



HERMÈS

2013 ANNUAL REPORT: OVERVIEW OF THE GROUP - REVIEW OF OPERATIONS





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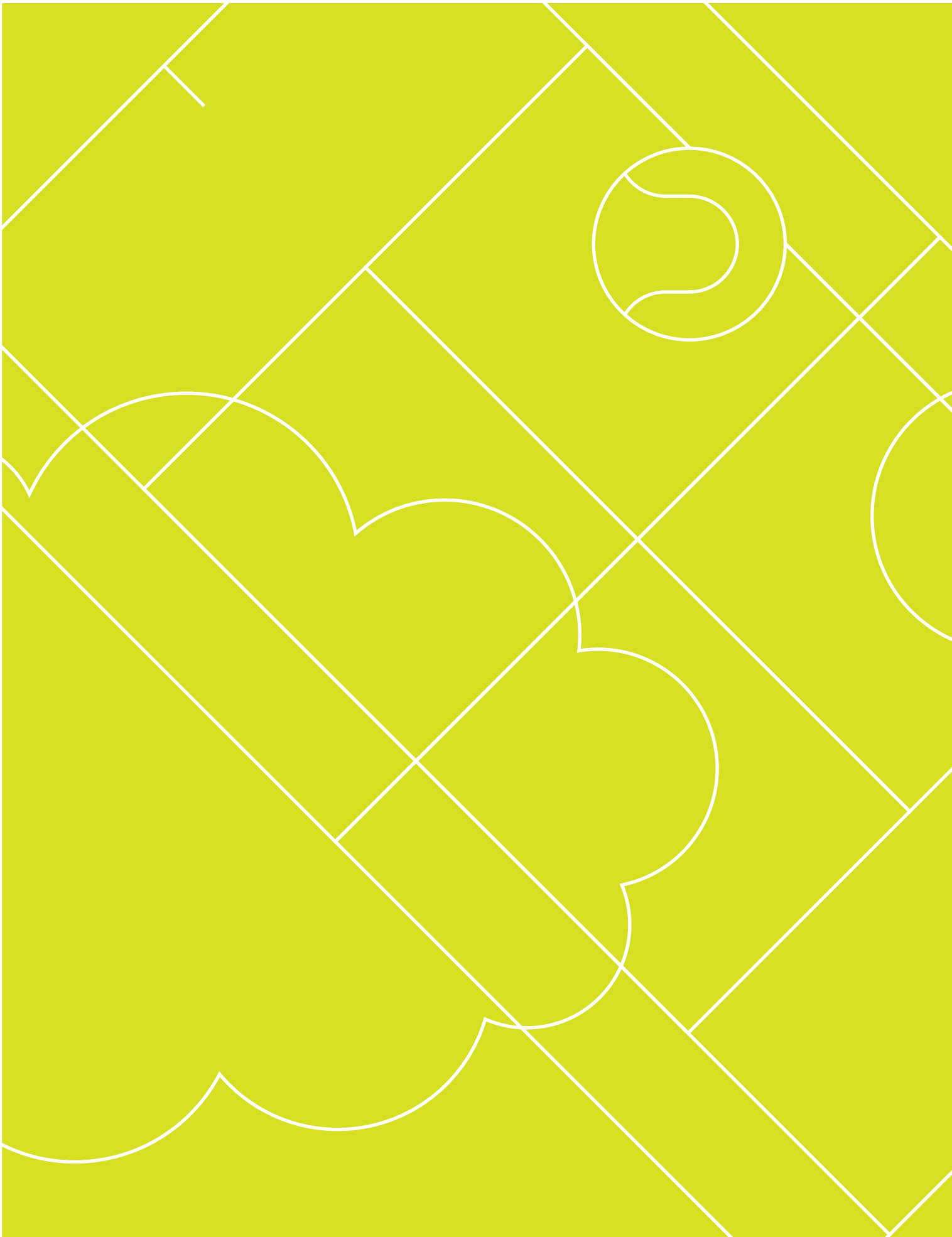
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2013 ANNUAL REPORT
OVERVIEW OF THE GROUP – REVIEW OF OPERATIONS
VOLUME 1

Hermès International
Partnership limited by shares with share capital of €53,840,400.12 - Commercial and Company Register of Paris no. 572 076 396
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2013, A SPORTING LIFE!

MESSAGE FROM THE CHAIRMEN

GROUP OVERVIEW

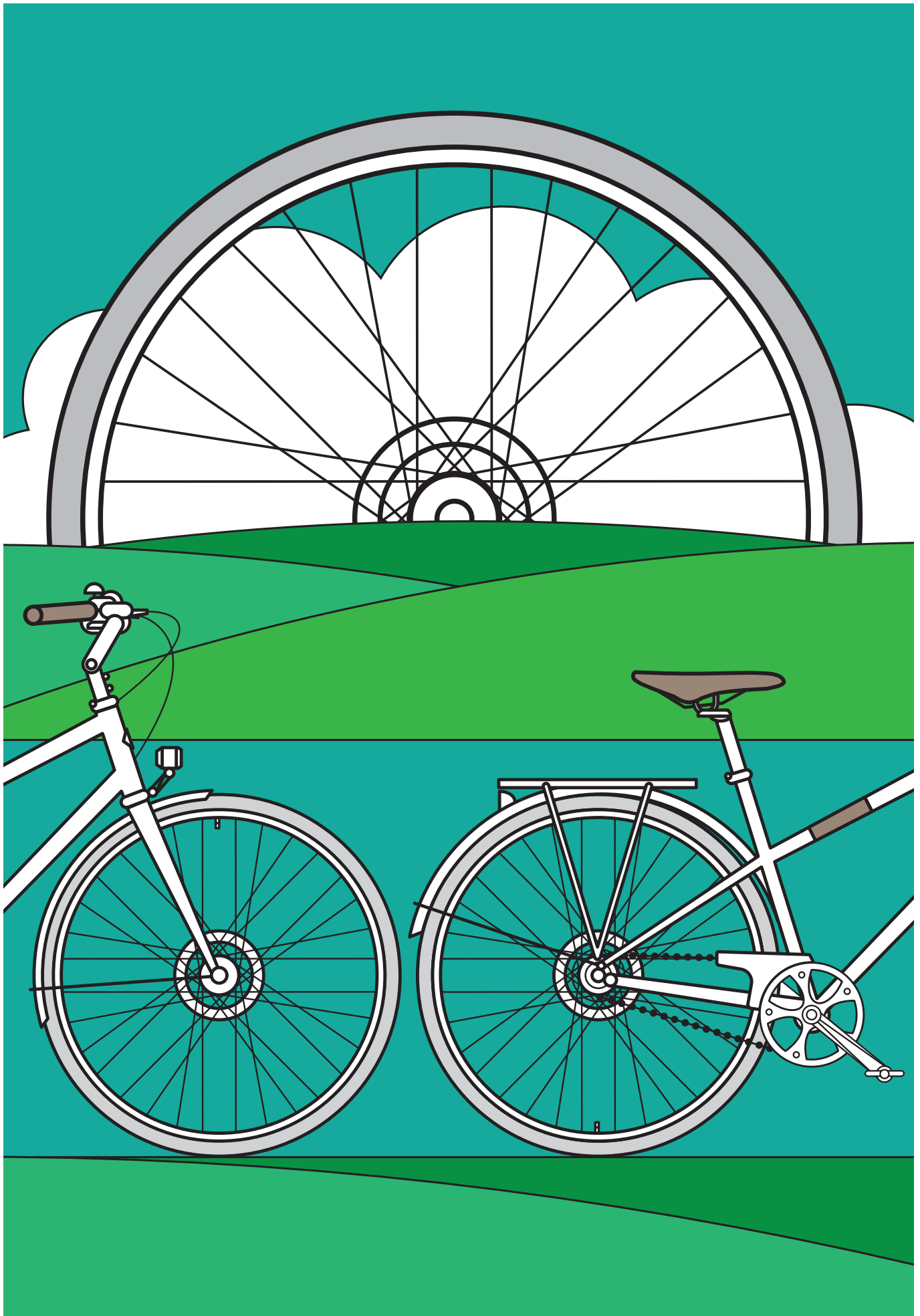
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TOME 2

- Overview of Hermès International and Émile Hermès SARL
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- CSR Appendices: Environmental Information
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- Parent Company Financial Statements
- Combined General Meeting of 3 June 2014
- Additional Legal Information



MESSAGE FROM THE CHAIRMEN



THE WIND IN OUR SAILS

Gaudeamus! Let us rejoice! Hermès has the wind in its sails, and is charting its course with boundless energy and lightness of spirit. The long-established path chosen by our horse and carriage follows the contours of the natural landscape, away from motorways, bridges and long tunnels. Travelling in the open air, off the beaten track, gives us wings. This path confers an enchantment that is currently unburdened by congestion or accident. Sometimes we are forced to slow down and redouble our efforts; sometimes the road is steep or sinuous, but it offers magnificent views and pleasant stopping points. In time, it takes the chosen course, keeping the Hermès carriage travelling along the right path. But in which sense? Do we mean the right direction, or the path of common sense? No doubt a bit of both.

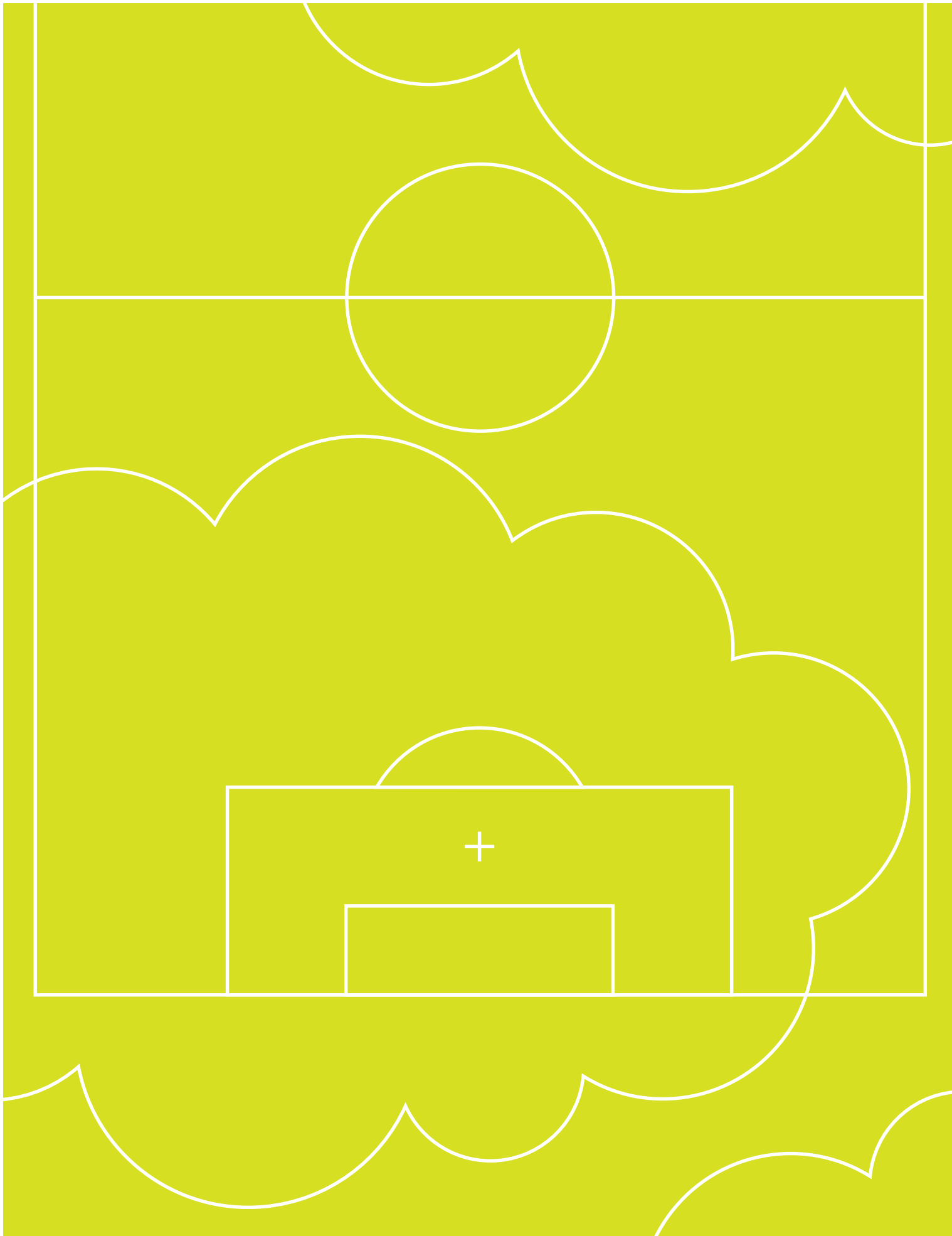
Driven by our love of work well done and an appreciation of fine things, the many passengers on board our carriage are marching in step towards the next stage of the journey: their luggage brimming with unique expertise. The speed is brisk but their stamina is up to the task. For them, the landscapes are a source of inspiration and the stops along the way offer rest for the mind. Each day they ride out again together, towards ever richer experiences.

