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 16 April 2013. 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.

2012 ANNUAL REPORT
OTHER INFORMATION CONTAINED IN THE SHELF-REGISTRATION DOCUMENT
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
Registered office: 24, rue du Faubourg-Saint-Honoré - 75008 Paris - Tel.: + 33 (0)1 40 17 49 20 - Fax: + 33 (0)1 40 17 49 94 - Legal filing, 2nd quarter of 2013 - ISBN 978-2-35102-053-1

Contents

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, Hermès Horizons and Faubourg Italia (amounts concerning the 2012 financial year are presented on pages 256 and 257).
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 presentation of the Group appears on page 24 of Volume 1.

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 proposal is put to the Annual General Meeting of 4 June 2013 for the provisional appointment of a third executive Chairman in the person of Mr Axel Dumas by the Active Partner, in order to prepare for the succession of Mr Patrick Thomas as shown on page 248.

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 a direct or indirect 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: (draft resulting from the split that occurred on 1 March 2013)
– a number of non-dismembered Hermès International shares undivided and free from any encumbrance or commitment to third parties equal to 2,250 (two thousand two hundred and fifty); 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 4,500 (four thousand five hundred).

Executive Manager

Émile Hermès SARL's Executive Manager is Mr Henri-Louis Bauer, a great-grandson of Émile-Maurice Hermès. He was appointed on 1 July 2012.

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 €111,840 as at 31 December 2012.
It is divided into 6,990 shares with a par value of €16 each. From 1 March 2013 (following the split of company shares into quarters), the capital was divided into 27,960 shares with a par value of €4 each. As at 31 December 2012, Émile Hermès SARL had total assets of €29,941,819.06, including net income for the year of €3,388,423.22.

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 Supervisory 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 Supervisory Board (hereinafter "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 20 March 2013.

Corporate governance code

• Corporate governance principles applied

Since 2009, 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 (art. 19)

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.

In order to totally comply with the AFEP/MEDEF corporate governance code, Mr Patrick Thomas decided, with immediate effect, on 16 July 2012, to waive his employment contract that had been suspended as of right since September 2004, at the time of his appointment as executive Manager of Hermès International.

During its meeting on 30 August 2012, the Supervisory Board duly took note of this.

Severance pay (art. 20.2.4)

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.

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.

Criteria for Supervisory Board members to qualify as independent (art. 8.4)

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.

Based on a proposal from the Compensation, Appointments and Governance Committee, the Supervisory Board decided, during its meeting on 14 November 2012, to review the application procedure of the seniority criterion (12 years) used to qualify the independence of the Supervisory Board members as of 2013. As indicated in the summary table of the terms of office on page 55, the only Supervisory Board member whose term has lasted for more than 12 years is Mr Ernest-Antoine Seillière, whose term of office will be ending at the time of the next meeting and who has expressed the desire not to stand again. After the General meeting on 4 June 2013, no Board member will therefore have been in office for more than 12 years.

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 serves as a Director, did not call his independence into question.

Proportion of independent members on the Audit Committee (art. 14.1)

The Board determined that while slightly less than two-thirds (60%) 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.

It is nevertheless the objective of the Supervisory Board, as part of the assignment concerning evolution of the Board's composition, to appoint a new independent member to the Audit committee before 2017, which would serve to increase the proportion of independent Audit committee members to two-thirds.

Balanced representation of female and male members of the Supervisory Board (art. 6.3)

The Supervisory Board has set objectives for the assignment concerning evolution of its composition that comply with the deadlines set down by the law of 13 January 2011, i.e. 20% for each sex as at 1 January 2014 and 40% as at 1 January 2017, rather than the deadlines included in the AFEP/MEDEF code (April 2013 and April 2016), for practical reasons of implementation reasons concerning the dates of its general meetings. Hermès International reached the objective stipulated by law between 2010 and 2012.

On 22 March 2012, the Active Partner decided to increase the number of Supervisory Board members to eleven, and to propose to the General Meeting of 29 May 2012 that Mr Nicolas Puech should be appointed as a new member of the Supervisory Board. The proportion of women was therefore temporarily reduced to 18.18%, pending the assignment concerning evolution of the Board's composition as indicated in the objectives listed below on page 21.

The appointment of Mrs Dominique Senequier has been proposed to the General Meeting to be held on 4 June 2013, thereby increasing the number of female Board members to 27.27%, while also exceeding the 20% threshold required by law.

• Corporate governance measures adopted in 2012 and 2013

At its meeting on 25 January 2012, the Supervisory Board:

– sapproved 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 work 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.

At its meeting on 29 May 2012, 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;
– provided the new members with the Supervisory Board's master file;
– provided the new members with the 2012 calendar of negative windows, and reiterated the responsibility concerning holding inside information;
– reiterated the schedules for the reimbursement of expenses incurred by Board members.

On 27 June 2012, the Supervisory Board took note of and/or approved the conclusions of the works of the Compensation, Appointments and Governance Committee relative to:
– the update of the Supervisory Board's master file;
– the progress of the assignment concerning evolution of the Board's composition;
– the performance conditions for the 15 May 2012 free share distribution plan, applicable to corporate executive officers;
– the confirmation of the general rule adopted in January 2008, prohibiting the managers from selling more than 50% of the shares resulting from their stock options or purchase options before the end of their term as manager, and to extend it to the shares resulting from the free share distribution;
– the formal commitment undertaken by Mr Patrick Thomas not to use hedge instruments on the stock options or purchase options, or performance shares.
During the same meeting, the Supervisory Board:
– examined the situation of the Supervisory Board members relative to the objectivity and independence criteria contained in the Supervisory Board's rules of procedure and confirmed that their situation had not changed;
– examined the specific financial or accounting skills of the Audit committee members, and confirmed that their situation had not changed;
– reviewed the compliance of the new Supervisory Board members with the holding threshold of 200 shares.

On 30 August 2012, the Supervisory Board took note of and/or approved the conclusions of the works of the Compensation, Appointments and Governance Committee relative to:
– the update of the Supervisory Board's master file;
– the progress of the assignment regarding evolution of the Board's composition;
– the decision by Mr Patrick Thomas, on 16 July 2012, to immediately waive his employment contract.

On 14 November 2012, the Supervisory Board took note of and/or approved the conclusions of the works of the Compensation, Appointments and Governance Committee relative to:
– the new work and marketplace reports concerning governance, which indicate that the governance of Hermès International is included within the best practices;
– the progress of the assignment concerning assignment concerning evolution the Board's composition.
During the same meeting, the Supervisory Board:
– performed an informal annual assessment of the Board's work and considered that the Board's operation was globally satisfactory;
– discussed the Company policy with regard to professional and wage equality;

– recalled the responsibility inherent to holding inside information as well as the Stock market ethics charter, and reviewed the 2013 calendar of negative windows.

On 23 January 2013, the Supervisory Board took note of and/or approved the conclusions of the work 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 annual examination of possible conflicts of interest of the Supervisory Board members;
– the annual examination intended to identify members of the Audit committee that have particular skills in financial or accounting fields;
– the verification of the compliance of the Supervisory Board members relative to the holding threshold of 200 registered shares;
– the update of the Supervisory Board's master file;
– the self-assessment of the work of the Compensation, Appointments and Governance Committee;
– the progress of the assignment concerning evolution of the Board's composition.

On 20 March 2013, the Supervisory Board took note of and/or approved the conclusions of the work of the Compensation, Appointments and Governance Committee relative to:
– 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 work of the Supervisory Board as well as on the internal control and risk management procedures implemented by the Company;
– the update of the Compensation, Appointments and Governance Committee rules of procedure;
– the verification of the compliance of the Supervisory Board members relative to the holding threshold of 200 shares;
– 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 4 June 2013;
– the examination of any potential conflicts of interest that Mrs Dominique Senequier, whose appointment has been proposed to the General meeting, may have.

Conditions for preparing and organising the Board's work

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

The Supervisory Board currently has 11 members: Mr Éric de Seynes, chairman, Mr Maurice de Kervenoaël and Mr Ernest-Antoine Seillière, deputy chairmen, Mr Charles-Éric Bauer, Mr Matthieu Dumas, Mr Blaise Guerrand, Mrs Julie Guerrand, Mr Renaud Momméja, Mr Robert Peugeot Mr Nicolas Puech 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.

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 work of the *Institut français des administrateurs* (IFA), 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
This step was carried out in 2012 and in early 2013. After examining proposals from several recruiting consulting firms, the CAG Committee selected a major firm that has a good knowledge of Hermès, and directed it to identify potential candidates for joining the Supervisory Board on the basis of the target objectives described above.
The members of the Émile Hermès SARL Supervisory Board and Management board were also asked to submit proposed applications.
The CAG Committee received five applications and decided to only have the selected recruiting consulting firm review the female applications, in view of the objective of attaining the target of 40% of each sex in 2017.
In addition to these applications, the firm provided the CAG Committee with the profiles of approximately ten women with a range of experience who may be interested in joining the Supervisory Board.

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.

It has been decided that a new independent female Board member will be appointed as of 2013 to replace for Mr Ernest-Antoine Seillière, who does not wish to stand again.

4. Progress of the assignment in 2013

Based on a detailed report and an oral presentation from the firm, the CAG Committee initially shortlisted 3 candidates, and a member of the CAG Committee was directed to meet with them individually, along with the chairman of the Supervisory Board, before the end of 2012.

In January 2013, the CAG Committee discussed the results of these interviews and decided to recommend the application of Mrs Dominique Senequier. This application was submitted to the Émile Hermès SARL Management board and to the Supervisory Board, which unanimously decided to propose her appointment to the 2013 General Meeting. The information about Mrs Dominique Senequier is provided on pages 249 and 250.

The process is ongoing, with the aim of continuing with the efforts to balance the Board's composition in accordance with the criteria described above in the coming years.

• 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 yet been ruled out (see explanations on page 17) but for which the objective is to come into compliance.

In 2012, 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. This analysis is performed each year on the basis of a detailed questionnaire that is sent to all Supervisory Board members, in which they are asked to make a sworn statement regarding any situations that could constitute a potential conflict of interest. Moreover, the Supervisory Board ethics charter indicates that "a Supervisory Board member must strive to avoid any conflict that could exist between his/her moral or 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, s/he refrains from participating in any discussions or decision with regard to the matters in question".

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).

• Operation of the Supervisory Board – Rules of procedure - Ethics charter

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 37.

These rules of procedure include an obligation for the Supervisory Board members to own a relatively significant number of registered shares (200 shares). On 20 March 2013, the Supervisory Board determined that all Board members were meeting this obligation.

The Supervisory Board ethics charter, that has existed since 26 January 2011, and the last version of which was approved by the Supervisory Board on 25 January 2012, is reproduced in its entirety on page 43.

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 2012, the Supervisory Board met 7 times with the regular presence of almost all of its members, resulting in an average attendance rate of 95%, as shown in the table on the following page.

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.

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

Attendance at Supervisory Board meetings in 2012			
Board member	Attendance	Applicable number of meetings	Individual attendance rate
Mr Éric de Seynes	7	7	100%
Mr Maurice de Kervénoaël	7	7	100%
Mr Ernest-Antoine Seillière	7	7	100%
Mr Charles-Éric Bauer	7	7	100%
Mr Matthieu Dumas	7	7	100%
Mr Blaise Guerrand	5	5	100%
Mrs Julie Guerrand	6	7	86%
Mr Olaf Guerrand	2	2	100%
Mr Renaud Momméja	6	7	86%
Mr Robert Peugeot	5	7	71%
Mr Nicolas Puech	5	5	100%
Mrs Florence Woerth	7	7	100%
Average			**95%**

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.

In 2012, the Board visited the Cristalleries de Saint-Louis subsidiary, where it was given a presentation of this company's activity and income, as well as a tour of the manufacturing site (cold and hot, gold decoration, paper press workshop). This day ended with a visit to "La Grande Place" the Cristal Saint-Louis museum, that presents a collection that is unique in the world, showcasing the outcome of the expertise and mastery of the most elaborate decorative techniques of the Cristalleries de Saint-Louis.

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 *limited partnership with share capital* is to maintain on-going 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 2012 in a report presented to the Annual General Meeting called to approve the financial statements (page 251).

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 work, using a questionnaire.

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 work 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 work would be included in the agenda of a board meeting. The next questionnaire-based self-assessment will therefore be in 2013.

At the end of 2012, the CAG Committee reviewed the axes for improvement that had been identified by the Board in May 2011.

A great many of them were implemented in 2012, namely:

– regularisation of the situation of Board members who did not yet have 200 shares registered in their names;

– launch of a more in-depth study on the evolution of the Board's composition, with the help of the CAG Committee;

– dissemination and regular update of the master file;

– set-up of meetings on topics requiring a more in-depth examination (in 2012, the Group's policy with regard to human resources and the strategy to prevent counterfeiting);

– consultation with the Board members regarding the nature of the desired documents and/or information;

– holding a Board meeting on a different site at least once each year, in order to visit the site and meet with the managers;

– dissemination of the Hermès International daily press review.

The Board felt that three axes should be continued in 2013:

– reduction of the timeframe for the transmission of documents submitted for the Board's discussion;

– reduction of the timeframe for providing documents to committee members;

– increased work and involvement of the committees in decision-making.

The CAG Committee also identified certain new improvement objectives and submitted them to the Supervisory Board, which approved their implementation as of 2013:

– creation of an orientation and training procedure for new Board members; – continuing with the assignment concerning evolution of the Board's composition;

– launch of an analysis by 2014 with regard to the amount of the directors' fees;

– update of the assessment questionnaire on the work of the Board, by virtue of the efforts of the AFEP;

– launch of an analysis on the application of the seniority criterion (12 years) needed for Board members to qualify as independent.

Without prejudice to the objectives set out above, the Board considered that its operation was globally satisfactory.

• Training for Supervisory Board members

The Supervisory Board members can make use of the company's grouped membership in the IFA, and thereby take advantage of all of its services. Also, an analysis is in progress with regard to creating an orientation and training procedure for new Board members.

• 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) and inspired by the rules applicable to the Group's employees.

• Directors' fees and remuneration

The principles for apportioning directors' fees and their amounts, which have remained unchanged since 2010, are set out in the Supervisory Board rules of procedure (page 37).
At its meeting of 23 January 2013, the Supervisory Board apportioned directors' fees and compensation of €394,500 in respect of 2012 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 2011 and 2012 are set out in the Management Report, on pages 84 and 85.
As of 2013, it is proposed that the overall amount of the directors' fees should be increased to €480,000 in view of the appointment of a new Board member in 2012, and in anticipation of the desired evolution of the Board's composition.

• 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 composition rules, duties and operating provisions of the CAG Committee are described in detail in the rules of procedure approved by the Supervisory Board, and that have been in existence since 24 March 2010. The latest version of these rules of procedure is reproduced in its entirety on page 47.
During 2012, the CAG met six times, versus three times in 2011. Almost all members attended the meetings (the average attendance rate was 97%).
In 2012, the CAG Committee was notably required to examine and issue recommendations on the following elements:

– 2011 AMF report on corporate governance and executive compensation;
– change of the composition of the Board;
– 2011 AFEP/MEDEF annual report on the distribution of directors' fees.
– project for the free share distribution;
– analysis of the individual situation of the members of the Supervisory Board and of the Executive Chairmen with regard to the plurality of offices;
– update of the Supervisory Board's master file;
– annual examination intended to identify members of the Audit committee that have particular skills in financial or accounting fields;
– annual examination of possible conflicts of interest of the Supervisory Board members;
– 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 work of the Supervisory Board as well as on the internal control and risk management procedures implemented by the Company;
– verification of the compliance of the Supervisory Board members relative to the holding threshold of 200 shares;
– self-assessment of the work of the CAG Committee;
– AMF recommendation n° 2012-02 on corporate governance and the compensation of company directors with reference to the AFEP/ MEDEF code - Consolidated presentation of the recommendations contained in the AMF annual reports;
– report from the AMF working group on the general meetings of the shareholders of listed companies;
– examination of the active partner's proposals regarding the appointment / renewal of the Supervisory Board members during the Hermès International 2012 General meeting (in view of the expiry of the terms of 3 members);
– 2012 compensation of the Executive Chairmen;
– supervision of the recourse by active corporate officers and beneficiaries of stock options or performance shares (free) to operations intended to hedge their risk;
– examination of the fiscal 2011 performance and consequences on the number of bonus shares allocated to each beneficiary as part of the 2010 selective bonus shares plan;
– 2012 compensation, 2011 bonus and 2012 target bonuses of the Executive committee members;
– free share plans;
– modification of the supplementary retirement plan (art. 39);
– proposal for the setting of the rules applicable to allocations of performance shares to the directors and corporate officers (managers);
– AMF recommendation n° 2012-05 on the general meetings of listed companies: analysis of the Hermès International practices;
– AMF 2010 report on corporate governance and executive compensation: analysis of the Hermès International practices;
– EY review of the governance practices;
– work of the IFA;
– informal annual assessment of the Board's work;
– comparison of the market's responses to the treasury consultation on the compensation of corporate executives;
– AFEP study on the performance criteria used by SBF 120 companies in 2011 for the variable part of the compensation, stock options, performance shares and severance pay;
– adoption of a calendar setting the advanced

dates of the meetings of the CAG Committee, and schedule of the work planned over the course of the year.

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.

The composition rules, duties and operating provisions of the Audit Committee are described in detail in the rules of procedure approved by the Supervisory Board, and that have been in existence since 24 March 2010. The latest version of these rules of procedure is reproduced in its entirety on page 51.

In 2012, 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 29 May 2012;
– 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 professional experience, as described in pages 60 to 70.

During 2012, the Audit Committee met 4 times. Nearly all of its members attended the meetings (the average attendance rate was 95%).

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 2012, the Audit Committee carried out its assignment, notably concerning the following matters:

– review of financial statements:
• parent company and consolidated financial statements for the year ended 31 December 2011;
• consolidated financial statements to 30 June 2012,
• 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 risk department in 2011 and major axes with regard to risk management, audit admissions and coordination of the internal control for 2012;
– 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 assignments:
• annual formally documented self-assessment of Audit committee operation;
• review of 2012 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.

• 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 92).

• 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 108).

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.

The present report was prepared by the Supervisory Board chairman, with the help of the Audit committee and of the relevant functional departments. It was approved by the Board during its meeting on 20 March 2013.

• 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 on-going, 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 and its family values. 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.

In addition to periodic meetings with the finance department and the audit department, the Audit committee carries out assignments in the field. Twice each year, it travels with the audit and risks department in order to understand and verify the reality of the internal control measures implemented within the subsidiaries, whether distribution activities, production or support activities, within the various countries or zones.

It regularly reports to the Board with regard to the domains within its remit. The Committee meetings result in written and approved minutes.

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 and monitors the implementation of the recommendations;

– ensure the deployment of internal control suited to the Group's stakes.

The A&RMD coordinates the work of a team of internal auditors and a network of employees responsible for internal control, in France and in other countries, within the business lines and within the distribution and support activities. The Department reports to the Group's senior management, which guarantees its independence, and has unlimited authority to review any matter at its discretion. Since 2010, an audit charter setting out the duties and responsibilities of the internal auditors and their professional conduct and providing a formal procedure for their audit assignment operations has been carried out.

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, as well as with its Chairman several times a 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 centre of internal control; 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. To this end, they rely on the results of the annual internal control self-assessment questionnaire.

• 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 on-going risk mapping programme was initiated in 2004 and has been fine-tuned over the years.

This mapping is used to systematically identify the main risks. It is a tool for improving the performance, since it contributes to protecting the company's value and assets, to securing the decision-making in order to promote the attainment of the objectives, but also to mobilising the employees around a common vision of the main risks and corresponding action plans.

The DA&R coordinates this initiative within the main business lines, distribution subsidiaries and support functions. The risk maps can also be deployed on a case-by-case basis, for certain projects. They are presented dynamically, while stressing the effect of the action plans having to be implemented. On a regular basis, the DA&R monitors the progress of the action plans within the entities in question.

Hermès International has also deployed specific processes for monitoring certain risks, by means of specialised committees or working groups. These committees meet on a periodic basis (generally monthly). For example, committees focusing on real estate risks, transportation safety, IT risks, cash risks, that analyse the main identified risks, study the appropriate corrective measures if necessary and verify that the existing control systems

correspond with the Group procedures. The main involved operational contacts take part in these committees, as well as the DA&R, whose role is to facilitate the identification of risks and of the associated action plans.
The DA&R can also modify its action plan and carry out ad hoc assignments in order to deal with new risks, notably in the event that an alarm is issued by a Group department.

• **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 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. The procedures defined on the Group level are extended and adapted to the context and to the local regulations, by each division.

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. The store procedures, in direct contact with the operational management of the points of sale, are updated on a regular basis, in keeping with the evolution of the commercial policy. All the procedures are managed by the DA&R, which ensures good compliance with the key control points relative to the described processes, and their correct distribution to the actors in question.

The Group chart of accounts, prepared according to the international accounting standards (IFRS) and available on the Internet, provides details of the posting rules. Moreover, the Group finance department periodically issues instructions for the subsidiaries, at the time of the closings or on an isolated basis, on any subject related to financial information. The usage manual for the consolidation system (Magnitude) presents all of the rules having to be followed for the financial reporting. It presents all of the applicable procedures in accounting and financial terms, and also contains details on the posting operations.

The financial manual includes the Group chart of accounts and the consolidation system's usage manual.

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:

– a cash management procedure that defines the roles and responsibilities between the Group cash and the subsidiaries;

– 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;

– a change policy approved by the Group's Supervisory Board (this policy describes all authorised financial instruments and sets limits on their use by members of the Hermès International Treasury Management Department);

– a foreign exchange risk management 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 work

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") IT 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). These questionnaires are updated on an annual basis, in order to include any new risks and controls identified as key on the Group level.

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 consolidation of the questionnaires is now automated to a large extent. The self-assessment summary is drafted by the DA&R. As such, it recommends the internal control priorities set for the following year. The CHIC Boutique questionnaire is monitored on the level of the country directors within the distribution network. The results are also analysed on a centralised basis, in order to identify areas for improvement and control priorities for the stores for the coming year.

The internal control managers are involved in the self-assessment, and are in charge of monitoring the action plans. The DA&R checks the questionnaires during its audits in order to ascertain that the controls have been correctly appropriated, and the effective implementation of the corrective action plans.

Internal control system monitoring

The network of internal controllers performs a second level control on the operations. Its objective is to ensure that the main risks related to the distribution and production operations as well as the support functions are covered by suitable controls, notably regarding the safety of the assets. The network of internal controllers is coordinated by the DA&R, that contributes by setting control priorities within each subsidiary and by ensuring that best practices are shared, notably through a common information database and a training and awareness-raising session with regard to the internal control priorities.

The audit assignments represent the third control level. The auditors work on the basis of an annually prepared audit plan, validated by the Management and the Audit committee, and that results in adaptations every six months, if necessary.

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. The audit reports are sent to the managers of the audited subsidiaries or departments and to the Group's general 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 on-going 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 yearend 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.

Finally, as part of its audits, the DA&R coordinates its efforts with the statutory auditors in order to ensure the consistency and efficiency of their mutual interventions.

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 assignment 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.

APPENDIX: ARTICLES 18, 19 AND 20 OF THE ARTICLES OF INCORPORATION

18 - Supervisory Board

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.

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 Supervisory Board is renewed in its entirety every three years, during the annual Ordinary General Meeting. Every appointment, whether occurring as a replacement for a member of the Supervisory Board or not, applies until the next renewal of the Supervisory Board.

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

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 7 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 - LThe Supervisory Board exercises on-going 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.

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.

Supervisory Board ethics charter

(25 January 2012 version)

PREAMBLE

The purpose of this Charter is to contribute to the quality of the work of the members of the Supervisory Board by favouring the application of the corporate governance principles and best practices mandated by ethical and efficiency considerations.

ARTICLE 1 – ANDATE AND CORPORATE INTEREST

A member of the Supervisory Board must act under all circumstances in the company's corporate interest. He must, whatever his mode of appointment, consider himself to be a representative of all the shareholders, and must also take into account the requirements of the other stakeholders.

ARTICLE 2 – COMPLIANCE WITH LAWS AND ARTICLES OF ASSOCIATION

A member of the Supervisory Board must fully understand his rights and obligations. He must in particular be familiar with and comply with the legal and regulatory provisions relating to his position, the applicable governance codes and best practices, and the rules specific to the company resulting from its articles of association and the Supervisory Board rules of procedure.

ARTICLE 3 – PREVENTION OF INSIDER TRADING – STOCK MARKET ETHICS – OBLIGATIONS TO ABSTAIN – OBLIGATION TO DECLARE

• **Principles**

Inside information must be used by a member of the Supervisory Board only for the fulfilment of his mandate. It must in no case be communicated to a third party outside the framework of fulfilment of the mandate as a member of the Supervisory Board, and for other purposes, or for an activity other than those on account of which it is held.

Holding inside information creates an obligation to refrain from carrying out transactions on Hermès International shares for each member of the Supervisory Board. In particular, when they hold information on the company which has not been made public, they undertake not to use it to carry out transactions on the company's shares, or to have such transactions carried out by a third party.

Each member of the Supervisory Board thus has the duty to refrain from carrying out transactions on the securities (shares) of Hermès International on the basis of such information, or from causing or allowing others to do so, until this information is made public. Each member is personally responsible for appraising the "inside" nature of any information they hold, and for deciding accordingly whether they may or may not use or pass on this information or carry out any transaction on the company's shares or have such transactions carried out by others.

• **Lists of insiders**

Under the terms of article L 621-18-4 of the Monetary and Financial Code, listed companies must draw up, update and send the Financial Markets

Authority a list of persons working within them who have access to inside information directly or indirectly concerning them, and of third parties who have access to such information in the context of their professional relationships with them.

Hermès International updates this list at least twice a year.

All members of the Supervisory Board are automatically included in this list as permanent insiders and are personally informed of this by a letter which they must send back countersigned.

Members of the Supervisory Board must familiarise themselves with the explanatory document prepared, presented and updated by the legal department concerning the regulations and applicable penalties relating to holding inside information and insider training: article L 465-1 of the Monetary and Financial Code and articles 621-1 et seq. of the General Regulations of the Financial Markets Authority (AMF), a copy of which is supplied to them as soon as they are included in the list of insiders and which include in particular a reminder of the definition of inside information.

• Prudential regulations

Members of the Supervisory Board must comply with the following prudential regulations:

AS REGARDS WRITTEN DOCUMENTS

– mark all "sensitive" documents with the word "Confidential";

– avoid over-wide dissemination (e-mail/common network);

– keep paper documents under lock and key and lock electronic documents with passwords;

– get third parties receiving inside information to sign a confidentiality commitment;

AS REGARDS ORAL EXCHANGES

– be discrete in relations with others;

– be watchful of people around them in public places.

• "Blackout" periods

In addition to the period preceding the publication of any inside information of which they have knowledge, during which members of the Supervisory Board must refrain, in accordance with the law, from any transaction on the company's shares, members of the Supervisory Board are advised to refrain from any transaction on shares during the "blackout periods" applicable to the company, which are detailed in a timetable drawn up and circulated each year.

• Duty to inform

A member of the Supervisory Board must familiarise himself with the summary notes prepared, presented and updated by the legal department concerning the regulations and applicable penalties relating to:

– the provisions in force concerning the holding of inside information and insider training: article L 465-1 of the Monetary and Financial Code and articles 621-1 et seq. of the General Regulations of the AMF;

– declarations concerning exceeding of thresholds;

– directors' declaration obligations.

• Declarations to the AMF

In accordance with the applicable regulations, members of the Supervisory Board and persons closely associated with them, as defined by decree, must declare to the AMF any acquisitions, transfers, subscriptions or exchanges of financial instruments of the company together with any transactions carried out on instruments which are associated with them, whenever the total amount of these transactions exceeds 5,000 euros for the current calendar year.

Members of the Supervisory Board and persons closely associated with them must send their declaration to the AMF, by electronic means (declara-

tiondirigeants@amf-france.org), within a period of five trading days following the conducting of the transaction.
The declarations are then placed on line on its website by the AMF and are the subject of an annual summary statement in the company's management report.

ARTICLE 4 – PERFORMING OF DUTIES: GUIDING PRINCIPLES

A member of the Supervisory Board performs his duties with independence, integrity, fairness and professionalism.

ARTICLE 5 – INDEPENDENCE, COURAGE AND DUTY OF NOTIFICATION

A member of the Supervisory Board must be careful to maintain under all circumstances his independence of judgement, decision and action. He shall not be influenced by any factor that is not in keeping with the corporate interests that he is responsible for defending.
He shall alert the Supervisory Board to any information known to him which appears to him to be liable to affect the company's interests. He has a duty to express his questions and opinions clearly. He shall endeavour to convince the Supervisory Board of the appropriateness of his positions. In the event of disagreement, he shall be careful to ensure that these positions are explicitly recorded in the minutes of the proceedings.

ARTICLE 6 – INDEPENDENCE AND CONFLICT OF INTERESTS

A member of the Supervisory Board shall endeavour to avoid any possible conflict between his moral and material interests and those of the company. He shall inform the Supervisory Board of any conflict of interests in which he might be involved. In cases in which he cannot avoid being in a position of conflict of interests, he shall refrain from taking part in the discussions and any decision on the matters concerned.

ARTICLE 7 – INTEGRITY AND FAIRNESS

A member of the Supervisory Board acts in good faith under all circumstances and does not take any initiative which could be detrimental to the company's interests.
He makes a personal commitment to maintain complete confidentiality concerning the information he receives, the discussions in which he participates and the decisions taken.
He undertakes not to use the inside information to which he has access for his personal benefit or for the benefit of any other person. In particular, when he holds information on the company which has not been made public, he undertakes not to use it to carry out transactions on the company's shares, or to have such transactions carried out by a third party.

ARTICLE 8 – PROFESSIONALISM AND COMMITMENT

A member of the Supervisory Board undertakes to devote the necessary time and attention to his duties.

He shall make sure that the number and workload of his mandates as a director or as a member of the Supervisory Board leave him sufficiently available, particularly if he also performs executive duties.

He shall obtain information on the company's lines of business and specificities, together with its aims and values, including by consulting its main directors.

He shall regularly and diligently take part in the meetings of the Supervisory Board and the specialised committees of which he is a member.

He shall attend the General Meetings of shareholders.

He shall make efforts to obtain in due time any information that he considers necessary for him to participate in meetings of the Board in full knowledge of the facts.

He shall endeavour to update the knowledge he requires and ask the company to provide him with the training necessary for the correct fulfilment of his duties.

ARTICLE 9 – PROFESSIONALISM AND EFFECTIVENESS

A member of the Supervisory Board shall contribute to the collegiality and effectiveness of the work of the Supervisory Board and of any specialised committees constituted within it.

He shall make any recommendation which he believes may improve the methods of operation of the Board, particularly at the time of its periodic evaluation. He agrees to the evaluation of his own action within the Supervisory Board.

He shall endeavour, with the other members of the Supervisory Board, to ensure that the missions of guidance and control are accomplished effectively and without hindrance. In particular, he shall make sure that procedures are set up within the company to check that the letter and spirit of laws and regulations are adhered to. He shall make sure that the positions adopted by the Supervisory Board lead without exception to duly justified formal decisions recorded in the minutes of its meetings.

ARTICLE 10 – APPLICATION OF THE CHARTER

If a member of the Supervisory Board ceases to be in a position to perform his duties in accordance with the charter, either for reasons attributable to him or for any other reason, including reasons pertaining to the rules specific to the company, he must inform the Chairman of the Supervisory Board of this, seek solutions to remedy this situation and, if he is unable to do so, accept the resulting personal consequences regarding the fulfilment of his mandate.

Compensation, Appointments and Governance Committee rules of procedure

(version no. 2, which came into effect on the 20th of March 2013)

PREAMBLE

These rules of procedure define the composition, missions and methods of organisation and operation of the Compensation, Appointments and Governance Committee of Hermès International, which acts under the collective and exclusive responsibility of the Supervisory Board.
Their purpose is to contribute to the quality of the work of the Compensation, Appointments and Governance Committee by favouring the application of corporate governance principles and best practices for ethical reasons and to improve efficiency.

A. COMPOSITION OF THE COMPENSATION, APPOINTMENTS AND GOVERNANCE COMMITTEE

• Chairmanship - Number of members

The Chairman of the Compensation, Appointments and Governance Committee is appointed by the Supervisory Board.
The Compensation, Appointments and Governance Committee comprises at least three members of the Supervisory Board.

• Proportion of independent members

At least half of the members of the Compensation, Appointments and Governance Committee must, at the time of their appointment and for the whole period for which they occupy this position, be qualified as independent under the Supervisory Board rules of procedure.

• Term of appointment to the Compensation, Appointments and Governance Committee

The members of the Compensation, Appointments and Governance Committee are appointed by the Supervisory Board for the duration of their term of office as a member of the Supervisory Board or for any other period defined by the Supervisory Board. They may be reappointed indefinitely.

B. MISSIONS OF THE COMPENSATION, APPOINTMENTS AND GOVERNANCE COMMITTEE

The Compensation, Appointments and Governance Committee studies and prepares certain proceedings of the Supervisory Board and submits to the Board its opinions, proposals or recommendations.
Without prejudice to the powers of the Supervisory Board, which it does not replace, the missions of the Compensation, Appointments and Governance Committee are:

IN THE AREA OF COMPENSATION

– to be consulted and prepare the recommendations of the Executive Management Supervisory Board on the terms of remuneration of the members of the Executive Committee;
– to be consulted and prepare the recommendations of the Executive Management Supervisory Board on the procedures for possible allocation of share purchase options and free shares to the members of the Executive Committee;
– to express any proposal and any opinion on the overall amount and distribution, particularly according to the regularity of attendance of members of the Supervisory Board at meetings, of the directors' fees or other payments and benefits

of members of the Supervisory Board, and its representative study committees;
– to examine draft plans for share subscription or purchase options and free allocation of shares to directors in order to enable the Supervisory Board to define the overall or individual number of options or shares allocated and the procedure for their allocation;
– to examine draft plans for share subscription or purchase options and free allocation of shares to employees and make proposals to the Executive Management;
– to assist the Supervisory Board in determining the conditions and performance criteria to be applied in the allocation of share subscription or purchase options, performance shares and/or additional pensions to Executive Chairmen;
– to make sure that the remuneration and other commitments made to the Executive Chairmen are in line with the statutory provisions and the decisions of the Active Partner;

IN THE AREA OF APPOINTMENTS

– to prepare the Board's proposals to the Active Partner after examining all the elements which he must take into account in his deliberation: balance to be sought in the composition of the Board in the light of the composition of and changes in the company's shareholders, search for and appraisal of possible candidates and advisability of reappointments;
– to organise a procedure to select the future independent members of the Board and carry out its own studies on potential candidates;
– to draw up a plan for replacement of the executive directors (the Executive Chairmen) so that the Board is in a position to propose replacement solutions to the Active Partner;

IN THE AREA OF GOVERNANCE

– to propose updating of the governance rules whenever necessary;
– to periodically check that the independent members of the Supervisory Board meet the criteria of objectivity and independence defined by the Supervisory Board rules of procedure;
– to examine the composition of the specialised committees;
– to steer the annual process of evaluation of the operation of the Supervisory Board;
– to check in particular that the Supervisory Board rules of procedure and the governance recommendations of the AFEP/MEDEF consolidated code in force are properly taken into account in the operation of the company's management bodies.

C. OPERATION OF THE COMPENSATION, APPOINTMENTS AND GOVERNANCE COMMITTEE

The Compensation, Appointments and Governance Committee meets as many times as necessary and at least once a year, before the remuneration of the Executive Chairmen is defined by the Active Partner.

The Compensation, Appointments and Governance Committee meets when called by its Chairman, who sets the agenda of the meeting in writing or verbally, in any place indicated in the notice of meeting.

Before each meeting of the Compensation, Appointments and Governance Committee, members of the Compensation, Appointments and Governance Committee receive in due time, with reasonable prior notice and subject to confidentiality requirements, documentation concerning points of the agenda which require prior analysis and reflection.

The role of secretary of the meetings of the Compensation, Appointments and Governance Committee is performed, if he is present, by the Group Human Resources Director, or by a member of the Compensation, Appointments and Governance Committee appointed as rapporteur by the Chairman.

The proceedings are noted in minutes which are entered in a special register and signed by the Chairman or a member of the Compensation, Appointments and Governance Committee and the secretary of the meeting.

Certain persons who are not members of the Compensation, Appointments and Governance Committee – in particular the "Compensation and Benefits" Director and the Executive Management – may be invited to meetings of the Compensation, Appointments and Governance Committee.

Meetings of the Compensation, Appointments and Governance Committee are validly held when at least half of the members participate in them, it being specified that members who participate in a meeting of the Compensation, Appointments and Governance Committee by videoconferencing or telecommunication means under the conditions stipulated for meetings of the Supervisory Board are deemed to be present.

Decisions of the Compensation, Appointments and Governance Committee are taken by majority vote of the members present.

D. REPORTS TO THE SUPERVISORY BOARD

The Compensation, Appointments and Governance Committee reports regularly in writing on its activities and the performance of its work to the Supervisory Board, and informs it without delay of any difficulties encountered.

The reports of the Compensation, Appointments and Governance Committee must enable the Supervisory Board to be fully informed by the Compensation, Appointments and Governance Committee on the performing of its work.

E. INFORMATION OF THE COMPENSATION, APPOINTMENTS AND GOVERNANCE COMMITTEE

The Compensation, Appointments and Governance Committee must receive all documents necessary for the performing of its work, particularly from Hermès International employees.

In particular, the Compensation, Appointments and Governance Committee must be informed of the policy for remuneration of the main non-executive directors (particularly for members of the Executive Committee).

The Compensation, Appointments and Governance Committee may contact the main directors of the group as part of its remit, after the Chairman of the Supervisory Board has informed the Executive Management.

It may, if necessary, request the intervention of an external expert to carry out additional studies.

F. REMUNERATION OF THE COMPENSATION, APPOINTMENTS AND GOVERNANCE COMMITTEE

The remuneration of the members of the Compensation, Appointments and Governance Committee is defined by the Supervisory Board and deducted from the overall amount of directors' fees.

G. SELF-ASSESSMENT OF THE COMPENSATION, APPOINTMENTS AND GOVERNANCE COMMITTEE

The Compensation, Appointments and Governance Committee periodically assess its performance, covering the points of its assignments and its commitment by means of an assessment table. This serves as an opportunity for review and appraisal of the various points of the assignment and commitment of the Compensation, Appointments and Governance Committee and its members, and recommendations for improving its operation are made if necessary.

Audit Committee rules of procedure

(version no. 1 of the 24th of March 2010)

PREAMBLE

These rules of procedure define the composition, missions and methods of organisation and operation of the Audit Committee of Hermès International, which acts under the collective and exclusive responsibility of the Supervisory Board. Their purpose is to contribute to the quality of the work of the Audit Committee by favouring the application of corporate governance principles and best practices for ethical reasons and to improve efficiency.

A. COMPOSITION OF THE AUDIT COMMITTEE

• Chairmanship - Number of members

The Chairman of the Audit Committee is appointed by the Supervisory Board.

The Audit Committee comprises at least four members of the Supervisory Board.

• Proportion of independent members

At least half of the members of the Audit Committee must, at the time of their appointment and for the whole term for which they occupy this position, be qualified as independent under the Supervisory Board rules of procedure.

At least one of the members of the Audit Committee must be appointed from among the independent members of the Supervisory Board who have particular expertise in financial or accounting matters.

• Term of appointment to the Audit Committee

The members of the Audit Committee are appointed by the Supervisory Board for the duration of their term of office as a member of the Supervisory Board or for any other term defined by the Supervisory Board. They may be reappointed indefinitely.

B. MISSIONS OF THE AUDIT COMMITTEE

The Audit Committee studies and prepares certain proceedings of the Supervisory Board and submits to the Board its opinions, proposals or recommendations.

In application of article L 823-19 of the Commercial Code, and without prejudice to the powers of the Supervisory Board, which it does not replace, the missions of the Audit Committee are:

– to examine and comment on the company's consolidated corporate accounts before they are closed by the Executive Management;

– to make sure that the accounting methods adopted are appropriate and permanent;

– to check that the internal procedures for collecting and checking data guarantee the quality of the information supplied;

– to examine the work programme and the results of the internal and external audit missions;

– to carry out the specific missions entrusted to it by the Supervisory Board;

– to monitor the effectiveness of the internal control and risk management systems and of the statutory audit of the annual accounts and, if necessary, the consolidated accounts by the statutory auditors;

– to make sure that the rules guaranteeing the independence and objectivity of the statutory auditors are complied with;

– to participate in the procedure for selection of the statutory auditors.

In the performance of these missions, the Audit

Committee may carry out field trips to obtain complete information on the group and to appraise the overall consistency of the internal control and risk management system.

C. OPERATION OF THE AUDIT COMMITTEE

The Audit Committee meets as many times as necessary and at least twice a year, before the annual accounts are closed by the Executive Management and before the half-yearly accounts are examined by the Supervisory Board.

The Audit Committee meets when convened by its Chairman, who sets the agenda of the meeting in writing or verbally, in any place indicated in the notice of meeting.

Before each meeting of the Audit Committee, members of the Audit Committee receive in due time, with reasonable prior notice and subject to confidentiality requirements, documentation concerning points of the agenda which require prior analysis and reflection.

The role of secretary of the meetings of the Audit Committee is performed, if he is present, by the Audit and Risk Director, or if not by a member of the Audit Committee appointed as rapporteur by the Chairman.

The proceedings are noted in minutes which are entered in a special register and signed by the Chairman of the Audit Committee and the secretary of the meeting.

Certain persons who are not members of the Audit Committee – particularly the statutory auditors, the Audit and Risk Director, the Financial Director and the Executive Management – may be invited to meetings of the Audit Committee.

