, and it will be at least equal to the average listed prices on the twenty Stock market sessions preceding the option allotment, without being less than 80% of the average purchase price of the shares held.</td><td>None</td></tr>
<tr><td>Bonus share distribution to employees</td><td>15th</td><td>38 months
30 May 2011</td><td>In case of allotment to one or more executive chairmen:
– the Company must meet one or more of the conditions listed in article L 225-197-6 of the Commercial Code, and
– the allotted shares cannot be sold before the cessation of functions of the Executive Chairman/Chairmen in question, or an amount must be decided that the aforesaid person(s) will have to hold as registered shares until ending his/their functions.</td><td>None</td></tr>
<tr><td colspan="6">**General Meeting of 7 June 2010**</td></tr>
<tr><td>Share buyback</td><td>8th</td><td>18 months
30 May 2011</td><td colspan="2">Ceiling 10% of share capital
Maximum purchase price €200
Maximum amount of funds committed €850m</td><td>See page 91</td></tr>
<tr><td>Cancellation of shares purchased (general cancellation programme)</td><td>10th</td><td>24 months
30 May 2011</td><td colspan="2">Ceiling 10% of share capital</td><td>None</td></tr>
<tr><td colspan="6">**General Meeting of 30 May 2011**</td></tr>
<tr><td>Share buyback</td><td>21th</td><td>18 months
30 November 2012</td><td colspan="2">Ceiling 10% of share capital
Maximum purchase price €250
Maximum amount of funds committed €1bn</td><td>See page 91</td></tr>
<tr><td>Cancellation of shares purchased (general cancellation programme)</td><td>23th</td><td>24 months
30 May 2013</td><td colspan="2">Ceiling 10% of share capital</td><td>None</td></tr>
</table>

(1) The expiration dates take into account authorisations that cancelled and superseded authorisations granted for similar purposes, for the remainder of the term of the initial authorisation.

<table>
<tr><th></th><th>Resolution No.</th><th>Term of authorisation
Expires (1)</th><th colspan="2">Characteristics</th><th>Used during 2011</th></tr>
<tr><td>Capital increase by capitalisation of reserves</td><td>24th</td><td>26 months
30 July 2013</td><td colspan="2">The face value of the capital increases likely to be carried out immediately and/or in the future pursuant to the present delegation cannot be greater than 20% of the issued capital on the meeting date, with the capital increases carried out pursuant to the present delegation not being applied to the common cap of the delegations granted in resolutions 25, 26 and 27.</td><td>None</td></tr>
<tr><td>Issues with pre-emptive subscription rights all securities giving access to equity</td><td>25th</td><td>26 months
30 July 2013</td><td rowspan="2">The face value of the capital increases likely to be carried out immediately and/or in the future pursuant to the present delegation cannot be greater than 20% of the issued capital, with this ceiling being common to all capital increases carried out pursuant to the delegations granted in the 25th, 26th and 27th resolutions.</td><td rowspan="2">The face value of the debt instruments likely to be issued pursuant to the present delegation cannot be greater than 20% of the issued capital, with this cap being common to all issues carried out pursuant to the delegations granted in resolutions 25 and 26.</td><td>None</td></tr>
<tr><td>Issues without pre-emptive subscription rights all securities giving access to equity</td><td>26th</td><td>26 months
30 July 2013</td><td>None</td></tr>
<tr><td>Capital increase without pre-emptive subscription right in favour of members of a savings plan</td><td>27th</td><td>26 months
30 July 2013</td><td colspan="2">The face value of the capital increases likely to be carried out immediately and/or in the future pursuant to the present delegation cannot be greater than 1% of the issued capital, with this cap being applied to the 20% ceiling that is common to the delegations granted in resolutions 25, 26 and 27.
Discount set at 20% of the average of the listed prices of the Company's shares during the twenty Stock market sessions preceding the day of the decision establishing the subscription opening date.</td><td>None</td></tr>
<tr><td>Options to purchase existing shares</td><td>28th</td><td>38 months
30 July 2014</td><td rowspan="2">The number of call options granted pursuant to resolution 28 and the number of shares allotted at no cost in accordance with resolution 29 cannot represent a number of shares greater than 2% of the total number of shares existing at the time of the allotment, without taking into account the ones granted pursuant to the preceding authorisations.</td><td>The Management will set the share purchase price within the limits and pursuant to the provisions of article L 225-177 sub-paragraph 4 of the Commercial code, and it will be at least equal to the average listed prices on the twenty Stock market sessions preceding the option allotment, without being less than 80% of the average purchase price of the shares held.</td><td>None</td></tr>
<tr><td>Bonus share distribution to employees</td><td>29th</td><td>38 months
30 July 2014</td><td>In case of allotment to one or more executive chairmen:
– the Company must meet one or more of the conditions listed in article L 225-197-6 of the Commercial Code, and
– the allotted shares cannot be sold before the cessation of functions of the Executive Chairman/Chairmen in question, or an amount must be decided that the aforesaid person(s) will have to hold as registered shares until ending his/their functions.</td><td>None</td></tr>
<tr><td colspan="6">Grants proposed to the Combined General Meeting of 29 May 2012</td></tr>
<tr><td>Share buyback</td><td>10th</td><td>18 months
29 November 2013</td><td colspan="2">Ceiling 10% of share capital
Maximum purchase price €400
Maximum amount of funds committed €800m</td><td>–</td></tr>
<tr><td>Cancellation of shares purchased (general cancellation programme)</td><td>12th</td><td>24 months
29 May 2014</td><td colspan="2">Ceiling 10% of share capital</td><td>–</td></tr>
<tr><td>Options to purchase existing shares</td><td>13th</td><td>38 months
29 July 2015</td><td rowspan="2">The number of call options granted pursuant to resolution 13 and the number of shares allotted at no cost in accordance with resolution 14 cannot represent a number of shares greater than 2% of the total number of shares existing at the time of the allotment, without taking into account the ones granted pursuant to the preceding authorisations.</td><td>The Management will set the share purchase price within the limits and pursuant to the provisions of article L 225-177 sub-paragraph 4 of the Commercial Code, and it will be at least equal to the average listed prices on the twenty Stock market sessions preceding the option allotment, without being less than 80% of the average purchase price of the shares held.</td><td>–</td></tr>
<tr><td>Bonus share distribution to employees</td><td>14th</td><td>38 months
29 July 2015</td><td>In case of allotment to one or more executive chairmen:
– the Company must meet one or more of the conditions listed in article L 225-197-6 of the Commercial Code, and
– the allotted shares cannot be sold before the cessation of functions of the Executive Chairman/Chairmen in question, or an amount must be decided that the aforesaid person(s) will have to hold as registered shares until ending his/their functions.</td><td>–</td></tr>
</table>

APPROXIMATE NUMBER OF SHAREHOLDERS

At least once each year, the Company uses the Euroclear France "identifiable bearer shares" procedure to identify its shareholders. At the time of the last request on 30 December 2011, there were approximately 13,000 shareholders, compared with some 15,000 as at 31 January 2011 and 15,000 as at 31 December 2009.

MAIN SHAREHOLDERS AS AT 31 DECEMBER 2011

To the Company's knowledge, no shareholder, other than those listed in the tables on page 88, directly hold 5% or more of the share capital or voting rights.

H51 SAS, H2 SAS (formerly THÉODULE), SAS SDH, SAS POLLUX & CONSORTS, SC FLÈCHES, SAS FALAISES, SC AXAM and SA JAKYVAL are owned exclusively by members of the Hermès family group.

The ownership interests of corporate officers, senior executives and Supervisory Board members are listed on page 49.

Material changes in ownership of the share capital over the past three years are described below, under "Ownership threshold disclosures".

Changes since the closing of the fiscal year

To the Company's knowledge, there has been no significant change between 31 December 2011 and the date on which this registration document was filed with the AMF.

The company H2 SAS (formerly Théodule) disclosed that, on 20 February 2012, it had surpassed the 5% threshold of company voting rights, and that it individually held 6,196,102 Hermès International shares representing 7,366,102 voting rights, i.e. 5.87% of the capital and 5.03% of the voting rights.

Measures taken to prevent abusive control

Please refer to the sections on "Corporate governance" on page 16 and "Conflicts of interest" on page 44.

SHARE OWNERSHIP THRESHOLD DISCLOSURES

Share ownership threshold disclosures in 2011

In 2011, the reports on the attainment of share ownership thresholds were filed:

• *AMF Notice No. 211C2278.* LVMH Moët Hennessy Louis Vuitton, a *société anonyme* (limited liability company), disclosed that it had moved above the following thresholds, on 15 December 2011, indirectly, through companies that it controls, the 15% threshold of voting rights of the Hermès International company, and that it indirectly holds 23,518,942 Hermès International shares representing an equal number of voting rights, i.e. 22.28% of the capital and 16.00% of the voting rights of the latter, distributed as follows:

	No. of shares	% capital	No. of voting rights	% of voting rights
LVMH Fashion Group	18,877,942	17.88	18,877,942	12.85
Ivelford Business SA	2,200,000	2.08	2,200,000	1.50
Altair Holding LLC	908,400	0.86	908,400	0.62
Bratton Services Inc.	837,600	0.79	837,600	0.57
Ashbury Finance Inc.	695,000	0.66	695,000	0.47
Total LVMH Moët Hennessy Louis Vuitton	**23,518,942**	**22.28**	**23,518,942**	**16.00**

LVMH Moët Hennessy Louis Vuitton has indicated that this threshold was reached following a reduction of Hermès International's total voting rights.

Furthermore, pursuant to Article L 223-14 III 3° and IV of the AMF General Regulation, the LVMH Moët Hennessy Louis Vuitton disclosed that it held a cash-settled equity swap contract for the equivalent of 205,997 Hermès International shares, which will mature at the end of the unwind period, beginning on 4 April 2014. Simultaneously, LVMH Moët Hennessy Louis Vuitton filed the following declaration of intent:

"Statement of objectives of LVMH Moët Hennessy Louis Vuitton for the next six months. LVMH Moët Hennessy Louis Vuitton declares that:

– it is not acting in concert with a third party;

– it does not intend to seek representation on the Supervisory Board of Hermès International, in its own name or by the appointment of a representative;

– it plans to pursue, where appropriate, its acquisitions of Hermès International shares according to market conditions;

– it has not entered into any temporary agreement of sale targeting the shares or voting rights of the issuer;

– it financed the purchase of the Hermès International shares from its group's own funds, while stipulating that the fact of surpassing the above threshold was passive, resulting from a decrease of the total number of voting rights of Hermès International;

– it does not plan to take control of Hermès International or to file a public takeover bid, and, consequently, it is not considering any of the transactions cited in Article 223-17 I 6° of the AMF General Regulation.

LVMH's investment in Hermès International is strategic and for the long term. LVMH supports the strategic vision, development and positioning of Hermès International."

• *AMF Notice No. 211C2288.* The public limited company under Luxembourg law Jaky val disclosed having, on 12 December 2011, after a contribution of Hermès International shares to the company H51, fallen below the 5% threshold of the capital of Hermès International, and that it holds 832,371 shares representing the same number of voting rights, i.e. 0.8% of the capital and 0.6% of the voting rights of the latter. The variable capital simplified joint stock company H51 (controlled at the very top by the natural person members of the Hermès family group as defined on page 88) disclosed having surpassed, on 12 December 2011, the 5%, 10%, 15%, 20%, 25% and 30% thresholds of the capital and 1/3 of the voting rights of Hermès International and, on 13 December 2011, the thresholds of one third of the capital and 50% of the capital and voting rights of Hermès International, with the holding of 52,943,797 Hermès International shares representing 81,424,658 voting rights, i.e. 50.15% of the capital and 55.41% of the voting rights of the latter. H51 indicated that the surpassing of these thresholds results from a reclassification of Hermès International shares, that notably led to the absorption of the companies AXAM, FALAISES, FLÈCHES, POLLUX & CONSORTS and SDH by the H51.

The Hermès family group disclosed not having crossed any thresholds and holding, on 13 December 2011, 66,323,594 shares (i.e. 62.82% of the capital) representing 98,306,251 voting rights during general meetings regarding decisions concerning the allocation of the earnings (i.e. 66.90% of the voting rights) and 102,386,253 voting rights, relative to other decisions (i.e. 69.67% of the voting rights), distributed as follows:

	No. of shares	% capital	Decisions regarding the allocation of earnings		Other decisions	
			No. of voting rights	% of voting rights	No. of voting rights	% of voting rights
H51 SAS	52,943,797	50.15	81,424,658	55.41	81,424,658	55.41
H2 SAS (1)	5,289,090	5.01	6,459,090	4.40	6,459,090	4.40
Other members (2)	8,090,707	7.66	10,422,503	7.09	14,502,505	9.87
Family group	**66,323,594**	**62.82**	**98,306,251**	**66.90**	**102,386,253**	**69.67**

(1) Formerly Théodule.
(2) Namely 117 natural and legal person members of the Hermès family group, none of which individually holds more than 5% of the company's capital or voting rights.

This table presents the percentages calculated on the basis of the number of theoretical voting rights, i.e. including the shares without voting rights on 13/12/2011.

H51 simultaneously made the following declaration of intent:

"H51 discloses:

– surpassing thresholds as a result of mergers, conveyances and acquisitions (the debt held on H51 by the assignors made it possible to subscribe for H51 shares), no financing was necessary;

– H51 is a member of the family group made up of the private limited company Émile Hermès, its associates, their spouses, children, grandchildren and their family holding companies that are direct and indirect shareholders of Hermès International;

– the members of this group (including 90 natural persons and 29 legal persons that are direct shareholders of Hermès International) act together;

– H51 can acquire Hermès International shares within or outside of the market (notably in case of the possible exercise of its priority acquisition right);

– H51 already has control of Hermès International as a member of the family group;

– as the increase of the capital and voting rights held by H51 results from an intra-group reclassification, the strategy of H51 relative to Hermès International corresponds to the strategy implemented by the Hermès family group;

–it has no intention of implementing one of the operations indicated in article 223-17 I 6° of the AMF general regulations;

– H51 has not signed any agreement relating to the shares or voting rights of Hermès International;

– H51 is not planning to request its appointment or that of one or more people as members of the Supervisory Board."

The fact of H51 having surpassed the thresholds of 30% of the capital and voting rights of Hermès International was the subject of an exemption to the obligation to file a public purchase offer, reproduced in D&I 211C0024 placed online on the AMF site on 7 January 2011 (see the paragraph "Exemption decision" shown on page 86).

The entry into force of a priority acquisition right granted by 102 natural persons and 33 legal persons (all members, held by members or having a parent who is a member of the Hermès family group) in favour of H51 has also been disclosed.

This right will remain in effect at least until 31 December 2040.

This agreement establishes a priority acquisition right for H51 relative to Hermès International shares (i) for which the number for each signatory is shown in the agreement (i.e. a total representing approximately 12.3% of the capital of Hermès

International) or (ii) that would be held by these signatories in the future (notably as part of the variability of the H51 capital).

This right can be exercised by H51 at a price equal to the average of the prices weighted by the volumes on the five days prior to the transfer notification, except if the Hermès International shares are insufficiently liquid or if the assignor should have sold more than 0.05% of the Hermès International capital within the last 12 months, in which case the exercise price will be determined by an expert on the basis of a multi-criteria valuation.

The Hermès family group has disclosed, as part of a regularisation, falling below, in 2000, after a sale of shares within and outside of the market, the threshold of two thirds of the capital of Hermès International.

The Falaises simplified joint stock company has disclosed, as part of a regularisation, surpassing, in 2003, after an acquisition of shares within and outside of the market, the threshold of 5% of the capital of Hermès International.

The Axam civil law partnership (4, rue Jean-Goujon, 75008 Paris) has disclosed, as part of a regularisation, surpassing, in 2004, after an acquisition of shares within and outside of the market, the threshold of 5% of the capital of Hermès International.

The simplified joint stock company SDH has disclosed surpassing, in 2006, after the allotment of double voting rights, the threshold of 10% of the voting rights of Hermès International.

Ownership threshold disclosures during the past two financial years

Share ownership threshold disclosures in 2010

Mr Jean-Louis Dumas, who held more than 5% of the voting rights (allocation of earnings) on 31 December 2009, passed away on 1 May 2010.

In 2010, four disclosures were made with regard to surpassing thresholds. Namely:

• *AMF Notice No. 210C0359.* The company Théodule disclosed that, on 15 February 2010, it had individually surpassed the 5% threshold of capital of Hermès International and that it individually held 5,289,090 Hermès International shares representing 6,459,090 voting rights, i.e. 5.01% of the capital and 3.84% of this company's voting rights.

• *AMF Notice No. 210C1109.* LVMH Moët Hennessy Louis Vuitton, a *société anonyme* (limited liability company), disclosed that it had moved above the following thresholds:

– on 21 October 2010, indirectly, through companies that it controls, 5% of the share capital and voting rights and 10% of the share capital of Hermès International, and that, as of that date, it held 15,016,000 Hermès International shares representing a like number of voting rights, or 14.22% of the share capital and 8.95% of the voting rights in that company, broken down as follows:

	No. of shares	% shares	No. of voting rights	% of voting rights
Sofidiv SAS	9,800,000	9.28	9,800,000	5.84
Hannibal SA	730,000	0.69	730,000	0.44
Altair Holding LLC	908,400	0.86	908,400	0.54
Ivelford Business SA	2,200,000	2.08	2,200,000	1.31
Bratton Services Inc.	837,600	0.79	837,600	0.50
Ashbury Finance Inc.	540,000	0.51	540,000	0.32
Total LVMH Moët Hennessy Louis Vuitton	**15,016,000**	**14.22**	**15,016,000**	**8.95**

– on 24 October 2010, indirectly through companies that it controls, the thresholds of 10% of the voting rights and 15% of the capital of Hermès International, and holding 18,017,246 Hermès International shares, representing an equal number of voting rights, i.e. 17.07% of the capital and 10.74% of the voting rights of this company, distributed as follows:

	No. of shares	% shares	No. of voting rights	% of voting rights
Sofidiv SAS	12,801,246	12.13	12,801,246	7.63
Hannibal SA	730,000	0.69	730,000	0.44
Altair Holding LLC	908,400	0.86	908,400	0.54
Ivelford Business SA	2,200,000	2.08	2,200,000	1.31
Bratton Services Inc.	837,600	0.79	837,600	0.50
Ashbury Finance Inc.	540,000	0.51	540,000	0.32
Total LVMH Moët Hennessy Louis Vuitton	**18,017,246**	**17.07**	**18,017,246**	**10.74**

Furthermore, pursuant to Article L 223-14 III 3° and IV of the AMF General Regulation, the declarant disclosed that it held a cash-settled equity swap contract for the equivalent of 204,056 Hermès International shares, which will mature at the end of the unwind period, beginning on 4 April 2014. Simultaneously, LVMH Moët Hennessy Louis Vuitton filed the following declaration of intent:

"Statement of objectives of LVMH Moët Hennessy Louis Vuitton for the next six months. LVMH Moët Hennessy Louis Vuitton declares that:

– it is not acting in concert with a third party;

– it does not intend to seek representation on the Supervisory Board of Hermès International, in its own name or by the appointment of a representative;

– it plans to pursue, where appropriate, its acquisitions of Hermès International shares according to market conditions;

– it has not entered into any temporary agreement of sale targeting the shares or voting rights of the issuer;

– it financed the purchase of the Hermès International shares from its group's own funds;

– it does not plan to make a bid for Hermès International or seek control of the Company, and consequently, it is not considering any of the transactions cited in Article 223-17 I 6° of the AMF General Regulation."

LVMH Moët Hennessy Louis Vuitton also stated that:

"LVMH Moët Hennessy Louis Vuitton's investment in Hermès International is strategic and for the long term. LVMH Moët Hennessy Louis Vuitton supports the strategic vision, the development and positioning of Hermès International."

• *AMF Notice No. 210C1299.* The *société anonyme* (public limited company) LVMH Moët Hennessy Louis Vuitton disclosed that on 17 December

2010 it had surpassed, indirectly through companies that it controls, the 20% threshold of the capital of Hermès International, and that it holds 21,338,675 Hermès International shares representing an equal number of voting rights, i.e. 20.21% of the capital and 12.73% of the voting rights of the latter, distributed as follows:

	No. of shares	% shares	No. of voting rights	% of voting rights
LVMH Fashion Group	16,852,675	15.96	16,852,675	10.05
Altair Holding LLC	908,400	0.86	908,400	0.54
Ivelford Business SA	2,200,000	2.08	2,200,000	1.31
Bratton Services Inc	837,600	0.79	837,600	0.50
Ashbury Finance Inc.	540,000	0.51	540,000	0.32
Total LVMH Moët Hennessy Louis Vuitton	**21,338,675**	**20.21**	**21,338,675**	**12.73**

LVMH Moët Hennessy Louis Vuitton indicated that the fact of surpassing this threshold results from the acquisition of Hermès International shares, both within and outside of the market. Furthermore, pursuant to Article L 223-14 III 3° and IV of the AMF General Regulation, LVMH Moët Hennessy Louis Vuitton disclosed that it held a cash-settled equity swap contract for the equivalent of 204,056 Hermès International shares, which will mature at the end of the unwind period, beginning on 4 April 2014. Simultaneously, LVMH Moët Hennessy Louis Vuitton filed the following declaration of intent:

"Statement of objectives of LVMH Moët Hennessy Louis Vuitton for the next six months.

LVMH Moët Hennessy Louis Vuitton declares that:

– it is not acting in concert with a third party;

– it does not intend to seek representation on the Supervisory Board of Hermès International, in its own name or by the appointment of a representative;

– it plans to pursue, where appropriate, its acquisitions of Hermès International shares according to market conditions;

– it has not entered into any temporary agreement of sale targeting the shares or voting rights of the issuer;

– it financed the purchase of the Hermès International shares from its group's own funds;

– it does not plan to make a bid for Hermès International or seek control of the Company, and consequently, it is not considering any of the transactions cited in Article 223-17 I 6° of the AMF General Regulation.

LVMH's investment in Hermès International is strategic and for the long term. LVMH supports the strategic vision, the development and positioning of Hermès International."

Share ownership threshold disclosures in 2009

In 2009, three ownership threshold disclosures were filed:

• *AMF Notice No. 209C0471.* On 20 March 2009, Mr Jérôme Guerrand moved below the 5% voting rights threshold. He reported that, as of that date, he owned directly, and indirectly, through JAKYVAL, a company that he controls, 5,486,332 shares, representing 5,814,330 voting rights (applicable to the resolution on appropriation of net income), i.e. 5.20% of the share capital and 3.50% of the voting rights.

• *AMF Notice No. 209C0670.* On 30 April 2009, JAKYVAL, a *société anonyme* (limited liability company) established under the laws of Luxembourg, moved above the 5% threshold for voting rights held by an individual shareholder. It reported that, as of that date, it held 5,344,332 shares, and a like number of voting rights, that is, 5.06% of the share capital and 3.22% of the voting rights.

• *AMF Notice No. 209C0711.* On 7 May 2009, Mr Jérôme Guerrand moved below the 5% ownership threshold. He reported that he individually owned 107,000 shares (0.1% of the total) and held 214,000 voting rights (0.13% of the total) as of that date.

EXEMPTION DECISION

At its meeting of 6 January 2011, the Autorité des Marchés Financiers granted an exemption to the requirement to file a proposed public offer to buy out the shares of Hermès International, following a petition filed by fifty-two natural persons and their family companies that are direct shareholders of Hermès International (see decision No. 211C0024, the full text of which is available on the Web site of the Autorité des marchés financiers – www.amf-france.org).

In a ruling on 15 September 2011, the Paris Court of Appeal rejected the appeal against this exemption decision that had been filed by to minority shareholders.

This order has been the subject of two appeals on points of law (one filed on 10 November 2011, and the other on 10 January 2012).

EMPLOYEE OWNERSHIP OF SHARE CAPITAL

Registered shares held by employees of the Group (excluding corporate executive officers and Supervisory Board members) represented 0.24% of the share capital as at 31 December 2011.

No shares are owned by employees of the Company or any affiliated entities via the corporate employee share savings scheme or dedicated employee investment fund.

PLEDGING OF SHARES

Duly registered shares are not encumbered by any material pledges.

TREASURY SHARES

As at 31 December 2011, Hermès International held 1,521,540 of its own shares, purchased under the terms of the share buyback programme described on page 91.

DIVIDEND POLICY

Subject to the investments needed for the Company's development and the corresponding financing requirements, the Company's current intention is to continue the dividend policy it has conducted over the past several years. The amount of dividends paid in each of the years included in the historical financial information is shown on page 219.

Owing to the strong cash position at the end of 2011, on 8 February 2012, the Executive Manage-

ment decided to pay an interim dividend for the second time. In the future, the Executive Management will decide, on a case-by-case basis, whether it is appropriate to pay an interim dividend before the General Meeting.
The time limit after which entitlement to dividends on Hermès International shares ends is the time limit laid down by the law in this respect, to wit, five years as from the dividend payment date.
After the five-year time limit expires, the Company pays over any unclaimed dividends to the tax centre to which it reports.

OWNERSHIP OF SHARE CAPITAL AND VOTING RIGHTS AS AT 31 DECEMBER 2011

On 31 December 2011, and to the best of the Company's knowledge, the Company capital and voting rights are distributed as shown below:

	Share capital		Voting rights (1)			
			Appropriation of net income		Other	
	Number	%	Number	%	Number	%
H51 SAS	52,943,797	50.15	81,424,658	56.68	81,424,658	56.68
H2 SAS (formerly THÉODULE)	5,289,090	5.01	6,459,090	4.50	6,459,090	4.50
Other members of the Hermès Family group	8,090,707	7.66	10,422,503	7.25	14,502,505	10.09
Sub-total Hermès family group (2)	**66,323,594**	**62.82**	**98,306,251**	**68.43**	**102,386,253**	**71.27**
LVMH Moët Hennessy Louis Vuitton	23,518,942	22.28	23,518,942	16.37	23,518,942	16.37
Free float	8,122,721	7.70	15,749,088	10.96	11,669,086	8.12
Mr Nicolas Puech	6,082,615	5.76	6,082,615	4.24	6,082,615	4.24
Treasury shares	1,521,540	1.44	0	0.00	0	0.00
Total	**105,569,412**	**100.00**	**143,656,896**	**100.00**	**143,656,896**	**100.00**

The changes since the closing of the fiscal year are presented on page 80.

CHANGE IN OWNERSHIP AND VOTING RIGHTS VOTE

During the last three fiscal years, and to the best of the Company's knowledge, the distribution of the Company capital and voting rights (as a percentage) was as shown below:

	31/12/2011			31/12/2010			31/12/2009		
	Share capital	Voting rights (1)		Share capital	Voting rights (1)		Share capital	Voting rights (1)	
		Appropriation of net income	Other		Appropriation of net income	Other		Appropriation of net income	Other
H51 SAS	50.15%	56.68%	56.7%	n/a	n/a	n/a	n/a	n/a	n/a
H2 SAS (formerly THÉODULE)	5.01%	4.50%	4.50%	5.01%	3.96%	3.96%	less than 5% (4)		
SAS SDH	entity merged with H51			9.05%	11.69%	11.69%	9.05%	11.40%	11.40%
SAS POLLUX & CONSORTS	entity merged with H51			6.25%	7.46%	7.46%	6.25%	7.27%	7.27%
SAS FLÈCHES	entity merged with H51			5.56%	7.18%	7.18%	5.56%	6.81%	6.81%
SAS FALAISES	entity merged with H51			5.27%	6.83%	6.83%	5.27%	6.66%	6.66%
SC AXAM	entity merged with H51			5.27%	6.82%	6.82%	5.27%	6.65%	6.65%
SA JAKYVAL	less than 5% (4)			5.06%	3.28%	3.28%	5.06%	< 5% (4)	< 5% (4)
Mr Jean-Louis Dumas † (5)	n/a	n/a	n/a	n/a	n/a	n/a	4.87%	6.14%	< 5% (4)
Other members of the Hermès Family group	7.66 %	7.25 %	10.09 %	21.32 %	24.25 %	26.76 %	21.49 %	26.07 %	35.80 %
Sub-total Hermès family group (2)	**62.82%**	**68.43 %**	**71.27 %**	**62.79 %**	**71.46 %**	**73.96 %**	**62.82 %**	**71.00 %**	**74.58 %**
LVMH Moët Hennessy Louis Vuitton	22.28%	16.37%	16.37%	20.21%	13.08%	13.08%	less than 5% (3)		
Free float	7.70%	10.96 %	8.12 %	12.95 %	11.80 %	9.30 %	31.12 %	25.43 %	21.85 %
Mr Nicolas Puech	5.76%	4.24%	4.24%	5.66%	3.66%	3.66%	5.66%	3.57%	3.57%
Treasury shares	1.44%	0.00%	0.00%	0.39%	0.00%	0.00%	0.40%	0.00%	0.00%
Total	**100.00%**	**100.00 %**	**100.00 %**	**100.00 %**	**100.00 %**	**100.00 %**	**100.00 %**	**100.00 %**	**100.00 %**

(1) Voting rights exercisable at General Meetings. In accordance with Article 12 of the Company's articles of association, voting rights attached to the shares are exercised by the legal owners at all General Meetings (ordinary, extraordinary or special meetings), save for decisions regarding the appropriation of net income, in which case the beneficial owner shall exercise the voting rights. The method of reporting and allocating voting rights is described on page 76.
(2) The Hermès family group comprises the partners of Émile Hermès SARL, their spouses, children and grandchildren, and their family holding companies that are direct and indirect shareholders of Hermès International and Émile Hermès SARL.
(3) Ownership included under "Free Float".
(4) Ownership included in the Hermès family group sub-total.
(5) Deceased on 1 May 2010.
n/a : not applicable.
n/c: not communicated.

SHAREHOLDERS' AGREEMENTS

As a supplement to the priority acquisition right for the benefit of H51 SAS that took effect on 13 December 2011 and is described in page 82, the following shareholders agreements, which are covered by the Dutreil law, have been brought to the Company's attention:

	Dutreil Transmission agreement 2009.1	Dutreil Transmission agreement 2010.1	Dutreil ISF wealth tax agreement 2010.2	Dutreil ISF wealth tax agreement 2010.3	Dutreil ISF wealth tax agreement 2010.4	Dutreil ISF wealth tax agreement 2010.5
Governed by	CGI - Article 787 B	CGI - Article 787 B	CGI -Article 885 I bis	CGI - Article 885 I bis	CGI - Article 885 I bis	CGI - Article 885 I bis
Date of signature	2 May 2009	28 October 2010	28 December 2010	28 December 2010	29 December 2010	28 December 2010
Term of parties' commitment	Two years from the registration date (i.e., from 5 May 2009)	Until 1 November 2012	Two years from the registration date (i.e., from 29 December 2010)	Six years from the registration date (i.e., from 29 December 2010)	Six years from the registration date (i.e., from 30 December 2010)	Six years from the registration date (i.e., from 30 December 2010)
Contractual term of agreement	Two years from the registration date	Until 1 November 2012	Two years from the registration date	Six years from the registration date	Six years from the registration date	Six years from the registration date
Renewal terms	(Extended by individual agreements with the beneficiaries of the transmission agreement)	(Extended by individual agreements with the beneficiaries of the transmission agreement)	Tacitly renewable for further one-year periods	Tacitly renewable for further one-year periods	Tacitly renewable for further one-year periods	Tacitly renewable for further one-year periods
Percentage of share capital covered by agreement as of signature date	26.22% *(over 20% of the shares)*	29.84% *(over 20% of the shares)*	58.79%	58.79%	53.82%	42.56%
Percentage of voting rights covered by agreement as of signature date	Over 20% of voting rights *(not detailed in signed document)*	Over 20% of voting rights *(not detailed in signed document)*	67.55%	67.55%	61.59%	49.29%
Signatory parties with 'senior executive' status (within the meaning of L621-18-2-a)	*As of the date of signature of the agreement:* – Émile Hermès SARL, Active Partner – Jérôme Guerrand, Chairman of the Supervisory Board	*As of the date of signature of the agreement:* – Émile Hermès SARL, Active Partner – Jérôme Guerrand, Chairman of the Supervisory Board	*As of the date of signature of the agreement:* – Émile Hermès SARL, Executive Manager and Active Partner – Jérôme Guerrand, Chairman of the Supervisory Board – Patrick Thomas, Executive Chairman	*As of the date of signature of the agreement:* – Émile Hermès SARL, Executive Manager and Active Partner – Jérôme Guerrand, Chairman of the Supervisory Board – Patrick Thomas, Executive Chairman	*As of the date of signature of the agreement:* – Émile Hermès SARL, Executive Manager and Active Partner – Jérôme Guerrand, Chairman of the Supervisory Board – Patrick Thomas, Executive Chairman	*As of the date of signature of the agreement:* – Émile Hermès SARL, Executive Manager and Active Partner – Jérôme Guerrand, Chairman of the Supervisory Board – Patrick Thomas, Executive Chairman
Signatory parties with close personal ties with senior executives (within the meaning of Articles L 621-18-2 c and R 621-43-1 of the *Code Monétaire et Financier*)	All signatory parties	All signatory parties	All signatory parties	All signatory parties	All signatory parties	All signatory parties
Names of signatory parties holding at least 5% of the share capital and/or voting rights in the Company on 31 December 2011	Mr Jérôme Guerrand (1) POLLUX & Consorts SAS (1) SDH SAS (1) FALAISES SAS (1) JAKYVAL SC (1)	FALAISES SAS (1) FLÈCHES SAS (1) JAKYVAL SA (1) POLLUX & Consorts SAS (1) SDH SAS (1) THÉODULE SC (renamed H2 SAS)	AXAM SC (1) FALAISES SAS (1) FLÈCHES SAS (1) JAKYVAL SA (1) POLLUX & Consorts SAS (1) SDH SAS (1) THÉODULE SC (renamed H2 SAS)	AXAM SC (1) FALAISES SAS (1) FLÈCHES SAS (1) JAKYVAL SA (1) POLLUX & Consorts SAS (1) SDH SAS (1) THÉODULE SC (renamed H2 SAS)	AXAM SC (1) FALAISES SAS (1) FLÈCHES SAS (1) JAKYVAL SA (1) POLLUX & Consorts SAS (1) SDH SAS (1) THÉODULE SC (renamed H2 SAS)	AXAM SC (1) FALAISES SAS (1) FLÈCHES SAS (1) JAKYVAL SA (1) POLLUX & Consorts SAS (1) SDH SAS (1) THÉODULE SC (renamed H2 SAS)

(1) H51 since 12 December 2011.

	Dutreil Transmission agreement 2011.1	Dutreil Transmission agreement 2011.2	Dutreil ISF wealth tax agreement 2011.3	Dutreil ISF wealth tax agreement 2011.4
Governed by	CGI - Article 787 B	CGI - Article 787 B	CGI - Article 885 I bis	CGI - Article 885 I bis
Date of signature	20 December 2011	21 December 2011	26 December 2011	28 December 2011
Term of parties' commitment	Two years from the registration date (i.e., from 21 December 2011)	Two years from the registration date (i.e., from 23 December 2011)	Two years from the registration date (i.e., from 27 December 2011)	Six years from the registration date (i.e., from 28 December 2011)
Contractual term of agreement	Two years from the registration date	Two years from the registration date	Two years from the registration date	Six years from the registration date
Renewal terms	(Extended by individual agreements with the beneficiaries of the transmission agreement)	(Extended by individual agreements with the beneficiaries of the transmission agreement)	no renewal	renewal by amendment
Percentage of share capital covered by agreement as of signature date	55.51%	55.28%	61.57%	61.81%
Percentage of voting rights covered by agreement as of signature date	60.23%	59.98%	68.04%	68.38%
Signatory parties with 'senior executive' status (within the meaning of L621-18-2-a)	*As of the date of signature of the agreement:* – Émile Hermès SARL, Executive Manager and Active Partner – Éric de Seynes, Chairman of the Supervisory Board	*As of the date of signature of the agreement:* – Émile Hermès SARL, Executive Manager and Active Partner – Éric de Seynes, Chairman of the Supervisory Board	*As of the date of signature of the agreement:* – Émile Hermès SARL, Executive Manager and Active Partner – Éric de Seynes, Chairman of the Supervisory Board – Patrick Thomas, Executive Chairman	*As of the date of signature of the agreement:* – Émile Hermès SARL, Executive Manager and Active Partner – Éric de Seynes, Chairman of the Supervisory Board – Patrick Thomas, Executive Chairman
Signatory parties with close personal ties with senior executives (within the meaning of Articles L 621-18-2 c and R 621-43-1 of the *Code Monétaire et Financier*)	All signatory parties	All signatory parties	All signatory parties	All signatory parties
Names of signatory parties holding at least 5% of the share capital and/or voting rights in the Company	H51 SAS H2 SAS (formerly THÉODULE)	H51 SAS H2 SAS (formerly THÉODULE)	H51 SAS H2 SAS (formerly THÉODULE)	H51 SAS H2 SAS (formerly THÉODULE)

Share buyback programme

In accordance with the provisions of Article L 225-209 of the *Code de Commerce*, we hereby present our report on the Company's share buyback programme for 2011, pursuant to the authorisations granted by the shareholders at the General Meetings indicated below:

Programme authorised by General Meeting of	7 June 2010 (effective until 30 May 2011)	30 May 2011 (effective until 31 May 2011)
Date of Executive Management decision	24 March 2010	3 March 2011
Maximum number of shares	10% of the share capital	10% of the share capital
Maximum authorised amount	€850 million	1 Md€
Maximum purchase price	€200	€250

During the year ended 31 December 2011, the Executive Management carried out the transactions listed in the tables below under the share buyback programmes authorising the Executive Management to trade in the Company's own shares under the terms of Article L 225-209 of the *Code de Commerce*.

	From 01/01/2011 to 30/05/2011	From 31/05/2011 to 31/12/2011	Total
Not covered by liquidity contract			
Number of shares registered in the Company's name as at 31/12/2010	371,650	–	371,650
Number of shares bought	–	1,292,215	1,292,215
Reason for purchase	–	Employee shareholding	–
Average purchase price	–	€221.35	€221.35
Number of shares provided to employees as part of share plans, free share plans or subscription option plans	135	165,690	165,825
Average acquisition price of the shares provided as part of employee shareholding plans	€78.18	€89.26	€89.25
Net transaction costs, excluding VAT	–	€278,635	€278,635
Number of cancelled shares	–	–	0
Average price of cancelled shares	–	–	–
Number of shares registered in the Company's name as at 31/12/2011	371,515	1,126,525	1,498,040
Number of shares – Employee shareholding	371,515	1,126,525	1,498,040
Net value at purchase cost	€27,642,880	€271,239,339	€298,882,219
Net value at closing price	€85,578,480	€259,495,034	€345,073,514
Par value	€189,473	€574,528	€764,000
Percentage of share capital involved	0.35%	1.07%	1.42%
Covered by liquidity contract			
Number of shares registered in the Company's name as at 31/12/2010	35,000	0	35,000
Funds allocated (liquidity account)	€10,000,000	€10,000,000 (1)	€10,000,000
Number of shares bought	105,389	148,048	253,437
Average purchase price	€154.35	€226.55	€196.53
Number of shares sold	116,639	148,298	264,937
Average selling price	€157.02	€226.91	€196.14
Number of shares registered in the Company's name as at 31/12/2011	23,750	- 250	23,500
Net value at purchase cost	€3,922,956	€1,331,906	€5,254,862
Net value at closing price	€5,470,813	- €57,588	€5,413,225
Par value	€12,113	-€128	€11,985
Percentage of share capital involved	0.02%	0.00%	0.02%

(1) The amount was reduced to €5,000,000 on 23 December 2011.

A report on any such transactions since 1 January 2012 will be submitted to you at the Annual General Meeting called in 2013 to approve the financial statements for the year ending 31 December 2012.

The Executive Management

Share price trend over the past five years

2007

Month	Share price (in €) High	Low	Closing average	Monthly average daily trading volume on Euronext
January	96.90	91.20	92.96	199,317
February	103.69	91.80	95.73	267,736
March	107.50	94.20	101.20	268,007
April	108.70	102.90	106.50	192,698
May	108.60	101.61	104.45	277,394
June	103.80	83.06	89.27	637,127
July	84.64	71.67	78.59	448,523
August	86.00	70.00	76.78	528,695
September	80.79	76.75	78.84	290,265
October	92.84	78.30	88.22	279,543
November	92.40	79.62	84.13	300,309
December	91.20	83.21	86.67	179,400

2008

Month	Share price (in €) High	Low	Closing average	Monthly average daily trading volume on Euronext
January	87.45	59.42	70.52	574,989
February	84.00	67.16	77.03	410,448
March	82.00	71.11	77.83	391,730
April	88.74	74.51	80.86	349,275
May	112.70	87.47	100.32	536,274
June	107.92	93.83	100.07	420,914
July	105.00	86.03	94.94	350,625
August	107.47	92.21	99.38	224,213
September	117.00	91.50	101.59	418,720
October	118.80	76.01	98.12	347,059
November	131.89	92.75	101.61	258,699
December	111.66	94.14	102.43	154,611

2009

Month	Share price (in €) High	Low	Closing average	Monthly average daily trading volume on Euronext
January	104.65	75.01	87.85	133,436
February	83.60	65.66	74.50	223,503
March	87.56	64.84	74.96	218,118
April	103.00	84.00	92.46	195,080
May	104.10	94.51	99.92	111,435
June	101.00	88.91	93.88	146,674
July	106.70	92.29	99.28	85,991
August	106.30	98.65	102.04	62,496
September	102.95	97.00	100.09	74,879
October	101.10	94.29	97.61	66,937
November	99.95	92.52	96.47	59,159
December	98.68	91.80	94.91	50,477

2010

Month	Share price (in €) High	Low	Closing average	Monthly average daily trading volume on Euronext
January	100.50	92.00	96.13	68,702
February	100.40	93.80	97.39	56,061
March	105.95	98.88	103.22	54,517
April	103.50	97.53	100.20	52,133
May	110.45	97.54	103.90	95,700
June	114.35	105.00	110.31	88,705
July	132.85	106.15	118.27	112,613
August	150.00	131.80	139.16	152,411
September	168.85	140.95	156.74	82,063
October	207.75	152.35	172.84	205,924
November	168.00	136.30	149.06	359,308
December	167.35	143.30	154.22	155,551

2011

Month	Share price (in €) High	Low	Closing average	Monthly average daily trading volume on Euronext
January	163.05	142.55	153.76	71,324
February	157.75	143.30	149.37	194,549
March	161.40	142.05	152.14	93,915
April	160.00	148.50	153.32	40,937
May	180.55	157.20	170.17	87,207
June	206.00	178.70	190.66	149,829
July	242.30	199.50	222.29	81,561
August	269.55	210.50	246.10	100,819
September	272.50	221.80	256.50	74,367
October	251.60	212.45	235.85	54,550
November	258.40	218.25	239.85	41,140
December	237.00	210.00	226.12	41,675

Information on the parent company financial statements, on accounts payable maturities, on subsidiaries and associates

INFORMATION ON THE PARENT COMPANY FINANCIAL STATEMENTS

The parent company financial statements as presented were approved by the Executive Management on 8 February 2012 and will be submitted to the shareholders for approval at the Annual General Meeting of 29 May 2012. The parent company financial statements were also reviewed by the Audit Committee at its meeting of 12 March 2012.

Revenue

Revenue amounted to €126.7 million in 2011, an increase of 39.4% on the €90.9 million registered in 2010.

The Company's revenue consists of sales of services that are charged back to Group subsidiaries for advertising and public relations, rent, staff provided on secondment, insurance and professional fees and of royalties on the sales of the production subsidiaries.

Statement of financial position and statement of income

Hermès International's statement of financial position and statement of income appear on pages 195 to 197.

The parent company financial statements are drawn up in accordance with the provisions of French laws and regulations and with generally accepted accounting principles.

As at 31 December 2011, total assets amounted to €2,069.3 million compared with €1,635.9 at 31 December 2010. The statement of income shows net income of €481.6 million, compared with €325.2 million in 2010.

As at 31 December 2011, Hermès International's share capital amounted to €53,840,400.12, made up of 105,569,412 shares with a par value of €0.51 each.

INFORMATION ON ACCOUNTS PAYABLE DUE DATES

Pursuant to Article L 441-6-1 of the Code de Commerce and of Decree No. 2008-1492 of 30 December 2008, a breakdown of trade accounts payable by due date is provided on page 209.

INFORMATION ON SUBSIDIARIES AND ASSOCIATES

A list of companies whose registered office is located in French territory and in which the Company owns a material interest, whether directly or indirectly, is provided in the notes to the consolidated financial statements (Note 32, page 189).

• *Creations of companies:*

– Isamyol 19, Isamyol 20, Isamyol 21, Isamyol 22, Isamyol 23, on 29 September 2011, 100% held by Hermès International on the day of their creation;

– Faubourg Italia (company under Italian law), held by Hermès International and Dédar Spa as part of a joint venture.

• *Change of company name:*

– Hermès Intérieur & Design was renamed Hermès Horizon;

– Hercia was renamed Immobilière charentaise de la Tardoire;

– Isamyol 16 was renamed Maroquinerie de la Tardoire;

– Isamyol 17 was renamed Maroquinerie Iséroise;

– Isamyol 18 was renamed Immobilière Textile Honoré;
– Isamyol 19 was renamed Ateliers d'Ennoblissement d'Irigny;
– Isamyol 20 was renamed Immobilière Iséroise;
– Société Nontronnaise de Confection was renamed Société Novatrice de Confection.

• *Conversion from* société anonyme *(limited liability company) to* société par actions simplifiée *(simplified limited liability company)* of Créations Métaphores.

• *Capital transactions* in Créations Métaphores, to recapitalise.

• *Dissolution without liquidation by transfer of all assets and liabilities* of the company SAS Ateliers de Nontron for the benefit of the Maroquinerie Nontronnaise as of 1 January 2012.

• *Acquisition* of the company Stoleshnikov 12 by the Compagnie Hermès de Participation and Hermès International (with both companies holding all of the capital).

• *Equity investment.* La Montre Hermès acquired a 32.5% equity interest in Joseph Erard Holding.

• *Acquisition of the stock-in-trade branch and of the building.* The company Ateliers d'Ennoblissement d'Irigny acquired the dyeing and dressing stock-in-trade branch operated by the EMC company in Irigny, as well as the building complex in which it was operated.

Property and insurance

Property

The Group owns its original registered office at 24, rue du Faubourg Saint-Honoré and 19-21, rue Boissy d'Anglas in Paris (75008). Close to the flagship Faubourg store and administrative offices, the Group also occupies office space, on rue de la Ville-l'Évêque, Paris (75008), which it rents from third parties under commercial lease agreements since 2007. The employees of Hermès International were relocated to two locations: Faubourg Saint-Honoré and rue de la Ville-l'Évêque. The Group occupies some 22,000 m² of office space in Paris. This area includes the Faubourg Saint-Antoine site encompassing a leather goods production facility covering nearly 2,000 m², in which the Group carried out substantial improvements in 2010. The Group also owns two logistics centres, one in Bobigny, in the Paris area (approximately 21,000 m²), the other in Nontron. The Group is also beefing up its presence in Pantin through extension works on the Ateliers Hermès that began in 2010, the first stage of which should be completed by early 2013. By the end of the following stages, the Group will occupy nearly 60,000 m² in this town, with these areas consisting of offices, business premises and storage facilities for the house's various métiers, including leather goods, ready-to-wear and silversmithing and jewellery.