And when elegance, that ineffable muse, takes a seat beside us, our hearts are full of joy. We know her well enough to understand that she isn't easily won. Try to dominate her and she will slip between your fingers. Our beloved clientele, in all its aesthetic sensibility, always recognises her presence in our creations and we are grateful to her for the successes of the House in 2013.

Gaudeamus! Let us rejoice that our values continue to bear fruit, the route we have chosen leads us with tranquillity and energy to our desired destination, our eyes open wide.

Axel Dumas
Chief Executive Officer

Émile Hermès SARL
Executive Chairman,
represented
by **Henri-Louis Bauer**



GROUP OVERVIEW

+



GROUP MANAGEMENT

The role of the Executive Chairmen is to manage the Group and act in its general interest, within the scope of the corporate purpose and subject to those powers expressly granted by law to the Supervisory Board and to General Meetings of shareholders.

Hermès International's executive management is comprised of the Executive Chairmen and the Executive Committee, which consists of Managing Directors, each of whom has well-defined areas of responsibility. Its role is to oversee the Group's strategic management.



The Executive Committee.



Managing Director alongside Jean-Louis Dumas, then Executive Chairman of Hermès International, Patrick Thomas devoted eighteen years to the development of Hermès. The first Executive Chairman from outside the family, he embraced its founding values with passion, nourished them and entrenched them further still. A visionary and entrepreneurial director, he took Hermès to unprecedented levels of performance and passes on a solid and dynamic group.

EXECUTIVE CHAIRMEN

Axel Dumas¹
Chief Executive Officer

Patrick Thomas²
Executive Chairman

Émile Hermès SARL
Executive Chairman,
represented by
Henri-Louis Bauer

EXECUTIVE COMMITTEE

Axel Dumas¹
Chief Executive Officer

Patrick Thomas²
Executive Chairman

Patrick Albaladejo
Deputy Managing Director
Strategic Development
& Corporate Image

Pierre-Alexis Dumas
Artistic Managing Director

Florian Craen
Executive Vice President
Sales & Distribution

Mireille Maury
Managing Director
Finance & Administration

Guillaume de Seynes
Managing Director
Manufacturing Division
& Equity Investments

1. Since 5 June 2013.
2. Until 31 January 2014.

MANAGEMENT BODIES



The Supervisory Board exercises ongoing control over company management.

For this purpose, it has the same powers as the Statutory Auditors. The Supervisory Board determines the proposed earnings appropriation for the financial year to be submitted to the Annual General Meeting. The Active Partner must consult the Supervisory Board before making any decisions pertaining to strategic options, to consolidated operating and investment budgets or to recommendations to the General Meeting with respect to the distribution of share premiums, reserves and retained earnings. The Supervisory Board also submits to the Active Partner its considered recommendations on the appointment or possible revocation of the powers of the Executive Chairmen.

The Audit Committee ascertains that the consolidated financial statements fairly and accurately reflect the Group's financial position.

The role of the Compensation, Appointments and Governance Committee is to ascertain that the remuneration of the Executive Chairmen complies with the provisions of the Articles of Association and the decisions made by the Active Partner. The Committee also participates in drawing up proposed appointments of corporate executive officers and is responsible for monitoring corporate governance matters.

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

SUPERVISORY BOARD

Éric de Seynes
Chairman and member

Maurice de Kervénoaël
Vice-Chairman

Ernest-Antoine Seillière¹
Vice-Chairman

Dominique Senequier²
Vice-Chairwoman

Charles-Éric Bauer
Matthieu Dumas
Blaise Guerrand
Julie Guerrand
Renaud Momméja
Robert Peugeot
Nicolas Puech
Florence Woerth

AUDIT COMMITTEE

Maurice de Kervénoaël
Chairman

Charles-Éric Bauer
Renaud Momméja
Robert Peugeot
Florence Woerth

**COMPENSATION,
APPOINTMENTS
AND GOVERNANCE
COMMITTEE**

Ernest-Antoine Seillière¹
Chairman

Dominique Senequier²
Vice-Chairwoman

Matthieu Dumas
Robert Peugeot

ACTIVE PARTNER

Émile Hermès SARL,
represented by its
Management Board:

Henri-Louis Bauer
Executive Chairman, Chairman
and Member of the Management
Board

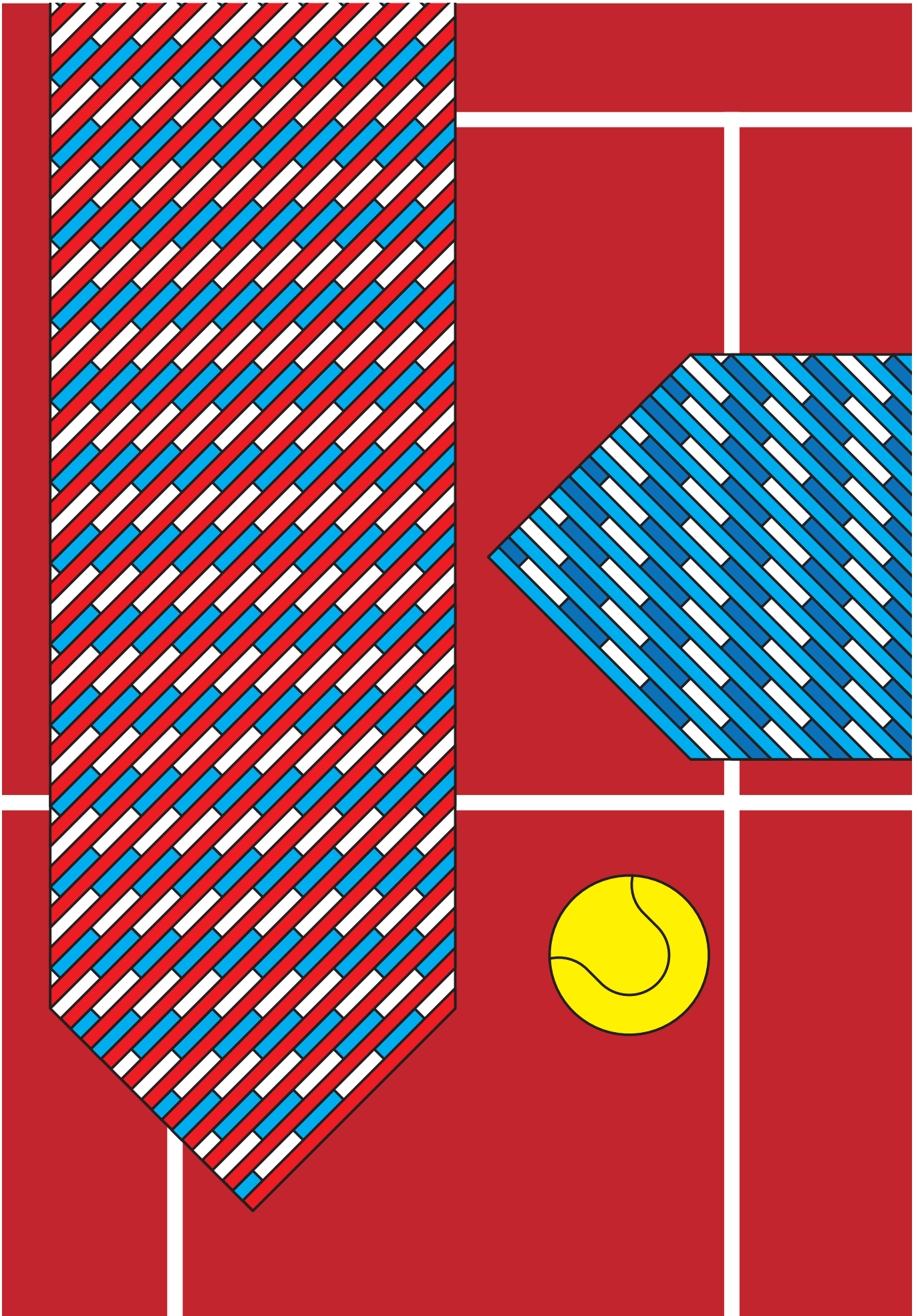
Philippe Dumas
Vice-Chairman

Hubert Guerrand
Vice-Chairman

Sandrine Brekke
Frédéric Dumas
Édouard Guerrand
Agnès Harth
Laurent E. Momméja
Pascale Mussard
Bertrand Puech
Guillaume de Seynes

1. Jusqu'au 4 juin 2013.

2. Depuis le 4 juin 2013.



SIX GENERATIONS OF CRAFTSMEN

Today, Hermès employs 11,037 people worldwide and has 315 exclusive stores, 203 of which are directly operated. Although it has achieved international stature, Hermès has never lost its human touch and continues its tradition of fine craftsmanship.

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

In 1918, with the advent of the automobile, the founder's grandson, Émile Hermès, foresaw the changes to come in transportation and envisioned new kinds of lifestyles. He launched a line of fine leather "saddle-stitched" goods and luggage. The Hermès style was born, and its field of activity has never ceased to grow. Émile Hermès also accumulated a private collection of paintings, books and articles that were to be a source of inspiration for designers.

During the 1950s, Émile Hermès' sons-in-law, Robert Dumas and Jean-René Guerrand, continued to

diversify operations, while taking care to uphold the brand's integrity, creating clothing, jewellery, watches, diaries, silk scarves and other items.

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

Twenty-eight years later, in 2006, he handed the reins to Patrick Thomas, named Executive Chairman with the company Émile Hermès SARM, while the artistic directorship was passed to Pierre-Alexis Dumas in February 2009.

Axel Dumas, member of the sixth generation of the Hermès family, was named Executive Chairman in 2013 alongside Patrick Thomas, who, once the transition was assured, decided to leave his post of Executive Chairman in January 2014.

Today, Hermès demonstrates its creativity in a wide range of sectors : leather goods, men's and women's ready-to-wear, footwear, belts, gloves, hats, silks and textiles, jewellery, furniture, furnishing fabrics, wallpaper, tableware, perfumes, watches and petit h.

International in scope, Hermès is characterised by superlative manufacturing inspired by the values of traditional craftsmanship, and remains a family firm with a uniquely creative spirit.

For over 175 years, Hermès has been creating, inventing and innovating. Some of our models have never gone out of style, and are still popular today, decades after they were first designed. Reissued, reinterpreted and reinvented, these timeless creations forge the identity of Hermès.