Meetings of the Audit Committee are validly held when at least half of the members participate in them, it being specified that members who participate in a meeting of the Audit Committee by videoconferencing or telecommunication means under the conditions stipulated for meetings of the Supervisory Board are deemed to be present.

Decisions of the Audit Committee are taken by majority vote of the members present.

D. REPORTS TO THE SUPERVISORY BOARD

The Audit Committee reports regularly in writing on its activities and the performance of its work to the Supervisory Board, and informs it without delay of any difficulties encountered.

The reports of the Audit Committee must enable the Supervisory Board to be fully informed by the Audit Committee on the performing of its work.

E. INFORMATION OF THE AUDIT COMMITTEE

The Audit Committee must receive all documents necessary for the performing of its work, particularly from Hermès International employees and the statutory auditors. In particular, it must receive a periodic summary of the work of the Audit and Risk Division.

At the time of examination of the accounts by the Audit Committee, this examination must be prepared and accompanied by a presentation by the statutory auditors underlining the essential points not only of the results but also of the chosen accounting options, together with a presentation by the Financial Director describing the company’s exposure to risks and its significant off-balance-sheet commitments.

The Audit Committee examines the Group’s budgets in a final summary before presentation to the Supervisory Board in order to understand and validate the strategy underlying them.

The Audit Committee may contact the main directors of the group as part of its remit, after the Chairman of the Supervisory Board has informed the Executive Management.

It may, if necessary, request the intervention of an external expert to carry out additional studies.

F. REMUNERATION OF THE AUDIT COMMITTEE

The remuneration of the members of the Audit Committee is defined by the Supervisory Board and deducted from the overall amount of directors’ fees.

G.SELF-ASSESSMENT OF THE AUDIT COMMITTEE

The Audit Committee periodically evaluates its performance, covering the points of its missions and its commitment by means of an evaluation table.

This serves as an opportunity for review and appraisal of the various points of the mission and commitment of the Audit Committee and its members, and recommendations for improving its operation are made if necessary.

The corporate governance principles established by the Company are described in the Report from the Chairman of the Supervisory Board, on pages 16 to 36.

COMPOSITION AND OPERATION OF THE ADMINISTRATIVE, EXECUTIVE AND SUPERVISORY BODIES

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

Changes during financial year 2012

At its meeting of 29 May 2012, the Supervisory Board:
– appointed Mr Nicolas Puech and Mr Blaise Guerrand as new members of the Supervisory Board for a term expiring at the end of the Annual General Meeting to be called in order to approve the financial statements for the financial year ending on 31 December 2014;
– renewed the terms as Supervisory Board members of Mr Matthieu Dumas and 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 financial year ending on 31 December 2014.

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.

Summary information on corporate executive officers and Supervisory Board members

Name	Date of birth (dd/mm/yy)	Age in 2013	Office	Date first appointed (dd/mm/yy)	Term of office/ Expiry date	Years in office in 2013
Patrick Thomas	16/06/1947	66	Executive Chairman	15/09/2004	Open-ended	7
Émile Hermès SARL			Executive Chairman	01/04/2006 (and from 1990 to 1994)	Open-ended	6
Éric de Seynes	09/06/1960	53	Chairman of the Supervisory Board	03/03/2011	2014 General Meeting	2
			Supervisory Board member	07/06/2010 (and from 2005 to 2008)	2014 General Meeting	3
Maurice de Kervénoaël	28/09/1936	77	Vice-Chairman of the Supervisory Board	02/06/2005	2014 General Meeting	8
			Supervisory Board member	03/06/2003 (and from 1995 to 2001)	2014 General Meeting	10
			Audit Committee Chairman	26/01/2005	2014 General Meeting	8
Ernest-Antoine Seillière	20/12/1937	76	Vice-Chairman of the Supervisory Board	02/06/2005	2013 General Meeting	8
			Supervisory Board member	29/05/1997	2013 General Meeting	16
			Chairman of the Compensation, Appointments and Governance Committee	26/01/2005	2013 General Meeting	8
Charles-Éric Bauer	09/01/1964	49	Supervisory Board member	03/06/2008	2013 General Meeting	5
			Audit Committee member	26/01/2005	2013 General Meeting	8
Matthieu Dumas	06/12/1972	41	Supervisory Board member	03/06/2008	2015 General Meeting	5
			Member of the Compensation, Appointments and Governance Committee	03/06/2008	2015 General Meeting	5
Blaise Guerrand	04/06/1983	30	Supervisory Board member	29/05/2012	2015 General Meeting	1
Julie Guerrand	26/02/1975	38	Supervisory Board member	02/06/2005	2013 General Meeting	8
Renaud Momméja	20/03/1962	51	Supervisory Board member	02/06/2005	2014 General Meeting	8
			Audit Committee member	03/06/2008	2014 General Meeting	5
Robert Peugeot	25/04/1950	63	Supervisory Board member	24/01/2007	2015 General Meeting	6
			Member of the Compensation, Appointments and Governance Committee	03/06/2008	2015 General Meeting	5
			Audit Committee member	03/06/2008	2015 General Meeting	5
Nicolas Puech	29/01/1943	70	Supervisory Board member	29/05/2012	2015 General Meeting	1
Florence Woerth	16/08/1956	57	Supervisory Board member	07/06/2010	2013 General Meeting	3
			Audit Committee member	07/06/2010	2013 General Meeting	3

Executive Managers

PATRICK THOMAS

Patrick Thomas, who is not related to the Hermès family, served as Managing Director of Hermès International from 1989 until 1997. He returned to the Hermès Group on 15 July 2003 as Managing Director of Hermès International before being appointed Executive Chairman, a post he has held since 15 September 2004 for an open-ended term of office.

Date of appointment as Executive Chairman
15 September 2004

Date of appointment as Executive Chairman
Open-ended

Age en 2013
66 years of age

Nationality
French

Shares held in Hermès International
Legal owner of 23,528 shares
as at 31 December 2012

Adress
Hermès International
24, rue du Faubourg-Saint-Honoré
75008 Paris

EXECUTIVE MANAGER OF HERMÈS INTERNATIONAL

Expertise and additional professional experience
Patrick Thomas is a graduate of École supérieure de commerce de Paris (ESCP). He was Chairman of the Lancaster Group from 1997 until 2000, then Chairman and Chief Executive Officer of the British company William Grant & Sons from 2000 until 2003.

Offices and positions held during 2011

Company name		Country	Office
Hermès International	H ◆	France	Executive Manager
Boissy Mexico	H	Mexico	Acting Director
Boissy Singapore Pte Ltd	H	Singapore	Director
Castille Investissements	H	France	Permanent Representative of Hermès International, Chairman
Compagnie Hermès de participations	H	France	Permanent Representative of Hermès International, Chairman
Faubourg Italia	H	Italy	Director
Full More Group	H	Hong Kong	Chairman and Director
Grafton Immobilier	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 Nordics	H	Belgium	Director
Hermès Canada	H	Canada	Chairman and Director
Hermès de Paris (Mexico)	H	Mexico	Acting Director
Hermès do Brasil	H	Brasil	Director
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 Latin America	H	United States	Director
Hermès Monte-Carlo	H	Principality of Monaco	Permanent Representative of Hermès International, Vice-Chairman
Hermès of Hawaï	H	United States	Chairman of the Board and Director
Hermès of Paris	H	United States	Chairman of the Board and Director
Hermès Prague	H	Czech Republic	Supervisory Board member (until 30/06/2012)
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 Bijouterie and Hermès Homme (until 30/05/2012)
Hermtex	H	United States	Chairman of the Board and Director
Holding Textile Hermès	H	France	Permanent Representative of Hermès International, Chairman (until 30/05/2012)

H Hermès Group company ◆ Listed company **C** Office taken into account in the calculation of multiple offices

PATRICK THOMAS (MORE)

Company name		Country	Office
Immauger	H	France	Permanent Representative of Hermès International, Executive Manager
Immobilière du 5 rue de Furstenberg	H	France	Permanent Representative of Hermès International, Chairman
Isamyol 21, devenue Puiforcat	H	France	Permanent Representative of Hermès International, Chairman
Isamyol 22, devenue Compagnie des Arts de la Table et de l'Émail	H	France	Permanent Representative of Hermès International, Chairman
Isamyol 23	H	France	Permanent Representative of Hermès International, Chairman
Isamyol 24	H	France	Permanent Representative of Hermès International, Chairman
Isamyol 25	H	France	Permanent Representative of Hermès International, Chairman
Isamyol 26	H	France	Permanent Representative of Hermès International, Chairman
Isamyol 27	H	France	Permanent Representative of Hermès International, Chairman
Isamyol 28	H	France	Permanent Representative of Hermès International, Chairman
John Lobb Japan	H	Japan	Director
Lacoste		France	Director(until 28/09/2012)
La Montre Hermès	H	Switzerland	Director
Laurent Perrier	C	France	Supervisory Board member
Leica Camera AG	◆	Germany	Supervisory Board member
Massily Holding	C	France	Vice-Chairman and Supervisory Board member
Mostch George V	H	France	Permanent Representative of Hermès International, Chairman
Rémy Cointreau	◆ C	France	Director
Saint-Honoré (Bangkok)	H	Thailand	Director
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
Shang Xia Trading (Shanghaï) Co, Ltd	H	China	Executive Manager and Director

H Hermès Group company ◆ Listed company C Office taken into account in the calculation of multiple offices

PATRICK THOMAS (MORE)

Other offices and positions held during the previous four years and ending before 1 January 2012

Permanent Representative of Holding Textile Hermès, Director of Ateliers A.S. (France), Supervisory Board member of Banque Neuflize OBC (France), Director of Castille Investissements (France), Permanent Representative of Hermès International, Member of the Management Board of Héraklion (France), Director of Hermès India Retail & Distributors Private Ltd (India), Chairman and Legal representative of Hermès Korea Travel Retail (South Korea), Permanent Representative of Sport Soie, Director of Hermès Monte-Carlo (Principality of Monaco), Chairman of Holding Textile Hermès (France), Permanent Representative of Hermès International, Chairman de Isamyol 9 (France), Permanent Representative of Hermès International, Chairman of Isamyol 12, renamed Ateliers de Tissage de Bussières et de Challes (France), Permanent Representative of Hermès International, Director of John Lobb (France), Director of John Lobb Limited (Hong Kong), Acting Director of Saint-Honoré Chile (Chili), Executive Manager of SCI Florian Mongolfier (France), Director of Wally Yachts (Luxembourg), Permanent Representative of Hermès International, Chairman of SAS Ateliers Nontron (France), Permanent Representative of Hermès International, Director of la Compagnie des Cristalleries de Saint-Louis (France), Permanent Representative of Hermès International, Director and Member of the Management Board of Créations Métaphores (France), Director of Hermès Singapore (Retail) (Singapore), Director of Hermès South East Asia (Retail) (Singapore), Permanent Representative of Hermès International, Chairman Immobilière Charentaise de la Tardoire (France), Permanent Representative of Hermès Sellier, deputy director of Hermès Monte-Carlo (Principality of Monaco), Permanent Representative of Hermès International, Chairman of Maroquinerie Iseroise (France), Chairman of Boissy Retail (Singapore) and Vice-Chairman and Supervisory Board member of Gaulme (France).

ÉMILE HERMÈS SARL REPRESENTED BY ITS EXECUTIVE MANAGER, HENRI-LOUIS BAUER

ACTIVE PARTNER AND EXECUTIVE MANAGER OF HERMÈS INTERNATIONAL

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. It does not now hold nor has it in the past held any offices in any other company.

Date of appointment as Executive Manager

1 April 2006

Expertise and additional professional experienc

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 Henri-Louis Bauer (appointment effective as of 1 July 2012), a direct descendant of Mr 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

Offices and positions held during 2012

Company name		Country	Office
Hermès International	H ◆	France	Active partner and Executive Manager

H Hermès Group company ◆ Listed company C Office taken into account in the calculation of multiple offices

ÉMILE HERMÈS SARL (MORE)

Term of appointment expires

Term of appointment expires

Shares held in Hermès International

Legal owner of 2 shares
as at 31 December 2012

Adress

Hermès International
24, rue du Faubourg-Saint-Honoré
75008 Paris

Other offices and positions held during the previous four years and ending before 1 January 2012

None.

HENRI-LOUIS BAUER

Offices and positions held during 2012

Company name		Country	Office
Émile Hermès SARL	H	France	Executive Manager and Chairman of the Management Board
Samain B2		France	Executive Manager
Sabarots		France	Executive Manager
Aucleris		France	Executive Manager
H2		France	Director

H Hermès Group company ◆ Listed company C Office taken into account in the calculation of multiple offices

Other offices and positions held during the previous four years and ending before 1 January 2012

Other offices and positions held during the previous four years and ending before 1 January 2012

By means of a service contract dated 1 September 2005, amended several times since then, the Émile Hermès SARL wished to rely on the services of Hermès International for the performance of current or non-recurring assignments in the legal (legal secretariat, monitoring of the shareholding, etc.) and financial (accounting, tax declarations, cash management, etc.) fields, as well as secretarial services. Any change to the entrusted assignments or anticipated re-invoicing (excluding annual indexing) must be the subject of an amendment. This contract and its existing or future amendments must undergo the procedure for regulated agreements.

Active Partner

ÉMILE HERMÈS SARL

(Refer to the paragraph above concerning Executive Managers.)

Supervisory Board

No service contract exists between the Supervisory Board members and the company or any of its subsidiaries that would result benefits being granted pursuant to such a contract.

ÉRIC DE SEYNES

Mr Éric de Seynes is 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

Date of appointment to the Board
7 June 2010

Term of appointment expires
2014 General Meeting

Age in 2013
53 years of age

Nationality
French

Shares held in Hermès International
Legal owner of 203 shares as at 31 December 2012, at least 200 of which are registered

Adress
Hermès International
24, rue du Faubourg-Saint-Honoré
75008 Paris

CHAIRMAN AND MEMBER OF THE SUPERVISORY BOARD OF HERMÈS INTERNATIONAL

Expertise and additional professional experience
Éric de Seynes 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.

Offices and positions held during 2012

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

H Hermès Group company ◆ Listed company C Office taken into account in the calculation of multiple offices

Other offices and positions held during the previous four years and ending before 1 January 2012

Member of the Management Board of Émile Hermès SARL (France), Supervisory Board member and Audit Committee member of Hermès International (France), Chairman of Option Sports Événements SAS (France), Chairman of SIGO SAS (France), Executive Manager of Éditions Signes de Caractère SARL (France) and Chairman of Option Organisation SAS (France).

MAURICE DE KERVÉNOAËL

VICE-CHAIRMAN AND SUPERVISORY BOARD MEMBER, CHAIRMAN OF THE AUDIT COMMITTEE OF HERMÈS INTERNATIONAL

Mr Maurice de Kervénoaël, 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

Date of appointment to the Board
3 June 2003

Term of appointment expires
2014 General Meeting

Age in 2013
77 years of age

Nationality
French

Shares held in Hermès International
Legal owner of 203 shares as at 31 December 2012, at least 200 of which are registered

Adress
Hermès International
24, rue du Faubourg-Saint-Honoré
75008 Paris

Expertise and additional professional experience
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.

Offices and positions held during 2012

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
Laurent Perrier	◆ C	France	Chairman and Supervisory Board Member
MDK Consulting		France	Executive Manager
Jouan-Picot		France	Executive Manager
Mellerio International	C	France	Chairman of the Board

H Hermès Group company ◆ Listed company C Office taken into account in the calculation of multiple offices

Other offices and positions held during the previous four years and ending before 1 January 2012

Director of Charles Riley Consultants International (France), Supervisory Board Member of Comptoir Nouveau de la Parfumerie (France), Supervisory Board Member of Onet (France), Chairman of Petit Bateau (France), Chairman and Supervisory Board member of SIA Groupe SA (France).

ERNEST-ANTOINE SEILLIÈRE

VICE-CHAIRMAN AND SUPERVISORY BOARD MEMBER
OF HERMÈS INTERNATIONAL

Mr Ernest-Antoine Seillière 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 29 May 1997. He has also served as Chairman of the Compensation Committee (renamed "Compensation, Appointments and Governance Committee") since its inception on 26 January 2005.

Date of appointment to the Board
29 May 1997

Term of appointment expires
2013 General Meeting

Age in 2013
76 years of age

Nationality
French

Shares held in Hermès International
Legal owner of 230 shares as at 31 December 2012 at least 200 of which are registered

Adress
Hermès International
24, rue du Faubourg-Saint-Honoré
75008 Paris

Expertise and additional professional experience
He is a graduate of École Nationale d'Administration (ENA). He was appointed Chairman of the Supervisory Board of Wendel on 31 May 2005.

Offices and positions held during 2012

Company name		Country	Office
Hermès International	H ◆ C	France	Vice-Chairman and Supervisory Board member
Aseas Participations		France	Executive Manager
Bureau Veritas	◆	France	Supervisory Board member
Legrand	◆ C	France	Director
Odyssas		France	Executive Manager
PSA Peugeot Citroën	◆ C	France	Supervisory Board member
Wendel	◆ C	France	Chairman of the Supervisory Board
Wendel Participations	C	France	Observer

H Hermès Group company ◆ Listed company C Office taken into account in the calculation of multiple offices

Other offices and positions held during the previous four years and ending before 1 January 2012

Permanent Representative of Oranje Nassau Groep BV and Supervisory Board member of Bureau Veritas (France), Supervisory Board member of Editis Holding (France), Chairman of the Supervisory Board of Oranje Nassau Groep BV (Netherlands), Chairman of the Board and Managing Director of Société Lorraine de Participations Sidérurgiques (France) and Chairman of the Supervisory Board Trader Classified Media (Netherlands).

CHARLES-ÉRIC BAUER

SUPERVISORY BOARD AND AUDIT COMMITTEE MEMBER
OF HERMÈS INTERNATIONAL

Mr Charles-Éric Bauer 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.

Date of appointment to the Board
3 June 2008

Term of appointment expires
2013 General Meeting

Age in 2013
49 years of age

Nationality
French

Shares held in Hermès International
Legal owner of 88,648 shares as at 31 December 2012, at least 200 of which are registered

Adress
Hermès International
24, rue du Faubourg-Saint-Honoré
75008 Paris

Expertise and additional professional experience

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 the Company and Head of Mutual Fund Management at Caixa-Gestion 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.

Offices and positions held during 2012

Company name		Country	Office
Hermès International	H ◆	France	Supervisory Board and Audit Committee member
H51		France	Director
Almareen		France	Executive Manager
Sabarots		France	Executive Manager
Yundal		France	Executive Manager
Samain B2		France	Executive Manager
Hem Fi Conseil		France	Associate Director
Zumsee		France	Executive Manager
H2		France	Director

H Hermès Group company ◆ Listed company C Office taken into account in the calculation of multiple offices

Other offices and positions held during the previous four years and ending before 1 January 2012

Executive Committee Member de Pollux et Consorts (until 2012).

MATTHIEU DUMAS

SUPERVISORY BOARD MEMBER AND MEMBER OF THE COMPENSATION, APPOINTMENTS AND GOVERNANCE COMMITTEE OF HERMÈS INTERNATIONAL

Mr Matthieu Dumas 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.

Date of appointment to the Board
3 June 2008

Term of appointment expires
2015 General Meeting

Age in 2013
41 years of age

Nationality
French

Shares held in Hermès International
Legal owner of 213 shares as at 31 December 2012, at least 200 of which are registered

Adress
Hermès International
24, rue du Faubourg-Saint-Honoré
75008 Paris

Expertise and additional professional experience

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 Pure-Screens brands.
He is currently Director of Marketing and Communication of the Discovery Channel in France.

Offices and positions held during 2012

Company name		Country	Office
Hermès International	H ◆	France	Supervisory Board and Compensation, Appointments and Governance Committee member
Eaque		France	Executive Manager
AXAM		France	Executive Manager
L.D.M.D.		France	Executive Manager
ASOPE		France	Executive Manager
AXAM 2		France	Executive Manager
MATHEL		France	Executive Manager
H2		France	Director
Discovery Channel		France	Director of Marketing and Communication

H Hermès Group company ◆ Listed company C Office taken into account in the calculation of multiple offices

Other offices and positions held during the previous four years and ending before 1 January 2012

Marketing and Business Development Director at Cuisine TV, Canal + Group (France), Head of Brands at 13^{e} Rue, NBC Universal Group (France), Deputy Chief Executive Officer at PureScreens

BLAISE GUERRAND

SUPERVISORY BOARD MEMBER OF HERMÈS INTERNATIONAL

Blaise Guerrand is a direct descendant of Mr Émile-Maurice Hermès. He has been a Supervisory Board member since 29 May 2012.

Date of appointment to the Board

29 May 2012

Term of appointment expires

2015 General Meeting

Age in 2013

30 years of age

Nationality

French

Shares held in Hermès International

Legal owner of 99 shares as at 31 December 2012. In accordance with the provisions of the rules of procedure of the Supervisory Board, he had until 29 May 2013 to reach the minimum shareholding of 200 shares.

He has made it known that since 11 January 2013, he has been the legal owner of 200 Hermès International shares.

Adress

Hermès International

24, rue du Faubourg-Saint-Honoré

75008 Paris

Expertise and additional professional experience

Blaise Guerrand is a graduate of HEC Paris. He began his career as an analyst within the Equity capital markets department of the NM Rothschild & Sons bank in London, between 2005 and 2006. From 2007 to 2010, he was an Associate 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 Bombay. Since 2007, he has also been the 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.

Offices and positions held during 2012

Company name		Country	Office
Hermès International	H ◆	France	Supervisory Board member
Hermès Sellier	H	France	Member of the Management Board
SCI Sèvres SCIFAH		France	Executive Manager
Jakyval		Luxembourg	Director
ACCESS Health International		United States	Director
Avest Capital		Mauritius	Asset management director

H Hermès Group company ◆ Listed company **C** Office taken into account in the calculation of multiple offices

Other offices and positions held during the previous four years and ending before 1 January 2012

Director of equity interests of Ashmore Investment Advisors India (India),Vice-Chairman for development for Haseltine Global Health (USA) and Director of Dravor (United Kingdom).

JULIE GUERRAND

SUPERVISORY BOARD MEMBER OF HERMÈS INTERNATIONAL

Miss Julie Guerrand 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 on the new position she now holds as a salaried employee of the Company.

Date of appointment to the Board
2 June 2005

Term of appointment expires
2013 General Meeting

Age in 2013
38 years of age

Nationality
French

Shares held in Hermès International
Legal owner of 4 805 shares as at 31 December 2012, at least 200 of which are registered

Adress
Hermès International
24, rue du Faubourg-Saint-Honoré
75008 Paris

Expertise and additional professional experience

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.

Offices and positions held during 2012

Company name		Country	Office
Hermès International	H ◆	France	Supervisory Board member, Director of Corporate Development
Antonino		France	Executive Manager
H51		France	Chairman
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
SCI 8 Drouot		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

H Hermès Group company ◆ Listed company **C** Office taken into account in the calculation of multiple offices

Other offices and positions held during the previous four years and ending before 1 January 2012

Director of Equity Investments at Paris Orléans (France) et member of the Audit Committee of Hermès International (France).

RENAUD MOMMÉJA

SUPERVISORY BOARD AND AUDIT COMMITTEE MEMBER OF HERMÈS INTERNATIONAL

Mr Renaud Momméja 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.

Date of appointment to the Board

2 June 2005

Term of appointment expires

2014 General Meeting

Age in 2013

51 years of age

Nationality

French

Shares held in Hermès International

Legal owner of 121 139 shares as at 31 December 2012, at least 200 of which are registered

Adress

Hermès International
24, rue du Faubourg-Saint-Honoré
75008 Paris

Expertise and additional professional experience

He is a graduate of École Supérieure Libre des Sciences Commerciales Appliquées (ESLSCA). He served as Marketing Director at Carat Local Agence Conseil Media until 2004, and then as Director of Carat Sud-Ouest and lastly, as Associate Director of Marand Momméja Associés Marketing Consultants until 2006. He is currently Executive Manager of SARL Tolazi, a corporate organisation and strategy consulting firm.

Offices and positions held during 2012

Company name		Country	Office
Hermès International	H ◆	France	Supervisory Board and Audit committee member
28-30-32 rue du Faubourg Saint Honoré		France	Chairman
Altizo		France	Executive Manager
Binc		France	Executive Manager
Comptoir Nouveau de la Parfumerie	H C	France	Director
GFA Château Fourcas Hosten		France	Co-Executive Manager
H2		France	Chairman
HUSO	C	France	Director
J.L. & Co	H	United Kingdom	Director
Lor		France	Co-Executive Manager
Rose Investissement		France	Executive Manager
SARL Tolazi		France	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
SCI du 74 du Faubourg Saint Antoine		France	Co-Executive Manager
SCI SIFAH		France	Executive Manager

H Hermès Group company ◆ Listed company C Office taken into account in the calculation of multiple offices

Other offices and positions held during the previous four years and ending before 1 January 2012

Director of Catapult Asset Management (United Kingdom), Supervisory Board member of Comptoir Nouveau de la Parfumerie (France) and Chairman of SAS Pollux et Consorts (France).

ROBERT PEUGEOT

SUPERVISORY BOARD, AUDIT COMMITTEE AND COMPENSATION, APPOINTMENTS AND GOVERNANCE COMMITTEE MEMBER OF HERMÈS INTERNATIONAL

Mr Robert Peugeot 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.

Date of appointment to the Board
24January 2007

Term of appointment expires
2015 General Meeting

Age in 2013
63 years of age

Nationality
French

Shares held in Hermès International
Legal owner of 200 shares as at 31 December 2012, all of which are registered

Adress
Hermès International
24, rue du Faubourg-Saint-Honoré
75008 Paris

Expertise and additional professional experience
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.

Offices and positions held during 2012

Company name		Country	Office
Hermès International	H ◆	France	Supervisory Board and Audit committee member
CHP Gestion		France	Executive Manager
DKSH	◆	Switzerland	Director
Établissements Peugeot Frères-EPF	C	France	Director
Faurecia	◆	France	Director
Financière Giraud SAS		France	Permanent Representative of FFP INVEST, Chairman
Imerys	◆ C	France	Director
PSA Peugeot Citroën (Peugeot SA)	◆	France	Supervisory Board member
SCI Rodom		France	Executive Manager
Sanef	C	France	Director
FFP	◆ C	France	Chairman and Chief Executive Officer
Sofina	◆	Belgium	Director
Zodiac Aérospace	◆ C	France	Permanent Representative of FFP, Supervisory Board member
FFP Invest		France	Permanent Representative of FFP, Chairman
Holding Reinier		France	Director
IDI EM		Luxembourg	Supervisory Board member

H Hermès Group company ◆ Listed company C Office taken into account in the calculation of multiple offices

Other offices and positions held during the previous four years and ending before 1 January 2012

Director of Alpine Holding (Austria), Director of B-1998, SL (Spain), Director of FCC Construccion, SA (Spain), Director of Fomentos de Construcciones y Contratas, SA (Spain), Director of Immeubles and Participations de l'Est (France), Director of LFPF - La Française de Participations Financières (France), Chairman and Chief Executive Officer of Simante S.L. (Spain) and Director of WRG – Waste Recycling Group Ltd (United Kingdom).

NICOLAS PUECH

Nicolas Puech is a direct descendent of Mr Émile-Maurice Hermès. He has been a Supervisory Board member since 29 May 2012.

Date of appointment to the Board
29 May 2012

Term of appointment expires
2015 General Meeting

Age in 2013
70 years of age

Nationality
French

Shares held in Hermès International
Legal owner of 6 082 615 shares as at 31 December 2012, at least 200 of which are registered

Adress
Hermès International
24, rue du Faubourg-Saint-Honoré
75008 Paris

SUPERVISORY BOARD MEMBER OF HERMÈS INTERNATIONAL

Expertise and additional professional experience

Nicolas Puech had an education in the Arts. He is Foundation Board Chairman of the Fondation Nicolas Puech whose purpose 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 science.

Offices and positions held during 2012

Company name		Country	Office
Hermès International	H ◆	France	Supervisory Board member
Fondation Nicolas Puech		France	Foundation Board Chairman

H Hermès Group company ◆ Listed company C Office taken into account in the calculation of multiple offices

Other offices and positions held during the previous four years and ending before 1 January 2012

None.

FLORENCE WOERTH

SUPERVISORY BOARD AND AUDIT COMMITTEE MEMBER
OF HERMÈS INTERNATIONALL

Mrs Florence Woerth 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.

Date of appointment to the Board
7 June 2010

Term of appointment expires
2013 General Meeting

Age in 2013
57 years of age

Nationality
French

Shares held in Hermès International
Legal owner of 200 shares as at 31 December 2012, all of which are registered

Adress
Hermès International
24, rue du Faubourg-Saint-Honoré
75008 Paris

Expertise and additional professional experience
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.
She was Head of Investments and Research in charge of financial asset management at Clymène from November 2007 until June 2010. Since December 2010, she has been a financial investment consultant. Since November 2012, she has also been director of the FIA *(Fédération internationale de l'automobile)* website.

Offices and positions held during 2012

Company name		Country	Office
Hermès International	H ◆	France	Supervisory Board and Audit committee member
Association Jean-Bernard		France	Director on the board
Expert Isi Conseil		France	Chairman
Ecurie Dam's		France	Chairman
Fondation Conde		France	Director on the board and treasurer
SC Conde		France	Executive Manager

H Hermès Group company ◆ Listed company **C** Office taken into account in the calculation of multiple offices

Other offices and positions held during the previous four years and ending before 1 January 2012

Head of Investments and Research at Clymène (France).

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 carried out 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
212D0124	3 January 2012	Guillaume de Seynes, Executive Committee Member and member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Exercise of stock options	Shares	€82.40	€109,592
212D0125	4 January 2012	Patrick Albaladejo, Executive Committee Member	Sale	Shares	€234.75	€774,675
212D0126	3 January 2012	Béatriz González-Cristóbal Poyo, Executive Committee Member	Sale	Shares	€236.55	€780,615
212D0127	3 January 2012	Mireille Maury, Executive Committee Member	Sale	Shares	€233.05	€1,691,943
212D0128	3 January 2012	Patrick Albaladejo, Executive Committee Member	Exercise of stock options	Shares	€82.40	€271,920
212D0129	3 January 2012	Béatriz González-Cristóbal Poyo, Executive Committee Member	Exercise of stock options	Shares	€82.40	€271,920
212D0130	2 January 2012	Mireille Maury, Executive Committee Member	Exercise of stock options	Shares	€82.40	€598,224
212D0165	2 January 2012	Charles-Éric Bauer, Supervisory Board member	Sale	Shares	€230.35	€69,105
212D0166	23 January 2012	Société ALMAREEN, a legal entity related to Charles-Éric Bauer, Supervisory Board member	Purchase	Shares	€230.35	€69,105
212D0388	23 January 2012	Laurent Momméja, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Exercise of stock options	Shares	€82.40	€156,560
212D0389	20 February 2012	Laurent Momméja, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Sale	Shares	€253.37	€481,395
212D0684	3 April 2012	H2, a legal entity related to Bertrand Puech, Chairman of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Other operations type (beneficiary of a contribution of shares to the company)	Shares	130 €	€117,911,560
212D1400	3 April 2012	H51, a legal entity related to Axel Dumas, Pierre-Alexis Dumas, Guillaume de Seynes, Executive Committee Members, to Éric de Seynes, Charles-Éric Bauer, Matthieu Dumas, Julie Guerrand, Renaud Momméja, members of the Supervisory Board, to Bertrand Puech, Philippe Dumas, Hubert Guerrand, Henri-Louis Bauer, Sandrine Dumas, Frédéric Dumas, Édouard Guerrand, Agnès Hart, Laurent Momméja, Pascale Mussard, members of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Purchase	Shares	€249.55	€13,850,025
212D1415	1 October 2012	Pierre-Alexis Dumas, Executive Committee Member	Sale	Shares	€249.55	€12,477,500
212D3934	28 September 2012	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 operations type (beneficiary of a contribution of shares to the company)	Shares	€209.30	€16,070,054
212D3935	28 September 2012	Pierre-Alexis Dumas, Executive Committee Member	Sale	Shares	€209.30	€12,894,973
212D3936	1 October 2012	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	€209.30	€41,860,000

Declaration N°	Transaction date	Name and office held	Description of transaction	Type of instrument	Unit price	Transaction amount
212D3937	28 September 2012	Pierre-Alexis Dumas, Executive Committee Member	Other operations type (contributor of shares to a company)	Shares	€209.30	€8,035,027
212D3938	1 October 2012	Sandrine Brekke, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Sale	Shares	€209.30	€12,894,973
212D3939	28 September 2012	Sandrine Brekke, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Other operations type (contributor of shares to a company)	Shares	€209.30	€8,035,027
212D3940	28 September 2012	Sandrine Brekke, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Purchase	Shares	€209.30	€20,930,000
212D3941	28 September 2012	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	Purchase	Shares	€209.30	€25,789,946
212D3942	19 December 2012	Pierre-Alexis Dumas, Executive Committee Member	Purchase	Shares	€209.30	€20,930,000
213D0075	19 December 2012	Pierre-Alexis Dumas, Executive Committee Member	Other operations type (contributor of shares to a company)	Shares	€226.85	€6,805,500
213D0076	19 December 2012	Tempio SC, a legal entity related to Pierre-Alexis Dumas, Executive Committee Member	Other operations type (beneficiary of a contribution of shares to the company)	Shares	€226.85	€6,805,500
213D0077	19 December 2012	Tempio SC, a legal entity related to Pierre-Alexis Dumas, Executive Committee Member	Purchase	Shares	€226.85	€27,222,000
213D0078	19 December 2012	Pierre-Alexis Dumas, Executive Committee Member	Sale	Other types of financial instruments	€226.85	€27,222,000
213D0079	19 December 2012	Tempio SC, a legal entity related to Pierre-Alexis Dumas, Executive Committee Member	Sale	Other types of financial instruments	€226.85	€34,027,500
213D0080	19 December 2012	Pierre-Alexis Dumas, Executive Committee Member	Purchase	Other types of financial instruments	€226.85	€34,027,500
213D0081	19 December 2012	Sandrine Brekke, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Purchase	Other types of financial instruments	€226.85	€56,712,500
213D0082	19 December 2012	For 4 SC, a legal entity related to Sandrine Brekke, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Sale	Shares	€226.85	€56,712,500
213D0083	19 December 2012	Sandrine Brekke, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Sale	Shares	€226.85	€43,101,500
213D0084	19 December 2012	For 4 SC, a legal entity related to Sandrine Brekke, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Purchase	Shares	€226.85	€43,101,500
213D0085	19 December 2012	Sandrine Brekke, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Other operations type (contributor of shares to a company)	Shares	€226.85	€13,611,000
213D0086	19 December 2012	For 4 SC, a legal entity related to Sandrine Brekke, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Other operations type (beneficiary of a contribution of shares to the company)	Other types of financial instruments	€226.85	€13,611,000
213D0081	19 December 2012	Sandrine Brekke, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Purchase	Other types of financial instruments	€226.85	€56,712,500
213D0082	19 December 2012	For 4 SC, a legal entity related to Sandrine Brekke, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Sale	Shares	€226.85	€56,712,500

Declaration N°	Transaction date	Name and office held	Description of transaction	Type of instrument	Unit price	Transaction amount
213D0083	19 December 2012	Sandrine Brekke, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Sale	Shares	€226.85	€43,101,500
213D0084	19 December 2012	For 4 SC, a legal entity related to Sandrine Brekke, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Purchase	Shares	€226.85	€43,101,500
213D0085	19 December 2012	Sandrine Brekke, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Other operations type (contributor of shares to a company)	Shares	€226.85	€13,611,000
213D0086	19 décembre 2012	For 4 SC, a legal entity related to Sandrine Brekke, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Other operations type (beneficiary of a contribution of shares to the company)	Actions	€226.85	€13,611,000

No other corporate executive officer (executive Chairman or Supervisory Board member) of Hermès International reported any trades in Hermès International shares in 2012.
No other member of senior management (executive Committee member) of Hermès International reported any trades in Hermès International shares in 2012
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 2012, 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 31/12/2012	**105,569,412**	**100.00%**	**142,784,306**	**100.00%**	**105,569,412**	**100.00%**	**142,784,306**	**100.00%**
Executive Chairmen								
Émile Hermès SARL	2	0.00%	4	0.00%	2	0.00%	4	0.00%
Patrick Thomas	23,528	0.02%	23,531	0.02%	23,528	0.02%	23,531	0.02%
Supervisory Board members								
Éric de Seynes	203	0.00%	206	0.00%	203	0.00%	206	0.00%
Charles-Éric Bauer	88,648	0.08%	177,296	0.12%	88,648	0.08%	177,296	0.12%
Matthieu Dumas	213	0.00%	216	0.00%	213	0.00%	216	0.00%
Blaise Guerrand (2)	99	0.00%	198	0.00%	99	0.00%	198	0.00%
Julie Guerrand	4,805	0.00%	9,610	0.01%	4,805	0.00%	9,610	0.01%
Maurice de Kervénoaël	200	0.00%	200	0.00%	200	0.00%	200	0.00%
Renaud Momméja	121,139	0.11%	242,278	0.17%	121,151	0.11%	242,302	0.17%
Robert Peugeot	200	0.00%	210	0.00%	200	0.00%	210	0.00%
Nicolas Puech (2)	6,082,615	5.76%	6,082,615	4.26%	6,082,615	5.76%	6,082,615	4.26%
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%
Guillaume de Seynes	1,555	0.00%	1,585	0.00%	1,555	0.00%	1,585	0.00%
Axel Dumas	28	0.00%	31	0.00%	28	0.00%	31	0.00%
Beatriz González-Cristóbal Poyo	25	0.00%	25	0.00%	25	0.00%	25	0.00%
Pierre-Alexis Dumas	123,757	0.12%	244,189	0.17%	119,634	0.11%	235,943	0.17%
Mireille Maury	25	0.00%	25	0.00%	25	0.00%	25	0.00%

(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 for all decisions taken by all general meetings, with the exception of decisions concerning 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 detailed on page 92.

(2) Supervisory Board member since 29 May 2012

COMPENSATION AND BENEFITS PAID TO CORPORATE EXECUTIVE OFFICERS

The tables cited and presented on pages 83 to 89 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 2012.

Executive Chairmens

• 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 €1,786,336 for 2012, 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 2012 was €1,284,559, 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.

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.

Following the meeting of 20 March 2013, the Management Board of Émile Hermès SARL decided to set the compensation of the Executive Managers as follows:
1) individual gross annual statutory compensation of:
– €2,199,205 for the company Émile Hermès SARL,
– €1,228,176for Mr Patrick Thomas;
2) individual gross annual supplementary compensation of:
– €1,494,845 for the company Émile Hermès SARL,
– €1,147,824 for Mr Patrick Thomas.
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 83. 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 Henri-Louis Bauer does not personally receive any compensation from Hermès International.

• Pension plan
Mr Patrick Thomas is also eligible for the supplemental defined-contribution pension plan established for all employees of the Group's French companies.
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.
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. As of 2012, the compensation generated by this supplemental pension plan has been capped at eight times the Social Security threshold.
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 203.
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.
In order to totally comply with the AFEP/MEDEF corporate governance code, on 16 July 2012 Mr Patrick Thomas decided, with immediate effect, to waive his employment contract that had been suspended as of right since September 2004, at the time of his appointment as the Executive Manager of Hermès International.
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 2012.
As at 31 December 2012, 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 2012.
Pursuant to Article L 225-185, paragraph 4 of the *Code de Commerc*e, 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. This supervisory measure was confirmed and extended to the shares resulting from free share distribution during the Supervisory Board meeting on 27 June 2012.
Mr Patrick Thomas was allotted 60 performance shares in 2012 under the conditions of the Management decision of 15 May 2012 - plan (d), presented in detail on page 86. Mr Patrick Thomas was allocated 30,000 performance shares in 2012 under the conditions of the Management decision of 15 May 2012 - plan (e), presented in detail on page 86.
This amount corresponds with a multi-year compensation. The number of performance shares allotted to the executive Chairman takes into account the fact that Mr Patrick Thomas had received no options or shares during the five preceding years (last allocation in January 2008).
The entire complement of performance shares will only be definitively allotted to Mr Patrick Thomas as of 2016, provided that, for each of financial years 2012 and 2013, there is a positive variation relative to the previous financial years (respectively 2011

and 2012) with at least two of the three following indicators: sales figure, operating income or operating cash flow.

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.

In 2011, the Hermès Group adopted a stock market ethics charter.

The purpose of this charter is to formalize the measures implemented by the Hermès Group with regard to preventing violations by insiders, and to inform all employees possibly having access to privileged information with regard to the obligations incumbent upon them, and the possible penalties.

This charter indicates that, in addition to the period preceding the publication of any privileged information of which they may be aware, during which employee insiders must refrain - pursuant to the law - from any operation involving the company's shares, it is recommended that employee insiders, and notably directors and permanent insiders, should refrain from any operation involving the shares during the "negative windows" applicable to the company, as described in detail in a calendar that is prepared and disseminated each year.

This calendar indicates the mandatory, legal (L 225-197-1 of the *Code du commerce* for stock options or assignment of free share distributed) or internal abstention periods applicable to all operations involving the company's shares (purchase, sale, purchase option exercise, etc.).

As indicated in the AMF recommendation of 3 November 2011, the abstention obligation applies as of the moment when the persons in question are in possession of privileged information, and notably when the release of accounting elements would makes it possible to sufficiently determine the results upstream of the following abstention periods:

– period of 30 calendar days before the publication of the annual or interim financial statements;
– period of 15 calendar days before the publication of the quarterly information.

•Directors' fees

The rules for distributing directors' fees applicable to the Group subsidiaries indicate that the members of the Hermès International Executive committee who are members of their boards do not receive directors' fees in this regard.

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 financial years are shown in the table below.