The Group owns twenty-eight of the thirty-three production units that it operates, including three tanneries acquired in 2007 following the purchase of the Soficuir group. These production units are spread across twenty-seven sites, twenty-three of them in France, one in Great Britain, one in Italy, one in Switzerland and one in the United States (for a detailed list, please see page 106). Significant renovation work is in progress on the Hermès Parfums site in Normandy.

Hermès products are available worldwide through a network of 328 exclusive stores. A detailed list of these appears in Volume 1, pages 66 to 71 of the Annual Report. Of all the Hermès exclusive retail outlets throughout the world, 205 are operated as branches. Most of these are rented under long-term commercial leases intended primarily to ensure the continuity of operations over time. The Group also owns the buildings that house certain stores, including those in Paris, Ginza in Tokyo, Dosan Park in Seoul, The Galleria in Hong Kong, and in Geneva, Switzerland. Moreover, the Group has undertaken significant work to restructure its building in the rue du Rhône in Geneva, which host the store since December 2011 with a sales area of now 500 m². The branches are located in the following regions: 74 in Europe (including 16 in France), 36 in the Americas (including 27 in the US), 88 in Asia (including 31 in Japan), and 7 in Oceania. In 2011, the distribution network was enlarged with the addition of 12 Hermès exclusive retail outlets (all of them branches) around the world.

Insurance

The Hermès Group's policy regarding insurance is to transfer any exposure that is liable to produce a material impact on profits to the insurance market. The insurance programmes are placed with leading insurance companies, via several of the top ten brokers in France. The main international insurance programmes cover:

1) Property damage and operating losses that may affect our production sites, logistics centres, distribution centres or administrative offices, in France and in other countries. The policy underwritten by FM Global was renewed for a one-year term. The upper cover limit is €500 million. The deductibles for direct damage vary from €15,000 to €250,000 of revenue loss and from €70,000 to three days' gross margin. In Japan, the Group has an earthquake insurance policy covering €40 million in direct damage and operating losses. It secured this policy several years ago.
This insurance coverage is supplemented by a prevention/engineering programme and prevention inspections were carried out at 68 production and distribution sites in 2011. Implementation of the main recommendations issued is monitored through a formally documented system.

2) Financial liability for damages to persons, property and intangibles caused to third parties in the conduct of our business operations or by our products. This policy is underwritten by Chartis. The amount of coverage under this policy takes into account the nature of our operations. The upper cover limit per occurrence is €30 million and deductibles range from €1,000 to €10,000.

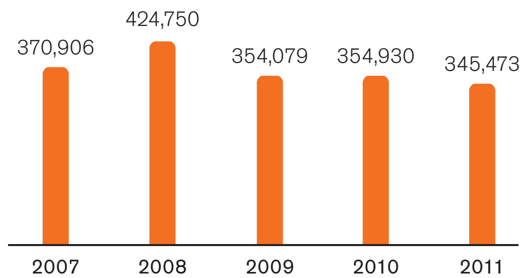
3) Transportation of our products between our production sites and to our distribution network. A policy was secured from ACE.

In 2011, no material claims for damages were filed under these policies.

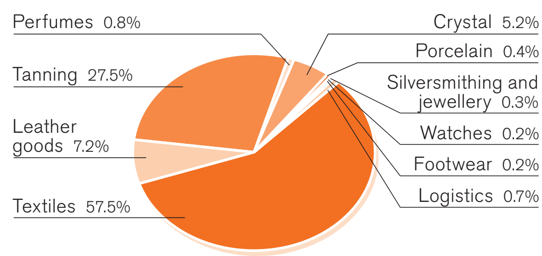
NRE appendices: Environmental information

Natural resources consumption

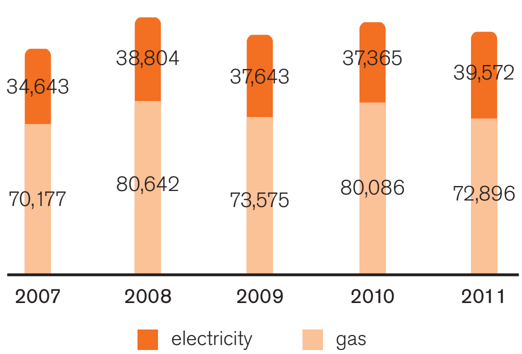
- **Change in water consumption** (1) (m³)



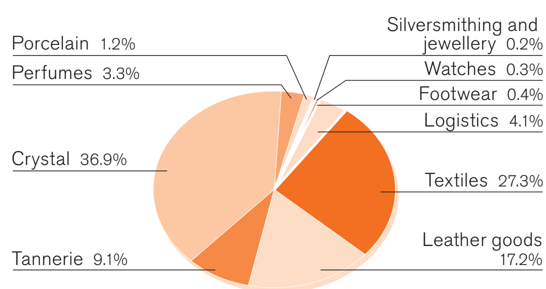
- **Breakdown of water consumption by *métier* - 2011** (m³)



- **Change in energy consumption** (1) (MWh)



- **Breakdown of energy consumption by *métier* - 2011** (MWh)



(1) Including Hermès Cuirs Précieux as from 2008.

Production sites

The Hermès Group controls 33 production units (including the Bobigny logistics platform) on 27 sites (23 in France, 1 in Great Britain, 1 in Italy, 1 in Switzerland and 1 in the United States).

Métier	Company name *(production site)*
Leather goods	Hermès Sellier *(Faubourg Saint-Honoré, Pantin-Pyramide, Pantin-CIA, Pierre-Bénite)* Maroquinerie de Saint-Antoine *(Paris Faubourg Saint-Antoine)* Maroquinerie de Belley *(Belley)* Maroquinerie des Ardennes *(Bogny-sur-Meuse)* Maroquinerie de Sayat *(Sayat)* La Manufacture de Seloncourt *(Seloncourt)* Manufacture de Haute Maroquinerie *(Aix-les-Bains)* La Maroquinerie Nontronnaise *(Nontron)* Ganterie de Saint-Junien *(Saint-Junien)* Comptoir Nouveau de la Parfumerie *(Le Vaudreuil)*
Tanning	Gordon-Choisy *(Montereau)* Tanneries des Cuirs d'Indochine et de Madagascar (TCIM) *(Vivoin)* Michel Rettili *(Cuneo/Italy)* Reptile Tannery of Louisiana *(Lafayette/USA)*
Perfumes	Comptoir Nouveau de la Parfumerie *(Le Vaudreuil)*
Textiles	Créations Métaphores *(Saint-André-le-Gaz)* Société d'Impression sur Étoffes du Grand-Lemps (SIEGL) *(Le Grand-Lemps)* Ateliers A.S. *(Pierre-Bénite)* Holding Textile Hermès (HTH) *(Pierre-Bénite)* Ateliers de Tissage de Bussières et de Challes (Bucol, Le Crin) *(Bussières, Challes)* Société Novatrice de Confection *(Nontron)* Établissements Marcel Gandit *(Bourgoin-Jallieu)*
Crystal	Compagnie des Cristalleries de Saint-Louis *(Saint-Louis-lès-Bitche)*
Silversmithing and jewellery	Compagnie des Arts de la Table (Puiforcat) *(Pantin-CIA)*
Porcelain and enamel	Compagnie des Arts de la Table *(Nontron)*
Watches	La Montre Hermès *(Biel/Switzerland)*
Footwear	John Lobb *(Paris-rue de Mogador, Northampton/United Kingdom)*
Logistics	Hermès Sellier *(Bobigny)*

LEATHER GOODS

• Environment, Health and Safety (EHS) organisation

The Hermès Leather Goods division comprises thirteen production facilities, including a workshop at the site in Le Vaudreuil (Comptoir Nouveau de la Parfumerie) and a saddlery shop at rue du Faubourg Saint-Honoré.

Within this division, a multidisciplinary task force including the managers in charge of environment, health and safety and maintenance, the persons in charge of continuous improvement on the sites, the nurses and an occupational physician, along with a real estate project manager, meets four times a year for activities such as training and information sessions, visits, meetings and audit exercises. The task force is led by the division's Environment, Health and Safety (EHS) and Sustainable Development Director.

In 2011, the task force's seminars addressed issues such as the energy management of the buildings, handicapped workers, workstation ergonomics, machine safety, and the management of external companies and other dangerous works.

• Production facilities

Of the Leather division's thirteen production sites, the four located in the greater Paris area account for the bulk of its water and energy consumption. This is due to the fact that the main site in the Paris area – Pyramide in Pantin – houses other Group facilities, including administrative offices, cafeterias, and meeting facilities such as the Podium, where many Group events are held.

The Paris site of the Maroquinerie de Saint-Antoine, located in the 12th district, underwent complete renovations that were completed in 2010. All facilities outside of the greater Paris area, with the exception of the Saint-Junien and Seloncourt sites, are of recent design. As such, the Bogny-sur-Meuse, Sayat, Pierre-Bénite and Nontron facilities were all built within the past seven years. Belley was totally renovated in 2009, completed by insulation projects carried out in 2010 and 2011. After an energy audit in 2010, renovation is in progress on the Selencourt site, a project that is expected to take three years.

2011 was the second full year of operation at Nontron, which was built to environmental quality standards (HQE). Positive results were derived from technical innovations such as a wood-fired boiler, photothermal solar panels, a green roof and Jardins Filtrants® water gardens, which naturally purify domestic wastewater and runoff water from the car parks.

• Figures

The figures below represent aggregate data for the Leather Goods division, excluding the Le Vaudreuil and Faubourg Saint-Honoré workshops, which are included elsewhere.

	2007	2008	2009	2010	2011
Water (m^3)	30,905	23,346	30,202	24,812	24,761
Electricity (MWh)	10,607	11,063	11,297	11,399	11,751
Gas (MWh)	7,755	9,130	7,410	8,572	7,594
Fuel oil (MWh)	1,382	1,037	953	726	–
Wood heating (MWh)	–	–	70	385	390
OIW (t)	684	670	640	633	638
HIW (t)	15	21	29	37	42

• Water

While the bulk of the Leather Goods division's water consumption is for domestic use, water also supplies the automatic fire sprinkler system, outdoor sprinklers for green spaces at certain sites and back-up air conditioning systems at Pyramide. Since 2008, all sites have been equipped with water-based cleaning tables to wash production tools, eliminating all industrial wastewater.

Pantin-Pyramide accounts for nearly half of the division's total water consumption, as it is home to a range of different activities and hosts events in spaces such as the Podium.

In 2011, the water consumption was similar to the 2010 figure, despite an increase of the production hours. This stability is the result of three years of conservation efforts, hunting down leaks and raising employee awareness. This is illustrated by the following examples:

– Maroquinerie des Ardennes: a leak of approximately 2,000 m³ in the automatic fire sprinkle system had resulted in over-consumption in 2009. The consumption figure returned to normal in 2010, with the trend being confirmed in 2011 by a 9% decrease;

– Maroquinerie de Nontron: filling part of the fire prevention basin required the consumption of approximately 500 m³ of municipal water in 2009. Since 2010, the site's water consumption corresponds only with domestic use. Any possible topping up of the fire prevention tank is now performed using the on-site source;

– Manufacture de Pierre-Bénite: water consumption was reduced by around 1,200 m³ in 2010 and again in 2011, by suspending the site's automatic lawn sprinkler system for the summer. The weekly readings make it possible to be very responsive in case of a leak.

• Energy

Total energy consumption (electricity, gas, fuel oil and wood) dropped by 6% year on year, from 21,082 MWh in 2010 to 19,735 MWh in 2011. Electricity is used for production tools (cutting machines, leather marking machines, work station lighting) and to light common areas, in some water heaters and to run the air conditioning, ventilation and cooling units in work areas.

Gas is used only for heating, not in the production process.

Fuel oil was used to heat the CIA site in Pantin during the first half of 2010, for the last time. The fuel oil boiler was replaced by a gas-fired unit in the autumn.

The Nontron site uses wood for the boiler installed in the autumn of 2009.

In 2009 and 2010, detailed energy diagnostics were carried out at Bogny-sur-Meuse, Sayat, Nontron, Seloncourt, Aix-les-Bains and Pierre-Bénite by an engineering firm specialising in climate engineering. These diagnostics were intended to identify new areas for possible improvements that have been budgeted as part of the 2010-2013 plan.

As such, in Aix-les-Bains, one workshop's ventilation system was modified and a new aspiration and dust removal system was installed in the sanding room.

The major architectural renovation works on the Belley site in 2009 were completed by insulation sub-projects in 2010 and 2011. The energy-related renovation works which begun in 2010 on the Seloncourt site continued in 2011. They primarily involved the replacement of the frames, the sealing of the façade and the renovation of the roof.

Electricity

The substantial increases in electricity consumption in the Leather division until 2007 were due mainly to expanded production capacity (through new construction or extensions to existing sites). Since 2009, the increase in electricity consumption has been limited: it rose by 4% in three years, including 3% between 2010 and 2011. This is explained by the increased leather cutting capacities provided by digital cutting machines. As such, in Nontron, in 2011 (second year of full operations) electricity consumption increased by 43% compared with 2010 after the installation of cutting tools.

Conversely, other facilities have helped contain overall consumption by the Leather Goods division by cutting electricity use. After a 13% fall in consumption in 2009 and 4% in 2010 at the Maroquinerie des Ardennes, the replacement of weather stripping in buildings, careful control of the air treatment centres, turning off freeze protection heating cables once frost dates had passed and eliminating unnecessary lighting in low-traffic areas helped to limit the 2011 consumption increase to barely 1%.

Fossil fuels

Gas consumption declined by 11% between 2010 and 2011.

Since gas is used only for heating within the plants, the main explanation for this result is the relatively mild winter of 2011. Nevertheless, constant efforts to limit consumption have been made since 2009. As such:

– gas has replaced fuel oil on the CIA site in Pantin;

– the Maroquinerie de Saint-Antoine is no longer heated by gas, but by the City of Paris urban heating system;

–thermal insulation of the Belley site was completed in 2010, with measurable effects as of 2011, i.e. a 14% decrease of the gas consumption;

– the works undertaken at the Manufacture de Seloncourt since 2010 (repairs to the roof, changing of the windows and frames, replacement of the insulation in the external cladding, getting rid of thermal bridges, etc.) led to a 22% consumption decline in 2011;

– at the Manufacture de Pierre-Bénite, the effort to optimise the building's technical management continued: changes were made to the automated control system, with the control now being based on the return air ducts in all of the workshops. This modification promotes free-cooling, that uses less energy than air conditioning. Compared with 2010, consumption is down by 24%.

Renewable energies

Photo-thermal solar panels are used for heating the domestic water, thereby accounting for the needs of the Maroquinerie de Nontron. The wood-burning boiler provided 66% of the heating needs in 2011 (49% in 2010). The gas boiler supplements the heating system between seasons, and during particularly cold climatic periods. The gas consumption was cut in half between 2010 and 2011 due to the relatively mild winter.

- **Waste**

Water-based glues are now used almost universally at all production facilities, which has eliminated solvent waste, a source of HIW (Hazardous

Industrial Waste). Their 15% increase in 2011 can be explained by a sorting and stock-clearing operation involving dangerous products on the Pyramide site.
Water-based cleaning tables for washing brushes and glue containers have been installed in all production facilities. Wastewater from the cleaning tables is treated by the cleaning-table supplier in compliance with regulations. As a result, paint brushes and containers are now reusable. Leather scrap, which accounts for the bulk of the division's OIW (Ordinary Industrial Waste), is recycled.

- **Bilan Carbone®**

The Bilan Carbone® ("carbon audit") is a way of identifying activities that produce greenhouse gases, measuring their emissions and calculating their Carbon Dioxide Equivalent in tonnes.
Bilan Carbone® audits were carried out at all Leather Goods production facilities between 2006 and 2009. Initial overall findings from the audits point to a number of areas for improvement, including:
– logistics and transportation of incoming materials: a centre for warehousing skins has been located near Lyon to serve our production sites in the Rhone-Alps region, thus reducing the distance travelled by raw materials;
– the heating and cooling systems used within the facilities: detailed energy diagnostics will allow adapted energy-saving measures to be put in place, thereby improving Bilan Carbone® results;
– employee transportation: the Pierre-Bénite facility has launched an inter-company transport plan in conjunction with other Group entities located on the site. The goal is to reduce the use of cars by optimising commutes and travel time, raising awareness among employees and promoting alternative forms of transportation such as car-pooling, mass transit, bicycling, or walking in cooperation with partners such as SNCF, local community institutions and the ADEME.
After the 2nd prize in the 'More than 500 employees' category obtained during the Greater Lyon 2010 carpooling challenge, an 'Eco-mobility Day' was organised in 2011: places were created for "carpoolers" and specific access badges were printed in order to distinguish the vehicles in question.

- **Participation in local life**

In 2010, the Belley site provided the "Green brigades" from the Gardens of Cocagne network with a parcel of approximately 3,000 m² for use as an orchard and vegetable garden for persons undergoing professional reintegration. The first crops were produced in 2011.

TANNING

The environment, health and safety measures are overseen by dedicated managers in each of the tanneries, under the authority of the site directors. All of the data are shared within the Tanning division, and joint improvements are implemented under the impetus of the industrial director.

- **Figures**

	2008	2009	2010	2011
Water (m^3)	117,971	95,809	85,215	95,036
Electricity (MWh)	3,445	3,260	3,256	3,686
Gas (MWh)	7,093	7,567	8,104	6,577

• **Water**

The Tanning division is the Group's second largest water consumer, making this a major topic for the entire team. 2011 was the record production year since the division's creation in late 2007.

Nevertheless, the consumption figure is lower than it was in 2009. This is the result of substantive measures:

– in Montereau, in 2011, the water consumption remained stable between 2010 and 2011 despite a 23% production increase. The replacement of the *coudreuses* (tanning lime draining tanks) by two side stream tanning drums allowed for a 40% gain in this part of the process. Also, the classical faucets were replaced by automatic shutoff faucets throughout the tannery;

– in Vivoin, a hide preparation phase using water has been added to improve the tanning quality. Several measures have been taken in order to offset this additional expenditure with new savings: preventive maintenance of the water distribution systems, usage of recycled water for cleaning the effluent treatment station and the production equipment;

– in Cuneo, water consumption climbed significantly less than production thanks to optimisation of the production parameters and constant surveillance of the networks and processes;

– the Lafayette tannery increased its production by 16%, while water consumption only climbed by 4%, due to the full effect of more economical equipment installed in 2009, the repairing of leaks and the raising of employee awareness relative to water savings.

• **Energy**

The electricity consumption is directly linked to production. The latter rose by around 15% while the consumption of electricity only climbed by 13%, and gas consumption dropped by 19%. These results are explained by the following measures:

– in Montereau, electricity consumption increased in keeping with production, that rose by 23%. Measures are being taken to contain this phenomenon: the drying room, for example, goes into standby mode during very cold periods. The gas consumption on this site dropped by 8%, notably thanks to the efforts made to insulate various parts of the building at the same time as the roof was repaired. Using hot water radiant floor to heat the workshops also contributed to this performance, while increasing comfort in the workshops;

– a similar project to renovate the heating system is being carried out in Vivoin, which overall has reduced its energy consumption by 25%, despite an appreciable business increase. These savings resulted from the installation of a skid pump in order to improve the recovery of condensates from the steam distribution process, the automatic steering of the operation of the application cabins so as to avoid them running empty, the insulation of the openings in building B as well as the ceiling of the accounting department and finally, at the end of the year, the change to LED lighting for the exterior of the site;

– in Cuneo, the energy consumption remained proportional to production between 2008 and 2011. The site installed new energy consuming equipment: a new dust exhaust system for sanding dust, an air compensation system in La Barnini, an additional changing room with heating and electricity, a new kitchen, blowers at the treatment station, and

an unfiltered air renewal system. During this same period, thanks to the installation of lighting with a motion detection system and the reduced usage of the heating as a result of the work shift system on Fridays, it was possible to keep consumption stable;
– the energy consumption at Lafayette rose in proportion with the production as a result of the installation of new equipment to improve the quality of the hides that are tanned and stored on this site (set-up of a new cooler and dehumidifier in order to preserve wild hides that are received seasonally, recurring usage of a framing machine that will serve to improve the on-site quality inspection of the hides).

• Water discharges

Each tannery is equipped with an on-site treatment plant and continually performs very strict controls of its effluents in compliance with the applicable standards.
The Vivoin site implemented a continuous improvement plan intended, firstly, to guarantee the proper operation of the wastewater treatment process (AMDEC study) and, secondly, to improve the working comfort around the station. Within this framework, it changed its pre-treatment water storage bladder, placed the strategic technical parts in storage and trained several internal responders in the oversight of the nanofiltration system.

• Waste

Each site works continuously to seek out the best recycling or waste reclamation channel.
Presently, CIW (common industrial waste) and BWRI (biomedical waste with risks of infection) are incinerated with energy recovery, while paper and cardboard materials are recycled through conventional paper industry channels. The leather shavers undergo thermolysis treatment in order to recover the chromium. Any wood is directed to a local company that manufactures particleboards, to be reused. Steel, for its part, is resold.
Finally, HIW (hazardous industrial waste) is handled by a specialised company that processes each type of waste separately, on the basis of its characteristics.

• Bilan Carbone®

The main source of greenhouse gas emissions for the Tannery division is the air transport of raw reptile hides.
After the set-up of sea transport channels for *Alligator mississippiensis* (coming from Florida and Louisiana) and *Crocodilus niloticus* (species from Africa), transportation by boat increased from 18% to 30% between 2010 and 2011. By species, 66% of *niloticus* hides and 53% of alligator hides are now transported by boat. The move to sea transport for *Crocodilus porosus*, coming from Australia, is still facing practical organisation difficulties (new transport boxes, routing to the port,etc.).

• Health and safety

In 2011, new measures were implemented in an effort to improve health and safety conditions. The replacement efforts for chemical products also increased in number in order to anticipate the evolution of the REACH regulations involving certain chemical substances.
In Montereau, the focus was on personnel training in all fields: new orientation booklet, awareness-raising campaign relative to noise and employee protection, strengthening of the evacuation teams

and training in the handling of extinguishers. The site also worked on improving the working conditions of the employees: campaign to measure lighting within the premises and workstations, set-up of a new hide drying machine that does away with the risks of injury resulting from having to hang hides on nails.
Vivoin continued its efforts to raise awareness as well as its training in the risks inherent in the division's activities (training in risky chemicals, refresher course for the SSTs (workplace first aid providers, electrical clearances, etc.). Measures relative to the framing trade have been initiated with an ergonomist. The illumination and storage spaces on the workplaces were improved.
In Cuneo, each new craftsman is trained on the environment, health and safety topics specific to his workstation, with the training updated and provided each year. In 2011, the guard's room was transformed into a men's changing room with a shower and toilets, and an air renewal system was installed at the raw tanning workshop. The site has not had an accident requiring sick leave since February 2008.
Lafayette also continued with the roll-out of its safety training programme, provided to all employees through monthly sessions, with several specific modules for operators and supervisors.

PERFUMES

In 2011, the main investments on the Vaudreuil site involved the renovation of the façades on all buildings, lightning protection, safeguarding of the site and personnel (pedestrian walkways, strip lights, cameras), and energy recovery.

In order to prevent any accidental pollution, a retention system for the site was completed so as to prevent accidental spills into the natural environment and to provide protection against possible flooding of the Eure river.

• Figures

	2007	2008	2009	2010	2011
Water (m^3)	5,426	5,644	5,777	4,359	2,772
Electricity (MWh)	1,422	1,422	1,430	1,446	1,701
Gas (MWh)	2,246	2,376	2,332	3,032	2,037
Fuel oil (MWh)	0.8	0.8	0.8	0.8	0.3
OIW (t)	375	361	341	351	397
HIW (t)	46	59	79	114	140

• Water

The consumption on the Vaudreuil site dropped once again in 2011, which now represents a 50% reduction compared with 2007. A significant part of this decrease is directly linked to the departure of a non-group company that had been renting part of the premises.

• Energy

An energy tracking platform provides for a reading of the main gas and electricity consumption items, while also helping to detect possible deviations as quickly as possible.
The electricity consumption rose by 18% in 2011, which can primarily be explained by the production increase, with a packaging line having been added. The usage of electrical energy on the site is divided between the management of the ambient air (heating, cooling and ventilation) for almost 50%, air compressors for production for approximately 20%, and the rest being used by production and tools lighting.

The gas and fuel oil consumption respectively dropped by 33% and 63% compared with 2010. The boilers were replaced by an air treatment unit for heating the manufacturing premises. The fuel oil gain results from the stoppage of the testing of the diesel generator during the connection phase for the backup unit.

• Air quality

An assessment of the atmospheric release of VOC (volatile organic compounds) was carried out in 2011. The rate of released VOC is well below the threshold standard for perfume industries. Also, these VOC primarily consist of ethanol, a product that is not bio-accumulable and that represents no measurable risk relative to fauna and flora. It vapourises and biodegrades quickly.

This good result can be explained by the improved ventilation in the workshops, which continued with the set-up of an air destratifier; this renewal system serves to better regulate the temperature in the workshops, and thus to limit evaporation phenomena.

• Waste

The volumes of waste increased compared with 2010, by 13% for CIW (common industrial waste) and by 23% for HIW (hazardous industrial waste), primarily as a result of increased production volumes.

At Le Vaudreuil, efforts continued to increase the volume of waste recycled. In 2011, this rate reached 47%, with 26% recycled waste. All obsolete components now transit through recycling sectors.

• Bilan Carbone®

A Bilan Carbone® audit was conducted at the Le Vaudreuil facility in 2009. Based on its findings, improvement measures were identified and undertaken. In 2011, the measures focused on savings of gas and fuel oil.

• Health and safety

The site's environment, health and safety measures are overseen by a three-person service, that directly reports to the site director.

The health and safety efforts are continuing, thanks to the investments made in the last three years.

The accident risk reduction policy is continuing: awareness-raising of the personnel, set up of displays at the entrance, communication of the results.

The presence of a full-time nurse resulted in the strengthening of the workplace first aid provider team, as a result of many training sessions. Assessments were carried out on the training in EHS procedures, which helped to verify the assimilation of the safety rules by all personnel members.

Regular get-togethers are scheduled in order to tackle topics involving professional risks and behavioural aspects (carrying loads, ergonomics at the workstation, traffic and circulation risks...), and this mechanism is supplemented by a voluntary team of internal operators who work in the field. All of these actions, also involving the CHSCT (Health and Safety committee), help to improve the risk prevention culture.

TEXTILES

Each of the eight sites in the Textiles division is continuing its environment, health and safety policy, with a programme set up at the start of the year by a coordinator for the entire sector, who is backed up by the technical manager and the EHS facilitator of the Ateliers A.S. The total amount of the investments made as part of this programme in 2011 was nearly a million euros.

• Figures

	2007	2008	2009	2010	2011
Water (m^3)	260,000	241,000	198,775	215,800	198,478
Electricity (MWh)	9,678	10,075	9,266	9,520	9,694
Gas (MWh)	21,897	22,254	20,443	22,810	21,000
OIW (t)	469	306	239	345	346
HIW (t)	334	387	409	488	522

• Water

The Textiles division still accounts for most of the Group's water consumption (58% in 2011). Reducing water consumption at its production facilities therefore continues to be a major environmental priority for the division and for the Group as a whole. The water conservation programme cut the division's aggregate water consumption by 24% between 2007 and 2011 and by 51% between 2002 and 2011. Despite a strong production increase in 2011, water consumption once again dropped by 8% compared with 2010.

At the Ateliers A.S., production climbed by 31%, while water consumption dropped by 12%. This performance results from heightened surveillance of the framewashing machines and their water recycling system.

In the colour kitchen workshop, the dissociation of the rinsing ramps allowed for new savings.

At the SIEGL, production climbed by 5%, while water consumption dropped by 3%; the effluent recycling rate climbed in 2011, which completely explains this differential.

At the Établissements Marcel Gandit, production increased by 9% whereas the increase of water consumption was kept to under 3%. This result is explained by the lower water consumption due to the modification of the degreasing line for the frames and the progress of the engraving by "wax jet".

• Effluent

The main focuses of the ongoing wastewater quality improvement programme were:

– continued efforts to find substitutes for certain chemicals;

– recovery of chemicals before tools and fabrics are washed;

– reduction of chemical consumption;

– improvement of wastewater treatment system.

In 2011, at the SIEGL, the consumption of stripping product by the tables dropped by 29% (despite a 5% production increase), thanks to the activation of two new machines that limit the deposit and allow the product to be recovered after stripping.

Moreover, at the Ateliers A.S., the recovery of colours before rejection was further improved through the installation of the new washing machine for frames.

At the SIEGL, the correct operation of the membrane bioreactor made it possible to lower the COD (chemical oxygen demand, expressed in kg/d) and to increase the rate of recycled water in the production process.

• Energy

All of the division's personnel is contributing to the measures intended to reduce energy consumption. For all of the HTH sites, electricity consumption increased by 2%, while gas consumption dropped by 8%.

At the Ateliers A.S., the increase in electricity consumption was kept to under 2%, despite a 31% production increase. Lighting tubes were replaced with tubes that consume less energy, and the south workshop's refrigerated unit was changed.

Gas consumption fell by 10% as a result of the mild winter, but also thanks to changes to the adjustments and instrumentation of the boilers.

At the Établissements Marcel Gandit, the insulation of the roofs of the buildings and the mild winter led to a decrease of gas consumption by 18.5%.

• Waste

With the objective of constantly improving waste management and evacuation through approved channels, the awareness of the personnel to these issues was raised through visits, meetings, regular displays and suitable signage.

The 7% increase of HIW (hazardous industrial waste) can be explained by the higher production, which primarily involved the quantity of coloured waste, for which the reclamation was nevertheless better than in 2010. The quantity of produced CIW (common industrial waste) is stable.

• Bilan Carbone®

The major identified items are energy, raw materials (production of cotton, silk and metals for the photoengraver, etc.), freight and residence-work travel for the Pierre-Bénite site. The resulting actions include a reduction of the energy consumption (but also raising awareness about best usage practices in the buildings), the recycling of frames for the photoengraver, the association with the Leather division manufacturing service from the Pierre-Bénite site for the set-up of an intercompany travel plan. Also, given the energy needed for its reprocessing, all water savings - a topic that has been the focus of work since 2002 - have an effect on the energy consumption, and therefore on the Bilan Carbone®.

• Participation in local life

SIEGL arranged its green spaces in order to account for the site's special link with the Grand-Lemps nature reserve, but also to provide the personnel members with a pleasant rest area. These arrangements received the sustainable development prize from the North Isère chamber of commerce and industry.

• Health and safety

The awareness of the personnel was raised on issues dealing with the environment, health and safety, by means of site visits, meetings, regular displays and appropriate signs. Training sessions are also provided on a regular basis, notably in the areas of electrical risks, record-keeping and the management of chemical products.

In 2011, many measures were undertaken with the CHSCT (Health and Safety) committees on the sites:

– the workstation orientation for each new employee was strengthened, notably for the print shop personnel;

– ergonomic studies were performed, and improvements were made to the lighting of the work areas, with new varnish cleaning tables and adjustable trestles for photoengraving, new instructions with regard to posture;

– handling equipment was acquired for the ATBC sites.

CRYSTAL

At Compagnie des Cristalleries de Saint-Louis, two people are responsible for environmental, health and safety-related issues: an Environmental/New Construction Manager and a Health and Safety Officer.

In 2011, €0.3 million was invested in a series of projects to improve environmental performance and workplace health and safety at the facility.

• Figures

	2007	2008	2009	2010	2011
Water (m^3)	35,425	30,010	17,558	18,461	17,991
Electricity (MWh)	8,107	8,400	8,118	7,548	8,985
Gas (MWh)	33,962	35,089	31,799	33,028	32,488
Fuel oil (MWh)	82	92	101	168	123
OIW (t)	113	84	84	132	85
HIW (t)	1,279	1,106	1,228	1,086	1,030
Of which recycled/ reclaimed (t)	971	818	1,052	935	828

• Water

Since 2007, water consumption has dropped by more than 50%. This is the result of careful and attentive management of the water resource, and by the motivation of the personnel.

• Energy

The energy consumption on the site is dependent on the activity level and the product mix.

Reactivation maintenance on the glass pockets of the 12-pot furnace contributed to decreasing the gas consumption. The relatively mild winter of 2011 also had a slight incidence on consumption, as the share used for heating dropped from 14% to close to 12%.

The increase of the production equipment had a direct impact on the increase of electricity consumption, that climbed by 19%.

• Waste

The standard quantities of CIW (common industrial waste) and of HIW (hazardous industrial waste) remained virtually constant and in keeping with the activities in 2011, since there were no repair works to the masonry, stove-fitting of the furnaces and cells.

• Effluent and atmospheric emissions

Investments in the field of effluents and atmospheric emissions are designed to limit their impact on employee health and on the environment.

The disposal of used industrial water, pre-decanted in the respective workshops and collected at a single point, transits via a final decantation basin before being treated, since the first half of 2009, by phytotreatment. The quality level reached in 2011 before the final release into a natural setting remained compliant with the provisions of the prefectural decree, even though business was strongly than before.

In an increasingly demanding regulatory context, a complete inspection by the DREAL (regional department of the environment, housing and development) in November 2011 identified no vulnerable points: this satisfactory result was obtained thanks to the mobilisation and involvement of all of the site's managers.

• REACH

For the implementation of the REACH regulation, and in close collaboration with the *Fédération des cristalleries et verreries* (Federation of crystal glassworks), crystal was, as a precaution, pre-registered as a variable composition substance. Since early 2009, a joint effort with the federation has served to have crystal included in the glass family, thereby exempting it from registration formalities.

The Compagnie des Cristalleries de Saint-Louis joined the Lorraine glass network (REVELOR) in order to be able to work in partnership with the sector's researchers and manufacturers in an effort to replace chemical substances that are or will become subject to authorisation.

• Health and safety

Many measures were continued in 2011, with the objective of improving the working conditions:

– installation of an elevator on five levels, as a replacement for the pottery freight elevator;

– the installation of ceiling ventilators in the hall and of a pneumatic control unit for the ventilators above the main area;

– the repair of the hall's central skylight, of the acid emission chimney, and of the roof in the wax and acid polishing room, from which asbestos was removed in keeping with the procedures;

– the set-up of a vacuum spillway for the litharge;

– installation of a lightning conductor with an impact meter;

– layout of the workstations at the exits of the main arches;

– training in the prevention of physical activity-related risks for five employees, refresher training for thirty-six workplace first aid providers and training in the use of fire extinguishers for twenty-eight manufacturing employees.

In collaboration with the CRAM (regional health insurance office), a study on the prevention of professional risks related to dangerous chemical agents was initiated.

SILVERSMITHING AND JEWELLERY

The site manager coordinates the environment, health and safety issues for the manufacturing workshop.

• Figures

	2007	2008	2009	2010	2011
Water (m^3)	719	698	696	853	1,055
Electricity (MWh)	164	173	173	190	168
Gas (MWh)	18	19	18	17	12

• Water

Water consumption increased by 24%. This increase resulted from several leaks, notably located on the level of the degreasing tanks. Maintenance operations, changes of taps and the addition of cut-off valves, as well as a modification of the cut-off instructions were carried out.

• Energy

In 2011, energy consumption dropped appreciably for both gas (-29%) and electricity (-12%). The decreases were primarily climate-related, as the weather was particularly mild in the second half of the year. With regard to gas, awareness-raising regarding lowering the flow rate of the torches when the forge is not in use was also carried out.

- **Pollutant releases**

In 2005, closed-circuit resin-based recycling systems for electroplating baths were installed in the Puiforcat workshop and in the prototype workshop. Every year, an outside specialist regenerates the filtration resins of the electroplating bath and disposes of the used bath liquids and of waste produced in the process. Instructions were entirely rewritten for using and maintaining the baths and for the alarm system, and posted at all workstations. To prevent accidental pollution, the chemicals are stored in special cabinets and the baths are installed on retention tanks.

PORCELAIN AND ENAMEL

The activity on the Nontron site is devoted to the decoration of white porcelain parts and the manufacturing of enamel bracelets. Environment, health and safety issues are coordinated by a manager who reports to the site director.

- **Figures**

	2007	2008	2009	2010	2011
Water (m^3)	875	2,136	803	1,196	1,429
Electricity (MWh)	833	918	846	936	922
Gas (MWh)	538	530	478	547	461
Fuel oil (MWh)	62	74	55	55	33
OIW (t)	90	91	75	65	34
HIW (t)	0.3	1.0	1.7	3.9	7.6

- **Water**

The Nontron site uses water in its process. This industrial usage for the porcelain decoration activity and for the enamel activity represents 55% of the overall consumption, with the rest devoted to domestic usage.

In 2011, water consumption increased by 19.5% compared with 2010. This consumption resulted from the strong increase of production volumes, that rose by an average of 20% for each of these activities. With equivalent production, the process's water consumption was unchanged compared with 2010.

Overall, the consumption of domestic water was consistent with the increased personnel on the site.

- **Energy**

Despite higher production volumes, the overall energy consumption (electricity, gas and fuel oil) dropped by 7.9% compared with 2010. This decline had several reasons:

– mild temperatures during the heating periods made it possible to reduce gas consumption by 15%;

– the reduction of fuel oil consumption (- 40%) resulted from the replacement of fuel oil by gas for the heating of a manufacturing outbuilding;

– at the end of 2011, fuel oil was still used to heat the process water;

– electricity consumption fell by 1.5% compared with 2010. With equivalent production, the actual decline would be 17%. This decline is based on the optimisation of the operation of the porcelain baking furnace in order to reduce energy wastage.

- **Waste**

The weight of CIW (common industrial waste) continued to fall in 2011 (- 47%). As in 2010, the quantity of scrapped porcelain parts showed a clear decrease, with all obsolete stocks having been cleared out in 2010. Also, nearly 61% of such CIW are now recycled.

The weight of HIW (hazardous industrial waste) rose sharply (95%). This was due to an increase of the enamel activity and the discontinuation of the drying of effluent sludge.

- **Health and safety**

The measures launched in 2011 were continued:
– set-up of individual exposure forms for all employees exposed to chemical risks;
– launch of safety-related operational audits in the various workshops;
– relocation of the enamel workshop to the first floor, thereby saving space while increasing the illumination;
– set-up of a new sanding room that is better suited to the activity and that helps to reduce noise emissions;
– ensuring compliance of the polishing lathes;
– measurements of the limit exposure values at the stations using chemical products;
– installation of control workstations with standardised lighting in the quality sector.

WATCHES

The factory at Biel, built in 1999, is dedicated to watch assembly. A leather watchband production unit was added to the facility in 2006. It complies with Switzerland's stringent environmental and workplace health and safety standards at the municipal, canton and federal levels.

Since June 2008, the watch production manager has watched over the site's environment, health and safety matters. An EHS committee meets twice each month, and organises monthly inspection visits.

In 2011, an ISO 8-rated grey room was created in the watch assembly workshop, thereby providing for better control of the work environment (dust, temperature and humidity). This area includes the stock of components and spare parts, as well as the watch production workshop.

- **Figures**

	2007	2008	2009	2010	2011
Water (m^3)	746	607	1,012	707	860
Electricity (MWh)	350	343	337	357	381
OIW not valued (t)	13	20	20	20	20
OIW valued (m^3)	65	70	101	195	140
HIW (kg)	20	20	20	138	60

- **Water**

The 22% increase in water consumption relates to the work performed on the first floor, with installation of water-based air conditioning.

- **Energy**

The 7% increase in electricity consumption is also linked to the works performed this summer. Air conditioned containers fitted with alarms were installed in order to store components.

- **Waste**

The reclamation of CIW (common industrial waste) primarily involves paper, cardboard and leather scraps. The waste not subject to reclamation corresponds to household waste.

The 60 kg of HIW (hazardous industrial waste) correspond with used batteries and IT equipment, which are retrieved and sent to a specialised treatment channel.

- **Health and safety**

The main new measures carried out in 2011 included the set-up of access control by badge in order to access the site from the terrace, and the refresher training for the company's four first aid providers.

FOOTWEAR

Since 2011, the IT systems manager has provided the oversight of the environment, health and safety issues on the John Lobb site in Northampton, while in Paris, these subjects are the direct responsibility of the site's production manager.

• Figures

The figures below are for the Northampton production facility.

	2007	2008	2009	2010	2011
Water (m^3)	459	809	861	847	767
Electricity (MWh)	227	237	219	233	225
Gas (MWh)	226	206	213	200	193

• Water and energy

Water is primarily used for domestic purposes and in weekly tests of the sprinkler system. The manufacturing process consumes approximately 3% of the total, during the preparation phase for soles.
Consumption dropped by 9% thanks to the implementation of water recycling for the sprinkler tests.
The overall energy consumption dropped slightly during the last six fiscal years. Electricity consumption dropped due to changes of the lighting fixtures, while gas consumption - primarily related to heating - dropped due to milder temperatures than in 2010.

• Waste

Selective sorting is in place in the manufacturing process for plastic, cardboard and paper, while a specific illumination circuit exists for leather scraps and sharps.
A new contract was signed in September 2011 with an organisation that, each day, collects waste and manages its processing while ensuring 100% recycling, with no burial.

• Health and safety

The Northampton site is proceeding with its health and safety initiative launched in 2009, while notably continuing to work with an external consultant who specialises in these fields, for the follow-up and update of the plant's obligations.
All employees have been trained in the principles set down in the "Health & Safety Policy" document drafted in 2010.

LOGISTICS

• Figures

	2007	2008	2009	2010	2011
Water (m^3)	2,900	2,529	2,586	2,680	2,324
Electricity (MWh)	2,653	2,728	2,694	2,480	2,059
Gas (MWh)	2,987	3,945	3,316	3,776	2,535

• Water and energy

Water consumption continued to decline in 2011: the 13% decrease resulted from a significant maintenance operation carried out on the plumbing (water economizer, etc.).
Measures have been taken since 2005 in order to reduce and limit electricity consumption (-40%):
– in the warehouse, the campaign to change the ceiling lights was completed;
– in December, all of the neon lights in the picking alleys were changed for LED strip lighting, with particular attention devoted to making the reading

of product barcodes easier and preventing glare. The temperatures were milder than usual in 2011, which allowed for a significant reduction in gas consumption (-33%). A measure was also carried out on the primary hot water loop of the four boilers, for which the maximum setting was lowered.

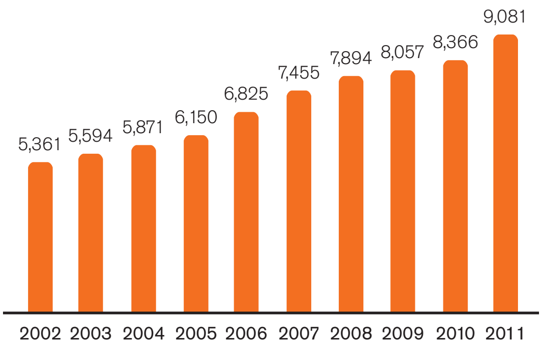
- **Waste**

The progressive implementation of reusable containers and rolls between the Group's various plants and the Bobigny logistics centre has served, year after year, to decrease the use of cardboard packaging and therefore the tonnage of CIW (common industrial waste) produced by the site.
The reclamation proportion of this tonnage is also improving constantly, thanks to the sorting and collection efforts.

NRE appendices: Human resources

GROUP HEADCOUNT

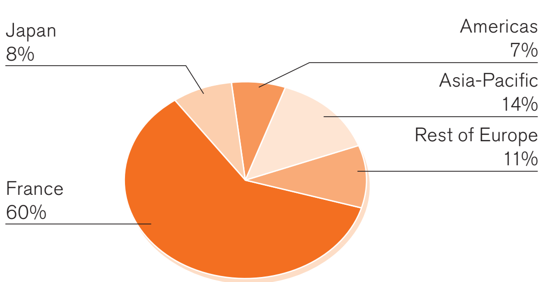
As of 31 December 2011, the Hermès Group had a total of 9,081 employees. During the year, it created 715 new jobs.
Over the past ten years, the Group's headcount has increased by nearly 70%.



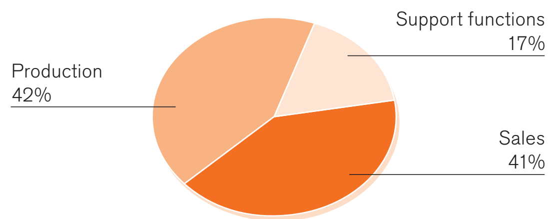
WORKFORCE BY REGION

	Number of permanent active paid employees* 2010	2011	Growth by zone	Breakdown of the created jobs
France	5,095	5,442	7%	48%
Europe (excl. France)	857	968	13%	16%
Americas	557	630	13%	10%
Asia-Pacific	1,136	1,313	16%	25%
Japan	721	728	1%	1%
Total Group	**8,366**	**9,081**	**9%**	**100%**

* Open-ended agreements and fixed-term contracts with a term of more than nine months.



WORKFORCE BY JOB CATEGORY



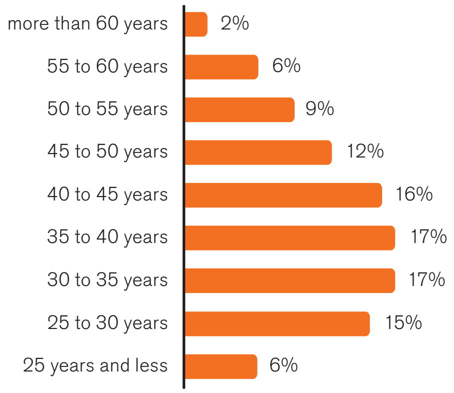
Sales staff includes:
– all people in direct contact with customers in stores, such as sales personnel, cashiers, hostesses, store security staff, etc.;
– all people who work in specialised distribution networks (perfumes, watches, etc.), airlines, and all individuals who work with intermediaries, sales representatives, export managers, etc.; and
– all people in direct contact with finished goods and in indirect contact with customers, that is, employees who work in distribution but who are not directly engaged in selling.

Production staff includes:
– all people who take part in the physical production of finished goods;
– all people in direct contact with finished goods, that is, employees who work in production without taking part in the actual process of physical production.

Support staff includes:
– all people who employ a specific skill or expertise in design or other creative fields;
– all people who are members of departments such as Executive Management, Finance, Human Resources, Real estate development, General services, Legal, IT, Press, Public Relations, etc.

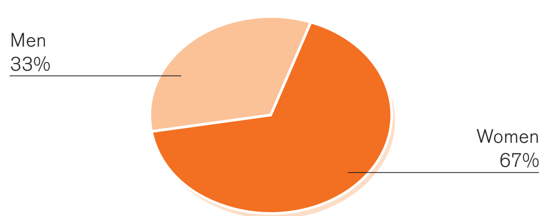
WORKFORCE BY AGE

The distribution of the Group's workforce by age remained stable. The average employee age is 39.