1837	1928	1967
• Harnesses	• <i>Ermeto</i> watch	• <i>Constance</i> bag
1867	• <i>Sac à Dépêches</i>	1970
• Saddles	1930	• <i>Équipage</i> fragrance for men
circa 1900	• Diaries	1971
• <i>Haut à courroies</i> bag, designed by Émile Hermès	1937	• <i>Nausicaa</i> bracelet
1903	• First silk scarves	1972
• <i>Rocabar</i> blanket	1938	• First Hermès shoes for women
1922	• <i>Chaîne d'ancre</i> bracelet, designed by Robert Dumas	1974
• Belts	• First garment with silk scarf pattern	• <i>Amazone</i> fragrance for women
1923	1949	1975
• Dual-handled bag	• Printed silk ties	• <i>Passe-Guide</i> bag
1924	• <i>Collier de chien</i> belt and bracelet	• <i>Kelly</i> watch
• Gloves with zipper	1951	• John Lobb, ready-to-wear shoes
from 1925	• <i>Eau d'Hermès</i>	1978
• First sports jacket, followed by the development of women's and men's fashions	1954	• First complete men's ready-to-wear collection
• <i>Mallette à coins rapportés</i> (1)	• Beach towels in printed terry towelling	• " <i>Highland</i> " ghillie shoes
1927	1956	• Enamel bracelets
• Wristwatches	• The bag designed by Robert Dumas in the 1930s is officially named the <i>Kelly</i>	1979
• <i>Filet de selle</i> bracelet	1961	• <i>Eau de Cologne Hermès</i> , renamed <i>Eau d'orange verte</i> in 1997
	• <i>Twillaine</i> : garments in knit and silk twill	• Pleated scarves
	• <i>Calèche</i> fragrance for women	1981
		• <i>Clipper</i> watch

1984

- *Pivoines* porcelain tableware
- *Birkin* bag, created by Jean-Louis Dumas

1985

- Silk gavroche scarves

1986

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

1991

- *Cape Cod* watch

1993

- *Oxer* saddle (2)
- *Médor* watch

1994

- Soft bag range

1995

- *24 Faubourg* fragrance for women
- *Fourre-tout* bag

1996

- *Harnais* watch
- *Heure H* watch

1997

- First Hermès shoes for men



2.



1.

- 1998**
- *Herbag* bag
 - Twice-round watch straps
 - *Quick* trainers
- 1999**
- *Hiris* fragrance for women
- 2000**
- *Corlandus* dressage saddle
 - *Tandem* watch
 - *Nil* and *Les Matins de l'étang* porcelain tableware
 - *Rouge Hermès* fragrance for women
- 2001**
- *Essentielle* jumping saddle
- 2002**
- *Picotin* bag
 - *Plein cuir* desk line, a reissued range originally created in the 1930s
 - *Quark* ring
- 2003**
- *Un Jardin en Méditerranée* fragrance
 - *Twilly* in silk twill
 - *Dressage* automatic gold watch (3)
 - *Étrivière* briefcase
- 2004**
- *Eau des Merveilles* fragrance for women
 - *Brasilia* jumping saddle
 - *Hermessence* fragrance collection
- 2005**
- *Un Jardin sur le Nil* fragrance
 - *Balcon du Guadalquivir* porcelain tableware (4)
- 2006**
- *Cape Cod 8 jours* watch
 - *Terre d'Hermès* fragrance for men
 - *Cheval d'Orient* porcelain tableware
- 2007**
- *Lindy* bag (5)
 - 70 scarves in vintage silk
 - *Kelly Calèche* fragrance for women
 - *Fil d'argent* porcelain tableware
 - Rose gold and brown diamond jewellery
- 2008**
- *Jypsière* bag
 - *Horizon* diary
 - Flowing “*carré fluide*” scarves in silk jersey
 - *Un Jardin après la Mousson* fragrance
- 2009**
- *Victoria* saddle
 - Dip-dye scarves
 - *Colognes Hermès* collection
 - *Mosaïque au 24* porcelain tableware
 - *Cape Cod Tonneau* watch
- 2010**
- *Centaure and Fouet* fine jewellery collection (6)
- 2011**
- *Les Maisons enchantées* faience tableware
 - *Talaris* saddle
 - *Voyage d'Hermès* fragrance
 - Jean-Michel Frank furniture reissued by Hermès
 - *Toolbox* bag
 - *Bleus d'Ailleurs* porcelain tableware
 - *Tie 7* tie
 - *Berline* bag
 - *Un Jardin sur le Toit* fragrance
 - *Arceau Le temps suspendu* watch
 - First collection of furnishing fabrics and wallpapers
- 2012**
- Fine jewellery collection of jewellery bags
 - *Jour d'Hermès* fragrance for women
 - *Module H* modular system of architectural elements
 - *Passe-Guide* bag reissued
 - 8 cm ties in heavy silk twill
- 2013**
- *Cavale* saddle
 - *Maxibox* bag
 - *Le Flâneur d'Hermès* leisure bicycle
 - *Arceau Lift* watch
 - *Niloticus* jewellery collection
 - *Rallye 24* porcelain tableware
 - *Les Nécessaires d'Hermès* collection of occasional furniture



3.



4.



6.



5.

1. Previous page: Hermès advertisement for *Mallette à coins rapportés*, 1929.
2. Previous page: *Oxer saddle*, 1993.
3. *Dressage* automatic gold watch, 2003.
4. *Balcon du Guadalquivir* porcelain tableware, 2005.
5. *Lindy* bag, 2007.
6. *Centaure* ring in rose gold, white gold, diamonds and black jade, 2010.

KEY FIGURES

KEY CONSOLIDATED DATA (in millions of euros)

	2013	2012	2011	2010	2009
Revenue	3,754.8	3,484.1	2,841.2	2,400.8	1,914.3
Recurring operating income	1,218.0	1,118.6	885.2	668.2	462.9
Operating income	1,218.0	1,118.6	885.2	668.2	462.9
Net income attributable to owners of the parent	790.3	739.9	594.3	421.7	288.8
Operating cash flows	1,015.9	884.8	722.8	571.5	401.1
Investments (excluding financial investments)	232.4	370.0	214.4	153.8	207.3
Shareholders' equity ¹	2,825.6	2,344.4	2,312.8	2,150.3	1,789.9
Net cash position	1,022.0	686.1	1,038.3	828.5	507.6
Restated net cash ²	1,091.0	721.0	1,044.2	950.1	576.4
Economic value added ³	679.1	628.5	463.8	332.7	191.6
Return on capital employed (ROCE) ⁴	41%	46%	42%	32%	21%
Number of employees	11,037	10,118	9,081	8,366	8,057

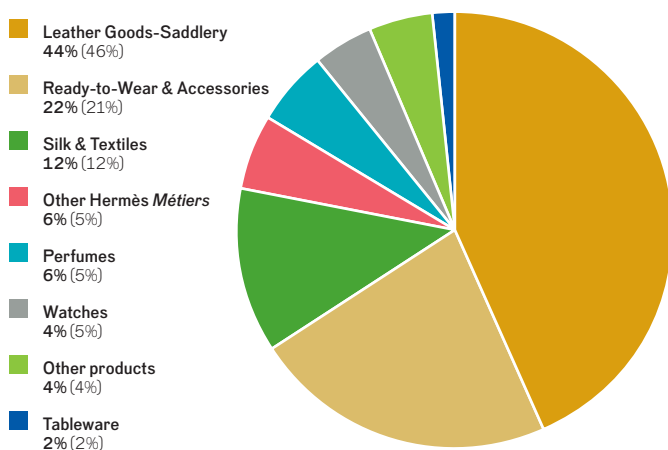
¹ Equity excluding non-controlling interests.

² Includes non-liquid financial investments and borrowings.

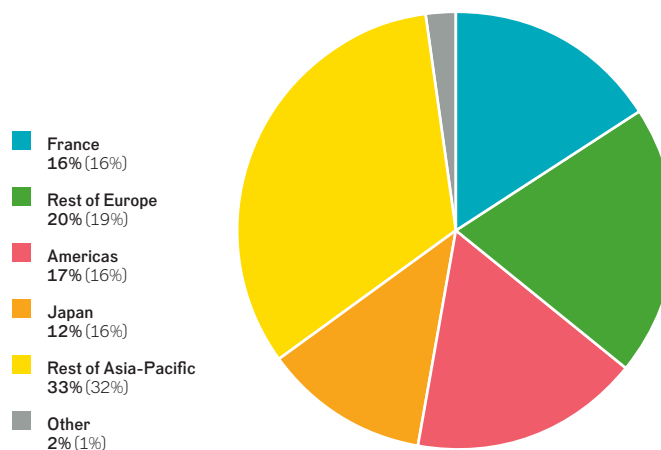
³ Difference between adjusted operating income after tax on operating income and the weighted average cost of capital employed.

⁴ Adjusted operating income after tax on operating income on the average cost of capital employed.

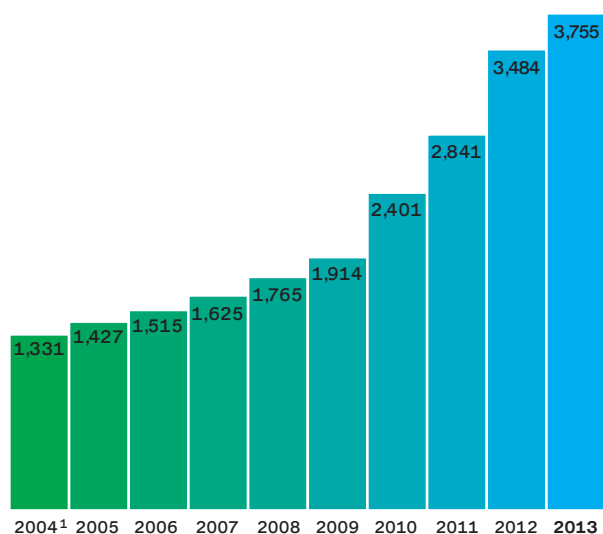
BREAKDOWN OF REVENUE BY MÉTIER 2013 (2012)



BREAKDOWN OF REVENUE BY REGION 2013 (2012)

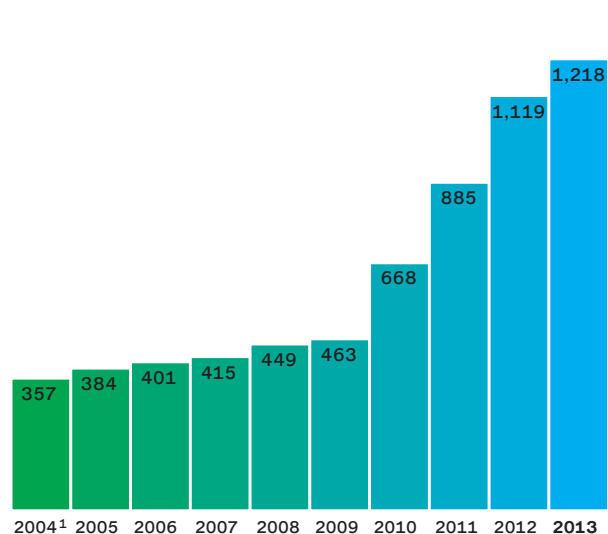


CONSOLIDATED REVENUE (in millions of euros)



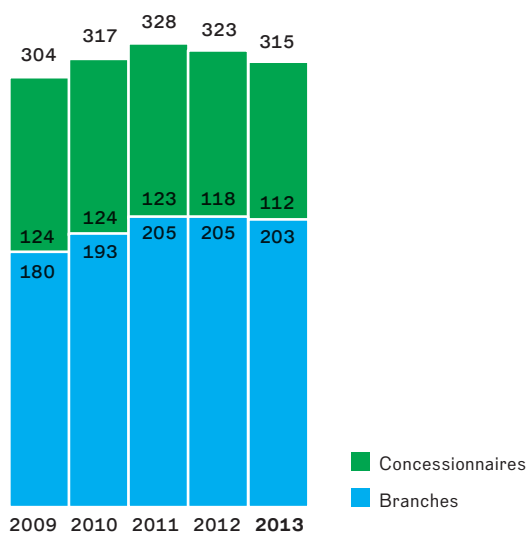
¹ 2004 figures are restated under IFRS.

RECURRING OPERATING INCOME (in millions of euros)

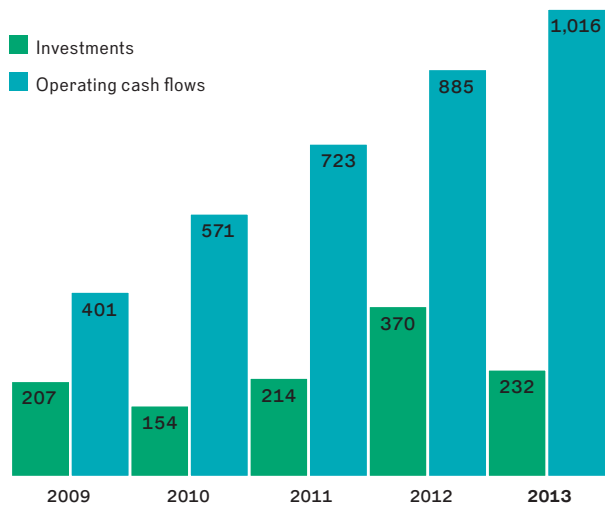


¹ 2004 figures are restated under IFRS.