Compensation of the Active Partner	Distribution of the profits paid with regard to the previous financial year	
	2012	2011
Émile Hermès SARL	€3,226,349.18	€2,179,153.62

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 2012:

– €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 financial year beginning as of 1 January 2010 and until the adoption of a decision to the contrary.

On 23 January 2013, 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 €394,500.

Table3 on pages 84 and 85 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, Mrs 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 2012, nor were any such options exercised by those persons.

Mrs Julie Guerrand was allocated, as a result of her functions as the Corporate Development director, free shares in 2012 under the conditions

of the Management decisions of 15 May 2012 – plans (d) and (e), described in detail on pages 81 and 82. These allocations are in no way related to her corporate office within the company.
No free shares were granted to any Supervisory Board members during 2012.

OPTIONS TO SUBSCRIBE FOR SHARES AS AT 31 DECEMBER 2012

All share subscription option plans lapsed in 2009.

OPTIONS TO PURCHASE SHARES AS AT 31 DECEMBER 2012

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, 30 May 2011 and 29 May 2012.
These grants of authority were not used in 2012.
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 2012 and reflecting these adjustments is shown in Table 8 on page 87. Table 9 on page 88 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 2012

In accordance with Article L 225-197-4 of the Code de Commerce, we hereby report to you on free shares granted during 2012.
The Executive Management has been authorised to allot free 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);
– by the Extraordinary General Meeting of 29 May 2012 (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, 30 May 2011 and 29 May 2012 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.

In 2012, using these authorisations, the Management allocated:

– 515,280 free shares, i.e. 60 shares per person, to the 8,588 personnel members and directors, i.e. to all employees who had a seniority of 9 months (plan (d) “democratic”, Management decision of 15 May 2012, 8:30am);

– a maximum of 302,000 free shares to employees and directors (plan (e) “selective”, Management decision of 15 May 2012), with the final allocation being subject to performance conditions for the manager benefiting from both of these plans.

Information on the terms and conditions applying to bonus share plans appears in Table 11 on page 89.

Information on free shares granted to the ten non-executive employees who received the largest number of shares appears in Table 12 on page 89.

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

Their valuation at the time of their allocation and according to the method adopted for the consolidated financial statements is indicated in the appendix thereto (note 30.2, page 204).

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	2012	2011
Mr Patrick Thomas		
Compensation due in respect of the year (detailed in Table 2)	€1,980,000	€1,802,424
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)	€7,102,705 (1)	n/a
Total	**€9,082,705 (1)**	**€1,802,424**
Émile Hermès SARL		
Compensation due in respect of the year (detailed in Table 2)	€3,070,895	€2,390,945
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	**€3,070,895**	**€2,390,945**

n/a : non applicable.

(1) This amount corresponds to compensation paid over a period of several years. The number of performance shares granted to the Executive Chairman recognises that Mr Patrick Thomas has not received any options or shares during the five preceding years (last allotment January 2008).
These shares will only be obtained as of 2016 and this is contingent on meeting performance criteria.
In order to ensure complete accordance with the AMF recommendation, the value of these performance shares (granted as part of the democratic and selective plans of 15 May 2012) has been added to the compensation due for financial year 2012, notwithstanding that this is compensation paid over a period of several years.

Table 2

Gross annual compensation of the Executive Chairmen	2012			2011		
	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 (2)	Amounts paid
Mr Patrick Thomas						
Variable compensation under the articles of association	€1,786,336	€1,023,480	€1,023,480	€1,305,162	€931,705	€931,705
Additional remuneration	€1,284,559	€956,520	€956,520	€1,085,783	€870,719	€870,719
Fixed component	*€1,085,783*	*€808,505*	*€808,505*	*€913,380*	*€732,464*	*€732,464*
Percentage indexed to revenue growth	*€198,776*	*€148,014*	*€148,014*	*€172,403*	*€138,255*	*€138,255*
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
Émile Hermès SARL						
Variable compensation under the articles of association	€1,786,336	€1,786,336	€1,786,336	€1,305,162	€1,305,162	€1,305,162
Additional remuneration	€1,284,559	€1,284,559	€1,284,559	€1,085,783	€1,085,783	€1,085,783
Fixed component	*€1,085,783*	*€1,085,783*	*€1,085,783*	*€913,380*	*€913,380*	*€913,380*
Percentage indexed to revenue growth	*€198,776*	*€198,776*	*€198,776*	*€172,403*	*€172,403*	*€172,403*
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

n/a : non applicable. (1) Management Board decision of 21 March 2012. (2) Management Board decision of 3 March 2012

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 2013 in respect of 2012	Amounts paid in 2012 in respect of 2011
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	€394,500	€387,000
Mr Éric de Seynes		
Compensation as Chairman of the Supervisory Board	€100,000	€75,000 (1)
Directors' fees - Hermès International		€9,500
- fixed component	–	*€7,500*
- variable component based on attendance	–	*€2,000*
Directors' fees - Hermès Sellier	€12,000	€12,000
Mr Jérôme Guerrand †		
Compensation as Chairman of the Supervisory Board	n/a	€25,000 (2)
Mr Maurice de Kervénoaël		
Compensation as Audit Committee Chairman	€20,000	€20,000
Directors' fees - Hermès International	€20,000	€20,000
- fixed component	*€15,000*	*€15,000*
- variable component based on attendance	*€5,000*	*€5,000*
Directors' fees - Comptoir Nouveau de la Parfumerie	€10,000	€10,000
Mr Ernest-Antoine Seillière		
Compensation as Chairman of the Compensation, Appointments and Governance Committee	€20,000	€20,000
Directors' fees - Hermès International	€20,000	€20,000
- fixed component	*€15,000*	*€15,000*
- variable component based on attendance	*€5,000*	*€5,000*
Mr Charles-Éric Bauer		
Compensation as Audit Committee Chairman	€10,000	€10,000
Directors' fees - Hermès International	€20,000	€20,000
- fixed component	*€15,000*	*€15,000*
- variable component based on attendance	*€5,000*	*€5,000*
Mr Matthieu Dumas		
Compensation as member of the Compensation, Appointments and Governance Committee	€10,000	€10,000
Directors' fees - Hermès International	€20,000	€20,000
- fixed component	*€15,000*	*€15,000*
- variable component based on attendance	*€5,000*	*€5,000*
Mr Blaise Guerrand		
Directors' fees - Hermès International	€12,500 (3)	n/a
- fixed component	*€7,500*	–
- variable component based on attendance	*€5,000*	–
Mrs Julie Guerrand		
Compensation as Audit Committee Chairman (4)	n/a	€5,000
Directors' fees - Hermès International	€20,000	€20,000
- 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) Appointment on 29 May 2012.
(4) Resignation on 2 March 2011.
n/a : non applicable.

Tableau n° 3 (suite)

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 2013 in respect of 2012	Amounts paid in 2012 in respect of 2011
Mr Olaf Guerrand		
Directors' fees - Hermès International	€9,500 (5)	€12,500 (6)
- fixed component	*€7,500*	*€7,500*
- variable component based on attendance	*€2,000*	*€5,000*
Directors' fees - Hermès of Paris	$10,000	$10,000
Mr Renaud Momméja		
Compensation as Audit Committee Chairman	€10,000	€10,000
Directors' fees - Hermès International	€20,000	€20,000
- fixed component	*€15,000*	*€15,000*
- variable component based on attendance	*€5,000*	*€5,000*
Directors' fees - Comptoir Nouveau de la Parfumerie	€9,000	€10,000
Mr Robert Peugeot		
Compensation as Audit Committee Chairman	€10,000	€10,000
Compensation as member of the Compensation, Appointments and Governance Committee	€10,000	€10,000
Directors' fees - Hermès International	€20,000	€20,000
- fixed component	*€15,000*	*€15,000*
- variable component based on attendance	*€5,000*	*€5,000*
Mr Nicolas Puech		
Directors' fees - Hermès International	€12,500 (7)	n/a
- fixed component	*€7,500*	–
- variable component based on attendance	*€5,000*	–
Mrs Florence Woerth		
Compensation as Audit Committee Chairman	€10,000	€10,000
Directors' fees - Hermès International	€20,000	€20,000
- fixed component	*€15,000*	*€15,000*
- variable component based on attendance	*€5,000*	*€5,000*

(5) Term ends on 29 May 2012.
(6) Appointment on 3 March 2011.
(7) Appointment on 29 May 2012.
n/a : non 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
Mr Patrick Thomas	n/a	n/a	n/a	–	n/a	n/a

n/a : non 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
Mr Patrick Thomas	n/a	–	n/a
Total	**n/a**	**–**	**n/a**

n/a : non applicable.

Table 6

Actions de performance attribuées à chaque mandataire social						
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 (1)	Value of shares based on method adopted for consolidated financial statements	Acquisition date	Vesting date	Performance criteria
Mr Patrick Thomas	Plan (d) of 15 May 2012	60	233.42	1st tranche of 20 shares 16 May 2016 2nd tranche of 20 shares 16 May 2017 3rd tranche of 20 shares 16 May 2018	1st tranche of 20 shares 17 May 2018 2nd tranche of 20 shares 17 May 2019 3rd tranche of 20 shares 18 May 2019	For each one of financial years 2012 and 2013, at least two of the three following indicators: revenue, operating income, operating cashflow, recording positive growth compared to previous financial years (2011 and 2012 respectively).
Mr Patrick Thomas	Plan (e) of 15 May 2012	30,000	236.29	16/05/2016	17/05/2018	For each one of financial years 2012 and 2013, at least two of the three following indicators: revenue, operating income, operating cashflow, recording positive growth compared to previous financial years (2011 and 2012 respectively).
Total		**30,060**				

n/a : non applicable.

(1) This amount corresponds to compensation paid over a period of several years. The number of performance shares granted to the Executive Chairman recognises that Mr Patrick Thomas has not received any options or shares during the five preceding years (last allotment January 2008)
These shares will only be obtained as of 2016 and this is contingent on meeting performance criteria.

Tableau n° 7

Actions de performance devenues disponibles pour chaque mandataire social			
Name of corporate executive officer	Plan no. and date	Number of shares that became available during the year	Vesting conditions
Mr Patrick Thomas	n/a	–	n/a
Total	**n/a**	**–**	**n/a**

n/a : non applicable.

Table 8

History of stock option grants Information on stock options	
General Meeting of 25/05/1998 – Share subscription or purchase options	Plans no 1 to 4 expired
General Meeting of 03/06/2003 – Purchase options	Plans no 5 and 6 expired
General Meeting of 06/06/2006 – 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*
Mr Patrick Thomas	11,000
Mr Guillaume de Seynes	3,300
Point de départ d'exercice des options	03/01/2012
Options exercisable as of	02/01/2015
Expiration date	€82.40
Purchase price	n/a
Terms for exercising options (if plan comprises several tranches)	140,690
Aggregate number of shares subscribed at 28/02/2013	23,100
Aggregate number of share purchase options cancelled or expired as at 28/02/2013	84,370
General Meeting of 02/06/2009 – Purchase options	No plan established in 2009, 2010 and 2011
General Meeting of 30/05/2011 – Purchase options	No plan established in 2011 and 2012
General Meeting of 29/05/2012 – Purchase options	No plan established in 2012

n/a : non 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	Plans nº 1 to 6	Plan n° 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)	–	–	Plans 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)	–	–		–

Table10

Senior executives (natural persons)	Employment agreement	Supplementary pension scheme	Compensation or benefits due or liable to be due upon termination or change in function	Compensation under a noncompetition clause
Mr Patrick Thomas, executive Chairman Term began: 15/09/2004 Term ends: Indefinite	no [1]	yes	yes	no

(1) Since 16/07/2012.

Table11

Information on bonus share distribution plans in effect as at 1 January 2013								
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 31/12/2012	Number of shares forfeited as at 31/12/2012
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	500	6,500
31/05/2010 (plan c)	229,860	180	6	€101	01/06/2014 (2) 01/06/2016 (3)	02/06/2016	420	28,260
General Meeting of 30/05/2011 – Bonus shares								
15/05/2012 (plan d)	515,280	420	7	€233.42	1st tranche of 20 shares 16 May 2016 2nd tranche of 20 shares 16 May 2017 3rd tranche of 20 shares 16 May 2018	1st tranche of 20 shares 17 May 2018 2nd tranche of 20 shares 17 May 2019 3rd tranche of 20 shares 18 May 2019 17/05/2018	240	17,100
15/05/2012 (plan e)	302,000	70,000	7	€236.29	16/05/2016	17/05/2018	0	0
General Meeting of 29/05/2012 – Bonus shares								
Néant								

(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

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)	79,600	15/05/2012 (plan d) 15/05/2012 (plan e)

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.

Information on the share capital and on the Shareholders

SHARE CAPITAL

	Amount	Number of shares	Par value
As at 01/01/2012	€53,840,400.12	105,569,412	€0.51
As at 31/12/2012	€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 28 February 2013, there were 145,901,470 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, notably for any shares that have been converted to bearer shares or transferred, with the exception of shares transferred to another shareholder due to inheritance or due to an inter vivos gift.

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 283).

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 285);

– 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

There have been no changes to the share capital during the three preceding financial years.

SUMMARY OF THE USE OF FINANCIAL AUTHORISATIONS

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, in financial matters, differentiating: all authorisations currently in effect, any authorisations used during 2012, and if appropriate, new authorisations to be submitted to the shareholders at the General Meeting of 4 June 2013.

<table>
<tr><th></th><th>Resolution Nº.</th><th>Term of authorisation
Expires (1)</th><th colspan="2">Characteristics</th><th>Used during 2012</th></tr>
<tr><td colspan="6">Combined General Meeting of 30 May 2011</td></tr>
<tr><td>Share buyback</td><td>21th</td><td>18 months
29 May 2012</td><td colspan="2">Ceiling 10% of share capital
Maximum purchase price €250
Maximum amount of funds committed €1bn</td><td>See page 106</td></tr>
<tr><td>Cancellation of shares purchased (general cancellation programme)</td><td>23th</td><td>24 months
29 May 2012</td><td colspan="2">Ceiling 10% of share capital</td><td>None</td></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
29 May 2012</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>Attribution d'actions gratuites en faveur des salariés</td><td>29th</td><td>38 months
29 May 2012</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">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>See page 106</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>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 2012</th></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>None</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>See page 81</td></tr>
<tr><td colspan="6">Grants proposed to the Combined General Meeting of 4 June 2013</td></tr>
<tr><td>Share buyback</td><td>11th</td><td>18 months
4 December 2014</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>13th</td><td>24 months
4 June 2015</td><td colspan="2">Ceiling 10% of share capital</td><td>–</td></tr>
<tr><td>Capital increase by capitalisation of reserves</td><td>14th</td><td>26 months
4 August 2014</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 15, 16 and 17.</td><td>–</td></tr>
<tr><td>Issues with pre-emptive subscription rights all securities giving access to equity</td><td>15th</td><td>26 months
4 August 2014</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 15th, 16th and 17th resolutions.</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 15th, 16th and 17th resolutions.</td><td>–</td></tr>
<tr><td>Issues without pre-emptive subscription rights all securities giving access to equity</td><td>16th</td><td>26 months
4 August 2014</td><td>–</td></tr>
<tr><td>Capital increase without pre-emptive subscription right in favour of members of a savings plan</td><td>17th</td><td>26 months
4 August 2014</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, with this ceiling being common to all capital increases carried out pursuant to the delegations granted in the 15th, 16th and 17th resolutions.</td><td>–</td></tr>
<tr><td>Options to purchase existing shares</td><td>18th</td><td>38 months
4 August 2015</td><td rowspan="2">The number of call options granted pursuant to resolution 18 and the number of shares allotted at no cost in accordance with resolution 19 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>19th</td><td>38 months
4 August 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 31 December 2012, there were approximately 25,000 shareholders, compared with some 13,000 as at 30 December 2011 and 15,000 as at 31 January 2011.

MAIN SHAREHOLDERS AS AT 31 DECEMBER 2012

To the Company's knowledge, no shareholder, other than those listed in the tables on page 103, 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 75.
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 2012 and the date on which this registration document was filed with the AMF.

Measures taken to prevent abusive control
Please refer to the sections on "Corporate governance" on page 16 and "Conflicts of interest" on page 71.

SHARE OWNERSHIP THRESHOLD DISCLOSURES

Share ownership threshold disclosures in 2012

In 2012, the reports on the attainment of share ownership thresholds were filed:

• *AMF Notice n° 212C0320.* 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.

Ownership threshold disclosures during the past two financial years

Share ownership threshold disclosures in 2011

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

• *AMF Notice n° 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:

	N°. of shares	% capital	N°. 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 n° 211C2288*. The public limited company under Luxembourg law Jakyval 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:

	N°. of shares	% capital	Decisions regarding the allocation of earnings		Other decisions	
			N°. of voting rights	% of voting rights	N°. 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
Other members	**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 102).

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.

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 n° 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 n° 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:

	N°. of shares	% shares	N°. 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:

	N°. of shares	% shares	N°. 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 n° 210C1299.* . The *société anonyme* (public limited company) LVMH Moët Hennessy Louis Vuitton disclosed that on 17 December Information on the Shareholders 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

	N°. of shares	% shares	N°. 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."

EXEMPTION DECISION

At its meeting of 6 January 2011, the AMF (*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 AMF – www.amffrance.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).
The decision of the Court of Cassation is to be made between now and the first half of 2013.

EMPLOYEE OWNERSHIP OF SHARE CAPITAL

Registered shares held by employees of the Group (excluding corporate executive officers and Supervisory Board members) represented 0.19% of the share capital as at 31 December 2012.
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 2012, Hermès International held 1,467,668 of its own shares, purchased under the terms of the share buyback programme described on page 106.

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 ordinary 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 239.
In order to partially distribute the strong cash position that existed (more than one billion euros), in 2012 an exceptional dividend of €5 was distributed in addition to the ordinary dividend.
Owing to the strong cash position at the end of 2012, on 11 February 2013, the Executive Management decided to pay an interim dividend for the third 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 2012

On 31 December 2012, 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	52,999,297	50.20	81,480,158	57.07	81,480,158	57.07
H2 SAS (formerly THÉODULE)	6,196,102	5.87	7,366,102	5.16	7,366,102	5.16
Other members of the Hermès Family group	7,178,173	6.80	8,575,427	6.01	12,655,452	8.86
Sub-total Hermès family group [2]	**66,373,572**	**62.87**	**97,421,687**	**68.23**	**101,501,712**	**71.09**
LVMH Moët Hennessy Louis Vuitton	23,901,902	22.64	23,901,902	16.74	23,901,902	16.74
Free float	7,738,115	7.33	15,378,102	10.77	11,298,077	7.91
M. Nicolas Puech	6,082,615 [3]	5.76	6,082,615 [3]	4.26	6,082,615 [3]	4.26
Treasury shares [4]	1,473,208	1.40	0	0.00	0	0.00
Total	**105,569,412**	**100.00**	**142,784,306**	**100.00**	**142,784,306**	**100.00**

These figures have been calculated on the basis of registered shares from the records kept by the BP2S securities department and for the bearer shares from the declarations, if applicable, of interested parties.
The changes since the closing of the fiscal year are presented on page 96.

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:

Shareholders with more than 5% of the share capital or the voting rights	31/12/2012			31/12/2011			31/12/2010		
	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	50.20%	57.07%	57.10%	50.15%	56.68%	56.70%	n/a	n/a	n/a
H2 SAS (formerly THÉODULE)	5.87%	5.16%	5.16%	5.01%	4.50%	4.50%	5.01%	3.96%	3.96%
SAS SDH	entity merged with H51			entity merged with H51			9.05%	11.69%	11.69%
SAS POLLUX & CONSORTS	entity merged with H51			entity merged with H51			6.25%	7.46%	7.46%
SAS FLÈCHES	entity merged with H51			entity merged with H51			5.56%	7.18%	7.18%
SAS FALAISES	entity merged with H51			entity merged with H51			5.27%	6.83%	6.83%
SC AXAM	entity merged with H51			entity merged with H51			5.27%	6.82%	6.82%
SA JAKYVAL	less than 5% [5]			less than 5% [5]			5.06%	3.28%	3.28%
Other members of the Hermès Family group	6.80%	6.01%	8.86%	7.66%	7.25%	10.09%	21.32%	24.25%	26.76%
Sub-total Hermès family group [2]	**62.87%**	**68.23%**	**71.09%**	**62.82%**	**68.43%**	**71.27%**	**62.79%**	**71.46%**	**73.96%**
LVMH Moët Hennessy Louis Vuitton	22.64%	16.74%	16.74%	22.28%	16.37%	16.37%	20.21%	13.08%	13.08%
Free float	7.33%	10.77%	7.91%	7.70%	10.96%	8.12%	12.95%	11.80%	9.30%
M. Nicolas Puech	5.76%	4.26%	4.26%	5.76%	4.24%	4.24%	5.66%	3.66%	3.66%
Treasury shares	1.40%	0.00%	0.00%	1.44%	0.00%	0.00%	0.39%	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 92.
(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) Including 900,000 shares held in the name of the Fondation Nicolas Puech.
(4) Including 5,540 shares that have been subject to employee shareholding operations currently being processed by the BP2S, securities department, but which were already accounted for by the company as at 31 December 2012.
(5) Ownership included in the Hermès family group sub-total.

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 99, the following shareholders agreements, which are covered by the Dutreil law and still in force in 2012, have been brought to the Company's attention:

	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 885 I *bis*	CGI - Article 885 I *bis*	CGI - Article 885 I *bis*	CGI - Article 885 I *bis*
Date of signature	28 Octobre 2010	28 Decembre 2010	28 Decembre 2010	29 Decembre 2010	28 Decembre 2010
Term of parties' commitment	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	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)	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	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)*	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 – Patrick Thomas, Executive Chairman	*As of the date of signature of the agreement:* – Émile Hermès SARL, 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, 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, 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
Names of signatory parties holding at least 5% of the share capital and/or voting rights in the Company on 31 December 2012	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 SAS 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	Dutreil Transmission agreement 2012.1
Governed by	CGI - Article 787 B	CGI - Article 787 B	CGI - Article 885 I *bis*	CGI - Article 885 I *bis*	CGI - Article 787 B
Date of signature	20 Decembre 2011	21 Decembre 2011	26 Decembre 2011	28 Decembre 2011	27 Decembre 2012
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)	Six years from the registration date (i.e., from 29 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	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	(extended by individual agreements with the beneficiaries of the transmission agreement)
Percentage of share capital covered by agreement as of signature date	55.51%	55.28%	61.57%	61.81%	56.40%
Percentage of voting rights covered by agreement as of signature date	60.23%	59.98%	68.04%	68.38%	61.23%
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	*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
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
Names of signatory parties holding at least 5% of the share capital and/or voting rights in the Company on 31 December 2012	H51 SAS H2 SAS (renamed THÉODULE)	H51 SAS H2 SAS (renamed THÉODULE)	H51 SAS H2 SAS (renamed THÉODULE)	H51 SAS H2 SAS (renamed THÉODULE)	H51 SAS H2 SAS (renamed 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 2012, pursuant to the authorisations granted by the shareholders at the General Meetings indicated below:

Programme authorised by General Meeting of	30 May 2011 (effective until 29 May 2012)	29 May 2012 (effective since 30 May 2012)
Date of executive Management decision	3 March 2011	21 March 2012
Maximum number of shares	10% of the share capital	10% of the share capital
Maximum authorised amount	1 Md€	800 Md€
Maximum purchase price	250 €	400 €

During the year ended 31 December 2012, 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 01/01/2012 to 29/05/2012	From 30/05/2012 to 31/12/2012	Total
Not covered by liquidity contract			
Number of shares registered in the Company's name as at 31/12/2011	1,498,040		1,498,040
Number of shares bought	89,582		89,582
Reason for purchase	Employee shareholding	–	–
Average purchase price	€234.83		€234.83
Number of shares sold	124,245	13,935	138,180
Average selling price	€78.03	€81.70	€78.40
Net transaction costs, excluding VAT			0 €
Number of cancelled shares			0
Average price of cancelled shares			–
Number of shares registered in the Company's name as at 31/12/2012	1,463,377	- 13,935	1,449,442
Number of shares – Employee shareholding	1,463,377	- 13,935	1,449,442
Net value at purchase cost	€310,223,908	- €1,138,482	€309,085,426
Net value at closing price	€331,162,215	- €3,153,491	€328,008,725
Par value	€746,322	- €7,107	€739,215
Percentage of share capital involved	1.39%	- 0.01%	1.37%
Covered by liquidity contract			
Number of shares registered in the Company's name as at 31/12/2011	23,500	0	23,500
Funds allocated (liquidity account)	€5,000,000	€5,000,000	€5,000,000
Number of shares bought	30,235	100,241	130,476
Average purchase price	€247.27	€225.00	€230.16
Number of shares sold	39,235	96,515	135,750
Average selling price	€254.13	€225.35	€233.67
Number of shares registered in the Company's name as at 31/12/2012	14,500	3,726	18,226
Net value at purchase cost	€3,597,106	€581,435	€4,178,541
Net value at closing price	€3,281,350	€843,194	€4,124,544
Par value	€7,395	€1,900	€9,295
Percentage of share capital involved	0.01%	0.00%	0.02%

A report on any such transactions since 1 January 2013 will be submitted to you at the Annual General Meeting called in 2014 to approve the financial statements for the year ending 31 December 2013.

The Executive Management

Share price trend over the past five years

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
octobre	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

2012

Month	Share price (in €) High	Low	closing average	Monthly average daily trading volume on Euronext
January	269.00	228.15	249.74	35,177
February	290.90	260.00	275.58	37,711
March	286.25	243.50	259.88	86,877
April	270.00	243.85	253.81	47,566
May	279.85	255.00	266.00	37,084
June	267.55	241.40	253.67	47,515
July	244.25	219.00	230.45	41,304
August	235.10	212.50	223.64	33,339
September	232.85	209.00	218.87	36,319
October	220.90	207.70	213.85	29,922
November	238.50	210.75	227.86	30,710
December	238.50	222.90	231.08	22,432

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 11 February 2013 and will be submitted to the shareholders for approval at the Annual General Meeting of 4 June 2013. The parent company financial statements were also reviewed by the Audit Committee at its meeting of 18 March 2013.

Revenu

Revenue amounted to €155.2 million in 2012, an increase of 22.5% on the €126.7 million registered in 2011.

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 213 to 215.

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 2012, total assets amounted to €1,986.5 million compared with €2,069.3 at 31 December 2011. The statement of income shows net income of €542.9 million, compared with €481.6 million in 2011.

As at 31 December 2012, 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 228.

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 parent company financial statements (pages 236 and 237).

Property and insurances

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 has been renting 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 23,000 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. The Group also owns a logistics centre in Bobigny, in the Paris area (approximately 21,000 m²). 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. Moreover, work started this year on the future Maison des Savoir-Faire Jean-Louis Dumas in Pantin. This building completes the Group's range of stores that will occupy nearly 70,000 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 forty of the forty-five production units that it operates. These production units are spread across thirty-eight sites, twenty-eight of them in France, four in Australia, two in Switzerland, two in the United States, one in Great Britain and one in Italy (for a detailed list, please see page 220). Significant renovation work has been completed on the Hermès Parfums site in Vaudreuil.

Hermès products are available worldwide through a network of 323 exclusive stores. A detailed list of these appears in Volume 1, pages 64 to 69 of the Annual Report. Of all 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, at the end of the year the Group acquired the building in which the Rodeo Drive store in Beverley Hills is located. The branches are located in the following regions: 73 in Europe (including 16 in France), 36 in the Americas (including 27 in the US), 89 in Asia (including 30 in Japan), and 7 in Oceania. In 2012, the distribution network was enlarged with the addition of two Hermès exclusive retail outlets (all of them branches) around the world.

Insurances

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 63 production and distribution sites in 2012. 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 AIG Europe. 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 taken out from ACE Europe.

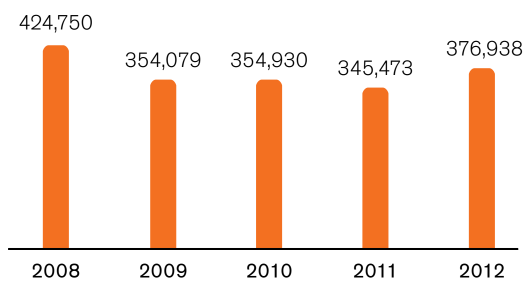
4) Responsibilities concerning the environment. This policy was taken with AIG Europe. The upper cover limit per occurrence is €5 million and per year €10 million and the deductibles are set at €25,000.

In 2012, no material claims for damages were filed under these policies.

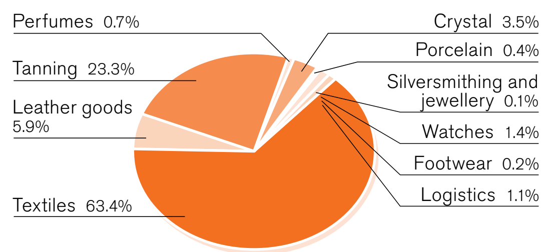
CSR appendices: Environmental information

NATURAL RESOURCES CONSUMPTION

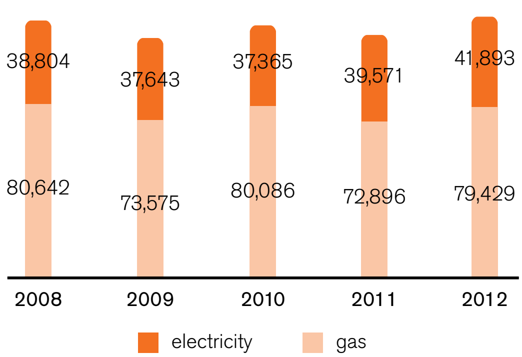
- **Change in water consumption** (1)
(m³)



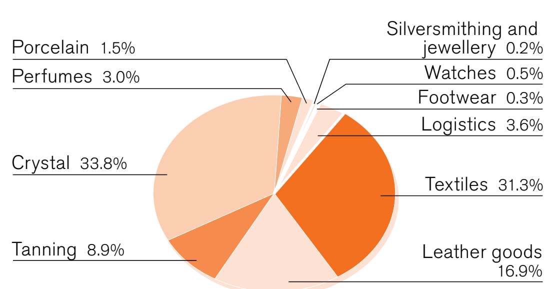
- **Breakdown of water consumption by *métier* - 2012** (m³)



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



- **Breakdown of energy consumption by *métier* - 2012** (MWh)



(1) Including Hermès Cuirs Précieux as from 2008, Natéber, ITH and AEI as from 2012

PRODUCTION SITES

The Hermès Group controls forty-five production units, including thirty-four in France, on thirty-eight geographical sites (twenty-eight in France, four in Australia, two in Switzerland, two in the United States, one in Great-Britain and one in Italy), plus the Bobigny logistics platform.

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)* Maroquinerie de Fitilieu *(Fitilieu)* Maroquinerie de Montbron *(Montbron)*
Tanning	Gordon-Choisy *(Montereau)* Tanneries des Cuirs d'Indochine et de Madagascar *(Vivoin)* Michel Rettili *(Cuneo/Italy)* Tanneries d'Annonay *(Annonay)* Pôle USA, incl. Reptile Tannery of Louisiana *(Lafayette)* Pôle Australie
Perfumes	Comptoir Nouveau de la Parfumerie *(Le Vaudreuil)*
Textiles	Créations Métaphores *(Bourgoin-Jallieu)* Société d'Impression sur Étoffes du Grand-Lemps *(Le Grand-Lemps)* Ateliers A.S. *(Pierre-Bénite)* Holding Textile Hermè *(Pierre-Bénite, Bourgoin-Jallieu)* Établissements Marcel Gandit *(Bourgoin-Jallieu)* *Ateliers de Tissage de Bussières et de Challes (ATBC)* (Bucol, Le Crin) *(Bussières, Challes)* *Société Novatrice de Confection (Nontron , Bourgoin-Jallieu)* Ateliers d'ennoblissement d'Irigny (Ael) *(Irigny)*
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 *(Bienne/Switzerland)* Natéber *(La Chaux de Fonds/Switzerland*
Footwear	John Lobb *(Paris-Mogador, Northampton/United Kingdom)*
Logistics	Hermès Sellier *(Bobigny)*

The information on the environmental impacts of the Hermès production units' activity is presented by métier *(leather goods, textiles, tanning, perfumes, crystal, watches, porcelain and enamel, silversmithing and jewellery, footwear and logistics), each time using the most appropriate indicators, in accordance with the provisions of Article 225 of the Grenelle 2 Act of 12 July 2010. The areas examined include use of resources, pollution control and waste management issues, climate change and biodiversity.*

LEATHER GOODS

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

A Health, Safety, Environment, Ergonomics and Sustainable Development Manager is attached to the Continuous Production Improvement Department. He is responsible for organising the progress plans concerning health, safety, the environment, working conditions and sustainable development on all the division's sites. Each production site has an HSE manager in charge of operational management of these issues.

A multidisciplinary task force (known as the Club H-SEE Cuir, for Health & Safety, Environment and Energy) brings together the HSE managers of the sites, the maintenance managers, the nurses, an occupational physician, the persons in charge of continuous improvement and a real estate project manager. This task force meets every three months for audit exercises, training, discussions, visits and conferences. It is led by the division's HSE and Sustainable Development Manager. In 2012, the Club H-SEE Cuir's seminars concerned the themes of chemical risk management, arduousness of work, safety culture and ergonomics.

- **Production facilities**

The fifteen production sites of the Leather Goods division are located in France. The four sites in the Paris region account for the majority of the division's water and energy consumption. The consumption of the main Paris site ("La Pyramide" in Pantin) is affected by the other facilities located on the site, including administrative offices, cafeterias and meeting facilities, where many Group events are held.

- **Figures**

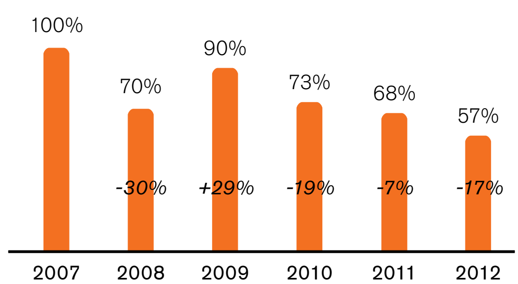
The figures below represent aggregate data for the Leather Goods division, excluding the Le Vaudreuil workshop and the Faubourg Saint-Honoré Saddlery workshop, which are included elsewhere. The figures for the two new sites in Fitilieu and Montbron are not available because the consumptions are included in the charges paid to the owners of the sites; the consumption levels remains marginal, however.

	2007	2008	2009	2010	2011	2012
Water (m^3)	30,905	23,346	30,202	24,812	24,761	22,234
Electricity (MWh)	10,607	11,063	11,297	11,399	11,751	12,468
Gas (MWh)	7,755	9,130	7,410	8,572	7,594	8,070
Fuel oil (MWh)	1,382	1,037	953	726	0	0
Wood heating (MWh)	–	–	70	385	390	377
OIW (t)	684	670	640	633	638	670
HIW (t)	15	21	29	37	42	49
Level of activity (*)	100	108	109	110	118	126

• Water

In the Leather Goods division, water is used for domestic purposes, supplying the automatic fire sprinkler system, watering the green areas of certain sites and supplying the back-up air conditioning systems at La Pyramide. There is no industrial use of water.

In spite of an increase in the workforce (201 extra people in direct labour), the volume of water consumed in 2012 was 10% lower than in 2011.



WATER CONSUMPTION COMPARED TO ACTIVITY

The significant reduction in water consumption in 2012 can essentially be explained by detection of a leak at the Maroquinerie de Belley and by the stopping of a waste water air conditioning system on the CIA site.

The very positive trend in water consumption since 2007 (a 40% reduction in our need compared to the level of activity) is the result of five years of water savings, leak detection work and constant efforts to increase employee awareness.

• Energy

The total energy consumption (electricity, gas, fuel oil and wood) was 20,915 MWh for 2012, up 6% compared to 2011 (19,735 MWh) but stable compared to 2010 (21,082 MWh), in spite of a harsh winter and strong growth in activity.

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

Fuel oil was used to heat the CIA site in Pantin for the last time in the first half of 2010. A gas-fired boiler was installed to replace the fuel oil boiler in the autumn.

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

Detailed energy analyses were carried out in 2010 on the Ardennes, Sayat, Nontron, Seloncourt, Aix-les-Bains and Pierre-Bénite sites. Carried out by an engineering firm specialising in climate engineering, these analyses were aimed at identifying new areas for possible improvements that have been budgeted for as part of a plan initially intended for 2010-2013 but now to be extended to 2014.

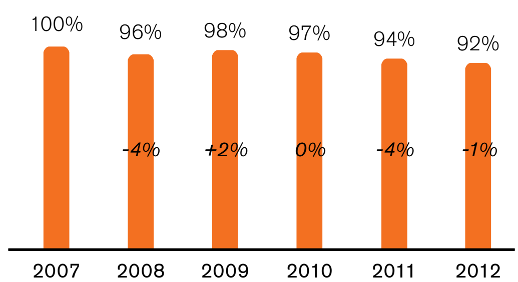
The use of renewable energy sources such as wood or solar energy is encouraged and supported both in the design of new buildings and in modifications made to existing leather goods workshops.

Electricity

Electricity is used not only for production equipment (cutting machines, leather marking tools, work station lighting, etc.) but also to light common areas, in some water heaters and to run the air conditioning, ventilation and cooling units in work areas.

The division's electricity consumption was 12,468 MWh in 2012, up 6% compared to 2011. This corresponds to the creation of new production areas (construction or expansion of sites) and the installing or extension of cutting workshops on leather goods sites.

The increase in electricity consumption in 2012 (+6%) is lower than the increase in our activity (+8%). The substantive measures concerning energy consumption continue to yield results with a 8% decrease between 2007 and 2012 in consumption compared to activity.



ELECTRICITY CONSUMPTION COMPARED TO ACTIVITY

In Pierre-Bénite, the energy analysis carried out in 2010 highlighted the preponderant influence of highly energy-consuming air heating plants operating constantly without any possibility of adjustment. In 2012, the introduction of more refined control of the system enabled an improvement in perceived comfort while at the same time stabilising consumption.

In 2012 the Maroquinerie de Seloncourt carried out the first part of a major lighting improvement project which will be completed in 2013. Working comfort is improved with a lighting level multiplied by a factor of four for the general lighting and two and a half for work station lighting, all with no flicker. The choice of LED technology preserves the environment (service life four times longer and absence of mercury) while at the same time reducing consumption and greenhouse gas emissions.

Fossil fuels

Gas consumption was 8,070 MWh in 2012, up 6% compared to 2011. Since gas is used only for heating within the plants, the main explanation for this result is a harsh winter in 2012 following a milder winter in 2011.

The increase in the need for gas in 2012 compared to 2011 is equivalent to the growth in activity. The significant fluctuations in gas consumption compared to activity which can be seen from one year to the next in the diagram below can essentially be explained by the fact that some winters are colder than others, and by difficulties (which have now been overcome) in controlling the heating, ventilation and air conditioning (HVAC) equipment.

GAS CONSUMPTION COMPARED TO ACTIVITY

Renewable energies

At the moment, use of renewable energies is concentrated at the Maroquinerie de Nontron. Photo-thermal solar panels are used for heating the domestic water, thereby fully accounting for the needs of the plant. The wood-burning boiler provided for 58% of heating needs in 2012 (compared to 66% in 2011 and 49% in 2010). The gas boiler supplements the wood-burning boiler between seasons, and during particularly cold climatic periods.

The Maroquinerie de Belley is taking part in a district wood-burning boiler project scheduled to be started in the second half of 2013. The Maroquinerie de Saint-Antoine site in Paris is no longer heated by gas but by the City of Paris urban heating system.

- **Atmospheric emissions and waste**

The leather goods site represents limited sources of waste due to environmentally friendly manufacturing processes.

The air inside the workshops is regularly analysed to check its quality. Water-based glues are now almost universally used on all sites in place of solvent-based glues. Since 2008, all sites have been equipped with water-based cleaning tables for washing production tools, eliminating the contamination of waste water with glue and the clogging of pipes.

Ordinary industrial waste (OIW) and hazardous industrial waste (HIW) is sorted and treated via the appropriate systems. Some of the leather scrap, which accounts for the bulk of our OIW, is recycled. The heavy increase in HIW can be explained by the growth of the activity (increase in cleaning table waste) and by hazardous product sorting and stock-clearing operations to improve the management of our chemical products.

• Bilan Carbone

The procedure was initiated at the Pierre-Bénite production unit at the end of 2006 and extended to the whole division from 2008 onwards. The Bilan Carbone ("Carbon audit") was updated in 2012 with the data for 2011. It indicates that half of the emissions come from materials, one quarter from personnel commuting and one quarter from fossil energies. The areas for improvement concern:

– logistics and transportation of incoming materials: a centre for warehousing skins has been located near Lyon to serve our production sites in the Rhone-Alpes region, thus reducing flows in terms of distances travelled.

– the heating and cooling systems used within the facilities: detailed energy analyses and the resulting actions will enable the Bilan Carbone results to be improved for buildings.

– the design of new sites: the design of the Nontron site, opened in September 2009, and that of the new sites in Les Abrets and Montbron, planned for 2015, which will be designed in accordance with the HQE policy.

– employee transportation: Car-pooling and "soft" means of transport are encouraged by certain production sites, particularly during the national Sustainable Development Week. The Pierre-Bénite site has launched an Inter-Company Transport Plan: numerous activities have been conducted regularly on the site since 2010 (Greater Lyon Car-Pooling Challenge, Soft Transport Day and Eco-mobility day) and parking spaces reserved for car-pooling have been created as close as possible to the production unit.

The aim is now to train people on the site to conduct the Bilan Carbone audit in order to manage it locally and be able to gauge the effectiveness of the measures implemented.