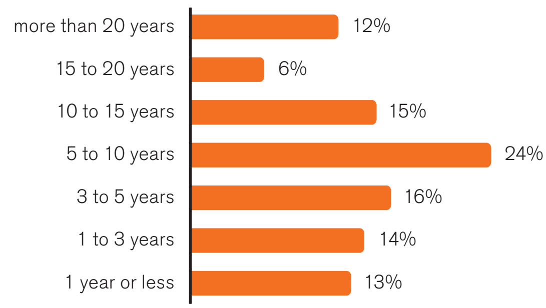
WORKFORCE BY SEX

Women make up a significant majority of the Group's staff (67%), represented on all levels of the hierarchy, and all activities as well as in all representative bodies.



WORKFORCE BY LENGTH OF SERVICE

The average length of service is nine years and nearly 43% of staff members have been with the Group for less than five years.
The Group encourages the development of skills and long careers. One third of the staff has been with the Group for more than ten years.



JOB CREATION

Given the Group's organic growth, the last ten years have not required any restructuring efforts for economic reasons that had any consequences with regard to jobs. During development operations (creation of sites), possible transfers are on a voluntary basis.

- **Newcomers within the Group**

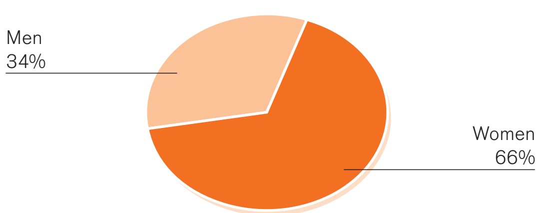
715 jobs were created in the Group in 2011, including 615 on open-ended contracts. The sales department led with the creation of 349 new jobs, as required for the openings and expansion of shops.
The greatest increases in the personnel figures were seen internationally, evenly spread across the Americas, Asia/Pacific and Europe zones.
In absolute terms, the greatest number of newly-created jobs was in France, with 347 new jobs of the 715 created throughout the Group, primarily in the production sector.
With regard to the geographical zones and sectors, the newcomers within the Group in 2011 were broken down as follows:

	Number of jobs created
Americas	73
Asia-Pacific	177
Europe (excluding France)	111
France	347
Japan	7
Total	**715**

Production	215
Sales	349
Support	151
Total	**715**

1,183 employees joined the Group in 2011 (replacements and new positions). Amongst the people who joined the Group, the average age was 32.

- **Arrivals by sex**



COMPENSATION

The Group's payroll was €367 million in 2011 versus €325 million in 2010, to which one must also add €120 million of social charges, €40 million of incentives and profit-sharing, and €1 million for the social projects budget.
Barring exchange effects, the payroll reflects both the growth of the personnel numbers as well as an increase of the wages in all geographical zones.
The desire to recognise both collective and individual performance has, in recent years, resulted in the development of the individual and collective variable shares.
The compensation levels are primarily a reflection of the skills and markets related to the job basins.
The compensation policy is based on a desire to recognise growing levels of competence, while maintaining internal and external fairness.

(€M)	2009	2010	2011
Masse salariale	299	325	367

The compensation of the corporate officers is shown on page 50 of the present document.

EMPLOYEE SUPPORT ACTIVITIES

The total amount paid to works councils for employee support activities rose by 10.5% in 2011:

(€M)	2009	2010	2011
Employee support activities	1.3	1.3	1.4

INCENTIVE SCHEMES AND PROFIT-SHARING

(€M)	Incentive schemes	Profit sharing
2009	11.8	16.2
2010	14.0	17.0
2011	21.7	18.5

ORGANISATION OF THE WORKING TIME

Each entity manages its working times on the basis of the particularities of its own activity, in an effort to balance private/professional life, and in compliance with the applicable regulations, which includes implementing variable working times for French entities insofar as possible.

• **Absenteism**

The follow-up indicators are different according to the local legal constraints.

In France, a follow-up is performed by company, and any possibly significant changes are analysed in order to determine their causes.

SOCIAL RELATIONS

The social dialogue is organised by country on the basis of the local laws.

In France, Hermès complies with the relevant obligations. The social dialogue is organised by each company in order to comply with the local particularities and to ensure that the discussions will account for the realities of each situation. A Group committee meets once each year in order to discuss and deal with subjects of a general nature. In addition, a follow-up committee for social dialogue in France was set up in 2008, in application of a social dialogue agreement signed with all representative trade union organisations.

The social relations of the distribution activities are supervised by the human resources directors for each zone (or country, according to the size of the local markets), who ensure compliance with the local regulations and the application of the Group's ethics charter.

In 2011, more than 60 agreements were signed in France (Group's and companies' level).

HEALTH AND SAFETY

The health and safety of the house's employees are priority subjects. The measures that serve to ensure compliance with the regulatory obligations in this regard are implemented and monitored site by site, then consolidated by the business lines, as explained in the chapter on the results of the environment, health and safety policy, on page 103.

TRAINING

As indicated in volume 1 of this report, the Group recognises the great importance of training its employees, with programmes suited to the various Group's professions and establishments.

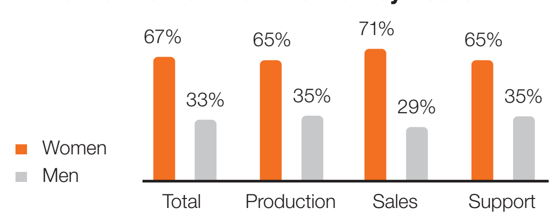
The dissemination of the Hermès LeADer grocer poet model and of the human resources behaviour and management methods guide will notably help to improve the performance of our managers in this field.

EQUAL TREATMENT

The Group is very attached to the principles of recognition and respect, irrespective of one's origin, sex, family situation or profession. This respect for differences is presented to the employees in the ethics charter that serves as the guarantor of the objectivity, equal opportunity and promotion of diversity without discrimination as part of the recruiting, career progress and daily management.

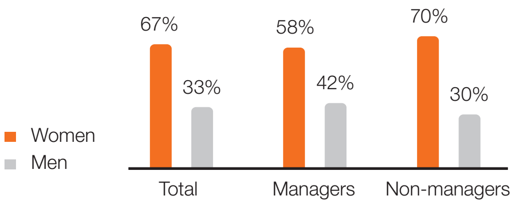
The men/women breakdown indicates a majority of women, which is uniform across the sectors.

• **Distribution of men-women by sector**

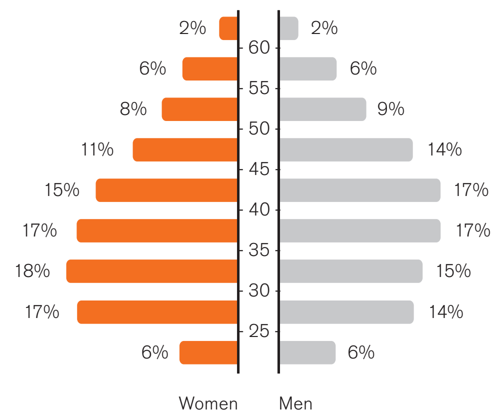


• **Distribution men / women by category (managers / non-managers)**

We note a majority of women in the various functions, notably in management roles. The Group's executive committee includes two women as members.



The men/women age pyramid breaks down as follows:



EMPLOYMENT OF DISABLED WORKERS

As illustrated on page 84 of volume 1, through its concrete actions, the Group works to promote the employment of handicapped people, notably in the textile sector.

The number of officially disabled persons employed by Hermès rose over last year, and in 2009, these represented 3% of France's workforce, i.e. 167 people.

ADVANCEMENT AND COMPLIANCE WITH THE FUNDAMENTAL CONVENTIONS REGARDING HUMAN RIGHTS

The Hermès Group's ethics policy aligns with the universal framework set down by the major principles, standards and international agreements, and it notably adheres to:

– the Universal declaration of human rights;

– the European Union charter of fundamental rights;

– the Charter of fundamental rights of the International Labour Organisation (1), that includes principles grouped according to the following topics: freedom of association, forced labour, child labour, discrimination;

– the OECD guidelines (2);

– the OECD convention on combating bribery of public officials.

It is self-evident that the Hermès Group and its employees strive to comply with the applicable laws and regulations in all countries in which they are active. These principles are clearly set out in the Group's ethics charter, that has been published in ten languages, available on the Group Intranet and published since 2009 in more than 12,000 copies (including one for each newcomer).

(1) The International Labour Organisation is the UN agency that brings together the government, employers and workers of its Member States, in a common effort to promote decent work throughout the world.

(2) The OECD (Organisation for Economic Cooperation and Development) brings together the governments of thirty countries in support of the principles of democracy and the market economy, for the purposes of:

– supporting sustainable economic growth;

– developing employment;

– raising living standards;

– maintaining financial stability;

– helping other countries to develop their economies;

– contributing to the growth of worldwide trade.

Consolidated financial statements

Consolidated statement of income for the year ended 31 December 2011

in millions of euros

	2011	2010
Revenue (Note 3)	**2,841.2**	**2,400.8**
Cost of sales (Note 4)	(886.4)	(815.0)
Gross profit	**1,954.8**	**1,585.8**
Selling, marketing and administrative expenses (Note 5)	(945.7)	(802.2)
Other income and expense (Note 6)	(123.9)	(115.4)
Recurring operating income (Note 3)	**885.2**	**668.2**
Other non-recurring income and expense	–	–
Operating income	**885.2**	**668.2**
Net financial income (Note 7)	12.4	(12.5)
Pre-tax income	**897.7**	**655.7**
Income tax expense (Note 8)	(289.8)	(220.9)
Net income from associates (Note 15)	(4.5)	(3.1)
CONSOLIDATED NET INCOME	**603.4**	**431.7**
Net income attributable to non-controlling interests (Note 21)	(9.2)	(10.0)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 3)	**594.3**	**421.7**
Earnings per share (in euros) (Note 9)	5.68	4.01
Diluted earnings per share (in euros) (Note 9)	5.66	4.00

Consolidated statement of other comprehensive income

in millions of euros

	2011	2010
Consolidated net income	**603.4**	**431.7**
Actuarial gains and losses (Note 20.3)	(3.0)	(8.9)
Foreign currency adjustments (Note 20.3)	24.4	75.9
Derivatives included in equity (Note 20.3)	(35.4)	(25.3)
Gain/(loss) on sale of treasury shares (Note 20.3)	(11.4)	2.0
Income tax relating to components of other comprehensive income (Note 20.3)	12.5	11.8
Comprehensive income	**590.5**	**487.1**
– attributable to owners of the parent	581.3	475.4
– attributable to non-controlling interests	9.2	11.8

NOTE: the values shown in the tables are generally expressed in millions of euros. In certain cases, the effects of rounding up/down can lead to a slight discrepancy on the level of the totals or variations.

Consolidated statement of financial position as at 31 December 2011

ASSETS

in millions of euros

	31/12/2011	31/12/2010
Non-current assets	**1,377.1**	**1,354.8**
Goodwill (Note 10)	38.7	37.2
Intangible assets (Note 11)	96.7	75.2
Property, plant & equipment (Note 12)	869.4	774.2
Investment property (Note 13)	98.8	98.3
Financial assets (Note 14)	29.8	151.7
Investments in associates (Note 15)	12.9	14.3
Loans and deposits (Note 16)	35.0	24.3
Deferred tax assets (Note 8.3)	194.2	178.1
Other non-current assets (Note 18)	1.7	1.5
Current assets	**1,871.3**	**1,563.8**
Inventories and work-in-progress (Note 17)	534.5	468.6
Trade and other receivables (Note 18)	175.7	159.0
Current tax receivables (Note 18)	0.8	1.1
Other current assets (Note 18)	94.4	69.5
Fair value of financial instruments (Note 22.2.3)	17.7	21.7
Cash and cash equivalents (Note 19.1)	1,048.2	843.8
TOTAL ASSETS	**3,248.4**	**2,918.6**

NOTE: the values shown in the tables are generally expressed in millions of euros. In certain cases, the effects of rounding up/down can lead to a slight discrepancy on the level of the totals or variations.

EQUITY AND LIABILITIES

Before appropriation in millions of euros

	31/12/2011	31/12/2010
Equity	**2,325.5**	**2,163.2**
Share capital (Note 20)	53.8	53.8
Share premium	49.6	49.6
Treasury shares (Note 20)	(304.1)	(33.0)
Reserves	1,881.2	1,621.3
Foreign currency adjustments (Note 20.1)	67.1	42.7
Derivatives included in equity (Note 20.2)	(29.1)	(5.9)
Net income attributable to owners of the parent (Note 3)	594.3	421.7
Non-controlling interests (Note 21)	12.7	12.9
Non-current liabilities	**147.6**	**130.8**
Borrowings and debt (Notes 22.3 and 22.4)	18.4	17.9
Provisions (Note 23)	14.5	14.4
Post-employment and other employee benefit obligations (Note 25)	60.8	56.3
Deferred tax liabilities (Note 8.3)	17.5	12.1
Other non-current liabilities (Note 26)	36.4	30.1
Current liabilities	**775.3**	**624.6**
Borrowings and debt (Notes 22.3 and 22.4)	20.5	26.0
Provisions (Note 23)	28.8	31.0
Post-employment and other employee benefit obligations (Note 25)	6.2	6.2
Trade and other payables (Note 26)	299.7	234.6
Fair value of financial instruments (Note 22.2.3)	58.3	30.1
Current tax liabilities (Note 26)	89.9	76.3
Other current liabilities (Note 26)	271.9	220.3
TOTAL EQUITY AND LIABILITIES	**3,248.4**	**2,918.6**

Consolidated statement of changes in equity as at 31 December 2011

Before appropriation

	Share capital (Note 20)	Shares premium	Treasury shares (Note 20)
As at 31 December 2009	**53.8**	**49.6**	**(32.5)**
Net income attributable to owners of the parent	–	–	–
Other comprehensive income	–	–	–
Sub-total	–	–	–
Change in share capital and share premium	–	–	–
Purchase or sale of treasury shares	–	–	(0.5)
Share-based payment	–	–	–
Dividends paid	–	–	–
Other	–	–	–
As at 31 December 2010	**53.8**	**49.6**	**(33.0)**
Net income attributable to owners of the parent	–	–	–
Other comprehensive income	–	–	–
Sub-total	–	–	–
Change in share capital and share premium	–	–	–
Purchase or sale of treasury shares	–	–	(271.1)
Share-based payment	–	–	–
Dividends paid	–	–	–
Other	–	–	–
As at 31 December 2011	**53.8**	**49.6**	**(304.1)**

NOTE: the values shown in the tables are generally expressed in millions of euros. In certain cases, the effects of rounding up/down can lead to a slight discrepancy on the level of the totals or variations.

in millions of euros

Reserves and net income attributable to owners of the parent	Derivatives (Note 20.2)	Foreign currency adjustments (Note 20.1)	Actuarial gains and losses (Note 25)	Shareholders' equity	Non-controlling interests (Note 21)	Equity	Number of shares outstanding (Note 9)
1,757.9	**10.0**	**(31.4)**	**(17.6)**	**1,789.9**	**14.0**	**1,803.9**	**105,569,412**
421.7	–	–	–	421.7	10.0	431.7	–
1.3	(15.9)	74.1	(5.8)	53.7	1.8	55.5	–
423.0	*(15.9)*	*74.1*	*(5.8)*	*475.4*	*11.8*	*487.1*	–
–	–	–	–	–	–	–	–
–	–	–	–	(0.5)	–	(0.5)	–
9.1	–	–	–	9.1	–	9.1	–
(112.0)	–	–	–	(112.0)	(7.0)	(119.1)	–
(11.6)	–	–	–	(11.6)	(5.9)	(17.5)	–
2,066.4	**(5.9)**	**42.7**	**(23.4)**	**2,150.3**	**12.9**	**2,163.2**	**105,569,412**
594.3	–	–	–	594.3	9.2	603.4	–
(12.1)	(23.2)	24.4	(2.0)	(12.9)	–	(12.9)	–
582.1	*(23.2)*	*24.4*	*(2.0)*	*581.3*	*9.2*	*590.5*	–
–	–	–	–	–	–	–	–
–	–	–	–	(271.1)	–	(271.1)	–
11.7	–	–	–	11.7	–	11.7	–
(160.0)	–	–	–	(160.0)	(7.3)	(167.3)	–
0.6	–	–	–	0.6	(1.9)	(1.4)	–
2,500.8	**(29.1)**	**67.1**	**(25.3)**	**2,312.8**	**12.7**	**2,325.5**	**105,569,412**

Consolidated statement of cash flows for the year ended 31 December 2011

Before appropriation — in millions of euros

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income attributable to owners of the parent (Note 3)	594.3	421.7
Depreciation and amortisation (Notes 11 and 12)	111.1	97.1
Impairment losses (Notes 11 and 12)	2.1	3.8
Marked-to-market value of derivatives	1.5	7.1
Currency gains/(losses) on fair value adjustments	1.3	(8.3)
Change in provisions	7.3	23.2
Net income from associates (Note 15)	4.5	3.1
Net income attributable to non-controlling interests (Note 21)	9.2	10.0
Capital gains/(losses) on disposals	(28.7)	2.0
Deferred tax	8.7	2.8
Accrued expenses and income related to share-based payments (Note 30.3)	11.7	9.1
Other	–	–
Operating cash flows	**722.8**	**571.5**
Cost of net debt	2.3	3.5
Current tax expense	287.1	226.5
Operating cash flows before cost of debt and current tax expense	**1,012.2**	**801.5**
Change in working capital (Note 19.2)	2.7	59.5
Cost of net debt	(2.3)	(3.5)
Income tax paid	(276.7)	(193.6)
Net cash from operating activities	**735.9**	**663.8**
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of intangible assets (Note 11)	(20.7)	(23.9)
Purchase of property, plant and equipment (Notes 12 and 13)	(164.5)	(114.4)
Investments in associates	(29.2)	(15.5)
Purchase of other financial assets (Note 14.1)	(19.6)	(62.5)
Amounts payable relating to fixed assets	0.6	2.0
Proceeds from sales of operating assets	0.2	0.4
Proceeds from disposals of consolidated securities	–	0.1
Proceeds from sales of other financial assets (Note 14.1)	165.6	25.7
Net cash used in investing activities	**(67.6)**	**(188.1)**
CASH FLOWS USED IN FINANCING ACTIVITIES		
Dividends paid	(167.3)	(119.1)
Purchase of treasury shares	(284.6)	(0.5)
Borrowings	40.0	1.8
Reimbursements of borrowings	(39.8)	(23.1)
Other increases/(decreases) in equity	–	–
Net cash used in financing activities	**(451.8)**	**(140.9)**
Effect of changes in the scope of consolidation (Note 19.1)	0.1	0.1
Effect of foreign currency exchange on intragroup transactions	(7.6)	(26.5)
Effect of foreign currency exchange (Note 19.1)	0.8	12.5
CHANGE IN NET CASH POSITION (Note 19.1)	**209.8**	**320.9**
Net cash position at beginning of period (Note 19.1)	828.5	507.6
Net cash position at end of period (Note 19.1)	1,038.3	828.5
CHANGE IN NET CASH POSITION (Note 19.1)	**209.8**	**320.9**

NOTE: the values shown in the tables are generally expressed in millions of euros. In certain cases, the effects of rounding up/down can lead to a slight discrepancy on the level of the totals or variations.

Notes to the consolidated financial statements

NOTE: the values shown in the tables are generally expressed in millions of euros. In certain cases, the effects of rounding up/down can lead to a slight discrepancy on the level of the totals or variations.

Hermès International is a *société en commandite par actions* (partnership limited by shares) established under French law. It is listed on the Eurolist (Compartment A) and governed by all laws applicable to commercial companies in France. Its registered office is located at 24, rue du Faubourg-Saint-Honoré, 75008 Paris (France). Hermès International will be dissolved automatically as at 31 December 2090, except in the event of early dissolution or unless the term is extended.

The consolidated financial statements present the financial position of Hermès International and its subsidiaries (the "Group"), together with interests in associates (see Note 1.2). They are prepared on the basis of annual financial statements for the period ended 31 December, expressed in euros.

The consolidated financial statements as presented were approved by the Executive Management on 21 March 2012 and will be submitted to the shareholders for approval at the Annual General Meeting on 29 May 2012. The consolidated financial statements for 2011 were also reviewed by the Audit Committee at its meeting on 12 March 2012.

NOTE 1 - ACCOUNTING POLICIES AND PRINCIPLES

1.1 - Accounting standards

The Hermès Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as of 31 December 2011. Under European Regulation 1606/2002 of 19 July 2002 (available on the www.eur-lex.europa.eu website), companies listed on a regulated stock exchange in one of the European Union member states are required to present their consolidated financial statements prepared in accordance with IFRS for financial years commencing on or after 1 January 2005.

1.1.1 - Mandatory standards and interpretations

The following standards and interpretations, whose application is mandatory as from 31 December 2011, did not impact the consolidated financial statements:

- Annual Improvements to IFRSs (May 2010);
- Amendment to IAS 32 relative to the classification of issued subscription rights (applicable to fiscal years starting as of 1 February 2010);
- Amendment to IAS 24 relative to related parties disclosures;
- IFRIC 19 *Extinguishing financial liabilities with equity instruments*;
- Amendments to IFRIC 14 *Advance payments of minimum financing requirements*.

1.1.2. Non-mandatory standards and interpretations

As at 31 December 2011, the Group did not opt for prospective application of the following non-mandatory standards and interpretations:

- IFRS 7 amendment relative to the information to be provided regarding financial instruments.

These standards and interpretations should not have a material impact on the assessment of the financial data.

1.1.3 - Standards and interpretations published by the IASB but not yet adopted by the EU

As at 31 December 2011, several standards and interpretations had been published by IASB but had not yet been adopted by the European Union, in particular:

- IAS 12 on the recovery of the underlying assets;
- IFRS 9 on financial instruments;
- IFRS 10 on consolidated financial statements;
- IFRS 11 on joint arrangements;
- IFRS 12 on disclosures of interests in other entities;
- IFRS 13 on the fair value measurement;
- IAS 1 amendment relative to the presentation of other comprehensive income;
- IAS 19R relative to employee benefits;
- IAS 27R on separate financial statements;
- IAS 28R on investments in associates and joint ventures.

The possible impacts of these texts are being assessed, as are the impacts on the consolidation from standards IFRS 10, IFRS 11, IFRS 12, IAS 28R and IAS 27R applicable as of 1 January 2013 and not yet adopted by the European Union.

1.2 - Scope and methods of consolidation

The consolidated financial statements include the financial statements of Hermès International and material subsidiaries and associates over which Hermès

International directly or indirectly exerts exclusive control, joint control or significant influence.

__1.2.1 - Exclusive control__

Exclusive control is presumed to exist when the Group holds more than 50% of the voting rights. Nevertheless, it can be considered that a company is under exclusive control when less than 50% is held, provided that the Group holds the power to govern a company's financial and operational policies in order to derive benefits from its business activities. The financial statements of companies under exclusive control are fully consolidated. Under the full consolidation method, assets, liabilities, income and expenses are combined in full on a line-by-line basis. Equity and net income attributable to non-controlling interests are identified separately under "Non-controlling interests" in the consolidated statement of financial position and the consolidated statement of income.

__1.2.2 - Joint control__

Entities owned by the Group in which the power to govern financial and operating policies is contractually shared with one or more other parties, none of which exercises effective control, are accounted for using the equity method.

__1.2.3 - Significant influence__

The financial statements of "associates", or other companies over which the Group has significant influence, (which is presumed to exist when the Group's percentage of control exceeds 20%, or proven if the control percentage is below 20%), are accounted for using the equity method.

__1.2.4 - Newly consolidated and deconsolidated companies__

Subsidiaries are included in the consolidation from the date on which control is effectively transferred to the Group. Divested subsidiaries are excluded from the scope of consolidation from the date on which the Group ceases to have control.

1.3 - Conversion of foreign-currency items

__1.3.1 - Foreign-currency transactions__

Foreign-currency transactions are recorded on initial recognition in euros, by using the applicable exchange rate at the date of the transaction (historical rate).

Monetary assets and liabilities denominated in foreign currencies are converted using the closing exchange rate. Foreign currency adjustments are recognised in income or expenses. Non-monetary assets and liabilities denominated in foreign currencies are converted using the exchange rate at the transaction date.

__1.3.2 - Conversion of foreign companies' financial statements__

Financial statements expressed in foreign currencies are converted in accordance with the following principles:

- statement of financial position items are converted at the year-end exchange rate for each currency;
- statement of income items are converted at the average annual exchange rate for each currency;
- statement of cash flows items are converted at the average annual exchange rate for each currency;
- the foreign currency adjustment attributable to owners of the parent arising from the impact on equity of the difference between historical exchange rates and year-end exchange rates, and from the use of different exchange rates for the statement of income and statement of financial position, is shown separately in consolidated equity. The same principle is applied to non-controlling interests.

Any goodwill and any fair value adjustments arising on the acquisition of a foreign entity are considered to be assets and liabilities of that foreign entity. Therefore, they are expressed in the entity's functional currency and converted at closing rates.

1.4 - Eliminations of intragroup transactions

The effect on the statement of income of intragroup transactions such as margins on inventories, gains or losses on disposals, impairment of shares in consolidated companies, and impairment of loans to consolidated companies, has been eliminated.

These transactions are subject to corporate income tax.

Dividends and interim dividends received by the Group from consolidated companies are eliminated on consolidation. A matching amount is recorded in consolidated reserves.

In the case of companies accounted for using the full consolidation method, reciprocal payables and receivables as well as reciprocal income and expenses are fully eliminated.

1.5 - Structure of the consolidated statement of financial position

In accordance with IAS 1 – *Presentation of Financial Statements*, the Group classifies its assets and liabilities on its statement of financial position as current and non-current. An asset or liability is classified as current:

- when the Group plans to realise an asset or pay a liability within twelve months or within the Group's normal operating cycle;
- when the relevant asset or liability is held for the purpose of being traded.

IAS 12 – *Income Taxes* specifies that deferred tax balances shall not be classified as non-current.

1.6 - First-time consolidation and goodwill

Subsidiaries

In accordance with IFRS 3 - *Business Combinations*, business combinations carried out prior to 1 January 2010 were accounted for using the purchase method. When a company under exclusive control is consolidated for the first time, the assets, liabilities and contingent liabilities of the acquired company are measured at fair value, in accordance with IFRS rules. This valuation is carried out within no more than one year, in the currency of the acquired entity.

The resulting valuation adjustments are recognised under the related assets and liabilities, including the share attributable to non-controlling interests, and not just the share of net assets acquired. The residual difference, which is the difference between the acquisition cost and the share of net assets measured at fair value, is recognised under goodwill.

The revised versions of IFRS 3 – *Business Combinations* and IAS 27 – *Consolidated and Separate Financial Statements* amended the rules for recognising and measuring transactions carried out after 1 January 2010. Purchases or sales of non-controlling interests that do not lead to a change in control are recorded as equity transactions among shareholders. Consequently, any difference between the fair value of the counterparty paid or received and the corresponding book value of the equity interest acquired or sold (without resulting in a loss of control), but that does not provide control, is directly recorded in equity.

The valuation of identifiable intangible assets recognised upon first-time consolidation is based mainly on the work of independent experts, taking into account sector-specific criteria that enable such valuations to be subsequently monitored.

In accordance with IFRS 3, goodwill is not amortised. Goodwill is reviewed annually, when the budget is drawn up, to ensure that the residual net value does not exceed the recoverable amount in respect of the expected return on the investment in the related subsidiary (determined on the basis of discounted future cash flows). If internal or external events or circumstances bring to light indications of lost value, the frequency of the impairment tests may be revised (also see Note 1.8 below).

Impairment of the goodwill of subsidiaries is not reversible.

Associated companies

Goodwill of associates is recognised under "Investments in associates". When impairment criteria as defined by IAS 39 –*Financial Instruments: Recognition and Measurement* indicate that these investments may be impaired, the amount of such impairment is determined in accordance with the rules defined by IAS 36.

Goodwill impairment is not reversible.

1.7 - Intangible assets and property, plant and equipment

In accordance with IAS 16 – *Property, Plant and Equipment* and IAS 38 – *Intangible Assets*, only those items whose cost can be reliably determined and from which it is probable that future economic benefits will flow to the Group are recognised as fixed assets.

1.7.1 - Intangible assets

Intangible assets, valued at amortised historical cost, consist primarily of:

- leasehold rights;
- patents, models and brands other than internally generated brands; and
- computer software.

Leasehold rights are generally deemed to be fixed assets with an indefinite life if their residual value at the end of the lease term is positive. In this case, they are subject to impairment testing to ensure that their net carrying amount is higher than their probable realisable value.

Other intangible assets are amortised on a straight-line basis over periods ranging from one to six years maximum and are deemed to be fixed assets with a finite life.

It is specified that internally generated brands and items that are similar in substance are not recognised under intangible assets, in accordance with IAS 38. All costs incurred in this respect are recognised as expenses.

1.7.2 - Property, plant and equipment

Property, plant and equipment is recorded at historical acquisition cost, less accumulated depreciation and recognised impairment losses, and is depreciated, generally using the straight-line method, over the following average estimated useful lives:

- buildings: 20 to 50 years;
- leasehold improvements, furniture and fixtures: 10 to 20 years depending on the expected useful life of the related asset and the term of the lease (in particular in the case of store fixtures);
- machinery, plant and equipment: 10 to 20 years;
- other: 3 to 10 years maximum.

The different components of an asset are recorded as separate items when their estimated lives, and therefore the periods over which they are depreciated, differ significantly. Where an asset is made up of components with different useful lives, these components are recorded as separate items under "Property, plant & equipment".

Gains or losses on disposals of assets represent the difference between the sale proceeds and the net carrying amount of the divested asset, and are included in "Other operating income and expense".

1.7.3 - Finance lease agreements

Property acquired under finance lease agreements is capitalised when the lease effectively transfers to the lessee virtually all risks and rewards incident to ownership of such property. The criteria for evaluating these agreements as provided by IAS 17 - *Leases* are based primarily on:

- the lease term as a proportion of the life of the leased assets;
- the total future minimum payments in proportion to the fair value of the asset financed;
- the transfer of ownership at the end of the lease;
- the existence of an attractive purchase option;
- the specific nature of the leased asset.

Finance leases identified in this way, if they are material, are restated in order to show:

- on the asset side of the statement of financial position, the original value of the relevant property and the theoretical depreciation thereon (wherein the original value is the lower of the present value of the minimum lease payment amounts or the fair value of the leased asset at the inception of the lease);
- on the liabilities side of the statement of financial position, the corresponding financial liability;
- under financial expense and depreciation, the minimum lease payments under the agreement, such that the financial expense is allocated to periods during the lease term so as to produce a constant periodic interest rate on the remaining balance of the liability for each fiscal year.

Leases that do not meet the criteria of finance leases are treated as operating leases, in which case the rents are recorded under income on a straight-line basis over the lease term.

1.7.4 - Investment property

In accordance with IAS 40 – *Investment Property*, property held by the Group to earn rental income is recognised under "Investment property". For property that is held for use both for the supply of goods and services and as investment property, the two components are identified separately and recognised in accordance with IAS 16 – *Property, Plant and Equipment*, and IAS 40, respectively.

As in the case of property, plant and equipment, investment property is recognised at historical acquisition cost less accumulated depreciation and recognised impairment losses, over the same depreciation periods as those applicable to other property, plant and equipment.

1.8 - Impairment of fixed assets – impairment losses

In accordance with IAS 36 - *Impairment of Assets*, when events or changes in the market environment indicate that there is the risk of an impairment loss on:

- intangible assets;
- property, plant and equipment;
- investment property;
- goodwill;

these assets are required to undergo a detailed review in order to determine whether their net carrying amount is lower than their recoverable amount, which is defined as the higher of fair value (less disposal cost) or value in use. Value in use is the present value of the future cash flows expected to be derived from an asset and from its disposal.

If the recoverable amount is lower than the net carrying amount, an impairment loss equal to the difference between these two amounts is recognised. Impairment losses on intangible assets and property, plant and equipment with a finite life may subsequently be reversed if the recoverable amount rises above the net carrying amount (up to the amount of the impairment loss initially recognised).
The Group tests for impairment of assets with an indefinite life every year during the budget preparation period in order to take the most recent data into account. If internal or external events or circumstances indicate impairment losses, the frequency of impairment testing may be revised.

1.8.1 - Model

In determining the recoverable amount of assets, assets to which independent cash flows cannot be directly allocated are grouped within a cash-generating unit (CGU) to which they are attached. The recoverable amount of the CGU is measured using the discounted cash flow (DCF) method, applying the following principles:
- cash flow (after tax) figures are derived from a medium-term (five-year) business plan developed by the relevant entity;
- the discount rate is determined based on WACC for the Group (10.84% in 2011) adjusted for local inflation and any country risks;
- the recoverable amount is calculated as the sum of cash flows generated each year and the terminal value, which is determined based on normative cash flows by applying a zero growth rate to infinity.

The Hermès Group has defined the following CGUs:
- sales units (branches), which are treated independently from one another;
- businesses centred on production or distribution of one type of product, such as Perfumes, Watches or Tableware;
- separate production activities (leather production, silk production);
- associates;
- investment property.

1.9 - Financial assets and liabilities

In accordance with IFRS, financial assets include non-consolidated and other investment securities, loans and financial receivables, and the positive fair value of financial derivatives.

Financial liabilities include borrowings and debt, bank lines of credit and the negative fair value of financial derivatives.
Financial assets and liabilities are presented in the statement of financial position under current or non-current assets or liabilities, depending on whether they come due within one year or more, with the exception of trading derivatives, which are recorded under current assets or liabilities.
Operating payables and receivables and cash and cash equivalents fall within the scope of IAS 39 – *Financial Instruments: Recognition and Measurement*, and are presented separately on the statement of financial position.

1.9.1 - Classification of financial assets and liabilities and valuation methods

A. Financial assets and liabilities stated at fair value with changes in fair value recorded in the statement of income

These financial assets and liabilities are classified as such at the inception of the transaction for the following reasons:
- they were bought with the intention of reselling them in the near future;
- they are derivatives that do not qualify as hedging instruments (trading derivatives); or
- the Group has elected to classify them in this category as allowed by IAS 39.

These assets are initially recognised at acquisition cost excluding incidental acquisition expenses. For each closing period, they are measured at fair value. Changes in fair value are recorded in the statement of income under “Other financial income and expense”.
Dividends and interest received on these assets are also recognised in the statement of income under “Other financial income and expense”.

B. Held-to-maturity financial assets

This category covers fixed-term financial assets, bought with the intention and ability of holding them until maturity.
These items are recognised at amortised cost. Interest is calculated at the effective interest rate and recorded in the statement of income under “Other financial income and expense”.

C. Loans and financial receivables

Loans and financial receivables are valued and recognised at amortised cost less any impairment.

Interest is calculated at the effective interest rate and recorded in the statement of income under "Other financial income and expense".

D. Available-for-sale financial assets

Available-for-sale financial assets include non-consolidated investments and investment securities. For each closing period, they are stated at fair value. Unrealised gains or losses on available-for-sale financial assets are recorded under other comprehensive income in "Derivatives included in shareholders' equity".

For instruments quoted in an active market, the fair value is the market value. If the fair value cannot be reliably estimated by other generally accepted valuation methods such as discounted future cash flows, these instruments are valued at acquisition cost less accumulated impairment.

For available-for-sale financial assets represented by debt securities, interest is calculated at the effective interest rate and credited to the statement of income under "Other financial income and expense".

E. Financial debts

Financial debts are recorded at amortised cost, with separate reporting of embedded derivatives where applicable.

Interest is calculated at the effective interest rate and recorded in the statement of income under "Gross cost of debt" over the duration of the financial debt.

F. Derivative financial instruments

Scope

The scope of derivative financial instruments applied by the Group corresponds to the principles set out in IAS 39 – *Financial Instruments: Recognition and Measurement*.

According to Group rules, consolidated subsidiaries may not take any speculative financial positions.

In compliance with IAS 39, the Group analyses all its contracts, of both a financial and non-financial nature, to identify the existence of any "embedded" derivatives. Any component of a contract that affects the cash flows of a given contract in the same way as a stand-alone derivative corresponds to the definition of an embedded derivative.

If they meet the conditions set out by IAS 39, embedded derivatives are accounted for separately from the "host" contract at the inception date.

Measurement and recognition

Derivatives are initially recorded at fair value, based on quoted prices and market data available from external sources. The Group may also base its valuation on internal models recognised by market participants and including data directly derived from the above mentioned observable data.

Changes in the fair value of these derivatives are recorded in the statement of income, unless they are classified as cash flow hedges, as described below. Changes in the fair value of such hedging instruments are recorded directly under other comprehensive income in "Derivatives included in shareholders' equity", excluding the ineffective portion of the hedge, which is recorded in the statement of income under "Other financial income and expense". The ineffective portion of the hedge corresponds to the changes in the fair value of the hedging instrument in excess of changes in the fair value of the hedged item. When the hedged cash flows materialise, the amounts previously recognised in equity are transferred to the statement of income in the same way as for the hedged item.

Only derivative instruments external to the Group qualify for hedge accounting, and gains or losses on internal derivatives are eliminated in the consolidated financial statements. However, in a cash flow hedging relationship initiated via derivatives internal to the Group, hedge accounting is applied if it can be demonstrated that the internal derivatives will be matched with similar transactions external to the Group.

Derivatives classified as hedges

The Group uses derivatives to hedge its foreign exchange risks.

The Group applies the criteria defined by IAS 39 – *Financial Instruments: Recognition and Measurement* in classifying derivatives as hedges:

1) the instrument must hedge changes in fair value or cash flows attributable to the risk hedged, and the effectiveness of the hedge (i.e. the degree to which changes in the value of the hedging instrument offset changes in the value of the hedged item or future transaction) must be between 80% and 125%;

2) in cash flow hedges, the future transaction being hedged must be highly probable;
3) reliable measurement of the effectiveness of the hedge must be possible;
4) the hedge must be supported by appropriate documentation from its inception.

The Group classifies hedges in the following categories:
a) *Fair value hedges.* These instruments hedge the exposure to changes in the fair value of an asset or liability recorded in the statement of financial position, or a firm commitment to purchase or sell an asset. Changes in the fair value of the hedged item attributable to the hedged component of that item are recorded in the statement of income and offset by corresponding variations in the fair value of the hedging instrument. Only the ineffective portion of the hedge has an impact on income.
b) *Cash flow hedges.* These instruments hedge highly probable future transactions from the variability in cash flows generated by the hedged transaction by offsetting the latter by changes in the value of the hedging instrument.

G. Cash and cash equivalents

Cash and cash equivalents comprise liquid assets and short-term investments, usually maturing within three months or less of the acquisition date, and with negligible risk of fluctuation in value. Investments in listed shares, investments for a term of over three months that are not redeemable before the maturity date and bank accounts covered by restrictions (frozen accounts) other than restrictions due to country- or sector-specific regulations (e.g. currency controls) are not included in cash in the statement of cash flows. Bank overdrafts that are deemed to be financing arrangements are also excluded from the cash position.
Shares in funds held for the short term and classified as “Cash equivalents” are recorded at fair value, with changes in fair value recorded as other comprehensive income.

1.9.2 - Impairment of financial assets

For each closing period, the Group assesses whether there is any objective evidence of an asset’s impairment. If so, the Group estimates the asset’s recoverable value and records any necessary impairment as appropriate for the category of asset concerned.

A. Financial assets recorded at amortised cost

Impairment is equal to the difference between the asset’s net carrying amount and the discounted value of projected future cash flows expected to be generated as determined using the original effective interest rate of the financial instrument. Any impairment loss is included in the statement of income under “Other financial income and expense”. If the impairment loss decreases in a subsequent period, it is reversed and recorded as income.

B. Available-for-sale financial assets

If there is a significant long-term decrease in the fair value of available-for-sale financial assets, the unrealised loss is reclassified from equity to income. If, in a subsequent period, the fair value of an available-for-sale financial asset increases, the increase in value is recorded in equity for equity instruments, while for debt instruments, the impairment previously recorded is reversed and transferred to the statement of income.

1.9.3 - Classification of valuation techniques used for financial instruments

In accordance with IFRS 7 – *Financial Instruments: Disclosures*, assets and liabilities recognised at fair value are measured as follows:
◆ Level 1: Quoted prices in an active market. When available, quoted prices in an active market are the preferred valuation technique for determining market value;
◆ Level 2: Internal model using observable inputs based on internal valuation techniques. These techniques rely on standard mathematical calculation methods based on observable market data, such as term prices and yield curves. Most market-traded derivative financial instruments are measured using models customarily used by market operators to value such financial instruments;
◆ Level 3: Internal model based on non-observable inputs. The fair value of the carrying amounts used is a reasonable estimate of market value. This method applies mainly to non-current financial assets.
In 2011, the valuation techniques used to measure the fair value of financial assets and liabilities were not changed.

1.10 - Inventories

Inventories and work in progress held by Group companies are valued at the lower of cost (including indirect production costs) or net realisable value. Cost

is generally calculated at weighted average cost or standard cost adjusted for variances.
The cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition, as specified by IAS 2 – *Inventories*. In particular, discounts and collection costs are included in the measurement of inventories.
Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.
Impairment is booked to reduce inventories to net realisable value if this is lower than the carrying amount. These impairments are included in the cost of sales.

1.11 - Treasury shares

Shares held in treasury are recorded at acquisition cost and are deducted from equity. Gains or losses on the disposal of these shares are recognised directly in equity, with no impact on net income.

1.12 - Revenue and trade receivables

Revenue consists of sales of retail goods, sales of goods and services produced by the Group's main business operations, and income from royalties, licences and operating subsidies.
Revenue is recognised:

- when the major risks and benefits incident to ownership of goods are transferred to the buyer;
- when the amount of revenue can be measured reliably;
- when any volume or trade discounts and other benefits on sales are deducted from revenue (separability principle);
- when, at the transaction date, it is probable that the amount of the sale will be recovered.

In general, sales of goods are accounted for on delivery; sales of services are accounted for on completion.

1.12.1 - Credit risk

Credit risk arises from the potential inability of customers to meet their payment obligations. When there is objective evidence of impairment, the value of these obligations is adjusted at each closing period. An impairment expense is recognised in the statement of income when the carrying amount of the asset is higher than its recoverable amount.

1.13 - Other non-recurring income and expense

"Non-recurring operating income and expense" relates to major events which occurred during the year and produced a material financial impact. This item is presented separately from recurring operating income because it could give a misleading view of the Group's performance.
This line item therefore includes significant amounts of income and expense items generated by unusual or infrequent events.

1.14 - Operating segments

In accordance with IFRS 8 – *Operating Segments*, the segment information presented is based on internal reporting used by management to assess the performance of the different business sectors.
The activity of the Hermès Group is monitored by the main operational decision-maker ("Executive committee") by geographical area and business sectors (distribution only within the Hermès network and distribution extended to specialised networks).
Given the Group's current structure, organised into geographical area placed under the responsibility of operational managers in charge of applying the strategy defined by the Executive committee, the Group has determined that the geographical area constitute the operating segments with reference to the fundamental principle of IFRS 8.

1.15 - Commitments to buy out non-controlling interests

The Group has given the non-controlling shareholders of certain subsidiaries a commitment to buy out their shares.
The Group recognises these commitments, when they have been entered into prior to the application of revised IFRS 3, as follows:

- the amount of the commitment as of the closing date is recorded under "Non-current liabilities";
- the corresponding non-controlling interests are reclassified in the above-mentioned line item.

Any difference between the amount of the commitment and the reclassified non-controlling interests is recorded under "Goodwill", the value of which varies commensurately with the value of the commitment. This method of recognition has no impact on the method of presenting non-controlling interests in the statement of income.

The adoption of the amendments to IFRS 3 – *Business Combinations* does not change the accounting method for these past commitments. Pursuant to this standard, which is applicable as from 1 January 2010, only business combinations with an acquisition date later than 1 July 2009 are concerned.

1.16 - Provisions

A provision is a liability of uncertain timing or amount. It is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation. In addition, a reliable estimate of the amount of the obligation is made based on the information available to the Group when the consolidated financial statements are prepared.

1.17 - Post-employment and other employee benefit obligations

In keeping with the laws and practices in each country where it operates, the Group participates in post-employment and other retirement benefit schemes for employees and in top-up schemes for executives and senior managers.

For basic post-employment and other defined-contribution plans, the Group recognises contributions to be paid as expenses when they are due and when no provision was booked in this respect, as the Group has no obligations other than the contributions paid.

For defined-benefit plans, the Group's obligations are calculated annually by an independent actuary using the projected credit unit method. This calculation is based on actuarial assumptions and takes into account the employee's expected future length of service, future salary and life expectancy, as well as staff turnover.

The present value of the obligation is calculated by applying an appropriate discount rate for each country where the obligations are located. It is recognised on a pro-rata basis to employee years of service.

When benefits are partly funded in advance by external funds (insurance companies, foundations or other entities), the assets held are measured at fair value, and taken into account in the assessment of the liabilities.

The expense recognised in the statement of income is the sum of:

◆ the past service cost, which constitutes the increase in obligations arising from the vesting of one additional year of rights; and

◆ the interest cost, which reflects the increase in the present value of the obligations during the period; and

◆ expected return on pledged assets (proceeds).

The Hermès Group has applied the SoRIE amendment to IAS 19 - *Employee Benefits*, on the method of recognising actuarial gains and losses on post-employment benefits. All such gains and losses are now recorded under equity over the period in which they are recognised.

Certain other post-employment benefits, such as life insurance and health insurance benefits (primarily in Japan), or long-term benefits such as long-service awards (bonuses paid to employees, mainly in France, based on length of service), are also covered by provisions, which are determined using an actuarial calculation that is comparable to that used to calculate provisions for post-employment benefit obligations.

The cost of past services, meaning the increase of an obligation after the introduction of a new plan or a modification of an existing one, is spread in a linear manner over the outstanding average duration until the rights have vested, or is recorded immediately as an expense if the rights to benefits have already been acquired.

1.18 - Income tax expense

Income tax expense includes:

◆ the current tax for the year of the consolidated companies;

◆ deferred tax resulting from timing differences:

– between the taxable earnings and accounting income of each consolidated company;

– arising from adjustments made to the financial statements of consolidated companies to bring them into line with Group accounting principles;

– arising from consolidation adjustments.

1.18.1 - Deferred tax

Deferred tax is calculated on all timing differences existing at year-end (full reserve) at the tax rate in force on that date, or at the enacted tax rate (or nearly enacted rate) for the subsequent fiscal year. Previous deferred tax is revalued using the same rate (liability method).

The main categories of deferred tax apply to restatements of internal margins on inventories, impairment on inventories and timing differences. Deferred tax assets are recorded to the extent that their future use is probable given the expected taxable profits. If a recovery risk arises on some or all of a deferred tax asset, an impairment is recorded.

Deferred tax is also recognised on unrealised gains on investments in associates. In accordance with IAS 12 – *Income Taxes*, these gains represent the difference between the consolidated value of these investments and their tax value. They are taxed at the reduced rate of 1.7%. This reduced rate has been adopted based on the following factors:

- the Hermès Group does not intend to sell these investments in the medium term;
- no dividend distributions from these investments are expected in the medium term.

Foreign currency differences arising from the conversion of deferred tax income or expense are recognised in the statement of income in deferred tax income or expense.

1.18.2 - Group tax election

Since 1 January 1988, the Company has opted for a group tax election under French tax law. Under the terms of an agreement between the parent company and the subsidiaries included in the group tax election, projected and actual tax savings or liabilities generated by the Group are recognised in the parent company's statement of income in the year in which they arise.