NUMBER OF EXCLUSIVE RETAIL OUTLETS



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



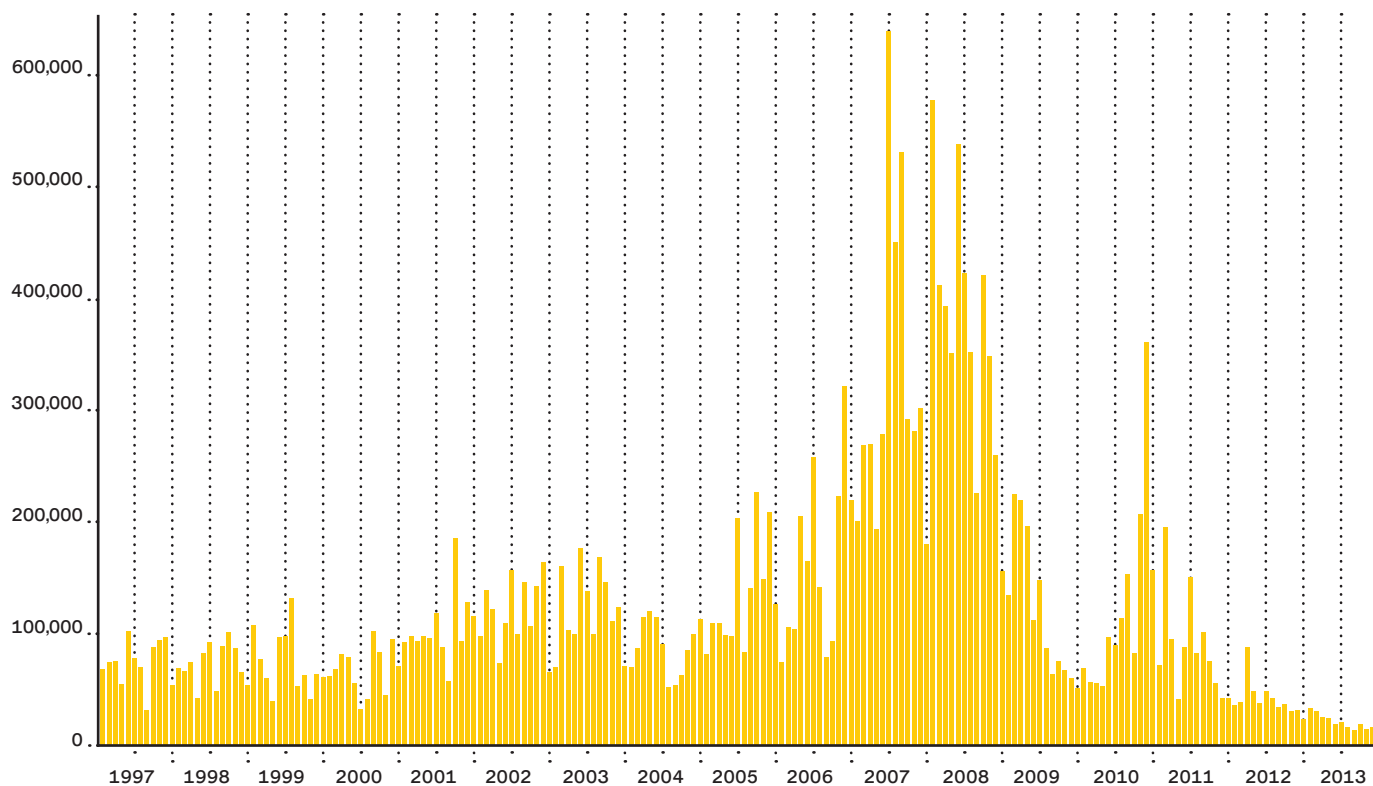
KEY STOCK MARKET DATA

	2013	2012	2011
Number of shares as at 31 December	105,569,412	105,569,412	105,569,412
Average number of shares (excluding treasury shares)	104,118,188	104,087,228	104,556,945
Market capitalisation as at 31 December	€ 27.81 Bn	€ 23.89 Bn	€ 24.32 Bn
Earnings per share (excluding treasury shares)	€ 7.59	€ 7.11	€ 5.68
Dividend per share	€ 2.70 ¹	€ 2.50	€ 7.00 ²
Monthly average daily trading volume	20,194	40,572	86,174
12-month high share price	€ 283.20	€ 290.90	€ 272.50
12-month low share price	€ 224.15	€ 207.70	€ 142.05
12-month average share price	€ 255.73	€ 241.84	€ 200.23
Share price as at 31 December	€ 263.50	€ 226.30	€ 230.35

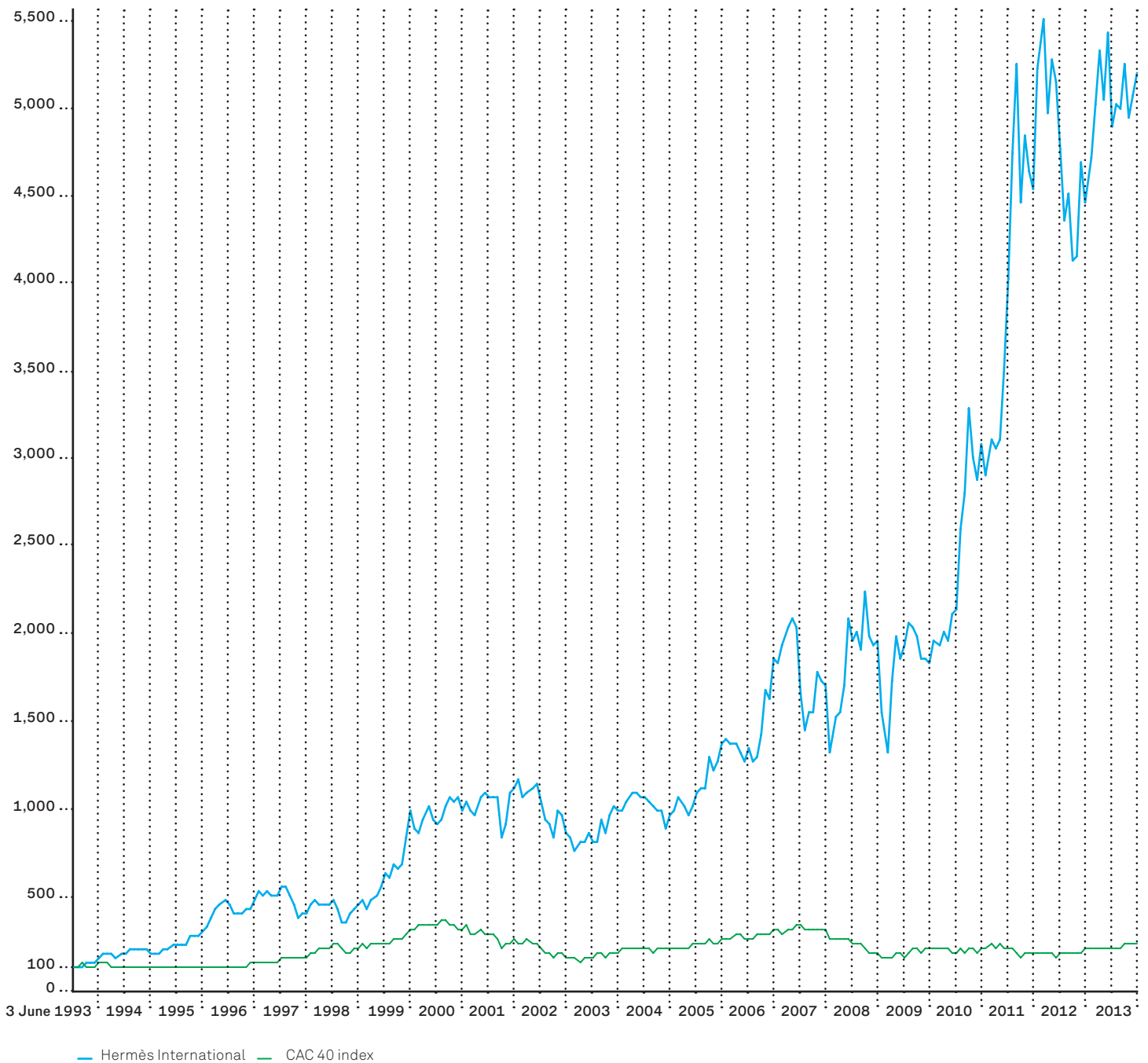
1 Subject to approval by the Ordinary General Meeting of 3 June 2014. An interim dividend of €1.50 was paid on 28 February 2014.

2 Equivalent to an ordinary dividend of €2.00 and an extraordinary dividend of €5.00.

AVERAGE DAILY TRADING VOLUME (NUMBER OF SHARES)



HERMÈS INTERNATIONAL SHARE PRICE¹ / CAC 40 INDEX (BASE: 100 ON 3 JUNE 1993)