• Biodiversity

The Maroquinerie Nontronnaise has been equipped with Jardins Filtrants® water gardens for treatment of domestic water. Beehives were installed near these water points and yielded an initial production of 45 kg of honey in 2010, a figure which was nearly doubled in 2011. This production is distributed to all personnel working on the site, who are thus made aware of the need to preserve biodiversity and to protect bees in particular.

On land at the Sayat site, a small apple orchard produces apple juice distributed each year to all employees on the site. Since 2009, the site's vines have also produced small quantities of grape juice.

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.

TEXTILES

The Textiles division now has eleven sites, each implementing its specific environment, health and safety policy with a programme drawn up at the start of the year by the coordinator for the sector, who is backed up by the technical manager and the EHS manager of the Ateliers AS. The total amount of investments made under this programme is more than one million euros.

• Figures

	2008	2009	2010	2011	2012
Water (m^3)	241,000	199,000	215,800	198,478	238,760 (1)
Electricity (MWh)	10,075	9,267	9,520	9,694	11,673 (1)
Gas (MWh)	22,254	20,443	22,810	21,000	26,324 (1)
OIW (t)	306	239	345	346	448 (2)
HIW (t)	387	409	488	522	546 (2)

(1) this total includes the consumption of the ITH and AEI sites.
(2) this total includes AEI waste but not yet ITH waste.

• Water

2012 was a strong year for production, turnover increasing by 25.6% compared to 2011. Between 2007 and 2012, the Water programme led to a saving of 8% for the Textiles division on a comparable basis. The increase in water consumption was 20% between 2012 and 2011, but only 4% on a comparable basis.

At the Ateliers A.S., control of water consumption is based on surveillance of the framewashing machines and their water recycling system, but also on the introduction of new technical solutions such as recycling of mixer cleaning water in the colour kitchen workshop and the new framewashing machine installed in the south workshop. This resulted in a 5% drop in consumption between 2012 and 2011. The increase in activity thus being compensated for, water consumption measured per metre of coloured fabric printed fell by 11% between 2012 and 2011.

At the SIEGL, a new production line started in September 2012, incorporating a framewashing machine which reduces water consumption. The water requirement in the new framewashing machines is only a quarter of that of a machine of the previous generation. Thanks to this new equipment, production increased by 33% in terms of metres of fabric while the increase in water consumption was limited to 16%. Water recycling now concerns 11% of the total volume of water consumed.

At AEI, investments have been made in new equipment in order to increase the production capacity and expand the range of finishes while at the same time reducing the water consumption per metre dyed.

At the Établissements Marcel Gandit, water consumption fell by 9% between 2012 and 2011, partly due to a 93% reduction in silver film consumption between 2008 and 2012, a technological change which has a favourable effect on the site's water consumption.

• Effluent and atmospheric emissions

Efforts to find substitutes for chemicals continued during the year. Reduction of chemical consumption is another area in which work is being carried out, particularly for products containing solvents. Consumption of frame stripping products thus fell by 10% between 2012 and 2011 at the SIEGL, and by 22% for the Ateliers AS. The consumption of stripping product by the tables increased by 33% for the two sites, as a direct result of the increase in production. The improvement in the recovery of colours has enabled the effluent concentration to be lowered. At the Ateliers AS, the dyeing activity was moved in the third quarter of 2012, leading to a 28% reduction in water pollution (COD expressed in mg/l).

For the SIEGL, waste water pollution fell by 14% (COD expressed in mg/l), due to the correct operation of the membrane bioreactor combining water treatment with water recycling. The new printing line is equipped with a scoop for recovery of colour waste using an automated system. A waste treatment improvement test with a pilot system was carried out at the end of the year.

• **Energy**

For all of the HTH sites, the increase in electricity consumption was 20%, with a 25% increase for gas. These increases are due to the growth in activity and the widening of the scope.

At the Ateliers AS, electricity consumption increased by 4%, in spite of a 7% increase in production (expressed in metres of printed colours), and operation 7 days a week. In 2012, the ventilation systems of the air treatment units were stopped at the weekend by time setting using a building management system. Gas consumption fell by 3%, mainly because of the transfer of the dyeing workshop.

At the SIEGL, electricity consumption increased by 34%, because of the increase in production, the switch from a 32-hour week to a 35-hour week, the increase in the number of inkjet machines and work at weekends. Gas consumption increased by 18%, due to the increase in the setting and washing activity.

At the Ateliers de Tissage de Bussières, electricity consumption increased by 11%, because of the 19% increase in production.

At the Établissements Marcel Gandit, gas consumption increased by 25% and electricity consumption by 2%. The increase in gas consumption is due to greater use of the drying equipment as a result of the change in the process.

• **Waste**

The aim is to constantly improve waste management and disposal through approved channels. For the whole HTH sector, the 5% increase in hazardous industrial waste can be explained by the increase in production, which mainly affects the quantity of colour waste. Colour production is nevertheless calculated as accurately as possible to avoid any wastage. The quantity of ordinary industrial waste produced increased by 29%, due to the increase in production and the acquisition of new sites. In addition, numerous storage and moving operations, which generate OIW, took place in 2012.

At the Ateliers AS, production of hazardous industrial waste fell by 14% due to a reduction in the use of a stripping product, thanks to the new framewashing machine in the South workshop. Production of OIW increased by 8%, due to the increase in production (more protection paper used and more miscellaneous waste produced).

At the SIEGL, production of hazardous industrial waste increased by 32% because of the increase in production, leading to an increase in the production of colour waste and finishing bath recovery. Production of OIW increased by 24%, mainly because of the increase in production.

At Gandit, the frame recycling project started in June 2011 was continued. It was conducted in collaboration with an ESAT (sheltered work establishment). The frame recycling rate is currently 26%.

• **Bilan Carbone**

The "bilan Carbone" audits of all the sites in the sector were updated in 2012. The results will be known in the first quarter of 2013.

• **Health and Safety**

Personnel awareness of environment, health and safety issues is raised by means of site visits, regular posting of notices and appropriate signs. Training sessions are provided on a regular basis, notably on the themes of management of chemical products, road safety and EHS management.

In 2012, many measures were undertaken, enabling increased involvement of all managers and a reduction in the number of accidents:

– Quarterly meetings are organised for the whole sector, attended by all site directors, EHS managers and nurses, the main subject of discussion being the setting up of an action plan in each establishment to encourage sharing of best practices. The themes dealt with in 2012 included in particular the wearing of personal protective equipment, safety orientation, safety inspections by the various management committees, machine compliance and training sessions for managers.

– EHS orientation on the sites was further reinforced, with orientation booklets for newcomers and visitors being systematically distributed and commented on

– EHS aspects were incorporated in new projects, whether for construction or for production

– the contractual conditions for purchase of equipment relating to EHS were complemented and clarified

TANNING

Environmental measures, like health and safety measures, are overseen by dedicated managers in each of the tanneries, and by the site directors. All of the data are shared within the division and joint improvements are implemented at the instigation of the industrial director.

• **Figures**

	2008	2009	2010	2011	2012 (1)
Water (m^3)	117,971	95,809	85,215	95,036	87,649
Electricity (MWh)	3,445	3,260	3,256	3,686	3,555
Gas (MWh)	7,093	7,567	8,104	6,577	7,230
OIW (t)	nc	nc	nc	nc	781
HIW (t)	nc	nc	nc	nc	159
of which recycled waste (in t)	nc	nc	nc	nc	140
of which reclaimed waste (in t)	nc	nc	nc	nc	85

nc : not communicated.
(1) Without change in scope.

• **Water**

In spite of the increase in its activity, the Tanning division reduced its water consumption by nearly 8% on a comparable basis.

In Montereau, water consumption decreased by 2% in 2012. The site continued its efforts to control its water consumption, notably by regularly checking its meters and, at the end of the year, replacing four old water softeners used for resin regeneration with two new models which are more efficient and economical.

In Vivoin, water consumption fell by 16%. This result can be explained by efforts to eliminate leaks and wastage, the adoption of a preventive maintenance programme, wet sector rehabilitation work which enabled optimisation of the distribution points and better management of the water supply to the tumbling drums.

In Lafayette, water consumption was reduced by 10%. The site has modified its water mixer system and installed three meters which enable any abnormal consumption to be detected rapidly. The old water network has been replaced to a large extent and a consumption display system has been installed. This has resulted in a 14% decrease in the water consumption ratio in litres per centimetre.

On the Cuneo site, the slight increase in water consumption observed is directly correlated to the increase in activity.

• **Energy**

The 5% increase in electricity and gas consumption is directly linked to the increase in production.
In Montereau, energy consumption increased by 5% compared to 2011, for a 1% increase in production (6% for gas and 4% for electricity). The replacement of the old dyeing drums by more powerful models incorporating a heating capability has led to an increase in consumption. However, the renovation of the roof and insulation of the buildings in accordance with the RT2012 standard have continued. In the majority of the workshops the old lighting has been replaced by new-generation neon lighting which consumes only half as much energy. Lastly, the hide drying machine can run alternately on gas or electricity, thus enabling consumption management.
In Vivoin, the interior lighting in the passageways has been optimised by the choice of LED technology with an automatic management system, enabling better working conditions without increasing energy consumption. The heating system in the factory was totally redesigned this year to improve working conditions for the craftsmen. The insulation of the work areas has been improved by replacing all windows in the factory with double glazing and installing better quality doors. The steam network has been lagged.
In Cuneo, the energy consumption per centimetre produced increased by 7% because the site has installed a new dust extraction system in the shaving area.
In Lafayette, energy consumption increased slightly in absolute terms. The site has organised the operation of its three coolers more effectively. It has installed LED lighting and doors enabling entry of natural light. In addition, the site has replaced its electrical cabinets and removed all obsolete machines.

• **Effluent and atmospheric emissions**

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.
In Montereau, the reduction in water consumption combined with the increase in production has led to a concentration of pollutants in waste water. Initial nanofiltration tests have been conducted.
In Vivoin, the site has continued the implementation of the action plan for the station, based on a FMECA analysis, in order to continue the work to make the water treatment process safe. The site has doubled the area of the bar screen at the entrance to the station to compensate for the increase in production. The physical/chemical treatment has been made safe by the adding of an in-line turbidity meter on the exit from the settling tanks. Lastly, tests on a new lamellar settling technique have been performed.
Tanning atmospheric emissions are essentially due to the operation of the boilers, the dry degreasing activity and the finishing booths. A complete analysis of these emissions was carried out in Vivoin. In Montereau, regulatory measurement of boiler plant emissions is regularly carried out. In Cuneo, the site also has analyses of the air at each emission point carried out by a specialised laboratory.

• **Waste**

Each site works continuously to seek out the best recycling or waste reclamation channel. OIW and

IMW (infectious medical waste) are incinerated with energy recovery, while paper and cardboard materials are recycled through conventional paper industry channels. Leather shavings undergo thermolysis treatment to recover the chromium they contain. Wood is directed to a local particleboard manufacturing company to be reused. Metals are resold. Lastly, SIW (special industrial waste) is handled by a specialised company which processes each type of waste separately, in accordance with its characteristics.

All craftsmen are made aware of selective sorting of waste. In Vivoin, the site has improved its storage conditions for SIW before collection by creating a "Waste Area" used to centralise SIW and schedule removals more effectively. In Montereau, the 25% increase in the quantity of waste is due to the conducting of the site modernization work.

• Health and Safety

EIn 2012, new measures were implemented in an effort to improve health and safety conditions. Human resources and equipment are assigned whenever necessary for risk prevention and for the quality of workplace health and safety conditions.

All sites are investing in efforts to find substitutes for chemical products in order to anticipate changes in the REACH regulations concerning certain substances. In Montereau, an air control and extraction system in the *flanche* workshop and in the colouring agent weighing room has been installed.

The Montereau and Vivoin sites carried out an analysis of arduous work situations and signed an agreement on the prevention of arduous work in 2012. This step was taken in conjunction with the members of the CHSCT (Health & Safety Committee), the occupational physicians and the human resources department, and also with all managers.

A noise map has also been produced. Exposed persons are now equipped with appropriate moulded hearing protection. Disposable hearing protections are available to visitors or personnel for short-term exposure. In Vivoin, the average sound level of the machines in the smooth leather workshop has been reduced by 10dB. It is no longer necessary for the craftsmen to wear hearing protection at all times in this workshop.

Specific training sessions are organised, such as the "first aid", "evacuation teams" and "chemical risk" training sessions. In Montereau, a video concerning safety in the workplace has been introduced for newcomer orientation sessions. In Vivoin, thirty-seven people have been trained in handling the site's fire extinguishing equipment.

In Cuneo, each new craftsman benefits from an eight-hour awareness training session with a senior employee in the work station. The site has installed safety barriers around the paint sprayer extraction chimney and installed an extraction system for the shaving operators.

• Bilan Carbone

In 2012, the Tanning division greenhouse gas emission audit was updated.

In 2009, an in-depth study was launched to replace traditional air transport of raw hides by maritime transport, which consumes ten to twenty times less energy. In 2010, after repeated tests, a maritime transport system was set up for Alligator Mississipiensis from Florida and Louisiana and for Crocodilus Niloticus from Africa. In 2012, the proportion of transport by ship reached 49%, compared to 30% in 2011. More than 80% of Nile crocodile hides and more than 50% of alligator hides are now transported by sea.

PERFUMES

In 2012, the Vaudreuil site underwent major changes. The administrative building was completely renovated to accommodate the whole leather goods activity. Renovation and insulation of the roofs and exterior walls continued throughout 2012. The roofs were made safe by the installation of guard rails. The work to bring the lightning protection into compliance with standards was also finalised.

• Figures

	2008	2009	2010	2011	2012
Water (m^3)	5,644	5,777	4,359	2,772	2,703
Electricity (MWh)	1,422	1,430	1,446	1,701	1,414
Gas (MWh)	2,376	2,331	3,032	2,037	2,161
Fuel oil (MWh)	8	8	8	3	12
OIW (t)	59	79	114	140	230
HIW (t)	361	341	351	397	557

• Water

Following the departure of the company which rented part of the premises, and the optimisation of the use of water during the sprinkler tests (use of water from the fire tank supplied by rainwater instead of mains water), the Vaudreuil site's water consumption fell considerably from 2011 onwards. It remained generally stable in 2012.

• Energy

Natural gas consumption increased by 6% compared to 2011. Major renovation and insulation work on the roofs and exterior walls was started in 2011 and completed in December 2012. This work will enable better temperature control in the buildings and therefore optimisation of gas consumption in the future.

The site's leather goods activity has moved to renovated premises. New heating, air conditioning and ventilation equipment has been installed, resulting in a negative impact on gas and electricity consumption.

• Air quality

For 2012, atmospheric emissions of VOCs (Volatile Organic Compounds) were estimated at 1.4% of the total consumption of solvents and therefore remain below the 5% emission limit for perfume industries. These VOCs primarily consist of ethanol, a product that is not bio-accumulable, presents no measurable risk to animal and plant life, and vaporises and biodegrades quickly. The boiler emissions were also tested and analysed. They are in accordance with the regulations.

• Waste

Waste volumes increased in 2012, by 39% for HIW and 29% for OIW. The increase is partly due to the growth of activity on the site in 2012, but also to the fact that the waste metering data have been refined. The results now take into account the quantities of residual alcohol sent for regeneration, together with the holding tank washing water. Lastly, destruction of obsolete POP material was carried out in 2012, contributing significantly to the increase in the volume of OIW. In the course of the year, 44% of waste was recycled and 10% was reclaimed.

• Bilan Carbone

The Vaudreuil site has updated the input data for the Bilan Carbone assessment. The data are being processed and will enable a new appropriate improvement action plan to be drawn up.

• Health and Safety

On the Vaudreuil site, 2012 was marked by the conducting of major renovation work (insulation of roofs and exterior walls and fitting out of workshops and offices). The HSE team was therefore reinforced by the arrival of an "external companies" safety manager responsible for coordinating the work on the site and ensuring the safety of the operations (prevention plans, work permits, jobsite audits, etc.) in a context of joint activity.

Improvement of the work stations in terms of ergonomics and safety continued with the introduction of CHSCT (Health & Safety Committee) project sheets, thus formalising all actions carried out in collaboration with the CHSCT. All personnel can now follow the progress of projects via a notice board. In addition, ergonomics liaison functions have been created in the Perfumes and Leather Goods production teams to improve work station ergonomics.

A fire drill was carried out in order to test the handling of full evacuation procedures (alerting, evacuating and presence checks) and to work with the external emergency services to provide them with a better knowledge of the site. In addition to regular activities on the site, three staff information meetings were organised by the Management this year on Health and Safety themes.

CRYSTAL

In 2012, two people in the Compagnie des Cristalleries de Saint-Louis coordinated the site's EHS work: an Environment/New Construction Manager and a Health and Safety Officer, assisted during the first half of 2012 by a person in sandwich training specialising in Quality, Health, Safety and the Environment. As of September, a single "Maintenance/New Construction, Health, Safety and Environment" entity was created under the authority of a new Technical Manager.

A budget of nearly one million euros was invested in 2012 in various projects aimed at improvement in the area of Health, Ergonomics, Safety and Working Conditions and for treatment of the fumes and dispersed waste of the continuously fired equipment in the site's new production hall.

• Figures

	2008	2009	2010	2011	2012
Water (m^3)	5,644	5,777	4,359	2,772	2,703
Electricity (MWh)	1,422	1,430	1,446	1,701	1,414
Gas (MWh)	2,376	2,331	3,032	2,037	2,161
Fuel oil (MWh)	8	8	8	3	12
OIW (t)	59	79	114	140	230
HIW (t)	361	341	351	397	557

• Water

Since 2007, on a comparable basis, a reduction of more than 60% has been recorded. Careful and attentive management of the water resource and the motivation of the personnel contributed to a very marked improvement in 2012, reflecting the good supervision and control of recycling on the cullet cooling circuit in continuous casting.

• Energy

Consumption depends both on the level of activity and on the product mix. The reduction in electrical energy consumption can be explained by a reduction in the need of the tank furnace, partially offset by an increased consumption due to the use of the three electric carburizing furnaces.

Gas consumption is stable on the whole, a slight increase due to switching to three 8-hour shifts over five days for jug manufacturing being offset by a reduction in melting in continuous casting. The proportion accounted for by heating of the buildings (12%) is similar to the proportion in 2011.

- **Waste**

The quantities of OIW increased slightly in 2012, following cleaning of the outbuildings, attics and cellars of various buildings. The volumes of HIW and SIW remain practically constant, given that in 2012 there were no major masonry repairs or stove-fitting of the furnaces and cells. Since May 2012, a partnership has been established with Emmaüs for removal, recycling and reclamation of all types of wood waste.

- **Effluent and atmospheric emissions**

As every year, particular attention was paid to effluent and atmospheric emissions. It should be noted that in 2012 a new dust extractor was installed to collect fumes and dispersed waste from the tank furnace and cells 2 and 3 in the main production hall.

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.

- **Bilan Carbone**

The site's Bilan Carbone audit was carried out in the second half of 2012.

Energy consumption represents a considerable proportion of the impact. The results will be used to guide the action of the Energy Group set up in 2012 to conduct activities on this theme in the field.

At the time of the introduction of the REACH regulations, in close collaboration with the *Fédération des Cristalleries et Verreries à la Main et Mixtes* (Federation of Crystal Glassworks), crystal was, as a precaution, pre-registered as a variable composition substance. Since early 2009, work with the Federation has been continuing on a technical basis to have crystal included in the glass family, thereby exempting it from registration formalities.

- **Health and Safety**

Many measures were undertaken in 2012 to improve working conditions, including in particular the commissioning of the new dust extractor in the main production hall and also a complete reconstruction of the roof of the "cracking off" building with ventilation/fume extraction systems. Following training in the prevention of physical activity-related risks in 2011 for the craftsmen working in the Paperweight workshop, this workshop was extended with gas fluid modifications, improvement of the lighting and the installation of ergonomic seats and work stations.

WATCHES

Since March 2012, a new EHS and general services position was created to conduct activities concerning EHS issues in the Watches division. In Biel, a site EHS Committee meets every three months and carries out inspections of the building. Each employee is regularly informed on these issues via team meetings or individual training.

- **Figures**

	2008	2009	2010	2011	2012
Water (m^3)	607	1,012	707	860	5,437 (1)
Electricity (MWh)	343	334	357	381	509 (1)
Gas (MWh)	n/a	n/a	n/a	n/a	118 (1)
OIW (t)	20	20	20	20	19 (2)
OIW valued (m^3)	75	101	195	140	122 (2)
HIW (t)	20	20	138	60	42 (2)

(1) This total includes the consumption at Natéber.

(2) This figure represents the LMH data only; the Natéber data are not yet available.

n/a : not applicable.

• **Water**

On the Biel site, water is used only for domestic purposes. For the Natéber site, analyses are being carried out in order to understand the consumption levels and draw up an action plan.

• **Waste**

Personnel are informed and trained to use the bins provided for each category of waste and are careful to comply with best practices for waste disposal. Departmental managers make sure that the sorting instructions are complied with.
No aqueous products, solvents, glues, dyes, etc. are disposed of via the drains. They are placed in sealed containers and disposed of via a professional chemical disposal company.

• **Health and Safety**

The main new measures undertaken in Biel in 2012 were:
– purchase of a defibrillator and training of five people in its use
– purchase of new ergonomic chairs and seats
– introduction of Tai Chi lessons twice a week
– offer of eye tests and flu vaccination to inspection personnel
On the Natéber site, considerable work was conducted for evaluation of machine compliance and prevention of chemical risks.

• **Bilan Carbone**

The LMH Bilan carbone audit is carried out each year in order to steer emission reduction projects as effectively as possible.

PORCELAIN AND ENAMEL

The activity on the Nontron site is devoted to the decoration of white porcelain parts and the manufacturing of enamel bracelets. A health, safety and environment manager who reports to the site director began working full time in 2012. Information on consumption is now displayed on the site at the entrance to the premises.

• **Figures**

	2008	2009	2010	2011	2012
Water (m^3)	2,136	803	1,196	1,429	1,615
Electricity (MWh)	918	846	936	922	1,229
Gas (MWh)	530	478	547	461	547
Fuel oil (MWh)	74	55	55	33	31
OIW (t)	91	75	65	34	82
HIW (t)	1.0	1.7	3.9	7.6	8.8

• **Water**

Both for the porcelain decoration activity and for the enamel activity, the Nontron site uses water in its industrial process, which accounts for 56% of the total consumption, the rest being used for domestic purposes (44%). Water consumption increased by 13% compared to 2011, which can be explained by the heavy increase in production volumes (+45%) and by the considerable increase in the workforce (+20%). It may be noted that process water consumption at equivalent production decreased compared to 2011, while the consumption of domestic water per person remained stable.

• **Energy**

The site's overall energy consumption (electricity, gas and fuel oil) increased by 30%. This increase can be entirely explained by the large number of additional items of equipment (sander, furnace and enamelling booths) which were installed and commissioned to enable the heavy increase in production volumes.

• **Waste**

The quantity of OIW increased considerably. All stocks were cleaned in 2012 when the finished product stock was moved, which accounts for a large proportion of the additional tonnage. Nearly 45% of this OIW is now recycled.
HIW increased by nearly 16%, as a result

• **Health and Safety**

The measures initiated in 2012 were as follows:
– Retraining for first aid workers;
– Initial training for two new electrical qualifications;
– Retraining of fire first intervention team members;
– Replacement of safety footwear;
– Installation of a lift table with a weighing system in the "packing" sector;
– Reconstruction of part of the roof located above the porcelain kiln and the enamel production workshop;
– Installation of a new enamel preparation room with installation of an extraction hood with a high extraction rate;
– Moving of the finished product storage facility;
– Installation of a vibration and extraction table in the plate preparation workshop;
– Installation of a more efficient enamel kiln;
– Study with an ergonomist at the porcelain article acceptance check station.

SILVERSMITHING AND JEWELLERY

A site manager coordinates environment, health and safety issues for the production site.

• **Figures**

	2008	2009	2010	2011	2012
Water (m^3)	698	696	853	1055	486
Electricity (MWh)	173	173	190	168	200
Gas (MWh)	18.8	17.9	16.7	11.8	12.7

• **Water**

Water consumption fell by 54% in 2012 following a considerable increase in consumption the previous year. Taps were changed, maintenance operations were carried out and leaks originating in the process area were tracked down. These basic measures were complemented by the addition of cut-off valves, with supply cut-off instructions outside production hours.

• **Energy**

The energy consumption of the Puiforcat workshop increased by 18% overall in 2012, with an increase of 19% for gas and 8% for electricity. The gas consumption can be explained by harsher climatic conditions in 2012 than in 2011. The increase in electricity consumption is due to the installation of radiant heating systems in the workshops to improve working conditions.

• **Effluent and atmospheric emissions**

Since 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.

- **Bilan Carbone**

The greenhouse gas emission analysis was updated in 2012, and the results will be known in the first quarter of 2013

- **Health and Safety**

A polishing work station improvement project was initiated in close collaboration with the CHSCT, the employee health department and the workshop's craftsmen. The description of the existing facilities and the ergonomic analysis of the work stations have been carried out. The working group is now entering the phase of searching for solutions, to be followed by the test phase.
The renovation of the packaging product storage areas has made access to these areas easier, thus limiting risks of falls.
Safety glasses suitable for vision have been made available to the craftsmen.

FOOTWEAR

The IT systems manager is responsible for overseeing environment, health and safety issues on the John Lobb site in Northampton, while in Paris these issues are handled directly by the site's production manager.

- **Figures**

	2008	2009	2010	2011	2012
Water (m^3)	809	861	847	767	788
Electricity (MWh)	237	219	233	225	242
Gas (MWh)	206	213	200	193	177

- **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 increased slightly in 2012, as a direct result of the increase in the workforce and the number of hours worked.
The increase in electricity consumption is directly linked to the increase in activity (+26%), and the reduction in gas consumption – mostly accounted for by heating – can be explained by milder temperatures.

- **Waste**

Selective sorting is in place in the manufacturing process for plastic, cardboard and paper. A contract has been in place since 2011 with a company which collects waste each day and manages its treatment, 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

A person reporting to the Management division is responsible for environment, health and safety projects on the site. The General Services team assists him for daily management of the maintenance of the buildings and production infrastructures.

• Figures

	2008	2009	2010	2011	2012
Water (m^3)	2,529	2,586	2,680	2,324	4,274
Electricity (MWh)	2,728	2,694	2,480	2,059	2,040
Gas (MWh)	3,945	3,316	3,776	2,535	2,224
OIW (t)	250	170	136	255	253

• Water and energy

Water consumption increased considerably in 2012, as result of the extension work and work on the exterior walls which necessitated drilling for soil surveys and drainage of the heating water and chilled water networks.

Gas is used for heating. A mild winter and very mild temperatures in April explain the reduction observed in 2012.

Many measures have been undertaken since 2005 with regard to the lighting, ventilation and air conditioning and have enabled a constant reduction in electricity consumption over the past three years:

– reinforced insulation of the exterior walls and replacement of the windows of the administrative building;
– fitting of energy-saving bulbs on the ground floor of the two warehouses (light troughs and neon lights in the aisles of the picking area);
– automation of the night safety lighting in the warehouses;
– installation of a central control to control the lighting per bay on the first floor of warehouse 2.

• Waste

Begun in 2009, the use of reusable containers (rolls, crates, etc.) between the Group's various plants and the logistics centre has been generalised, thus allowing the use of cardboard packaging to be reduced. In addition, specific bins for paper recycling were installed in offices in 2012.

• Bilan Carbone

The greenhouse gas emission audit is currently being updated.

• Health and Safety

Movement and posture training was provided for 84 warehouse employees in 2012.

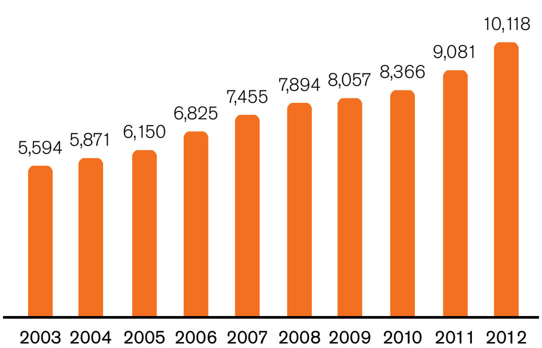
New work to increase awareness of the instructions in the event of outbreak of fire was conducted with all team members who have a coordinating role to play in the event of an alert.

CSR appendices: Human resources

In accordance with article 225 of the Grenelle 2 law of 10 July 2010, we have outlined information on the way in which Hermès takes social consequences into account in its activities, which we have presented below. The sectors examined include the priorities of employment, organisation of work, social relations, health and safety, training and equal treatment as well as compliance with the fundamental agreements and conventions regarding labour.

GROUP HEADCOUNT

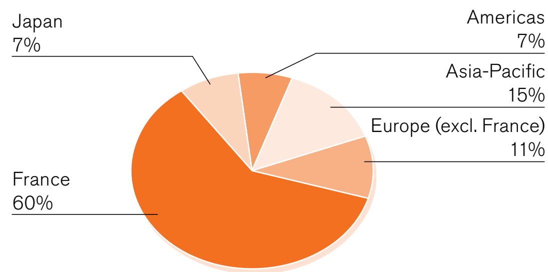
As of 31 December 2012, the Hermès Group had a total of 10,118 employees.
Over the past ten years, the Group's headcount has increased by nearly 88%.



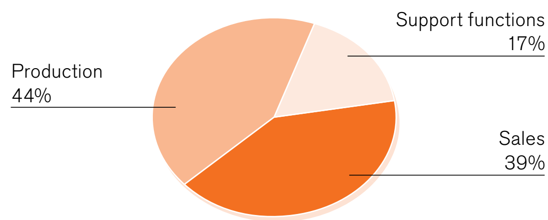
WORKFORCE BY REGION

	Number of active paid employees* 2011	2012	Growth by zone	Breakdown of additional jobs**
France	5,442	6,111	12%	48%
Europe (excl. France)	968	1,099	14%	13%
Americas	630	659	5%	3%
Asia-Pacific	1,313	1,525	16%	20%
Japan	728	724	- 1%	0%
Total Group	**9,081**	**10,118**	**11%**	**100%**

* Open-ended agreements and fixed-term contracts with a term of more than nine months.
** Job creation and new entities impact.



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 networks (perfumes, watches, etc.), 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.

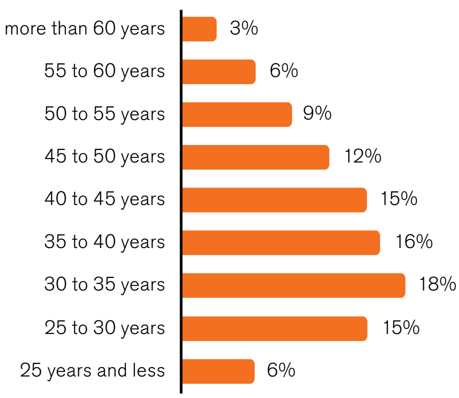
Production staff includes:
– all people who take part in the physical production of finished goods;
– all people in direct contact with finished goods, that is, employees who work in production without taking part in the actual process of physical production.

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

DEMOGRAPHIC DATA

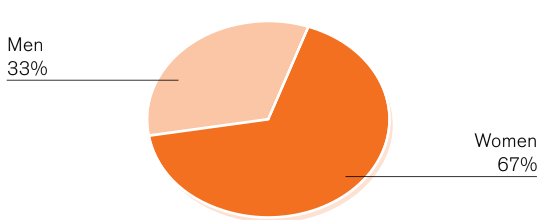
• Workforce by age

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



• Workforce by sex

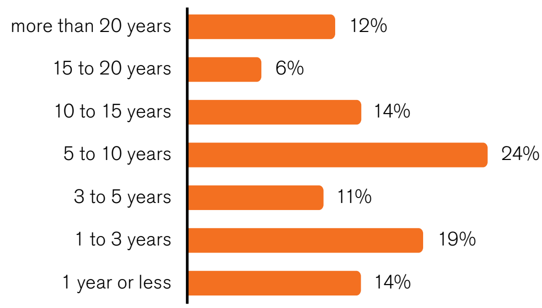
Women make up a significant majority of the Group's staff (67%), represented on all levels of the hierarchy, and all activities.



• 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.

In 2012, as part of the Hermès Group strategy to protect and develop its sources of supply, the Group acquired several production companies in the watch, textile and tannery sectors, amongst others. At the end of 2012 the workforce of the companies acquired amounted to 247 employees.

Moreover, as part of our priority to increase production capabilities in the leather good sector, the Group opened two new production sites in Charente and in Isère. In future, these two sites will employ approximately 250 employees each.

• Newcomers within the Group

The total workforce of the Group increased by 1,037 people during 2012. Without including the acquisitions it has made, the Group created 790 jobs in 2012, including 689 open-ended contracts.

As we have mentioned, the Production sector has seen the most growth with the creation of 658 additional jobs in order to increase our production capabilities and protect our expertise and our sources of supply.

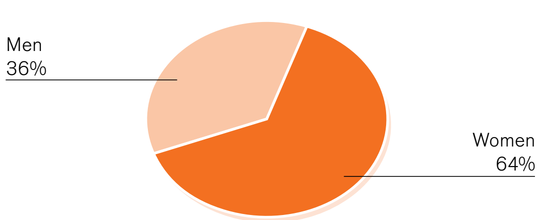
With regard to the geographical zones and sectors, the newcomers within the Group in 2012 were broken down as follows:

	Number of additional jobs
France	669
Europe (excl. France)	131
Americas	29
Asia-Pacific	212
Japan	-4
Total	**1,037**

Production	657
Sales	216
Support	164
Total	**1,037**

1,473 employees joined the Group in 2012 (acquisitions, replacements and new positions). Amongst the people who joined the Group, the average age was 33.

• Arrivals by sex



COMPENSATION

The Group's payroll was €431 million in 2012 versus €367 million in 2011, to which one must also add €140 million of social charges, €42.5 million of incentives and profit-sharing, and €1.6 million for social projects.

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 competitivity

Every year the group addresses the budget guidelines of the salary growth that takes inflation and local markets into account. Particular vigilance is required concerning equality between men and women and the market difference (internal and external). Additional budgets can be granted if adjustments are necessary.

Moreover, in the extension to the 2007 and 2010 plans, the Group carried out a free share allotment for over 8,500 employees who met the eligibility conditions of the plan.

(€M)	2010	2011	2012
Total payroll	325	367	431

The compensation of the corporate officers is shown on page 76 of the present document.

EMPLOYEE SUPPORT ACTIVITIES (FRANCE)

The total amount paid to works councils for employee support activities rose by 10.5% in 2012.

(€M)	2010	2011	2012
Employee support activities	1.3	1.4	1.6

INCENTIVE SCHEMES AND PROFIT-SHARING (FRANCE)

(€M)	Incentive schemes	Profit-sharing
2010	14.0	17.0
2011	21.7	18.5
2012	22.0	20.5

ORGANISATION OF THE WORKING TIME

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

- **Absenteeism**

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 2012, more than 60 agreements were signed in France (Group's and companies' level), including a significant profit-sharing agreement for all employees of the companies operating on national territory.

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 121.

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.

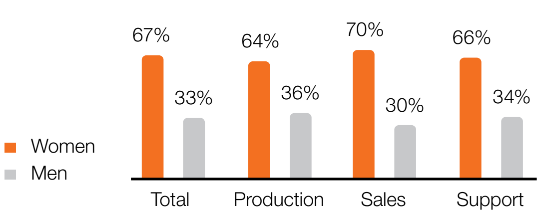
The dissemination of the Hermès LeADer grocer poet management model and of the human resources behaviour and management methods guide will notably help to improve the performance of our managers in this field.

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.

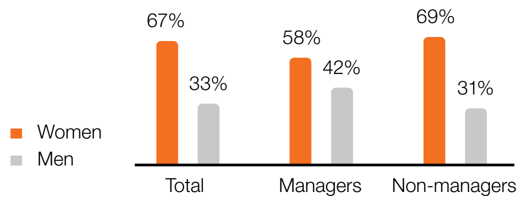
The men/women breakdown indicates a majority of women, which is uniform across the sectors.

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

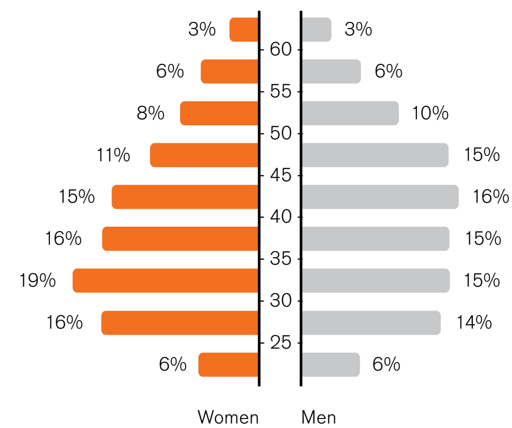


- **Distribution men / women by category (managers / non-managers)**

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

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 2012, these represented approximately 3% of France's workforce, i.e. 185 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 2012

in millions of euros

	2012	2011
Revenue (Note 3)	**3,484.1**	**2,841.2**
Cost of sales (Note 4)	(1,110.8)	(886.4)
Gross profit	**2,373.3**	**1,954.8**
Selling, marketing and administrative expenses (Note 5)	(1,130.8)	(945.7)
Other income and expense (Note 6)	(123.8)	(123.9)
Recurring operating income (Note 3)	**1,118.6**	**885.2**
Other non-recurring income and expense	–	–
Operating income	**1,118.6**	**885.2**
Net financial income (Note 7)	(18.6)	12.4
Pre-tax income	**1,100.0**	**897.7**
Income tax expense (Note 8)	(349.1)	(289.8)
Net income from associates (Note 15)	(0.4)	(4.5)
CONSOLIDATED NET INCOME	**750.5**	**603.4**
Net income attributable to non-controlling interests (Note 21)	(10.6)	(9.2)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 3)	**739.9**	**594.3**
Earnings per share (in euros) (Note 9)	7.11	5.68
Diluted earnings per share (in euros) (Note 9)	7.07	5.66

Consolidated statement of other comprehensive income

in millions of euros

	2012	2011
Consolidated net income	**750.5**	**603.4**
Actuarial gains and losses (Note 20.3)	(30.5)	(3.0)
Foreign currency adjustments (Note 20.3)	(20.8)	24.4
Financial instruments included in equity (Note 20.3)	86.6	(35.4)
Gain/(loss) on sale of treasury shares (Note 20.3)	1.3	(11.4)
Income tax relating to components of other comprehensive income (Note 20.3)	(20.9)	12.5
Comprehensive income	**766.1**	**590.5**
Attributable to owners of the parent	755.3	581.3
Attributable to non-controlling interests	10.8	9.2

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 2012

ASSETS

in millions of euros

	31/12/2012	31/12/2011
Non-current assets	**1,603.0**	**1,377.1**
Goodwill (Note 10)	79.3	38.7
Intangible assets (Note 11)	101.6	96.7
Property, plant & equipment (Note 12)	1,007.5	869.4
Investment property (Note 13)	98.3	98.8
Financial assets (Note 14)	28.5	29.8
Investments in associates (Note 15)	25.8	12.9
Loans and deposits (Note 16)	42.9	35.0
Deferred tax assets (Note 8.3)	217.8	194.2
Other non-current assets (Note 18)	1.3	1.7
Current assets	**1,802.8**	**1,871.3**
Inventories and work in progress (Note 17)	726.9	534.5
Trade and other receivables (Note 18)	207.1	175.7
Current tax receivables (Note 18)	0.8	0.8
Other current assets (Note 18)	116.6	94.4
Derivative financial instruments (Note 22.2.3)	54.4	17.7
Cash and cash equivalents (Note 19.1)	697.0	1,048.2
TOTAL ASSETS	**3,405.8**	**3,248.4**

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
	31/12/2012	31/12/2011
Equity	**2,358.3**	**2,325.5**
Share capital (Note 20)	53.8	53.8
Share premium	49.6	49.6
Treasury shares (Note 20)	(313.3)	(304.1)
Reserves	1,742.2	1,881.2
Foreign currency adjustments (Note 20.1)	46.0	67.1
Financial instruments included in equity (Note 20.2)	26.0	(29.1)
Net income attributable to owners of the parent (Note 3)	739.9	594.3
Non-controlling interests (Note 21)	13.9	12.7
Non-current liabilities	**183.6**	**147.6**
Borrowings and debt (Notes 22.3 and 22.4)	23.7	18.4
Provisions (Note 23)	16.4	14.5
Post-employment and other employee benefit obligations (Note 25)	66.5	60.8
Deferred tax liabilities (Note 8.3)	23.0	17.5
Other non-current liabilities (Note 26)	54.0	36.4
Current liabilities	**863.9**	**775.3**
Borrowings and debt (Notes 22.3 and 22.4)	14.7	20.5
Provisions (Note 23)	33.2	28.8
Post-employment and other employee benefit obligations (Note 25)	3.7	6.2
Trade and other payables (Note 26)	345.5	299.7
Derivative financial instruments (Note 22.2.3)	19.3	58.3
Current tax liabilities (Note 26)	124.1	89.9
Other current liabilities (Note 26)	323.4	271.9
TOTAL EQUITY AND LIABILITIES	**3,405.8**	**3,248.4**

Statement of changes in equity as at 31 December 2012

Before appropriation

	Capital (Note 20)	Shares premium	Treasury shares (Note 20)
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)**
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	–	–	(9.1)
Share-based payment	–	–	–
Dividends paid	–	–	–
Other	–	–	–
As at 31 December 2012	**53.8**	**49.6**	**(313.3)**

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	Financial instruments (Note 20.2)	Foreign currency adjustments (Note 20.1)	Actuarial gains and losses (Note 20.3)	Shareholders' equity	Non-controlling interests (Note 21)	Equity	Number of shares outstanding (Note 20)
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**
739.9	–	–	–	**739.9**	10.6	**750.5**	–
0.8	55.1	(21.0)	(19.5)	**15.4**	0.2	**15.6**	–
740.7	*55.1*	*(21.0)*	*(19.5)*	**755.3**	*10.8*	**766.1**	–
–	–	–	–	**–**	–	**–**	–
–	–	–	–	**(9.1)**	–	**(9.1)**	–
28.4	–	–	–	**28.4**	–	**28.4**	–
(731.8)	–	–	–	**(731.8)**	(10.5)	**(742.3)**	–
(11.1)	–	–	–	**(11.1)**	0.8	**(10.3)**	–
2,527.0	**26.0**	**46.0**	**(44.8)**	**2,344.4**	**13.9**	**2,358.2**	**105,569,412**

Consolidated statement of cash flows for the year ended 31 December 2012

Before appropriation in millions of euros

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income attributable to owners of the parent (Note 3)	739.9	594.3
Depreciation and amortization (Notes 11 and 12)	117.1	111.1
Impairment losses (Notes 11 and 12)	28.0	2.1
Marked-to-market value of derivatives	1.4	1.5
Currency gains/(losses) on fair value adjustments	1.4	1.3
Change in provisions	(20.2)	7.3
Net income from associates (Note 15)	0.4	4.5
Net income attributable to non-controlling interests (Note 21)	10.6	9.2
Capital gains/(losses) on disposals	1.4	(28.7)
Deferred tax	(23.2)	8.7
Accrued expenses and income related to share-based payments (Note 30.3)	28.4	11.7
Other	(0.4)	-
Operating cash flows	**884.8**	**722.8**
Cost of net debt	16.2	2.3
Current tax expense	398.1	287.1
Operating cash flows before cost of debt and current tax expense	**1,299.1**	**1,012.2**
Change in working capital (Note 19.2)	(152.3)	2.7
Cost of net debt	(16.2)	(2.3)
Income tax paid	(359.3)	(276.7)
Net cash from operating activities	**771.2**	**735.9**
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of intangible assets (Note 11)	(22.7)	(20.7)
Purchase of property, plant and equipment (Notes 12 and 13)	(240.3)	(164.5)
Investments in associates	(106.9)	(29.2)
Purchase of other financial assets (Note 14.1)	(27.7)	(19.6)
Amounts payable relating to fixed assets	13.0	0.6
Proceeds from sales of operating assets	–	0.2
Proceeds from sales of other financial assets (Note 14.1)	25.8	165.6
Net cash used in investing activities	**(358.9)**	**(67.6)**
CASH FLOWS USED IN FINANCING ACTIVITIES		
Dividends paid	(742.3)	(167.3)
Purchase of treasury shares	(9.1)	(284.6)
Borrowings	34.3	40.0
Reimbursements of borrowings	(45.5)	(39.8)
Other increases/(decreases) in equity	0.1	-
Net cash used in financing activities	**(762.6)**	**(451.8)**
Effect of changes in the scope of consolidation (Note 19.1)	(0.1)	0.1
Effect of foreign currency exchange on intragroup transactions	3.0	(7.6)
Effect of foreign currency exchange (Note 19.1)	(4.8)	0.8
CHANGE IN NET CASH POSITION (Note 19.1)	**(352.2)**	**209.8**
Net cash position at beginning of period (Note 19.1)	1,038.3	828.5
Net cash position at end of period (Note 19.1)	686.1	1,038.3
CHANGE IN NET CASH POSITION (Note 19.1)	**(352.2)**	**209.8**

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.