1.19 - Adjustment of depreciation, amortisation and impairment

The impact of accounting entries booked net of deferred tax solely to comply with tax legislation is eliminated from the consolidated financial statements.

These adjustments mainly relate to restricted provisions and accelerated tax depreciation in French companies, and to impairment of inventories and doubtful receivables in foreign companies.

1.20 - Earnings per share

In accordance with IAS 33 – *Earnings per Share*, basic earnings per share is calculated by dividing the net income attributable to owners of the parent by the average number of ordinary shares outstanding during the period. The net earnings per share are calculated on the basis of the weighted average number of circulating shares during the fiscal year.

The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, less the treasury shares, adjusted by the number of ordinary shares bought back or issued during the period multiplied by a time-weighting factor.

The weighted average number of circulating shares during the fiscal year as well as those from previous fiscal years are adjusted in order to account, if relevant, for operations involving the free distribution of shares and the reduction of the share's face value occurring during the fiscal year, as well as of treasury shares. Diluted earnings per share is adjusted for the effects of all potentially dilutive ordinary shares that may be created as a result of the conversion of convertible instruments, the exercise of stock options or share warrants, or the issuance of new shares.

The diluted earnings per share are restated for the shares that are to be created as part of the share subscription plans decided upon by the Chairmen.

1.21 - Share subscription options and share purchase options

Share subscription options and share purchase options granted to employees are recognised as expenses at fair value, with a corresponding increase in equity over the vesting period.

The fair value of stock options is determined using a binomial model, which takes into account the attributes of the plan (exercise price, exercise period), market data at the time of allotment (risk-free rate, share price, volatility, expected dividends) and assumptions on the beneficiaries' behaviour.

1.22 - Use of estimates

The preparation of the consolidated financial statements under IFRS sometimes requires the Group to make estimates in valuing assets and liabilities and income and expenses recognised during the year. The Group bases these estimates on comparative historical data and on a variety of assumptions, which it deems to be the most reasonable and probable under the circumstances. Accounting principles that require the use of assessments and estimates are also described in the relevant notes.

Furthermore, IAS 1 - *Presentation of Financial Statements* requires that the main assumptions and sources of uncertainty underlying such estimates be described, whenever there is a significant risk that the estimated amounts of assets and liabilities will be materially adjusted during the following period. In this case, the notes include information which, by its nature or scope, helps users of the financial statements to understand the judgments management has made, including but not limited to:

- the nature of the assumption or estimate;
- the sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation;
- the expected resolution of any uncertainty and the range of reasonably possible outcomes within the next financial year; and
- an explanation of any changes made to past assumptions if the uncertainty remains unresolved.

The main items that require the use of assessments and estimates are as follows:

1.22.1 - Depreciation and amortisation periods for property, plant & equipment and intangible assets

Estimates and assumptions are used to calculate the estimated useful life of these assets in order to determine the period over which they should be depreciated or amortised and to recognise any impairment in value. This useful life is determined in accordance with the Group's accounting principles, which are applied uniformly and systematically by all subsidiaries. These periods are shown in Note 1.7.

1.22.2 - Impairment of fixed assets

The value of fixed assets has been reviewed in detail in order to determine whether any impairment loss must be recognised in accordance with the model described in Note 1.8. The impairment testing model and the assumptions used are estimates based on management's judgment, past events and, whenever available, information from external sources. These have been applied in determining discount rates, terminal values, sales projections, and operating margins.

1.22.3 - Provisions

A provision is a liability of uncertain timing or amount. Estimates and assumptions are used in calculating provisions and may be a source of uncertainty. When there is significant uncertainty, which may in particular be the case in analysing provisions for risks and litigation, the provision is assessed on the basis of the scenario that is deemed to be the most probable and/or the most conservative, in accordance with the principles set forth in Note 1.16.

1.22.4 - Post-employment and other employee benefit obligations

Obligations under defined-benefit plans are calculated based on assumptions provided by an independent actuary, in accordance with the principles described in Note 1.17.

1.22.5 - Deferred tax

Deferred tax assets and liabilities are recognised in accordance with the principles described in Note 1.18. When an entity has recognised tax losses in the recent past, as a general rule, no deferred tax asset is recognised until there is a reasonable certainty that it will return to profits.

1.23 - Subsequent events

In the first quarter of 2012, the Group continued with the buybacks of treasury shares for free shares allotment plans for the employees. Since 1 January 2012, the Group has bought back 89,482 shares for a total of €21.0 million.

No other significant event has occurred since the closing as at 31 December 2011.

On 8 February 2012, the Chairmen decided on the payment of an interim dividend of €1.50 per share. The interim dividend was paid on 1 March 2012.

NOTE 2 - ANALYSIS OF THE MAIN CHANGES IN THE SCOPE OF CONSOLIDATION

The consolidated financial statements of the Hermès Group prepared as of 31 December 2011 include the financial statements of the companies listed in Note 32. The main perimeter changes during the fiscal year were the following:

	Interest		Method	
	31/12/2011	**31/12/2010**	**31/12/2011**	**31/12/2010**
Additions				
Faubourg Italia	60.00%	–	Full	–
Hermès Rus	99.90%	–	Full	–
Joseph Erard Holding	32.50 %	–	EA	–
Stoleshnikov 12	100.00 %	–	Full	–
Removals				
Gaulme	–	45.00 %	–	EA
Other changes				
Hermès Singapore (Retail)	100.00%	80.00%	Full	Full

Consolidation methods: Full: fully consolidated; EA: equity-accounted.

Creation of the company Faubourg Italia

Alongside its collections for the table and the art of living, Hermès is now developing a complete range for the home, that now includes upholstery fabrics and wallpaper.

For the development of its upholstery fabrics and wallpaper collections, Hermès has chosen to work with an essential figure in the sector, that is proficient both in publishing and in international distribution. A joint subsidiary has therefore been created with the Italian fabrics publisher Dedar: Faubourg Italia. Its capital consists of 100 shares with a face value of €1,000, 60% held by Hermès International.

Creation of the company Hermès Rus and acquisition of the company Stoleshnikov 12

After 10 years of partnership with a concessionaire operating 2 stores located in Moscow, Hermès has chosen to work directly in Russia. As such, the following operations have been carried out:

– *creation of Hermès Rus.* Created on 17 January 2011, its capital is 99.90% held by Compagnie Hermès de Participations;

– *acquisition of Stoleshnikov 12.* On 9 May 2011, the Group acquired all of the capital of Stoleshnikov 12. On the acquisition date, Hermès International and the Compagnie Hermès de Participations acquired all of the 32 shares comprising the capital, thereby providing them with 100% of the voting rights. The shares were sold to the Group for €25 million, while stipulating that the acquisition expenses were not material. On the acquisition date, the assets and liabilities integrated into the Hermès group consolidated financial statements amounted to €25 million, primarily consisting of a concession right and a leasehold right. In compliance with IFRS 3 – *Business combinations*, this takeover has been recognised according to the acquisition method. As such, the acquired company's assets and liabilities have been valued at their fair value, in compliance with the IFRS requirements and the assessment principles in effect within the Hermès Group.

Equity investment in the company Joseph Erard Holding

In an effort to strengthen the control of its know-how, the Group acquired a 32.5% equity interest in the capital of the Swiss manufacturer of high-end watch cases, Joseph Erard.

Sale of the equity interest of the Compagnie Hermès de Participations in the Gaulme group

Added to the capital of the Jean Paul Gaultier house in 1999, on 3 May 2011, Hermès sold its entire 45% equity interest. The sale price of the equity securities (€16.5 million) as well as the reimbursement of granted loans and subscribed bonds (€14.0 million) generated a gross proceeds from disposal of €29.5 million, recorded as financial results in the consolidated financial statements.

Increase of the percentage of interest in Hermès Singapore (Retail)
On 25 April 2011, Hermès South East Asia increased its interest in Hermès Singapore (Retail), thereby raising it from 80% to 100% of the capital. The operation was carried out for a payment of 4.4 million SGD (i.e. approximately €2.5 million).
In compliance with the revised IFRS 3 and revised IAS 27, and as this is an equity interest transaction that does not result in a modification of control, the difference between the price paid and the previous book value of the unverified equity interest has been recorded directly in the shareholders' equity, i.e. €0.4 million.

NOTE 3 - SEGMENT INFORMATION

The information below is shown after consolidation adjustments and eliminations (see Note 1.14).

3.1 - Information by operating segment

in millions of euros

2011	France	Rest of Europe	Japan	Rest of Asia-Pacific	Americas	Rest of the world (1)	Holding	Total
Revenue	**494.9**	**559.7**	**471.6**	**808.0**	**464.2**	**42.8**	**–**	**2,841.2**
Selling, marketing and administrative expenses	(159.7)	(169.6)	(181.7)	(223.3)	(152.8)	(18.4)	(40.3)	(945.7)
Depreciation and amortisation	(9.1)	(24.9)	(12.3)	(24.5)	(15.8)	(0.6)	(9.4)	(96.6)
Operating provisions	(6.8)	(1.9)	(6.4)	(2.4)	(1.1)	(4.0)	(4.7)	(27.3)
Impairment losses	(1.6)	(0.3)	(0.2)	–	–	–	–	(2.1)
Operating income	**139.0**	**147.7**	**163.6**	**336.5**	**148.7**	**0.6**	**(50.9)**	**885.2**
Operating margin by segment	*28.1%*	*26.4%*	*34.7%*	*41.6%*	*32.0%*	*1.3%*	–	*31.2 %*
Net financial income							12.4	12.4
Net income from associates							(4.5)	(4.5)
Income tax expense							(289.8)	(289.8)
Net income attributable to non-controlling interests							(9.2)	(9.2)
Net income attributable to owners of the parent	**139.0**	**147.7**	**163.6**	**336.5**	**148.7**	**0.6**	**(341.8)**	**594.3**

(1) Including sales to airline companies, in the Middle East and Africa.

in millions of euros

2010	France	Rest of Europe	Japan	Rest of Asia-Pacific	Americas	Rest of the world (1)	Holding	Total
Revenue	**437.2**	**463.4**	**453.2**	**630.9**	**384.7**	**31.3**	**–**	**2,400.8**
Selling, marketing and administrative expenses	(139.5)	(140.0)	(161.8)	(172.2)	(126.8)	(10.6)	(51.4)	(802.2)
Depreciation and amortisation	(8.7)	(17.0)	(13.4)	(20.0)	(15.8)	(0.4)	(9.3)	(84.5)
Operating provisions	(4.8)	(10.4)	(9.7)	(3.9)	(1.1)	(0.1)	5.1	(25.0)
Impairment losses	(3.5)	(0.3)	–	–	–	–	–	(3.8)
Operating income	**102.0**	**110.0**	**152.0**	**248.1**	**115.3**	**3.1**	**(62.2)**	**668.2**
Operating margin by segment	*23.3%*	*23.7%*	*33.5%*	*39.3%*	*30.0%*	*10.0%*	–	*27.8%*
Net financial income							(12.5)	(12.5)
Net income from associates							(3.1)	(3.1)
Income tax expense							(220.9)	(220.9)
Net income attributable to non-controlling interests							(10.0)	(10.0)
Net income attributable to owners of the parent	**102.0**	**110.0**	**152.0**	**248.1**	**115.3**	**3.1**	**(308.7)**	**421.7**

(1) Including sales to airline companies, in the Middle East and Africa.

3.2 - Information by geographical area

The breakdown of revenue by geographical area is as follows:

in millions of euros

	2011	2010
France	494.9	437.2
Rest of Europe	559.7	463.4
Japan	471.6	453.2
Rest of Asia-Pacific	808.0	630.9
Americas	464.2	384.7
Rest of the world	42.8	31.3
Revenue	**2,841.2**	**2,400.8**

The breakdown of the non-current assets [1] by geographical area is as follows:

in millions of euros

	31/12/2011	31/12/2010
France	553.4	481.6
Rest of Europe	171.5	150.4
Japan	228.1	211.8
Rest of Asia-Pacific	134.0	123.1
Americas	69.7	68.0
Rest of the world	–	–
Non-current assets [1]	**1,156.7**	**1,034.9**

(1) Non-current assets other than financial instruments and deferred tax assets.

NOTE 4 - COST OF SALES

All commissions are included in cost of sales. Impairment of inventories, losses on inventories, and the portion of depreciation that is allocated to the production cost of goods sold are included in the cost of sales.

NOTE 5 - SELLING, MARKETING AND ADMINISTRATIVE EXPENSES

in millions of euros

	2011	2010
Advertising and marketing expenses	(148.2)	(126.4)
Other selling and administrative expenses	(797.5)	(675.8)
Total	**(945.7)**	**(802.2)**

NOTE 6 - OTHER INCOME AND EXPENSE

in millions of euros

	2011	2010
Depreciation and amortisation (Note 3)	(96.6)	(84.5)
Net change in recurring provisions	(13.7)	(23.2)
Cost of defined-benefit plans (Note 25.3.5)	(13.6)	(9.9)
Impairment losses (Note 3)	(2.1)	(3.8)
Other income/(expense)	2.1	6.0
Total	**(123.9)**	**(115.4)**

Total depreciation and amortisation of tangible and intangible assets included in operating expenses (other income and expense and cost of sales) amounted to €111.1 million in 2011, compared with €97.1 million in 2010.

NOTE 7 - NET FINANCIAL INCOME

in millions of euros

	2011	2010
Income from cash and cash equivalents	10.9	5.1
Cost of gross debt	(0.4)	(0.3)
– of which: income from hedging instruments	*0.3*	*0.6*
Cost of net debt	**10.6**	**4.8**
Other financial income and expense	1.9	(17.3)
– of which: ineffective portion of cash flow hedges (Note 22.2.4)	*(11.3)*	*(9.3)*
Total	**12.4**	**(12.5)**

NOTE 8 - INCOME TAX EXPENSE

8.1 - Breakdown of income tax expense

in millions of euros

	2011	2010
Current tax	(287.1)	(226.5)
Deferred tax	(2.7)	5.5
Total	**(289.8)**	**(220.9)**

8.2 - Rationalisation of income tax expense

The effective tax rate was 32.3% in 2011, compared with 33.7% in 2010. This rate variation is mainly related to the disposal of the equity interest in the Gaulme group, for which the capital gain is not taxable. The difference between the theoretical tax and the actual tax for 2011 is explained as follows:

in millions of euros

	2011	2010
Net income attributable to owners of the parent	594.3	421.7
Net income from associates	(4.5)	(3.1)
Net income attributable to non-controlling interests	(9.2)	(10.0)
Income tax expense	**(289.8)**	**(220.9)**
Pre-tax income	897.7	655.7
Effective tax rate	32.3%	33.7%
Current tax rate in France (1)	36.1 %	34.4 %
Theoretical tax charge	(324.1)	(225.6)
Reconciliation items		
– differences relating to foreign tax (primarily the tax rate)	28.4	20.2
– permanent timing differences and transactions taxed at a reduced rate	5.9	(15.6)
Total	**(289.8)**	**(220.9)**

(1) The tax rate applicable in France is the basic rate of 33.33% plus the social contribution of 3.3% and an exceptional surcharge of 5% for French companies with sales revenue of more than €250 million, i.e. 36.1%.

8.3 - Deferred tax

Deferred tax is recognised on all differences between values for tax purposes and values for accounting purposes using the liability method. Discounting is not applied to deferred tax. The net change in deferred tax assets and liabilities is broken down as follows:

in millions of euros

	2011	2010
Deferred tax assets as at 1 January	178.1	143.1
Deferred tax liabilities as at 1 January	12.1	10.0
Net deferred tax assets as at 1 January	**165.9**	**133.1**
Impact on the statement of income	(2.7)	5.5
Impact on the scope of consolidation	(6.1)	–
Impact of foreign currency movements	6.3	15.6
Other (1)	13.2	11.7
Net deferred tax assets as at 31 December	**176.7**	**165.9**
Deferred tax assets as at 31 December	194.2	178.1
Deferred tax liabilities as at 31 December	17.5	12.1

(1) Other items relate to deferred taxes resulting from changes in the portion of revaluation of financial instruments recorded under equity (transferable portion) and in actuarial gains and losses on employee benefit obligations. These changes had no impact on net income for the year (see Note 20.3).

As at 31 December 2011, deferred taxes mainly related to the following adjustments:

in millions of euros

	2011	2010
Internal margins on inventories and impairment on inventories	115.4	109.7
Employee obligations	32.1	29.1
Derivative instruments	18.5	5.7
Impairment losses	5.0	5.9
Stock option plans	–	1.8
Restricted provisions	(19.8)	(14.6)
Other	25.6	28.3
Total	**176.7**	**165.9**

As at 31 December 2011, tax loss carry-forwards and other temporary differences that did not give rise to the recognition of deferred tax assets represented potential tax savings of €4.7 million.

NOTE 9 - EARNINGS PER SHARE

In accordance with the definitions set out in Note 1.20, the calculation and reconciliation of basic earnings per share and diluted earnings per share is as follows:

	2011	2010
Numerator (in millions of euros)		
Basic net income	594.3	421.7
Adjustments	–	–
Diluted net income	594.3	421.7
Denominator (in number of shares)		
Weighted average number of ordinary shares	**104,556,945**	**105,162,445**
Basic earnings per share	**5.68**	**4.01**
Weighted average number of shares under option	130,388	74,577
Weighted average number of shares under free share allotment plans	284,942	191,131
Weighted average number of diluted ordinary shares	**104,972,275**	**105,428,153**
Diluted earnings per share	**5.66**	**4.00**
Annual average price per share	€200.12	€125.67

NOTE 10 - GOODWILL

in millions of euros

	31/12/2010	Increases	Decreases	Currency impact	Other	31/12/2011
Goodwill	75.6	0.8	–	3.6	–	80.0
Total gross value	**75.6**	**0.8**	**–**	**3.6**	**–**	**80.0**
Amortisation booked before 1 January 2004	37.5	–	–	2.0	–	39.5
Impairment losses	1.0	0.8	–	–	–	1.8
Total amortisation and impairment losses	**38.5**	**0.8**	**–**	**2.0**	**–**	**41.3**
Total net value	**37.2**	**–**	**–**	**1.6**	**–**	**38.7**

As at 31 December 2011, the largest components of the net value of goodwill were €19.7 million for Hermès Japon and €14.2 million for Hermès Cuirs Précieux. The sensitivity analysis did not bring to light a likely scenario in which the recoverable value of the cash generating units (CGUs) would be less than their net book value.

It is noted that the CGUs on which impairment losses have been recognised are not individually material when compared with the Group's overall business. Furthermore, no goodwill with an indefinite life is allocated to several CGUs.

NOTE 11 - INTANGIBLE ASSETS

in millions of euros

	31/12/2010	Increases	Decreases	Currency impact	Other	31/12/2011
Leasehold rights	53.7	3.7	(0.6)	0.1	6.0	63.0
Concessions, patents, licences and software (1)	31.7	3.2	(0.3)	0.9	3.1	38.6
Other intangible assets (1)	72.0	10.3	(0.2)	–	30.9	112.9
Work in progress (1)	10.7	3.5	–	–	(11.7)	2.5
Total gross value	**168.1**	**20.7**	**(1.1)**	**1.0**	**28.3**	**217.0**
Amortisation of leasehold rights	24.2	8.9	(0.6)	(0.1)	(0.2)	32.2
Amortisation of concessions, patents, licences and software	23.3	2.8	(0.3)	0.7	–	26.4
Amortisation of other intangible assets	44.5	16.0	(0.2)	0.3	–	60.6
Impairment losses (2)	1.0	0.1	–	–	–	1.1
Total amortisation and impairment losses	**93.0**	**27.7**	**(1.1)**	**0.9**	**(0.2)**	**120.3**
Total net value	**75.2**	**(7.0)**	**–**	**0.1**	**28.5**	**96.7**

(1) Investments made during the year mainly related to setting up integrated management software applications for several subsidiaries.
(2) Impairment losses relate to production operations and stores deemed not to be sufficiently profitable according to the criteria set out in IAS 36 - *Impairment of Assets*.

NOTE 12 - PROPERTY, PLANT & EQUIPMENT

in millions of euros

	31/12/2010	Increases (1)	Decreases	Currency impact	Other	31/12/2011
Land	160.1	1.2	–	10.3	–	171.7
Buildings (2)	446.0	15.9	(4.8)	11.8	1.8	470.8
Machinery, plant and equipment	153.9	14.7	(3.0)	1.1	3.8	170.4
Store fixtures and furnishings	267.5	31.5	(12.5)	10.1	10.8	307.5
Other tangible assets	318.7	28.4	(6.8)	1.4	7.2	349.0
Work in progress	43.8	72.6	(0.3)	1.1	(24.4)	92.8
Total gross value	**1,390.0**	**164.4**	**(27.4)**	**35.8**	**(0.6)**	**1,562.2**
Depreciation of buildings	162.4	18.3	(4.4)	5.5	(0.1)	181.7
Depreciation of machinery, plant and equipment	104.5	11.9	(2.7)	0.7	–	114.4
Depreciation of store fixtures and furnishings	151.3	29.5	(11.5)	6.5	1.8	177.5
Depreciation of other tangible assets	181.2	27.2	(6.4)	1.0	(0.4)	202.7
Impairment losses (3)	16.4	2.0	(2.1)	0.2	–	16.4
Total depreciation and impairment losses	**615.7**	**88.9**	**(27.1)**	**13.9**	**1.4**	**692.8**
Total net value	**774.2**	**75.5**	**(0.3)**	**21.9**	**(2.0)**	**869.4**

(1) Investments made during the year related mainly to the opening and renovation of stores and capital expenditure to expand production capacity.
(2) "Buildings" includes a building in Milan held under a finance lease, with a gross value of €1.1 million. The building is depreciated over 15 years, commencing on 18 July 2007. As at 31 December 2011, the amount of the debt incurred to finance this building was €0.9 million, at an annual interest rate of 5.4%.
(3) Impairment losses relate to production operations and stores deemed not to be sufficiently profitable according to the criteria set out in IAS 36 - *Impairment of Assets*. It is noted that the cash generating units on which impairment losses have been recognised are not individually material when compared with the Group's overall business.

No item of property, plant or equipment has been pledged as debt collateral. Furthermore, the amount of such assets in temporary use is not material when compared with the total value of property, plant and equipment.

NOTE 13 - INVESTMENT PROPERTY

in millions of euros

	31/12/2010	Increases	Decreases	Currency impact	Other	31/12/2011
Land	30.6	–	–	2.0	–	32.6
Buildings	72.0	0.2	–	0.8	–	73.0
Total gross value	**102.6**	**0.2**	**–**	**2.8**	**–**	**105.6**
Depreciation	4.3	2.2	–	0.3	–	6.8
Total net value	**98.3**	**(2.1)**	**–**	**2.5**	**–**	**98.8**

It is stipulated that the Group and its subsidiaries are not bound by any contractual obligation to buy, build or develop investment properties, existing or not.
Moreover, the costs incurred for the upkeep, maintenance and improvement of the investment assets are not significant nor likely, as far as we know, to change materially in the coming fiscal years.
The rental proceeds coming from investment properties were equal to €4.5 million in fiscal 2011. As at 31 December 2011, the fair value of the investment properties was greater than €98 million. This estimate is based on evaluation works performed by independent experts, with a satisfactory frequency. The evaluations are notably based on real estate operations involving comparable assets and on indicators established by professionals or recognised institutions.

NOTE 14 - FINANCIAL ASSETS

14.1 - Available-for-sale securities

in millions of euros

	31/12/2010	Increases	Decreases	Currency impact	Other	31/12/2011
Forward investments and accrued interest (1)	132.5	20.0	(131.5)	–	(0.5)	20.5
Liquidity contract	9.3	–	(3.6)	–	–	5.7
Other financial assets (2)	7.5	0.1	(1.3)	0.1	–	6.3
Other non-consolidated investments (3)	0.4	–	(0.1)	–	(0.1)	0.2
Total gross value	**149.8**	**20.1**	**(136.5)**	**0.1**	**(0.6)**	**32.8**
Impairment	4.5	0.1	(0.2)	–	–	4.4
Total	**145.2**	**19.9**	**(136.3)**	**0.1**	**(0.6)**	**28.3**

(1) The financial investments correspond to investments that do not meet the cash equivalent criteria notably as a result of their original maturity of more than 3 months.
(2) As at 31 December 2011, other financial assets included €1.5 million in life insurance in Japan, *inter alia*.
(3) Other available-for-sale non-consolidated investments do not include any listed securities.

14.2 - Held-to-maturity securities

in millions of euros

	31/12/2010	Increases	Decreases	Currency impact	Other	31/12/2011
Gaulme convertible bonds and accrued interest	8.1	–	(8.1)	–	–	–
Gaulme convertible current account advance	5.0	1.0	(6.0)	–	–	–
Vaucher participating loan	6.4	–	–	0.2	–	6.6
Joseph Erard Holding convertible loan	–	1.5	–	–	–	1.5
Total gross value	**19.5**	**2.5**	**(14.1)**	**0.2**	**–**	**8.1**
Impairment	13.0	6.5	(13.0)	0.1	–	6.6
Total	**6.5**	**(4.0)**	**(1.1)**	**0.1**	**–**	**1.5**

NOTE 15 - INVESTMENTS IN ASSOCIATES

15.1 - Value of investments in associates

in millions of euros

	31/12/2011	31/12/2010
Vaucher Manufacture Fleurier	–	4.2
Groupe Perrin	7.7	7.8
Leica Camera Japan Co	3.2	2.2
Joseph Erard Holding	1.8	–
Maroquinerie Thierry	0.3	0.1
Total	**12.9**	**14.3**

These entities all have a 31 December financial year-end.

15.2 - Change in investments in associates

in millions of euros

	2011	2010
Investments in associates as at 1 January	**14.3**	**15.0**
Impact of changes in the scope of consolidation	2.9	(0.1)
Net income from associates	(4.5)	(3.1)
Dividends paid	(0.1)	(0.1)
Change in foreign exchange rates	0.3	1.2
Other	–	1.4
Investments in associates as at 31 December	**12.9**	**14.3**

15.3 - Information on associates

in millions of euros

Statutory information 2011	% Interest	Market capitalisation	Revenue	Net income	Fixed assets	Equity	Total assets
Groupe Perrin	38.01%	n/a	33.4	2.8	9.9	22.9	34.5
Leica Camera Japan Co	49.00 %	n/a	15.0	1.6	2.3	6.5	11.4
Maroquinerie Thierry (1)	43.82 %	n/a	3.3	0.2	0.6	0.9	1.6

n/a : not applicable.
(1) Information as of 30 September 2011.

in millions of euros

Statutory information 2010	% interest	Market capitalisation	Revenue	Net income	Fixed assets	Equity	Total assets
Gaulme	45.00%	n/a	24.4	(3.0)	26.5	10.2	44.1
Groupe Perrin	38.01%	n/a	19.6	0.9	9.6	20.2	29.8
Leica Camera Japan Co	49.00 %	n/a	13.1	0.8	1.7	4.5	11.0
Maroquinerie Thierry (1)	43.82 %	n/a	2.8	–	0.5	0.6	1.3

n/a : not applicable.
(1) Information as of 30 September 2010.

NOTE 16 - LOANS AND DEPOSITS

in millions of euros

	31/12/2010	Increases	Decreases	Currency impact	Other	31/12/2011
Loans and deposits [1]	26.9	10.6	(1.3)	1.3	–	37.4
Impairment	2.6	0.2	(0.4)	0.1	–	2.4
Total	**24.3**	**10.4**	**(0.9)**	**1.2**	**–**	**35.0**

(1) Security deposits amounted to €33.7 million as at 31 December 2011, compared with €22.8 million as at 31 December 2010.

NOTE 17 - INVENTORIES AND WORK IN PROGRESS

in millions of euros

	31/12/2011			31/12/2010		
	Gross	Impairment	Net	Gross	Impairment	Net
Retail, semi-finished and finished goods	478.9	176.8	302.0	457.6	166.5	291.1
Raw materials and work in progress	313.4	80.9	232.5	249.7	72.2	177.5
Total	**792.3**	**257.7**	**534.5**	**707.3**	**238.7**	**468.6**
Net income / expense from the impairment of retail, intermediate and finished goods	–	(4.8)	–	–	(12.8)	–
Net income / expense from the impairment of raw materials and work in progress	–	(8.3)	–	–	(14.9)	–

No inventories were pledged as debt collateral.

NOTE 18 - TRADE AND OTHER RECEIVABLES

in millions of euros

	31/12/2011			31/12/2010
	Gross	Impairment	Net	Net
Trade and other receivables	181.0	5.3	175.7	159.0
Of which: – amount not yet due	*150.2*	*0.5*	*149.7*	*126.3*
– amount payable (1)	*30.8*	*4.8*	*26.0*	*32.8*
Current tax receivables	0.8	–	0.8	1.1
Other current assets	94.8	0.3	94.4	69.5
Other non-current assets	1.7	–	1.7	1.5
Total	**278.3**	**5.7**	**272.6**	**231.2**

(1) The amount of trade and other receivables payable is broken down as follows:

in millions of euros

	31/12/2011			31/12/2010
	Gross	Impairment	Net	Net
Less than 3 months	26.2	1.0	25.2	35.3
Between 3 and 6 months	1.1	0.4	0.7	(0.5)
Between 6 months and 12 months	3.5	3.4	0.1	(2.0)

Except for other non-current assets, all accounts receivable are due within one year. There were no significant payment deferrals that would justify the discounting of receivables.
The Group's policy is to recommend securing accounts receivable insurance cover, inasmuch as local conditions permit it. Consequently, the risk of non-recovery is low, as evidenced by accounts receivable impairment, which amounted to approximately 3% of the gross value at the end of 2011, as in 2010. There is no significant concentration of credit risk.

NOTE 19 - CASH AND CASH EQUIVALENTS

19.1 - Change in net cash position

in millions of euros

	31/12/2010	Cash flows	Currency impact	Impact on the scope of consolidation	Other (1)	31/12/2011
Cash and cash equivalents	165.0	(2.5)	(4.9)	0.1	(0.4)	157.3
Marketable securities (2)	679.3	205.9	5.7	–	–	890.9
Sub-total	*844.3*	*203.4*	*0.8*	*0.1*	*(0.4)*	*1,048.2*
Bank overdrafts and current accounts in debit	(15.8)	5.9	–	–	–	(9.9)
Net cash position	**828.5**	**209.2**	**0.8**	**0.1**	**(0.4)**	**1,038.3**

(1) Corresponds to the *mark-to-market* on cash and cash equivalents.
(2) Primarily invested in money market UCITS and cash equivalents with a duration of less than 3 months.

All of the cash and cash equivalents have a maturity of less than 3 months and a sensitivity of less than 0.5%.
The gains and losses generated during the fiscal year and recorded through profit or loss were equal to €2.6 million in 2011, versus €1.9 million in 2010. No unrealised gain or loss existed as at 31 December 2011.

19.2 - Change in working capital

in millions of euros

	31/12/2010	Change in working capital	Other cash flows	Currency impact	Impact from revaluation of financial and hedging instruments	Other	31/12/2011
Inventories and work in progress	468.6	57.5	–	6.4	–	2.1	534.5
Trade and other receivables	159.0	12.6	–	4.6	(0.5)	–	175.7
Other current assets	69.5	23.6	–	1.1	0.1	0.2	94.4
Other non-current assets	1.5	(0.1)	–	–	–	0.2	1.7
Available-for-sale securities (excluding liquidity contract and forward investments)	7.9	(1.3)	–	0.1	–	(0.2)	6.6
Accrued interest on investments	2.2	0.3	(1.7)	–	–	–	0.8
Held-to-maturity securities	19.5	2.3	(14.0)	0.2	–	–	8.1
Loans and deposits	26.9	9.4	–	1.3	–	(0.1)	37.4
Deferred tax assets with a cash impact	115.5	6.0	–	4.1	–	(0.4)	125.2
Trade payables (excluding amounts payable relating to fixed assets)	(204.7)	(59.7)	–	(3.8)	(0.8)	(0.1)	(269.0)
Other liabilities and miscellaneous items (excluding current tax expense)	(242.5)	(56.4)	–	(5.5)	(0.4)	3.0	(301.7)
Net change in the fair value of derivatives	(8.5)	2.9	–	–	(36.4)	1.4	(40.6)
Change in working capital	**415.1**	**(2.7)**	**(15.7)**	**8.4**	**(38.0)**	**6.1**	**373.2**

NOTE 20 - SHAREHOLDERS' EQUITY

As at 31 December 2011, Hermès International's share capital consisted of 105,569,412 fully-paid shares with a par value of €0.51 each. 1,521,540 of these shares are treasury shares. In fiscal 2011, the following capital movements occurred:

– buyback of 1,292,215 shares at a face value of €0.51 for a total of €286.0 million;

– exercise of 30,550 share purchase options reserved for Hermès Group employees;

– allotment of 135,275 free shares to Hermès Group employee;

– sale of 11,500 shares as part of the liquidity contract.

It is specified that no shares are reserved for issuance under put options or agreements to sell shares.

For management purposes, the Hermès Group uses the notion of "shareholders' equity" as shown in the consolidated statement of changes in equity. More specifically, shareholders' equity includes the part of financial instruments that has been transferred to equity as well as actuarial gains and losses, as defined in Notes 1.9 and 1.17.

The Group's objectives, policies and procedures in the area of capital management are in keeping with sound management principles designed to ensure that operations are well-balanced financially and to minimise the use of debt. As its surplus cash position gives it some flexibility, the Group does not use prudential ratios such as "return on equity" in its capital management. In 2011, the Group made no change in its capital management policy and objectives.

Lastly, the parent company, Hermès International, is governed by French laws on capital requirements. Shareholders' equity must be greater than or equal to at least half of the share capital. If it drops below this level, an Extraordinary General Meeting must be called to approve the measures required to remedy this situation. Hermès International has never been in this position and has always met this requirement.

20.1 - Foreign currency adjustments

The change in foreign currency adjustments in 2011 is analysed below:

in millions of euros

	2011	2010
Change in foreign currency adjustments		
Japanese yen	10.9	25.4
Chinese yuan	6.9	2.2
Pound sterling	3.4	5.6
U.S. dollar	2.8	9.0
Swiss franc	2.5	17.4
Singapore dollar	0.6	11.6
Australian dollar	0.3	1.5
Hong Kong dollar	(0.1)	6.5
South Korean won	(0.9)	(1.2)
Other currencies	(2.0)	(3.8)
Total	**24.4**	**74.1**

20.2 - Derivatives included in equity

In 2011, changes in derivatives and financial investments were broken down as follows (after tax):

in millions of euros

	2011	2010
Balance as at 1 January	**(5.9)**	**10.0**
Amount transferred to equity during the year for derivatives	6.4	(10.4)
Amount transferred to equity during the year for financial investments	(0.5)	0.4
Adjustments in the value of derivatives at closing	(29.1)	(6.4)
Fair value adjustments of marked-to-market financial investments	–	0.5
Balance as at 31 December	**(29.1)**	**(5.9)**

20.3 - Other comprehensive income

In 2011, other comprehensive income was broken down as follows:

in millions of euros

	Gross impact	Income tax relating to components of other comprehensive income	Impact net
Actuarial gains and losses (Note 25.3.4)	(3.0)	1.0	(2.0)
Foreign currency adjustments (Notes 20.1 and 21)	24.4	–	24.4
Derivatives included in equity (Note 20.2)	(35.4)	12.2	(23.2)
Gain/(loss) on sale of treasury shares	(11.4)	(0.8)	(12.1)
Balance as at 31 December 2011	**(25.4)**	**12.5**	**(12.9)**

in millions of euros

	Gross impact	Income tax relating to components of other comprehensive income	Net impact
Actuarial gains and losses (Note 25.3.4)	(8.9)	3.0	(5.8)
Foreign currency adjustments (Notes 20.1 and 21)	75.9	–	75.9
Derivatives included in equity (Note 20.2)	(25.3)	9.4	(15.9)
Gain/(loss) on sale of treasury shares	2.0	(0.7)	1.3
Balance as at 31 December 2010	**43.7**	**11.8**	**55.5**

NOTE 21 - NON-CONTROLLING INTERESTS

in millions of euros

	2011	2010
Balance as at 1 January	**12.9**	**14.0**
Net income attributable to non-controlling interests	9.2	10.0
Dividends paid to non-controlling interests	(7.3)	(7.0)
Exchange rate adjustment on foreign entities	–	1.8
Other changes (1)	(1.9)	(5.9)
Balance as at 31 December	**12.7**	**12.9**

(1) Mainly corresponds to the purchase of non-controlling interests in Hermès Singapore Retail in 2011.

NOTE 22 - EXPOSURE TO MARKET RISKS

22.1 - Counterparty risk

Pursuant to the applicable internal control procedures, the Group only deals with leading banks and financial institutions that have signed FBF and ISDA agreements on trading in forward financial instruments, and it is not exposed to any material counterparty risk. In addition, counterparty risks on financial transactions are monitored on an ongoing basis by Hermès International's Treasury Management Department. Lastly, the Group has no exposure to any material risk of dependence on a single counterparty.

22.2 - Currency risk

Most of the Group's currency exposure comes from sales denominated in foreign currencies. It hedges this exposure in order to minimise the impact of currency fluctuations on the Group's profits.

The Group's currency exposure management policy is based on the following principles:

– the manufacturing subsidiaries invoice the distribution subsidiaries in their local currency, which automatically concentrates the currency risk on the manufacturing subsidiaries;

– the Group's net currency exposure is systematically hedged by Hermès International according to annual budgets, based on highly probable future operating cash flows, through firm foreign exchange transactions and/or optional ones eligible for hedge accounting;

– no speculative transactions are authorised;

– all other non-operating transactions are hedged against currency risk as soon as the commitment is firm and definitive. It corresponds to financial risks arising from intercompany loans and dividends in foreign currencies.

These management rules have been validated by the Executive Committee and have also been endorsed by the Supervisory Board.

An integrated software package is used for the administrative management of these transactions and to monitor the back office in real time. In addition, Hermès International's Internal Audit Department ascertains compliance with these rules.

Within this set of rules, management's decisions are validated by the Executive Committee, via a Treasury Security Committee that meets on a regular basis.

The Group's currency exposure is hedged annually by Hermès International, based on highly probable future cash flows derived from budget projections. In practice, as at 31 December, nearly 100% of the Group's annual requirements for the previous year had been hedged.

As part of its currency risk management procedure, the Group uses purchases and sales of put and call options and currency swaps to hedge future cash flows and firm commitments made in foreign currencies.

22.2.1 - Net currency position

in millions of euros

Currency	Amount receivable/ (payable)	Future cash flows	Net position before hedging	Derivative instruments [1]	Net position after hedging	Hedging ratio
As at 31/12/2011						
Japanese yen	100.5	257.7	358.2	(359.9)	(1.7)	100%
US dollar	(16.4)	259.2	242.8	(245.2)	(2.4)	101%
Chinese yuan	–	125.3	125.3	(125.3)	–	100%
Singapore dollar	14.6	110.6	125.2	(114.5)	10.7	91 %
Hong Kong dollar	(19.5)	136.9	117.4	(115.3)	2.1	98 %
Swiss franc	21.5	27.0	48.5	(43.6)	4.9	90%
Australian dollar	15.5	(48.9)	(33.4)	39.4	6.0	118%
Pound sterling	(13.1)	44.6	31.5	(27.2)	4.3	86%
Euro [2]	(11.4)	36.3	24.9	(25.2)	(0.2)	101%
Canadian dollar	2.8	14.7	17.5	(16.7)	0.8	95%
Ruble	3.2	12.7	15.9	(16.6)	(0.7)	104%
Thai baht	1.2	9.7	10.9	(10.9)	–	100%
South Korean won	(0.1)	(6.5)	(6.6)	6.5	(0.1)	99%
Mexican peso	0.2	3.9	4.1	(3.9)	0.2	95%
New Turkish lira	1.3	1.7	3.0	(3.0)	–	100%
Czech koruna	0.3	2.0	2.3	(2.1)	0.2	91%
United Arab Emirates dirham	0.1	(0.8)	(0.7)	0.8	0.1	109%
Total	**100.6**	**986.3**	**1,086.9**	**(1,062.7)**	**24.2**	**98%**
As at 31/12/2010						
US dollar	(1.1)	198.2	197.1	(197.1)	–	100 %
Hong Kong dollar	(7.7)	98.5	90.8	(97.0)	(6.2)	107 %
Singapore dollar	12.0	86.0	97.9	(89.0)	9.0	91 %
Euro [2]	(5.6)	(43.9)	(49.5)	45.4	(4.1)	92 %
Australian dollar	1.3	8.2	9.5	(9.6)	(0.2)	102 %
Canadian dollar	2.4	11.2	13.6	(12.4)	1.2	91 %
New Turkish lira	(0.3)	2.2	1.9	(3.0)	(1.1)	159%
Thai baht	1.0	7.3	8.2	(8.9)	(0.7)	108%
United Arab Emirates dirham	–	(0.7)	(0.7)	1.3	0.6	185%
Czech koruna	0.2	1.5	1.8	(1.7)	–	99%
South Korean won	–	(4.7)	(4.8)	4.7	–	99%
Mexican peso	0.9	3.6	4.5	(4.2)	0.4	92%
Swiss franc	8.5	17.2	25.7	(27.7)	(2.0)	108%
Pound sterling	(1.4)	35.6	34.2	(32.8)	1.4	96%
Japanese yen	125.4	165.1	290.4	(301.9)	(11.4)	104%
Total	**135.4**	**585.3**	**720.6**	**(733.8)**	**(13.1)**	**102%**

(1) Sales/(Purchase). (2) Euro exchange risk for subsidiaries having a different accounting currency.

22.2.2 - Sensitivity to currency fluctuations

The sensitivity of equity to currency risk is analysed for the cash flow hedge reserve. The impact on equity corresponds to the change in the market value of cash flow hedging derivatives relative to the current variance in exchange rates, *ceteris paribus*.

A 10% rise in the currencies to which the Group is exposed as of the closing date would lead to a €52.7 million decrease in equity (before tax) in the cash flow reserve.

A 10% fall would lead to a €53.7 million increase (before tax). Moreover, a 10% rise in the currencies to which the Group is exposed as of the closing date would lead to a €2.8 million increase in net income. An equivalent fall would lead to a €2.3 million decrease.

22.2.3 - Analysis of currency contracts

in millions of euros

Contracts	Nominal amounts of the derivative instruments	Nominal amounts of the derivative instruments used for currency risk hedging	Market value of contracts as at 31 December 2011 (1)			
			Future cash flow hedge	Fair value hedge	Unallocated	Total
Options purchased						
Japanese yen put	41.7	41.7	0.8	–	–	0.8
Japanese yen collar	24.9	24.9	–	–	–	–
US dollar put	79.4	79.4	1.1	–	–	1.1
Chinese yuan put	94.7	53.9	1.0	–	0.3	1.3
Singapore dollar put	46.1	46.1	0.5	–	–	0.5
Hong Kong dollar put	56.1	56.1	0.7	–	–	0.7
Australian dollar call	(52.7)	(52.7)	2.1	–	–	2.1
Pound sterling put	17.3	17.3	0.2	–	–	0.2
	307.6	**266.7**	**6.5**	**–**	**0.3**	**6.7**
Forward currency contracts (2)						
Yen Japanese	191.2	191.2	(15.2)	–	–	(15.2)
US dollar	179.9	179.7	(10.0)	–	–	(10.0)
Chinese yuan	71.5	71.5	(7.6)	–	–	(7.6)
Singapore dollar	61.7	64.2	(5.0)	–	–	(5.0)
Hong Kong dollar	78.3	78.3	(6.5)	–	–	(6.5)
Swiss franc	25.2	26.7	(0.2)	–	–	(0.2)
Australian dollar	4.9	4.9	(0.3)	–	–	(0.3)
Pound sterling	27.3	27.3	(1.2)	–	–	(1.2)
Euro (3)	26.3	26.3	0.9	–	–	0.9
Canadian dollar	14.7	14.7	(0.7)	–	–	(0.7)
Ruble	12.7	12.7	0.1	–	–	0.1
Thai baht	9.7	9.7	–	–	–	–
Other	0.4	0.4	0.2	–	–	0.2
	703.8	**707.7**	**(45.5)**	**–**	**–**	**(45.5)**
Treasury swaps (2)						
Japanese yen	102.2	100.2	(0.2)	–	(1.0)	(1.2)
US dollar	(14.2)	(19.7)	(0.1)	–	0.3	0.2
Singapore dollar	6.6	6.6	(0.1)	–	–	(0.1)
Hong Kong dollar	(19.1)	(20.1)	(0.2)	–	0.2	–
Swiss franc	18.4	18.3	–	–	(0.3)	(0.3)
Australian dollar	8.3	8.2	–	–	(0.3)	(0.3)
Pound sterling	(17.4)	(17.5)	(0.1)	–	0.3	0.2
Canadian dollar	2.0	2.0	–	–	–	–
Ruble	3.9	3.9	–	–	–	–
Other	1.3	1.3	–		–	–
	92.1	**83.4**	**(0.7)**	**–**	**(0.9)**	**(1.5)**
Options sold						
Chinese yuan put	(40.8)	–	–	–	(0.3)	(0.3)
	(40.8)	**–**	**–**	**–**	**(0.3)**	**(0.3)**
Total	**1,062.7**	**1,057.8**	**(39.7)**	**–**	**(0.9)**	**(40.6)**

(1) Gain/(Loss). (2) Sale/(Purchase). (3) Euro exchange risk for subsidiaries having a different accounting currency.

in millions of euros

Contracts	Nominal amounts of the derivative instruments	Nominal amounts of the derivative instruments used for currency risk hedging	Market value of contracts as at 31 December 2010 (1)			
			Future cash flow hedge	Fair value hedge	Unallocated	Total
Options purchased						
US dollar	54.4	61.9	2.4	–	–	2.4
Japanese yen	86.9	48.3	2.0	–	0.3	2.3
Singapore dollar	36.9	36.9	0.5	–	–	0.5
Hong Kong dollar	30.4	30.4	1.3	–	–	1.3
Pound sterling	10.2	10.2	0.3	–	–	0.3
Australian dollar	(3.8)	(3.8)	0.2	–	–	0.2
	215.0	**183.8**	**6.7**	**–**	**0.3**	**7.0**
Forward currency contracts (2)						
US dollar	136.3	136.3	2.4	–	–	2.4
Japanese yen	116.9	116.9	(8.2)	–	–	(8.2)
Hong Kong dollar	65.6	65.6	0.1	–	–	0.1
Singapore dollar	47.7	47.7	(4.6)	–	–	(4.6)
Swiss franc	16.8	16.8	(2.0)	–	–	(2.0)
Australian dollar	12.0	12.0	(1.4)	–	–	(1.4)
Other	1.7	1.6	–	–	–	–
	397.0	**396.8**	**(13.7)**	**–**	**–**	**(13.7)**
Treasury swaps (2)						
Japanese yen	136.7	125.1	(0.3)	–	(0.6)	(0.9)
US dollar	(1.1)	(8.3)	0.1	–	(0.4)	(0.3)
Hong Kong dollar	1.0	(5.3)	0.1	–	(0.1)	–
Singapore dollar	4.3	5.0	(0.1)	–	–	(0.1)
Swiss franc	10.9	10.3	–	–	(0.2)	(0.3)
Australian dollar	1.4	1.6	(0.1)	–	–	(0.1)
Other	(0.3)	(1.3)	0.2	–	–	0.2
	153.0	**127.0**	**(0.2)**	**–**	**(1.3)**	**(1.5)**
Options sold						
Japanese yen	(38.6)	–	–	–	(0.3)	(0.3)
US dollar	7.5	–	–	–	–	–
	(31.1)	**–**	**–**	**–**	**(0.3)**	**(0.3)**
Total	**733.8**	**707.7**	**(7.2)**	**–**	**(1.3)**	**(8.5)**

(1) Gain/(Loss). (2) Sale/(Purchase).