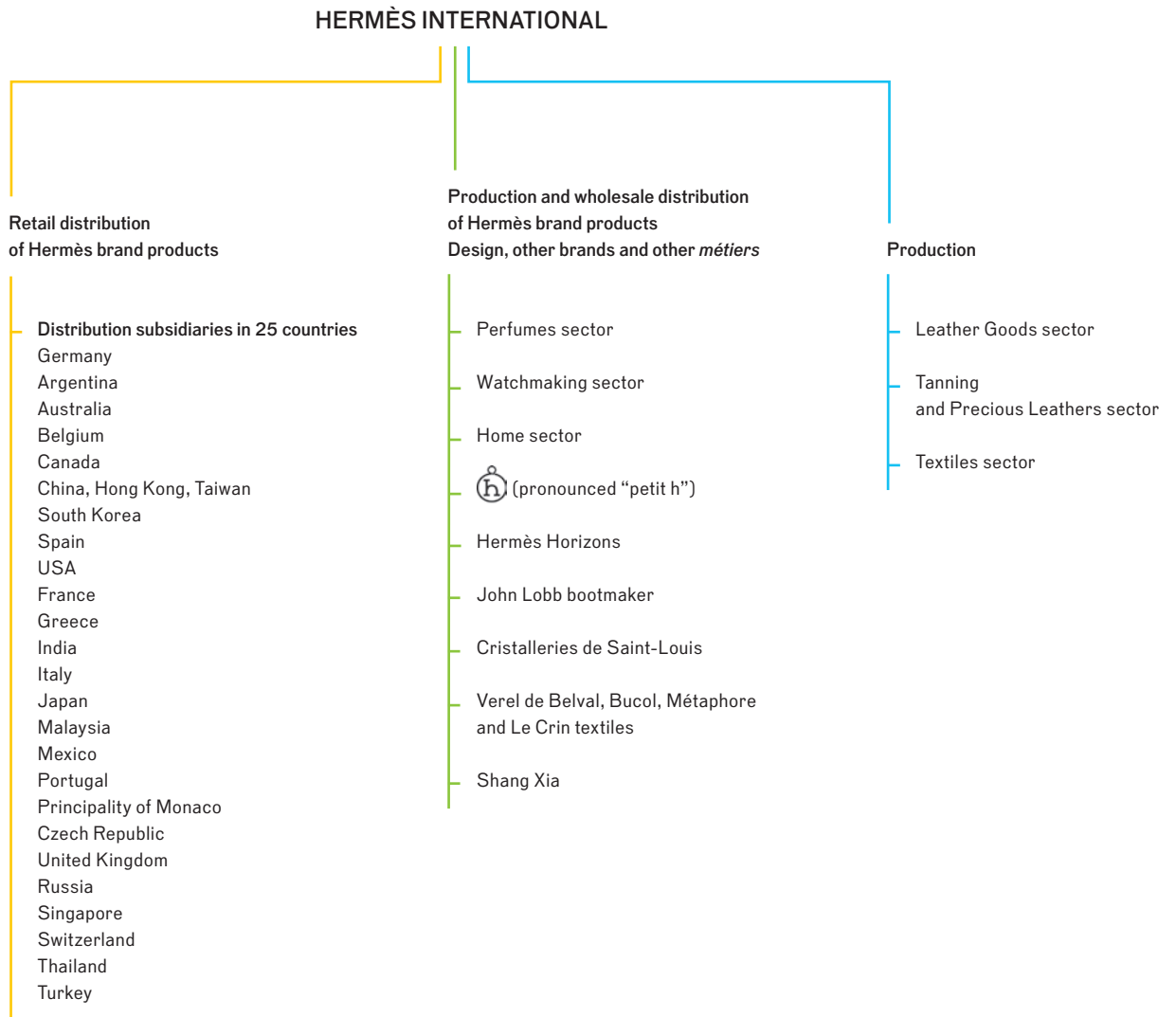


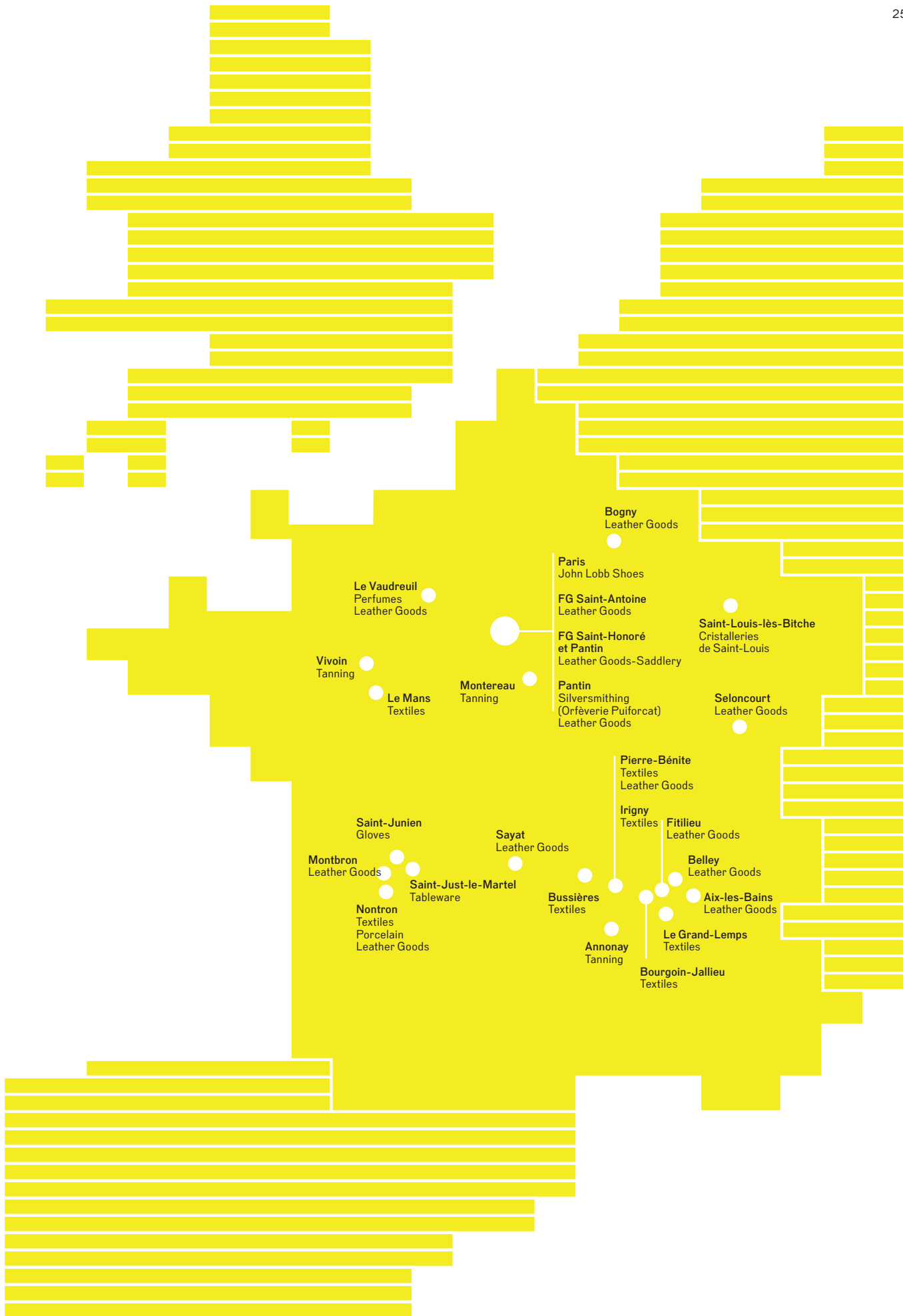
¹ Figures adjusted to reflect stock splits.
The monthly share price trend for Hermès International over the past five years is shown in Volume 2, on page 112.

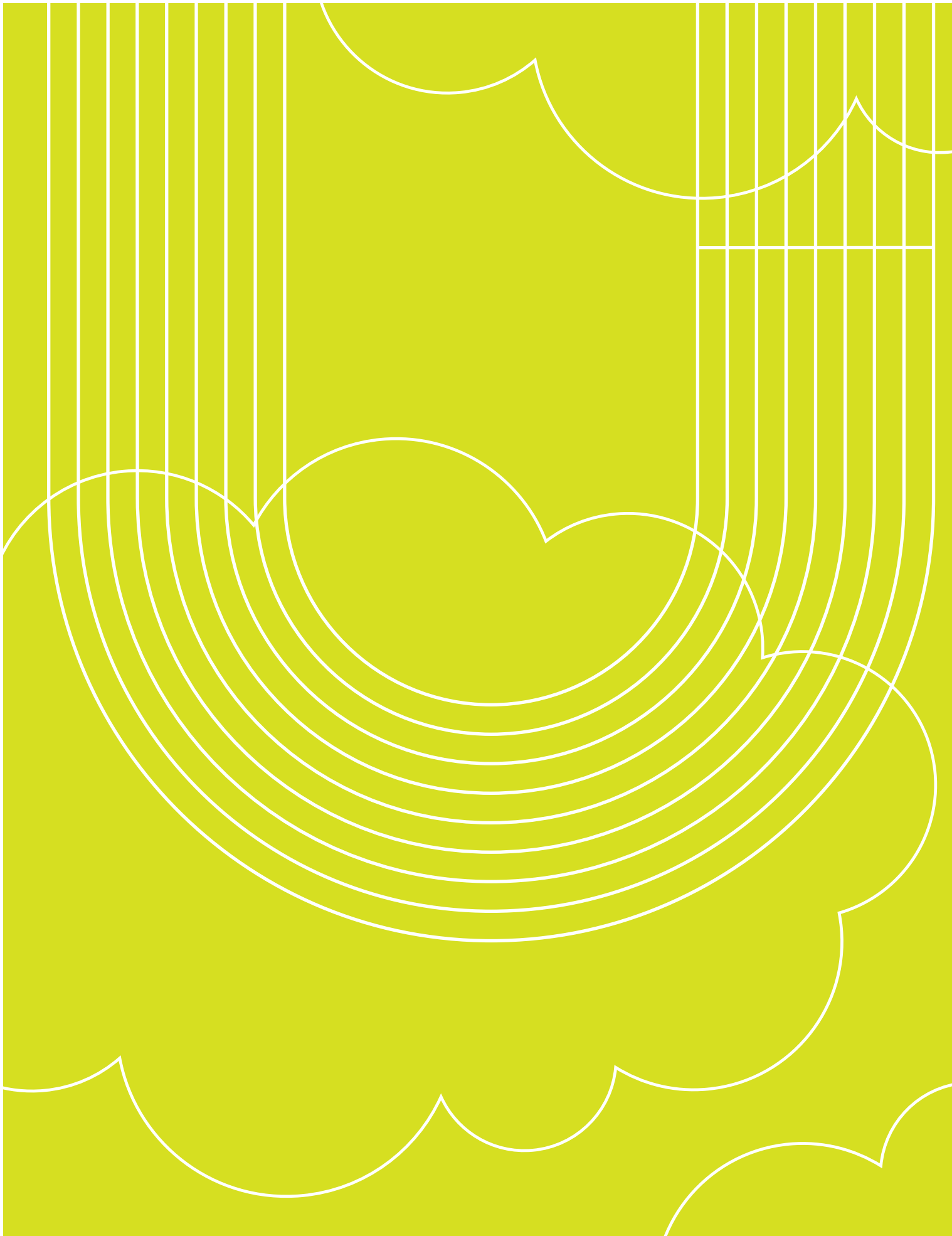
SIMPLIFIED ORGANISATION CHART

Overview description
of the group as at 31.12.2013

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The background is a solid lime green color. Overlaid on this are white line-art elements. A large, multi-arc rainbow is positioned in the lower half of the page. Above the rainbow are several stylized, scalloped-edged clouds. The text 'REVIEW OF OPERATIONS' is printed in a clean, black, sans-serif font in the upper right quadrant of the page.

REVIEW OF OPERATIONS

GENERAL TREND

STRONG SALES AND EARNINGS GROWTH

In 2013, the Hermès group reported revenue of €3,755 million, a rise of 8% at current exchange rates and of 13% at constant exchange rates. The operating income is €1,218 million, and increase of 9%.

SALES BY REGION AND SECTOR

(at comparable exchange rates unless otherwise indicated)

Sales generated by the group's own stores increased by 13%. Hermès continued to qualitatively expand its distribution network with the launch of two new branches in Ningbo, China, and Nagoya Mitsukoshi, Japan. In the United States, the Beverly Hills store was successfully enlarged and renovated. In Milan, Hermès moved to a new, exclusive location on the famous Via Montenapoleone.

ALL REGIONS CONTRIBUTED TO THE GROWTH

Non-Japan Asia (+16%) and America (+14%) were particularly dynamic. Europe (+12 %) saw sustained activity in all countries despite a difficult economic climate. Japan (+7%) posted a very good performance.

AMBITIOUS DESIGNS STIMULATING GROWTH IN ALL SECTORS

Leather Goods and Saddlery (+9%), for which demand remains very high, is continuing to expand its collections and develop its production capacities, particularly with the increased activity of the two workshops that opened in Isère and Charente in 2012, and the plans to create two new premises in the Franche-Comté region. The Ready-to-wear and Accessories Division (+18%) benefited from the dynamism in accessories and the latest ready-to-wear collections, which celebrated this year's theme: "A sporting life!" The Silk and Textiles sector (+12%) posted a good performance through the extended offering of new materials and new formats. Perfumes (+15%) confirmed their momentum in 2013. The new fragrance for women *Jour d'Hermès* was warmly welcomed whilst *Terre d'Hermès* continued its growth and affirmed its position as a classic male fragrance.

Following an exceptional year in 2012, Watches (+1%) were affected by the slowdown in the Chinese market.

Other Hermès sectors showed remarkable progression (+37%). Jewellery made a significant contribution to this dynamic with the success of the latest collections in gold.

OPERATING MARGIN (32.4%) IS HIGHER THAN THE ALL-TIME HIGH ACHIEVED IN 2012

Operating income rose by 9% to €1,218 million from €1,119 million in 2012. Operating margin (32% of sales) increased by 0.3 point versus 2012. After taking into account increased taxation, particularly in France, the consolidated net income, group's share, was €790 million (up 7%). Cash flow totalled €1,016 million (up 15%).

This rise, which is greater than that in net income, stems from the higher proportion of costs with no effect on cash flow in 2013 (fair valuation of hedging instruments and recognition of free share schemes).

After financing all the operational and financial investments (€232 million), distributing the dividend (€260 million) and meeting cash flow requirements (€119 million), net cash strongly increased to reach €1,022 million on 31 December 2013 versus €686 million on 31 December 2012.

In 2013, Hermès International repurchased 10,746 shares for €3 million, outside the liquidity contract.

GROWTH IN WORKFORCE

The Hermès Group created over 900 new jobs, over 500 of which were in France, most of them in sales and in its production facilities. At the end of 2013, the group's workforce comprised 11,037 employees, of which 6,631 are located in France.