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 2013 and will be submitted to the shareholders for approval at the Annual General Meeting on 4 June 2013. The consolidated financial statements for 2012 were also reviewed by the Audit Committee at its meeting on 18 March 2013.

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 2012. 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, amendments and interpretations applicable as at 1 January 2012

The Group has applied the amendments of standards and interpretations that came into force as at 1 January 2012, as adopted by the European Union, to its consolidated financial statements.
The only new mandatory text applicable to the financial years commencing on or after 1 January 2012 is the following:

◆ The amendment to IFRS 7 relative to the information to be provided in the appendices concerning the transfer of financial assets.

This text does not include elements that apply to the Group and did not impact the consolidated financial statements.

1.1.2 - Non-mandatory standards and interpretations as at 1 January 2012

The Group has opted for early application of the standards and interpretation that it will be mandatory to apply as at 31st December 2012, which are as follows:

◆ The amendment of IAS 19 relative to employee benefits, applicable to the financial years commencing on or after 1 January 2012.

The impact of the application of this text, and in particular the removal of the "corridor" method, as provided by revised standard IAS 19 is not material for the Group insofar as the actuarial gains and losses had already all been calculated as part of other items of the comprehensive income.
Concerning the other standards and interpretations that are able to be anticipated for the IFRS 2012 accounts and which it is not mandatory to apply as at 31 December 2012, they should have a limited impact on the assessment of financial data.
This is mainly:

◆ IAS 1, Presentation of the financial statements, on the presentation of other items in the comprehensive income;

◆ IAS 12, Deferred tax on the recovery of the underlying assets (and the correlative removal of SIC 21 Recovery of reassessed non-amortisable assets);

◆ IAS 27 amended, on separate financial statements;

- IAS 28 amended, on investments in associates and joint ventures;
- IAS 32 on settlement of the financial assets and liabilities;
- IFRS 1 on severe hyperinflation and the removal of final implementation dates for new adopters;
- IFRS 7 on settlement of the financial assets and liabilities;
- IFRS 10 on the consolidated financial statements;
- IFRS 11 on joint arrangements;
- IFRS 12 on disclosures of interests in other entities;
- IFRS 13 Fair value measurement;
- IFRIC 20 Overdraft fees incurred during the production phase of an open-cast mine.

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. On the present date the Group does not hold any company under joint control.

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

1.6.1 - Subsidiaries

Business combinations, in the event that the Group gains control over one or several other activities, were accounted for using the purchase method.

Business combinations carried out from 1 January 2010 were evaluated and accounted for in accordance with the provisions of the amended IFRS 3 standard: the transferred counterparty (acquisition costs) was measured at fair value of the assigned assets, the equity issued and the liabilities incurred on the date of the swap. The identifiable assets and liabilities of the company that were acquired were measured at fair value on the acquisition date. The costs that can be directly attributed to the acquisition are recorded as an expense.

The resulting valuation adjustments are recognized 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 transferred counterparty and the share of net assets measured at fair value, is recognised under goodwill.

This valuation is carried out within no more than a year following the date of acquisition and in the currency of the acquired entity. This period is applicable to the valuation of identifiable assets and liabilities, to the transferred counterparty and to the non-controlling interests.

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 recognized 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 amended 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. Any impairment charge is included in "Other income and operating expenses".

1.6.2 - 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 – *Impairment of assets*.

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;
- 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 realizable 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 & 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 value in use 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 (10.14% in 2012) 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), distribution, which are treated independently from one another;
- ◆ separate production activities (leather production, silk production);
- ◆ businesses centred on production or distribution of one type of product (for example Perfumes, Watches, Tableware, HCP…);
- ◆ investment property;
- ◆ associates.

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 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 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.
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.

Derivatives classified as hedges

The Group uses derivatives to hedge its foreign exchange risks.

Hedge accounting is applicable, in accordance with standard IAS 39 – *Financial Instruments: Recognition and Measurement*, when the following conditions have been met:

1) the hedge must be supported by appropriate documentation from its inception;

2) the effectiveness of the relationship of the hedge must be demonstrated both prospectively and retrospectively. The income obtained in this way must be between 80% and 125%.

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 in the statement of 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.

1.10 - 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.

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 - Put options granted to non-controlling interest holders

Pursuant to IAS 32 – *Financial instruments: presentation* when the non-controlling interest holders hold the put option of their share in the Group, a financial debt that corresponds to the price of the exercise of an option is recorded and the counterparty of the debt incurred by these commitments is:

- on the one hand the reclassification of the book value of the corresponding non-controlling interests as debt,
- on the other hand, a decrease in the equity of the Group: the differential between the exercise price granted with book value of the non-controlling interests presented as a decrease of the consolidated reserves– Group's share. This entry is adjusted at the end of each period in accordance with the trend of the exercise price and the book value of the non-controlling interests. In the absence of specific IFRS rules, the Group has applied the recommendations of the AMF that were issued in November 2009.

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 - Pension plans and other long-term benefits

In keeping with the laws and practices in each country where it operates, the Group participates in postemployment and other retirement benefit schemes for employees and in top-up schemes for executives and senior managers.

1.17.1 - Defined contribution pension plans

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.

1.17.2 - Defined benefit pension plans

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 consolidated 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;
- the past service cost, namely the variation in the present fair value of the obligation that originates from the modification of a plan or the reduction of a plan;
- the profit or the loss resulting from liquidation, if applicable;
- the interest cost, which reflects the increase in the present value of the obligations during the period;
- expected return on pledged assets (proceeds).

Changes in actuarial assumptions and experience effects give rise to actuarial gains or losses, the total of which is recorded under "Other comprehensive income" over the period during which they were recognised.

1.17.3 - Other long-term benefits

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 actuarial gains and losses that result from experience adjustments and changes in actuarial assumptions adopted for calculation of these obligations are entered in the consolidated financial statement for the financial year during which they were recognised.

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.

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 - Option plans and similar

Share subscription option plans/share purchase option plans or free share allotment plans are recognised as expenses at fair value, with a corresponding increase in equity, over the term of 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.

For the free share allotment plans the estimate of the fair value is calculated on the basis of the share price at the date that the corresponding management decision is made and subject to the deduction of the amount of the advance dividends over the vesting period, as well as a non-assignability discount for residents of France.

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;

◆ 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

On 11 February 2013, the Chairmen decided on the payment of an interim dividend of €1.50 per share. The interim dividend was paid on 1 March 2013.

No other significant event has occurred since the closing as at 31 December 2012.

NOTE 2 - ANALYSIS OF THE MAIN CHANGES IN THE SCOPE OF CONSOLIDATION

During financial year 2012, the Group pursued its long-term strategy of securing its sources of supply. To this end, Hermes acquired several entities in its tanning (HCP) and watchmaking manufacture sectors.

As none of these acquisitions were individually material, the information has been presented in an aggregated group.

in millions of euros

	Fair value of acquired entities
Property, plant & equipment	12.9
Other non-current assets	2.9
Inventories and work in progress	22.9
Cash and cash equivalents	4.9
Other current assets	7.2
Current liabilities	(12.6)
Non-current liabilities	(5.9)
Net assets acquired	**32.3**
Non-controlling interests	(0.7)
Net assets acquired – group's share	**31.6**
Goodwill	67.9
Total transferred counterparty	**99.5**
of which any deferred counterparty	*1.2*

Transferred counterparty – Cash disbursed	**(98.3)**
Cash acquired	4.9
Net cash out-flow on acquisition	**(93.4)**

The transferred counterparty was subject to a preliminary allotment that led to recognition of several instances of goodwill for a total amount of €67.9 million (see Note 10).

NOTE 3 - SEGMENT INFORMATION

The information below is shown after consolidation adjustments and eliminations (see Note 1.14).

3.1 - Statement of income by segment

in millions of euros

2012	France	Rest of Europe	Japan	Rest of Asia-Pacific	Americas	Rest of the world	Holding	Total
Revenue	**555.5**	**661.8**	**545.0**	**1,100.3**	**568.9**	**52.6**	**–**	**3,484.1**
Selling, marketing and administrative expenses	(178.8)	(191.3)	(201.6)	(290.4)	(175.6)	(18.2)	(75.0)	(1,130.8)
Depreciation and amortisation	(11.6)	(22.1)	(11.6)	(28.0)	(17.1)	(0.6)	(10.2)	(101.3)
Operating provisions	(6.5)	(2.2)	(1.2)	(2.5)	(1.4)	(5.4)	(6.9)	(26.0)
Impairment losses	(2.8)	(0.2)	–	–	–	–	–	(3.0)
Operating income	**155.6**	**188.7**	**201.3**	**456.9**	**181.1**	**3.2**	**(68.2)**	**1,118.6**
Operating margin by segment	*28.0%*	*28.5%*	*36.9%*	*41.5%*	*31.8%*	*6.1%*	–	*32.1%*
Net financial income							(18.6)	(18.6)
Net income from associates							(0.4)	(0.4)
Income tax expense							(349.1)	(349.1)
Net income attributable to non-controlling interests							(10.6)	(10.6)
Net income attributable to owners of the parent	**155.6**	**188.7**	**201.3**	**456.9**	**181.1**	**3.2**	**(446.9)**	**739.9**

in millions of euros

2011	France	Europe (hors France)	Japon	Asie-Pacifique (hors Japon)	Amériques	Autres	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**

3.2 - Revenue by *métier*

The breakdown of revenue by *métier* is as follows:

in millions of euros

	2012	2011
Leather Goods-Saddlery	1,596.6	1,348.0
Ready-to-Wear & Accessories	745.6	575.7
Silk & Textiles	424.6	346.9
Other Hermès *métiers*	165.2	108.6
Perfumes	184.1	159.4
Watches	172.7	138.7
Tableware	60.5	50.8
Other products	134.9	113.1
Revenue	**3,484.1**	**2,841.2**

3.3 - Non-current assets by geographical area

The breakdown of the non-current assets[1] by geographical area is as follows:

in millions of euros

	31/12/2012	31/12/2011
France	641.8	553.4
Rest of Europe	172.7	171.5
Japan	192.5	228.1
Rest of Asia-Pacific	217.8	134.0
Americas	132.1	69.7
Rest of the world	–	–
Non-current assets [1]	**1,356.9**	**1,156.7**

(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

	2012	2011
Advertising and marketing expenses	(181.9)	(148.2)
Other selling and administrative expenses	(948.9)	(797.5)
Total	**(1,130.8)**	**(945.7)**

NOTE 6 - OTHER INCOME AND EXPENSE

in millions of euros

	2012	2011
Depreciation and amortisation (Note 3)	(101.3)	(96.6)
Net change in recurring provisions	(16.0)	(13.7)
Cost of defined-benefit plans (Note 25.3.5)	(10.0)	(13.6)
Depreciation and amortisation of property, plants and equipment (Note 3)	(3.0)	(2.1)
Other income/(expense)	6.5	2.1
Total	**(123.8)**	**(123.9)**

Total depreciation and amortisation of tangible and intangible assets included in operating expenses (other income and expense and cost of sales) amounted to €117.1 million in 2012, compared with €111.1 million in 2011.

The other income/expenses include depreciation and amortisation on intangible assets (see Note 10) and an income linked to the change in the supplemental pension plan (see Note 25.4.1).

NOTE 7 - NET FINANCIAL INCOME

in millions of euros

	2012	2011
Income from cash and cash equivalents	11.3	10.9
Cost of gross debt	(1.5)	(0.4)
- of which: income from hedging instruments	*(0.4)*	*0.3*
Cost of net debt	**9.8**	**10.6**
Other financial income and expense	(28.4)	1.9
– of which: ineffective portion of cash flow hedges (Note 22.2.4)	*(21.5)*	*(11.3)*
Total	**(18.6)**	**12.4**

NOTE 8 - INCOME TAX EXPENSE

8.1 - Breakdown of income tax expense

in millions of euros

	2012	2011
Current tax	(398.1)	(287.1)
Deferred tax	49.0	(2.7)
Total	**(349.1)**	**(289.8)**

8.2 - Rationalisation of income tax expense

The effective tax rate was 31.7% in 2012, compared with 32.3% in 2011.

The difference between the theoretical tax and the actual tax for 2012 is explained as follows:

in millions of euros

	2012	2011
Net income attributable to owners of the parent	739.9	594.3
Net income from associates	(0.4)	(4.5)
Net income attributable to non-controlling interests	(10.6)	(9.2)
Income tax expense	**(349.1)**	**(289.8)**
Pre-tax income	1,100.0	897.7
Effective tax rate	31.7%	32.3%
Current tax rate in France (1)	36.1%	36.1%
Theoretical tax charge	(397.1)	(324.1)
Reconciliation items:		
– differences relating to foreign tax (primarily the tax rate)	39.8	28.4
– permanent timing differences and transactions taxed at a reduced rate	8.2	5.9
Total	**(349.1)**	**(289.8)**

(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

	2012	2011
Deferred tax assets as at 1 January	194.2	178.1
Deferred tax liabilities as at 1 January	17.5	12.1
Net deferred tax assets as at 1 January	**176.7**	**165.9**
Impact on the statement of income	49.0	(2.7)
Impact on the scope of consolidation	(4.3)	(6.1)
Impact of foreign currency movements	(7.1)	6.3
Other (1)	(19.5)	13.2
Net deferred tax assets as at 31 December	**194.8**	**176.7**
Deferred tax assets as at 31 December	217.8	194.2
Deferred tax liabilities as at 31 December	23.0	17.5

(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).

Deferred taxes mainly related to the following adjustments:

in millions of euros

	2012	2011
Internal margins on inventories and impairment on inventories	133.0	115.4
Employee obligations	54.9	32.1
Derivative instruments	(8.0)	18.5
Impairment losses	5.4	5.0
Restricted provisions	(28.4)	(19.8)
Other	37.8	25.6
Total	**194.8**	**176.7**

As at 31 December 2012, 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 €7.1 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:

	2012	2011
Numerator (in millions of euros)		
Basic net income	739.9	594.3
Adjustments	–	–
Diluted net income	739.9	594.3
Denominator (in number of shares)		
Weighted average number of ordinary shares	**104,087,228**	**104,556,945**
Basic earnings per share	**7.11**	**5.68**
Weighted average number of shares under option	55,585	130,388
Weighted average number of shares under free share allotment plans	541,470	284,942
Weighted average number of diluted ordinary shares	**104,684,282**	**104,972,275**
Diluted earnings per share	**7.07**	**5.66**
Annual average price per share	€241.85	€200.12

NOTE 10 - GOODWILL

in millions of euros

	31/12/2011	Increases	Decreases	Currency impact	Other	31/12/2012
Goodwill	80.0	67.9	–	(5.0)	–	142.9
Total gross value	**80.0**	**67.9**	**–**	**(5.0)**	**–**	**142.9**
Amortisation booked before 1 January 2004	39.5	–	–	(2.7)	–	36.8
Impairment losses	1.8	25.0	–	–	–	26.8
Total amortisation and impairment losses	**41.3**	**25.0**	**–**	**(2.7)**	**–**	**63.6**
Total net value	**38.7**	**42.9**	**–**	**(2.3)**	**–**	**79.3**

10.1 - Gross value of goodwill

All the goodwill accounted for during the course of the year 2012 (€67.9 million, see Note 2) was apportioned to cash generating units upon closure of the financial year. In 2012 a new CGU, HCP, was recorded to reflect the Group's tannery combinations.

10.2 - Impairment tests

The goodwill of the CGU HCP stands at a net value of €35.1 million as at 31 December 2012. The recoverable amount of the CGU was determined on the basis of its value in use. This was determined in relation to the forecasts of the expected future cash flows, taking into account the time value and the specific risks linked to the CGU. The forecasts of the expected

future cash flows were established over a horizon of five years. For the calculation of the value in use, a terminal value equivalent to the capitalisation to infinity of annual normative cash flows is added to the value to expected flow.
The growth rate used to project the cash flow forecasts to infinity is 2.8%.
The discount rate before tax that is applied to the cash flow forecasts is 10.5%.
The annual asset impairment test resulted in the Group registering a goodwill value loss of €25.0 million, entered in the financial statement in the line "Other income and expenses" of the recurring operating income.

The goodwill of the distribution CGU represents a net value of €30.1 million. Within this CGU the main goodwill is that of Hermès Japan, which stands at €17.4 million.
The discount rate before tax that is applied to the cash flow forecasts is 10.5%.
The annual asset impairment test of this asset as well as those of the other non-significant goodwill of this CGU do not bring to light any probable scenario according to which the recoverable value of the CGU becomes lower than the net carrying amount.

The other goodwill that are linked with the production CGU and which represent a net value of €14.1 million are not material individually and do not bring to light any probable impairment scenario.

NOTE 11 - INTANGIBLE ASSETS

in millions of euros

	31/12/2011	Increases	Decreases	Currency impact	Other	31/12/2012
Leasehold rights	63.0	5.4	(0.4)	0.3	–	68.3
Concessions, patents, licences and software [1]	38.6	3.3	(1.3)	(0.9)	0.5	40.2
Other intangible assets [1]	112.9	11.1	(0.9)	0.1	2.8	126.0
Intangible assets under construction [1]	2.5	3.2	–	–	(3.2)	2.6
Total gross value	**217.0**	**23.0**	**(2.5)**	**(0.4)**	**0.1**	**237.1**
Amortisation of leasehold rights	32.2	3.2	(0.4)	0.2	–	35.3
Amortisation of concessions, patents, licences and software	26.4	3.4	(1.3)	(0.9)	–	27.7
Amortisation of other intangible assets	60.6	11.8	(0.8)	(0.3)	–	71.3
Impairment losses [2]	1.1	0.1	(0.1)	–	–	1.1
Total amortisation and impairment losses	**120.3**	**18.5**	**(2.5)**	**(0.9)**	**–**	**135.4**
Total net value	**96.7**	**4.4**	**–**	**0.5**	**0.1**	**101.6**

(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

	31/12/2011	Increases (1)	Decreases	Currency impact	Other	31/12/2012
Land	171.7	2.0	–	(14.8)	7.8	166.8
Buildings (2)	470.8	77.7	(7.5)	(12.6)	18.7	547.1
Machinery, plant and equipment	170.4	16.2	(10.7)	(0.2)	16.7	192.4
Store fixtures and furnishings	307.5	17.5	(16.5)	(3.1)	22.1	327.5
Other tangible assets	349.0	20.4	(14.3)	(0.5)	5.8	360.4
Fixed assets under construction	92.8	106.4	(0.1)	(0.6)	(41.8)	156.7
Total gross value	**1,562.2**	**240.3**	**(49.2)**	**(31.7)**	**29.3**	**1,750.9**
Depreciation of buildings	181.7	19.3	(6.3)	(7.3)	2.7	190.1
Depreciation of machinery, plant and equipment	114.4	13.0	(10.7)	(0.3)	6.0	122.5
Depreciation of store fixtures and furnishings	177.5	33.1	(15.8)	(1.8)	3.4	196.3
Depreciation of other tangible assets	202.7	31.9	(13.9)	(0.4)	(3.2)	217.2
Impairment losses (3)	16.4	2.8	(1.9)	0.1	–	17.4
Total depreciation and impairment losses	**692.8**	**100.2**	**(48.6)**	**(9.8)**	**8.9**	**743.4**
Total net value	**869.4**	**140.2**	**(0.6)**	**(21.9)**	**20.5**	**1,007.5**

(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 2012, 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

	31/12/2011	Increases	Decreases	Currency impact	Other	31/12/2012
Land	32.6	0.1	–	1.5	–	34.2
Buildings	73.0	–	(0.3)	0.7	–	73.4
Total gross value	**105.6**	**0.1**	**(0.3)**	**2.2**	**–**	**107.6**
Depreciation	6.8	2.4	(0.3)	0.4	–	9.3
Total net value	**98.8**	**(2.3)**	**–**	**1.9**	**–**	**98.3**

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 €4.8 million in fiscal 2012.

As at 31 December 2012, the fair value of the investment properties was greater than €110 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

	31/12/2011	Increases	Decreases	Currency impact	Other	31/12/2012
Forward investments and accrued interest [1]	20.5	20.0	(20.1)	–	–	20.4
Liquidity contract	5.7	8.1	(5.7)	–	–	8.1
Other financial assets [2]	6.3	–	(0.7)	(0.1)	–	5.6
Other non-consolidated investments [3]	0.2	–	–	–	–	0.2
Total gross value	**32.8**	**28.1**	**(26.5)**	**(0.1)**	**–**	**34.3**
Impairment	4.4	1.4	(0.1)	–	–	5.7
Total	**28.3**	**26.7**	**(26.4)**	**(0.1)**	**–**	**28.5**

(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 2012, other financial assets included €0.8 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

	31/12/2011	Increases	Decreases	Currency impact	Other	31/12/2012
Participating/convertible loan	8.1	–	–	0.1	(6.6)	1.5
Impairment	6.6	1.5	–	0.1	(6.6)	1.5
Total	**1.5**	**(1.5)**	**–**	**–**	**–**	**–**

NOTE 15 - INVESTMENTS IN ASSOCIATES

The change in investments in associates is broken down as follows:

in millions of euros

	2012	2011
Investments in associates as at 1 January	**12.9**	**14.3**
Impact of changes in the scope of consolidation	13.9	2.9
Net income from associates	(0.4)	(4.5)
Dividends paid	(0.2)	(0.1)
Change in foreign exchange rates	(0.4)	0.3
Other	–	–
Investments in associates as at 31 December	**25.8**	**12.9**

NOTE 16 - LOANS AND DEPOSITS

in millions of euros

	31/12/2011	Increases	Decreases	Currency impact	Other	31/12/2012
Loans and deposits (1)	37.4	21.5	(12.4)	(1.1)	(0.1)	45.4
Impairment	2.4	0.1	–	–	–	2.5
Total	**35.0**	**21.4**	**(12.4)**	**(1.1)**	**(0.1)**	**42.9**

(1) Security deposits amounted to €23.4 million as at 31 December 2012, compared with €33.7 million as at 31 December 2011.

NOTE 17 - INVENTORIES AND WORK IN PROGRESS

in millions of euros

	31/12/2012			31/12/2011		
	Gross	**Impairment**	**Net**	**Gross**	**Impairment**	**Net**
Retail, semi-finished and finished goods	591.8	192.1	399.7	478.9	176.8	302.0
Raw materials and work in progress	418.9	91.8	327.2	313.4	80.9	232.5
Total	**1,010.7**	**283.8**	**726.9**	**792.3**	**257.7**	**534.5**
Net income/expense from the impairment of retail, intermediate and finished goods		(17.6)			(4.8)	
Net income/expense from the impairment of raw materials and work in progress		(10.6)			(8.3)	

No inventories were pledged as debt collateral.

NOTE 18 - TRADE AND OTHER RECEIVABLES

in millions of euros

	31/12/2012			31/12/2011
	Brut	**Dépréciation**	**Net**	**Net**
Trade and other receivables	212.8	5.7	207.1	175.7
Of which: – amount not yet due	*183.4*	*0.3*	*183.1*	*149.7*
– amount payable (1)	*29.4*	*5.4*	*23.9*	*26.0*
Current tax receivables	0.8	–	0.8	0.8
Other current assets	118.0	1.3	116.6	94.4
Other non-current assets	1.3	–	1.3	1.7
Total	**332.9**	**7.1**	**325.8**	**272.6**

(1) The amount of trade and other receivables payable is broken down as follows:

in millions of euros

	31/12/2012			31/12/2011
	Gross	**Impairment**	**Net**	**Net**
Less than 3 months	22.7	1.0	21.7	25.2
Between 3 and 6 months	2.5	0.4	2.2	0.7
Between 6 months and 1 year	4.1	4.1	–	0.1

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 2012, as in 2011. 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

	31/12/2011	**Cash flows**	**Currency impact**	**Impact on the scope of consolidation**	**Other (1)**	**31/12/2012**
Cash and cash equivalents	157.3	43.2	(5.7)	4.9	0.2	199.8
Marketable securities (2)	890.9	(395.0)	1.5	–	–	497.4
Sub-total	*1,048.2*	*(351.9)*	*(4.2)*	*4.9*	*0.2*	*697.2*
Bank overdrafts and current accounts in debit	(9.9)	(0.9)	(0.2)	(0.1)	–	(11.1)
Net cash position	**1,038.3**	**(352.8)**	**(4.4)**	**4.8**	**0.2**	**686.1**

(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 €1.1 million in 2012, versus €2.6 million in 2011. No unrealised gain or loss existed as at 31 December 2012.

19.2 - Change in working capital

in millions of euros

	31/12/2011	Change in working capital	Other cash flows	Currency impact	Impact from revaluation of financial and hedging instruments	Other	31/12/2012
Inventories and work in progress	534.5	173.9	–	(4.4)	–	22.9	726.9
Trade and other receivables	175.7	26.5	–	(4.5)	4.1	5.3	207.1
Other current assets	94.4	22.3	–	(0.8)	(0.1)	0.8	116.6
Other non-current assets	1.7	(0.4)	–	–	–	–	1.3
Available-for-sale securities (excluding liquidity contract and forward investments)	6.6	(1.1)	–	(0.1)	–	0.5	5.9
Accrued interest on investments	0.8	0.5	(0.5)	–	–	–	0.8
Held-to-maturity securities	8.1	5.0	(5.0)	0.1	–	(6.6)	1.5
Loans and deposits	37.4	8.7	0.3	(1.1)	–	(0.1)	45.3
Deferred tax assets with a cash impact	125.2	22.3	–	(4.0)	–	(0.1)	143.5
Trade payables (excluding amounts payable relating to fixed assets)	(269.0)	(30.6)	–	2.7	(0.1)	(4.9)	(301.9)
Other liabilities and miscellaneous items (excluding current tax expense)	(301.7)	(67.8)	–	2.0	(5.0)	0.4	(372.1)
Net financial derivatives	(40.6)	(6.9)	–	–	75.4	7.0	35.0
Change in working capital	**373.2**	**152.3**	**(5.2)**	**(10.2)**	**74.3**	**25.3**	**609.7**

NOTE 20 - SHAREHOLDERS' EQUITY

As at 31 December 2012, Hermès International's share capital consisted of 105,569,412 fully-paid shares with a par value of €0.51 each. 1,467,668 of these shares are treasury shares.

In fiscal 2012, the following treasury movements occurred:

– buyback of 89,632 shares at a face value of €0.51 for a total of €21.0 million;

– exercise of 137,500 share purchase options reserved for Hermès Group employees;

– allotment of 730 free shares to Hermès Group employee;

– sale of 5,274 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 2012, 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 2012 is analysed below:

in millions of euros

	2012	2011
Balance as at 1 January	**67.1**	**42.7**
Japanese yen	(27.3)	10.9
U.S. dollar	(4.1)	2.8
Chinese yuan	(1.4)	6.9
Pound sterling	2.6	3.4
Swiss franc	1.4	2.5
Singapore dollar	2.8	0.6
Hong Kong dollar	2.8	(0.1)
Other currencies	2.2	(2.6)
Balance as at 31 December	**46.0**	**67.1**

20.2 - Derivatives included in equity

In 2012, changes in derivatives and financial investments were broken down as follows (after tax):

in millions of euros

	2012	2011
Balance as at 1 January	**(29.1)**	**(5.9)**
Amount transferred to equity during the year for derivatives	29.1	6.4
Amount transferred to equity during the year for financial investments	–	(0.5)
Adjustments in the value of derivatives at closing	19.8	(29.1)
Other deferred gains on exchange in the comprehensive income	6.2	–
Balance as at 31 December	**26.0**	**(29.1)**

20.3 - Other comprehensive income

In 2012, other comprehensive income was broken down as follows:

in millions of euros

	Gross impact	Income tax relating to components of other comprehensive income	Net impact
Actuarial gains and losses (Note 25.4.4)	(30.5)	11.0	(19.5)
Foreign currency adjustments (Notes 20.1 and 21)	(20.8)	–	(20.8)
Financial instruments – equity share (Note 20.2)	86.6	(31.5)	55.1
Gain/(loss) on sale of treasury shares	1.3	(0.5)	0.8
Balance as at 31 December 2012	**36.5**	**(20.9)**	**15.6**

in millions of euros

	Gross impact	Income tax relating to components of other comprehensive income	Net impact
Actuarial gains and losses (Note 25.4.4)	(3.0)	1.0	(2.0)
Foreign currency adjustments (Notes 20.1 and 21)	24.4	–	24.4
Financial instruments – equity share (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)**

NOTE 21 - NON-CONTROLLING INTERESTS

in millions of euros

	2012	2011
Balance as at 1 January	**12.7**	**12.9**
Net income attributable to non-controlling interests	10.6	9.2
Dividends paid to non-controlling interests	(10.5)	(7.3)
Exchange rate adjustment on foreign entities	0.2	–
Other changes	0.8	(1.9)
Balance as at 31 December	**13.9**	**12.7**

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 in the economic sense of the term 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	Monetary assets/ (liabilities) (1)	Future cash flows	Net position before hedging	Derivative instruments (2)	Net position after hedging	Hedging ratio
As at 31/12/2012						
U.S. dollar	60.0	299.6	359.6	(367.9)	(8.3)	102%
Japanese yen	67.8	163.5	231.3	(231.9)	(0.6)	100%
Chinese yuan	42.7	142.9	185.6	(173.9)	11.7	94%
Singapore dollar	1.2	137.7	138.9	(131.6)	7.3	95%
Hong Kong dollar	(57.9)	167.4	109.5	(115.5)	(6.0)	106%
Swiss franc	42.9	28.5	71.4	(68.1)	3.3	95%
Euro (3)	6.6	40.5	47.0	(48.3)	(1.2)	103%
Pound sterling	(18.4)	54.0	35.6	(34.1)	1.5	96%
Australian dollar	20.9	6.8	27.7	(17.6)	10.1	64%
Canadian dollar	3.3	20.3	23.6	(21.9)	1.6	93%
Ruble	2.2	14.1	16.4	(15.8)	0.5	97%
Thai baht	1.6	11.6	13.2	(12.4)	0.7	95%
Mexican peso	2.0	4.8	6.8	(7.0)	(0.1)	102%
South Korean won	0.8	(7.3)	(6.5)	7.3	0.8	112%
New Turkish lira	0.3	4.1	4.4	(4.5)	(0.1)	103%
Czech koruna	0.4	2.3	2.7	(2.4)	0.2	91%
United Arab emirates dirham	(0.1)	(1.1)	(1.2)	1.2	0.0	103%
Taiwan Dollar	0.7	–	0.7	–	0.7	–
Total	**176.8**	**1,089.9**	**1,266.7**	**(1,244.5)**	**22.1**	**98%**
As at 31/12/2011						
Japanese yen	100.5	257.7	358.2	(359.9)	(1.7)	100%
U.S. 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 (3)	(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%**

(1) The monetary assets are recognised from receivables and loans as well as from bank balances, investments and cash equivalents dated less than three months from the acquisition date. Monetary liabilities are recognised from financial debts as well as operating liabilities and miscellaneous liabilities. (2) Sales/(Purchase). (3) Euro exchange risk for subsidiaries having a different functional 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 €56.4 million decrease in equity (before tax) in the cash flow reserve.

A 10% fall would lead to a €66.1 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 €2.4 million increase in net income. An equivalent fall would lead to a €1.4 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 2012 (1)			
			Future cash flow hedge	Fair value hedge	Unallocated	Total
Options purchased						
US dollar put	30.4	30.4	1.3	–	–	1.3
US dollar collar	77.8	77.8	3.5	–	–	3.5
Japanese yen put	39.5	28.5	2.8	–	0.5	3.3
Japanese yen collar	49.1	49.1	3.6	–	–	3.6
Chinese yuan put	20.3	19.4	0.8	–	0.1	0.8
Chinese yuan collar	48.2	45.0	1.8	–	0.2	2.0
Singapore dollar put	23.9	23.9	0.5	–	–	0.5
Singapore dollar collar	51.2	51.2	1.1	–	–	1.1
Hong Kong dollar put	21.1	21.1	0.9	–	–	0.9
Hong Kong dollar collar	58.0	58.0	2.7	–	–	2.7
Australian dollar call	(7.0)	–		–	0.0	0.0
	412.5	**404.5**	**19.0**	**–**	**0.8**	**19.8**
Forward currency contracts (2)						
U.S. dollar	192.8	192.8	5.2	–	0.0	5.2
Japanese yen	85.8	85.9	10.0	–	(0.0)	10.0
Chinese yuan	78.5	78.5	0.1	–	0.0	0.1
Singapore dollar	59.7	59.7	(4.0)	–	0.0	(4.0)
Hong Kong dollar	87.6	86.9	2.0	–	0.2	2.1
Swiss franc	28.3	28.3	0.1	–	0.0	0.1
Euro (3)	40.4	40.4	0.1	–	0.0	0.1
Pound sterling	54.0	54.0	0.1	–	(0.0)	0.1
Australian dollar	4.5	4.5	(0.1)	–	0.0	(0.1)
Canadian dollar	20.3	20.3	0.3	–	–	0.3
Ruble	14.1	14.1	(0.3)	–	–	(0.3)
Thai baht	11.6	11.6	(0.1)	–	(0.0)	(0.1)
Other	2.9	2.1	0.1	–	(0.007)	0.1
	680.5	**679.1**	**13.4**	**–**	**–**	**13.6**
Treasury swaps (2)						
U.S. dollar	66.9	62.3	0.2	–	0.5	0.7
Japanese yen	68.4	67.5	0.3	–	3.6	3.9
Chinese yuan	31.0	29.0	0.3	–	0.1	0.4
Singapore dollar	(3.3)	(3.5)	0.1	–	0.1	0.2
Hong Kong dollar	(51.1)	(52.4)	0.3	–	(0.6)	(0.3)
Swiss franc	39.9	39.8	(0.0)	–	0.1	0.1
Euro (3)	7.9	8.4	(0.1)	–	(0.0)	(0.1)
Pound sterling	(19.9)	(20.2)	0.1	–	(0.1)	(0.1)
Australian dollar	20.1	19.9	0.2	–	(0.1)	0.1
Canadian dollar	1.6	1.6	0.0	–	0.0	0.0
Ruble	1.7	1.7	0.0	–	(0.0)	0.0
Other	3.4	3.1	0.1	–	0.0	0.1
	166.6	**157.3**	**1.5**	**–**	**3.5**	**5.0**
Options sold						
Japanese yen put	(11.0)	–	–	–	(0.5)	(0.5)
Chinese yuan put	(0.9)	–	–	–	(0.1)	(0.1)
Chinese yuan collar	(3.1)	–	–	–	(0.2)	(0.2)
	(15.0)	**–**	**–**	**–**	**(0.8)**	**(0.8)**
Total	**1,244.5**	**1,240.9**	**33.9**	**–**	**3.6**	**37.7**

(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 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)						
Japanese yen	191.2	191.2	(15.2)	–	–	(15.2)
U.S. 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)
U.S. 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**	**(39.6)**	**–**	**(0.9)**	**(40.5)**

(1) Gain/(Loss). (2) Sale/(Purchase). (3) Euro exchange risk for subsidiaries having a different accounting currency.

22.2.4 - Ineffective portion of cash flow hedges

The ineffective portion of cash flow hedges recorded in net income was -€21.5 million (including -€0.3 million from over-hedging), compared with –€11.3 million (including +€1.5 million from over-hedging) in 2011 (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.

The items recognised by the Group as "Cash and cash equivalents" strictly correspond with the criteria used in the AMF position, as updated in 2011. The investments are regularly reviewed in accordance with Group procedures and in strict compliance with the qualification criteria as defined by standard IAS 7 *Cash flow statement* and the recommendations of the AMF. As at 31 December 2012, these analyses had not led to changes in the previously adopted accounting classification

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.

The following interest rate risks involve the only items of the net cash position. Moreover, the interest rate risks are not material as concerns the financial assets and liabilities not included in the net cash position.

As at 31/12/2012

in millions of euros

	< 1 year	1 to 5 years	> 5 years	Total	Variable rate	Fixed rate
Financial assets	**697.0**	**–**	**–**	**697.0**	**497.0**	**200.0**
Euro	509.2	–	–	509.2	309.2	200.0
Chinese yuan	26.5	–	–	26.5	26.5	–
U.S. dollar	21.0	–	–	21.0	21.0	–
Japanese yen	16.3	–	–	16.3	16.3	–
Other	124.0	–	–	124.0	124.0	–
Financial liabilities (1)	**14.7**	**6.9**	**0.6**	**22.2**	**11.6**	**10.6**
Euro	10.9	1.1	0.6	12.6	10.4	2.2
Japanese yen (2)	2.6	–	–	2.6	–	2.6
Other (3)	1.1	5.8	–	7.0	1.2	5.8
Net cash before hedging	**682.3**	**(6.9)**	**(0.6)**	**674.8**	**485.4**	**189.4**
Net cash after hedging	**682.3**	**(6.9)**	**(0.6)**	**674.8**	**485.4**	**189.4**

in millions of euros

	< 1 year	1 to 5 years	> 5 years	Total	Variable rate	Fixed rate
Financial assets	**697.0**	**–**	**–**	**697.0**	**497.0**	**200.0**
Cash and cash equivalents	697.0	–	–	697.0	497.0	200.0
Financial liabilities (1)	**14.7**	**6.9**	**0.6**	**22.2**	**11.6**	**10.6**
Medium and long term debt	–	6.9	0.6	7.5	0.4	7.1
Bank overdrafts and short-term debt	14.5	–	–	14.5	11.0	3.5
Current accounts in debit	0.2	–	–	0.2	0.2	–
Net cash before hedging	**682.3**	**(6.9)**	**(0.6)**	**674.8**	**485.4**	**189.4**
Net cash after hedging	**682.3**	**(6.9)**	**(0.6)**	**674.8**	**485.4**	**189.4**

(1) Excluding commitments to buy out non-controlling interests (€16.2 million as at 31 December 2012).
(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 31/12/2011

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	–
U.S. 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).

22.3.1 - Equity risk

The Group does not invest its cash in equities. Hence, it has no exposure to equity risk.