22.2.4 - Ineffective portion of cash flow hedges

The ineffective portion of cash flow hedges recorded in net income was -€11.3 million (including +€1.5 million from over-hedging), compared with –€9.3 million (including +€1.2 million from over-hedging) in 2010 (see Note 7). The impact of the effective portion of the hedges recorded in equity is shown in Note 20.2.

22.3 - Interest rate and liquidity risks

The Hermès Group's policy is to maintain a positive treasury position and to have cash available in order to be able to finance its growth strategy independently.

The Group's treasury surpluses and needs are directly managed or overseen by Hermès International's Treasury Management Department in accordance with a conservative policy designed to avoid the risk of capital loss and to maintain a satisfactory liquidity position.

Cash surpluses are invested mainly in money-market mutual funds and cash equivalents with a sensitivity of less than 0.5% and a recommended investment period of less than three months. These investments are carried at their fair value.

From time to time, the Group uses financial instruments such as swaps and interest rate derivatives to hedge part of its payables and receivables against interest rate fluctuations.

It applies the same risk monitoring and management procedures as for currency transactions.

Interest rate risks are presented only for net cash items, as no interest rate risk has been identified on other financial assets and liabilities.

As at 31/12/2011 — in millions of euros

	< 1 year	1 to 5 years	> 5 years	Total	Variable rate	Fixed rate
Financial assets	**1,048.2**	**–**	**–**	**1,048.2**	**748.2**	**300.0**
Euro	844.0	–	–	844.0	544.0	300.0
Chinese yuan	64.3	–	–	64.3	64.3	–
US dollar	15.1	–	–	15.1	15.1	–
Japanese yen	15.6	–	–	15.6	15.6	–
Other	109.2	–	–	109.2	109.2	–
Financial liabilities (1)	**20.5**	**10.3**	**0.4**	**31.2**	**15.0**	**16.2**
Euro	9.2	0.9	0.4	10.4	9.5	0.9
Japanese yen (2)	9.8	2.9	–	12.7	3.9	8.8
Other (3)	1.5	6.5	–	8.0	1.5	6.5
Net cash before hedging	**1,027.7**	**(10.3)**	**(0.4)**	**1,017.0**	**733.2**	**283.8**
Net cash after hedging	**1,027.7**	**(10.3)**	**(0.4)**	**1,017.0**	**733.2**	**283.8**

in millions of euros

	< 1 year	1 to 5 years	> 5 years	Total	Variable rate	Fixed rate
Financial assets	**1,048.2**	**–**	**–**	**1,048.2**	**748.2**	**300.0**
Cash and cash equivalents	1,048.2	–	–	1,048.2	748.2	300.0
Financial liabilities (1)	**20.5**	**10.3**	**0.4**	**31.2**	**15.0**	**16.2**
Medium and long term debt	–	10.3	0.4	10.7	0.4	10.3
Bank overdrafts and short-term debt	20.3	–	–	20.3	14.4	5.9
Current accounts in debit	0.2	–	–	0.2	0.2	–
Net cash before hedging	**1,027.7**	**(10.3)**	**(0.4)**	**1,017.0**	**733.2**	**283.8**
Net cash after hedging	**1,027.7**	**(10.3)**	**(0.4)**	**1,017.0**	**733.2**	**283.8**

(1) Excluding commitments to buy out non-controlling interests (€7.7 million as at 31 December 2011).

(2) Mainly consists of amortisable fixed-rate loans contracted by Hermès Japon to finance the purchase of the land and construction of the Ginza store in Tokyo. These loans are guaranteed by Hermès International but are not covered by any real collateral or by any specific covenants.

(3) Mainly consists of long-term amortisable fixed-rate loans contracted by Hermès India Retail and Distributors to finance investments related to the Mumbai store (opened in October 2011).

As at 31/12/2010 — in millions of euros

	< 1 year	1 to 5 years	> 5 years	Total	Variable rate	Fixed rate
Financial assets	**843.8**	**–**	**–**	**843.8**	**643.8**	**200.0**
Euro	688.4	–	–	688.4	488.4	200.0
Chinese yuan	41.8	–	–	41.8	41.8	–
US dollar	20.8	–	–	20.8	20.8	–
Japanese yen	17.6	–	–	17.6	17.6	–
Other	75.3	–	–	75.3	75.3	–
Financial liabilities (1)	**26.0**	**9.9**	**0.7**	**36.5**	**20.1**	**16.4**
Euro	14.0	0.7	0.7	15.3	14.4	1.0
Japanese yen (2)	6.6	8.0	–	14.6	1.3	13.3
Other	5.4	1.2	–	6.5	4.5	2.1
Net cash before hedging	**817.9**	**(9.9)**	**(0.7)**	**807.3**	**623.7**	**183.6**
Net cash after hedging	**817.9**	**(9.9)**	**(0.7)**	**807.3**	**623.7**	**183.6**

in millions of euros

	< 1 year	1 to 5 years	> 5 years	Total	Variable rate	Fixed rate
Financial assets	**843.8**	**–**	**–**	**843.8**	**643.8**	**200.0**
Cash and cash equivalents	843.8	–	–	843.8	643.8	200.0
Financial liabilities (1)	**26.0**	**9.9**	**0.7**	**36.5**	**20.1**	**16.4**
Medium and long term debt	–	9.9	0.7	10.6	0.4	10.2
Bank overdrafts and short-term debt	25.7	–	–	25.7	19.5	6.2
Current accounts in debit	0.2	–	–	0.2	0.2	–
Net cash before hedging	**817.9**	**(9.9)**	**(0.7)**	**807.3**	**623.7**	**183.6**
Net cash after hedging	**817.9**	**(9.9)**	**(0.7)**	**807.3**	**623.7**	**183.6**

(1) Excluding commitments to buy out non-controlling interests (€7.3 million as at 31 December 2010).
(2) Mainly consists of long-term amortisable fixed-rate loans contracted by Hermès Japon to finance the purchase of the land and construction of the Ginza store in Tokyo. These loans are guaranteed by Hermès International but are not covered by any real collateral or by any specific covenants.

22.3.1 - Equity risk

The Group does not directly invest its cash in equities. Hence, it has no significant and identifiable exposure to equity risk.

22.3.2 - Sensitivity to changes in interest rates

A uniform 1 percentage point change in interest rates would have had a positive impact of €7.3 million on 2011 consolidated pre-tax income (€6.2 million in 2010).
The market value of marketable securities is equivalent to their carrying amount.
Financial liabilities do not include the debt associated with employee profit-sharing, which is included under "Other liabilities".

22.4 - Fair value of financial assets and financial liabilities

2011	Assets at fair value	Loans and accounts receivables	Assets held to maturity
Financial investments (Note 14.1)	–	–	0.8
Liquidity contract (Note 14.1)	5.7	–	–
Other financial assets (Note 14.1)	–	–	2.0
Other non-consolidated investments (Note 14.1)	–	–	–
Available-for-sale securities (Note 14.1)	**5.7**	**–**	**2.9**
Joseph Erard Holding convertible loan (Note 14.2)	–	1.5	–
Held-to-maturity securities (Note 14.2)	**–**	**1.5**	**–**
Loans and deposits (Note 16)	**–**	**35.0**	**–**
Trade and other receivables (Note 18)	**–**	**272.6**	**–**
Asset derivative instruments (Note 22.2.3)	**17.7**	**–**	**–**
Cash and cash equivalents (Note 19)	**387.3**	**660.9**	**–**
Bank overdrafts (Note 22)	–	–	–
Commitments to buy out non-controlling interests (Note 22)	–	–	–
Loan - Japan (Note 22)	–	–	–
Loan - India (Note 22)	–	–	–
Other loans (Note 22)	–	–	–
Current accounts in debit (Note 22)	–	–	–
Financial liabilities	**–**	**–**	**–**
Trade payable and other liabilities (Note 26)	**–**	**–**	**–**
Liability derivative instruments (Note 22.2.3)	**–**	**–**	**–**

* Interest rates are variable rates.

In compliance with the IFRS 7 – *Financial instruments - disclosures*, the assets and liabilities recorded at fair value are classified according to the three following fair value levels:
– *level 1:* prices listed on an active market. If listed prices in an active market are available, they are used as a priority in order to determine market value;
– *level 2:* internal model with parameters that can be observed on the basis of internal valuation techniques. These techniques require the use of the usual mathematical calculation methods that include data that can be observed within the markets (future prices, yield curve...). The calculation of most derivative financial instruments traded within markets is performed on the basis of models that are commonly used by participants in order to assess these financial instruments;
– *level 3:* internal model with non-observable parameters.

in millions of euros

Assets available for sale	Liabilities at fair value	Liabilities at amortised cost	Carrying amount	Fair value	Evaluation level	Interest rate	Effective interest rate
19.7	–	–	20.5	20.5	1	–	–
–	–	–	5.7	5.7	1	–	–
–	–	–	2.0	2.0	–	–	–
0.1	–	–	0.1	0.1	–	–	–
19.8	**–**	**–**	**28.3**	**28.3**	**–**	**–**	**–**
–	–	–	1.5	1.5	–	3.0 %	3.0 %
–	**–**	**–**	**1.5**	**1.5**	**–**	**–**	**–**
–	**–**	**–**	**35.0**	**35.0**	**–**	**–**	**–**
–	**–**	**–**	**272.6**	**272.6**	**–**	**–**	**–**
–	**–**	**–**	**17.7**	**17.7**	**2**		
–	**–**	**–**	**1,048.2**	**1,048.2**	**1**	**–**	**–**
–	–	9.8	9.8	9.8	–	–	–
–	–	7.7	7.7	7.7	–	–	–
–	–	11.3	11.3	11.3	–	1.5 %	1.5 %
–	–	6.5	6.5	6.5	–	11.2 %	11.2 %
–	–	3.5	3.5	3.5	–	*	–
–	–	0.2	0.2	0.2	–	*	–
–	**–**	**38.8**	**38.8**	**38.8**	**–**	**–**	**–**
–	**–**	**697.9**	**697.9**	**697.9**	**–**	**–**	**–**
–	**58.3**	**–**	**58.3**	**58.3**	**2**	**–**	**–**

2010	Assets at fair value	Loans and accounts receivables	Assets held to maturity
Financial investments (Note 14.1)	–	20.0	32.2
Liquidity contract (Note 14.1)	9.3	–	–
Other financial assets (Note 14.1)	–	–	3.2
Other non-consolidated investments (Note 14.1)	–	–	–
Available-for-sale securities (Note 14.1)	**9.3**	**–**	**55.4**
Gaulme convertible bonds and accrued interest (Note 14.2)	–	0.1	–
Gaulme convertible current account advance (Note 14.2)	–	–	–
Vaucher participating loan (Note 14.2)	–	6.4	–
Held-to-maturity securities (Note 14.2)	**–**	**6.5**	**–**
Loans and deposits (Note 16)	**–**	**24.3**	**–**
Trade and other receivables (Note 18)	**–**	**231.2**	**–**
Asset derivative instruments (Note 22.2.3)	**21.7**	**–**	**–**
Cash and cash equivalents (Note 19)	**481.2**	**362.6**	**–**
Bank overdrafts (Note 22)	–	–	–
Commitments to buy out non-controlling interests (Note 22)	–	–	–
Loan - Japan (Note 22)	–	–	–
Other loans (Note 22)	–	–	–
Current accounts in debit (Note 22)	–	–	–
Financial liabilities	**–**	**–**	**–**
Trade payable and other liabilities (Note 26)	**–**	**–**	**–**
Liability derivative instruments (Note 22.2.3)	**–**	**–**	**–**

* Interest is payable at maturity.
** Interest rates are variable rates.

For fiscal 2011 and 2010, there were no transfers between levels 1 and 2 for financial assets and liabilities recognised at fair value.

in millions of euros

Assets available for sale	Liabilities at fair value	Liabilities at amortised cost	Carrying amount	Fair value	Evaluation level	Interest rate	Effective interest rate
80.3	–	–	132.5	132.5	1	–	–
–	–	–	9.3	9.3	1	–	–
–	–	–	3.2	3.2	–	–	–
0.2	–	–	0.2	0.2	2	–	–
80.5	**–**	**–**	**145.2**	**145.2**	**–**	**–**	**–**
–	–	–	0.1	0.1	–	1.4 %	1.4 %
–	–	–	–	–	–	Eonia + 1 % *	Eonia + 1 % *
–	–	–	6.4	6.4	–	–	–
–	**–**	**–**	**6.5**	**6.5**	**–**	**–**	**–**
–	**–**	**–**	**24.3**	**24.3**	**–**	**–**	**–**
–	**–**	**–**	**231.2**	**231.2**	**–**	**–**	**–**
–	**–**	**–**	**21.7**	**21.7**	**2**	**–**	**–**
–	**–**	**–**	**843.8**	**843.8**	**1**	**–**	**–**
–	–	15.6	15.6	15.6	–	–	–
–	–	7.3	7.3	7.3	–	–	–
–	–	13.3	13.3	13.3	–	1.7 %	1.7 %
–	–	7.4	7.4	7.4	–	**	–
–	–	0.2	0.2	0.2	–	**	–
–	**–**	**43.9**	**43.9**	**43.9**	**–**	**–**	**–**
–	**–**	**561.3**	**561.3**	**561.3**	**–**	**–**	**–**
–	**30.1**	**–**	**30.1**	**30.1**	**2**	**–**	**–**

NOTE 23 - PROVISIONS

in millions of euros

	31/12/2010	Accruals	Reversals(1)	Currency impact	Other and reclassifications	31/12/2011
Current provisions	31.0	18.9	(21.2)	1.0	(0.9)	28.8
Non-current provisions	14.4	9.9	(11.8)	–	1.9	14.5
Total	**45.4**	**28.8**	**(33.0)**	**1.0**	**1.1**	**43.3**

(1) Including €21.8 million reversed and used and €11.2 million reversed and unused.

As at 31 December 2011, the provisions involve provisions for returns (€18.7 million) as well as other risks resulting from past events that are undetermined in terms of their amount or due date (€24.6 million).

NOTE 24 - EMPLOYEES

The geographical breakdown of the total number of employees is as follows:

	31/12/2011	31/12/2010
France	5,442	5,095
Rest of Europe	968	857
Rest of the world	2,671	2,414
Total	**9,081**	**8,366**

By category, the breakdown is as follows:

	31/12/2011	31/12/2010
Production	3,796	3,581
Sales	3,754	3,405
Supports (design, marketing, administration)	1,531	1,380
Total	**9,081**	**8,366**

Total personnel costs amounted to €620.0 million in 2011, compared with €540.2 million in 2010.

NOTE 25 - POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFIT OBLIGATIONS

25.1 - Description of plans

Hermès Group employees are eligible for short-term benefits (paid leave, sick leave, profit-sharing), long-term benefits (long-service awards) and post-employment benefits under defined contribution/defined benefit plans (mainly retirement benefits, and supplemental pension schemes).

Post-employment benefits are awarded either through defined contribution plans or through defined benefit plans.

25.1.1 - Defined contribution plans

Under these plans, regular payments are made to outside organisations, which are responsible for their administrative and financial management. These plans release the employer from any subsequent obligation, as the outside organisation takes responsibility for paying amounts due to employees (basic Social Security old-age plan, ARRCO/AGIRC supplemental pension plans, defined-contribution pension funds).

25.1.2 - Defined benefit plans

Under these plans, the employer assumes an obligation vis-à-vis its employees. If these plans are not entirely funded in advance, a provision is recorded.

Post-employment and similar benefit obligations (Defined Benefit Obligations or DBOs) are measured using the projected credit units method, based on actuarial assumptions that take into consideration specific conditions, primarily macroeconomic conditions, in the different countries in which the Group operates. Changes in actuarial assumptions and experience effects give rise to actuarial gains or losses, which are recognised in accordance with the SoRIE method. Under this method, all actuarial gains and losses are recorded in other comprehensive income when recognised. For the Group, the main defined benefit plans apply mainly to:

– Retirement benefits in France, Italy, Switzerland and Japan: these are calculated based on employee length of service and annual salary upon reaching retirement age. These obligations are partially or entirely externalised depending on the country;

– a supplementary plan for the directors in France or abroad.

Moreover, the other long-term benefits primarily involve:

– long-service awards in France: these are awards for longstanding service or outstanding initiatives taken by employees or persons treated as employees during their careers, or for skills enhancement. The awards are issued with a bonus, under the terms of a collective agreement, company-wide agreement or decision by the relevant company or works council;

– foreign long-term bonuses: within certain foreign subsidiaries, seniority is rewarded by means of bonuses on specific anniversary dates.

in millions of euros

	< 1 year	> 1 year	2011	2010	2009	2008	2007
Post-employment and similar benefit obligations	6.2	60.9	67.1	62.5	58.8	51.9	43.8
Total	**6.2**	**60.9**	**67.1**	**62.5**	**58.8**	**51.9**	**43.8**

25.2 - Actuarial assumptions as at 31 December 2011

Actuarial assumptions are reviewed annually. For 2011, the following actuarial assumptions were used:

	France	Italy	Switzerland	Japan	Rest of Asia
Retirement age	62/65 years	60/62 years	63/64 years	60 years	60/62 years
Increase in salaries	3.0%	2.0 to 2.5%	2.2%	2.5%	2.0%
Increase in Social Security ceiling	2.5%	n/a	n/a	n/a	n/a
Expected rate of return on plan assets	4.5%	n/a	2.5%	n/a	3.0%
Discount rate	4.5%	4.5%	2.35%	1.7%	1.75%

n/a : not applicable.

2010 assumptions

	France	Italy	Switzerland	Japan	Rest of Asia
Retirement age	62/65 years	60/62 years	64/65 years	60 years	55/65 years
Increase in salaries	2.5 to 4.0%	2.0 to 2.5%	2.2%	2.5%	3 to 5%
Increase in Social Security ceiling	2.5%	n/a	n/a	n/a	n/a
Expected rate of return on plan assets	4.5%	n/a	3.0%	n/a	2.35 to 3.70%
Discount rate	4.5%	4.5%	2.5%	1.8%	1.75 to 4.4%

n/a : not applicable.

The discount rates applied are obtained based on corporate bond yields with the same maturity as that of the obligation.

The expected rates of return on plan assets are determined as a function of the composition of the asset portfolios, based on expected returns representative of the risk and track record for each type of asset.

25.3 - Change in provisions recognised in the statement of financial position

in millions of euros

	Defined benefit pension plans	Other defined benefit plans	2011	2010	2009	2008	2007
Provisions at beginning of period	**61.0**	**1.6**	**62.5**	**58.8**	**51.9**	**43.8**	**40.6**
Foreign currency adjustments	2.2	0.1	2.3	4.4	(0.8)	3.7	(0.6)
Pension expense	10.5	3.1	13.6	9.9	7.8	7.8	7.0
Benefits/contributions paid	(14.7)	–	(14.7)	(19.0)	(10.1)	(4.8)	(2.7)
Actuarial gains and losses/Limits on plan assets	2.7	–	2.7	8.1	9.9	1.8	(1.8)
Change in the scope of consolidation	–	–	–	–	0.1	–	0.7
Adjustment to opening equity	–	–	–	–	–	0.3	0.5
Other	0.7	(0.1)	0.6	0.3	–	(0.8)	0.1
Provisions at end of period	**62.5**	**4.6**	**67.1**	**62.5**	**58.8**	**51.9**	**43.8**

25.3.1 - Reconciliation of the value of post-employment and other employee benefit obligations

in millions of euros

	Defined benefit pension plans	Other defined benefit plans	2011	2010	2009	2008	2007
Present value of obligations at beginning of period	**105.2**	**1.6**	**106.7**	**84.4**	**72.9**	**56.3**	**53.0**
Foreign currency adjustments	2.7	–	2.7	6.9	(0.7)	4.5	(0.8)
Service cost	8.0	0.1	8.1	7.3	6.3	5.6	5.2
Interest cost	3.6	0.1	3.7	3.5	3.1	2.6	2.0
Benefits paid	(6.1)	(0.1)	(6.2)	(4.6)	(6.3)	(4.3)	(3.2)
Employee contributions	0.8	–	0.8	0.8	0.7	0.6	0.3
Actuarial gains and losses	2.4	0.5	2.9	7.8	9.7	2.1	(2.3)
Change of plan	–	–	–	–	–	–	–
Unrecognised past service costs	0.3	2.4	2.7	0.2	0.2	0.3	–
Change in the scope of consolidation	–	–	–	–	0.1	0.2	1.6
Other	(0.5)	–	(0.5)	0.4	(1.6)	5.0	0.5
Present value of obligations at end of period	**116.3**	**4.6**	**120.9**	**106.7**	**84.4**	**72.9**	**56.3**

25.3.2 - Fair value of pension plans

in millions of euros

	2011	2010	2009	2008	2007
Fair value of obligations at beginning of period	**43.0**	**24.6**	**19.8**	**11.1**	**10.7**
Employer contributions	14.7	9.5	9.1	1.5	1.8
Employee contributions	0.8	0.8	0.7	0.6	0.3
Benefits paid	(6.1)	(3.2)	(5.2)	(1.0)	(2.3)
Expected return on plan assets	1.5	1.0	0.7	0.6	0.4
Financial expense	–	–	–	–	–
Foreign currency adjustments	0.4	2.5	0.1	0.8	(0.2)
Actuarial gains & losses	(0.3)	(0.3)	(0.5)	0.7	(0.1)
Changes in the scope of consolidation	–	–	–	0.1	0.8
Others	(1.2)	8.1	(0.1)	5.3	(0.3)
Fair value of obligations at end of period	**52.8**	**43.0**	**24.6**	**19.8**	**11.1**

25.3.3 - Analysis of provision for post-employment and similar benefit obligations

in millions of euros

	Defined benefit pension plans	Other defined benefit plans	31/12/2011	31/12/2010	31/12/2009	31/12/2008
Present value of funded obligations	83.8	–	83.8	78.1	61.2	51.2
Fair value of plan assets	(52.8)	–	(52.8)	(43.0)	(24.6)	(19.8)
Excess of obligations/(assets) in funded plans	**31.1**	**–**	**31.1**	**35.1**	**36.6**	**31.5**
Present value of unfunded obligations	32.6	4.6	37.1	28.6	23.2	21.7
Unrecognised past service costs	(1.1)	–	(1.1)	(1.2)	(1.2)	(1.6)
Unrecognised net assets	–	–	–	–	0.1	0.3
Net defined benefit obligations	**62.5**	**4.6**	**67.1**	**62.5**	**58.8**	**51.9**
Breakdown of obligations - assets	–	–	–	–	–	–
Breakdown of obligations – liabilities	62.5	4.6	67.1	62.5	58.8	51.9
Net obligations	**62.5**	**4.6**	**67.1**	**62.5**	**58.8**	**51.9**

25.3.4 - Changes in actuarial gains and losses

in millions of euros

Actuarial gains and losses recognised in equity as at 1 January 2008	**14.9**
Experience gains and losses	1.7
Impact of changes in assumptions	0.5
Impact of limits on plan assets	0.3
Other actuarial gains and losses	(0.4)
Actuarial gains and losses recognised in equity as at 31 December 2008	**17.0**
Experience gains and losses	(0.8)
Impact of changes in assumptions	10.4
Impact of limits on plan assets	(0.2)
Other actuarial gains and losses	0.4
Actuarial gains and losses recognised in equity as at 31 December 2009	**26.9**
Experience gains and losses	1.3
Impact of changes in assumptions	6.6
Impact of limits on plan assets	(0.1)
Other actuarial gains and losses	1.1
Actuarial gains and losses recognised in equity as at 31 December 2010	**35.7**
Experience gains and losses	1.4
Impact of changes in assumptions	1.0
Impact of limits on plan assets	0.3
Other actuarial gains and losses	0.3
Actuarial gains and losses recognised in equity as at 31 December 2011	**38.8**

25.3.5 - Analysis of expenses recognised in the statement of income

in millions of euros

	Defined benefit pension plans	**Other defined benefit plans**	**2011**	**2010**	**2009**	**2008**	**2007**
Service costs	8.0	0.1	8.1	7.3	6.3	5.6	5.2
Interest costs	3.6	0.1	3.7	3.5	3.1	2.6	2.1
Expected return on plan assets	(1.5)	–	(1.5)	(1.0)	(0.7)	(0.6)	(0.5)
(Gains)/loss resulting from change in plan	–	–	–	–	–	–	–
Unrecognised past service cost	0.4	2.4	2.8	0.2	0.2	0.2	0.2
Net actuarial (gains)/losses recognised during the year	–	0.5	0.5	–	–	(0.1)	(0.4)
Other	–	–	–	–	(1.1)	0.1	0.4
Cost of defined benefit plans	**10.5**	**3.1**	**13.6**	**10.0**	**7.8**	**7.8**	**7.0**

25.4 - Plan assets

The average breakdown by asset type is as follows:

in millions of euros

	31/12/2011		31/12/2010		31/12/2009		31/12/2008	
	Value	Breakdown	Value	Breakdown	Value	Breakdown	Value	Breakdown
Equities	3.8	7%	3.4	8%	1.8	7%	2.1	11%
Bonds	40.5	77%	32.1	75%	17.7	72%	13.4	68%
Other	8.5	16%	7.5	18%	5.1	21%	4.3	22%
Total	**52.8**	**100%**	**43.0**	**100%**	**24.6**	**100%**	**19.8**	**100%**

25.5 - Information by geographical area

in millions of euros

	31/12/2011		31/12/2010		31/12/2009		31/12/2008	
	Value	Breakdown	Value	Breakdown	Value	Breakdown	Value	Breakdown
France	68.7	57%	60.8	57%	51.7	61%	42.8	59%
Rest of Europe	23.9	20%	21.2	20%	14.3	17%	13.8	19%
Japan	26.4	22%	22.0	21%	16.4	19%	15.0	21%
Rest of Asia Pacific	1.9	2%	2.7	3%	2.0	3%	1.4	1%
Present value of obligations	**120.9**	**100%**	**106.7**	**100%**	**84.4**	**100%**	**72.9**	**100%**
France	35.0	66%	26.0	60%	11.5	47%	7.6	39%
Rest of Europe	17.4	33%	15.3	36%	11.7	47%	11.1	56%
Asia Pacific (excl. Japan)	0.3	1%	1.7	4%	1.5	6%	1.1	5%
Fair value of plan assets	**52.8**	**100%**	**43.0**	**100%**	**24.6**	**100%**	**19.8**	**100%**
France	–	–	–	–	0.1	100%	0.1	31%
Asia Pacific (excl. Japan)	–	–	–	–	–	–	0.2	69%
Unrecognised net assets	**–**	**–**	**–**	**–**	**0.1**	**100%**	**0.3**	**100%**
France	(1.1)	100%	(1.2)	100%	(1.2)	100%	(1.6)	100%
Unrecognised past service costs	**(1.1)**	**100%**	**(1.2)**	**100%**	**(1.2)**	**100%**	**(1.6)**	**100%**
France	32.6	49%	33.7	54%	39.2	67%	33.6	65%
Rest of Europe	6.4	10%	5.9	9%	2.6	4%	2.8	5%
Japan	26.4	39%	22.0	35%	16.4	28%	15.0	29%
Rest of Asia Pacific	1.6	2%	1.0	2%	0.6	1%	0.5	1%
Provisions for post-employment and similar benefit obligations	**67.1**	**100%**	**62.5**	**100%**	**58.8**	**100%**	**51.9**	**100%**

NOTE 26 - TRADE PAYABLES AND OTHER LIABILITIES

in millions of euros

	31/12/2011	31/12/2010
Suppliers	269.0	204.7
Amounts payable relating to fixed assets	30.7	29.9
Trade and other payables	**299.7**	**234.6**
Current tax liabilities	89.9	76.3
Other current liabilities	271.9	220.3
Other non-current liabilities	36.4	30.1
Trade payables and other liabilities	**697.9**	**561.3**

NOTE 27 - UNRECOGNISED COMMITMENTS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

27.1 - Financial commitments

in millions of euros

	< 1 year	1 to 5 years	> 5 years	31/12/2011	31/12/2010
Bank guarantees given	0.1	6.4	1.5	8.0	7.5
Repurchases of securities (guarantees received)	–	–	–	–	8.0
Irrevocable commitments to purchase financial assets	–	–	17.0	17.0	26.9
Other commitments	12.1	–	–	12.1	14.1
Finance leases	0.1	0.4	0.5	0.9	1.0

Future non-cancellable commitments on lease agreements for all stores operated by the Group worldwide are as follows:

in millions of euros

	< 1 year	1 to 5 years	> 5 years	Total	WACC
Minimum payments to be made on rental agreements in 2011	76.5	164.9	69.1	**310.6**	10.84%
Minimum payments to be made on rental agreements in 2010	60.2	168.6	85.3	**314.1**	9.28 %

27.2 - Other unrecognised commitments

The Group has no knowledge of any commitments other than those mentioned elsewhere herein and that would not be reflected in the financial statements for the year ended 31 December 2011. To date, there is no exceptional event or dispute that would be liable to have a likely and material impact on the Group's financial position.

Furthermore, in the normal course of its business operations, the Group is involved in legal actions and is subject to controls. A provision is recorded when a risk is identified and when its cost can be estimated.

NOTE 28 - RELATED-PARTY TRANSACTIONS

In 2011, transactions with equity-accounted associates were not material relative to the Group's overall business activities.

Relationships with other related parties, within the meaning of IAS 24 – *Related Party Disclosures* can be summarised as follows:

– RDAI: The architectural firm RDAI was commissioned for a design mission to apply the architectural concept to all Hermès Group stores. Fees paid by the Hermès Group amounted to €6.9 million before tax in 2011 and €6.1 million before tax in 2010. The RDAI firm, as well as the above-mentioned SCI SIFAH, are considered to be related parties given that certain members of the Group's management or members of the Supervisory Board have personal interests therein and exercise significant influence;

– Émile Hermès SARL, Active Partner: Émile Hermès SARL is a *société à responsabilité limitée à capital variable* (limited company with variable capital), whose partners are direct descendants of Émile-Maurice Hermès and his spouse. The company's Executive Chairman is Mr Bertrand Puech and it is governed by a Management Board. Each year, Hermès International pays the Active Partner a sum equal to 0.67% of distributable profits. Furthermore, Hermès International invoices Émile Hermès SARL for certain expenses incurred. In 2011, the amount invoiced was €0.1 million, the same as in 2010.

Lease agreements with related parties

Address	Lessor	Lessee	Lease	Duration	Start	End	Security
Building located at 28/30/32, rue du Faubourg-Saint-Honoré	SAS 28/30/32 rue du Faubourg-Saint-Honoré	Hermès International	Commercial lease	9 years	01/01/2007	31/12/2015	3 months
Building located at 28/30/32, rue du Faubourg-Saint-Honoré	SAS 28/30/32 rue du Faubourg-Saint-Honoré	Hermès Sellier	Commercial lease	9 years	01/01/2007	31/12/2015	3 months
Building located at 26, rue du Faubourg-Saint-Honoré	SIFAH (SCI)	Hermès Sellier	Commercial lease	9 years	01/01/2005	31/12/2013	3 months
Building located at 26, rue du Faubourg-Saint-Honoré	SIFAH (SCI)	Hermès International	Commercial lease	9 years	01/01/2008	31/12/2016	3 months
Building located at 23, rue Boissy-d'Anglas	SAS 28/30/32 rue du Faubourg-Saint-Honoré	Hermès Sellier	Commercial lease	9 years	01/01/2009	31/12/2017	3 months
Building located at 74, rue du Faubourg-Saint-Antoine	SCI 74 rue du Faubourg-Saint-Antoine	Hermès International	Commercial lease	9 years	01/07/2008	30/06/2017	3 months
4, rue du Pont-Vert 27400 Le Vaudreuil	Briand Villiers I	Comptoir Nouveau de la Parfumerie	Commercial lease	9 years firm	01/07/2005	30/06/2014	3 months

Total lease expenses related to the above agreements amounted to €8.3 million in 2011, compared with €8.1 million in 2010. All related-party transactions described have been effected on arm's length terms, that is, on terms that would apply if the transaction had occurred between unrelated parties.

NOTE 29 - EXECUTIVE COMPENSATION

Remuneration paid to Corporate Executive Officers, Executive Managers and Supervisory Board members of the Group in 2011 amounted to €14.6 million, compared with €12.3 million in 2010. It was broken down as follows for each category of remuneration:

in millions of euros

	2011	2010
Short-term benefits	10.9	9.2
Post-employment benefits	2.7	2.3
Other long-term benefits	0.2	0.2
Share-based payments	0.8	0.6
Total	**14.6**	**12.3**

The deferred compensation commitments for the corporate officers only relate to the Group Executive Chairman, in case of the cessation of his functions under certain conditions. The information regarding this commitment is provided on page 51.

NOTE 30 - SHARE-BASED PAYMENTS

30.1 - Share purchase option plans

	2011	2010
	Number of options	Number of options
Outstanding as at 1 January	**256,270**	**262,870**
exercisable	–	*30,000*
Options issued	–	–
Options exercised	(30,550)	–
Options cancelled	–	–
Options forfeited	(3,850)	(6,600)
Outstanding as at 31 December	**221,870**	**256,270**
exercisable	–	*30,000*
Weighted average exercise price	*€82.51*	*€89.10*

The information relative to the share purchase option plans is provided on page 59 (Table no. 8). The options still in circulation as at 31 December 2011 can be exercised starting from 3 January 2012, and expire as of 2 January 2015.

30.2 - Free share allotment plans

	2011 Number of options	2010 Number of options
Outstanding as at 1 January	**566,235**	**154,400**
exercisable	–	–
Options issued	–	418,360
Options exercised	(135,275)	(350)
Options cancelled	–	–
Options forfeited	(29,260)	(6,175)
Outstanding as at 31 December	**401,700**	**566,235**
exercisable	–	–

The information relative to the free share allotment plans is provided on page 62 (Table no. 11). The free shares still in circulation as at 31 December 2011 can have their ownership transferred starting from 1 June 2014 for beneficiaries from Hermès International and its French subsidiaries (in addition to a non-assignability period of two years), and 1 June 2016 for the beneficiaries from foreign subsidiaries of Hermès International.

30.3 - Expense for the year

in millions of euros

	2011	2010
Free share allotment plans	10.2	7.7
Share purchase option plans	1.5	1.4
Expense for the year	**11.7**	**9.1**

NOTE 31 - INFORMATION ON FEES PAID

For fiscal year 2011, the fees paid to the statutory auditors and members of their networks were the following:

in millions of euros

	Pricewaterhouse Coopers		Deloitte Network		Crowe Horwath, Cabinet Didier Kling & Associés			
	2011	**Break-down**	**2010**	**Break-down**	**2011**	**Break-down**	**2010**	**Break-down**
Audit								
Statutory audits	1.2	68%	1.5	88%	0.3	75%	0.2	100%
Hermès International (parent company)	*0.2*	*13%*	*0.3*	*18%*	*0.1*	*25%*	*0.1*	*40%*
Fully consolidated subsidiaries	*1.0*	*55%*	*1.2*	*70%*	*0.2*	*50%*	*0.1*	*60%*
Other due diligence reviews and services directly related to the mission of the statutory auditors	0.1	3%	0.2	12%	0.1	25%	–	–
Hermès International (parent company)	*0.1*	*3%*	*0.1*	*6%*	*0.1*	*25%*	–	–
Fully consolidated subsidiaries	–	–	*0.1*	*6%*	–	–	–	–
Sub-total	*1.3*	*71%*	*1.7*	*100%*	*0.4*	*100%*	*0.2*	*100%*
Other services provided by the networks to the foreign subsidiaries								
Legal, tax and corporate matters [1]	0.5	29%	–	–	–	–	–	–
Sub-total	*0.5*	*29%*	–	–	–	–	–	–
Total	**1.8**	**100%**	**1.7**	**100%**	**0.4**	**100%**	**0.2**	**100%**

(1) Fees paid to auditors for tax matters are related to foreign subsidiaries which require such services to ensure local and international tax compliance, including the review of tax matters on financial statements.

The observed imbalance can be explained by the fact that the PwC network is in charge of nearly all of the auditing of the foreign subsidiaries of the Hermès Group.

NOTE 32 - SCOPE OF CONSOLIDATION

List of companies consolidated as at 31 December 2011

Company	Head office	2011 percentage Control	Interest	Method*	Registered n° (France)
Hermès International	24, rue du Faubourg-Saint-Honoré, 75008 Paris	Parent	Parent	Parent	572 076 396
Ateliers A. S.	131, avenue Henri-Barbusse, 69310 Pierre-Bénite (France)	74.90	72.03	Full	954 503 843
Ateliers d'Ennoblissement d'Irigny	55, rue de la Mouche, 69540 Irigny (France)	100.00	96.17	Full	535 205 306
Ateliers de Tissage de Bussières et de Challes	16, chemin des Mûriers, 69310 Pierre-Bénite (France)	100.00	96.17	Full	440 252 740
Boissy Mexico	Avenida Presidente Mazaryk 422, Local « A » Col Polanco, 11560 Mexico D.F. (Mexico)	51.00	51.00	Full	–
Boissy Retail	One Marina Boulevard, #28-00, Singapore 018989 (Singapore)	100.00	100.00	Full	–
Boissy Singapore	One Marina Boulevard, #28-00, Singapore 018989 (Singapore)	100.00	80.00	EA	–
Castille Investissements	24, rue du Faubourg-Saint-Honoré, 75008 Paris	100.00	100.00	Full	352 565 451
Clerc Thierry Créations	Sur-La-Cluse 17, CH-2300 La Chaux-de-Fonds (Switzerland)	100.00	100.00	Full	–
Compagnie des Arts de la Table	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	380 059 188
Compagnie des Cristalleries de Saint-Louis	Saint-Louis-lès-Bitche, 57620 Lemberg (France)	99.96	99.96	Full	353 438 708
Compagnie Hermès de Participations	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	413 818 147
Comptoir Nouveau de la Parfumerie	23, rue Boissy-d'Anglas, 75008 Paris	99.67	99.67	Full	542 053 285
Créations Métaphores	21, rue Cambon, 75001 Paris	100.00	96.17	Full	602 013 583
Créations Métaphores Inc.	55 East 59th Street, 10022 New York (USA)	100.00	96.17	Full	–
Établissements Marcel Gandit	51, rue Jean-Jaurès, 38300 Bourgoin-Jallieu (France)	100.00	96.17	Full	583 620 778
Exocuirs	69, rue du Rhône, 1207 Geneva (Switzerland)	100.00	100.00	Full	–
Ex-Pili	25/F Chinachem Leighton Plaza, 29 Leighton Road, Causeway Bay (Hong Kong)	100.00	100.00	Full	–
Faubourg Italia	1/A Piazza della Repubblica, 20121 Milan (Italy)	60.00	60.00	Full	–
Financière Saint-Honoré	9, avenue Eugène-Pittard, 1211 Geneva 12 (Switzerland)	100.00	100.00	Full	–
Full More Group	25/F, Chinachem Leighton Plaza, 29 Leighton Road, Causeway Bay (Hong Kong)	93.00	93.00	Full	–
Ganterie de Saint-Junien	18, rue Louis-Codet, 87200 Saint-Junien (France)	100.00	100.00	Full	391 581 196
Gordon-Choisy	33, avenue de Wagram, 75017 Paris	100.00	100.00	Full	662 044 833
Grafton Immobilier	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	440 256 444
HCP Asia Leather	One Marina Boulevard, #28-00, Singapore 018989 (Singapore)	100.00	100.00	Full	–
Herlee	25/F Chinachem Leighton Plaza, 29 Leighton Road, Causeway Bay (Hong Kong)	100.00	100.00	Full	–
Hermès Argentina	Avenida Alvear 1981, 1129 Buenos Aires (Argentina)	100.00	99.99	Full	–
Hermès Asia Pacific	25/F Chinachem Leighton Plaza, 29 Leighton Road, Causeway Bay (Hong Kong)	100.00	100.00	Full	–
Hermès Australia	Level 11, 70 Castlereagh Street, Sydney NSW 2000 (Australia)	100.00	100.00	Full	–
Hermès Benelux Nordics	50, boulevard de Waterloo, 1000 Brussels (Belgium)	100.00	100.00	Full	–
Hermès Canada	131 Bloor Street West, Toronto, Ontario M5S 1R1 (Canada)	100.00	100.00	Full	–
Hermès (China) Co. Ltd	30/F Hong Kong Plaza, N° 283 Huaihai Central Road, Shanghai (China)	100.00	100.00	Full	–

* Consolidation method Full: Fully consolidated – EA: Equity-accounted.

Company	Head office	2011 percentage Control	Interest	Method*	Registered n° (France)
Hermès Cuirs Précieux	33, avenue de Wagram, 75017 Paris	100.00	100.00	Full	398 142 695
Hermès de Paris (Mexico)	Avenida Presidente Mazaryk 422, Local «A» Col Polanco, 11560 Mexico D.F. (Mexico)	51.00	51.00	Full	–
Hermès GB	1 Bruton Street, London W1J 6TL (United Kingdom)	100.00	100.00	Full	–
Hermès GmbH	Marstallstrasse 8, 80539 Munich (Germany)	100.00	100.00	Full	–
Hermès Grèce	Rue Stadiou 4 and rue Voukourestiou 1, City Link, 10564 Syntagma Athens (Greece)	100.00	100.00	Full	–
Hermès Holding GB	1 Bruton Street, London W1J 6TL (United Kingdom)	100.00	100.00	Full	–
Hermès Iberica	José Ortega y Gasset 12, 28006 Madrid (Spain)	100.00	100.00	Full	–
Hermès Horizon (formerly Hermès Intérieur et Design)	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	480 011 527
Hermès Immobilier Genève	C/- Hermès (Suisse), 1, rue Robert-Céard, 1204 Geneva (Switzerland)	100.00	100.00	Full	–
Hermès India Retail and Distributors	G/5-9 Shopping Arcade, The Oberoi, Dr Zakir Hussain Marg, 110003 New Delhi (India)	51.01	51.01	Full	–
Hermès Internacional Portugal	Largo do Chiado 9, 1200-108 Lisbon (Portugal)	100.00	100.00	Full	–
Hermès Istanbul	Abdi Ipekçi Cad. No:79 Nisantasi, Sisli, Istanbul (Turkey)	100.00	100.00	Full	–
Hermès Italie	Via Gastone Pisoni 2, 20121 Milan (Italy)	100.00	100.00	Full	–
Hermès Japon	4-1, Ginza 5-Chome, Chuo-ku, Tokyo 104-0061 (Japan)	100.00	100.00	Full	–
Hermès Korea	630-26 Shinsa-Dong Gangnam-gu, Séoul 135-895 (South Korea)	94.59	94.59	Full	–
Hermès Middle East South Asia	One Marina Boulevard, #28-00, Singapore 018989 (Singapore)	100.00	100.00	Full	–
Hermès Monte-Carlo	11-13-15, avenue de Monte-Carlo, 98000 Monaco	100.00	100.00	Full	–
Hermès of Paris	55 East, 59th Street, 10022 New York (USA)	100.00	100.00	Full	–
Hermès Prague	Parizska 12/120, 11000 Prague (Czech Republic)	100.00	100.00	Full	–
Hermès Retail (Malaysia)	Level 16, Menara Asia Life, 189 Jalan Tun Razak, 50400 Kuala Lumpur (Malaysia)	70.00	70.00	Full	–
Hermès Rus	10 rue Vozdvizhenka, 125009 Moscow (Russia)	99.90	99.90	Full	–
Hermès Sellier	24, rue du Faubourg-Saint-Honoré, 75008 Paris	99.77	99.77	Full	696 520 410
Hermès Singapore (Retail)	One Marina Boulevard, #28-00, Singapore 018989 (Singapore)	100.00	100.00	Full	–
Hermès Suisse	1, rue Robert-Céard, 1204 Geneva (Switzerland)	100.00	100.00	Full	–
Hermès South East Asia	One Marina Boulevard, #28-00, Singapore 018989 (Singapore)	100.00	100.00	Full	–
Hermès Voyageur	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	480 011 535
Holding Textile Hermès	16, chemin des Mûriers, 69310 Pierre-Bénite (France)	96.17	96.17	Full	592 028 542
Immauger	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	377 672 159
Immobilière Charentaise de la Tardoire	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	440 252 567
Immobilière du 5 rue de Furstemberg	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	440 252 849
Immobilière Iséroise	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	535 205 538
Immobilière Textile Honoré	23, rue Boissy-d'Anglas, 75008 Paris	100.00	96.17	Full	480 011 493
J. L. & Company Limited	Westminster Works, Oliver Street, Northampton NN2 7JL (United Kingdom)	100.00	100.00	Full	–
John Lobb	23, rue Boissy-d'Anglas, 75008 Paris	99.99	99.99	Full	582 094 371
John Lobb Japan	3-1-1 Marunouchi, Chiyoda-Ku, Tokyo 100-0005 (Japan)	100.00	100.00	Full	–
John Lobb (Hong Kong) Ltd	25/F Chinachem Leighton Plaza, 29 Leighton Road, Causeway Bay (Hong Kong)	100.00	100.00	Full	–

* Consolidation method Full: Fully consolidated – EA: Equity-accounted.