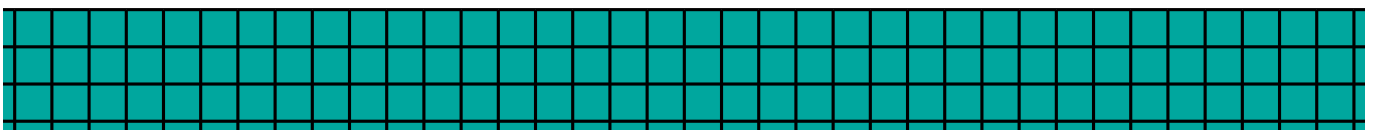
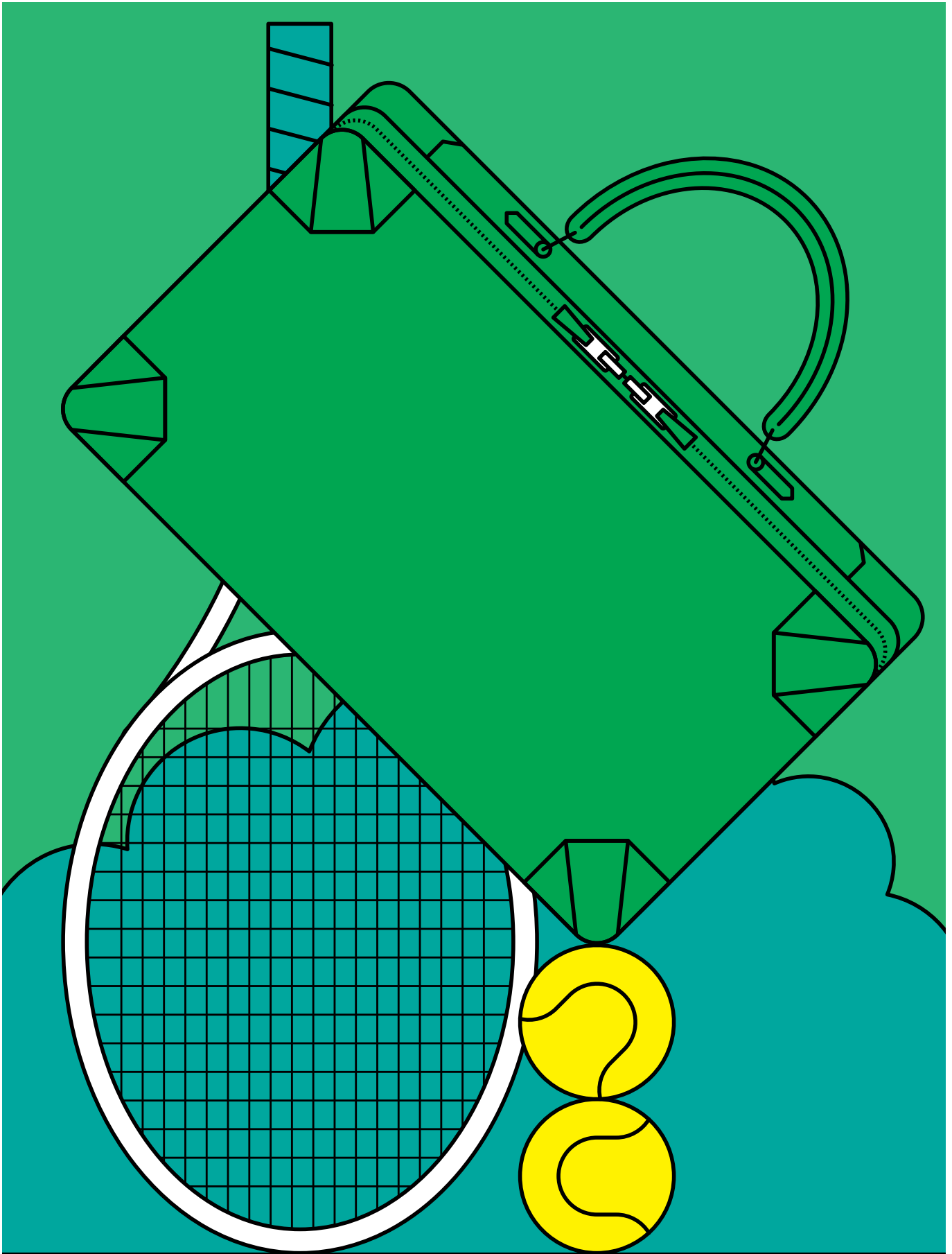
2014 OUTLOOK

Hermès will continue its long-term strategy based on creativity, maintaining control over its know-how, expanding its distribution network, strengthening its production capacity and protecting its supply sources. In 2014, our company will focus on the theme of metamorphosis, that of precious materials becoming even more precious objects in the skilled hands of artisans. It is our company's determination to reinvent itself and push the limits of excellence.

PROPOSED DIVIDEND

A proposal will be submitted to the General Meeting on 3 June 2014 to set the dividend at €2.70 per share. The interim dividend of €1.50 paid on 28 February 2014 will be deducted from the dividend to be approved by the General Meeting.

The complete consolidated financial statements will be available by no later than 30 April 2014 at www.hermes-international.com and on the AMF website (www.amf-france.org).



ACTIVITY BY MÉTIER

	2013 (Revenue in €M)	2013 (Mix in %)	2012 (Revenue in €M)	2012 (Mix in %)	Evolutions at current exchange rates	Evolutions at constant exchange rates
Leather Goods-Saddlery	1,634	44%	1,597	46%	2.3%	8.8%
Ready-to-wear and Accessories	843	22%	746	21%	13.1%	17.9%
Silk and Textiles	454	12%	425	12%	6.9%	11.5%
Other Hermès Métiers	216	6%	165	5%	31.0%	36.5%
Perfumes	210	6%	184	5%	13.9%	14.8%
Watches	167	4%	173	5%	(3.2)%	1.0%
Tableware	61	2%	60	2%	1.2%	4.4%
Other Products	170	4%	135	4%	25.7%	29.0%
Consolidated revenue	3,755	100%	3,484	100%	7.8%	13.0%

The Hermès métiers draw on a wide range of skills in pursuit of their ambitious creative objectives. Year after year, driven by a permanent quest for innovation and a deeply embedded culture of excellence, they add to the Hermès collections, now comprising over 50,000 items. In 2013, many new arrivals thus helped expand the group's product ranges and nurture its growth.

LEATHER GOODS - SADDLERY

Leather Goods-Saddlery, the original *métier* of the house of Hermès, is expressed in collections of bags and clutches, briefcases, luggage, diaries and writing products, small leather goods, saddles, and equestrian articles and clothing for both horse and rider.

Its turnover in 2013, representing 44% of the Group's sales, attained 1.634 million euros, an increase of 9% at constant exchange rates.

Hermès Leather Goods continues to foster and develop its historic saddlery know-how, founded on our mastery of the transformation of noble materials. To do this, Hermès employs over 2,000 artisans, distributed among 14 manufacturing sites across France, who produce timeless, nomadic creations with constant high quality standards.

To adapt to ever-increasing demand, the leather goods division has to combine availability of raw materials with extended production capacity.

This is achieved by strengthening partnerships with suppliers, many of them longstanding, by recruiting new artisans and by

the decision to create two new Manufactures in Franche-Comté in 2013 to supplement the two sites opened in 2012 in Charente and Isère. Unique expertise, continual learning and the handing down of know-how enrich the mastery of manual techniques and ensure the permanence of these *métiers*.

Our collections of handbags, luggage, small leather goods and equestrian products enjoyed great success once again in 2013.

In leather goods, many models of bags confirmed their status as key sellers: From the *Lindy* to the *Jypsière*, the *Toolbox* to the *Constance*, the *Bolide* to the *Victoria*, the *Plume* to the *Berline*...

not to mention the *Kelly* and *Birkin*, which continue to be produced in different colours, leathers and finishes.

Finally, a wealth of new items arrived throughout the year, bringing plenty of surprises and firing the imagination.

BAGS AND LUGGAGE

Taking the theme “A sporting life!”, leather goods seized the opportunity to interpret it on every terrain, from the oceans to the mountains.

Thus the iconic traditional sailor’s kitbag was reinvented as the *Babord*, a contemporary bag with personality for men, ingenious and practical, and as the *Soie Cool*, a printed silk cabin-boy’s bundle for women.

Taking its inspiration from transatlantic travel in the 1930s, when travellers decorated their luggage with coloured symbols for easy recognition, the *Flag* motif, a colourful band of braid or leather appeared on the *Haut à Courroies*, *Kelly* and *Birkin* bags.

Two of our classics took on a sporty look: *Kelly Golf*, with its perforated and fringed tongue reminiscent of a golfing shoe, and the

1. *Kelly Golf* bag in Box calfskin and fringed bib in Swift calfskin.
2. *Haut à courroies* Flag 50 bag in dip-dye toile H and Barénia calfskin.
3. *Berline mini* bag in Swift calfskin.
4. *Convoyeur* bag in Barénia calfskin.
5. *Bourlingue* messenger bag in toile H and Barénia calfskin.
6. *Paris-Verbier 22* backpack in Volupto calfskin.
7. Wallet in Sikkim calfskin.
8. 2 gusset 38 cm *Sacs à dépêches* in Togo calfskin.



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Birkin Sailor which adopts the combined laces and seams characteristic of deck shoes.

Lastly, enthusiasts of nature and the open air could appreciate the *Paris-Verbier* backpack and pochette belt, created using the most demanding technical skills.

Other creations also marked the year:

- two major new models: the *Maxibox*, a bag that adopts the strong identity of the cabin trunk, with its reinforced corners and saddle-stitched handle, and the *Convoyeur*, whose large, tall format, inspired by the bags used by cash-in-transit security guards, is a distillation of all the leather-working skills of the House,
- the *Bourlingue* shoulder bag, a practical reinterpretation of an everyday companion,
- the *Sillage* clutch bag with a simple, efficient closure system,
- new contemporary and practical clutch bags, such as the *Pliplat* evening bag,
- the little *Malletina* shopping bag, an exceptional piece whose

handles are inspired by the trunks made by the House, expressing all the creativity and skill of our artisans,

- the *Fil d'argent* evening bag, the height of refinement with its chainmail of genuine silverwork surrounding a delicate pouch of lambskin.

Variations on existing bags made their appearance: the *Berline* in a new mini size, sporty coupé style, two new creative and colourful versions of the *Plume* bag, a new size for the *Jypsière*.

Men's leather goods revisited several models of bag: *Plume Fourre-Tout 40*, *Étrivière Meeting*, and a new *Plume 12H*, now even more practical with its slim size suitable for professional use, removable foam-padded laptop case and inside pockets. Meanwhile, the much appreciated *Sac-à-Dépêches* is resplendent in new colours playing on the contrast between inside and outside.

Lastly, a new size *Fourre-tout* joined the ranks of the wheeled luggage family: *Calèche-Express*, a model for men or women, the perfect travelling companion.



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DIARIES, SMALL LEATHER GOODS AND WRITING ACCESSORIES

2013 saw the arrival of numerous new products that continue to emphasise the aspects of practicality and suitability for everyday life. For example, the *MC² piqué* line, very practical with its outside pocket, boasts elegant overstitching and a contrast interior lining. The digital range is enriched with an *E-zip* for iPad^{®1} mini. The *Zip Computer* case, now equipped with foam protection, is available in a sumptuous version in matt crocodile with goatskin lining. The men's *Citizen twill* line, in leather lined with silk twill, reinforced its success, while some small leather goods of original design and construction made their appearance: the *Flex* line.

1 iPad[®] is a trademark of Apple Inc.