22.3.2 - Sensitivity to changes in interest rates

A uniform 1 percentage point increase in interest rates would have had a positive impact of €4.9 million on 2012 consolidated income (€7.3 million in 2011).
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 and classification by level of the fair value of financial assets and liabilities

2012	Assets at fair value	Loans and accounts receivables	Assets held to maturity
Financial investments (Note 14.1)	–	–	–
Liquidity contract (Note 14.1)	8.1	–	–
Other financial assets (Note 14.1)	–	–	1.3
Other non-consolidated investments (Note 14.1)	–	–	–
Available-for-sale securities (Note 14.1)	**8.1**	**–**	**1.3**
Held-to-maturity securities (Note 14.2)	**–**	**–**	**–**
Loans and deposits (Note 16)	**–**	**42.9**	**–**
Trade and other receivables (Note 18)	**–**	**325.8**	**–**
Active foreign exchange derivatives (Note 22.2.3)	**54.4**	**–**	**–**
Cash and cash equivalents (Note 19)	**361.3**	**335.7**	**–**
Bank overdrafts (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)	**–**	**–**	**–**
Other liability derivative instruments	**–**	**–**	**–**

* 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
19.1	–	–	19.1	19.1	1	–	–
–	–	–	8.1	8.1	1	–	–
–	–	–	1.3	1.3	–	–	–
0.1	–	–	0.1	0.1	–	–	–
19.2	**–**	**–**	**28.5**	**28.5**	**–**	**–**	**–**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**
–	**–**	**–**	**42.9**	**42.9**	**–**	**–**	**–**
–	**–**	**–**	**325.8**	**325.8**	**–**	**–**	**–**
–	**–**	**–**	**54.4**	**54.4**	**2**		
–	**–**	**–**	**697.0**	**697.0**	**1**	**–**	**–**
–	–	(11.0)	(11.0)	(11.0)	–	*	–
–	–	(2.6)	(2.6)	(2.6)	–	1.8%	1.8%
–	–	(5.8)	(5.8)	(5.8)	–	10.6%	10.6%
–	–	(2.6)	(2.6)	(2.6)	–	5.1%	5.1%
–	–	(0.2)	(0.2)	(0.2)	–	*	–
–	**–**	**(22.2)**	**(22.2)**	**(22.2)**		**–**	**–**
–	**–**	**(847.0)**	**(847.0)**	**(847.0)**	**–**	**–**	**–**
–	**(16.7)**	**–**	**(16.7)**	**(16.7)**	**2**	**–**	**–**
–	**(2.6)**	**–**	**(2.6)**	**(2.6)**	**2**	**–**	**–**

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**
Held-to-maturity securities (Note 14.2)	**–**	**1.5**	**–**
Loans and deposits (Note 16)	**–**	**35.0**	**–**
Trade and other receivables (Note 18)	**–**	**272.6**	**–**
Active foreign exchange derivatives (Note 22.2.3)	**17.7**	**–**	**–**
Cash and cash equivalents (Note 19)	**387.3**	**660.9**	**–**
Bank overdrafts (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.

For fiscal 2012 and 2011, 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
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**	**–**	**–**	**–**
–	**–**	**–**	**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)	–	*	–
–	–	(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)	–	*	–
–	**–**	**(31.2)**	**(31.2)**	**(31.2)**	**–**	**–**	**–**
–	**–**	**(697.9)**	**(697.9)**	**(697.9)**	**–**	**–**	**–**
–	**(58.3)**	**–**	**(58.3)**	**(58.3)**	**2**	**–**	**–**

NOTE 23 - PROVISIONS

in millions of euros

	31/12/2011	Accruals	Reversals (1)	Currency impact	Other and reclassifications	31/12/2012
Current provisions	28.8	21.5	(16.4)	(0.6)	(0.2)	33.2
Non-current provisions	14.5	3.5	(1.7)	–	0.1	16.4
Total	**43.3**	**25.0**	**(18.1)**	**(0.6)**	**(0.1)**	**49.6**

(1) Including €8.5 million reversed and used and €9.6 million reversed and unused.

As at 31 December 2012, the provisions involve provisions for returns (€19.5 million) as well as other risks concerning legal, financial and tax matters in terms of their amount or due date (€30.1 million). No other class of provision is individually material.

NOTE 24 - EMPLOYEES

The geographical breakdown of the total number of employees is as follows:

	31/12/2012	31/12/2011
France	6,110	5,442
Rest of Europe	1,099	968
Rest of the world	2,909	2,671
Total	**10,118**	**9,081**

By category, the breakdown is as follows:

	31/12/2012	31/12/2011
Production	4,453	3,796
Sales	3,970	3,754
Supports (design, marketing, administration)	1,695	1,531
Total	**10,118**	**9,081**

Total personnel costs amounted to €765.0 million in 2012, compared with €620.0 million in 2011.

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 to actuarial assumptions and experience effects give rise to actuarial gains and losses which are all recorded in the equity over the period during which they were recognised.

For the Group, the main defined benefit plans apply mainly to:

– retirement benefits in France, Italy, Switzerland, Japan and Taiwan: 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;

– 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;

– long-term bonuses in Japan, Asia Pacific and in England: within certain foreign subsidiaries, seniority is rewarded by means of bonuses on specific anniversary dates;

– a supplementary plan for the directors in France or abroad.

in millions of euros

	< 1 year	> 1 year	2012	< 1 year	> 1 year	2011
Post-employment and similar benefit obligations	3.7	66.6	70.3	6.2	60.9	67.1
Total	**3.7**	**66.6**	**70.3**	**6.2**	**60.9**	**67.1**

25.2 - Application of the amended IAS 19 standard

The Hermès Group decided to apply amended standard IAS 19 early as at 1 January 2012. The retrospective application of the standard presents no material impact versus the 2012 expense determined as at 31 December 2011.

The costs stock of services higher than €1.1 million as at 31 December 2011 was completely recognised in expenses in the consolidated statement of income in 2012.

25.3 - Actuarial assumptions as at 31 December 2012

Actuarial assumptions are reviewed annually. For 2012, the following actuarial assumptions were used:

	France	Italy	Switzerland	Japan	Taiwan	Rest of Asia
Retirement age	62/65 years	62/66 years	63/64 years	60 years	65 years	50/65 years
Increase in salaries	3.0%	2.0%	2.2%	2.5%	3.0%	5%-9%
Increase in Social Security ceiling	2.5%	n/a	n/a	n/a	2.0%	n/a
Expected rate of return on plan assets	3.0%	n/a	2.5%	n/a	2.0%	n/a
Discount rate	3.0%	3.0%	1.9%	1.5%	1.6%	0.8%-2.2%

n/a : not applicable.

2011 assumptions

	France	Italy	Switzerland	Japan	Taiwan	Rest of Asia
Retirement age	62/65 years	60/62 years	63/64 years	60 years	60/62 years	50/65 years
Increase in salaries	3.0%	2.0 à 2.5%	2.2%	2.5%	2.0%	5%-9%
Increase in Social Security ceiling	2.5%	n/a	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%	n/a
Discount rate	4.5%	4.5%	2.35%	1.7%	1.75%	1.75%-4%

n/a : not applicable.

The discount rate retained has been obtained by means of correspondence with the rate of return of the corporate bond yields with the same maturity as that of the obligation.

An increase or decrease of 0.50 % in the discount rate would respectively entail a decrease of the pension provision of the Hermès Group of €7.2 million or an increase of €8.0 million, the counterparty of which would be accounted for in equity.

More specifically, for pension plans in Switzerland, an increase or a decrease of 0.50 % of the applied interest rate would respectively entail an increase in the pension provision of €0.7 million or a decrease of €0.5 million, the counterparty of which would be accounted for in equity.

In accordance with amended standard IAS 19, the respective rates of return are henceforth determined in correspondence with the discount rate of the obligations.

25.4 - Change in provisions recognised in the statement of financial position

in millions of euros

	Defined benefit pension plans	Other defined benefit plans	2012	Defined benefit pension plans	Other defined benefit plans	2011
Provisions at beginning of period	**62.5**	**4.6**	**67.1**	**61.0**	**1.6**	**62.5**
Foreign currency adjustments	(3.3)	–	(3.4)	2.2	0.1	2.3
Pension expense	(23.3)	1.5	(21.9)	10.5	3.1	13.6
Benefits/contributions paid	(3.6)	(0.1)	(3.7)	(14.7)	–	(14.7)
Actuarial gains and losses/Limits on plan assets	30.5	–	30.5	2.7	–	2.7
Change in the scope of consolidation	0.3	–	0.3	–	–	–
Other	1.3	–	1.3	0.7	(0.1)	0.6
Provisions at end of period	**64.4**	**5.9**	**70.3**	**62.5**	**4.6**	**67.1**

25.4.1 - Reconciliation of the value of post-employment and other employee benefit obligations

in millions of euros

	Defined benefit pension plans	Other defined benefit plans	2012	Defined benefit pension plans	Other defined benefit plans	2011
Present value of obligations at beginning of period	**116.3**	**4.6**	**120.9**	**105.2**	**1.6**	**106.7**
Foreign currency adjustments	(3.2)	–	(3.2)	2.7	–	2.7
Service cost	8.3	0.5	8.8	8.0	0.1	8.1
Interest cost	3.3	0.2	3.5	3.6	0.1	3.7
Benefits paid	(2.7)	(0.1)	(2.9)	(6.1)	(0.1)	(6.2)
Employee contributions	0.9	–	0.9	0.8	–	0.8
Actuarial gains and losses	30.3	0.8	31.0	2.4	0.5	2.9
Change of plan (1)	(34.2)	–	(34.2)	–	–	–
Unrecognised past service costs	–	–	–	0.3	2.4	2.7
Change in the scope of consolidation	0.5	–	0.5	–	–	–
Other	–	–	–	(0.5)	–	(0.5)
Present value of obligations at end of period	**119.5**	**5.9**	**125.3**	**116.3**	**4.6**	**120.9**

(1) Capping plan annuities Article 39 in eight annual Social Security thresholds. This release of the provision has been accounted for in the consolidated income statement in the line "Other income and expenses".

25.4.2 - Fair value of pension plans

in millions of euros

	2012	2011
Fair value of obligations at beginning of period	**52.8**	**43.0**
Employer contributions	3.6	14.7
Employee contributions	0.9	0.8
Benefits paid	(2.7)	(6.1)
Expected return on plan assets	1.8	1.5
Financial expense	–	–
Foreign currency adjustments	0.1	0.4
Actuarial gains & losses	(0.5)	(0.3)
Changes in the scope of consolidation	0.2	–
Others	–	(1.2)
Fair value of obligations at end of period	**56.1**	**52.8**

25.4.3 - Analysis of provision for post-employment and similar benefit obligations

in millions of euros

	Defined benefit pension plans	Other defined benefit plans	31/12/2012	Defined benefit pension plans	Other defined benefit plans	31/12/2011
Present value of funded obligations	85.9	–	85.9	83.8	–	83.8
Fair value of plan assets	(56.1)	–	(56.1)	(52.8)	–	(52.8)
Excess of obligations/(assets) in funded plans	**29.8**	**–**	**29.8**	**31.1**	**–**	**31.1**
Present value of unfunded obligations	34.6	5.9	40.5	32.6	4.6	37.1
Unrecognised past service costs	–	–	–	(1.1)	–	(1.1)
Unrecognised net assets	–	–	–	–	–	–
Net defined benefit obligations	**64.4**	**5.9**	**70.3**	**62.5**	**4.6**	**67.1**
Breakdown of obligations - assets	–	–	–			–
Breakdown of obligations – liabilities	64.4	5.9	70.3	62.5	4.6	67.1
Net obligations	**64.4**	**5.9**	**70.3**	**62.5**	**4.6**	**67.1**

25.4.4 - Changes in actuarial gains and losses

in millions of euros

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**
Experience gains and losses	8.5
Impact of changes in assumptions	21.7
Impact of limits on plan assets	0.5
Other actuarial gains and losses	(0.4)
Actuarial gains and losses recognised in equity as at 31 December 2012	**69.2**

25.4.5 - Analysis of expenses recognised in the statement of income

in millions of euros

	Defined benefit pension plans	Other defined benefit plans	2012	Defined benefit pension plans	Other defined benefit plans	2011
Service costs	8.3	0.5	8.8	8.0	0.1	8.1
Interest costs	1.5	0.2	1.7	3.6	0.1	3.7
Expected return on plan assets	–	–	–	(1.5)	–	(1.5)
(Gains)/loss resulting from change in plan	–	–	–	–	–	–
Unrecognised past service cost	(33.1)	–	(33.1)	0.4	2.4	2.8
Net actuarial (gains)/losses recognised during the year	–	0.8	0.8	–	0.5	0.5
Other	–	–	–	–	–	–
Cost of defined benefit plans	**(23.3)**	**1.4**	**(21.9)**	**10.5**	**3.1**	**13.6**

25.5 - Plan assets

The average breakdown by asset type is as follows:

in millions of euros

	31/12/2012		31/12/2011	
	Value	**Breakdown**	**Value**	**Breakdown**
Equities	3.7	7%	3.8	7%
Bonds	43.2	77%	40.5	77%
Other	9.3	16%	8.5	16%
Total	**56.1**	**100%**	**52.8**	**100%**

25.6 - Information by geographical area

in millions of euros

	31/12/2012		31/12/2011	
	Value	**Breakdown**	**Value**	**Breakdown**
France	67.2	54%	68.7	57%
Rest of Europe	29.5	24%	23.9	20%
Japan	26.1	21%	26.4	22%
Rest of Asia Pacific	2.6	2%	1.9	2%
Present value of obligations	**125.4**	**100%**	**120.9**	**100%**
France	36.4	65%	35.0	66%
Rest of Europe	19.5	35%	17.4	33%
Rest of Asia Pacific	0.3	1%	0.3	1%
Fair value of plan assets	**56.1**	**100%**	**52.8**	**100%**
France	–	–	–	–
Rest of Asia Pacific	–	–	–	–
Unrecognised net assets	**–**	**–**	**–**	**–**
France	–	–	(1.1)	100%
Unrecognised past service costs	**–**	**–**	**(1.1)**	**100%**
France	30.8	45%	32.6	49%
Rest of Europe	11.0	14%	6.4	10%
Japan	26.1	38%	26.4	39%
Rest of Asia Pacific	2.3	3%	1.6	2%
Provisions for postemployment and similar benefit obligations	**70.3**	**100%**	**67.1**	**100%**

NOTE 26 - TRADE PAYABLES AND OTHER LIABILITIES

in millions of euros

	31/12/2012	31/12/2011
Suppliers	301.9	269.0
Amounts payable relating to fixed assets	43.5	30.7
Trade and other payables	**345.5**	**299.7**
Current tax liabilities	124.1	89.9
Other current liabilities	323.4	271.9
Other non-current liabilities	54.0	36.4
Trade payables and other liabilities	**847.0**	**697.9**

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	31/12/2012	31/12/2011
Bank guarantees given	8.0	3.1	1.3	12.4	8.0
Irrevocable commitments to purchase financial assets	–	–	21.6	21.6	17.0
Other commitments	13.2	32.9	–	46.1	12.1
Finance leases	0.1	0.4	0.4	0.9	0.9

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 2012	79.8	191.0	96.4	**367.3**	10.14%
Minimum payments to be made on rental agreements in 2011	76.5	164.9	69.1	**310.6**	10.84%

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 2012. 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 2012, 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 €6.3 million before tax in 2012 and €6.9 million before tax in 2011.

The RDAI firm, as well as the above-mentioned SCI, 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 Hermès and his spouse. The company's executive Chairman is Mr Henri-Louis Bauer 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 2012, the amount invoiced was €0.4 million, compared with €0.1 million in 2011.

Certain transactions are regulatory agreements. For further details, see the description of the proposed resolutions on page 244.

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	SAS 28/30/32 rue du Faubourg-Saint-Honoré	Hermès Sellier	Commercial lease	9 years	01/01/2005	31/12/2013	3 months
Building located at 26, rue du Faubourg-Saint-Honoré	SAS 28/30/32 rue du Faubourg-Saint-Honoré	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 €8.7 million in 2012, compared with €8.3 million in 2011. 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 2012 amounted to €16.0 million, compared with €14.6 million in 2011. It was broken down as follows for each category of remuneration:

in millions of euros

	2012	2011
Short-term benefits	9.6	10.9
Post-employment benefits	1.5	2.7
Other long-term benefits	0.2	0.2
Share-based payments	4.7	0.8
Total	**16.0**	**14.6**

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 77.

NOTE 30 - SHARE-BASED PAYMENTS

30.1 - Share purchase option plans

in shares

	2012	2011
Outstanding as at 1 January	**221,870**	**256,270**
exercisable	*221,870*	–
Options issued	–	–
Options exercised	(137,500)	(30,550)
Options cancelled	–	–
Options forfeited	–	(3,850)
Outstanding as at 31 December	**84,370**	**221,870**
exercisable	*84,370*	–
Weighted average exercise price	*€82.51*	*€82.51*

The information relative to the share purchase plans is provided on page 87 (Table no. 8). The options still in circulation as at 31 December 2012 expire as of 2 January 2015.

30.2 - Free share allotment plans

30.2.1 - New plans for the financial year

With effect from 15 May 2012, the Management allotted 515,280 free shares to 8,588 employees in accordance (i) with the authorisations granted by the Combined General Meeting of Shareholders of 30 May 2011 and (ii) with the management decisions dated 15 May 2012 and 27 September 2012. The vesting period of this plan has been distributed by third parties over 4/5/6 years for residents of France (in addition to a non-assignability period of two years) and over 6/7/8 years for people not resident in France. The granting of shares is contingent upon the beneficiaries' presence in the Group at the end of this period and, for the corporate officer upon meeting the criteria based notably on Group performance in 2012 and 2013. The performance conditions were considered as having been met for financial years 2012 and 2013 for the determination of the expenses recognised for 2012. The main characteristics of the plan are as follows:
– share price on the granting date: €264;
– a dividend rate of 1.15% a year;
– non-assignibility discount of €15.84 per share for residents of France;
– fair value of share : from €236.3 to €230.6 for French residents and from €246.4 to €240.8 for people resident abroad in accordance with the term of the vesting period;
– discounted average rotation rate during the vesting period: from 18.5% to 26.5% for French residents and from 26.5% to 33.7% for foreign residents;
– the fair values of the plan (as estimated in application of the IFRS standards) for French residents are equal to €192.50, €180.60 and €169.50 respectively for vesting periods of 4, 5 and 6 years;
– the fair values of the plan (as estimated in application of the IFRS standards) for foreign residents are equal to €181.10, €170.10 and €159.80 respectively for vesting periods of 6, 7 and 8 years.

The IFRS expense (not including the employer's contribution) borne in 2012 for issue of the plan stands at €10.6 million.

With effect from 15 May 2012, the Management issued a selective free share plan and allotted 302,000 shares, in accordance (i) with the authorisations granted by the Combined General Meeting of Shareholders of 30 May 2011 and (ii) with the management decisions dated 15 May 2012 and 27 September 2012. The vesting period for this plan is 4 years for residents of France (in addition to a non-assignability period of two years) and 6 years for foreign residents. The granting of shares is contingent upon the beneficiaries' presence in the Group at the end of this period and for the corporate officer upon meeting the criteria particularly based on Group performance 2012 and 2013. The performance conditions were considered as having been met for financial years 2012 and 2013 for the determination of the expense recognised for 2012. The main characteristics of the plan are as follows:
– share price on the granting date: €264;
– a dividend rate of 1.15 % a year;
– non-assignability discount of €15.84 per share for residents of France;
– fair value of share: €236.3 for residents of France and €246.4 for people resident abroad;
– average turnover rate over the vesting period: 3.9 % for residents of France (i.e. an adjusted fair value of €227.0) and 5.9 % for people resident abroad;
– the fair value of the plan (as estimated in application of the IFRS standards) for French residents is equal to €226.7 for a vesting period of 4 years;
– the fair value of the plan (as estimated in application of the IFRS standards) for foreign residents is equal to €232.00 for a vesting period of 6 years.

The IFRS expense (not including the employer's contribution) borne in 2012 for issue of the plan stands at €9.8 million.

30.2.2 - Free share allotment plans

in shares

	2012	2011
Outstanding as at 1 January	**401,700**	**566,235**
Exercisable	–	–
Options issued	817,280	–
Options exercised	(730)	(135,275)
Options cancelled	–	–
Options forfeited	(35,630)	(29,260)
Outstanding as at 31 December	**1,182,620**	**401,700**
Exercisable	–	–

The information relative to the free share allotment plans is provided on page 89 (Table no. 11).

30.3 - Expense for the year

in millions of euros

	2012	2011
Free share allotment plans	28.4	10.2
Share purchase option plans	–	1.5
Expense for the year	**28.4**	**11.7**

NOTE 31 - INFORMATION ON FEES PAID

For fiscal year 2012, the fees paid to the statutory auditors and members of their networks were the following:

in millions of euros

	PricewaterhouseCoopers				Crowe Horwath, Cabinet Didier Kling & Associés			
	2012	**Break-down**	**2011**	**Break-down**	**2012**	**Break-down**	**2011**	**Break-down**
Audit								
Statutory audits	1.4	78%	1.2	68%	0.4	100%	0.3	75%
Hermès International (parent company)	*0.2*	*11%*	*0.2*	*13%*	*0.1*	*39%*	*0.1*	*25%*
Fully consolidated subsidiaries	*1.2*	*67%*	*1.0*	*55%*	*0.2*	*61%*	*0.2*	*50%*
Other due diligence reviews and services directly related to the mission of the statutory auditors	0.1	6%	0.1	3%	–	–	0.1	25%
Hermès International (parent company)	–	–	*0.1*	*3%*	–	–	*0.1*	*25%*
Fully consolidated subsidiaries	*0.1*	*6%*	–	–	–	–	–	–
Sub-total	*1.5*	*83%*	*1.3*	*71%*	*0.4*	*100%*	*0.4*	*100%*
Other services provided by the networks to the foreign subsidiaries								
Legal, tax and corporate matters [1]	0.3	17%	0.5	29%	–	–	–	–
Sub-total	*0.3*	*17%*	*0.5*	*29%*	–	–	–	–
Total	**1.8**	**100%**	**1.8**	**100%**	**0.4**	**100%**	**0.4**	**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 the main consolidated companies as at 31st December 2012 (manufacturing and holding subsidiaries of the divisions)

Company	Head office	2012 percentage Control	2012 percentage Interest	Method*	Registered n° (France)
Hermès International	24, rue du Faubourg-Saint-Honoré, 75008 Paris	Parent	Parent	Parent	572 076 396
Boissy Mexico	Avenida Presidente Mazaryk 422, Local « A » Col Polanco, 11560 Mexico D.F. (Mexico)	51.00	51.00	Full	–
Castille Investissements	24, rue du Faubourg-Saint-Honoré, 75008 Paris	100.00	100.00	Full	352 565 451
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
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 LeFullhton Plaza, 29 LeFullhton Road, Causeway Bay (Hong Kong)	92.00	92.00	Full	–
Ganterie de Saint-Junien	18, rue Louis-Codet, 87200 Saint-Junien (France)	100.00	100.00	Full	391 581 196
Grafton Immobilier	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	440 256 444
Hermès Argentina	Avenida Alvear 1981, 1129 Buenos Aires (Argentina)	100.00	99.99	Full	–
Hermès Asia Pacific	25/F Chinachem LeFullhton Plaza, 29 LeFullhton 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	–
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 et 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 Horizons	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 Private Ltd	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	–

* Consolidation method Full: Fully consolidated – EA: Equity-accounted.

Company	Head office	2012 percentage Control	Interest	Method*	Registered n° (France)
Hermès Korea	630-26 Shinsa-Dong Gangnam-gu, Séoul 135-895 (South Korea)	94.59	94.59	Full	–
Hermès Latin America Inc.	703 Waterford Way, Suite 195, Miami, Floride 33126 (United States)	100.00	100.00	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 (United States)	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 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 du 5 rue de Furstemberg	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	440 252 849
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
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	100.00	100.00	Full	403 230 436
La Montre Hermès	Erlenstrasse 31 A, 2555 Brügg (Switzerland)	100.00	100.00	Full	–
Leica Camera Japan Co	1-7-1 Yurakucho Chiyoda-ku, Tokyo 100-0006 (Japan)	49.00	49.00	EA	–
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
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
Saint-Honoré (Bangkok)	Room G03/2, The Emporium Shopping Mall, 622 Sukhumvit Road, Klongton, Klongtoey, Bangkok 10330 (Thailand)	51.00	51.00	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 Les Capucines	ZI les Bracots, 74890 Bons-en-Chablais (France)	60.00	77.53	Full	408 602 050

* Consolidation method Full: Fully consolidated – EA: Equity-accounted.

Parent company financial statements

Statement of income for the year ended 31 December 2012

in millions of euros

	2012	2011
Operating revenue	**192.9**	**169.7**
Revenue (Note 2)	155.2	126.7
Other revenue	1.0	0.6
Reversals of provisions and expense reclassifications	36.6	42.4
Operating expense	**220.0**	**179.3**
Supplies	2.0	2.0
External services	19.0	16.8
Other external services	53.5	51.7
Taxes and duties (other than income tax)	3.6	3.8
Salaries	38.5	29.1
Social security and similar expense (Note 3)	55.7	42.3
Depreciation, amortisation, provisions and impairment	43.9	30.5
Other expense	3.8	3.1
OPERATING INCOME/(LOSS)	**(27.2)**	**(9.6)**
Financial income	**634.1**	**520.5**
Income from subsidiaries and associates	581.6	478.8
Other interest and similar income	11.7	11.4
Reversals of provisions and impairment (Note 11)	32.2	27.7
Foreign exchange gains	7.5	–
Net income from disposals of marketable securities	1.1	2.6
Financial expense	**73.7**	**41.8**
Accruals to provisions and impairment (Note 11)	72.5	31.6
Foreign exchange losses	–	10.0
Interest and similar expense	1.2	0.2
NET FINANCIAL INCOME	**560.4**	**478.7**
RECURRING OPERATING INCOME	**533.2**	**469.1**
Exceptional income	15.2	15.4
Exceptional expense	2.4	13.7
NET EXCEPTIONAL INCOME (Note 4)	**12.8**	**1.7**
INCOME BEFORE TAX AND EMPLOYEE PROFIT-SHARING	**546.0**	**470.8**
Employee profit-sharing	(4.2)	(3.2)
Income tax expense (Note 5)	1.1	14.0
NET INCOME	**542.9**	**481.6**

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.

Statement of financial position as at 31 December 2012

ASSETS

in millions of euros

	31/12/2012	31/12/2011
NON-CURRENT ASSETS	**468.7**	**473.0**
Intangible assets (Note 6)	**4.7**	**3.8**
Licences, patents and trademarks	1.6	1.4
Other	3.0	2.4
Property, plant & equipment (Note 6)	**15.4**	**16.2**
Land	0.2	0.3
Buildings	–	–
Other	15.2	15.9
Fixed assets under construction	–	–
Financial assets (Note 7)	**448.6**	**453.0**
Investments in subsidiaries and associates	411.8	416.3
Other long-term securities	2.7	2.7
Other financial assets	34.2	34.0
CURRENT ASSETS	**1,512.9**	**1,593.2**
Operating receivables (Note 8)	89.4	101.4
Other receivables (Note 8)	626.0	422.9
Marketable securities (Note 9)	770.8	1,044.8
Derivatives	24.1	18.9
Cash	2.7	5.2
PREPAYMENTS (Note 8)	**4.9**	**3.1**
TOTAL ASSETS	**1,986.5**	**2,069.3**

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

	31/12/2012	31/12/2011
EQUITY	**1,530.0**	**1,719.0**
Share capital (Note 10)	53.8	53.8
Share premium	49.6	49.6
Other reserves	400.4	0.2
Legal reserve	5.7	5.7
Retained earnings	477.4	1,127.9
Net income for the year	542.9	481.6
Restricted provisions (Note 11)	0.1	0.2
PROVISIONS FOR CONTINGENCIES AND LOSSES (Note 11)	**68.8**	**48.0**
LIABILITIES	**387.8**	**302.3**
Financial liabilities (Note 12)	20.6	17.8
Derivatives	7.3	2.3
Operating liabilities (Note 12)	78.6	59.1
Other liabilities (Note 12)	281.3	223.1
TOTAL EQUITY AND LIABILITIES	**1,986.5**	**2,069.3**

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.

Statement of changes in equity as at 31 December 2012

	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)
					in millions of euros		
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**
Appropriation of 2011 net income	–	–	–	–	–	–	–
Dividends paid in respect of the year	–	–	(250.2)	(481.6)	–	(731.8)	–
Net income for 2012	–	–	–	542.9	–	542.9	–
Other changes	–	–	–	–	–	–	–
Balance as at 31 December 2012 before appropriation of net income	**53.8**	**49.6**	**883.5**	**542.9**	**0.1**	**1,530.0**	**105,569,412**

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.

Statement of cash flows for the year ended 31 December 2012

in millions of euros

	2012	2011
Net income	542.9	481.6
Depreciation and amortisation	3.4	3.4
Change in provisions and impairment (Note 11)	80.1	8.1
Capital gains/(losses) on disposals	(12.6)	11.7
OPERATING CASH FLOWS	**613.8**	**504.8**
Trade and other receivables	4.9	(56.1)
Trade payables and other liabilities	30.7	8.1
Change in working capital	**35.6**	**(48.0)**
CASH FLOWS FROM OPERATING ACTIVITIES	**649.4**	**456.8**
Purchase of intangible assets (Note 6)	(2.0)	(2.3)
Purchase of property, plant & equipment (Note 6)	(2.1)	(1.7)
Investments in subsidiaries and associates (Note 7)	(55.1)	(3.0)
Purchase of other financial assets (Note 7)	(28.3)	(20.0)
Disposals	40.5	137.4
Change in receivables and payables relating to fixed assets	0.3	0.2
CASH FLOWS USED IN INVESTING ACTIVITIES	**(46.7)**	**110.6**
Dividends paid	(731.8)	(159.9)
Buyback of treasury shares and share subscriptions	(9.1)	(284.6)
CASH FLOWS USED IN FINANCING ACTIVITIES	**(740.9)**	**(444.5)**
CHANGE IN NET CASH POSITION	**(138.2)**	**122.9**
Net cash position at the beginning of period	950.1	827.2
Net cash position at end of period	811.9	950.1
CHANGE IN NET CASH POSITION	**(138.2)**	**122.9**

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.

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 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.

The financial year covers the 12 months from 1 January through 31 December 2012.

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 1999 standard chart of accounts, as well as all the regulations of the accounting regulation committee subsequent to this date. They are in accordance with the principles that are generally accepted.

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 share allotments or options to purchase shares 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, a provision for impairment is recognised for treasury shares that are not specifically allocated. 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 d'Ennoblissement d'Irigny, Ateliers de Tissage de Bussières et de Challes, Castille Investissements, Compagnie d'Art de la Table et de l'Émail, 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 Horizons, Hermès Sellier, Hermès Voyageur, Holding Textile Hermès, Immauger, Immobilière du 5 rue Fürstenberg, Immobilière Charentaise de la Tardoire, Immobilière Iséroise, 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, Puiforcat, SCI Auger-Hoche, SCI Boissy Les Mûriers, SCI Boissy Nontron, Société d'Impression sur Étoffes du Grand-Lemps, Société Novatrice de Confection and 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;

– 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 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

	2012	2011
Sales of services	74.7	63.1
Royalties	80.6	63.6
REVENUE	**155.2**	**126.7**

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 accrued income pursuant to a re-invoicing agreement for free share allotment expenses concerning the Group's French companies for €19 million in 2012 versus €13 million in 2011.

Royalties are calculated based on the production subsidiaries' revenue. Their increase results 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

	2012	2011	Variation
2007 share allotment plan	–	3.4	- 3.4
2010 share allotment plan	16.0	16.1	- 0.1
2012 share allotment plan	24.3	–	24.3
Retirement payments	–	11.2	- 11.2
Social charges	15.5	11.6	3.9
SOCIAL CHARGES AND OTHER PERSONNEL COSTS	**55.7**	**42.3**	**13.4**

The social charges and other personnel costs include the free shares allotment plans expenses for all beneficiaries.

With effect from 15 May 2012, the Management allotted 515,280 free shares to 8,588 employees in accordance with the authorisations granted by the Combined General Meeting of Shareholders of 30 May 2011 and the decisions of the executive Management of 15 May 2012 and 27 September 2012. The vesting period of this plan has been distributed by third parties over 4/5/6 years for residents of France (in addition to a non-assignability period of two years) and over 6/7/8 years for people not resident in France. The granting of shares is contingent upon the beneficiaries' presence in the Group at the end of this period and for the corporate executive officer, upon meeting the criteria, notably concerning the performance of the Group in 2012 and 2013. The main characteristics of the plan are as follows:

– share price on the granting date: €264;
– average purchase price: €227.98;
– annual turnover rate: 5%.

The expense (not including the employer's contribution) borne in 2012 for issue of the plan stands at €10.2 million.

With effect from 15 May 2012, the Management issued a selective free share plan and allotted 302,000 shares, in accordance with the authorisations granted by the Combined General Meeting of Shareholders of 30 May 2011 and the decisions of the executive Management of 15 May 2012 and 27 September 2012. The vesting period of this plan has been distributed by third parties over 4 years for residents of France (in addition to a non-assignability period of two years) and 6 years for foreign residents. The granting of shares is contingent upon the beneficiaries' presence in the Group at the end of this period and for the corporate officer upon meeting the criteria particularly based on Group performance in 2012 and 2013. The performance conditions were considered as having been met for financial years 2012 and 2013 for the determination of the expense recognised for 2012. The main characteristics of the plan are as follows:

– share price on the granting date: €264;
– average purchase price: €239.16;
– annual turnover rate: 1%.

The expense (not including the employer's contribution) borne in 2012 for issue of the plan stands at €9.8 million. The 2012 allotment duties to employees of Hermès International stands at €4.3 million.

The free shares allotment for personnel of the French entities resulted in accrued income (refer to Note 2 relative to the revenue).

NOTE 4 - NET EXCEPTIONAL INCOME

in millions of euros

	2012	2011
Exceptional incomes	**15.2**	**15.4**
Reversal of provisions for accelerated depreciation	0.1	–
Disposals of property, plant and equipment and financial assets	15.1	15.4
Exceptional expenses	**(2.4)**	**(13.7)**
Provisions for accelerated depreciation	(0.1)	–
Disposals of property, plant and equipment and financial assets	(2.4)	(13.7)
NET EXCEPTIONAL INCOME	**12.8**	**1.7**

The income includes the disposal of the subsidiary Gordon-Choisy in the Hermès Group. It also includes a profit of €1.3 million on the disposals of treasury shares related to the liquidity contract.

NOTE 5 - INCOME TAX EXPENSE

5.1 - Analysis of income tax expense

in millions of euros

	2012	2011
Pre-tax income	**541.8**	**467.6**
Income before tax and employee profit-sharing	546.0	470.8
Employee profit-sharing	(4.2)	(3.2)
Income tax expense	**1.1**	**14.0**
Tax (parent company only)	(14.9)	0.8
incl. tax on net exceptional income	*(1.0)*	*(0.6)*
incl. tax on other items	*(13.9)*	*1.4*
Tax arising from group tax election	16.0	13.2
NET INCOME	**542.9**	**481.6**

Hermès International recognised a tax credit of €1.1 million in 2012, compared with a tax credit of €14 million in 2011. In addition, Hermès International is jointly liable for payment of the tax of the fiscally consolidated group, which amounted to €175.6 million in 2012 compared with €119.5 million in 2011.

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 and the capital gains on disposals of property, plant and equipment and financial assets

5.2 - Increases or decreases in future tax liability

As at 31 December 2012, the future tax liability increased €4.5 million versus a net increase of €1.3 million as at 31 December 2011. This corresponded to a €7.1 million temporarily non-deductible expense and, a €11.6 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 31/12/2011	Increases	Decreases	Other	Gross value as at 31/12/2012	Depreciation and amortisation	Net value as at 31/12/2012
Intangible assets	**13.5**	**2.0**	**–**	**–**	**15.5**	**(10.8)**	**4.7**
Licences, patents and trademarks	1.4	0.2	–	–	1.6	–	1.6
Other	12.1	1.8	–	–	13.9	(10.8)	3.0
Property, plant & equipment	**26.9**	**2.1**	**(0.8)**	**–**	**28.2**	**(12.8)**	**15.4**
Land	0.2	–	–	–	0.2	–	0.2
Buildings	0.5	–	–	–	0.5	(0.5)	–
Other	26.1	2.1	(0.8)	–	27.5	(12.3)	15.2
INTANGIBLE ASSETS AND PROPERTY, PLANT & EQUIPMENT	**40.4**	**4.1**	**(0.8)**	**–**	**43.8**	**(23.7)**	**20.1**

NOTE 7 - FINANCIAL ASSETS

in millions of euros

	Gross value as at 31/12/2011	Purchases/ Subscriptions	Disposals	Gross value as at 31/12/2012	Provisions for impairment (Note 11)	Net value as at 31/12/2012
Investments in subsidiaries and associates	**609.8**	**55.1**	**(1.7)**	**663.2**	**(251.4)**	**411.8**
Castille Investissements [1]	130.4	30.0	–	160.4	(160.4)	–
Hermès Horizons [1]	2.8	12.5	–	15.3	(15.3)	–
La Maroquinerie Nontronnaise [1]	0.2	9.0	–	9.2	(5.7)	3.5
Maroquinerie de Saint-Antoine [1]	3.6	3.5	–	7.1	(7.1)	–
Gordon Choisy [2]	1.7	–	(1.7)	–	–	–
Other [3]	471.1	–	–	471.1	(62.9)	408.2
Other financial assets	**38.4**	**28.3**	**(26.9)**	**39.9**	**(5.7)**	**34.2**
Investments in financial assets		28.2	(25.8)	28.5	(1.3)	27.2
Treasury shares (liquidity contract) [4]		–	(1.1)	4.2	–	4.2
Deposits and guarantees		0.1	–	2.8	–	2.8
Outstanding loans and advances		–	–	4.4	(4.4)	–
Other long-term securities		**–**	**–**	**2.9**	**(0.2)**	**2.7**
FINANCIAL ASSETS	**651.1**	**83.3**	**(28.5)**	**705.9**	**(257.3)**	**448.6**

The list of equity investments is presented at the end of the notes to the financial statements.

(1) Hermès International holds 100% of these subsidiaries.

(2) The securities of Gordon Choisy were disposed of to Hermès Cuirs Précieux

(3) Other provisions for impairment mainly relate to Compagnie Hermès de Participations, Faubourg Italia, Hermès Argentina, Hermès Cuirs Précieux, Hermès India, John Lobb, La Manufacture de Seloncourt, Manufacture de Haute Maroquinerie, Maroquinerie de Belley and Maroquinerie de Sayat.

(4) As at 31 December 2012, Hermès International held 18,226 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. €229.26 per share.

NOTE 8 - ANALYSIS OF ASSETS BY MATURITY

in millions of euros

	31/12/2012					31/12/2011
	< 1 year	**> 1 year and < 5 years**	**Gross amount**	**Impairment**	**Net amount**	**Net amount**
Other financial assets (Note 7)	**19.1**	**20.8**	**39.9**	**(5.7)**	**34.2**	**34.0**
Outstanding loans and advances	–	4.4	4.4	(4.4)	–	–
Other	19.1	16.4	35.5	(1.3)	34.2	34.0
Current assets	**722.2**	**–**	**722.2**	**(6.8)**	**715.4**	**524.3**
Trade and other receivables	43.3	–	43.3	(0.5)	42.8	56.0
Other operating receivables	46.6	–	46.6	–	46.6	45.4
Other receivables (1)	632.3	–	632.3	(6.3)	626.0	422.9
Prepayments	**4.9**	**–**	**4.9**	**–**	**4.9**	**3.1**
Advertising and marketing fees	3.5	–	3.5	–	3.5	2.0
Rents	1.1	–	1.1	–	1.1	1.0
Other	0.3	–	0.3	–	0.3	0.1
TOTAL	**746.2**	**20.8**	**767.0**	**(12.5)**	**754.5**	**561.4**

(1) Other receivables mainly comprise financial current accounts with subsidiaries.

in millions of euros

	31/12/2012	31/12/2011
Other financial assets		
Within 1 year	19.1	19.6
Between 1 and 5 years	16.4	18.8
Current assets		
Within 1 year	690.2	511.7
Between 1 and 5 years	32.0	13.0
Prepayments		
Within 1 year	4.9	3.1
Between 1 and 5 years	–	–

NOTE 9 - MARKETABLE SECURITIES

in millions of euros

	Valeur brute au 31/12/2012	Provisions pour dépréciation	Valeur nette au 31/12/2012	Valeur nette au 31/12/2011
MUTUAL FUNDS	161.7	–	161.7	222.2
Negotiable debt securities	300.0	–	300.0	530.0
Treasury shares (1)	309.1	–	309.1	292.6
MARKETABLE SECURITIES	**770.8**	**–**	**770.8**	**1,044.8**

(1) Includes 1,449,442 Hermès International treasury shares acquired under employee stock option or free share allotment plans and valued during acquisition. The impairment of €6.2 million recorded on 31 December 2011 on the shares purchased for future plans were repurchased following the stock exchange price increase in 2012. The shares are to be added to the 18,226 other treasury shares held pursuant to a liquidity contract (see Note 7).

NOTE 10 - EQUITY

As at 31 December 2012, 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 2011.