Company	Head office	2011 percentage Control	Interest	Method*	Registered n° (France)
Joseph Erard Holding	9, rue de l'Avenir, 2340 Le Noirmont (Switzerland)	32.50	32.50	EA	–
La Manufacture de Seloncourt	18, rue de la Côte, 25230 Seloncourt (France)	100.00	100.00	Full	407 836 329
La Maroquinerie Nontronnaise	Route de Saint-Martin-le-Pin, 24300 Nontron (France)	100.00	100.00	Full	403 230 436
La Montre Hermès	Erlenstrasse 31 A, 2555 Brügg (Switzerland)	100.00	100.00	Full	–
La Montre Hermès Pacific Limited	22/F Chinachem Leighton Plaza, 29 Leighton Road, Causeway Bay (Hong Kong)	100.00	100.00	Full	–
La Montre Hermès Shanghai	Room 2609, Westgate Tower, N° 1038, Nanjing Xi Road, Shanghai 200041 (China)	100.00	100.00	Full	–
Leica Camera Japan Co	1-7-1 Yurakucho Chiyoda-ku, Tokyo 100-0006 (Japan)	49.00	49.00	EA	–
Les Tissages Perrin**	ZA Les Chaumes, 38690 Le Grand-Lemps (France)	97.94	39.64	EA	400 135 034
Louisiane Spa	Via Marostica 40, 20135 Milan (Italy)	100.00	100.00	Full	–
Manufacture de Haute Maroquinerie	ZAE Les Combaruches, 825, bd Jean-Jules-Herbert, 73100 Aix-les-Bains (France)	100.00	100.00	Full	409 548 096
Maroquinerie de Belley	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	428 128 425
Maroquinerie de la Tardoire	Le Plantier, 16220 Montbron (France)	100.00	100.00	Full	480 011 568
Maroquinerie de Saint-Antoine	12-14, rue Auger, 93500 Pantin (France)	100.00	100.00	Full	409 209 202
Maroquinerie de Sayat	12-16, rue Auger, 93500 Pantin (France)	100.00	100.00	Full	411 795 859
Maroquinerie des Ardennes	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	428 113 518
Maroquinerie Iséroise	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	480 011 451
Maroquinerie Thierry	ZI Les Bracots, rue des Fougères, 74890 Bons-en-Chablais (France)	43.82	43.82	EA	312 108 368
Michel Rettili Srl	Via Marostica 40, 20135 Milan (Italy)	100.00	100.00	Full	–
Motsch–George V	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	440 252 476
Perrin & Fils	ZA Les Chaumes, 38690 Le Grand-Lemps (France)	39.52	38.01	EA	573 620 143
Reptile Tannery of Louisiana Inc.	105, Dorset Avenue, Lafayette, Louisiana 70501 (USA)	100.00	100.00	Full	–
Saint-Honoré (Bangkok)	Room G03/2, The Emporium Shopping Mall, 622 Sukhumvit Road, Klongton, Klongtoey, Bangkok 10330 (Thailand)	51.00	51.00	Full	–
Saint-Honoré Consulting	C-28 Connaught Place, 110001 New Delhi (India)	100.00	100.00	Full	–
SC Honossy	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	393 178 025
SCI Auger-Hoche	12-22, rue Auger, 93500 Pantin (France)	100.00	100.00	Full	335 161 071
SCI Boissy Les Mûriers	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	351 649 504
SCI Boissy Nontron	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	442 307 021
SCI du Bas Verel**	5, rue Docteur-Roux, 38490 Saint-André-le-Gaz (France)	100.00	38.47	EA	430 020 396
SCI La Brocatelle**	45, chemin du Barbaillon, 38690 Le Grand-Lemps (France)	100.00	38.01	EA	495 198 558
SCI Les Capucines	ZI les Bracots, 74890 Bons-en-Chablais (France)	60.00	77.53	Full	408 602 050
Shang Xia Trading (Shanghai) Co., Ltd	Room 6F-1, No. 137 Julu Road, Luwan District, Shanghai (China)	100.00	95.00	Full	–
Société d'Impression sur Étoffes du Grand-Lemps	202, chemin du Violet, 38690 Le Grand-Lemps (France)	100.00	96.17	Full	573 621 224
Société Novatrice de Confection	Les Belles Places, 10, rue Jean-Moulin, 24300 Nontron (France)	100.00	96.17	Full	380 041 939
Stoleshnikov, 12	Pereulok Stoleshnikov, 12, 103031 Moscow (Russia)	100.00	100.00	Full	–
Tanneries des Cuirs d'Indochine et de Madagascar	33, avenue de Wagram, 75017 Paris	100.00	100.00	Full	582 025 755
Vaucher Manufacture Fleurier	Rue de l'Hôpital 33, CH-2114 Fleurier (Switzerland)	21.05	21.05	EA	–
Velours Blafo**	7, rue de Catalogne, 69150 Décines-Charpieu (France)	66.00	25.09	EA	352 497 549

* Consolidation method Full: Fully consolidated – EA: Equity-accounted.

** Companies majority-owned by Perrin & Fils, in which the Hermès Group holds a 39.52% controlling interest.

Parent company financial statements

Statement of income for the year ended 31 December 2011

in millions of euros

	2011	2010
Operating revenue	**169.7**	**117.0**
Revenue (Note 2)	126.7	90.9
Other revenue	0.6	0.5
Reversals of provisions and expense reclassifications (Note 11)	42.4	25.6
Operating expense	**179.3**	**140.9**
Supplies	2.0	1.9
External services	16.8	16.2
Other external services	51.7	41.4
Taxes and duties (other than income tax)	3.8	4.0
Salaries	29.1	25.3
Social security and similar expense (Note 3)	42.3	28.3
Depreciation, amortisation, provisions and impairment (Note 11)	30.5	20.9
Other expense	3.1	2.9
OPERATING INCOME/(LOSS)	**(9.6)**	**(23.9)**
Financial income	**520.5**	**405.4**
Income from subsidiaries and associates	478.8	369.1
Other interest and similar income	11.4	5.6
Reversals of provisions and impairment (Note 11)	27.7	24.7
Foreign exchange gains	–	4.1
Net income from disposals of marketable securities	2.6	1.9
Financial expense	**41.8**	**53.7**
Accruals to provisions and impairment (Note 11)	31.6	51.7
Foreign exchange losses	10.0	–
Interest and similar expense	0.2	2.0
NET FINANCIAL INCOME	**478.7**	**351.7**
RECURRING OPERATING INCOME	**469.1**	**327.8**
Exceptional income	15.4	2.8
Exceptional expense	13.7	8.4
NET EXCEPTIONAL INCOME (Note 4)	**1.7**	**(5.6)**
INCOME BEFORE TAX AND EMPLOYEE PROFIT-SHARING	**470.8**	**322.2**
Employee profit-sharing	(3.2)	(3.1)
Income tax expense (Note 5)	14.0	6.1
NET INCOME	**481.6**	**325.2**

Statement of financial position as at 31 December 2011

ASSETS

in millions of euros

	31/12/2011	31/12/2010
NON-CURRENT ASSETS	**473.0**	**566.6**
INTANGIBLE ASSETS (Note 6)	**3.8**	**2.8**
Licences, patents and trademarks	1.4	1.0
Other	2.4	1.8
Property, plant & equipment (Note 6)	**16.2**	**16.6**
Land	0.3	0.3
Buildings	–	–
Other	15.9	16.1
Work in progress	–	0.2
Financial assets (Note 7)	**453.0**	**547.2**
Investments in subsidiaries and associates	416.3	395.4
Other long-term securities	2.7	2.7
Other financial assets	34.0	149.1
CURRENT ASSETS	**1,593.2**	**1,066.3**
Operating receivables (Note 8)	101.4	51.9
Other receivables (Note 8)	422.9	362.7
Marketable securities (Note 9)	1,044.8	633.6
Derivatives	18.9	13.1
Cash	5.2	5.0
PREPAYMENTS (Note 8)	**3.1**	**3.0**
TOTAL ASSETS	**2,069.3**	**1,635.9**

EQUITY AND LIABILITIES

Before appropriation

in millions of euros

	31/12/2011	31/12/2010
EQUITY	**1,719.0**	**1,397.3**
Share capital (Note 10)	53.8	53.8
Share premium	49.6	49.6
Other reserves	0.2	–
Legal reserve	5.7	5.7
Retained earnings	1,127.9	962.8
Net income for the year	481.6	325.2
Restricted reserves (Note 11)	0.2	0.2
PROVISIONS FOR CONTINGENCIES AND LOSSES (Note 11)	**48.0**	**27.9**
LIABILITIES	**302.3**	**210.7**
Financial liabilities (Note 12)	17.8	14.4
Derivatives	2.3	1.3
Operating liabilities (Note 12)	59.1	52.6
Other liabilities (Note 12)	223.1	142.4
TOTAL EQUITY AND LIABILITIES	**2,069.3**	**1,635.9**

Statement of changes in equity as at 31 December 2011

in millions of euros

	Share capital (Note 10)	Share premium	Legal reserve, other reserves and retained earnings	Net income for the year	Restricted provisions (Note 11)	Equity	Number of shares outstanding (Note 10)
Balance as at 31 December 2009 before appropriation of net income	**53.8**	**49.6**	**837.3**	**243.2**	**0.2**	**1,184.1**	**105,569,412**
Appropriation of 2009 net income	–	–	131.2	(131.2)	–	–	–
Dividends paid in respect of the year	–	–	–	(112.0)	–	(112.0)	–
Net income for 2010	–	–	–	325.2	–	325.2	–
Other changes during the period	–	–	–	–	–	–	–
Balance as at 31 December 2010 before appropriation of net income	**53.8**	**49.6**	**968.5**	**325.2**	**0.2**	**1,397.3**	**105,569,412**
Appropriation of 2010 net income	–		165.3	(165.3)	–	–	–
Dividends paid in respect of the year	–	–	–	(159.9)	–	(159.9)	–
Net income for 2011	–	–	–	481.6	–	481.6	–
Balance as at 31 December 2011 before appropriation of net income	**53.8**	**49.6**	**1,133.8**	**481.6**	**0.2**	**1,719.0**	**105,569,412**

Statement of cash flows for the year ended 31 December 2011

in millions of euros

	2011	2010
Net income	481.6	325.2
Depreciation and amortisation	3.4	3.2
Change in provisions and impairment (Note 11)	8.1	30.5
Capital gains/(losses) on disposals	11.7	5.6
OPERATING CASH FLOWS	**504.8**	**364.5**
Trade and other receivables	(56.1)	(12.0)
Trade payables and other liabilities	8.1	14.9
CHANGE IN WORKING CAPITAL	**(48.0)**	**2.9**
CASH FLOWS FROM OPERATING ACTIVITIES	**456.8**	**367.4**
Purchase of intangible assets (Note 6)	(2.3)	(1.6)
Purchase of property, plant & equipment (Note 6)	(1.7)	(0.3)
Investments in subsidiaries and associates (Note 7)	(3.0)	(41.5)
Purchase of other financial assets (Note 7)	(20.0)	(84.3)
Disposals	137.4	48.1
Change in receivables and payables relating to fixed assets	0.2	(0.7)
CASH FLOWS USED IN INVESTING ACTIVITIES	**110.6**	**(80.3)**
Dividends paid	(159.9)	(112.0)
Buyback of treasury shares and share subscriptions	(284.6)	–
CASH FLOWS USED IN FINANCING ACTIVITIES	**(444.5)**	**(112.0)**
CHANGE IN NET CASH POSITION	**122.9**	**175.1**
Net cash position at the beginning of period	827.2	652.1
Net cash position at end of period	950.1	827.2
CHANGE IN NET CASH POSITION	**122.9**	**175.1**

Liabilities relating to employee profit-sharing have been reclassified into Other liabilities and the subsidiaries' current accounts have been reclassified into Cash assets or liabilities.

Notes to the financial statements

The financial year covers the 12 months from 1 January through 31 December 2011.

The following notes are an integral part of the financial statements.

NOTE 1 - ACCOUNTING POLICIES AND PRINCIPLES

Generally accepted accounting conventions have been applied, in line with the principle of prudence, according to the following accounting assumptions and principles:

- the Company's status as an ongoing concern;
- the consistency of accounting policies from one financial year to another;
- the accruals and matching principle;
- the historical cost convention;

and in accordance with the general rules for the preparation and presentation of the annual financial statements from the standard chart of accounts.

1.1 - Intangible assets

Intangible assets include the purchase of original works of arts by living artists, which allows the Company to benefit from a tax deduction that is set aside in a reserve, as well as software and the cost of websites, which are amortised on a straight-line basis over one to six years.

1.2 - Property, plant and equipment

Property, plant and equipment are valued at acquisition cost (purchase price plus incidental expenses, excluding acquisition costs), except for assets acquired before 31 December 1959, which are shown in the statement of financial position at their value in use on that date.

Depreciation is calculated using the straight-line or declining-balance method, on the basis of the following expected useful lives:

- buildings: straight-line method over 20 to 30 years;
- building fixtures and fittings: straight-line method over 10 to 40 years;
- office furniture and equipment: straight-line or declining-balance method over 4 to 10 years;
- computer equipment: declining-balance method over 3 years;
- vehicles: straight-line method over 4 years.

1.3 - Financial assets

Investments in subsidiaries and associates are shown in the statement of financial position at acquisition cost, excluding incidental expenses.

Where the balance sheet value at closing is lower than the carrying amount, a provision for impairment is recorded for the difference.

The balance sheet value is determined based on criteria such as the value of the share of net assets or the earnings prospects of the relevant subsidiary. These criteria are weighted by the effects of owning these shares in terms of strategy or synergies, in respect of other investments held.

1.4 - Trade receivables

Trade receivables are recorded at face value. A provision for impairment is recognised where there is a risk of non-recovery.

1.5 - Marketable securities

The gross value of marketable securities is their acquisition cost less incidental expenses. Marketable securities are valued at the lower of acquisition cost or market value, calculated separately for each category of securities.

In the event that part of a line of securities is sold, proceeds on disposals are calculated using the first-in, first-out method (FIFO).

Treasury shares that are specifically allocated to covering employee stock options are recorded under "Marketable securities". A provision is accrued in an amount representing the difference between the purchase price of the shares and the option exercise price, if the purchase price is more than the exercise price.

In the event of a decrease in the stock market price, an impairment charge is recorded; it is calculated as the difference between the net carrying amount of the shares and the average stock market price for the month immediately preceding the closing date, weighted by the exchanged volumes.

1.6 - Treasury management

Income and expense items expressed in foreign currencies are converted into euros at the hedged exchange rate.

Payables, receivables, and cash expressed in currencies outside the euro zone are shown on the statement

of financial position at the hedged exchange rate or at the closing rate if they are not hedged. In this case, differences arising from the reconversion of payables and receivables at the closing exchange rate are recorded in the statement of financial position under "Foreign currency adjustments". A provision for contingencies is established for unrealised foreign exchange losses. Premiums on foreign currency options are recorded as an expense on the maturity date.
In addition, financial instruments are used in connection with the management of the Company's treasury investments. Gains and losses on interest rate differentials and any corresponding premiums are recognised on an accrual basis.

1.7 - Income tax expense

Since 1 January 1988, the Company has opted for a group tax election under French tax law. Under the terms of an agreement between the parent company and the subsidiaries included in the group tax election, projected and actual tax savings or liabilities generated by the Group are recognised in income (temporary or definite) in the year in which they arise. The tax expense borne by the subsidiaries is the expense they would have incurred if there had been no group tax election.
The main companies included in the group tax election are Hermès International, Ateliers de Tissage de Bussières et de Challes, Castille Investissements, Compagnie des Arts de la Table, Compagnie des Cristalleries de Saint-Louis, Compagnie Hermès de Participations, Comptoir Nouveau de la Parfumerie, Créations Métaphores, Établissements Marcel Gandit, Ganterie de Saint-Junien, Gordon-Choisy, Grafton Immobilier, Hermès Cuirs Précieux, Hermès Horizon, Hermès Sellier, Hermès Voyageur, Holding Textile Hermès, Immauger, Immobilière du 5 rue de Furstemberg, Immobilière Charentaise de la Tardoire, Immobilière Textile Honoré, John Lobb, La Manufacture de Seloncourt, La Maroquinerie Nontronnaise, Manufacture de Haute Maroquinerie, Maroquinerie de Belley, Maroquinerie des Ardennes, Maroquinerie de Sayat, Maroquinerie de Saint-Antoine, Maroquinerie de la Tardoire, Maroquinerie Iséroise, Motsch George V, SC Honossy, SCI Auger- Hoche, SCI Boissy Les Mûriers, SCI Boissy Nontron, Société d'Impression sur Étoffes du Grand-Lemps, Société Novatrice de Confection et Tanneries des Cuirs d'Indochine et de Madagascar.

1.8 - Post-employment and other employee benefit obligations

For basic pension and other defined-contribution plans, Hermès International recognises contributions to be paid as expenses when they come due and no provision is accrued in this respect, as the Company has no obligation other than the contributions paid.
For defined-benefit plans, Hermès International's obligations are calculated annually by an independent actuary using the projected credit unit method. This method is based on actuarial assumptions and takes into account the employee's probable future length of service, future salary and life expectancy as well as staff turnover.
The present value of the obligation is calculated by applying an appropriate discount rate. It is recognised on a basis pro-rated to the employee's years of service. Benefits are partly funded in advance by external funds (insurance companies). Assets held in this way are measured at fair value.
The expense recognised in the statement of income is the sum of:
– the past service cost, which reflects the increase in obligations arising from the vesting of one additional year of benefits; and
– the interest cost, which reflects the increase in the present value of the obligations during the period.
Accrued actuarial gains and losses are amortised when they exceed 10% of the obligation amount, gross of dedicated investments, or 10% of the market value of these investments at year-end ("corridor" method), starting from the year following the year in which they were initially recognised and continuing over the average residual duration of employment of the employee.

NOTE 2 - REVENUE

in millions of euros

	2011	2010
Sales of services	63.1	48.9
Royalties	63.6	42.0
REVENUE	**126.7**	**90.9**

Sales of services are amounts charged back to subsidiaries for advertising and public relations services, rent, staff provided on secondment, insurance and professional fees. They also include the re-invoicing of free shares allotment expenses to the Group's French companies pursuant to a re-invoicing agreement.

Royalties are calculated based on the production subsidiaries' revenue. Their increase results from an increase in the royalty rate since 1 January 2011, as well as from the increase in the sales revenue of the companies subject to this royalty.

NOTE 3 - SOCIAL CHARGES AND OTHER PERSONNEL COSTS

in millions of euros

	2011	2010
2007 share allotment plan	3.4	4.1
2010 share allotment plans	16.1	8.6
Retirement payments	11.2	5.9
Social charges	11.6	9.7
SOCIAL CHARGES AND OTHER PERSONNEL COSTS	**42.3**	**28.3**

The social charges and other personnel costs include the free shares allotment plans expenses for all beneficiaries. The free shares allotment for personnel of the French entities resulted in deferred revenue (refer to Note 2 relative to the sales revenue). They also include payments for the retirement plans.

NOTE 4 - NET EXCEPTIONAL INCOME

in millions of euros

	2011	2010
Exceptional income	**15.4**	**2.8**
Disposals of property, plant and equipment and financial assets	15.4	2.8
Exceptional expense	**(13.7)**	**(8.4)**
Exceptional charges on management transactions	–	(0.1)
Disposals of property, plant and equipment and financial assets	(13.7)	(8.3)
NET EXCEPTIONAL INCOME	**1.7**	**(5.6)**

The proceeds include the re-invoicing to the subsidiaries of €13 million related to the 2007 free share allotment plan for employees which can now be exercised. They also include a profit of €2.1 million on the disposals of treasury shares related to the liquidity contract.

The disposals of financial assets primarily correspond with the cost of the shares provided to employees for €13.5 million within the framework of the above-mentioned free share allotment plan.

NOTE 5 - INCOME TAX EXPENSE

5.1 - Analysis of income tax expense

in millions of euros

	2011	**2010**
Pre-tax income	**467.6**	**319.1**
Income before tax and employee profit-sharing	470.8	322.2
Employee profit-sharing	(3.2)	(3.1)
Income tax expense	**14.0**	**6.1**
Tax (parent company only)	0.8	(1.3)
– tax on net exceptional income	*(0.6)*	*1.9*
– tax on other items	*1.4*	*(3.2)*
Tax arising from group tax election	13.2	7.4
NET INCOME	**481.6**	**325.2**

Hermès International recognised a tax credit of €14 million in 2011, compared with a tax credit of €6.1 million in 2010. In addition, Hermès International is jointly liable for payment of the tax of the fiscally consolidated group, which amounted to €119,5 million in 2011 compared with €96.3 million in 2010.
Income tax expense takes into account the additional tax contributions of 3.30% and 5%.

Hermès International's corporate income tax expense only includes applicable exemptions under the terms of the parent-daughter regime for income from investments in subsidiaries. The income tax credit takes into account the effect of the group tax election arising from tax losses for certain subsidiaries and from offsetting the share of fees and expenses on income from investments in subsidiaries.

5.2 - Increases or decreases in future tax liability

As at 31 December 2011, the future tax liability increased €1.3 million versus a reduction of €3.1 million as at 31 December 2010. This corresponded to a €3.4 million temporarily non-deductible expense and, a €4.7 million taxation deferral on temporarily non-taxable accrued income. The increases or reductions of the future tax debt were calculated while taking into account additional contributions of 3.30% and 5%.

NOTE 6 - INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

in millions of euros

	Gross value as at 31/12/2010	Increases	Decreases	Other	Gross value as at 31/12/2011	Depreciation and amortisation	Net value as at 31/12/2011
Intangible assets	**11.2**	**2.3**	**–**	**–**	**13.5**	**(9.7)**	**3.8**
Licences, patents and trademarks	1.0	0.4	–	–	1.4	–	1.4
Other	10.2	1.9	–	–	12.1	(9.7)	2.4
Property, plant & equipment	**25.4**	**1.7**	**–**	**(0.2)**	**26.9**	**(10.7)**	**16.2**
Land	0.3	–	–	–	0.3	–	0.3
Buildings	0.5	–	–	–	0.5	(0.5)	–
Other	24.4	1.7			26.1	(10.2)	15.9
Work in progress	0.2	–	–	(0.2)	–	–	–
INTANGIBLE ASSETS AND PROPERTY, PLANT & EQUIPMENT	**36.6**	**4.0**	**–**	**(0.2)**	**40.4**	**(20.4)**	**20.0**

NOTE 7 - FINANCIAL ASSETS

in millions of euros

	Gross value as at 31/12/2010	Purchases/ Subscriptions	Disposals	Gross value as at 31/12/2011	Provisions for impairment (Note 11)	Net value as at 31/12/2011
Investments in subsidiaries and associates	**607.0**	**3.0**	**(0.2)**	**609.8**	**(193.5)**	**416.3**
Faubourg Italia [(1)]	–	2.0	–	2.0	–	2.0
Stoleshnikov 12 [(1)]	–	0.8	–	0.8	–	0.8
Other [(2)]	607.0	0.2	(0.2)	607.0	(193.5)	413.5
Other financial assets	**153.5**	**20.0**	**(135.1)**	**38.4**	**(4.4)**	**34.0**
Investments in financial assets	141.3	19.8	(135.1)	26.1	–	26.1
Treasury shares (liquidity contract)[(3)]	5.3	–	–	5.2	–	5.2
Deposits and guarantees	2.5	0.2	–	2.7	–	2.7
Outstanding loans and advances	4.4	–	–	4.4	(4.4)	–
Other long-term securities	**2.9**	**–**	**–**	**2.9**	**(0.2)**	**2.7**
FINANCIAL ASSETS	**763.4**	**23.0**	**(135.3)**	**651.1**	**(198.1)**	**453.0**

The list of equity investments is presented at the end of the notes to the financial statements.
(1) Hermès International holds 60% of Faubourg Italia and 3% of Stoleshnikov 12.
(2) Other provisions for impairment mainly relate to Castille Investissements, Compagnie Hermès de Participations, Hermès Argentina, Hermès Cuirs Précieux, Herlee, Hermès Horizon, John Lobb, La Manufacture de Seloncourt, Maroquinerie de Belley, Maroquinerie de Saint-Antoine and Maroquinerie de Sayat.
(3) As at 31 December 2011, Hermès International held 23,500 treasury shares pursuant to a liquidity contract. These shares were valued on the basis of their stock market price when they were purchased, i.e. €223.61 per share.

NOTE 8 - ANALYSIS OF ASSETS BY MATURITY

in millions of euros

	31/12/2011					31/12/2010
	< 1 year	> 1 year and < 5 years	Gross amount	Impairment	Net amount	Net amount
Other financial assets (Note 7)	**19.6**	**18.8**	**38.4**	**(4.4)**	**34.0**	**149.1**
Outstanding loans and advances	–	4.4	4.4	(4.4)	–	–
Other	19.6	14.4	34.0	–	34.0	149.1
Current assets	**524.7**	**–**	**524.7**	**(0.4)**	**524.3**	**414.6**
Trade and other receivables	56.4	–	56.4	(0.4)	56.0	38.4
Other operating receivables	45.4	–	45.4	–	45.4	13.5
Other receivables(1)	422.9	–	422.9	–	422.9	362.7
Prepayments	**3.1**	**–**	**3.1**	**–**	**3.1**	**3.0**
Advertising and marketing fees	2.0	–	2.0	–	2.0	2.0
Rents	1.0	–	1.0	–	1.0	1.0
Other	0.1	–	0.1	–	0.1	–
TOTAL	**547.4**	**18.8**	**566.2**	**(4.8)**	**561.4**	**566.7**

(1) Other receivables mainly comprise financial current accounts with subsidiaries.

in millions of euros

	31/12/2011	31/12/2010
Other financial assets		
Within 1 year	19.6	99.8
Between 1 and 5 years	18.8	53.7
Current assets		
Within 1 year	524.7	415.0
Between 1 and 5 years	–	–
Prepayments		
Within 1 year	3.1	3.0
Between 1 and 5 years	–	–

NOTE 9 - MARKETABLE SECURITIES

in millions of euros

	Gross value as at 31/12/2011	Impairment	Net value as at 31/12/2011	Net value as at 31/12/2010
Mutual funds	222.2	–	222.2	275.9
Negotiable debt securities	530.0	–	530.0	330.0
Treasury shares [(1)]	298.8	(6.2)	292.6	27.7
MARKETABLE SECURITIES	**1,051.0**	**(6.2)**	**1,044.8**	**633.6**

(1) Includes 1,498,040 Hermès International treasury shares acquired under employee stock option or free share allotment plans. The shares purchased for future plans were valued at the average stock exchange price in December 2011 As such, a €6.2 million provision was recorded for 874,470 shares. The shares are to be added to the 23,500 other treasury shares held pursuant to a liquidity contract (see Note 7).

NOTE 10 - EQUITY

As at 31 December 2010, Hermès International's share capital amounted to €53,840,400.12, made up of 105,569,412 shares with a par value of €0.51 each, or the same as at 31 December 2010.

NOTE 11 - PROVISIONS

in millions of euros

	31/12/2010	Accruals	Reversals		31/12/2011
			Provisions used	Provisions unused	
Provisions for impairment	**216.6**	**15.3**	**–**	**(27.2)**	**204.7**
Financial assets (Note 7)	216.2	9.1	–	(27.2)	198.1
Trade and other receivables	0.4	–	–	–	0.4
Marketable securities	–	6.2	–	–	6.2
Restricted provisions	**0.2**	**–**	**–**	**–**	**0.2**
Accelerated depreciation	0.2	–	–	–	0.2
Provisions for contingencies and losses	**27.9**	**43.5**	**(22.8)**	**(0.6)**	**48.0**
Provisions for contingencies [(1)]	6.7	18.2	(0.5)	(0.6)	23.8
Provisions for losses [(2)]	21.2	25.3	(22.3)	–	24.2
TOTAL	**244.7**	**58.8**	**(22.8)**	**(27.8)**	**252.9**

(1) Provisions for contingencies include: provisions for risks arising on the Company's subsidiaries, to cover the Company's share of negative net equity, in accordance with accounting principles and policies, and provisions for ongoing litigation.
(2) Provisions for losses mainly include the cost of free shares allotment plans granted in May 2010 as well as with retirement benefits and expenses associated with the supplementary pension scheme for executives and senior managers. These amounts are periodically paid over to pension funds.

NOTE 12 - ANALYSIS OF LIABILITIES BY MATURITY

in millions of euros

	31/12/2011			31/12/2010
	< 1 year	> 1 year and < 5 years	Net amount	Net amount
Financial liabilities	**9.7**	**8.1**	**17.8**	**14.4**
Bank borrowings (1)	8.8	–	8.8	6.4
Other borrowings and debt (2)	0.9	8.1	9.0	8.0
Operating liabilities	**59.1**	**–**	**59.1**	**52.6**
Trade payables and related accounts (3)	18.0	–	18.0	14.8
Tax and employee-related liabilities (4)	41.1	–	41.1	37.8
Other liabilities	**223.1**	**–**	**223.1**	**142.4**
Amounts payable relating to fixed assets	1.1	–	1.1	0.8
Other	222.0	–	222.0	141.6
TOTAL	**291.9**	**8.1**	**300.0**	**209.4**

(1) Bank current accounts.
(2) Funds held in trust for employees under the statutory employee profit-sharing scheme.
(3) Including €10 million in invoices not yet received.
(4) Including €16.3 million in tax and employee-related liabilities payable.

in millions of euros

	31/12/2011	31/12/2010
Financial liabilities		
Within 1 year	9.7	7.6
Between 1 and 5 years	8.1	6.8
Operating liabilities		
Within 1 year	59.1	52.6
Between 1 and 5 years	–	–
Other liabilities		
Within 1 year	223.1	142.4
Between 1 and 5 years	–	–

Information on accounts payable

in millions of euros

	31/12/2011		
	Group	Non-group	Total
Trade payables	**3.2**	**14.8**	**18.0**
Total past due	**3.2**	**4.8**	**8.0**
– less than 30 days	3.0	4.6	7.6
– 30 to 90 days	0.1	–	0.1
– over 90 days	0.1	0.2	0.3
Total coming due	**–**	**10.0**	**10.0**
– within 30 days	–	10.0	10.0
– within 30 to 60 days	–	–	–

in millions of euros

	31/12/2010		
	Group	Non-group	Total
Trade payables	**1.7**	**13.1**	**14.8**
Total past due	**1.0**	**0.8**	**1.8**
– less than 30 days	0.7	0.5	1.2
– 30 to 90 days	0.1	0.2	0.3
– over 90 days	0.2	0.1	0.3
Total coming due	**0.7**	**12.3**	**13.0**
– within 30 days	0.7	12.3	13.0
– within 30 to 60 days	–	–	–

NOTE 13 - FINANCIAL STATEMENT ITEMS WITH RELATED PARTIES

Transactions with companies accounted for by the equity method were not material by comparison with the overall business activities of Hermès International in 2011.

Relationships with other related parties are summarised as follows:

– RDAI: RDAI was commissioned to undertake a design assignment for the application of the architectural concept to all Hermès Group stores. Fees paid by Hermès International amounted to less than €0.1 million (excluding VAT) in 2011 and in 2010. RDAI, as well as the below-mentioned SCI SIFAH, are considered to be related parties given that certain members of the Company's management or members of the Supervisory Board have personal interests therein and exercise significant influence;

– Émile Hermès SARL, Active Partner: Émile Hermès SARL is a *société à responsabilité limitée à capital variable* (limited company with variable capital). Its partners are the direct descendants of Émile-Maurice Hermès and his spouse. Émile Hermès SARL's Executive Manager is Mr Bertrand Puech. The Company is governed by a Management Board. Each year, Hermès International pays 0.67% of the distributable profits to the Active Partner. In addition, Hermès International charges Émile Hermès SARL for certain expenses incurred. Hermès International charged back €0.1 million in this respect in 2011, the same as in 2010.

Lease agreements with related parties

Address	**Lessor**	**Lessee**	**Lease type**	**Lease term**	**Start date**	**End date**	**Security deposit**
Building located at 28/30/32, rue du Faubourg-Saint-Honoré	SAS 28/30/32 rue du Faubourg-Saint-Honoré	Hermès International	Commercial lease	9 years	01/01/2007	31/12/2015	3 months
Building located at 26, rue du Faubourg-Saint-Honoré	SIFAH (SCI)	Hermès International	Commercial lease	9 years	01/01/2008	31/12/2016	3 months
Building located at 74, rue du Faubourg-Saint-Antoine	SCI 74 rue du Faubourg-Saint-Antoine	Hermès International	Commercial lease	9 years	01/07/2008	30/06/2017	3 months

Total rental expense for the above leases amounted to €4.8 million, as in 2010.
All of the transactions described were carried out on an arm's length basis.

NOTE 14 - EXPOSURE TO MARKET RISKS AND FINANCIAL COMMITMENTS

14.1 - Currency risk

Most of the Company's currency exposure comes from sales denominated in foreign currencies. These risks are generally fully hedged, based on highly probable future cash flows, using forward currency sales or options that are eligible for hedge accounting.

14.1.1 - Net currency positions

As at 31/12/2011

in millions of euros

Currency	Amount receivable/ (payable)	Future cash flows	Net position before hedging	Derivative instruments (1)	Net position after hedging	Hedging ratio	10% sensitivity
Japanese yen	87.9	84.5	172.4	(171.3)	1.1	99%	0.1
Australian dollar	6.9	(52.5)	(45.6)	46.3	0.7	102%	0.1
US dollar	(43.8)	1.8	(42.0)	42.8	0.8	102%	0.1
Hong Kong dollar	(42.5)	0.5	(42.0)	42.6	0.6	101%	0.1
Swiss franc	14.8	6.4	21.2	(21.6)	(0.4)	102%	0.0
Pound sterling	(21.4)	1.4	(20.0)	20.1	0.1	101%	0.0
Singapore dollar	(1.3)	1.2	(0.1)	0.7	0.6	564%	0.0
Canadian dollar	0.0	0.0	0.0	(0.1)	(0.0)	115%	0.0
Mexican peso	0.0	0.3	0.3	(0.3)	0.1	74%	0.0
Ruble	0.2	0.1	0.3	(0.1)	0.2	29%	0.0
Thai Baht	0.1	0.0	0.1	(0.1)	0.1	85%	0.0
Total	**0.9**	**43.8**	**44.7**	**(40.9)**	**3.8**	**92%**	**0.4**

As at 31/12/2010

in millions of euros

Currency	Amount receivable/ (payable)	Future cash flows	Net position before hedging	Derivative instruments (1)	Net position after hedging	Hedging ratio	10% sensitivity
Swiss franc	9.3	5.3	14.6	(12.7)	2.0	86%	0.2
US dollar	(27.6)	0.9	(26.7)	27.7	1.1	104%	0.1
Australian dollar	0.2	0.1	0.3	0.5	0.8	(175)%	0.1
Japanese yen	113.9	1.1	114.9	(114.5)	0.5	100%	0.1
Hong Kong dollar	(22.5)	0.4	(22.1)	21.7	(0.5)	98%	(0.1)
Singapore dollar	0.5	0.6	1.1	(0.5)	0.6	42%	0.1
Pound sterling	(7.2)	(0.2)	(7.4)	7.9	0.4	106%	0.0
New turkish lira	(0.1)	–	(0.1)	(0.8)	(1.0)	(717)%	(0.1)
Mexican peso	0.4	0.1	0.5	(0.1)	0.4	19%	0.0
Total	**66.8**	**8.3**	**75.1**	**(70.7)**	**4.4**	**94%**	**0.5**

(1) Sale/(Purchase).

14.1.2 - Analysis of currency contracts

Hedging operations are performed over-the-counter, exclusively with leading banks.

The Company therefore does not incur any significant counterparty risk.

in millions of euros

	Nominal amounts of the derivative instruments	Nominal amounts of the derivative instruments used for currency risk hedging	Market value of the contracts as at 31/12/2011 (1)
Options purchased			
Japanese yen put	41.7	41.7	0.8
Japanese yen collar	24.9	24.9	(0.0)
US dollar put	79.4	79.4	1.1
Chinese yuan put	94.8	53.9	1.3
Singapore dollar put	46.1	46.1	0.5
Hong Kong dollar put	56.1	56.1	0.7
Australian dollar call	(52.7)	(52.7)	2.1
Pound sterling put	17.3	17.3	0.2
	307.6	**266.7**	**6.7**
Forward currency contracts (2)			
Japanese yen	18.0	18.0	1.6
US dollar	(77.6)	(77.8)	5.8
Chinese yuan	(53.9)	(53.9)	2.5
Singapore dollar	(44.9)	(44.9)	1.8
Hong Kong dollar	(55.6)	(55.6)	4.3
Australian dollar	0.2	0.2	(0.0)
Pound sterling	(15.9)	(15.9)	0.7
Swiss franc	6.4	6.4	(0.1)
Other	0.5	0.5	(0.0)
	(222.8)	**(223.0)**	**16.6**
Treasury swaps (2)			
Japanese yen	86.7	86.7	(1.0)
US dollar	(44.6)	(44.6)	0.2
Singapore dollar	(1.9)	(1.9)	0.0
Hong Kong dollar	(43.0)	(43.0)	0.2
Australian dollar	6.2	6.0	(0.2)
Pound sterling	(21.5)	(21.5)	0.2
Swiss franc	15.1	14.9	(0.3)
Other	0.0	(0.1)	(0.1)
	(3.0)	**(3.5)**	**(0.8)**
Options sold			
Chinese yuan put	(40.8)	–	(0.3)
	(40.8)	**–**	**(0.3)**
Total	**41.0**	**40.2**	**22.2**

(1) Gain/(Loss)
(2) Sale/(Purchase).

in millions of euros

	Nominal amounts of the derivative instruments	Nominal amounts of the derivative instruments used for currency risk hedging	Market value of the contracts as at 31/12/2010 (1)
Options purchased			
Pound sterling put	10.2	10.2	0.3
Hong Kong dollar put	30.4	30.4	1.3
Japanese yen put	86.9	48.3	2.3
Singapore dollar put	36.9	36.9	0.5
US dollar put	61.8	61.8	2.4
	226.2	**187.6**	**6.8**
Forward currency contracts (2)			
Hong Kong dollar	(30.0)	(30.0)	0.1
Japanese yen	(47.2)	(47.2)	0.1
Singapore dollar	(36.4)	(36.4)	2.3
US dollar	(61.0)	(61.0)	0.7
Other	(4.7)	(4.7)	(0.6)
	(179.3)	**(179.3)**	**2.6**
Treasury swaps (2)			
Hong Kong dollar	(22.1)	(22.9)	(0.2)
Japanese yen	113.4	113.4	(0.4)
Singapore dollar	(0.1)	0.2	0.0
US dollar	(28.7)	(27.7)	(0.5)
Other	(0.1)	(0.5)	0.4
	62.4	**62.5**	**(0.7)**
Options sold			
Japanese yen put	(38.6)	–	(0.3)
	(38.6)	**–**	**(0.3)**
Total	**70.7**	**70.8**	**8.4**

(1) Gain/(Loss). (2) Sale/(Purchase).

14.2 - Other financial commitments as at 31 December 2011

in millions of euros

	31/12/2011	31/12/2010
Bank guarantees (1)	15.9	22.9
Irrevocable purchase commitments for financial assets	14.3	16.0
Other commitments (2)	44.7	57.7
	74.9	**96.6**

(1) Relate primarily to guarantees provided on loans to be reimbursed by Hermès International subsidiaries or to Group credit lines/banking facilities actually used as at 31 December 2011. The significant guarantees bear interests at a rate that aligns with the market banking conditions.
(2) The other commitments primarily relate to lease payments by Hermès International or by subsidiaries, for which Hermès International is the guarantor.

In addition, two "umbrella" sureties have been granted to the HSBC and BNP Paribas banks for a maximum amount of €75 million and €100 million to give subsidiaries designated by Hermès International access to an aggregate Group banking facility. As at 31 December 2011, the amounts drawn on these credit facilities amounted to €9 million and €4 million, respectively.

Moreover, the amount of the subsidiaries' tax losses that Hermès International is liable for refunding to its subsidiaries under the Group tax election agreement amounted to €57.6 million as at 31 December 2011, versus €47.6 million as at 31 December 2010.

NOTE 15 - EMPLOYEES

The Company's average number of employees is broken down as follows:

	31/12/2011	31/12/2010
Executive/managerial staff	262	240
Support staff	20	20
TOTAL	**282**	**260**

In compliance with opinion No. 2004-F CU from the National Accounting Counsel, the total number of training hours corresponding with the rights acquired pursuant to the individual training entitlement is equal to 22,234 hours as at 31 December 2011, versus 20,036 hours as at 31 December 2010.

NOTE 16 - POST-EMPLOYMENT BENEFIT OBLIGATIONS

As at 31 December 2011, the value of post-employment benefit obligations amounted to €44.6 million. Amounts due in respect of statutory retirement benefits and supplemental pension schemes have been paid over to an insurance company; the value of the funds is €26.9 million. A provision of €0.7 million has been accrued to cover the remainder of these obligations (see Note 11).

For 2011, the following actuarial assumptions were used:

– retirement age (in years): 62 to 65
– increase in salaries: 3%-4%
– discount rate: 4.5%
– expected rate of return on plan assets: 4.5%

After applying the "corridor" method, actuarial differences amounted to €19.3 million as at 31 December 2011 compared with €19.5 million as at 31 December 2010.

NOTE 17 - EXECUTIVE COMPENSATION

Gross aggregate remuneration paid to corporate officers and directors in respect of 2011 amounted to €4.6 million, including €0.4 million in directors' fees.

List of investments in subsidiaries and associates as at 31 December 2011

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES AND OTHER LONG-TERM SECURITIES

in thousands of euros

	Number of shares	Net value
Carrying value greater than €100,000		
Compagnie Hermès de Participations	4,200,000	32,371
Comptoir Nouveau de la Parfumerie	753,501	27,146
ERM Warenhandels GmbH	1	1,263
ERM-WHG Warenhandels Gmbh	1	1,235
Faubourg Italia	60	2,000
Financière Saint-Honoré	3,000	1,694
Gordon-Choisy	95,675	1,663
Grafton Immobilier	5,174,500	82,792
Herlee	50,000,000	13,920
Hermès Argentina	37,747	1,370
Hermes Asia Pacific	314,999,999	43,483
Hermès Australia	6,500,000	4,409
Hermès Benelux Nordics	57,974	3,164
Hermès Canada	1,000	1,501
Hermès Cuirs Précieux	232,143	21,612
Hermès de Paris (Mexico)	5,850,621	1,134
Hermès GmbH	1	7,218
Hermès Grèce	566,666	1,700
Hermès Holding GB	7,359,655	10,535
Hermès Iberica	69,311	4,952
Hermès Immobilier Genève	70,000	44,457
Hermès Internacional Portugal	799,200	958
Hermès Istanbul	259,999	2,540
Hermès Italie	412,200	13,196
Hermès Japon	4,400	13,727
Hermès Middle East South Asia	2,100	103
Hermès Monte-Carlo	13,198	201
Hermès of Paris	114,180	10,903
Hermès Prague	38,000	1,090
Hermès Sellier	310,279	4,788
Hermès South East Asia	1,000,000	2,201
Holding Textile Hermès	5,945	12,652
La Manufacture de Seloncourt	2,398,536	2,033
Manufacture de Haute Maroquinerie	430,000	2,154
Maroquinerie de Belley	647,172	5,456
Maroquinerie de Sayat	295,649	7,222
Maroquinerie des Ardennes	284,063	10,527
SC Honossy	210,099	3,203
SCI Auger-Hoche	4,569,401	10,584
SCI Boissy Les Mûriers	8,699	1,326
SCI Boissy Nontron	99,999	903
SCI Les Capucines	24,000	366
SCI Immauger	1,375	2,096
Stoleshnikov 12	1	781
Carrying value less than €100,000		**309**
TOTAL		**418,938**

List of subsidiaries and associates as at 31 December 2011

COMPANIES OR GROUPS OF COMPANIES

A – Detailed information on investments in subsidiaries and associates with a gross carrying value exceeding 1% of the share capital of Hermès International

			Share capital		Equity
1. SUBSIDIARIES (AT LEAST 50% OF THE SHARE CAPITAL HELD BY THE COMPANY)			[in '000]		[in '000]
Castille Investissements	Paris	EUR	37	EUR	(6,260)
Compagnie Hermès de Participations	Paris	EUR	42,000	EUR	35,077
Comptoir Nouveau de la Parfumerie	Paris	EUR	9,072	EUR	27,541
ERM Warenhandels Gmbh	Vienna (Austria)	EUR	35	EUR	35
ERM-WHG Warenhandels Gmbh	Vienne (Austria)	EUR	35	EUR	35
Faubourg Italia	Milan (Italy)	EUR	100	EUR	2,001
Financière Saint-Honoré	Geneva (Switzerland)	CHF	3,000	CHF	19,981
Gordon-Choisy	Paris	EUR	1,531	EUR	11,640
Grafton Immobilier	Paris	EUR	82,792	EUR	84,559
Herlee	Causeway Bay (Hong Kong)	HKD	57,200	HKD	119,762
Hermès Argentina	Buenos Aires (Argentina)	ARS	3,974	ARS	7,843
Hermès Asia Pacific	Causeway Bay (Hong Kong)	HKD	315,000	HKD	1,502,403
Hermès Australia	Sydney (Australia)	AUD	6,500	AUD	15,425
Hermès Benelux Nordics	Brussels (Belgium)	EUR	2,665	EUR	8,967
Hermès Canada	Toronto (Canada)	CAD	2,000	CAD	12,809
Hermès Cuirs Précieux	Paris	EUR	4,500	EUR	2,993
Hermès de Paris (Mexico)	Mexico (Mexico)	MXN	1,705	MXN	79,763
Hermès GmbH	Munich (Germany)	EUR	7,200	EUR	18,466
Hermès Grèce	Athens (Greece)	EUR	1,700	EUR	2,045
Hermès Holding GB	London (United Kingdom)	GBP	7,360	GBP	16,920
Hermès Horizon	Paris	EUR	460	EUR	(7,450)
Hermès Iberica	Madrid (Spain)	EUR	4,228	EUR	10,817
Hermès Immobilier Genève	Geneva (Switzerland)	CHF	70,000	CHF	63,009
Hermès India Retail and Distributors	New Delhi (India)	INR	94,355	INR	(20,149)
Hermès Internacional Portugal	Lisbon (Portugal)	EUR	800	EUR	798
Hermès Istanbul	Istanbul (Turkey)	TRY	6,500	TRY	5,988
Hermès Italie	Milan (Italy)	EUR	7,786	EUR	22,360
Hermès Japon	Tokyo (Japan)	JPY	220,000	JPY	15,932,522
Hermès of Paris	New York (USA)	USD	11,418	USD	158,203
Hermès Prague	Prague (Czech Republic)	CZK	8,018	CZK	41,026
Hermès Sellier	Paris	EUR	4,976	EUR	225,804
Hermès South East Asia	Singapore (Singapore)	SGD	1,000	SGD	99,055
Holding Textile Hermès	Lyon (France)	EUR	99	EUR	20,756
John Lobb	Paris	EUR	200	EUR	(645)
La Manufacture de Seloncourt	Seloncourt (France)	EUR	2,399	EUR	1,409
Manufacture de Haute Maroquinerie	Aix-les-Bains (France)	EUR	6,450	EUR	1,046
Maroquinerie de Belley	Paris	EUR	7,766	EUR	5,036
Maroquinerie de Saint-Antoine	Pantin (France)	EUR	1,680	EUR	(2,005)
Maroquinerie de Sayat	Pantin (France)	EUR	4,730	EUR	6,407
Maroquinerie des Ardennes	Paris	EUR	4,545	EUR	9,840
SC Honossy	Paris	EUR	3,151	EUR	2,765
SCI Auger-Hoche	Pantin (France)	EUR	6,946	EUR	10,278
SCI Boissy Les Mûriers	Paris	EUR	1,322	EUR	3,858
SCI Boissy Nontron	Paris	EUR	1,000	EUR	883
SCI Immauger	Paris	EUR	2,269	EUR	2,924
2. ASSOCIATES (10% TO 50% OF THE SHARE CAPITAL HELD BY THE COMPANY)					

B – Aggregate information on other subsidiaries and associates

1. SUBSIDIARIES (not included in A)					
– France (aggregate)					
– Other countries (aggregate)					
2. ASSOCIATES (not included in A)					
– France (aggregate)					
– Other countries (aggregate)					
TOTAL					

Percentage of capital held [%]	Gross value of shares held [€'000]	Net value of shares held [€'000]	Outstanding loans/ advances [€'000]	Guarantees given [€'000]	Revenue [€'000]	Profit or loss for the financial year [€'000]	Dividends received during year [€'000]
100.00	130,407	–	–	–	–	(7,137)	–
100.00	42,013	32,371	–	–	–	29,624	
99.67	27,146	27,146	–	–	147,260	16,005	9,967
100.00	1,263	1,263	–	–	250	37	–
100.00	1,235	1,235	–	–	130	18	–
60.00	2,000	2,000			1,289	1	–
100.00	1,694	1,694	–	–	–	11,579	6,721
100.00	1,663	1,663	–	–	33,642	3,501	–
100.00	82,792	82,792	–	–	–	1,104	–
76.92	19,511	13,920	–	–	–	(105)	–
94.99	3,760	1,370	–	–	4,450	467	486
100.00	43,483	43,483	–	–	290,809	105,118	74,722
100.00	4,409	4,409	–	–	31,228	5,968	4,363
100.00	3,164	3,164	–	–	34,814	3,520	1,903
100.00	1,501	1,501	–	–	31,910	7,028	6,918
100.00	30,334	21,612	–	–	–	(130)	–
51.00	1,134	1,134	–	–	8,104	1,077	301
100.00	7,218	7,218	–	10	81,759	9,896	7,000
100.00	1,700	1,700	–	67	6,455	480	946
100.00	10,535	10,535	–	–	–	10,959	5,720
100.00	2,837	–	–	–	450	(5,227)	–
100.00	4,952	4,952	–	–	30,986	3,254	6,000
100.00	44,457	44,457	–	–	–	(171)	–
51.01	822	–	–	–	4,917	(663)	–
99.90	999	958	–	–	3,417	115	–
100.00	2,996	2,540	–	–	4,086	259	–
90.00	13,196	13,196	–	–	88,166	10,061	10,800
100.00	13,727	13,727	–	8,674	454,453	65,207	56,968
100.00	10,903	10,903	–	10,524	369,590	44,354	64,267
100.00	1,090	1,090	–	–	3,445	481	411
99.77	4,788	4,788	–	256	1,243,383	199,486	179,962
100.00	2,201	2,201	–	–	150,246	40,739	39,235
96.17	12,652	12,652	–	–	103,893	4,329	2,105
99.99	10,596	–	–	64	5,998	(1,098)	–
100.00	11,143	2,033	–	–	10,603	(1,653)	–
100.00	3,111	2,154	–	–	10,503	(1,197)	–
100.00	10,165	5,456	–	–	8,526	(1,383)	–
100.00	3,598	–	–	–	4,835	(1,638)	–
100.00	9,118	7,222	–	–	8,588	(2,005)	–
100.00	10,527	10,527	–	–	12,291	(807)	–
100.00	3,203	3,203	–	–	–	98	–
99.99	11,242	10,584	–	6,281	–	803	–
99.99	1,326	1,326	–	–	–	702	–
100.00	1,000	903	–	–	–	(13)	–
92.34	2,096	2,096	–	–	–	157	–
	1,893	802	–	–		5,075	–
	230	103	–	–		74	–
	82	74	4,400	–		389	–
	781	781	–	–		2,725	–
	612,693	**418,938**	**4,400**	**25,876**			**478,795**

Five-year summary of the Company's financial data

	2011	2010	2009	2008	2007
Share capital at year-end					
Share capital (in millions of euros)	53.8	53.8	53.8	53.8	54.1
Number of shares outstanding	105,569,412	105,569,412	105,569,412	105,550,012	106,089,214
Aggregate results of operations (in millions of euros)					
Revenue excluding VAT	126.7	90.9	67.0	72.4	64.9
Income before tax, employee profit-sharing, depreciation, amortisation, provisions, and impairment	462.9	344.1	261.3	276.4	202.6
Corporate income tax (income)	(14.0)	(6.1)	(16.5)	(2.9)	(4.4)
Employee profit-sharing (expense)	3.2	3.1	2.6	2.4	2.1
Income after tax, employee profit-sharing, depreciation, amortisation, provisions, and impairment	481.6	325.2	243.2	257.5	196.8
Profits distributed as dividends (including treasury shares)	742.2	160.5	112.5	110.4	107.4
Earnings per share (in euros)					
Income after tax and employee profit-sharing but before depreciation, amortisation, provisions and impairment	4.49	3.29	2.61	2.62	1.93
Income after tax, employee profit-sharing, depreciation, amortisation, provisions, and impairment	4.56	3.08	2.30	2.44	1.86
Net dividend paid per share	7.00 (1)	1.50	1.05	1.03	1.00
Personnel					
Average number of employees	282	260	254	248	214 (2)
Total payroll (in millions of euros)	29.1	25.3	26.7	23.0	21.5
Employee benefits paid during the year (in millions of euros)	42.3	28.3	20.4	12.0	8.1

(1) Subject to approval by the Ordinary General Meeting of 29 May 2012. A proposal will be made for a dividend of €2.00, for which an interim dividend of €1.50 was paid on 1 March 2012, and for an exceptional dividend of €5.00.
(2) Permanent staff on the payroll at end of period.