EQUESTRIAN

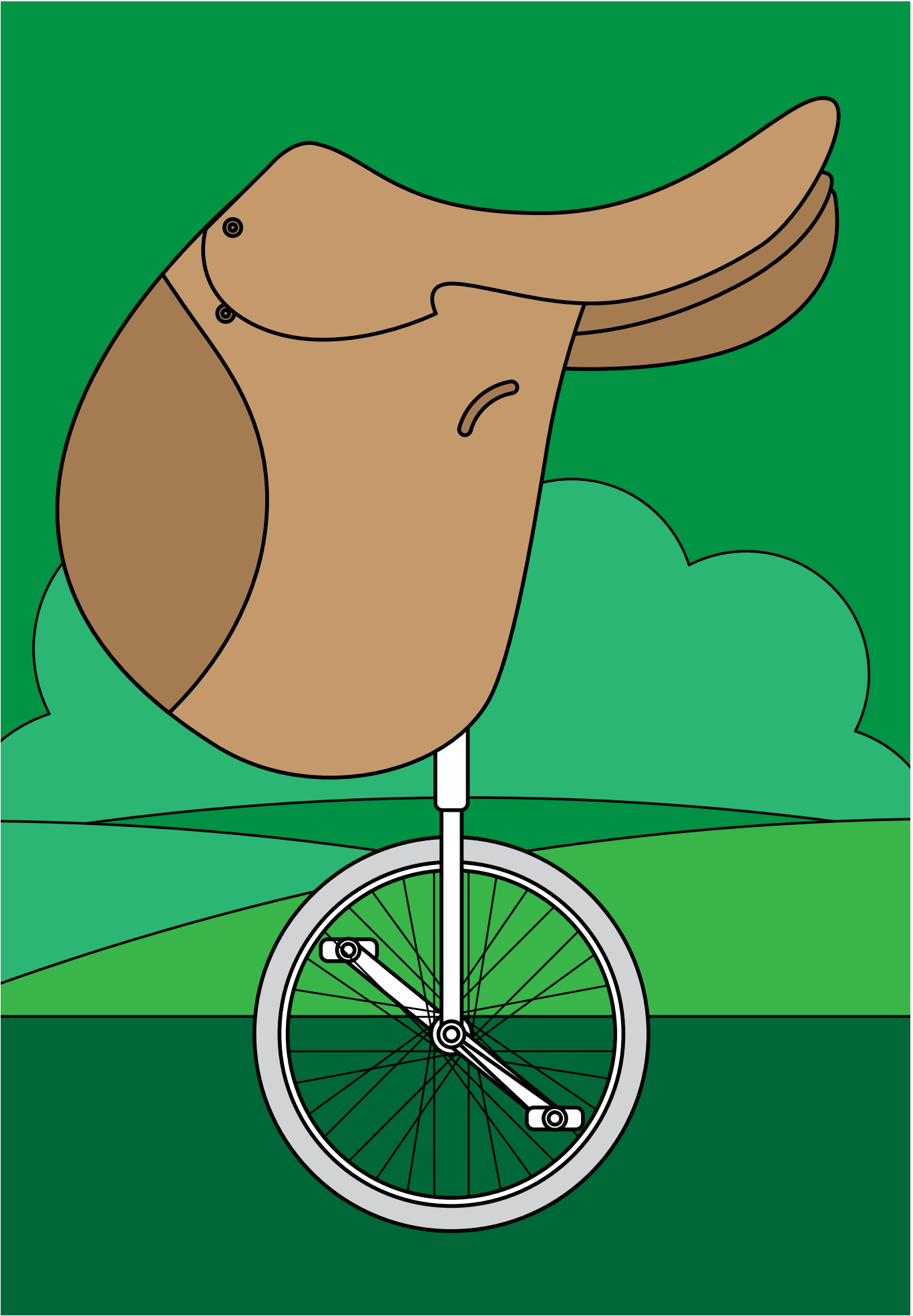
Hermès has strengthened its involvement in the world of horses and riding, and created new partnerships with professional riders. Presented in April 2013 at the *Saut Hermès*, the *Hermès Cavale* saddle quickly became a standard of reference. To perfect the saddle, Hermès relied on the expertise of Simon Delestre, a Hermès partner rider who ranks among the world's best. He defined the top

show jumper's requirements, and subsequently took part in the design and trials of this saddle, contributing to its development over more than two years. Philippe Benoit, veterinary surgeon of international repute, also contributed, analysing requirements related to horse morphology, to ensure that the saddle fits perfectly to the animal's back.

The result is the fulfilment of our ambitions: riding in closer harmony with the horse. This saddle perfectly conveys sensations at the jump and is very comfortable, in particular due to the seamless seat, and it is kind to the horse's back during exertion, due to the separation and flexibility of the panels.

Many high-level professional riders have already adopted it, and contribute in turn to further improving it for even greater performance when jumping.

Finally, the Hermès stable, which brings together the professional riders who are partners of the House, has extended its activity into the three disciplines of show jumping, dressage and eventing. The Olympic and World Champion Rodrigo Pessoa has now joined this team, which now comprises twelve emeritus status riders, flying the equestrian flag of Hermès high.



READY-TO-WEAR AND ACCESSORIES

The Ready-to-Wear and Fashion Accessories *métier* is the Hermès group's second largest sector, with consolidated sales of 22%. In 2013, it generated €843 million in sales, a rise of 18% at constant exchange rates.

WOMEN'S READY-TO-WEAR

Christophe Lemaire, artistic director of women's ready-to-wear, continues to build up the Hermès wardrobe: a series of garments in refined, generic shapes, emphasising high quality materials and precise cuts.

The 2013 spring-summer collection, chic and relaxed, is boyish in inspiration with summer suits in soft, cool and comfortable materials. The looks include exclusive prints, *Fleur de Tahiti*, *Aloha*, *Échec au Roi*... or take on a "casaque" look, in exceptional leathers and silks and bright, radiant colours.

Swimwear confirms its presence at the heart of the collection, with a complete line of swimsuits, pareos and beachwear.

Presented at a catwalk show that won particular plaudits from the press, the women's 2013 winter collection cultivates a considered elegance, with slender, structured looks, in cuts evoking the lines of uniform: wrap coats, masculine suits, long pencil skirts and white blouses.

Based on the theme "A sporting life!", Hermès launched a winter sports collection this year. This collection enables the House to look back on its heritage and history, as it tasted the delights of the mountains in the 1930s, when it offered its first sports and ski clothes. Imagined by Christophe Lemaire, this new line combines the same demands for comfort, elegance and performance, using technical fabrics and linings that combine breathability with heat insulation: wool felt and showerproof angora, parkas in waterproof calfskin with silk twill linings, "second-skin" jumpers in printed silk. Winter sports are chic!





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1. Women's ready-to-wear, autumn-winter 2013 collection.
2. Men's ready-to-wear, autumn-winter 2013 collection.

MEN'S READY-TO-WEAR

Véronique Nichanian, artistic director of men's ready-to-wear, has constructed her 2013 collections on a base of hybrid garments with multiple evocations, offering a wardrobe that is chic with a sporty look, echoing the theme of "A sporting life!".

Conciliating casual chic and evening wear, the spring-summer collection invents multi-purpose clothes in a subtle mix of natural and technical materials, their shapes and details inspired by the world of sport. The palette of colours contrasts neutral tones (white, limestone, hemp, stone, indigo and black) with vibrant notes (cobalt, Prussian blue, lime, absinthe, chili). The overall look is dynamic, the silhouette sharply defined. The function of the garments is subverted to create an unexpected link between city and sport: reversible effects, raglan sleeves, printed interior/exterior, and so on.

The collection includes many new creations: the *Rive Gauche* model for jackets and suits, a baseball shirt in two-coloured waxed nubuck, and trousers and Bermuda shorts with openwork belts. All elements that complete a resolutely composite summer silhouette.

For autumn-winter, the collection is a meeting of sport chic, *après-sport* and city style: a contemporary, functional wardrobe exploring variations on the theme of overcoats. Winter colours (navy blue, bark, brick red) are offset by vibrant accents (golden yellow and hot pink), and taut lines create dynamic silhouettes. Refined blends of natural and technical materials are accompanied by quilting effects, stripe detail or bright colours, in a spirit of freshness. This quest characterises the season's new models: *24 James* coat with *Ex-libris* silver buttons, blouson in ribbed lambskin nubuck, blousons in reversible nappa astrakhan, quilted trousers, and more.

Through these two collections, Véronique Nichanian offers the Hermès man a new definition of sportswear.

ACCESSORIES

The Accessories department covers jewellery in enamel, leather, horn and lacquered wood, as well as shoes, belts, gloves and hats.

JEWELLERY ACCESSORIES

The Jewellery Accessories collection illustrates the sporting world in nautical and equestrian ranges: adventure and the open air revisit a classical spirit, bringing a touch of fantasy and a broad spectrum of colour combinations, where subtle tones and dense colours coexist.

The women's leather collection is enhanced with a line of micro-bracelets, such as the *Micro Kelly*, *Micro Rivale* and *Micro Étriviere*, which reinterpret various models on a small scale, to be worn in multiple combinations, discreet and delicate.

The men's leather range is reminiscent of men's ready-to-wear, with two flagship bracelets: *Goliath*, in fine braid with cheerful colours, and the dual-purpose *Harlem*, to be worn on its own or as a watch bracelet.



The horn and wood collections are energised with new effects such as Fusion lacquer, in which two colours meet and fuse, creating the vibration of a third colour.

Printed enamel continues to explore patterns, colours and ways to wear it: maroquin with chequerboard pattern, pyramid studs and metal rings, leather encrusted with little studs, saddle-stitching, and monochrome, two-colour and multi-coloured versions, and more. The *Colliers de chien* model, a trompe-l'œil design by Valérie Jamin, has been produced in all available widths and in all the season's colours, especially "single red". This monochrome hue lends its various shades of red to other square-based motifs.



GLOVES

The glove collection presents models for all purposes and all seasons: coloured or printed, designed for driving or for very cold weather, they all showcase the know-how of Hermès.

Associated with the new women's winter sports ready-to-wear line, the *Helsinki* glove combines the warmth of cashmere fleece and the sporting elegance of ski calfskin with shower-proofing and anti-UV treatment. It fastens with a leather flap accented with a saddle nail.

For the summer, the *Grand Prix* model is a feminine version of the driving glove, with cognac-coloured kidskin suede piping round the fingers and wrist.

Men can enjoy optimum winter comfort with the *Hippolyte* mittens, in grained nappa merino with rib trim, developed with men's ready-to-wear.

HATS

The theme for 2013 inspired the creation of women's models that introduced new ways to wear them.

Thus the *Happy* headband in mink and cashmere, borrowed from the sporting world, is designed to protect women's ears when skiing.

From Hermès archives, the *Hypnotique* driving headscarf is transposed into lambskin lined with printed silk, and acquires long tails to feminise it and enable it to be worn as a scarf.

Women's sport is also expressed in the *Golf* cap, its round shape emphasised by leather trim fixed with two saddle nails.

1. Bracelets in Swift calfskin.
2. Bracelets in lacquered wood and bracelets in enamel.
3. Bracelet in enamel.
4. Bracelet in lacquered wood.
5. Hats in seersucker.
6. Caps in seersucker and lambskin.
7. Women's gloves in glazed lambskin and kidskin.