NOTE 11 - PROVISIONS

in millions of euros

	31/12/2011	Accruals	Reversals		31/12/2012
			Provisions used	Provisions unused	
Provisions for impairment	**204.7**	**72.7**	**(6.2)**	**(7.1)**	**264.1**
Financial assets (Note 7)	198.1	66.3	–	(7.1)	257.3
Trade and other receivables	0.4	6.4	–	–	6.8
Marketable securities	6.2	–	(6.2)	–	–
Restricted provisions	**0.2**	**0.1**	**(0.1)**	**–**	**0.1**
Accelerated depreciation	0.2	0.1	(0.1)	–	0.1
Provisions for contingencies and losses	**48.0**	**40.3**	**(0.6)**	**(18.9)**	**68.8**
Provisions for contingencies (1)	23.8	4.0	(0.6)	(18.9)	8.4
Provisions for losses (2)	24.2	36.3	–	–	60.5
TOTAL	**252.9**	**113.0**	**(6.9)**	**(26.0)**	**333.1**

(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 and 2012 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

	31/12/2012			31/12/2011
	< 1 year	> 1 year and < 5 years	Net amount	Net amount
Financial liabilities	**11.7**	**8.9**	**20.6**	**17.8**
Bank borrowings (1)	10.2	–	10.2	8.8
Other borrowings and debt (2)	1.5	8.9	10.4	9.0
Operating liabilities	**78.6**	**–**	**78.6**	**59.1**
Trade payables and related accounts (3)	17.9	–	17.9	18.0
Tax and employee-related liabilities (4)	60.7	–	60.7	41.1
Other liabilities	**281.3**	**–**	**281.3**	**223.1**
Amounts payable relating to fixed assets	1.4	–	1.4	1.1
Other	279.9	–	279.9	222.0
TOTAL	**371.6**	**8.9**	**380.5**	**300.0**

(1) Bank current accounts.
(2) Funds held in trust for employees under the statutory employee profit-sharing scheme.
(3) Including €9.1 million in invoices not yet received.
(4) Including €24.9 million in tax and employee-related liabilities payable.

in millions of euros

	31/12/2012	31/12/2011
Financial liabilities		
Within 1 year	11.7	9.7
Between 1 and 5 years	8.9	8.1
Operating liabilities		
Within 1 year	78.6	59.1
Between 1 and 5 years	–	–
Other liabilities		
Within 1 year	281.3	223.1
Between 1 and 5 years	–	–

Information on accounts payable

in millions of euros

	31/12/2012		
	Group	**Non-group**	**Total**
Trade payables	**2.3**	**15.6**	**17.9**
Total past due	**0.3**	**0.5**	**0.8**
– less than 30 days	0.1	0.2	0.3
– 30 to 90 days	0.2	0.1	0.2
– over 90 days	0.1	0.2	0.3
Total coming due	**2.0**	**15.1**	**17.1**
– within 30 days	2.0	15.1	17.1
– within 30 to 60 days	–	–	–

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	–	–	–

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 2012.

The companies mentioned above are considered related parties insofar as certain members of management of the company or members of the Supervisory Board have personal interest therein and exercise significant influence.

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 2012 and in 2011.

– 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 Henri-Louis Bauer. 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 €0.4 million in this respect in 2012, versus €0.1 million in 2011.

– SAS 28/30/32 rue du Faubourg Saint Honoré and SCI 74 rue du Faubourg-Saint-Antoine: total rental expense for the leases mentioned above amount to €5 million versus €4.8 million in 2011.

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	SAS 28/30/32 rue du Faubourg-Saint-Honoré	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

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 Group'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 31/12/2012

in millions of euros

Currency	Monetary assets/ (liabilities)	Future cash flows	Net position before hedging	Derivative instruments(1)	Net position after hedging	Hedging ratio	10 % sensitivity
Hong Kong dollar	(78.6)	1.2	(77.4)	71.1	(6.3)	92%	(0.7)
Japanese yen	61.2	3.1	64.3	(66.6)	(2.3)	104%	(0.3)
Swiss franc	37.1	7.4	44.5	(46.4)	(1.9)	104%	(0.2)
Australian dollar	33.2	0.1	33.3	(20.7)	12.6	62%	1.1
US dollar	26.5	3.0	29.6	(30.1)	(0.6)	102%	(0.1)
Pound sterling	(25.7)	1.0	(24.7)	25.2	0.5	102%	0.1
Singapore dollar	(11.1)	1.8	(9.3)	9.0	(0.2)	97%	–
Mexican peso	0.1	0.4	0.5	(0.8)	(0.3)	156%	–
Ruble	0.1	0.1	0.2	(0.2)	–	82%	–
Thai Baht	–	0.1	0.1	(0.1)	(0.1)	168%	–
Czech koruna	–	–	–	(0.1)	–	121%	–
Total	**42.7**	**18.5**	**61.2**	**(59.7)**	**1.5**	**98%**	**(0.1)**

As at 31/12/2011

in millions of euros

Currency	Monetary assets/ (liabilities)	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%	–
Pound sterling	(21.4)	1.4	(20.0)	20.1	0.1	101%	–
Singapore dollar	(1.3)	1.2	(0.1)	0.7	0.6	564%	–
Canadian dollar	–	–	–	(0.1)	–	115%	–
Mexican peso	–	0.3	0.3	(0.3)	0.1	74%	–
Ruble	0.2	0.1	0.3	(0.1)	0.2	29%	–
Thai Baht	0.1	–	0.1	(0.1)	0.1	85%	–
Total	**0.9**	**43.8**	**44.7**	**(40.9)**	**3.8**	**92%**	**0.4**

(1) Purchase/(Sale).

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 31/12/2012 (1)
Options purchased			
US dollar put	30.4	30.4	1.3
US dollar collar	77.8	77.8	3.5
Japanese yen put	39.5	28.5	3.3
Japanese yen collar	49.1	49.1	3.6
Hong Kong dollar put	21.1	21.1	0.9
Hong Kong dollar collar	58.0	58.0	2.7
Singapore dollar put	23.9	23.9	0.5
Singapore dollar collar	51.2	51.2	1.1
Chinese yuan put	20.3	19.4	0.8
Chinese yuan collar	48.2	45.0	2.0
Australian dollar call	(7.0)	–	–
	412.5	**404.5**	**19.8**
Forward currency contracts (2)			
US dollar	(103.5)	(103.5)	(2.8)
Japanese yen	(74.5)	(74.4)	(5.8)
Hong Kong dollar	(78.0)	(78.7)	(1.7)
Singapore dollar	(73.3)	(73.3)	0.2
Chinese yuan	(64.4)	(64.4)	(0.5)
Australian dollar	0.2	0.2	–
Swiss franc	7.5	7.5	–
Pound sterling	1.0	1.0	–
Other	0.7	–	–
	(384.3)	**(385.6)**	**(10.5)**
Treasury swaps (2)			
US dollar	25.4	20.9	0.5
Japanese yen	63.4	62.5	3.6
Hong Kong dollar	(72.2)	(73.5)	(0.6)
Singapore dollar	(10.9)	(11.1)	0.1
Chinese yuan	–	(2.0)	–
Australian dollar	27.6	27.3	(0.1)
Swiss franc	39.0	38.9	0.1
Pound sterling	(26.2)	(26.5)	(0.1)
Other	0.4	0.6	–
	46.5	**37.2**	**3.5**
Options sold			
Japanese yen put	(11.0)	–	(0.5)
Chinese yuan put	(0.9)	–	(0.1)
Chinese yuan collar	(3.1)	–	(0.2)
	(15.0)	**–**	**(0.8)**
Total	**59.7**	**56.1**	**12.1**

(1) Gain/(Loss).
(2) (Purchase)/Sale.

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	–
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	–
Pound sterling	(15.9)	(15.9)	0.7
Swiss franc	6.4	6.4	(0.1)
Other	0.5	0.5	–
	(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)	–
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	–	(0.1)	(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) (Purchase)/Sale.

14.2 - Other financial commitments as at 31 december 2012

in millions of euros

	31/12/2012	31/12/2011
Bank guarantees [(1)]	15.0	15.9
Irrevocable purchase commitments for financial assets	21.6	14.3
Other commitments [(2)]	49.8	44.7
TOTAL	**86.3**	**74.9**

(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 2012. 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 2012, the amounts drawn on these credit facilities amounted to €6 million and €3 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 €68.9 million as at 31 December 2012, versus €57.6 million as at 31 December 2011.

NOTE 15 - EMPLOYEES

The Company's average number of employees is broken down as follows:

	31/12/2012	31/12/2011
Executive/managerial staff	286	262
Support staff	20	20
TOTAL	**306**	**282**

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 20,254 hours as at 31 December 2012, versus 22,234 hours as at 31 December 2011.

NOTE 16 - POST-EMPLOYMENT BENEFIT OBLIGATIONS

As at 31 December 2012, the value of post-employment benefit obligations amounted to €35.2 million versus €44.6 million in 2011. This change in benefit obligations is essentially due to a cap of the system annuities of Article 39 to eight annual Social Security thresholds. 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 €27.8 million. A provision of €1.1 million has been accrued to cover the remainder of these obligations.

For 2012, the following actuarial assumptions were used:

- retirement age (in years):	62 to 65
- increase in salaries:	3-4%
- discount rate:	3%
- expected rate of return on plan assets:	3-3.22 %

After applying the "corridor" method, actuarial differences amounted to €38.8 million as at 31 December 2012 compared with €19.3 million as at 31 December 2011.

NOTE 17 - EXECUTIVE COMPENSATION

Gross aggregate remuneration paid to corporate officers and directors in respect of 2012 amounted to €5.4 million, including €0.4 million in directors' fees.

List of investments in subsidiaries and associates as at 31 December 2012

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	26,065
Comptoir Nouveau de la Parfumerie	753,501	27,146
ERM Warenhandels GmbH	1	1,263
ERM-WHG Warenhandels Gmbh	1	1,235
Faubourg Italia SRL	60	1,280
Financière Saint-Honoré	3,000	1,694
Grafton Immobilier	5,174,500	82,792
Herlee	50,000,000	19,511
Hermès Argentina	37,747	1,651
Hermès 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	999
Hermès Istanbul	259,999	2,996
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
Manufacture de Haute Maroquinerie	430,000	625
Maroquinerie de Belley	647,172	4,585
Maroquinerie de Sayat	295,649	5,652
Maroquinerie des Ardennes	284,063	10,527
Maroquinerie Nontronnaise	366,250	3,497
SC Honossy	210,099	3,203
SCI Auger-Hoche	4,569,401	11,242
SCI Boissy Les Mûriers	8,699	1,326
SCI Boissy Nontron	99,999	740
SCI Les Capucines	24,000	366
SCI Immauger	1,375	2,096
Stoleshnikov 12	1	490
Carrying value less than €100,000		**420**
TOTAL		**414,427**

List of subsidiaries and associates as at 31 December 2012

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

1. SUBSIDIARIES (AT LEAST 50% OF THE SHARE CAPITAL HELD BY THE COMPANY)			Share capital [in '000]		Equity [in '000]
Castille Investissements	Paris	EUR	9,650	EUR	(1,245)
Compagnie Hermès de Participations	Paris	EUR	42,000	EUR	26,065
Comptoir Nouveau de la Parfumerie	Paris	EUR	9,072	EUR	30,135
ERM Warenhandels Gmbh	Vienna (Austria)	EUR	35	EUR	153
ERM-WHG Warenhandels Gmbh	Vienna (Austria)	EUR	35	EUR	91
Faubourg Italia SRL	Milan (Italy)	EUR	100	EUR	2,133
Financière Saint-Honoré	Genève (Switzerland)	CHF	3,000	CHF	25,234
Grafton Immobilier	Paris	EUR	82,792	EUR	85,656
Herlee	Causeway Bay (Hong Kong)	HKD	57,200	HKD	497,867
Hermès Argentina	Buenos Aires (Argentina)	ARS	3,974	ARS	11,276
Hermès Asia Pacific	Causeway Bay (Hong Kong)	HKD	315,000	HKD	1,795,021
Hermès Australia	Sydney (Australia)	AUD	6,500	AUD	16,670
Hermès Benelux Nordics	Bruxelles (Belgium)	EUR	2,665	EUR	8,687
Hermès Canada	Toronto (Canada)	CAD	2,000	CAD	15,423
Hermès Cuirs Précieux	Paris	EUR	4,500	EUR	11,136
Hermès de Paris (Mexico)	Mexico (Mexico)	MXN	1,705	MXN	99,745
Hermès GmbH	Munich (Germany)	EUR	7,200	EUR	20,397
Hermès Grèce	Athènes (Greece)	EUR	1,700	EUR	2,255
Hermès Holding GB	London (United Kingdom)	GBP	7,360	GBP	15,590
Hermès Horizons	Paris	EUR	460	EUR	(510)
Hermès Iberica	Madrid (Spain)	EUR	4,228	EUR	10,191
Hermès Immobilier Genève	Geneva (Switzerland)	CHF	70,000	CHF	63,381
Hermès India Retail and Distributors	New Delhi (India)	INR	94,355	INR	(56,666)
Hermès Internacional Portugal	Lisbon (Portugal)	EUR	800	EUR	1,206
Hermès Istanbul	Istanbul (Turkey)	TRY	6,500	TRY	9,234
Hermès Italie	Milan (Italy)	EUR	7,786	EUR	20,603
Hermès Japon	Tokyo (Japan)	JPY	220,000	JPY	17,305,783
Hermès of Paris	New York (USA)	USD	11,418	USD	193,188
Hermès Prague	Prague (Czech Republic)	CZK	8,018	CZK	33,251
Hermès Sellier	Paris	EUR	4,976	EUR	285,461
Hermès South East Asia	Singapour (Singapore)	SGD	1,000	SGD	93,148
Holding Textile Hermès	Lyon (France)	EUR	99	EUR	22,122
John Lobb	Paris	EUR	200	EUR	(2,082)
La Manufacture de Seloncourt	Seloncourt (France)	EUR	2,399	EUR	(948)
La Maroquinerie Nontronnaise	Nontron (France)	EUR	5,860	EUR	3,020
Manufacture de Haute Maroquinerie	Aix-les-Bains (France)	EUR	6,450	EUR	(894)
Maroquinerie de Belley	Paris	EUR	7,766	EUR	3,730
Maroquinerie de Saint-Antoine	Pantin (France)	EUR	1,680	EUR	(79)
Maroquinerie de Sayat	Pantin (France)	EUR	4,730	EUR	4,271
Maroquinerie des Ardennes	Paris	EUR	4,545	EUR	9,258
SC Honossy	Paris	EUR	3,151	EUR	3,028
SCI Auger-Hoche	Pantin (France)	EUR	6,946	EUR	11,161
SCI Boissy Les Mûriers	Paris	EUR	1,322	EUR	4,573
SCI Boissy Nontron	Paris	EUR	1,000	EUR	740
SCI Immauger	Paris	EUR	2,269	EUR	3,097
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%	160,407	–	–	–	–	(24,985)	–
100.00%	42,013	26,065	–	–	–	(9,012)	–
99.67%	27,146	27,146	–	–	168,863	19,594	16,944
100.00%	1,263	1,263	–	–	254	41	–
100.00%	1,235	1,235	–	–	132	18	–
60.00%	2,000	1,280	–	–	2,365	132	–
100.00%	1,694	1,694	–	–	–	15,974	11,637
100.00%	82,792	82,792	–	–	–	1,097	–
76.92%	19,511	19,511	–	–	–	53,679	5,189
94.99%	3,760	1,651	–	–	4,874	587	–
100.00%	43,483	43,483	–	–	397,748	146,067	121,434
100.00%	4,409	4,409	–	–	38,087	7,448	6,498
100.00%	3,164	3,164	–	–	40,771	3,222	3,502
100.00%	1,501	1,501	–	–	40,831	10,207	7,510
100.00%	30,334	21,612	–	–	–	8,141	–
51.00%	1,134	1,134	–	–	9,338	1,182	–
100.00%	7,218	7,218	–	10	97,048	12,931	11,000
100.00%	1,700	1,700	–	67	5,535	761	550
100.00%	10,535	10,535	–	–	–	10,073	11,634
100.00%	15,337	–	–	–	1,172	(5,558)	–
100.00%	4,952	4,952	–	–	34,214	5,058	5,683
100.00%	44,457	44,457	–	–	–	558	–
51.01%	822	–	–	–	7,248	(532)	–
99.90%	999	999	–	–	3,849	408	–
100.00%	2,996	2,996	–	–	8,134	1,402	–
90.00%	13,196	13,196	–	–	93,638	9,510	10,140
100.00%	13,727	13,727	–	2,575	523,568	85,305	65,717
100.00%	10,903	10,903	–	8,203	451,972	62,216	33,896
100.00%	1,090	1,090	–	–	4,426	685	970
99.77%	4,788	4,788	–	266	1,543,943	268,027	207,887
100.00%	2,201	2,201	–	–	207,160	56,496	59,212
96.17%	12,652	12,652	–	–	132,424	3,554	2,104
99.99%	10,596	–	–	149	6,565	(1,437)	–
100.00%	11,143	90	–	–	11,934	(2,357)	–
100.00%	9,167	3,497	–	–	9,153	(2,856)	–
100.00%	3,111	625	–	–	11,796	(1,940)	–
100.00%	10,165	4,585	–	–	10,830	(1,306)	–
100.00%	7,098	53	–	–	6,157	(1,574)	–
100.00%	9,118	5,652	–	–	11,535	(2,136)	–
100.00%	10,527	10,527	–	–	14,966	(582)	–
100.00%	3,203	3,203	–	–	–	263	–
99.99%	11,242	11,242	–	9,367	–	883	–
99.99%	1,326	1,326	–	–	–	715	–
100.00%	1,000	740	–	–	–	(143)	–
92.34%	2,096	2,096	–	–	–	173	–
	1,716	779	–	–		5,873	120
	230	103	–	–		382	–
	64	64	4,400	–		(157)	–
	782	491	–	–		2,426	–
	666,003	**414,427**	**4,400**	**20,637**			**581,627**

Five-year summary of the Company's financial data

	2012	2011	2010	2009	2008
Share capital at year-end					
Share capital (in millions of euros)	53.8	53.8	53.8	53.8	53.8
Number of shares outstanding	105,569,412	105,569,412	105,569,412	105,569,412	105,550,012
Aggregate results of operations (in millions of euros)					
Revenue excluding VAT	155.2	126.7	90.9	67.0	72.4
Income before tax, employee profit-sharing, depreciation, amortisation, provisions, and impairment	593.6	462.9	344.1	261.3	276.4
Corporate income tax (income)	(1.1)	(14.0)	(6.1)	(16.5)	(2.9)
Employee profit-sharing (expense)	4.2	3.2	3.1	2.6	2.4
Income after tax, employee profit-sharing, depreciation, amortisation, provisions, and impairment	542.9	481.6	325.2	243.2	257.5
Profits distributed as dividends (including treasury shares)	267.6 (1)	742.2	160.5	112.5	110.4
Earnings per share (in euros)					
Income after tax and employee profit-sharing but before depreciation, amortisation, provisions and impairment	5.59	4.49	3.29	2.61	2.62
Income after tax, employee profit-sharing, depreciation, amortisation, provisions, and impairment	5.14	4.56	3.08	2.30	2.44
Net dividend paid per share	2.50 (1)	7.00	1.50	1.05	1.03
Personnel					
Average number of employees	306	282	260	254	248
Total payroll (in millions of euros)	38.5	29.1	25.3	26.7	23.0
Employee benefits paid during the year (in millions of euros)	55.7	42.3	28.3	20.4	12.0

(1) Subject to approval by the Ordinary General Meeting of 4 June 2013. A proposal will be made for a dividend of €2.50, for which an interim dividend of €1.50 was paid on 1 March 2013.

Combined General Meeting of 4 June 2013

Agenda of the Combined General Meeting of 4 June 2013

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 2012 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 2012;
– 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 Supervisory 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;
– prepared in application of article L 226-10-1 of the *Code du commerce* 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 of Executive Management

Fourth resolution
Appropriation of net income – Dividend distribution

Fifth resolution
Approval of related-party agreements and commitments.

Sixth resolution
Re-election of Mrs Julie Guerrand as Supervisory Board member for a term of three years.

Seventh resolution
Re-election of Mrs Florence Woerth as Supervisory Board member for a term of three years.

Eighth resolution
Re-election of Mr Charles-Éric Bauer as Supervisory Board member for a term of three years.

Ninth resolution
Appointment of Mrs Dominique Senequier as a new Supervisory Board member for a term of three years

Tenth resolution
Supervisory board fees and remunerations

Eleventh resolution
Authorisation to the executive Management to trade in the Company's shares.

Twelfth 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 reduction through the cancellation of purchased shares (thirteenth resolution)
– on the issue of shares and/or of various marketable securities with continuation and/or cancellation of the pre-emptive subscription right (fifteenth and sixteenth resolutions)
– on the issue of ordinary shares and/or marketable securities providing access to the company capital, reserved for members of a company savings plan (seventeenth resolution)
– on the authorisation to allocate share purchase options (eighteenth resolution)
– on the allocation of existing bonus shares (nineteenth resolution)

[2] Vote on resolutions relating to extraordinary business

Thirteenth resolution

Authorisation to cancel some or all of the shares purchased by the Company (Article L 225-209) - General share cancellation programme

Fourteenth resolution

Delegation of authority to the executive Management in order to increase the capital by capitalisation of reserves, profits and/or premiums and free share distribution and/or increase of the par value of existing shares

Fifteenth resolution

Delegation of authority to the executive Management in order to decide on the increase of the share capital by issuing shares or any other marketable securities providing access to the capital while maintaining the pre-emptive subscription right.

Sixteenth resolution

Delegation of authority to the executive Management in order to decide on the increase of the share capital by issuing of shares or of any other marketable securities providing access to the capital while cancelling the pre-emptive subscription right but with the possibility of establishing a priority timeframe.

Seventeenth resolution

Delegation of authority for the executive Management in order to carry out capital increase for the benefit of members of a company savings plan with cancellation of the pre-emptive subscription right.

Eighteenth resolution

Authorisation to the Executive Management to grant share purchase options

Nineteenth resolution

Authorisation to the Executive Management to grant ordinary shares in the Company for no consideration

Twentieth resolution

Amendment of the articles of association to enable the provisional appointment of a third executive Chairman by the Active Partner

Twenty-first 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 of Executive Management

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 €179,148; that you approve the parent company financial statements and consolidated financial statements for the year ended 31 December 2012 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 – Dividend distribution

In the 4th resolution, we submit to you for approval the appropriation of net income for the year, in the amount of €542,857,816.42. Of this amount, €259,308 is to be appropriated to the reserve for purchasing original works of art and, pursuant to the articles of association, €3,637,147.37 is to be distributed to the Active Partner.

The Supervisory Board recommends that you fix the dividend at €2.50 per share. This represents an increase of 25% in the dividend relative to the previous year.

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 2013, the remainder of the dividend for the year, which amounts to €1.00 per share, will be detached from the shares on 6 June 2013 and be payable in cash on 11 June 2013 based on closing positions on the evening of 10 June 2013. 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	2009	2010	2011
Ordinary dividend	1.05	1.50	2.00
Exceptional dividend	–	–	5.00
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 239.

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 256 to 259.

The new agreements, the only ones submitted for a vote by the meeting, involve:

– the granting by Hermès International of sureties and guarantees to certain of its subsidiaries;

– the signing or modification of a brand licence granted by Hermès International to certain of its subsidiaries;

– the modification of the services provided by the Hermès International departments to the active partner;
– the acquisition by Hermès International of brands previously exploited by one of its subsidiaries.

Re-election of Supervisory Board members

The terms of office of four Supervisory Board members (Mrs Julie Guerrand and Mrs Florence Woerth as well as Mr Charles-Éric Bauer and Mr Ernest-Antoine Seillière) will be coming to an end at the closing of the present meeting. Mr Ernest- Antoine Seillière does not wish to put forward his name again.

In the 6th, 7th and 8th resolutions, the Active Partner proposes that you renew the terms of office of three of the four Supervisory Board members that are coming to an end, for the statutory term of three years:
– Mrs Julie Guerrand;
– Mrs Florence Woerth;
– Mr Charles-Éric Bauer.

Information on the persons whose re-election is submitted to your approval is provided on page 249.

Appointment of new Supervisory Board member

In the 9th resolution, the Active Partner proposes that you appoint Mrs Dominique Senequier as Supervisory Board member for the statutory term of three years to replace Mr Ernest-Antoine Seillière who did not wish to put forward his name once again. This term of office will therefore expire at the end of the General Meeting called in 2016 in order to vote on the financial statements for the financial year ending on 31 December 2015. The information regarding the person whose appointment is submitted for your approval can be found on pages 249 and 250.

Supervisory board fees and remunerations

In the 10th resolution, you are asked to set the amount of the directors' fees and compensation of the Supervisory board at €480,000 in order to account for the appointment of a new Supervisory board member in 2012 and in anticipation of the desired evolution of the Board's composition as presented in the Chairman's report on page 16. The distribution principles adopted by the Supervisory board, recalled in the rules of procedure shown on page 37, would remain unchanged. This amount would be valid for each financial year beginning as the 1 January 2013, and remain in effect until decided otherwise.

Grant of authority to the Executive Management - Share buyback programme

In the 11th 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 13th 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.

Executive Management authorisations – Capital increases (general case)

In the 14th, 15th and 16th resolutions, you are asked to renew a certain number of resolutions intended to provide the Executive Management with a series of authorisations that will allow it, as relevant, to carry out various financial operations resulting in an increase of your company's capital, with or without a pre-emptive subscription right. As authorised by law, these resolutions are intended to provide the Executive Management with the flexibility needed to act in the best interests of your company, under the control of the company's Supervisory board and of the Management board of the Émile Hermès SARL company, the active partner. The diversity of financial products and the rapid evolution of the markets make it necessary to have the greatest possible flexibility in order to choose the issue provisions that are most favourable for the company and its shareholders, in order to be able to quickly carry out operations on the basis of opportunities that may present themselves.
As such, in all circumstances, both in France and abroad, the Executive Management will be able to carry out the issue of company shares and of marketable securities of any type that would provide access, immediately and/or in the future, to company shares, within the limit of the ceiling defined below. In compliance with article L 233-32 of the *Code du commerce*, these authorisations will be suspended during any public offering period, except if they are part of the normal conduct of the company's business, and if their implementation is not likely to result in the failure of the offering. The amount of the increases of the issued capital likely to be performed immediately and/or in the future cannot exceed 20% of the issued capital on the meeting date (individual ceiling for the 14th resolution and common ceiling for the 15th, 16th and 17th resolutions); where applicable, this ceiling will be increased by the nominal amount of the additional shares having to be issued in order to maintain, pursuant to the law, the rights of the holders of marketable securities providing rights to these shares. Similarly, the nominal amounts of the debt instruments that could be issued pursuant to the aforesaid authorisation cannot be greater than 20% of the issued capital. These issues can include either the continuation of the shareholders' pre-emptive subscription right (15th resolution), or the cancellation of the shareholders' pre-emptive subscription right (16th resolution). You are asked to cancel the pre-emptive subscription right in order to make it possible, by accelerating the investment process involving these issues, to increase the chances of their successful completion. We nevertheless inform you that in all cases of issues without a pre-emptive right:

– the Executive Management can provide the shareholders with a priority for subscription for the shares;

– the sum obtained or that will be obtained by the company for each of the shares that will be issued, after taking into account, for the issue of stand-alone warrants, the issue price of the said warrants, will in any event be at least equal to the weighted average of the share prices during the last three Stock market sessions preceding the start of the issue of the marketable securities, possibly decreased by a maximum discount of 5% in compliance with the applicable regulations. You are also asked to renew the usual authorisation that allows the company to increase the capital through capitalisation of the reserves (14th resolution).

Executive Management authorisations – Capital increase in favour of members of a company savings plan with cancellation of the pre-emptive subscription right

In the 17th resolution, we ask you to delegate to the Executive Management all powers to carry out, under the control of the company's Supervisory board and of the Management board of the Émile Hermès SARL company, active partner, a capital increase reserved for the employees and corporate officers under the conditions indicated in article L 225-180 of the *Code du commerce*, provided that these employees are members of a company or group savings plan. The maximum number of ordinary shares that can be issued pursuant to the present authorisation cannot exceed 1% of the number of the company's ordinary shares at the time of the decision to proceed with the capital increase.

Grants of authority to the Executive Management - Share purchase options

In the 18th 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, 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 19th resolution shall not represent more than 2% of the total number of ordinary shares description of proposed resolutions 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, without being less than 80% of the average purchase price of the shares held by the company, notably acquired through the share buyback programme. 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 a maximum term of seven years 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 distribution

In the 19th 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 18th 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.

Modification of the articles of association to allow the temporary appointment, by the active partner, of a third manager

In the 20th resolution, we ask you to modify article 15.1 of the articles of association in order to allow the active partner to temporarily appoint a third manager. Indeed, as announced during the Combined General Meeting on 29 May 2012, the active partner of Hermès International will, in June 2013, appoint Mr Axel Dumas as co-manager of Hermès International alongside Mr Patrick Thomas. This triple management is only intended to prepare the succession of Mr Patrick Thomas and is not intended to last; for this reason, it will only be a temporary measure.

Mr Axel Dumas, 43 years of age, is a sixth-generation member of the Hermès family and current general manager of operations for Hermès International.

With the transition implemented, Mr Patrick Thomas will decide on his departure date.

The appointment of a third manager does not modify article 17 of the articles of association, which states that "if there are more than two managers, the sum of the gross annual statutory compensation of all of the managers cannot be more than 0.40% of the company's consolidated pre-tax earnings from the previous financial year".

Information on Board members whose re-election and/or appointment is submitted to the General Meeting for approval

The information regarding the people whose terms of office will have to be renewed, i.e. Mrs Julie Guerrand, Mrs Florence Woerth and Mr Charles-Éric Bauer, is provided respectively in pages 66, 70 and 63.

DOMINIQUE SENEQUIER

Dominique Senequier, is not related to the Hermès family and is an independent director based on the criteria applied by the Company.

Age in 2013

60 years

Nationality

French

Shares held in Hermès International

0

Address

Hermès International
24, rue du Faubourg-Saint-Honoré
75008 Paris

SUPERVISORY BOARD MEMBER OF HERMÈS INTERNATIONAL

Expertise and additional professional experience

Dominique Senequier is a graduate of the École polytechnique (X72) and also holds a DEA (postgraduate qualification) in "Finance Bank Currency" from the Sorbonne University. At GAN, she created and developed the GAN Participations subsidiary from 1987 to 1995, after having served as group acquisitions manager and having spent five years as a member of the insurance control body. In 1996, she joined the AXA Group and set up AXA Private Equity.

Offices and positions held during 2012

Company name		Country	Office
AXA Infrastructure Investissement SAS		France	Chairman, member of the Management Board and of Coordination Committee
AXA Investment Managers Private Equity Europe SA	C	France	Chairman of the Board
AXA Investment Managers Private Equity SA	C	France	Chairman of the Board
AXA Private Equity Asia Pte Ltd		Singapore	Director on the board
AXA Private Equity Eastern Europe GmbH (en cours de liquidation)		Austria	Chairman of the Supervisory Board
AXA Private Equity Germany GmbH		Germany	Chairman of the Supervisory Board
AXA Private Equity Italy Srl		Italy	Chairman of the Board of Directors
AXA Private Equity Switzerland AG		Switzerland	Chairman of the Board of Directors
AXA Private Equity Switzerland Holding AG		Switzerland	Chairman of the Board of Directors
AXA Private Equity US LLC		United States	Chairman of Supervisory Board
AXA Private Equity UK Ltd		United Kingdom	Chairman of the Board of Directors, member of ASF V and AESF V Committees
Compagnie Industriale Reunite SpA	◆	Italy	Director on the board
Escouf Properties Corp.		United States	Chairman
Fondation Valentin Haüy		France	Director on the board
Groupe Bourbon SA	◆	France	Observer of the Supervisory Board
Hewlett-Packard Company	◆	United States	Member of the Supervisory Board (until 21/03/2012)
Matignon Développement 1 SAS		France	Chairman, member of the Management Board and of the Investment Committee (term ended on 24/05/2012)

H Hermès Group company ◆ Listed company **C** Office taken into account in the calculation of multiple offices

DOMINIQUE SENEQUIER (MORE)

Company name		Country	Office
Matignon Développement 2 SAS		France	Chairman, member of the Management Board and of the Investment Committee (term ended 24/05/2012)
Matignon Développement 3 SAS		France	Chairman, member of the Management Board and of the Investment Committee (term ended 24/05/2012)
Matignon Développement 4 SAS		France	Chairman, member of the Management Board and of the Investment Committee (term ended on 24/05/2012)
SCI 30 rue Jacob SCI		France	Executive Manager
Schneider Electric SA	◆ C	France	Supervisory Board Member
SENEQ SA		Belgium	Director
Théâtre des Champs-Élysées SA	C	France	Director
UN Pension Fund		United States	Member of the Investment Committee of the United Nations
Vendôme GSG SARL		France	Executive Manager (term ended on 16/10/2012)

H Hermès Group company ◆ Listed company C Office taken into account in the calculation of multiple offices

Other offices and positions held during the previous four years and ending before 1 January 2012

Chairman of AXA Chile Private Equity I SAS (France), chief executive of AXA Private Equity Funds of Funds Manager II Ltd (Jersey), chief executive of AXA Private Equity Primary Ltd (Jersey), chief executive of AXA Private Equity Secondaries Ltd (Jersey), chief executive of AXA IM Secondaries Associates Management Ltd (Jersey), chief executive of AXA Private Equity SL Management Ltd), Jersey), chief executive of AXA PE Asia Manager Ltd (Jersey), chief executive of AXA IM LBO Management Ltd (Jersey), chief executive of AXA IM LBO Management III Ltd (Jersey), chief executive of AXA IM LBO Management IV Ltd (Jersey), chief executive of AXA Alternative Participations SICAV I (Luxembourg), chief executive of AXA Alternative Participations SICAV II (Luxembourg), member of the Supervisory Board of Groupe Bourbon SA (France), observer of the Supervisory Board de Nakama SA (France), observer of the Conseil de surveillance de Schneider Electric SA (France), Chair of Pikanter 9 SAS (France), Chair of Pikanter 10 SASU (France).

In accordance with legal and regulatory requirements, we hereby present our report for the year ended 31 December 2012.

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 2012.

We recommend that you approve the financial statements.

2. Appropriation of net income

On 11 February 2013, the Executive Management decided to pay an interim dividend of €1.50 per share. This interim dividend was paid on 1 March 2013.

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 €2.50 per share.

After deducting the interim dividend, the balance, or €1.00 per share, would be detached from the shares on 6 June 2013 and payable on 11 June 2013, based on the closing positions on 10 June 2013.

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 2012 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 256 to 259 gives a brief description of agreements and commitments approved during financial year 2012, as well as the ones approved during previous years and that remained in effect during the financial year.

Recommendations, authorisations and other items

In 2012, the Supervisory Board:

– adopted an update of the Supervisory board's rules of procedure;

– decided on the apportionment of directors' fees and compensation payable to the Board members in respect of 2011;

– renewed the global authorisation to the Executive Management to grant endorsements and guarantees on behalf of subsidiaries for 2012, subject to a ceiling;

– authorised a surety commitment in favour of a subsidiary;

– adopted an update of the Stock market ethics charter, reviewed the 2012 calendar of negative windows and a reminder of the responsibility inherent to the fact of holding inside information;

– 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 the terms of certain members of the Supervisory Board;
– provided the Supervisory board's master file to the new members;
– provided the new members with the 2012 calendar of negative windows, and reiterated the responsibility related to the fact of holding inside information;
– reiterated the schedules for the reimbursement of expenses incurred by Board members;
– examined the situation of the Supervisory Board members relative to the objectivity and independence criteria contained in the Supervisory board's rules of procedure;
– recalled the responsibility inherent to the fact of holding inside information as well as the Stock market ethics charter, and reviewed the 2013 calendar of negative windows;
– examined the 2012 budget;
– approved Mr Patrick Thomas' acceptance of a corporate office within a listed company;
– was provided with a presentation of the positioning, missions and organisation of the audit and risk department;
– authorised employee shareholding plans;
– decided on the proposed appropriation of earnings to be submitted to the Combined General Meeting of 29 May 2012;
– approved the wording of the prudential rules applicable by the subsidiaries, together with updated lists of the authorised signatories and banks of Hermès International;
– examined the projected management documents;
– reviewed a report on the strategy seminar;
– approved the modification of article 3 of the articles of association of the Émile Hermès SARL company;
– issued a favourable opinion regarding the renewal of the Hermès Foundation;
– reviewed and/or approved the conclusions of the works of the Compensation, appointments and governance committee relative to:
• the analysis of the individual situation regarding multiple offices of members of the Supervisory board and managers,
• the annual examination intended to identify the Audit committee members having particular skills in the areas of finance or accounting,
• the annual examination of the potential conflict of interest of Supervisory board members,
• the review of the Supervisory board Chairman's report on the corporate governance principles implemented by the company, reporting 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 works, as well as the internal control and risk management procedures existing within the company,
• the verification of the compliance of the Supervisory board members with 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 relative to the appointment / renewal of the Supervisory board members during the Hermès International General meeting on 29 May 2012,
• the update of the Supervisory board's master file,
• the progress of the evolution of the Board's composition,
• the performance conditions for the 15 May 2012 bonus shares allocation plan, applicable to corporate officers,
• the confirmation of the general rule adopted

in January 2008, prohibiting the managers from selling more than 50% of the shares resulting from their stock options or warrants before the end of their term as manager, and to extend it to the shares resulting from the allocations of bonus shares,

• the formal commitment undertaken by Mr Patrick Thomas not to use hedge instruments on the stock options or warrants, or performance shares,

• the decision by Mr Patrick Thomas, on 16 July 2012, to immediately waive his employment contract,

• the many works and marketplace reports relative to governance;

– was provided with a presentation on the strategy for combating counterfeiting;

– was provided with a presentation of Shang-Xia;

– 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 its self-assessment;

– issued a favourable opinion on the resolution submitted to the Combined General Meeting of 29 May 2012 and reviewed the reports prepared by the Executive Management;

– formally noted the summary statement of services provided by Hermès International to Émile Hermès SARL in 2011 and projections for 2012;

– examined the situation of certain equity interests;

– formally noted proposals for acquisitions, disposals and equity investments;

– formally noted proposed investment projects;

In 2012, the Board visited the Cristalleries de Saint-Louis subsidiary, where it was given a presentation of this company's activity and results, as well as a tour of the manufacturing site (cold and hot, golden decoration, paper press workshop). This day ended with a visit to "La Grande Place" the Cristal Saint-Louis museum, that presents a collection that is unique in the world, showcasing the results of the expertise and mastery of the most elaborate decorative techniques of the Cristalleries de Saint-Louis.

4. Recommendations on proposed resolutions submitted to the Combined General Meeting of 4 June 2013

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:

– Mrs Julie Guerrand,

– Mrs Florence Woerth,

– Mr Charles-Éric Bauer ;

◆ appointment to the Supervisory Board:

– Mrs Dominique Senequier to replace Mr Ernest-Antoine Seillière.

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 2012, 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 2012 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.

Paris and Neuilly-sur-Seine, 27 March 2013
The Statutory Auditors

PricewaterhouseCoopers Audit
Christine Bouvry

Didier Kling & Associés
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 2012, 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 2012 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 (Note 1.7 to the consolidated financial statements) and to inventories (Note 1.10 to the consolidated financial statements) and we verified their proper implementation;
– The Group tests for impairment of goodwill on an annual basis according to the methods described in Note 1.8 to the consolidated financial statements. We reviewed the methods used to implement these tests and verified the reasonableness of the estimates made by the Executive Management;
– Note 1.17 to the consolidated financial statements describes the methods used to measure post-employment and other employee benefit obligations. With regard to defined-benefit plans, these obligations have been assessed by independent actuaries. Our work included reviewing the data and assumptions used.
We also verified that the information provided in the notes to the consolidated financial statements on these matters 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.

Paris and Neuilly-sur-Seine, 27 March 2013
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 25 January 2012, the Supervisory Board renewed the authorisation given to the Executive Management to grant endorsements and guarantees during 2012 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.

• At its meeting of 25 January 2012, the Supervisory Board granted a guarantee to Hermès Cuirs Précieux in connection with an acquisition and covering the performance by Hermès Cuirs Précieux of all its contractual obligations.

• At its meeting of 24 October 2012, the Supervisory Board granted a joint and several guarantee to Floris Estate on behalf of its subsidiary John Lobb in connection with the renewal of the lease of the John Lobb store premises, located in London, for an additional ten years for a maximum amount of GBP 700,000 plus VAT (the equivalent of five years' rent) and for the entire term of the lease (until 9 March 2022), and covering the performance by John Lobb of all its obligations as tenant under that lease.

No guarantees granted within the framework of these authorisations were called upon in 2012.

b) Agreements entered into in connection with the joint venture Faubourg Italia

At its meeting of 27 June 2012, the Supervisory Board authorised the following agreements entered into by Hermès International or Faubourg Italia in connection with the creation of this joint venture (Faubourg Italia) with Dédar:

• trademark licence agreement between Hermès International and Faubourg Italia for the payment of royalties totalling €58,467 in respect of 2012;

• service agreement between Dédar and Faubourg Italia;

• design and model licence agreement between Hermès Sellier and Faubourg Italia;

• exclusive distribution agreement between Faubourg Italia and Dédar;

• exclusive distribution agreement between Hermès Sellier and Faubourg Italia.

c) Amendments to the service agreement entered into with Émile Hermès SARL

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. Amendments to the service agreement were signed by Hermès International and Émile Hermès SARL in 2012. At its meetings of 25 January 2012 and 30 August 2012, the Supervisory Board authorised two amendments to this agreement to alter the price of the secretarial services and to provide for share ownership monitoring. Hermès International billed €368,826 for services provided under the terms of this agreement in respect of 2012.

d) Sale of the trademarks held and operated by La Table Hermès

At its meeting of 14 November 2012, the Supervisory Board authorised the sale of the trademarks held and operated by La Table Hermès by Compagnie des Arts de la Table to Hermès International in connection with the reorganisation of the "IdEntités" Tableware sector in order to regroup the management of all Hermès trademarks within Hermès International. Hermès International paid a purchase price of €149,988 for this acquisition in 2012.

e) Amendment to the trademark licence agreement with Compagnie des Arts de la Table

At its meeting of 14 November 2012, the Supervisory Board amended the existing trademark licence between Compagnie des Arts de la Table and Hermès International with a view to rounding out the list of trademarks. The total amount of royalties paid in respect of this agreement in 2012 is indicated below in section II.a.

f) Top-up pension scheme granted to an executive corporate officer

Patrick Thomas benefits from a top-up pension scheme. At its meeting of 21 March 2012, the Supervisory Board authorised Hermès International to limit the payments due under this pension scheme, as described in section II.e, to eight times the annual French social security ceiling, thus modifying the payment of the top-up pension scheme. A new 30% tax, paid by the employer, is applied to any amount above this limit.

g) Patrick Thomas' employment contract

On 16 July 2012, in order to comply with the AFEP-MEDEF Code of Corporate Governance, Patrick Thomas decided to abandon his employment contract with immediate effect, which was automatically suspended in September 2004 when he was appointed to the position of Executive Chairman of Hermès International. This decision was authorised by the Supervisory Board at its meeting of 30 August 2012.