Combined General Meeting of 29 May 2012

Agenda of the Combined General Meeting of 29 May 2012

I – ORDINARY BUSINESS

[1] Presentation of reports to be submitted to the Ordinary General Meeting

Executive Management's reports:

– on the financial statements for the year ended 31 December 2011 and on the Company's business operations for the period;
– on the management of the Group and on the consolidated financial statements for the year ended 31 December 2011;
– on resolutions relating to ordinary business.

Report from the Chairman of the Supervisory Board:

– on the corporate governance principles applied by the Company, on the composition of the Board and on the application of the principle of gender parity within it, on the conditions for preparation and organisation of the Supervisory Board's work and on the internal control and risk management procedures instituted by the Company.

Supervisory Board's report.

Statutory Auditors' reports:

– on the financial statements;
– on the consolidated financial statements;
– on related-party agreements and commitments;
– on the Report from the Chairman of the Supervisory Board.

[2] Vote on resolutions relating to ordinary business

First resolution
Approval of the parent company financial statements.

Second resolution
Approval of the consolidated financial statements.

Third resolution
Discharge.

Fourth resolution
Appropriation of net income.

Fifth resolution
Approval of related-party agreements and commitments.

Sixth resolution
Re-election of Mr Matthieu Dumas as Supervisory Board member for a term of three years.

Seventh resolution
Re-election of Mr Robert Peugeot as Supervisory Board member for a term of three years.

Eighth resolution
Appointment of Mr Blaise Guerrand as new Supervisory Board member.

Ninth resolution
Appointment of Mr Nicolas Puech as new Supervisory Board member.

Tenth resolution
Authorisation to the Executive Management to trade in the Company's shares.

Eleventh resolution
Powers.

II – EXTRAORDINARY BUSINESS

[1] Presentation of reports to be submitted to the Extraordinary General Meeting

Executive Management's report:

– on resolutions relating to extraordinary business.

Supervisory Board's report.

Statutory Auditors' reports:

– on the capital decrease by cancellation of own shares purchased (Twelfth resolution);
– on the authorisation to grant share purchase options (Thirteenth resolution);
– on granting of existing shares for no consideration to salaried employees and/or corporate officers (Fourteenth resolution);

[2] Vote on resolutions relating to extraordinary business

Twelfth resolution resolution

Authorisation to cancel some or all of the shares purchased by the Company (Article L 225-209).

Thirteenth resolution

Authorisation to the Executive Management to grant share purchase options.

Fourteenth resolution

Authorisation to the Executive Management to grant ordinary shares in the Company for no consideration.

Fifteenth resolution

Amendment of the articles of association.

Sixteenth resolution

Powers.

We invite you to approve all of the resolutions proposed to you, which are presented below.

I – ORDINARY BUSINESS

Approval of the financial statements and discharge

In the first, second and third resolutions, we ask that you duly note the amount of expenses and charges covered by Article 39-4 of the *Code Général des Impôts*, which totalled €202,802; that you approve the parent company financial statements and consolidated financial statements for the year ended 31 December 2011 as they have been presented to you; and that you grant final discharge to the Executive Management for its management of the Company for the said financial year.

Appropriation of net income

In the 4th resolution, we submit to you for approval the appropriation of net income for the year, in the amount of €481,544,653.05. Of this amount, €190,480 is to be appropriated to the reserve for purchasing original works of art and, pursuant to the articles of association, €3,226,349.18 is to be distributed to the Active Partner.

The Supervisory Board recommends that you fix the dividend at €2.00 per share. This represents an increase of 33% in the dividend relative to the previous year.

Moreover, you are asked to decide on an exceptional dividend of €5.00 per share.

In accordance with Article 243 bis of the *Code Général des Impôts*, this dividend entitles shareholders who are natural persons and liable for income tax in France to a 40% tax allowance, as provided by Article 158-3 of the *Code Général des Impôts*.

After the interim dividend of €1.50 per share paid on 1 March 2012, the remainder of the dividend for the year, which amounts to €0.50 per share, to which will be added the exceptional dividend of €5.00 per share — i.e. a total sum per share of €5.50, will be detached from the shares on 31 May 2012 and be payable in cash on 5 June 2012 based on closing positions on 4 June 2012. As Hermès International is not entitled to receive dividends for shares held in treasury, the corresponding sums will be transferred to retained earnings on the date the dividend becomes payable.

The gross dividend per share paid in respect of each of the three previous financial years is as follows:

In euros

Financial year	2008	2009	2010
Dividend	1.03	1.05	1.50
Amount eligible for tax allowance pursuant to Article 158-3 of the *Code General des Impôts*	40%	40%	40%

We note that the five-year summary of the Company's financial data required under Article R225-102 of the *Code de Commerce* is presented on page 219.

Related-party agreements and commitments

In the 5th resolution, we ask that you formally note the related-party agreements and commitments covered by Articles L 226-10 and L 225-38 to L 225-40 of the *Code de Commerce*, which are described in the Statutory Auditors' special report on pages 234 to 237.

Re-election of Supervisory Board members

The terms of office of three Supervisory Board members (Messrs. Matthieu Dumas, Olaf Guerrand

and Robert Peugeot) will be coming to an end at the closing of the present meeting. Mr Olaf Guerrand does not wish to put forward his name again.
In the 6th and 7th resolutions, the Active Partner proposes that you renew the terms of office of two of the three Supervisory Board members that are coming to an end, for the statutory term of three years:
– Mr Matthieu Dumas;
– Mr Robert Peugeot.
Information on the persons whose re-election is submitted to your approval is provided on pages 68 to 69 and 71 to 72.

Appointment of new Supervisory Board members

In the 8th and 9th resolutions, the Active Partner proposes that you appoint, as Supervisory Board members for the statutory term of three years:
– Mr Blaise Guerrand to replace Mr Olaf Guerrand who did not wish to put forward his name once again;
– Mr Nicolas Puech, as the 11th member. These terms of office will therefore expire at the end of the General meeting called in 2015 in order to vote on the financial statements for the fiscal year ending on 31 December 2014. The information regarding the persons whose appointment is submitted for your approval can be found on page 228.

Grant of authority to the Executive Management - Share buyback programme

In the 10th resolution, you are asked to renew the authorisation granted to the Executive Management to trade in the Company's own shares, under the conditions stipulated therein, more specifically:
– purchases and sales of shares representing up to 10% of the share capital would be authorised;
– the maximum purchase price (excluding costs) would be €400 per share. The maximum amount of funds to be committed would be €800 million, in accordance with Article L 225-210 of the *Code de Commerce*. This authorisation would be valid for eighteen months from the date of the General Meeting.

II – EXTRAORDINARY BUSINESS

Grants of authority to the Executive Management - Cancellation of shares

In the 12th resolution, you are asked to renew the authorisation granted to the Executive Management to cancel some or all of the shares purchased by the Company on the stock market under the share buyback programme, on one or more occasions, up to a maximum of 10% of the share capital.
This authorisation would enable the Company to cancel shares issued to cover stock options that are no longer exercisable or that have expired.
This authorisation would be valid for twenty-four months from the date of the General Meeting.

Grants of authority to the Executive Management - Share purchase options

In the 13th resolution, we ask that you renew the authorisation to Executive Management to grant options to purchase shares to employees and corporate officers of the Company and its subsidiaries, and their spouses, so as to continue the Group's policy of giving employees a stake in the Group's growth.
The total number of options that may be granted and that have not yet been exercised and the total number of free shares granted under the terms of the 14th resolution shall not represent more than 2% of the total number of ordinary shares

outstanding on the date on which the options to purchase shares would be granted, not including those options granted under the terms of previous authorisations. The purchase price of the shares would be fixed by the Executive Management within the limitations and in accordance with the terms and conditions stipulated by law.

Given currently applicable regulations, the purchase price will be equal to 100% of the average of opening share prices during the twenty trading days preceding the day on which the options would be granted. This price would not be subject to change during the exercise period of the options unless the Company were to enter into the financial transactions covered by Article L 225-181 of the *Code de Commerce*. In this case, the Executive Management would adjust the number of shares and the price in accordance with the applicable statutory provisions.

The options would be exercisable within two to seven years as from the option grant date.

In accordance with the statutory provisions, in the event of a grant of share purchase options to an Executive Chairman, the Company would ensure that it would either:

– also grant such options to all of the Company's employees and to at least 90% of the employees of its French subsidiaries; or

– distribute free shares to the aforesaid employees; or

– enhance the terms of employee incentive and/or profit-sharing schemes of the Company and its subsidiaries (or institute such schemes, where applicable).

Furthermore, in accordance with the AFEP/MEDEF Code of Corporate Governance applied by the Company, any options granted to the Executive Management would be contingent upon meeting performance criteria defined at the time of the grant.

This authorisation would be valid for thirty-eight months from the date of the General Meeting.

Grants of authority to the Executive Management - Free share allotment

In the 14th resolution, we ask that you renew the authorisation to the Executive Management to grant ordinary shares in the Company for no consideration.

The total number of shares granted for no consideration and the total number of share purchase options granted pursuant to the 13th resolution and not yet exercised shall not represent more than 2% of the total number of ordinary shares outstanding on the free share allotment date, not including those options granted under the terms of previous authorisations.

The vesting period for the shares granted shall not be less than two years, plus a holding period by the beneficiaries of no less than two years, except in the special cases set out in the resolution.

As in the case of options to purchase shares, in accordance with the new statutory provisions, in the event of a free share distribution to the Executive Management, the Company would either:

– grant free shares to all of the Company's employees and to at least 90% of the employees of its French subsidiaries;

– grant options to purchase shares to the aforesaid employees; or

– enhance the terms of employee incentive and/or profit-sharing schemes of the Company and its subsidiaries (or institute such schemes, where applicable).

Furthermore, in accordance with the AFEP/MEDEF Code of Corporate Governance applied by the Company, any free shares granted to the Executive Management would be contingent upon

meeting performance criteria defined at the time of the grant.
This authorisation would be valid for thirty-eight months from the date of the General Meeting.

Amendment of the articles of association

In the 15th resolution, we propose to you a modification of articles 9 and 11 of the articles of association in order to henceforth impose registered form for equity interests above the threshold of 0.5%, and to sanction any non-compliance with this obligation by the deprivation of voting rights. This modification will make it possible to precisely identify the shareholders at any time and to monitor the movements of securities of significant shareholders.

Information on Board members whose re-election and/or appointment is submitted to the General Meeting for approval

Information on Supervisory Board members whom you are asked to re-elect, namely Mr Matthieu Dumas and Mr Robert Peugeot, is provided on pages 68 to 69 and 71 to 72.

Blaise Guerrand

Date of birth: 4 June 1983

Education

Graduate of the HEC Paris

Number of Hermès International shares held

99 shares

Positions or functions occupied within the Hermès Group

Hermès Sellier	Member of the Management Board

Professional activities during the last five years

From 2007 to 2010, he was an associate in — and then director of equity interests for — the Indian subsidiary of Ashmore Investment Management, one of the worldwide leaders in investments in emerging countries, with more than $40 billion under management and listed on the London Stock Exchange.

Since 2011, he has been the Asset Management Director of Avest Capital, based in London and Mumbai.

Since 2007, he has also been a director of the ACCESS Health International foundation that, in partnership with the Rockefeller Foundation, works to improve access to healthcare for the underprivileged classes in certain developing countries.

Functions carried out in other companies

Sevres-Scifah	Executive chairman
Jakyval	Director
Dravor	Director
ACCESS Health International	Director
Avest Capital	Asset management director

Nicolas Puech

Date of birth: 29 January 1943

Education

Arts

Number of Hermès International shares held

6,082,615 shares

Positions or functions occupied within the Hermès Group

None

Professional activities during the last five years

Fondation Nicolas Puech	Foundation Board chairman (The purpose of this foundation is to support, encourage, assist and promote any undertaking and actions that it considers worthwhile in charitable, humanitarian, religious, medical or cultural areas, as well as in environmental sciences).

Functions carried out in other companies

None

In accordance with legal and regulatory requirements, we hereby present our report for the year ended 31 December 2011.

We first wish to inform you that:

- the Executive Management has kept us regularly informed of the Company's business operations and results;
- the statement of financial position, statement of income and notes thereto have been provided to us as required by law;
- transactions subject to prior approval by the Supervisory Board under the terms of special provisions contained in the Company's articles of association have been duly approved by us, as will be seen below;
- the Supervisory Board has met on a regular basis to decide on various matters within its exclusive competence under the terms of the articles of association.

1. Comments on the parent company financial statements and consolidated financial statements

In the light of the comprehensive review already provided, we have no specific comments on the business performance or on the financial statements for the year ended 31 December 2011.

We recommend that you approve the financial statements.

2. Appropriation of net income

On 8 February 2012, the Executive Management decided to pay an interim dividend of €1.50 per share. This interim dividend was paid on 1 March 2012.

We recommend that you approve the proposed appropriation of net income as set out in the draft resolutions submitted to you for approval, calling for a net dividend of €2.00 per share and an exceptional dividend of €5.00.

After deducting the interim dividend, the balance, or €5.50 per share, would be detached from the shares on 31 May 2012 and payable on 5 June 2012, based on the closing positions on 4 June 2012.

3. Work of the Supervisory Board

Related-party agreements and commitments

The Executive Management informed us of the agreements to be entered into during the year ended 31 December 2011 and covered by the combined provisions of Articles L 226-10 and L 225-38 through L 225-43 of the *Code de Commerce*, and submitted them for our prior approval. The Statutory Auditors' special report on pages 234 to 237 gives a brief description of agreements and commitments approved during fiscal 2011, as well as the ones approved during previous years and that remained in effect during the financial year.

Recommendations, authorisations and other items

In 2011, the Supervisory Board:

– reviewed the 2011 budget and Strategic Guidelines;
– modified the Supervisory Board's rules of procedure;
– adopted an ethics charter for the Supervisory Board;
– decided on the apportionment of directors' fees and compensation payable to the Board members in respect of 2010;
– renewed the global authorisation to the Executive Management to grant endorsements and guarantees on behalf of subsidiaries for 2011, subject to a ceiling;

– approved the creation of an endowment fund in order to allow the Company to carry out part of the sponsorship policy;
– appointed Mr Éric de Seynes as chairman of the Supervisory Board to replace Mr Jérôme Guerrand, who wished to resign from his position as Board member, for personal reasons;
– co-opted Mr Olaf Guerrand as a new member of the Supervisory Board;
– renewed the terms of the chairman, vice-chairmen, the chairman and members of the Audit committee and the chairman and members of the Compensation, Appointments and Governance Committee, after the meeting had renewed their terms as members of the Supervisory Board;
– took note of the Group's investment policy;
– examined the situation of the Supervisory Board members relative to the objectivity and independence criteria contained in the rules of procedure;
– adopted a new schedule for reimbursement of the expenses of Board members;
– reviewed the compliance of the Supervisory Board members with the ownership threshold of 200 shares;
– adopted a master file for the usage of the Supervisory Board members;
– analysed the application of the AFEP-MEDEF corporate governance code;
– examined the areas for improvement in the preparation of the Board meetings, relative to the 2010 Board assessment grid;
– decided, in view of the progress made by the Company in recent years with regard to governance, to henceforth only perform a questionnaire-based self-assessment of the Board once every three years;
– took note of the share buybacks carried out by the Management;
– directed the Compensation, Appointments and Governance Committee to provide it with proposals for setting the criteria and calendar for changing the composition of the Board;
– took note of the Group's human resources policy;
– discussed the Company's policy with regard to professional and wage equality;
– performed an informal annual assessment of the Board's work;
– examined the reports and work of the Audit committee, and of its self-assessment;
– examined the reports and work of the Compensation, Appointments and Governance Committee;
– examined the projected management documents;
– decided on the proposed appropriation of earnings to be submitted to the Combined General Meeting of 30 May 2011;
– issued a favourable opinion on the proposed resolutions submitted to the Combined General Meeting of 30 May 2011 and familiarised itself with the reports drawn up by the Executive Management;
– approved the report from the Chairman of the Supervisory Board on the conditions governing the preparation and organisation of the Supervisory Board's work and on the internal control procedures implemented by the Company;
– approved the wording of the prudential rules applicable by the subsidiaries, together with updated lists of the authorised signatories and banks of Hermès International;
– formally noted the summary statement of services provided by Hermès International to Émile Hermès SARL in 2010 and projections for 2011;
– authorised a surety commitment in favour of a subsidiary;
– examined the situation of certain equity interests;

– formally noted proposals for acquisitions, disposals and equity investments;
– formally noted proposed investment projects;

On the Chairman's initiative, the Supervisory Board travelled for the first time in 2011 and visited the Pierre-Bénite site, which is home to a textile production and leather goods site.

4. Recommendations on proposed resolutions submitted to the Combined General Meeting of 29 May 2012

We are in favour of all the proposed resolutions submitted to you.

This concludes our report on the information and opinions we considered necessary to bring to your attention in connection with the present General Meeting, and we recommend that you vote to approve all the resolutions submitted to you.

5. Composition of the Supervisory Board

We are fully in favour of the proposal made to you relative to:

◆ re-election of the members whose office is about to expire:
– Mr Matthieu Dumas;
– Mr Robert Peugeot;

◆ appointment to the Supervisory Board:
– Mr Blaise Guerrand to replace Mr Olaf Guerrand;
– Mr Nicolas Puech as the 11th member.

The Supervisory Board

Statutory Auditors' report on the financial statements

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 December 2011, on:
– the audit of the accompanying financial statements of Hermès International;
– the justification of our assessments;
– the specific verifications and information required by law.
These financial statements have been approved by the Executive Management. Our role is to express an opinion on these financial statements based on our audit.

1. Opinion on the financial statements
We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at 31 December 2011 and of the results of its operations for the year then ended in accordance with French accounting principles.

2. Justification of our assessments
In accordance with the requirements of Article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matter.
Note 1.3 to the financial statements describes the accounting methods and principles applied to determine the value of financial assets. As part of our assessment, we have examined the appropriateness of these methods and reviewed the assumptions used.
These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verifications and information
In accordance with professional standards applicable in France, we have also performed the specific verifications required by French law.
We have no matters to report as to the fair presentation and consistency with the financial statements of the information given in the management report of the Executive Management, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.
Concerning the information given in accordance with the requirements of Article L.225-102-1 of the French Commercial Code relating to remuneration and benefits received by corporate officers and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling it or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

In accordance with French law, we inform you that the required information concerning the identity of shareholders and holders of the voting rights has been properly disclosed in the management report.

Neuilly-sur-Seine and Paris, 30 March 2012
The Statutory Auditors

PricewaterhouseCoopers Audit	Didier Kling & Associés
Christine Bouvry	Christophe Bonte

Statutory Auditors' report on the consolidated financial statements

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 December 2011, on:
– the audit of the accompanying consolidated financial statements of Hermès International;
– the justification of our assessments;
– the specific verification required by law.
These consolidated financial statements have been approved by the Executive Management. Our role is to express an opinion on these consolidated financial statements based on our audit.

1. Opinion on the consolidated financial statements
We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at 31 December 2011 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

2. Justification of our assessments
In accordance with the requirements of Article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:
– as part of our assessment of the accounting principles applied by the Group, we reviewed the methods used to apply these principles to intangible assets and property, plant and equipment (Notes 1.7 and 1.8 to the consolidated financial statements) and to inventories (Note 1.10 to the consolidated financial statements) and we verified their proper implementation;
– Note 1.17 to the consolidated financial statements describes the methods used to measure post-employment and other employee benefit obligations. These obligations, in connection with defined-benefit plans, have been assessed by independent actuaries. Our work included reviewing the data and assumptions used and ascertaining that the information provided in Note 25 to the consolidated financial statements is appropriate.
These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verification
As required by law and in accordance with professional standards applicable in France, we have also verified the information relating to the Group presented in the management report.
We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris, 30 March 2012
The Statutory Auditors

PricewaterhouseCoopers Audit
Christine Bouvry

Didier Kling & Associés
Christophe Bonte

Statutory Auditors' special report on related-party agreements and commitments

This is a free translation into English of the Statutory Auditors' special report on related-party agreements and commitments issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In our capacity as Statutory Auditors of Hermès International, we hereby report to you on related-party agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of Article R.226-2 of the French Commercial Code (*Code de commerce*), it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by Article R.226-2 of the French Commercial Code in relation to the implementation during the year of agreements and commitments already approved by the Annual General Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

I. Agreements and commitments to be submitted for the approval of the Annual General Meeting

Agreements and commitments authorised during the year

In accordance with Article L.226-10 of the French Commercial Code, we were informed of the following agreements and commitments authorised by the Supervisory Board.

a) Guarantees granted

• At its meeting of 26 January 2011, the Supervisory Board authorised the renewal of the Executive Management's power to grant endorsements and guarantees during 2011 on behalf of subsidiaries in which Hermès International holds, directly or indirectly, more than 50% of the share capital, subject to a total net amount of €10,000,000 for all commitments and a net amount of €3,000,000 for each individual commitment.

• Hermès International granted a guarantee to Furla France in connection with the leasing of store premises located at 85, rue des Saints-Pères, 75006 Paris and covering the performance by Hermès Sellier (Shang Xia division) of all its obligations as tenant under that lease for a maximum amount equal to one year's rent excluding VAT.

This commitment was authorised by the Supervisory Board at its meeting of 16 November 2011.

No guarantees granted within the framework of these authorisations were called upon in 2011.

b) Julie Guerrand's employment contract with Hermès International

As of 7 March 2011, Julie Guerrand holds an employment contract with Hermès International in connection with her duties as Director of Corporate Development. This agreement was previously authorised by the Supervisory Board at its meeting of 3 March 2011.

c) Amendments to trademark licence agreements

Amendments to trademark licence agreements were signed by Hermès International and Hermès Sellier, Hermès Horizon, Comptoir Nouveau de la Parfumerie and Compagnie des Arts de la Table.

At its meetings of 26 January 2011 and 30 August 2011, the Supervisory Board authorised these amendments which:

– take into account the change in the company name of Hermès Intérieur Design, which is now Hermès Horizon, and the corporate purpose of Hermès Horizon (and therefore a change in the trademark licence that covers the services relating to the new corporate purpose of the company);

– modify royalties on revenue earned by Hermès Horizon, Hermès Sellier, Comptoir Nouveau de la Parfumerie, Compagnie des Arts de la Table and La Montre Hermès.

The licence agreements in effect provide for the following terms and royalties:

Company	Term	Royalties paid in respect of 2011
Hermès Sellier	Ten-year term as of 1 January 2007	€51,967,665
La Montre Hermès	Ten-year term as of 1 October 2006	€3,503,111
Compagnie des Arts de la Table	Ten-year term as of 1 January 2007	€861,729
Comptoir Nouveau de la Parfumerie	Ten-year term as of 1 January 2007	€7,288,080
Hermès Horizon	Ten-year term as of 1 January 2008	€19,709

Agreements reclassified as non-regulated related-party agreements during the year

Commercial lease – 26, rue du Faubourg Saint-Honoré
At its meeting of 3 March 2011, the Supervisory Board decided to reclassify as non-regulated agreements the agreement for the commercial lease for premises located at 26, rue du Faubourg-Saint-Honoré, 75008 Paris, for use as retail, storage and technical premises, for a fixed term of nine years, with retroactive effect as of 1 January 2005, in consideration for an annual rent of €696,000 excluding VAT and charges. This lease was granted by SIFAH to Hermès International and the rent was fixed at market prices following an appraisal carried out by both parties.

II. Agreements and commitments already approved by the Annual General Meeting

Agreements and commitments approved in previous years and remaining in effect during the year

In accordance with Article R.226-2 of the French Commercial Code, we have been informed that the following agreements and commitments, approved by the Annual General Meeting in previous years, remained in effect during the year.

a) Compensation of members of the special committees
At its meetings on 26 January 2005, 2 June 2005 and 24 March 2010, the Supervisory Board decided to set the annual compensation of the Chairmen of the Audit Committee and the Compensation, Appointments and Governance Committee at €20,000 and at €10,000 for the other members.
Hermès International granted a total of €105,000 to all committee members in consideration for the performance of their duties in respect of 2011.

b) Service agreement
At its meetings of 23 March 2005, 14 September 2005 and 11 December 2007, the Supervisory Board authorised Hermès International to enter into a service agreement with Émile Hermès SARL for the provision of routine legal and financial services. At its meeting of 11 December 2007, the Supervisory Board authorised the signature of an amendment to add secretarial services to this agreement.
Hermès International billed €122,163 for services provided under the terms of this agreement in respect of 2011.

c) Design assignment agreement
Hermès International entered into an agreement and signed its amendment with the architectural firm RDAI to undertake an assignment to design Hermès stores (Supervisory Board meetings held on 20 March 2003 and 15 September 2004).
Hermès International paid €75,700, excluding VAT, in fees in connection with this assignment in respect of 2011.

d) Guarantees given
• At its meeting of 9 December 2008, the Supervisory Board authorised an “umbrella” guarantee for a maximum principal amount of €100,000,000 granted to BNP Paribas to guarantee its subsidiaries’ operating credit lines.
• At the Supervisory Board meeting held on 26 January 2005, Hermès International authorised an “umbrella” guarantee for a maximum principal amount of €75,000,000 granted to HSBC bank to provide subsidiaries, designated by Hermès International, with access to an aggregate group bank facility.
• At its meeting of 16 February 1988, the Supervisory Board authorised a guarantee granted to London

& Provincial Shop Centres on behalf of Hermès GB Ltd. in connection with the leasing of store premises at 179/180 Sloane Street, London and covering the performance by Hermès GB Ltd. of all its obligations as tenant under that lease.

• Hermès International granted a guarantee to 693 Madison Avenue Company L.P. on behalf of its subsidiary Hermès of Paris Inc. in connection with the leasing of store premises located at 691-693-695 Madison Avenue, New York and covering the performance by Hermès of Paris Inc. of all its obligations as tenant under that lease. This guarantee was authorised by the Supervisory Board at its meeting of 23 September 1998.

• At its meeting of 23 March 1999, the Supervisory Board authorised a guarantee granted to Carlton House Inc. on behalf of its subsidiary Hermès of Paris Inc. in connection with the leasing of the John Lobb store premises located at 680 Madison Avenue, New York and covering the performance by Hermès of Paris Inc. of all its obligations as tenant under that lease.

• At the Supervisory Board meeting held on 25 May 1998, Hermès International authorised a guarantee granted on behalf of its subsidiary Hermès Japon in connection with a loan of an initial amount of JPY 5,000,000,000 from Japan Development Bank, repayable at any time up to and including 20 May 2013. A commission fee of JPY 2,057,042 (€17,887) was billed in respect of 2011.

• At the Supervisory Board meeting held on 23 September 1999, Hermès International authorised a guarantee granted on behalf of its subsidiary Hermès Japon in connection with a loan of an initial amount of JPY 2,500,000,000 from Japan Development Bank, repayable at any time up to and including 20 April 2013. A commission fee of JPY 996,667 (€8,667) was billed in respect of 2011.

• At its meeting of 25 January 2006, the Supervisory Board authorised a guarantee granted to 23 Wall Commercial Owners LLC on behalf of your subsidiary Hermès of Paris Inc. to cover the obligations for the lease for retail premises located on the ground floor of 15 Broad Street, New York.

• At its meeting of 24 January 2007, the Supervisory Board authorised a joint and several or first demand guarantee granted to South Coast Plaza to cover the obligations incurred by JL & Co under a lease for retail premises located in the South Coast Plaza shopping centre in California (USA) for a ten-year term commencing on 1 May 2007.

• Hermès International authorised an indefinite joint and several guarantee granted to The Streets of Buckhead Development Co to cover the obligations incurred by JL & Co for the proposed lease of retail premises in Atlanta, Georgia, (USA) for a ten-year term.
This agreement was previously authorised by the Supervisory Board at its meeting of 19 March 2008.

• At its meeting of 30 August 2007, the Supervisory Board authorised a joint and several guarantee granted to Maria del Carmen Ordonez de Briozzo to cover the obligations incurred by Hermès Argentina following the transfer to the latter of the lease agreement for the premises of the Hermès store in Buenos Aires for a ten-year term.

No guarantees granted were called upon 2011.

e) Commitments with an Executive Chairman

• Top-up pension scheme granted to an executive corporate officer:
At its meeting on 13 September 2006, the Supervisory Board authorised the signing of an amendment to the rules governing the top-up pension scheme set up in 1991 for the Company's senior executives, including the Executive Chairman. The main changes related to the scope of this scheme, its potential beneficiaries, the terms and conditions for awarding benefits, and coverage provided under the scheme. Under this scheme, the beneficiary will receive annual payments based on the number of years of service and annual compensation. These payments represent a percentage of compensation for each year of service. The beneficiary is also eligible for a reversion scheme, under which the surviving spouse receives 60% of annual compensation. Like all employees of the Group's French subsidiaries, the Executive Chairman, who is a natural person, is also eligible for the supplemental defined-contribution pension scheme that was set up in 2006. The maximum annual payment, including payments under the mandatory schemes and any supplemental schemes set up within the Group, may not exceed 70% of compensation paid during the last year of service, including the fixed and variable components of salary.

• General life-insurance and disability regime, also covering an Executive Chairman
On 1 October 2004, Hermès International introduced a health insurance regime and a collective life-insurance and disability regime conferring the same rights on the Executive Chairmen as other Company

employees. Based on current French social security texts and certain prevailing practices, this system must be considered optional. Therefore, in order to take into account changes in the legal and regulatory environment since 2003, it was decided to introduce (as defined by the Social Security Department in its circular dated July 2006) a mandatory regime. This new regime, which was approved by the Supervisory Board at its meeting of 9 December 2008, replaced the preceding regime with effect from 1 January 2009, in accordance with case law procedure on changes in practice. This new format does not in any way amend the guarantees granted under the two regimes, which remain unchanged.

• Commitment to Patrick Thomas, in connection with the termination of his contract as Executive Chairman
At its meeting of 19 March 2008, the Supervisory Board authorised an agreement between Hermès International and Patrick Thomas in connection with the termination of his appointment as Executive Chairman, providing for severance pay amounting to 24 months' compensation, subject to meeting the following performance criteria: reaching at least four budgets (revenue and operating income growth rate measured at constant rates) in the last five years and with no deterioration of the Hermès brand image.

Paris and Neuilly-sur-Seine, 30 March 2012
The Statutory Auditors

PricewaterhouseCoopers Audit
Christine Bouvry

Didier Kling & Associés
Christophe Bonte

Statutory auditors' report on the report prepared by the Chairman of the Supervisory Board of Hermès International

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In our capacity as Statutory Auditors of Hermès International, and in accordance with Article L 226-10-1 of the French Commercial Code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of the Supervisory Board of your Company in accordance with the aforementioned article of the French Commercial Code for the year ended 31 December 2011.

It is the Chairman's responsibility to prepare, and submit to the Supervisory Board for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by Article L 226-10-1 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:
– to report to you on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, and
– to attest that the report sets out the other information required by Article L 226-10-1 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information
The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures mainly consisted of:
– obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
– obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
– determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Supervisory Board's report, prepared in accordance with Article L 226-10-1 of the French Commercial Code.

Other information
We attest that the Chairman's report sets out the other information required by Article L 226-10-1 of the French Commercial Code.

Neuilly-sur-Seine and Paris, 30 March 2012
The Statutory Auditors

PricewaterhouseCoopers Audit
Christine Bouvry

Didier Kling & Associés
Christophe Bonte

Statutory Auditors' report on the capital decrease by cancellation of own shares purchased (twelfth resolution)

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In our capacity as Statutory Auditors of Hermès International, and in accordance with the requirements of Article L.225-209 or the French Commercial Code (*Code de commerce*) concerning share capital decreases by cancellation of repurchased shares, we hereby report to you on our assessment of the reasons for and the terms and conditions of the proposed share capital decrease.

The Company's Executive Management proposes that the shareholders confer upon it, for a period of 24 months as of the date of this Meeting, all necessary powers to cancel, on one or more occasions, up to a maximum of 10% of the Company's share capital per period of 24 months, some or all of the shares held or purchased by the Company on the stock market as part of the share buyback programme as provided under the ninth resolution submitted to this Meeting, and/or any authorisation conferred by a past or subsequent General Meeting, and to authorise the Company to buy back its own shares as provided under the aforementioned article.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures involved examining the fairness of the reasons for and the terms and conditions of the proposed share capital decrease, which is not considered to infringe upon the principle of equal treatment of shareholders.

We have no comments on the reasons for or the terms and conditions of the proposed share capital decrease.

Paris and Neuilly-sur-Seine, 30 March 2012
The Statutory Auditors

PricewaterhouseCoopers Audit
Christine Bouvry

Didier Kling & Associés
Christophe Bonte

Statutory Auditors' report on the authorisation to grant share purchase options (thirteenth resolution)

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In our capacity as Statutory Auditors of Hermès International, and in accordance with the requirements of Articles L.225-177 and R.225-144 of the French Commercial Code (*Code de commerce*), we hereby present our report on the authorisation to grant share purchase options to all or some employees and corporate officers of Hermès International and its affiliated companies or groups, under the conditions stipulated by Article L.225-180 of the French Commercial Code, which is submitted to you for approval.

The Company's Executive Management proposes that, on the basis of its report, the shareholders authorise it, for a period of 38 months as of the date of this Meeting, to grant share purchase options, on one or several occasions, within the limit of 2% of the Company's ordinary shares on the date on which the options will be granted, wherein this is a combined ceiling including the issue of shares for no consideration provided under the fourteenth resolution.

It is the Executive Management's responsibility to draw up a report on the reasons for granting share purchase options as well as the proposed methods used to set the purchase price. Our responsibility is to express an opinion on the proposed methods used to set the share purchase price.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted, in particular, in verifying that the proposed methods used to set the share purchase price are specified in the Executive Management's report and that they comply with the applicable laws and regulations.

We have no comments to make on the proposed methods used to set the share purchase price.

Neuilly-sur-Seine and Paris, 30 March 2012
The Statutory Auditors

PricewaterhouseCoopers Audit
Christine Bouvry

Didier Kling & Associés
Christophe Bonte

Statutory Auditors' report on the authorisation to grant existing shares for no consideration (fourteenth resolution)

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In our capacity as Statutory Auditors of Hermès International, and in accordance with the requirements of Article L 225-197-1 of the French Commercial Code (*Code de Commerce*), we hereby present our report on the proposed authorisation to grant existing shares for no consideration to all or some employees and corporate officers of Hermès International and its affiliated companies or groups, under the conditions stipulated by Article L.225-197-2 of the French Commercial Code, which is submitted to you for approval.

The Company's Executive Management proposes that, on the basis of its report, the shareholders authorise it, for a period of 38 months as of the date of this Meeting, to grant existing shares, for no consideration, on one or several occasions, within the limit of 2% of the Company's ordinary shares as of the grant date of the shares, wherein this is a combined ceiling including the share purchase options that have been granted but not yet exercised under the thirteenth resolution.

It is the Executive Management's responsibility to draw up a report on this transaction which it wishes to carry out. Our responsibility is to make comments on the information which is provided to you on the proposed transaction, as necessary.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted, in particular, in verifying that the proposed methods disclosed in the Executive Management's report comply with the applicable laws and regulations.

We have no comments to make on the information provided in the Executive Management's report on the proposed authorisation to grant shares.

Neuilly-sur-Seine and Paris, 30 March 2012
The Statutory Auditors

PricewaterhouseCoopers Audit
Christine Bouvry

Didier Kling & Associés
Christophe Bonte

I - ORDINARY BUSINESS

First resolution

Approval of the parent company financial statements
The Ordinary General Meeting, having heard the Executive Management's report on the Company's operations and situation, the Supervisory Board's report and the Statutory Auditors' report for the year ended 31 December 2011, approves the financial statements, the balance sheet and the notes thereto as presented, as well as the transactions they reflect. The General Meeting duly notes that the expenses and charges covered by Article 39-4 of the *Code Général des Impôts* amounted to €202,802 for the year ended 31 December 2011.

Second resolution

Approval of the consolidated financial statements
The Ordinary General Meeting, having heard the Management Report on the Group's operations and situation, the Supervisory Board's report and the Statutory Auditors' report for the year ended 31 December 2011, approves the consolidated financial statements as presented, and showing consolidated net income of €481,544,653.05.

Third resolution

Discharge
Consequently, the General Meeting gives the Executive Management final discharge for its management of the Company during the year commencing on 1 January 2011 and ending on 31 December 2011.

Fourth resolution

Appropriation of net income
The Ordinary General Meeting notes that net income for the year amounted to €481,544,653.05 and retained earnings, to €1,127,921,025.62, and approves the appropriation of these sums totalling €1,609,465,678.67, as proposed by the Supervisory Board:

- to the legal reserve: none, as the legal reserve amounts to one-tenth of the share capital ......€0,00 ;
- to the reserve for purchasing original works of art: €190,480.00;
- to the Actives Partners, pursuant to Article 26 of the Company's articles of association: €3,226,349.18;
- to shareholders, an "ordinary" dividend of €2.00 per share, totalling...................... €211,138,824.00;
- to shareholders, an "exceptional" dividend of €5.00 per share, totalling €527,847,060.00;
- allocation to the other reserves of the sum of €400,000,000.00
- to retained earnings, the balance of: €467,062,965.49;
- **total amount appropriated**: . . .€1,609,465,678.67.

The General Meeting resolves that the balance of the ordinary dividend for the financial year (a down payment of €1.50 per share having been paid on 1 March 2012), which amounts to €0.50 par share, to which will be added the exceptional dividend of €5.00 per share — i.e. a total sum per share of €5.50, which will be detached from the shares on 31 May 2012 and be payable in cash on 5 June 2012 based on closing positions on 4 June 2012.

As Hermès International is not entitled to receive dividends for shares held in treasury, the corresponding sums will be transferred to retained earnings on the date the dividend becomes payable. In accordance with Article 243 bis of the *Code Général des Impôts*, this dividend entitles shareholders who are natural persons and liable for income tax in France to a 40% tax allowance, as provided by Article 158-3 of the *Code Général des Impôts*.

In accordance with the provisions of Article 47 of Law No. 65-566 of 12 July 1965, the General Meeting duly notes that dividends distributed to the shareholders in respect of the three previous financial years were as follows:

In euros

Financial year	2010	2009	2008
Dividend	1.50	1.05	1.03
Amount eligible for tax allowance pursuant to Article 158-3 of the *Code Général des Impôts*	40 %	40 %	40 %

Fifth resolution

Approval of related-party agreements and commitments

The Ordinary General Meeting, having heard the Statutory Auditors' special report on related-party agreements and commitments covered by the combined provisions of Articles L 226-10 and Articles L 225-38 through L 225-43 of the *Code de Commerce*, approves the transactions entered into or performed during the financial year 2011.

Sixth resolution

Re-election of Mr Matthieu Dumas as Supervisory Board member for a term of three years

On the recommendation of the Active Partner, the General Meeting re-elects

Mr Matthieu Dumas.

as Supervisory Board member.

Pursuant to Article 18.2 of the articles of association, his term of office will expire at the end of the Annual General Meeting convened to vote on the financial statements for the year ended 31 December 2014.

Mr Dumas has indicated that he is prepared to accept this appointment and that he is not legally prohibited from doing so in any manner whatsoever.

Seventh resolution

Re-election of Mr Robert Peugeot as Supervisory Board member for a term of three years

On the recommendation of the Active Partner, the General Meeting re-elects

Mr Robert Peugeot.

as Supervisory Board member.

Pursuant to Article 18.2 of the articles of association, his term of office will expire at the end of the Annual General Meeting convened to vote on the financial statements for the year ended 31 December 2014.

Mr Peugeot has indicated that he is prepared to accept this appointment and that he is not legally prohibited from doing so in any manner whatsoever.

Eighth resolution

Appointment of a new Supervisory Board member

On the recommendation of the Active Partner, the Annual General Meeting elected

Mr Blaise Guerrand

as Supervisory Board member for the standard term of office of three years, replacing Mr Olaf Guerrand who is at the end of his term and who is not seeking a new term.

His term of office will expire at the end of the Annual General Meeting convened to vote on the financial statements for the year ended 31 December 2014.

Mr Blaise Guerrand has indicated that he is prepared to accept this appointment and that he is not legally prohibited from doing so in any manner whatsoever.

Ninth resolution

Appointment of a new Supervisory Board member

On the recommendation of the Active Partner, the Annual General Meeting elected

Mr Nicolas Puech

as a new Supervisory Board member for the standard term of office of three years set out in the articles of association.

His term of office will expire at the end of the Annual General Meeting convened to vote on the financial statements for the year ended 31 December 2014.

Mr Nicolas Puech has indicated that he is prepared to accept this appointment and that he is not legally prohibited from doing so in any manner whatsoever.

Tenth resolution

Authorisation to the Executive Management to trade in the Company's shares

The General Meeting, acting under the quorum and majority requirements applicable to ordinary general meetings, having reviewed the Executive Management's Report:

◆ Authorises the Executive Management, with the option further to delegate such authority, in accordance with the provisions of Articles L 225-209 *et seq.* of the *Code de Commerce* and European Commission Regulation 2273/2003 of 22 December 2003, to arrange for the Company to buy back its own shares, within the limitations stipulated by the applicable laws and regulations, subject to the following restrictions:

– the number of shares purchased by the Company during the term of the buyback programme shall not exceed 10% of the total number of shares in the Company, at any time; this percentage shall apply to share capital adjusted as a function of transactions that will affect it subsequent to this General Meeting; in accordance with the provisions of Article L 225-209 of the *Code de Commerce*, the number of shares used as a basis for calculating the 10% limit is the number of shares bought, less the number of shares sold during the term of the authorisation if the shares are purchased to provide liquidity under the conditions defined by the AMF General Regulation; and

– the Company shall not at any time own more than 10% of its own shares.

◆ Resolves that the shares may be bought with a view to:

– ensuring that liquidity is provided for the shares on the equity market by an investment services provider acting entirely independently under a liquidity contract that complies with a code of conduct recognised by the Autorité des Marchés Financiers;

– cancelling the shares, in order to increase the return on equity and earnings per share, and/or to neutralise the dilutive impact of capital increases for shareholders,

wherein such purpose is contingent upon adoption of a special resolution by the Extraordinary General Meeting;
– retaining the shares, in order subsequently to transfer the shares in payment, in exchange or as other consideration for a takeover bid initiated by the Company, it being specified that the number of shares purchased by the Company in view of retaining them and subsequently delivering them in payment or exchange under the terms of a merger, demerger or partial merger shall not exceed 5% of the share capital;
– allotting the shares to employees and corporate executive officers of the Company or an affiliated company, under the terms and conditions stipulated by law, as part of share purchase option plans (in accordance with Articles L 225-179 *et seq.* of the *Code de Commerce*), or free share distributions (in accordance with Articles L 225-197-1 *et seq.* of the *Code de Commerce*), or as part of the Company's employee profit sharing schemes or of an employee share ownership or savings plan;
– delivering the shares for the exercise of rights attached to securities entitling the holders to the allotment of shares in the Company, by conversion, exercise, redemption, exchange or by any other means, in accordance with stock market regulations.