II. Agreements and commitments already approved by the Annual General Meeting

Agreements and commitments approved in previous years which were implemented 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) Trademark licence agreements

Trademark licence agreements were signed by Hermès International and Hermès Sellier, Hermès Horizons, Comptoir Nouveau de la Parfumerie and Compagnie des Arts de la Table. These licence agreements were replaced by amended agreements authorised by the Supervisory Board at its meetings on 26 January 2011 and 30 August 2011.

The licence agreements in effect provide for the following terms and royalties:

Company	**Term**	**Royalties paid in respect of 2012**
Hermès Sellier	Ten-year term as of 1 January 2007	€65,952,706
La Montre Hermès	Ten-year term as of 1 October 2006	€5,196,880
Compagnie des Arts de la Table	Ten-year term as of 1 January 2007	€978,121
Comptoir Nouveau de la Parfumerie	Ten-year term as of 1 January 2007	€8,323,972
Hermès Horizons	Ten-year term as of 1 January 2008	€51,393

b) 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 €100,000 to all committee members in consideration for the performance of their duties in respect of 2012.

c) Design assignment agreement
At its meeting of 20 March 2003 and 15 September 2004, the Supervisory Board authorised an agreement and its amendment between Hermès International and the architectural firm RDAI to undertake an assignment to design Hermès stores. Hermès International paid €35,704 in fees in connection with this agreement in respect of 2012.

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 its meeting of 26 January 2005, the Supervisory Board 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.
• At its meeting of 23 September 1998, the Supervisory Board authorised a guarantee granted 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.
• 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 its meeting of 25 May 1998, the Supervisory Board 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 1,095,542 (€9,769) was billed in respect of 2012.
• At its meeting of 23 September 1999, the Supervisory Board 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 516,667 (€4,607) was billed in respect of 2012.
• 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.
• At its meeting of 16 November 2011, the Supervisory Board authorised a guarantee granted 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.

No guarantees granted were called upon in 2012.

e) 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.

f) 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. In addition, in order to take into account changes in the legal and regulatory environment since 2003, it was decided to introduce 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.

g) Approval of the 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.

h) Employment contract for a Supervisory Board member

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.

Paris and Neuilly-sur-Seine, 27 March 2013
The Statutory Auditors

PricewaterhouseCoopers Audit
Christine Bouvry

Didier Kling & Associés
Christophe Bonte

Statutory Auditors' report, prepared in accordance with Article L.226-10-1 of the French Commercial Code 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 your Company in accordance with the aforementioned article of the French Commercial Code for the year ended 31 December 2012.

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.

Paris and Neuilly-sur-Seine, 27 March 2013
The Statutory Auditors

PricewaterhouseCoopers Audit
Christine Bouvry

Didier Kling & Associés
Christophe Bonte

Statutory Auditors' report on the share capital decrease by cancellation of shares purchased by the Company (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 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 eleventh 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, 27 March 2013
The Statutory Auditors

PricewaterhouseCoopers Audit
Christine Bouvry

Didier Kling & Associés
Christophe Bonte

Statutory Auditors' report on the issue of shares and other securities with or without pre-emptive subscription rights (fifteenth and sixteenth resolutions)

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 228-92 and L 225-135 et seq. of the French Commercial Code (*Code de commerce*), we hereby present our report to you on the proposed delegation of authority to the Executive Management to issue shares and/or other securities, which is submitted for your approval.

Your Executive Management proposes, under the supervision of the Supervisory Board of your Company and the Management Board of Émile Hermès SARL, Active Partner, and based on its report and the report of the Supervisory Board, that you delegate to it for a period of 26 months, the authority to decide on the following transactions and to set the final terms and conditions of the related issues, and asks that you waive your pre-emptive subscription rights, as necessary:

– Issue of shares and/or other securities giving access immediately and/or in the future to shares in the Company with pre-emptive subscription rights (fifteenth resolution);

– Issue of shares and/or securities giving access immediately and/or in the future to shares in the Company, without pre-emptive subscription rights, through a public offer (sixteenth resolution), it being specified that these securities may be issued for the purpose of paying for shares that may be transferred to the Company under a public exchange offer for the shares of a company, under the terms and conditions set forth in Article L 225-148 of the French Commercial Code, or the issue of shares following the issuance by a company in which the Company directly or indirectly holds more than half of the share capital, of securities granting rights to equity in the Company under the terms and conditions set forth in Article L 228-93 of the French Commercial Code.

The overall nominal value of potential capital increases likely to be carried out, immediately and/or in the future, pursuant to the fifteenth, sixteenth and seventeenth resolutions, may not exceed 20% of the share capital as of the date of this Meeting. The maximum nominal value of debt securities to be issued, pursuant to the fifteenth and sixteenth resolutions, may not exceed 20% of the share capital as of the date of this Meeting.

It is your Executive Management's responsibility to draw up a report in accordance with Articles R 225-113 et seq. of the French Commercial Code. It is our responsibility to express an opinion on the fairness of the financial information taken from the financial statements, on the proposal to waive your pre-emptive subscription rights and on certain other information relating to these transactions, provided in the Executive Management's report.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying the information disclosed in the Executive Management's report pertaining to these transactions and the methods used to set the issue price of the securities to be issued.

Subject to subsequent review of the terms and conditions of the proposed issues, we have no comment to make on the methods used to set the issue price of the securities to be issued pursuant to the sixteenth resolution and described in the Executive Management's report.

As the report does not set out the methods used to set the issue price of the securities to be issued under the authorisation conferred by the fifteenth resolution, we cannot express an opinion on the choice of the items used to calculate this issue price.

We do not express an opinion on the final terms and conditions under which the issues will be carried out as they have not yet been determined, or on the proposal to cancel your pre-emptive subscription rights submitted to you in the sixteenth resolution.

In accordance with Article 225-116 of the French Commercial Code, we will prepare an additional report if and when your Executive Management makes use of these delegations of authority to carry out issues of securities giving access to shares in the Company and without pre-emptive subscription rights.

Paris and Neuilly-sur-Seine, 27 March 2013
The Statutory Auditors

PricewaterhouseCoopers Audit
Christine Bouvry

Didier Kling & Associés
Christophe Bonte

Statutory Auditors' report on the issue of ordinary shares and/or securities, giving access to the Company's share capital, reserved for members of an employee share ownership plan (seventeenth 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 228-92 and L 225-135 et seq. of the French Commercial Code (*Code de commerce*), we hereby present to you our report on the proposed delegation of authority to the Executive Management to increase the share capital, on one or more occasions, by issuing shares or securities giving access to the share capital, without pre-emptive subscription rights, reserved for employees who are members of one or several company or group employee stock ownership plans that may be implemented within the Company and the French or foreign entities included in the Company's scope of consolidation, pursuant to Article L 3344-1 of the French Labour Code (*Code du travail*) for a maximum amount equal to 1% of the share capital of the Company as of the date of this General Meeting. You are asked to vote on this resolution.

This capital increase is submitted to you for approval pursuant to the provisions of Article L 225-129-6 of the French Commercial Code and Articles L 3332-18 et seq. of the French Labour Code.

On the basis of its report, your Executive Management proposes that you grant it the authority, for a period of 26 months, to carry out one or more share issues and that you waive your pre-emptive rights to subscribe to any such share issues.

Your Executive Management would be responsible for setting the final terms and conditions of this transaction.

It is your Executive Management's responsibility to prepare a report, in accordance with Articles R 225-113 et seq. of the French Commercial Code. It is our responsibility to express an opinion on the fairness of the financial information taken from the financial statements, on the proposal to waive your pre-emptive subscription rights and on certain other information relating to the issue, which we provide in the Executive Management's report.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying the information disclosed in the Executive Management's report pertaining to the transaction and the methods used to set the issue price of the securities to be issued.

Subject to subsequent review of the terms and conditions of each share issue that the Executive Management may decide to carry out pursuant to this authority, we have no comment to make on the methods used to set the issue price of the securities to be issued described in the Executive Management's report.

We do not express an opinion on the final terms and conditions under which the issue will be carried out as they have not yet been determined, or on the proposal to waive your pre-emptive subscription rights.

In accordance with Article R 225-116 of the French Commercial Code, we will prepare an additional report if and when the Executive Management uses this delegation.

Paris and Neuilly-sur-Seine, 27 March 2013
The Statutory Auditors

PricewaterhouseCoopers Audit
Christine Bouvry

Didier Kling & Associés
Christophe Bonte

Statutory Auditors' report on the authorisation to grant share purchase options (eighteenth 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 employees and corporate officers of Hermès International and all or some of 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 nineteenth 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.

Paris and Neuilly-sur-Seine, 27 March 2013
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 (nineteenth 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 employees and/or corporate officers of Hermès International and all or some of 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 eighteenth 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.

Paris and Neuilly-sur-Seine, 27 March 2013
The Statutory Auditors

PricewaterhouseCoopers Audit Christine Bouvry	Didier Kling & Associés Christophe Bonte

Resolutions submitted to the combined General Meeting of 4 June 2013

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 2012, 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 €179,148 for the year ended 31 December 2012

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 2012, approves the consolidated financial statements as presented, as well as the transactions they reflect.

Third resolution

Discharge of executive Management

Consequently, the General Meeting gives the executive Management final discharge for its management of the Company during the year commencing on 1 January 2012 and ending on 31 December 2012.

Fourth resolution

Appropriation of net income – Dividend distribution

The Ordinary General Meeting notes that net income for the year amounted to €542,857,816.05 and retained earnings to €477,427,201.99, and having duly noted that the legal reserve has been reached in totality, approves the appropriation of these sums totalling €1,020,285,018.41 as distributable profits, as proposed by the Supervisory Board:

- to the reserve for purchasing original works of art: €259,308.00,
- to the Actives Partners, pursuant to Article 26 of the Company's articles of association: €3,637,147.37;
- to shareholders, an "ordinary" dividend of €2.50 per share, totalling: €263,923,530.00;
- to retained earnings, the balance of: €752,465,033.04;
- **total amount** appropriated: ..... €1,020,285,018.41.

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 2013), which amounts to €1.00 which will be detached from the shares on 6 June 2013 and be payable in cash on 11 June 2013 based on closing positions on the evening of 10 June 2013.

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	2011	2010	2009
Ordinary dividend	2.00	1.50	1.05
Exceptional dividend	5.00	–	–
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 2012.

Sixth resolution

Re-election of Mrs Julie Guerrand as Supervisory Board member for a term of three years

On the recommendation of the Active Partner, the General Meeting re-elects

Mrs Julie Guerrand.

as Supervisory Board member.

Pursuant to Article 18.2 of the articles of association, her 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 2015.

Mrs Julie Guerrand has indicated that she is prepared to accept this appointment and that she is not legally prohibited from doing so in any manner whatsoever.

Seventh resolution

Re-election of Mrs Florence Woerth as Supervisory Board member for a term of three years

On the recommendation of the Active Partner, the General Meeting re-elects

Mrs Florence Woerth.

as Supervisory Board member.

Pursuant to Article 18.2 of the articles of association, her 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 2015.

Mrs Florence Woerth has indicated that she is prepared to accept this appointment and that she is not legally prohibited from doing so in any manner whatsoever.

Eighth resolution

Re-election of Mr Charles-Éric Bauer as Supervisory Board member for a term of three years

On the recommendation of the Active Partner, the General Meeting re-elects

Mr Charles-Éric Bauer.

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 2015.

Mr Charles-Éric Bauer 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 Mrs Dominique Senequier as a new Supervisory Board member for a term of three years

On the recommendation of the Active Partner, the Annual General Meeting elected

Mrs Dominique Senequier

as Supervisory Board member for the standard term of office of three years, replacing Mr Ernest-Antoine Seillière who is at the end of his term and who is not seeking a new term.

Her 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 2015.

Mrs Dominique Senequier has indicated that she is prepared to accept this appointment and that she is not legally prohibited from doing so in any manner whatsoever.

Tenth resolution

Supervisory board fees and remunerations

The General Shareholders' Meeting fixes the total fees and remunerations to be allocated to the members of the Supervisory Board and the members of committees created within it at €480,000 for each financial year beginning from 1 January 2013 until it is decided otherwise

Eleventh 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 neutralize 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 tenth resolution adopted by the Combined General Meeting of 29 May 2012 and cancels the unused portion of that authorisation.

Twelfth 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

Thirteenth 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 eleventh 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 twelfth resolution adopted by the Combined General Meeting of 29 May 2011 and cancels the unused portion of that authorisation.

Fourteenth resolution

Delegation of authority to the executive Management in order to increase the capital by capitalisation of reserves, profits and/or premiums and free share distribution and/or increase of the par value of existing shares

The General Meeting, voting pursuant to articles L 225-129-2 and L 125-130 of the *Code du Commerce*, under the quorum and majority conditions required for ordinary general meetings, having reviewed the Management report and the Supervisory Board report:

1) delegates to the executive Management, under the control of the Supervisory Board and the Management Board of the Émile Hermès SARL company, Active Partner, the competence to increase the share capital on one or more occasions, at times and under provisions determined by it, through successive or simultaneous capitalisation of all or part of the reserves, profits, share, merger or contribution premiums, to carry out the creation and free share distribution or by increasing the par value of the shares or by the joint use of these two procedures;

2) decides that for the free share distribution, those of these shares appropriated with regard to older shares having a double voting right will benefit from this right as of their issue;

3) delegates the power to make decisions, for free share distribution, to the executive Management.

- that the rights resulting in share fractions will not be negotiable and that the corresponding shares will be sold; the amount resulting from the sale will be appropriated to the holders of the rights under the conditions of the legal and regulatory provisions;
- to carry out all adjustments intended to take into account the incidence of transactions on the company capital, notably involving the modification of the par value of the shares, capital increase by capitalisation of reserves, free share distribution, split or grouping of securities, distribution of reserves or of any other assets, impairment of the capital, or any other transaction involving the shareholders equity, and to determine the provisions, as appropriate, intended to ensure the preservation of the rights of the holders of marketable securities providing access to the capital;

4) decides that the nominal amount of the capital increase likely to be carried out immediately and/or in the future as a result of the present delegation cannot be more than 20% of the share capital on the date of the present meeting, with capital increase performed in accordance with the present delegation not being applied against the ceiling indicated in paragraph 2 of the fifteenth resolution;

5) entrusts the executive Management with the broadest possible powers in order to implement the present delegation and notably to determine the dates and methods of the capital increase, to determine the conditions for issues and/or the amount by which the par value of existing shares will be increased, and more generally to take all provisions in order to bring this to completion, to carry out all actions and procedures such as to ensure that the corresponding capital increase become definitive, and to make the corresponding modifications to the articles of association;

6) entrusts the executive Management with all powers in order to request the admission to trading on a regulated market for the shares created as part of the present resolution, wherever it recommends;

7) decides that the present delegation entrusted to the executive Management is valid for a period of twenty-six months from the present meeting. This delegation cancels and replaces the delegation provided by the Combined General Meeting on 30 May 2011 in its twenty-fourth resolution, for the remaining term and for the unused fraction.

Fifteenth resolution

Delegation of authority to the executive Management in order to decide on the increase of the share capital by issuing shares or any other marketable securities providing access to the capital while maintaining the pre-emptive subscription right.

The General Meeting, voting under the quorum and majority conditions of an extraordinary general meeting, having reviewed the Management report, the Supervisory board report and the Statutory auditors' report, prepared in compliance with the law and pursuant to the provisions of articles L 225-129-2, L 225-132 et seq and L 228- 91 et seq of the *Code du Commerce*:

1) delegates to the Executive Management, under the control of the company's Supervisory board and of the Management Board of the Émile Hermès SARL company, Active Partner, the competence to decide on a capital increase, on one or more occasions, in proportion and at periods determined by it, whether in France or abroad and/or in the international market, either in euros or in any other currency or monetary unit established with reference to several currencies, while maintaining the pre-emptive subscription right, by means of issuing: a) new company shares issued free of charge or against payment and that are to be paid up in cash or by offsetting with liquid and payable receivables on the company, with or without an issue premium, b) marketable securities of any nature whatsoever that are compatible with the legal provisions – including if these marketable securities are issued in application of article L. 228-92 of the *Code du Commerce* – and that provide immediate and/or future access to company shares issued free of charge or against payment and that are to be paid up in cash or by offsetting with liquid and payable receivables on the company;

2) decides that the nominal amount of the capital increase likely to be carried out immediately and/or in the future pursuant to the present delegation, cannot be greater than 20% of the share capital on the date of the present meeting, with this ceiling being common to all capital increase performed pursuant to the present delegation and the delegation granted in the sixteenth and seventeenth resolutions, or the equivalent of this amount for issue in foreign currency or in units of account determined with reference to several currencies, with this amount being increased, as appropriate, by the nominal amount of the additional shares having to be issued in order to maintain the rights of the holders of marketable securities that provide access to shares, in compliance with the legal and regulatory provisions or, as appropriate, with the contractual provisions resulting in other adjustment cases;

3) further decides that the maximum nominal amount of the debt instruments possibly issued pursuant to the present delegation cannot be greater than 20% of the share capital on the date of the present meeting, with this ceiling being common to all issues performed pursuant to the present delegation and the delegation granted in the sixteenth resolution, while the debt instruments can be issued in euros, in foreign currencies or in units of account determined with reference to several currencies;

4) decides that, in the event of a subscription offer, shareholders can exercise, under the conditions set down by law, their pre-emptive subscription right, bearing in mind that the executive Management will have the right to provide the shareholders with free subscription for a number of marketable securities in addition to the ones for which they could subscribe on a pre-emptive basis, in proportion with the subscription rights that they hold and, in any event, within the limits of their request;

5) decides that, if the subscriptions on a pre-emptive basis and, as appropriate, on a free subscription basis have not accounted for the entire issue of marketable securities, the executive Management can, in the order that it considers advisable, use one and/or the other of the possibilities provided by the legal and regulatory provisions then in effect, including a public offering for all or some of the unsubscribed securities;

6) decides that the issue of company stock warrants in application of article L 228- 91 of the *Code du Commerce* can take place either through a subscription offer under the conditions indicated above, or by free share distribution to the owners of existing shares. For share warrant distribution, the executive Management will have the right to decide that the allocation rights resulting in share fractions will not be negotiable and that the corresponding warrants will be sold, with the sums resulting from the sale being appropriated to the holders of the rights under the conditions of the legal and regulatory provisions applicable at the time;

7) determines and decides that, insofar as necessary and as appropriate, the above-mentioned delegation

automatically includes, relative to the holders of marketable securities providing access to company shares that are likely to be issued, a waiver by the shareholders of their pre-emptive subscription right to the shares that will be issued upon presentation of these marketable securities;

8) decides that the sum obtained or that will be obtained by the company for each of the shares issued as part of the present delegation, after taking into account – in the event of the issue of stand-alone warrants – the issue price of the said warrants, will in any event be at least equal to the par value of the share or the quota of the capital that it represents;

9) decides, with regard to marketable securities providing access to the capital, having reviewed the Management report, that the subscription price for such securities will be determined by the Executive Management on the basis of the value of the company's shares as defined in paragraph 8 above;

10) entrusts the executive Management with the broadest possible powers for implementing the present delegation, notably for the purposes of:

◆ determining the dates and methods for the issues as well as the form and characteristics of the marketable securities that will be created, determining the issue conditions and prices, and determining the amounts to be issued;

◆ determining the date of first entitlement, with or without retroactive effect, of the shares to be issued and, as appropriate, the conditions for their redemption, and suspending, as appropriate, the exercise of the rights to receive shares to be issued with a timeframe of no more than three months,

◆ determining the methods that will ensure, as appropriate, the preservation of the rights of the holders of marketable securities providing future access to the share capital, in compliance with the legal and regulatory provisions,

◆ generally taking all relevant steps, carrying out all necessary procedures and signing all agreements in order to bring the planned issues to successful completion, recognising the capital increase(s) resulting from any issue carried out through the use of the present delegation, and accordingly modifying the articles of association;

11) decides that in the event of the issue of debt instruments, the executive Management will have all powers to determine their characteristics and notably to decide if they are subordinate or not, to determine their interest rate, term, fixed or variable redemption price with or without a premium, the impairment provisions according to market conditions, the conditions under which these securities will provide rights to company shares and to modify, during the lifespan of the securities in question, the methods indicated above pursuant to the applicable procedures;

12) decides that the executive Management can also apply the issue costs for the shares and marketable securities against the amount of the premiums related to the capital increase, and draw from these premiums the amounts needed to increase the legal reserve to one-tenth of the amount of the capital resulting from these increases;

13) entrusts the executive Management with all powers in order to request the admission to trading on a regulated market for the shares created as part of the present resolution, wherever it recommends;

14) decides that the present delegation entrusted to the executive Management is valid for a period of twenty-six months from the present meeting. This delegation cancels and replaces the delegation provided by the Combined General Meeting on 30 May 2011 in its twenty-fifth resolution, for the remaining term and for the unused fraction.

Sixteenth resolution

Delegation of authority to the executive Management in order to decide on the increase of the share capital by issuing of shares or of any other marketable securities providing access to the capital while cancelling the pre-emptive subscription right but with the possibility of establishing a priority timeframe.

The General Meeting, voting under the quorum and majority conditions of an extraordinary general meeting, having reviewed the Management report, the Supervisory board report and the Statutory auditors' report, prepared in compliance with the law and pursuant to the provisions of articles L 225-129-2, L 225-135 and L 228- 92 of the *Code du Commerce*:

1) delegates to the executive Management, under the control of the company's Supervisory board and of the Management Board of the Émile Hermès SARL company, Active Partner, the competence to decide on a capital increase while cancelling the pre-emptive subscription right and by public investment, on one or more occasions, in proportions and at times determined by it, whether in France or abroad and/or in the international market, either in euros or in any other currency or monetary unit established with reference to several currencies, by means of issuing:
a) new company shares issued free of charge or against payment and that are to be paid up in cash or by offsetting with liquid and payable receivables on the company, with or without an issue premium, b) marketable securities of any nature whatsoever that are compatible with the legal provisions – including if these marketable securities are issued in application of article L. 228-92 of the *Code du Commerce* – and that provide immediate and/or future access to company shares issued free of charge or against payment and that are to be paid up in cash or by offsetting with liquid and payable receivables on the company;
2) decides that these issues can also be carried out:
◆ in order to compensate for securities contributed to the company as part of a public exchange offer involving the securities of a company, including all marketable securities issued by the said company, under the conditions contained in article L. 225-148 of the *Code du Commerce*,
◆ after the issue, by one of the companies in which the company directly or indirectly holds more than half of the share capital, of marketable securities providing access to the company's capital under the conditions contained in article L. 228-93 of the *Code du Commerce*,
3) decides to cancel, as part of the present delegation, the pre-emptive subscription right of the shareholders to the marketable securities that will be issued, with the understanding that the executive Management can provide the shareholders with a priority subscription right to all or part of the issue, during the timeframe and under the conditions that it determines pursuant to the legal and regulatory provisions. This priority subscription will not result in the creation of negotiable rights, but can, if the executive Management considers this advisable, be exercised on a pre-emptive or free subscription basis. Any securities not subscribed by means of this right can be subject to public investment;
4) decides that the nominal amount of the capital increase likely to be carried out immediately and/or in the future pursuant to the present delegation, cannot be greater than 20% of the share capital on the date of the present meeting, with the capital increase carried out in compliance with the present delegation being applied against the ceiling indicated in paragraph 2 of the fifteenth resolution, or the equivalent of this amount in the event of issue in foreign currency or in units of account determined with reference to several currencies, with this amount being increased, as appropriate, by the nominal amount of the additional shares having to be issued in order to maintain the rights of the holders of marketable securities that provide access to shares, in compliance with the legal and regulatory provisions or, as appropriate, with the contractual provisions resulting in other adjustment cases;
5) further decides that the maximum nominal amount of the debt instruments possibly issued pursuant to the present delegation cannot be greater than 20% of the share capital on the date of the present meeting, with the amount of the issues pursuant to the present delegation being applied against the ceiling indicated in paragraph 3 of the fifteenth resolution, while the debt instruments can be issued in euros, in foreign currencies or in units of account determined with reference to several currencies;
6) determines and decide that, insofar as necessary and as appropriate, the above-mentioned delegation automatically includes, relative to the holders of marketable securities providing access to possibly issued company shares, a waiver by the shareholders of their pre-emptive subscription right to the shares that will be issued upon presentation of these marketable securities;
7) decides that, in the event of an immediate or future issue of shares, the issue price for each of the shares issued pursuant to the present delegation will at least be equal to the minimum amount required by the laws and regulations in effect at the time of the delegation's usage, possibly decreased by a maximum discount of 5% in accordance with the law, and that the issue price of marketable securities providing access to the capital will be such that the sum immediately collected by the company, increased as appropriate by the sum likely to be collected by it at a later time, will be at least equal, for each share issued subsequent to the issue of these other marketable securities, equal to the minimum issue price defined in the present sub-paragraph;

8) decides that if the subscriptions by shareholders and the public have not accounted for an entire issue of marketable securities, the executive Management can use, in the order that it determines, one or the other of the following possibilities:

◆ limiting the issue to the amount of the subscriptions under the conditions set down by the law in effect at the time of the present delegation's usage;

◆ freely distributing all or part of the unsubscribed securities between the persons of its choosing;

9) entrusts the executive Management with the broadest possible powers for implementing the present delegation, notably for the purposes of:

◆ determining the dates and methods for the issues as well as the form and characteristics of the marketable securities that will be created, determining the issue conditions and prices, and determining the amounts to be issued;

◆ determining the date of first entitlement, with or without retroactive effect, of the shares to be issued and, as appropriate, the conditions for their redemption, and suspending, as appropriate, the exercise of the rights to receive shares to be issued with a timeframe of no more than three months,

◆ determining the methods that will ensure, as appropriate, the preservation of the rights of the holders of marketable securities providing future access to the share capital, in compliance with the legal and regulatory provisions,

◆ generally taking all relevant steps, carrying out all necessary procedures and signing all agreements in order to bring the planned issues to successful completion, recognising the capital increase(s) resulting from any issue carried out through the use of the present delegation, and accordingly modifying the articles of association;

11) decides that in the event of the issue of debt instruments, the executive Management will have all powers to determine their characteristics and notably to decide if they are subordinate or not, to determine their interest rate, term, fixed or variable redemption price with or without a premium, the impairment provisions according to market conditions, the conditions under which these securities will provide rights to company shares and to modify, during the lifespan of the securities in question, the methods indicated above pursuant to the applicable procedures;

12) decides that the executive Management can also apply the issue costs for the shares and marketable securities against the amount of the premiums related to the capital increase, and draw from these premiums the amounts needed to increase the legal reserve to one-tenth of the amount of the capital resulting from these increases;

13) entrusts the executive Management with all powers in order to request the admission to trading on a regulated market for the shares created as part of the present resolution, wherever it recommends;

14) decides that the present delegation entrusted to the executive Management is valid for a period of twenty-six months from the present meeting. This delegation cancels and replaces the delegation provided by the Combined General Meeting on 30 May 2011 in its twenty-sixth resolution, for the remaining term and for the unused fraction.

Seventeenth resolution

Delegation of authority for the executive Management in order to carry out capital increase for the benefit of members of a company savings plan with cancellation of the pre-emptive subscription right.

The General Meeting, voting under the quorum and majority conditions of an extraordinary general meeting, having reviewed the Management report and the Statutory auditors' special report, in compliance with the legal provisions, and notably with articles L 225-129 to L 225-129-6 and L 225-138-1 of the *Code du Commerce* and L 3332-1 et seq of the *Code du Travail*:

◆ delegates to the executive Management, with the possibility of sub-delegating to any person authorised by law, the competence to decide to increase the share capital on one or more occasions and solely on the basis of this person's decisions, as appropriate in separate instalments, within the limit of one percent of the share capital on the date of the present meeting (without considering the consequences on the capital amount of adjustments made in order to protect the holders of rights attached to marketable securities providing access to the capital), through the issue of shares or marketable securities providing access to the company capital that are reserved for members of one or more company or group savings plans that might be set up within the group consisting of the company and the French or foreign companies included in the scope of consolidation of the company's financial statements in application of article L. 3344-1 of the *Code du Travail*;

◆ decides that the amount of the capital increase resulting from the present delegation will be applied against the ceiling indicated in paragraph 2 of the fifteenth resolution;

◆ decides that the present delegation results in the cancellation of the pre-emptive subscription right of the shareholders for the benefit of the said company or group savings plan members, relative to the equity securities and marketable securities issued pursuant to the present resolution, and in a waiver of their pre-emptive subscription right to the shares to which the marketable securities issued on the basis of the present delegation could provide a right;

◆ decides, in application of article L 3332-19 of the *Code du Travail*, to set a discount of 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 that determines the opening date of the subscriptions. However, the Meeting authorises the executive Management to replace all or part of the discount with the free share distribution or marketable securities providing access to the company capital, to reduce or not grant a discount, and to do so within the legal or regulatory limits;

◆ decides that the executive Management can, using the authorisation provided in the nineteenth resolution, and within the limits established by article L 3332-19 of the *Code du Travail*, carry out the free share distribution or marketable securities providing access to the company capital as part of the additional employee contribution;

◆ decides that the present authorisation will be valid for twenty-six months from the present date;

◆ grants the broadest possible powers to the executive Management, with the right to sub-delegate, in order to implement the present delegation and notably:

– to determine all of the conditions and methods for the future transaction(s),

– to determine the conditions and methods for the issues performed pursuant to the present authorisation, notably deciding on the amounts proposed for subscription, determining, under the legal conditions, the list of companies whose company savings plan members can subscribe to the issued shares or marketable securities providing access to the capital, deciding that the subscriptions can be carried out directly or through employee investment funds or other structures or entities allowed by the applicable legal or regulatory provisions, determining the conditions, notably with regard to seniority, which will have to be met by the beneficiaries of the capital increase, determining the issue prices, dates, timeframes, methods and conditions for the subscription, payment in full, issue and entitlement of the shares or marketable securities providing access to the company capital,

– for the free share distribution or marketable securities providing access to the capital, to determine the number of issued shares or marketable securities providing access to the capital, the number to be appropriated to each beneficiary, and to determine the dates, timeframes, methods and conditions for the allocation of these shares or marketable securities providing access to the capital, within the applicable legal and regulatory provisions, and notably to choose to totally or partially replace the allocation of these shares or marketable securities providing access to the capital with the discounts indicated above, or to apply the equivalent of these shares against the total amount of the additional employee contribution, or to combine these two possibilities;

– to charge, based solely on these decisions and after each capital increase, the expenses for the capital increase against the amount of the related premiums and to draw from this amount any sums necessary in order to increase the legal reserve to one-tenth of the new capital,

– to carry out all actions and procedures required in order to carry out and recognise the capital increase(s) performed pursuant to the present authorisation, notably to modify the articles of association accordingly and, more generally, to do whatever is necessary.

This delegation cancels and replaces the delegation provided by the Combined General Meeting on 30 May 2011 in its twenty-seventh resolution, for the remaining term and for the unused fraction.

Eighteenth resolution

Authorisation to the Executive Management to grant share purchase optionss

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 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 nineteenth 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 paragraph 4 of Articles L 225-177 and paragraph 2 of L 225-179 of the *Code de Commerce*; it shall be equal at least to the average quoted price of the shares on the stock exchange during the last twenty trading days preceding the option grant date, without being less than 80% of the average stock purchase price of the shares held by the Company as purchases carried out under the conditions provided for in articles L.225-208 and L.225-209 of the said Code.

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.
- decides that, in accordance with the AFEP/MEDEF corporate governance code, which the Company has adopted, the stock options granted shall be contingent upon meeting performance criteria defined at the time of the grant.

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.

Nineteenth 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 eleventh 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, and that the executive Management may waive the said holding period 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*.

◆ 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 months from the date of this meeting.
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;
- decides that, in accordance with the AFEP/MEDEF corporate governance code, which the Company has adopted, the free shares granted shall be contingent upon meeting performance criteria defined at the time of the grant.

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.

Twentieth resolution

Amendment of the articles of association to enable the provisional appointment of a third executive Chairman by the Active Partner
The extraordinary General Meeting, having heard the Management Report and the Supervisory Board's report, decides to provisionally amend Article 15.1 of the articles of association in the following way:

A third paragraph is added to Article 15.1 that reads: *"Provisionally and by special dispensation to the first paragraph of the present article, the Company shall be administered by three executive Chairmen, Mr Patrick Thomas maintaining his capacity as executive Chairman notwithstanding the appointment of a third executive Chairman in the person of Mr Axel Dumas. Since Mr Patrick Thomas's term shall end under the conditions provided for in Article 15.3, the present paragraph shall cease to apply and shall be revoked automatically and as of right from the Articles of Association by the executive Management. The first paragraph of the present article shall again govern the constitution of the executive Management."*

Twenty-first 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 29 May 2012)

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 Annual General Meeting held on 29 May 2012 imposed regular form on equity interests above the threshold of 0.5%; 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 organization 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).
> The proposal is put to the Annual General Meeting of 4 June 2013 for the provisional appointment of a third executive Chairman in the person of Mr Axel Dumas by the Active Partner, in order to prepare for the succession of Mr Patrick Thomas as shown on page 248.

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 76 to 79).

18 - SUPERVISORY BOARD

> The composition of the Supervisory Board is described in the report from the Chairman of the Supervisory Board (page 21).

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 21).

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 2012 is presented on page 251.

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 16 April 2013
The executive Management

Patrick Thomas

Henri-Louis Bauer
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.
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.
28, avenue Hoche
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.

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 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.

– in respect of the year ended 31 December 2011: consolidated financial statements, parent company financial statements and Statutory Auditors' reports thereon, presented in the Shelf-Registration document filed with the AMF on 12 April 2012 under reference number D12-0331, on pages 133-191, 193-217, 232 and 233, 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).
Items that are not applicable to Hermès International are marked "n/a".

Volume	Page	Heading in Annex 1 of Regulation EC 809/2004
		1. PERSONS RESPONSIBLE
2	291	1.1. Persons responsible for information contained in the registration document
2	291	1.2. Declaration by persons responsible for the registration document
		2. STATUTORY AUDITORS
2	292	2.1. Name and address of the Company's auditors
2	292	2.2. Names of auditors that have resigned, been removed or not been reappointed during the period covered
1	**20-23, 28-29**	**3. SELECTED FINANCIAL INFORMATION**
1	**96-97, 101-104**	
1	**93-95**	**4. RISK FACTORS**
2	**183-193**	
		5. INFORMATION ABOUT THE ISSUER
		5.1. History and development of the Company
2	11	5.1.1. Legal and commercial name of the Company
2	11	5.1.2. Place of registration and registration number of the Company
2	11, 282	5.1.3. Date of incorporation and length of life of the Company
2	11, 282	5.1.4. Domicile and legal form of the Company, legislation under which the Company operates, country of incorporation, address and telephone number of its registered office
1	15-19	5.1.5. Important events in the development of the Company's business
1	96	5.2. Investments
		6. BUSINESS OVERVIEW
		6.1. Principal activities
1	31-56	6.1.1. Nature of the Company's operations and its principal activities
1	18	6.1.2. Any significant new products and/or services that have been introduced to the market
1	59-63	6.2. Principal markets
1	97	6.3. exceptional events
1	93	6.4. Binding agreements
1	93	6.5. Basis for any statements made by the Company regarding its competitive position
		7. ORGANISATIONAL STRUCTURE
1	24	7.1. Brief description of the Group
2	8-12	
2	207-208	7.2. List of subsidiaries
		8. PROPERTY, PLANTS AND EQUIPMENT
2	114, 177-178	8.1. Information regarding any existing or planned material tangible fixed assets
1	80-85	Description of any environmental issues that may affect utilisation of tangible fixed assets
2	119-137	
		9. OPERATING AND FINANCIAL REVIEW
1	97	9.1. Financial position
1	96	9.2. Operating results
		10. CAPITAL RESOURCES
1	97	10.1. Information concerning the Company's short-term and long-term capital resources
2	156, 181	10.2. Explanation of the sources and amounts of the Company's cash flows
2	187-189	10.3. Information on borrowing requirements and funding structure
	n/a	10.4. Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect, the Company's operations
2	187-189	10.5. Information regarding anticipated sources of funds
1	**94**	**11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES**
		12. TREND INFORMATION
1	99	12.1. Most significant trends since the end of the last financial year to the date of the registration document
1	99	12.2. Known trends or uncertainties that are reasonably likely to have a material effect on the Company's prospects

Volume	Page	Heading in Annex 1 of Regulation EC 809/2004
1	**99**	**13. PROFIT FORECASTS OR ESTIMATES**
		14. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT
1	10-13	14.1. Administrative, management and supervisory bodies
2	8-12, 54-70	
2	71	14.2. Administrative, management and supervisory bodies and senior management conflicts of interest
		15. REMUNERATION AND BENEFITS
2	76-89	15.1. Remuneration of corporate officers
2	203	15.2. Total amounts set aside or accrued to provide pension, retirement or similar benefits
		16. BOARD PRACTICES
2	55-70	16.1. Date of expiration of the current term of office
2	71	16.2. Information about members of the administrative, management or supervisory bodies' service contracts with the Company
2	26-29	16.3. Information about the Company's Audit Committee and Compensation Committee
2	16	16.4. Statement as to whether the Company complies with the corporate governance regime in its country of incorporation
		17. EMPLOYEES
2	141, 194	17.1. Statement as to whether the Company complies with the corporate governance regime in its country of incorporation
2	80-82, 85-89	17.2. Shareholdings and stock options
2	203-205	
2	102	17.3. Arrangements for involving the employees in the Company's capital
		18. MAJOR SHAREHOLDERS
2	103	18.1. Shareholders owning more than 5% of the share capital or voting rights
2	92	18.2. Different voting rights
2	96	18.3. Control over the Company
2	104-105	18.4. Description of any arrangements, known to the Company, the operation of which may at a subsequent date result in a change in control of the Company
2	**71-74, 83-89, 202, 256-259**	**19. MAJOR SHAREHOLDERS**
		20. FINANCIAL INFORMATION CONCERNING THE COMPANY'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES
2	149-208	20.1. Historical financial information
	n/a	20.2. *Pro forma* financial information
2	211-237	20.3. Financial statements
2	254-265	20.4. Auditing of historical annual financial statements
31/12/2012		20.5. Age of latest financial information
	n/a	20.6. Interim and other financial information
2	102	20.7. dividend policy
2	244	20.7.1. dividend per share
1	93-94	20.8. Legal and arbitration proceedings
	n/a	20.9. Significant change in the Company's financial or trading position
		21. ADDITIONAL INFORMATION
2	92-93	21.1. Share capital
2	282-290	21.2. Memorandum and articles of association
2	104-105	**22. MATERIAL CONTRACTS**
	n/a	**23. THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTERESTS**
1	107-108	**24. DOCUMENTS ON DISPLAY**
1	56	**25. INFORMATION ON HOLDINGS**
2	179	

Reconciliation with Management Report

(Articles L 225-100 et seq., L 232-I, II. and R 225-102)

Volume	Page	Heading
1	28-63	Overview of the Company's situation and business during the past financial year
	n/a	Changes in the financial statements' presentation or in the valuation methods applied in previous years
1 2	96-97 236-237	Results of the Company's business, of its subsidiaries and of companies under their controls
1	20-23	Key financial performance indicators
1 1	28-29 96-97	Analysis of changes in revenues, earnings and financial position
1	7	Progress made or difficulties encountered
1	93-95	Description of main risks and uncertainties to which the Company is exposed
2	183-193	Information on use of financial instruments and on the Company's financial risk management policy and objectives
1	97	Important events arising between the closing date of the financial year and the date on which the report was prepared
1	99	Expected trends and prospects
2	54-70	List of offices and positions held by each corporate officer during the past financial year
2	76-80, 83-89	Total compensation and benefits in kind paid to each corporate officer during the past financial year
2	77-78	Description of any commitments made by the Company to its corporate officers
2	72-74	Trading by senior executives in the Company's shares
1	80-90	Key environmental and human resources indicators
1 2	86-90 139-146	Human resources information (1)
2	102	Employee ownership of share capital
1 2	80-85 117-137	Environmental information (1)
1 2	93 115	Information on the Company's technological risk prevention policy
2	n/a	Material acquisitions of share capital and voting rights in companies having their registered office in France
	n/a	Transfers of shares for purposes of regularising cross-shareholdings in associates
2	96, 103	Main shareholders as at 31 December 2012
	n/a	Injunctions or fines for anti-trust practices handed down by the Competition Council and required thereby to be disclosed in the annual report
2	92-93	Information on factors liable to affect the outcome of a public offering
	n/a	Description of the Company's management
2	80-82, 85-89	Information on calculation and results of adjustments to bases for conversion of negotiable securities giving entitlement to the share capital and the exercise of stock options
2	106	Information on share buyback programmes
2	94-95	Table summarising grants of authority to carry out capital increases and that are currently in effect
2	239	Five-year summary of the Company's results
2	244	Dividends paid during the past three years
1	94	Research and development carried out by the Company
2	228	Information on accounts payable due dates
1	80-85	Corporate and environmental guidelines adopted by the Company (1)
1	74-80	Corporate social information (1)

(1) In respect of article L 225-105 of the *Code de commerce* on the corporate and environmental consequences of the Group's activities and its corporate social commitments to sustainable development.

Reconciliation with Annual Financial Report

(Article 222-3 of the AMF General Regulation)

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