This programme would also be intended to enable the Company to trade in its own shares for all other purposes that are or may in the future be authorised by the applicable laws or regulations. In such case, the Company would inform its shareholders by publishing a special notice;

◆ Resolves that, save for shares purchased in order to deliver them under share purchase plans for the Company's employees or corporate executive officers, that the purchase price per share shall be no higher than four hundred (400) euros, excluding incidental expenses;

◆ Resolves, however, that the Executive Management may adjust the aforesaid purchase price in the event of a change in the par value per share; a capital increase by capitalisation of reserves; a free share distribution; a stock split or reverse split; a write-off or reduction of the share capital; distribution of reserves or other assets; and any other transactions applying to shareholders' equity, to take into account the effect of such transactions on the value of the shares;

◆ Resolves that the maximum amount of funds that may be committed to this share buyback programme shall be eight hundred million euros (€800,000,000);

◆ Resolves that the shares may be purchased by any means, including partially or entirely by purchase on the stock market, block purchase, off-market purchase, public offerings to buy or exchange shares, or by the use of options or derivatives (in accordance with the then-applicable laws and regulations and excluding the sale of puts), at such times as the Executive Management shall deem appropriate, including times of public offerings, in compliance with stock market regulations. The shares acquired pursuant to this authorisation may be retained, sold, or, more generally, transferred by any means, including by block sales and during times of public offerings;

◆ Confers all powers on the Executive Management for purposes of this authorisation, with the option further to delegate such powers, and in particular:
– to effect all transactions; to determine the terms, conditions and procedures applicable thereto;
– to place all orders, either on or off market;
– to adjust the purchase price of the shares to take into account the effect of the aforesaid transactions on the value of the shares;
– to enter into all agreements, in particular for purposes of maintaining the stock transfer ledgers;
– to file all necessary reports with the Autorité des Marchés Financiers and any other relevant authority;
– to undertake all necessary formalities;

◆ Resolves that this authorisation is granted for a period of eighteen months from the date of this Meeting, and that it supersedes the authorisation granted under the twenty-first resolution adopted by the Combined General Meeting of 30 May 2011 and cancels the unused portion of that authorisation.

Eleventh resolution

Powers

The Ordinary General Meeting confers full powers on any bearer of an extract or copy of these minutes recording its deliberations to carry out all legal publication or other formalities.

II - EXTRAORDINARY BUSINESS

Twelfth resolution

Authorisation to cancel some or all of the shares purchased by the Company (Article L 225-209) - General share cancellation programme

The General Meeting, acting under the quorum and majority requirements applicable to extraordinary general meetings, having reviewed the Management Report, the Supervisory Board's report and the Statutory Auditors' special report, and in accordance with Article L 225-209 of the *Code de Commerce*, hereby authorises the Executive Management to reduce the share capital by cancelling some or all of the shares acquired by the Company in connection with the share buyback programme covered by the twenty-first resolution submitted to the present meeting and/or pursuant to any authorisation granted by a past or future general meeting, on one or more occasions, up to a maximum of 10% of the share capital per period of twenty-four months.

The General Meeting delegates to the Executive Management full powers for purposes of this authorisation, and in particular:

– to allocate the difference between the purchase price and the par value of the shares to whichever reserve account it sees fit, and to record the reductions in share capital resulting from the cancellations authorised by the present resolution;

– to amend the Company's articles of association accordingly, and to undertake all necessary formalities.

This authorisation is granted to the Executive Management for a period of twenty-four months. It supersedes the authorisation granted under the twenty-third resolution adopted by the Combined General Meeting of 30 May 2011 and cancels the unused portion of that authorisation.

Thirteenth resolution

Authorisation to the Executive Management to grant share purchase options

The General Meeting, acting under the quorum and majority requirements applicable to extraordinary general meetings, having reviewed the Management Report, the Statutory Auditors' special report and the Supervisory Board's report, resolves to authorise the Executive Management, in accordance with Articles L 225-177 *et seq.* of the *Code de Commerce*, to allot, up to the limits set by the applicable legislation:

– on one or more occasions;

– to all or some employees and corporate executive officers of Hermès International and companies or groups affiliated therewith under the conditions covered by Article L 225-180 of the *Code de Commerce*, options to buy Hermès International shares that the Company has acquired under statutory conditions.

The Executive Management may use this authorisation, at such time or times as it may deem appropriate, for a period of 38 (thirty-eight) months as from the date of this meeting.

The total number of options that may be granted under this authorisation shall not be such that the total number of options granted pursuant to this resolution and the total number of free shares distributed pursuant to the fourteenth resolution would amount to more than 2% of the total number of ordinary shares in the Company, without consideration for those already granted by virtue of the previous authorisations. The options may be exercised by the beneficiaries within a maximum of seven years as from the option grant date.

The purchase price of the shares shall be set by the Executive Management, within the limits and in accordance with the conditions stipulated in Article L 225-177, paragraph 4 of the *Code de Commerce*; it shall not be less than the average quoted price of the shares on the stock exchange during the last twenty trading days preceding the option grant date.

The shareholders grant the broadest of powers to the Executive Management, acting within the limits set forth above, for purposes of this resolution, and in particular:

◆ to determine the terms and conditions of the transaction, in particular the conditions under which the options will be granted, the time or times at which the options may be allotted and exercised, the list of the beneficiaries of the options and the number of shares that each beneficiary may acquire;

◆ to determine the conditions for exercising the options;

◆ to stipulate any lock-up period for the shares resulting from the exercise of the options and/or period during which such shares cannot be converted to bearer shares, it being specified that such lock-up period shall not exceed three years from the option exercise date;

◆ to provide for the possibility of temporarily suspending the exercise of options for a maximum of three months in the event of a financial transaction entailing the exercise of a right attached to the shares.

In the event that options are allotted to one or more Executive Chairmen:

◆ resolves that the Executive Management shall ascertain that the Company fulfils one or more of the conditions stipulated in Article L 225-186-1 of the *Code de Commerce*, and shall take every necessary measure in this respect;

◆ resolves that the Supervisory Board shall ensure that the relevant Executive Chairman or Chairmen may not exercise their options until after they have left office, or that it shall set a number of shares resulting from the exercise of options they must hold in registered form until after they have left office.

If, during the period in which the options were granted, the Company undertakes one of the financial or securities transactions provided by law, in order to take into account the effect of any such transaction, the Executive Management shall adjust the number and price of the shares included in the options granted.

Each year, the Executive Management shall report to the Ordinary General Meeting on the transactions carried out pursuant to this authority.

This authorisation supersedes the authorisation granted under the twenty-eighth resolution adopted by the Combined General Meeting of 30 May 2011 and cancels the unused portion of that authorisation.

Fourteenth resolution

Authorisation to the Executive Management to grant ordinary shares in the Company for no consideration

The General Meeting, acting under the quorum and majority requirements applicable to extraordinary general meetings, having reviewed the Management Report, the Statutory Auditors' report and the Supervisory Board's report, and in accordance with the provisions of Article L 225-197-1 *et seq.* of the *Code de Commerce*:

◆ Authorises the Executive Management to grant bonus shares to some or all employees and/or corporate executive officers of the Company or in affiliated companies or groups under the conditions set out in Article L 225-197-2 of the *Code de Commerce*, by allotting existing ordinary shares of the Company for no consideration. The existing shares that may be distributed pursuant to this resolution must have been purchased by the Company either in accordance with Article L 225-208 of the *Code de Commerce*, or as part of the share buyback programme authorised by the tenth resolution submitted to this Meeting under the terms of Article L 225-209 of the *Code de Commerce* or any share buyback programme applicable previously or in the future;

◆ Resolves that the Executive Management shall determine the identity of the beneficiaries or the categories of beneficiaries of the free shares as well as the conditions and any criteria applying to distribution of the shares;

◆ Resolves that the Executive Management shall determine the dates on which the free shares will be distributed, within the conditions and limitations stipulated by law;

◆ Resolves that the total number of ordinary shares distributed for no consideration under the terms of this authorisation shall not be such that the total number of free shares distributed pursuant to this resolution, and the total number of share purchase options granted by virtue of the thirteenth resolution and not yet exercised, amounts to more than 2% of the total number of ordinary shares in the Company as of the free share allotment date, not including those already conferred under authorisations granted by previous General Meetings;

◆ Resolves that the Executive Management shall determine, for each allotment, the vesting period at the end of which the ordinary shares shall be fully vested, wherein this period shall not be less than two years, unless new provisions of the law reducing the minimum vesting period were to be enacted, in which case the Executive Management would be authorised to reduce the said vesting period; however, in the event of the beneficiary's death, his or her heirs may request that the shares be distributed within six months after the date of death; furthermore, the shares will be distributed before the end of the vesting period in the event that the beneficiary becomes disabled, providing that such disability is a Category 2 or Category 3 disability as defined by Article L 341-4 of the *Code de la Sécurité Sociale*;

◆ Resolves that at the time of each distribution, the Executive Management shall fix the period during which the beneficiaries must hold the shares, wherein this holding period shall not be less than two years from the date on which the shares are fully vested, for beneficiaries who are employees of French subsidiaries, and that the Executive Management may waive the said holding period for beneficiaries who are employees of foreign subsidiaries providing that the vesting period indicated in the preceding paragraph is at least four years; however, the shares shall be freely assignable in the event of the beneficiary's death, or should the beneficiary become disabled, providing that such disability is a Category 2 or Category 3 disability as defined by Article L 341-4 of the *Code de la Sécurité Sociale*.

In the event that free shares are granted to one or more Executive Chairmen:

◆ Resolves that the Executive Management shall ascertain that the Company fulfils one or more of the conditions stipulated in Article L 225-197-6 of the *Code de Commerce*, and shall take every necessary measure in this respect;

◆ Resolves that the Supervisory Board shall ascertain that the relevant Executive Chairman or Chairmen shall not sell the shares distributed until after they have left office, or shall set a number of such shares that they must retain in registered form until after they have left office;

◆ Authorises the Executive Management to determine any applicable conditions and criteria for distribution of the shares, including but not limited to the number of years of service, conditions with respect to maintaining employment or the term of office during the vesting period, and any other financial condition or condition relating to individual or collective performance;

◆ Authorises the Executive Management to record the free shares allotted in a registered account in the name of their owner, showing any lock-up period over the full duration of such period;

◆ Authorises the Executive Management to undertake, during the vesting period of the free shares, any adjustments needed to take into consideration the effect of transactions affecting the Company's share capital and, more specifically, to determine the conditions under which the number of ordinary shares granted will be adjusted;

◆ More generally, grants the broadest of powers to the Executive Management, with the option further to delegate such powers as provided by law, to enter into all agreements, to draw up all documents, to carry out all formalities, and to undertake all filings with all relevant organisations, and, in general, to do all that is necessary.

The period during which the Executive Management may use this authorisation, on one or more occasions, is thirty-eight (38) months from the date of this meeting.

Each year, the Executive Management will report to the General Meeting on the number of shares distributed pursuant to this resolution under the conditions provided by law, and more particularly, by Article L 225-197-4 of the *Code de Commerce*.

This authorisation supersedes the authorisation granted under the twenty-ninth resolution adopted by the Combined General Meeting of 30 May 2011 and cancels the unused portion of that authorisation.

Fifteenth resolution

Amendment of the articles of association

The Extraordinary General Meeting, having heard the Management Report and the Supervisory Board's report, decides to amend Articles 9 and 11 of the articles of association in the following way:

"9 - FORM AND REGISTRATION OF THE SHARES – IDENTIFICATION OF THE HOLDERS

9.1 - All shares issued by the Company are in registered form until they have been fully paid up. Fully-paid shares maybe in registered or bearer form, at the shareholder's discretion subject to the provisions of Article 11.

They are registered on a securities account under the terms and conditions provided by law.

9.2 - The Company may, at any time, in accordance with the applicable laws and regulations, request that the central custodian, any securities clearing organisation or accredited go-between communicate information enabling it to identify the owners of securities giving immediate or future rights to vote at General Meetings, as well as the number of securities held by each such owner and any restrictions that may apply to the securities." »

"11 - OWNERSHIP THRESHOLD DISCLOSURES

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 moving beyond any of the legal thresholds covered by Article L.233-7 et seq. *of the* Code de Commerce*, is required to ask for his/her shares to be registered, within five days from the date it has moved beyond one of the aforesaid thresholds. Such requirement to register applies to all shares already owned and to those that may come to be owned beyond that threshold. A copy of the request for registration, sent by registered letter with return receipt requested to the registered office within ten trading days as of that date it has moved beyond the threshold, and this shall be counted as a declaration of the crossing of the statutory threshold concerned. The obligation to register the securities also applies to any natural or legal person, acting alone and/or jointly, in any way holding at least 0.5% of the Company's share capital and/or voting rights at general meetings, as defined in Articles L.233-7* et seq. *of the* Code de commerce*. Such persons have twenty trading days as of the general meeting held on 29 May 2012 to comply with this requirement. In the event of failure to comply with the above requirements, the shares exceeding the threshold which is or was 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 exceeded, 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."*

Sixteenth resolution

Powers

The Extraordinary General Meeting confers full powers on any bearer of an extract or copy of these minutes recording its deliberations to carry out all legal publication or other formalities.

Additional legal information

Articles of association of Hermès International (commented)

(updated following the decisions of the Combined General Meeting of 7 June 2010)

Comments are indicated by a vertical line down the left margin.

1 - LEGAL FORM

The Company is a *société en commandite par actions* (partnership limited by shares) between:

- its limited partners, and
- its Active Partner, Émile Hermès SARL, with registered offices located at 23 rue Boissy-d'Anglas in Paris (75008).

The Company is governed by the laws and regulations applicable to *sociétés en commandite par actions* and by these articles of association.

> The Company was converted into a *société en commandite par actions* (partnership limited by shares) by a decision of the Extraordinary General Meeting held on 27 December 1990, in order to preserve its identity and culture and thus ensure its sustainability over the long term, in the interests of the Group and all shareholders.
> The rules governing the operation of a *société en commandite par actions* are the following:
> – the Active Partner or partners, who carry on the business, are jointly and severally liable for all the Company's debts, for an indefinite period of time;
> – the limited partners (or Shareholders), who contribute capital, are liable in this capacity only up to the amount of their contribution;
> – the same party maybe both an Active Partner and a limited partner;
> – one or more Executive Chairmen, selected from among the Active Partners or from outside the Company, are chosen to manage the Company; the first Executive Chairman (or chairmen) is appointed by the articles of association;
> – the Supervisory Board is appointed by the Ordinary General Meeting of Shareholders (Active Partners, even if they are also limited partners, cannot vote on their appointment). The first members of the Supervisory Board are appointed by the articles of association.

2 - PURPOSE

The Company's purpose, in France and in other countries, is:

- to acquire, hold, manage, and potentially sell direct or indirect equity interests in any legal entity engaged in the creation, production and/or sale of quality products and/or services, and, in particular, in companies belonging to the Hermès Group;
- to provide guidance to the Group it controls, in particular by providing technical assistance services in the legal, financial, corporate, and administrative areas;
- to develop, manage and defend all rights it holds to trademarks, patents, designs, models, and other intellectual or industrial property, and in this respect, to acquire, sell or license such rights;
- to participate in promoting the products and/or services distributed by the Hermès Group;
- to purchase, sell and manage all property and rights needed for the Hermès Group's business operations and/or for asset and cash management purposes; and
- more generally, to engage in any business transaction of any kind whatsoever in furtherance of the corporate purpose.

3 - COMPANY NAME

The Company's name is "Hermès International".

4 - REGISTERED OFFICE

The Company's registered office is located at 24 rue du Faubourg-Saint-Honoré, 75008 Paris, France.

It may be transferred:

- to any other location in the same département, by a decision of the Executive Management, subject to ratification of such decision at the next Ordinary General Meeting; and
- to any other location, by a decision of the Extraordinary General Meeting.

5 - DURATION

The Company will be dissolved automatically on 31 December 2090, unless it is dissolved previously or unless its duration is extended.

6 - SHARE CAPITAL - CONTRIBUTIONS

6.1 - The share capital is **€53,840,400.12**.

It is made up of **105,569,412** shares, all of them fully paid, which are apportioned among the Shareholders in proportion to their rights in the Company.

6.2 - The Active Partner, Émile Hermès SARL, has transferred its business know-how to the Company, in consideration for its share of the profits.

> The par value of the shares is €0.51 each, after two three-for-one splits since the initial public offering, on 6 June 1997 and 10 June 2006.

7 - CAPITAL INCREASES AND REDUCTIONS

7.1 - The share capital may be increased either by the issuance of ordinary shares or preference shares, or by increasing the par value of existing equity securities.

7.2 - The General Meeting, voting in accordance with the quorum and majority requirements stipulated by law, has the authority to decide to increase the share capital. It may delegate this authority to the Executive Management. The General Meeting that decides to effect a capital increase may also delegate the power to determine the terms and conditions of the issue to the Executive Management.

7.3 - In the event of a capital increase effected by capitalisation of sums in the share premium, reserve or retained earnings accounts, the shares created to evidence the relevant capital increase shall be distributed only among the existing Shareholders, in proportion to their rights to the share capital.

7.4 - In the event of a capital increase for cash, the existing share capital must first be fully paid up.

The Shareholders have preferential subscription rights, which may be waived under the conditions stipulated by law.

7.5 - Any contributions in kind or stipulation of special advantages made at the time of a capital increase are subject to the approval and verification procedures applicable to such contributions and instituted by law.

7.6 - The Extraordinary General Meeting of Shareholders, or the Executive Management when granted special authority for this purpose, and subject to protecting the rights of creditors, may also decide to reduce the share capital. In no event shall such a capital reduction infringe upon the principle of equal treatment of Shareholders.

7.7 - The Executive Management has all powers to amend the articles of association as a result of a capital increase or reduction and to undertake all formalities in connection therewith.

8 - PAYMENT FOR SHARES

8.1 - Payment in consideration for newly created shares may be made in cash, including by set-off against liquid claims due by the Company; by contributions in kind; by capitalisation of reserves, earnings or share premiums; or as the result of a merger or demerger.

8.2 - Within the framework of resolutions adopted by the General Meeting, the Executive Chairman calls the funds required to pay for the shares.

Any late payment of amounts due for the shares shall automatically bear interest payable to the Company at the legal interest rate plus three percentage points, and no legal action or formal notice shall be required to collect such interest.

9 - FORM OF THE SHARES

9.1 - All shares issued by the Company are in registered form until they have been fully paid up. Fully-paid shares maybe in registered or bearer form, at the Shareholder's discretion. They are registered on a securities account under the terms and conditions provided by law.

> The proposal is put to the General Meeting held on 29 May 2012 that equity interests above the threshold of 0.5% will henceforth be in registered form, and that non-compliance with this obligation will be sanctioned by the deprivation of voting rights.

9.2 - The Company may, at any time, in accordance with the applicable laws and regulations, request from the central custodian or any securities clearing organisation information to enable it to identify the owners of securities giving immediate or future rights to vote at General Meetings, as well as the number of securities held by each such owner and any restrictions that may apply to the securities.

> Clearing and settlement of the shares in France are effected by Euroclear.
> Hermès International ordinarily exercises this option once a year, as of 31 December.

10 - TRANSFER OF SHARES

Shares are freely transferable. Transfers are effected under the terms and conditions provided by law.

11 - OWNERSHIP THRESHOLD DISCLOSURES

When the shares are admitted to trading on a regulated market or a financial instruments market that admits trading in shares registered on a securities account with an authorised intermediary under the conditions provided by Article L 211-4 of the *Code Monétaire et Financier*, 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 moving beyond any of the legal thresholds covered by Article 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 moved beyond one of the aforesaid 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 the above 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 exceeded, 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.

12 - RIGHTS AND OBLIGATIONS ATTACHED TO THE SHARES

12.1 - The shares are indivisible with regard to the Company.
Co-owners of undivided shares must be represented with regard to the Company and at General Meetings by one of them only or by a single representative. In the event of a disagreement, their representative shall be appointed by the Court at the request of the co-owner who takes the initiative to refer this matter to the Court.
12.2 - Each share shall give the holder the right to cast one vote at General Meetings of Shareholders.
However, double voting rights are allocated to:
◆ any fully-paid registered share which has been duly recorded on the books in the name of the same Shareholder for a period of at least four years from the date of the first General Meeting following the fourth anniversary of the date when the share was registered on the books; and
◆ any registered share allotted for no consideration to a Shareholder, in the event of a capital increase effected by capitalisation of sums in the share premium, reserve or retained earnings accounts, in proportion to any existing shares which carry double voting rights.
Double voting rights are automatically eliminated under the conditions stipulated by law.

> Double voting rights were instituted by the Shareholders at the Extraordinary General Meeting of 27 December 1990.

Voting rights attached to the shares are exercised by the legal owners at all General Meetings (ordinary, extraordinary or special meetings), save for decisions regarding the appropriation of net income, in which case the beneficial owner shall exercise the voting rights.

> This allocation was approved by the Extraordinary General Meeting of 6 June 2006.

12.3 - Each share gives the holder a right of ownership in the Company's assets, its profits, and any winding-up surplus, in proportion to the percentage of ownership it represents.
All shares are of equal par value and are identical in all respects, except with respect to the date on which they are eligible for the dividend.
12.4 - Ownership of a share automatically entails compliance with the Company's articles of association and with resolutions duly adopted by the General Meeting of Shareholders.
12.5 - Whenever ownership of a certain number of shares is required in order to exercise any right whatsoever, owners of single shares, or with an insufficient number of shares, may only exercise such rights if they personally arrange to consolidate their shares, or arrange for the purchase or sale of a sufficient number of shares.

13 - DEATH. LEGAL PROHIBITION. PERSONAL BANKRUPTCY. INSOLVENCY. RECEIVERSHIP OR COMPULSORY LIQUIDATION OF A PARTNER

> The Company has two classes of partners:
> – Shareholders, who are "limited partners";
> – Active Partners.
> Since 1 April 2006, there has been only one Active Partner: Émile Hermès SARL.

13.1 - Shareholders
The Company shall not be dissolved in case of the death, legal prohibition or personal bankruptcy of a Shareholder, or due to the initiation of insolvency, receivership or compulsory liquidation proceedings against that Shareholder.
13.2 - Active Partner
13.2.1 - In the event that an Active Partner should be prohibited by law from engaging in a business

profession, or in the case of personal bankruptcy, or should insolvency, receivership or compulsory liquidation proceedings be initiated against him, such Active Partner shall automatically lose his status as Active Partner *ipso jure*; the Company shall not be dissolved. Neither shall the Company be dissolved if an Active Partner who is a natural person and who was appointed Executive Chairman ceases to hold this office.

If, as a result of this loss of status, the Company no longer has any Active Partners, an Extraordinary General Meeting of Shareholders must be called forthwith, either to appoint one or more new Active Partners, or to change the corporate form of the Company. Such change does not entail the creation of a new legal person.

If an Active Partner loses his status as such, he shall have the right to receive his share of the Company's profits, pro rated until the day such status is lost, in full settlement of all amounts due.

13.2.2 - The Company shall not be dissolved in the event of the death of an Active Partner. If, as a result of this death, the Company no longer has any Active Partners, an Extraordinary General Meeting of Shareholders must be called forthwith, either to appoint one or more new Active Partners, or to change the corporate form of the Company. Such change does not entail the creation of a new legal person.

This also applies if the Company has only one Active Partner and if that Active Partner loses his status as such for any reason whatsoever. The heirs, assigns or the surviving spouse, if any, of the deceased Active Partner shall have the right to receive the deceased Active Partner's share of the Company's profits, pro rated until the day such status is lost, in full settlement of all amounts due.

14 - RESPONSIBILITY AND POWERS OF THE ACTIVE PARTNER

14.1 - Active Partners are jointly and severally liable for all the Company's debts, for an indefinite period of time.

14.2 - Each Active Partner has the power to appoint and revoke the appointment of any Executive Chairman, acting on the Supervisory Board's considered recommendation under the conditions provided in the article entitled "Executive Management". Acting by unanimous consent, the Active Partners:

- on the Supervisory Board's recommendation:
- determine the Group's strategic options,
- determine the Group's consolidated operating and investment budgets; and
- decide on any proposal submitted to the General Meeting pertaining to the appropriation of share premiums, reserves or retained earnings;
- may formulate recommendations to the Executive Management on all issues of general interest for the Group;
- authorise any loans of Hermès International whenever the amount of such loans exceeds 10% of the amount of the consolidated net worth of the Hermès Group, as determined based on the consolidated financial statements drawn up from the latest approved accounts (the "Net Worth");
- authorise any sureties, endorsements or guarantees and any pledges of collateral and encumbrances on the Company's property, whenever the claims guaranteed amount to more than 10% of the Net Worth;
- authorise the creation of any company or the acquisition of an interest in any commercial, industrial or financial operation, movable or immovable property, or any other operation, in any form whatsoever, whenever the amount of the investment in question amounts to more than 10% of the Net Worth;

14.3 - In order to maintain its status of Active Partner, and failing which it will automatically lose such status *ipso jure*, Émile Hermès SARL must maintain in its articles of association clauses, in their original wording or in any new wording as may be approved by the Supervisory Board of the present Company by a three-quarters majority of the votes of members present or represented, stipulating the following:

- the legal form of Émile Hermès SARL is that of a *société à responsabilité limitée à capital variable* (limited company with variable capital);
- the exclusive purpose of Émile Hermès SARL is:

– to serve as Active Partner and, if applicable, as Executive Chairman of Hermès International;

– potentially to own an equity interest in Hermès International; and

– to carry out all transactions in view of pursuing and accomplishing these activities and to ascertain that any liquid assets it may hold are appropriately managed;

- only the following may be partners in the Company:

– descendants of Mr Émile-Maurice Hermès and his wife, born Julie Hollande; and

– their spouses, but only as beneficial owners of the shares; and

- each partner of Émile Hermès SARL must have deposited, or arrange to have deposited, shares in the present Company in the corporate accounts of Émile Hermès SARL in order to be a partner of this Company.

14.4 - Any Active Partner who is a natural person and who has been appointed to the office of Executive Chairman shall automatically lose his status as Active Partner immediately upon termination of his office of Executive Chairman for any reason whatsoever.

14.5 - All decisions of the Active Partners are recorded in minutes, which are entered in a special register.

15 - EXECUTIVE MANAGEMENT

15.1 - The Company is administered by one or two Executive Chairman or Chairmen, who may be but are not required to be Active Partners in the Company. If there are two Executive Chairmen, any provision of these articles of association mentioning "the Executive Chairman" shall apply to each Executive Chairman. The Executive Chairmen may act jointly or separately.

The Executive Chairman may be a natural person or a legal person, which may be but is not required to be an Active Partner.

> At this time, the Company is administered by two Executive Chairmen:
> – Mr Patrick Thomas, who was appointed by a resolution approved by the Active Partners, on the considered recommendation of the Supervisory Board, dated 15 September 2004;
> – Émile Hermès SARL, which was appointed by a resolution approved by the Active Partners, on the considered recommendation of the Supervisory Board, dated 14 February 2006 (appointment effective as of 1 April 2006).

15.2 - The Executive Chairmen's term of office is open-ended.

During the Company's lifetime, the power to appoint an Executive Chairman is exclusively reserved for the Active Partners, acting on the Supervisory Board's recommendation. Each Active Partner may act separately in this respect.

15.3 - The appointment of an Executive Chairman is terminated in case of death, disability, legal prohibition, or due to the initiation of insolvency, receivership or compulsory liquidation proceedings against that Executive Chairman; if the appointment is revoked; if the Executive Chairman resigns; or when the Executive Chairman reaches 75 years of age.

The Company shall not be dissolved if an Executive Chairman's appointment is terminated for any reason whatsoever.

An Executive Chairman who wishes to resign must notify the Active Partners and the Supervisory Board thereof at least six months in advance, by registered post, unless each of the Active Partners, after soliciting the opinion of the Supervisory Board, has agreed to reduce this notice period.

An Executive Chairman's appointment can be revoked only by an Active Partner, acting on the Supervisory Board's considered recommendation. In the event that the Supervisory Board recommends against revocation, the Active Partner in question must suspend its decision for a period of at least six months. At the end of this period, if it persists in its wish to revoke the appointment of the Executive Chairman in question, that Active Partner must again solicit the opinion of the Supervisory Board, and once it has obtained a favourable recommendation from the Board, it may revoke the appointment of that Executive Chairman.

16 - POWERS OF THE EXECUTIVE MANAGEMENT

16.1 - Relationships with third parties

Each Executive Chairman is invested with the broadest of powers to act on the Company's behalf, in all circumstances. Each Executive Chairman shall exercise these powers 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.

16.2 - Relationships among the partners

In relationships among partners, the Executive Management holds the broadest of powers to undertake all management acts, but only if such acts are in the Company's interests and subject to those powers granted to the Active Partners and to the Supervisory Board by these articles of association.

16.3 - Delegations of powers

The Executive Chairman may, under his responsibility, delegate all powers as he sees fit and as required for the proper operation of the Company and its Group.

He may issue a limited or unlimited blanket delegation of powers to one or more executives of the Company, who then take on the title of Managing Director.

17 - REMUNERATION OF THE EXECUTIVE MANAGEMENT

The Executive Chairman (or, where there is more than one, each Executive Chairman) shall have the right to receive remuneration fixed by the articles of association and, potentially, additional remuneration, the maximum amount of which shall be determined by the Ordinary General Meeting, with the approval of the Active Partner or, if there are several Active Partners, with their unanimous approval.

The gross annual remuneration of the Executive Chairman (or, where there is more than one, of each Executive Chairman) for the year shall not be more than 0.20% of the Company's consolidated income before tax for the previous financial year.

However, if there are more than two Executive Chairmen, the combined total gross annual remuneration of all Executive Chairmen shall not be more than 0.40% of the Company's consolidated income before tax for the previous financial year.

Within the maximum amounts set forth herein, the Management Board of the Active Partner Émile Hermès SARL shall determine the effective amount of the annual remuneration of the Executive Chairman (or, where there is more than one, of each Executive Chairman).

> Details on the remuneration of the Executive Chairmen are presented in the Executive Management's Report on corporate governance (pages 50 to 53).

18 - SUPERVISORY BOARD

> The composition of the Supervisory Board is described in the report from the Chairman of the Supervisory Board (page 20).

18.1 - The Company is governed by a Supervisory Board consisting of three to fifteen members selected from among Shareholders who are not Active Partners, legal representatives of an Active Partner, or Executive Chairmen. When appointments to the Supervisory Board come up for renewal, the number of Supervisory Board members is fixed by a decision adopted by the Active Partners by unanimous vote.

> In a decision dated 22 March 2012, the Active Partner set the number of Supervisory Board members at eleven.

Supervisory Board members may be natural persons or legal entities. At the time of their appointment, legal entities must designate a permanent representative who is subject to the same terms, conditions and obligations and incurs the same liabilities as if he were a Supervisory Board member in his own name, without prejudice to the joint and several liability of the legal entity he represents. The permanent representative serves for the same term of office as the legal entity he represents.

If the legal entity revokes its representative's appointment, it is required to notify the Company thereof forthwith by registered post, and to state the identity of its new permanent representative. This requirement also applies in the event the permanent representative should die, resign, or become incapacitated for an extended period of time.

18.2 - Supervisory Board members are appointed or reappointed by the Ordinary General Meeting of Shareholders. The Active Partners may, at any time, propose that one or more new Supervisory Board members be nominated.

Supervisory Board members are appointed for a term of three years. As an exception to this rule, in order to ensure that one-third of the Supervisory Board members will stand for re-election each year, the General Meeting may decide to appoint one or more Board members for one or two years, and who may be designated by drawing lots, as necessary.

> The General Meeting of 2 June 2009 approved a provision calling for one-third of Supervisory Board members to stand for re-election each year.

18.3 - No person over the age of seventy-five shall be appointed to the Supervisory Board if, as a result of such appointment, more than one-third of the Board members would be over that age.

18.4 - The appointments of Supervisory Board members can be revoked by a resolution adopted by the Ordinary General Meeting only for cause, on the joint recommendation of the Active Partners, acting by unanimous consent, and the Supervisory Board.

18.5 - In the event of a vacancy or vacancies caused by the death or resignation of one or more Supervisory Board members, the Supervisory Board may appoint an interim replacement member within three months as from the effective date of the vacancy.

However, if no more than two Supervisory Board members remain in office, the member or members in office, or, in his or their absence, the Executive Chairman, or in his absence, the Statutory Auditor or Auditors, shall immediately call an Ordinary General Meeting of Shareholders for the purpose of filling the vacancies to bring the number of Board members up to the required minimum.

19 - DELIBERATIONS OF THE SUPERVISORY BOARD

> The conditions for preparation and organisation of the Supervisory Board's work are described in the report from the Chairman of the Supervisory Board (page 20).

19.1 - The Supervisory Board elects a Chairman, who is a natural person, and two Vice-Chairmen, from among its members.
It appoints a secretary who may be but is not required to be a Supervisory Board member.
If the Chairman is absent, the older of the two Vice-Chairman acts as Chairman.
19.2 - The Supervisory Board meets when convened by its Chairman or by the Executive Management, whenever required for the Company's best interest but no less than twice per year, at the Company's registered office or at any other place specified in the notice of meeting.
Notices are served by any means providing legally valid proof in business matters, at least seven business days before the meeting. This period of time may be shortened by unanimous consent of the Chairman or a Vice-Chairman of the Supervisory Board, the Active Partners and the Executive Management.
Any member of the Supervisory Board may give a proxy to one of his colleagues to represent him at a Board meeting, by any means providing legally valid proof in business matters. Each member may hold only one proxy during a given meeting. These provisions are applicable to the permanent representative of a legal entity that is a member of the Supervisory Board.
The Supervisory Board is duly convened only if a quorum consisting of at least half of its members is present or represented.
Resolutions are adopted by a majority of the votes of members present or represented. However, the Supervisory Board must approve or reject any proposed new wording of certain clauses of the articles of association of Émile Hermès SARL by a three-quarters majority of members present or represented, in accordance with the stipulations of the article entitled "Responsibilities and Powers of the Active Partners".
Supervisory Board members who participate in the meeting by videoconferencing or telecommunications means that enable them to be identified and effectively to participate in the meeting through the use of technology providing for continuous and simultaneous transmission of discussions are deemed to be present for purposes of calculating the quorum and majority, except at Supervisory Board meetings convened for the review and verification of the Annual Report and consolidated and parent company financial statements. The Supervisory Board defines the conditions and procedures for using videoconferencing or other telecommunications means when applicable.
The Executive Management must be convened to Supervisory Board meetings and may attend such meetings, but it does not have the right to participate in the discussion and to vote.
19.3 - The deliberations of the Supervisory Board are recorded in minutes, which are entered in a special initialled register and signed by the Chairman and the secretary.

20 - POWERS OF THE SUPERVISORY BOARD

20.1 - The Supervisory Board exercises ongoing control over the Company's management.
For this purpose, it has the same powers as the Statutory Auditors and receives the same documents as the Statutory Auditors, at the same time as the Statutory Auditors. In addition, the Executive Management must submit a detailed report to the Supervisory Board on the Company's operations at least once a year.
20.2 - The Supervisory Board submits to the Active Partners for their consideration its considered recommendation:
- on the nomination and dismissal of any Executive Chairman of the Company; and
- in case of the Executive Chairman's resignation, on reducing the notice period.

20.3 - Each year, the Supervisory Board determines the proposed appropriation of net income to be submitted to the General Meeting.
20.4 - The Supervisory Board approves or rejects any proposed new wording of certain clauses of the articles of association of Émile Hermès SARL in accordance with the stipulations of the article entitled "Responsibilities and Powers of the Active Partners".
20.5 - The Active Partners must consult the Supervisory Board prior to taking any decisions concerning:
- strategic options;
- consolidated operating and investment budgets; and
- any proposal submitted to the General Meeting pertaining to the appropriation of share premiums, reserves or retained earnings.

20.6 - Each year, the Supervisory Board presents a report to the Annual Ordinary General Meeting of Shareholders in which it comments on the Company's management and draws attention to any inconsistencies or inaccuracies identified in the financial statements for the year.

> The Supervisory Board's report for the year ended 31 December 2011 is presented on page 229.

This report, together with the Company's balance sheet and a list of its assets and liabilities, is made available to the Shareholders and may be consulted at the Company's registered office as from the date of the notice of the General Meeting.
The Supervisory Board may convene a General Meeting of Shareholders whenever it deems this appropriate.
The functions exercised by the Supervisory Board do not entail any interference with the Executive Management, or any liability arising from the management's actions or from the results of such actions.

21 - JOINT COUNCIL OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD OF THE ACTIVE PARTNER

21.1 - The Executive Management of the Company or the Chairman of the Company's Supervisory Board shall convene a joint council meeting of the Supervisory Board and of the Active Partners; for purposes of this council, Émile Hermès SARL is represented by its Management Board.
Notices are served by any means providing legally valid proof in business matters, at least seven business days before the meeting. This period of time may be shortened by unanimous consent of the Chairman or a Vice-Chairman of the Supervisory Board and the Executive Chairman.
21.2 - The joint council meets at the place indicated in the notice of meeting. It is chaired by the Chairman of the Company's Supervisory Board, or, in his absence, by one of the Vice-Chairmen of the Company's Supervisory Board, or, in their absence, by the oldest Supervisory Board member present. The Executive Chairman or, if the Executive Chairman is a legal entity, its legal representative or representatives, are convened to meetings of the joint council.
21.3 - The joint council has knowledge of all matters that it addresses or that are submitted thereto by the party who convened the conference, but does not, in the decision-making process, have the right to act as a substitute for those bodies to which such powers are ascribed by law or by the articles of association of the Company and of the Active Partner that is a legal entity.
At their discretion, the Supervisory Board and Active Partners may make all decisions or issue all recommendations within their jurisdiction in a joint council meeting.

22 - REMUNERATION OF THE SUPERVISORY BOARD

Supervisory Board members may receive, as Director's fees, annual compensation, the amount of which is determined by the Ordinary General Meeting of Shareholders and shall remained unchanged until such time as a new resolution is adopted by the Meeting.
The Board apportions Directors' fees among its members as it sees fit.

23 - STATUTORY AUDITORS

The Company's financial statements are audited by one or more Statutory Auditors, under the terms and conditions provided by law.

24 - GENERAL MEETINGS OF SHAREHOLDERS

24.1 - General meetings are convened under the conditions set by law.
They are held at the registered office or at any other place specified in the notice of meeting.
24.2 - The right to participate in General Meetings is subordinated to registered shares being entered in the Company's register or bearer shares being registered in a securities account opened with an authorised financial intermediary, no later than three business days before the date of the meeting before 12:00 a.m., Paris time. Shareholders owning bearer shares must obtain an admittance certificate from the authorised financial intermediary evidencing the registration of their shares, which is attached to the postal vote or proxy form. All shareholders may cast their votes remotely or by proxy, under the conditions set forth in the applicable regulations.
Furthermore, on the Executive Management's decision, shareholders may vote by any telecommunication or remote transmission means, in accordance with the regulations applicable at the time of the decision. This option shall be indicated in the notice of meeting published in the *Bulletin des annonces légales obligatoires* (*BALO*). Votes cast by Shareholders using the electronic ballot form provided on the website created by the meeting coordinator for this purpose are counted in the same way as votes cast by Shareholders present or represented. The electronic ballot may be completed and signed directly on this site by any procedure approved

by Executive Management and that complies with the conditions defined by Article L 1316-4 of the *Code Civil*, in the first sentence of Paragraph 2 (that is, by using a reliable identification procedure that guarantees that the signature is linked to the form), which may consist, *inter alia* of a login name and a password. Any proxies given or votes cast via this electronic means before the General Meeting, and the acknowledgements of receipt sent in response, will be deemed to be irrevocable instructions that are enforceable in every way, it being specified that in the event that shares are sold before the third business day preceding the Meeting, at 12:00 midnight, CET, the Company will void or amend any proxy or voting instructions sent before that date accordingly. Persons invited by the Executive Management or by the Chairman of the Supervisory Board may also attend General Meetings. The Active Partners may attend General Meetings of Shareholders. Active Partners that are legal entities are represented by a legal representative or by any person, Shareholder or otherwise, designated thereby.

> The Annual General Meeting of 7 June 2010 amended Article 24.2 of the articles of association to allow the Executive Management to set up an electronic balloting system applicable to all future General Meetings.

24.3 - General meetings are chaired by the Chairman of the Supervisory Board or, in his absence, by one of the Vice-Chairmen of the Board, or in their absence, by the Executive Chairman.

24.4 - The Ordinary and Extraordinary General Meetings, duly convened in accordance with the conditions specified by law, carry out their responsibilities in accordance with the law.

24.5 - Except for resolutions pertaining to the nomination and revocation of Supervisory Board members, the nomination and revocation of the Statutory Auditors, the appropriation of net income for the year and the approval of related-party agreements that are subject to Shareholders' approval, no resolution adopted by the General Meeting shall be valid unless it is approved by the Active Partners no later than at the end of the General Meeting that voted on the relevant resolution.

The Company's Executive Management has all powers duly to record of such approval.

25 - ACCOUNTS

Each financial year consists of twelve months, commencing on 1 January and ending on 31 December.

26 - APPROPRIATION AND DISTRIBUTION OF PROFITS

The General Meeting approves the financial statements for the past year and duly notes the amount of distributable profits.

The Company pays 0.67% of the distributable profits to the Active Partners, at the time and place designated by the Executive Management, within nine months at most after the end of the financial year.

The Active Partners apportion this amount amongst themselves as they see fit.

The remaining distributable profits revert to the Shareholders. Their appropriation is decided by the Ordinary General Meeting, on the Supervisory Board's recommendation.

On the Supervisory Board's recommendation, the General Meeting may grant to each Shareholder an option to receive payment for all or part of the dividend or interim dividend in cash or in shares, under the conditions set by law.

On the Supervisory Board's recommendation, the General Meeting may decide to draw from the balance of profits reverting to the Shareholders the sums it deems appropriate to be allocated to Shareholders' retained earnings or to be appropriated to one or more extraordinary, general or special reserve funds, which do not bear interest, and to which the Active Partners as such have no rights.

On the unanimous recommendation of the Active Partners, the reserve fund or funds may, subject to approval by the Ordinary General Meeting, be distributed to the Shareholders or allocated to the partial or total amortisation of the shares. Fully amortised shares shall be replaced by entitlement shares with the same rights as the former shares, with the exception of the right to reimbursement of capital.

The reserve fund or funds may also be incorporated into the share capital.

Dividends are payable at the times and places determined by the Executive Management within a maximum of nine months from the end of the financial year, unless this time period is extended by a court of law.

27 - DISSOLUTION OF THE COMPANY

At the end of the Company's lifetime or in the event of early dissolution, the General Meeting decides on the winding-up procedure and appoints one or several liquidators, whose powers are defined by the Meeting and who carry out their responsibilities in accordance with the applicable laws.

Any liquidation proceeds (*boni de liquidation*) shall be distributed amongst the Shareholders.

Persons Responsible

PERSONS RESPONSIBLE FOR INFORMATION CONTAINED IN THE SHELF-REGISTRATION DOCUMENT

Mr Patrick Thomas, Executive Chairman.

Émile Hermès SARL, 23, rue Boissy-d'Anglas,
75008 Paris, Executive Chairman.

DECLARATION BY PERSONS RESPONSIBLE FOR THE SHELF-REGISTRATION DOCUMENT

To the best of our knowledge, having taken all reasonable measures to ensure that such is the case, we hereby certify that the information contained in this shelf-registration document is in accordance with the facts and contains no omission likely to affect its import.
To the best of our knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a fair view of the assets, liabilities and financial position and results of the Company and all the undertakings included in the consolidation, and that the Management Report presents a fair view of the development and performance of the Company's business operations, results and financial position and all the undertakings included in the consolidation, as well as a description of the main risks and uncertainties to which they are exposed.
We have received a letter from the Statutory Auditors certifying that they have audited the financial and accounting information provided in this document and that they have read the document in its entirety.

Paris, le 12 April 2012
The Executive Management

Patrick Thomas

Bertrand Puech
Representing Émile Hermès SARL

Auditors

STATUTORY AUDITORS

PricewaterhouseCoopers
Member, Compagnie Régionale des Commissaires aux Comptes de Versailles.
63, rue de Villiers
92200 Neuilly-sur-Seine
Represented by Mrs Christine Bouvry
First appointed at the Annual General Meeting of 30 May 2011 (1).
Term of appointment expires at the Annual General Meeting convened to approve the 2016 accounts.

Didier Kling & Associés
Member, Compagnie Régionale des Commissaires aux Comptes de Paris.
41, avenue de Friedland
75008 Paris
Independent member of Crowe Horwath International
Represented by Mr Christophe Bonte
First appointed at Annual General Meeting of 31 May 1999.
Term of appointment expires at the Annual General Meeting convened to approve the 2016 accounts.

ALTERNATE AUDITORS

Mr Étienne Boris
63, rue de Villiers
92200 Neuilly-sur-Seine
First appointed at Annual General Meeting of 30 May 2011.
Term of appointment expires at the Annual General Meeting convened to approve the 2016 accounts.

Mrs Dominique Mahias
41, avenue de Friedland
75008 Paris
First appointed at Annual General Meeting of 5 June 2007.
Term of appointment expires at the Annual General Meeting convened to approve the 2016 accounts.

The Principal Statutory Auditors and alternate Auditors serve for a term of six years.
If a Statutory Auditor is appointed to fill a vacancy left by the resignation of a Statutory Auditor or other reason, he is appointed for the remainder of his predecessor's term.

(1) I.e. at the end of the term of Deloitte & Associés, statutory auditors since 1982.

Information incorporated by reference

Pursuant to Article 28 of EC Regulation 809-2004 of 29 April 2004, this shelf-registration document incorporates by reference the following information, to which the reader is invited to refer:

– in respect of the year ended 31 December 2009: consolidated financial statements, parent company financial statements and Statutory Auditors' reports thereon, presented in the Shelf-Registration Document filed with the AMF on 14 April 2010 under reference number R10-0259, on pages 117-174, 177-201, 212 and 213, respectively.

– in respect of the year ended 31 December 2010: consolidated financial statements, parent company financial statements and Statutory Auditors' reports thereon, presented in the Shelf-Registration Document filed with the AMF on 19 April 2011 under reference number D11-0330, on pages 121-181, 183-207, 224 and 225, respectively.

All other information incorporated into this shelf-registration document in addition to the information described above has been replaced or updated by the information contained herein. Copies of this Shelf-Registration Document are available as described in Volume 1, page 107, under the section entitled "Shareholder's Guide".

Cross-reference table

The following table cross-references this document with the main headings required under Regulation EC 809/2004 enacting the terms of the European Parliament's "Prospectus" directive (2003/71/EC).
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(Articles L 225-100 et seq., L 232-I, II. and R 225-102)

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Reconciliation with Annual Financial Report

(Article 222-3 of the AMF General Regulation)

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