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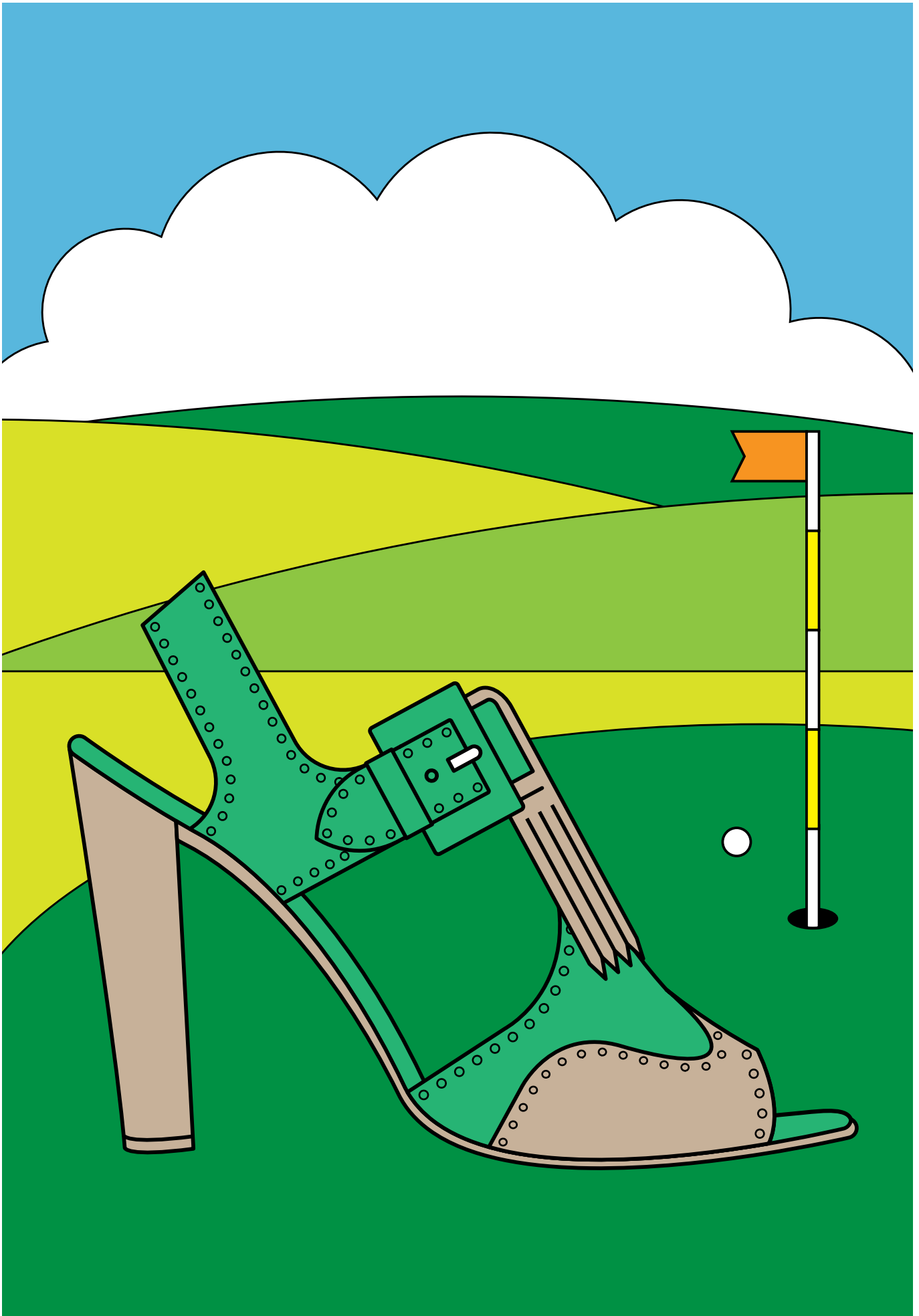


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BELTS

In 2013, the belt continued to express our saddlery and silversmith's skills.

The *Haras* model, created by the women's studio, revisits the saddlery know-how used in halters and saddles. Its rounded shape, saddle nail and overstitching are also references to the *Passe-Guide* bag.

For men, the *Gentle* belt is a montage with an ingenious, urban finish and a buckle which enables it to be worn in two ways.

The belt kits are enriched with the addition of a new men's buckle: the *H au carré*, associating a satin brushed H and a glossy H in silver-palladium plate.

SHOES

In response to the year's theme, "A sporting life!", Pierre Hardy, creative director, offers dynamic collections bringing multiple contrasting materials and colours to every moment in life.

The evocation of sport is conspicuously present in the women's collections. The *Golfeuse* sandal takes on the codes of the golfing shoe: fringed tongue, two-tone colours and associations of leathers. And the *Galop* espadrille boot, its canvas crossed with a

diagonal bar of nappa calfskin inspired by jockey silks, heightens the idea of movement and speed.

For the winter, the collection invents a new equestrian look on the theme of Riding and the *Hippique* boot in black or forest-green calfskin. To complement the women's ready-to-wear winter sports line, the *Hiver* ankle boot with thick sole and supple suede calfskin upper or the *Hiking* boots in full-bodied calfskin combine a protective feel with sporting elegance. As for the spectators, they will be wearing ultra-feminine sandals, such as the *Heaven* in champagne metallic suede goatskin.

The spring-summer collection of men's shoes combines the casual with the elegant, with models to be worn barefoot, supple and light, such as the *Gate Derby* or the slipper-style *Gaspard* moccasin, with very thin sole and rounded toe. The *Gabiano* moccasin in cotton canvas on a rubber sole and the *Giocco* trainer in H canvas and calfskin complete the collection with the lightest of touches.

The men's autumn-winter collection covers a variety of uses and emphasises different shoemaking skills, in addition to the traditional Blake stitched and last stitched shoes: Goodyear sewn models, with the launch of the English Club line, represented by the *Hector* Oxford shoe, and the Norwegian hand-sewn *Hiking* boots.



1. Kidskin court shoe.
2. Boot in Box calfskin.
3. Derby in Toscan calfskin.
4. Belt in Box calfskin.

SILK AND TEXTILES

Silk and Textiles is Hermès' third largest sector and accounts for 12% of sales. In 2013, sales of scarves and ties totalled €454 million, up 12% at constant exchange rates.

WOMEN'S SILK

In 2013, the women's silk collections took on a sporty look. The *Les Trophées* scarf, designed by Pierre Marie, represents an imaginary collection of awards, with a diverse combination of winners' portraits, ribbons, medals and cups.

Meanwhile, the *Hermès Sport* scarf, created by Anamorphée, plays with sports-ground graphic motifs: encircled by a running track, multiple fragments of markings from tennis and basketball courts, hockey pitches and more suggest a multicoloured game of patience.

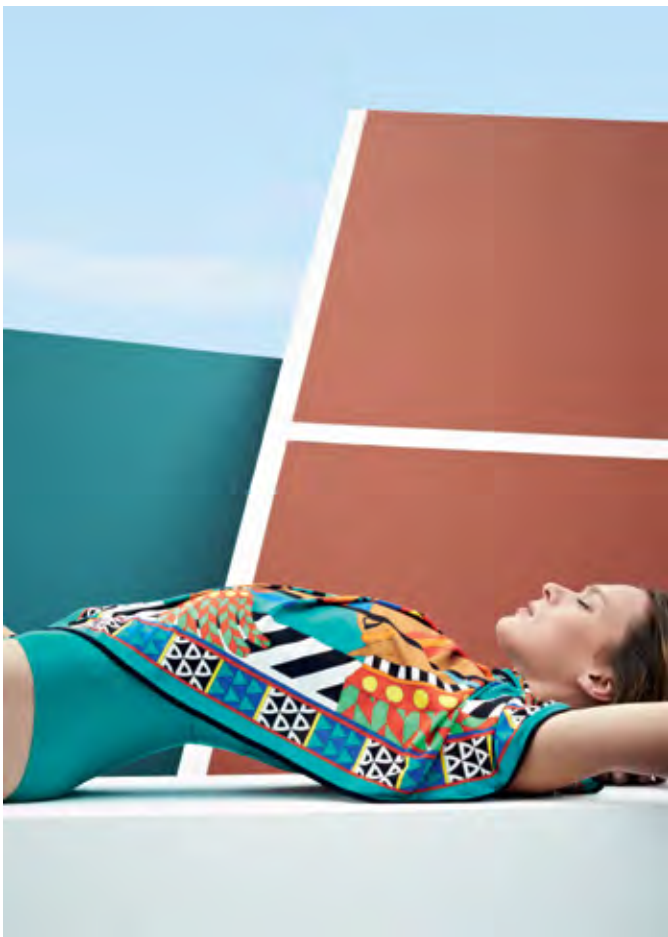
Contemporary, fun and generously sized, a new format, the Maxi-twillly, was introduced. This extra-long scarf can be worn in any

way with countless different knots, from the most natural to the most sophisticated. Rooted deep in the heart of Hermès know-how, the Maxi-twillly associates a material with designs drawn from the heritage of the House: silk twill, printed with designs such as *Cavalcadour*, by Henri d'Origny, or *Brazil*, by Laurence Bouthoumieux.

For the winter, the collection of warm products always includes a range of generously-sized pieces and unusual materials. In 2013, it was joined by the *Toit du monde* stole: made from yak's wool woven on the high plains of Tibet, it combines warmth with extreme softness.

Lastly, the House paid tribute to rare skills, with the *Carrés Couture* collection. *Pégase de nacre*, *Quadrigue surréaliste*, *Tigre royalsaphir*... a total of eight scarves in colour-change silk muslin that celebrate the excellence of our Indian master embroiderers and a wealth of precious materials, with diamonds and beads of gold and crystal.

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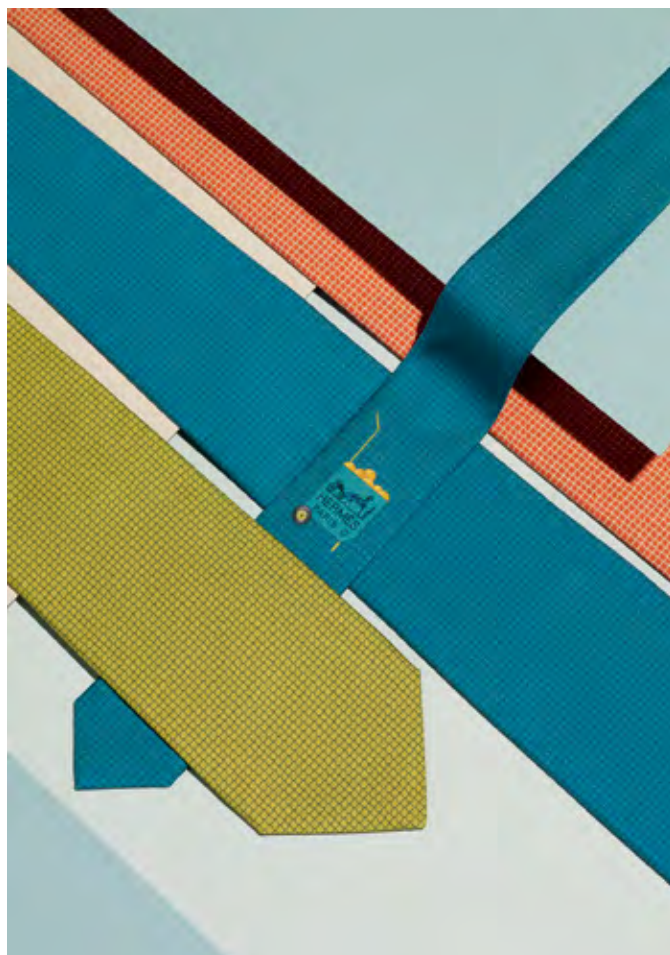
MEN'S SILK

Known to connoisseurs for its off-beat, fun take on the contemporary world, the heavy silk twill tie paid tribute to the year of sport in new geometrical motifs. Nods to the sporting world, including kitesurfs, snowboards, terraces as far as they eye can see, and two-coloured hurdles, reveal their hidden meaning thanks to the cartouche on the narrow end, visible only to the owner.

A new 7 cm Chevron tie, of discretion, elegance and softness, joins the ranks of plain ties.

The scarf for men takes on a new size, becoming the “maître carré”: a scarf of one square metre, for easy knotting and casual wearing. Elegant in all circumstances, cool in summer and warm in winter, it now comes in variegated colours and fun designs and graphics inspired by motifs dear to the House. The coloured stripes of *Missing Horses* relate a version of *Couvertures* and *Tenues de jour*, from which the horses have departed... while on the *Tampon graphique* scarf, a silhouette of a horse is applied with an ink stamp, endlessly repeated.

The collection of scarves, ever faithful to our printing know-how and the quest for beautiful materials, is also enriched with several new models: *Jamais deux sans pois*, in cashmere and silk, has a generous range of sizes and its dual pattern enables it to be worn in different ways. And the *Slalom* scarf owes its comfort to its mix of cashmere and sable.



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1. *Chevaux de Karnak* scarf in supple silk jersey.
2. *Les Trophées* scarf in silk twill.
3. *Hermès Sport* scarf in silk twill.
4. 8 cm ties in heavy silk twill.

OTHER HERMÈS MÉTIERS

The other Hermès métiers cover Jewellery and the Art of Living. In 2013, they achieved sales of €216 million, representing a 37% rise at constant exchange rates and accounting for 6% of the group's total turnover.

JEWELLERY

This year, Jewellery continued its strong dynamic with numerous creations, collection development and events.

Driven by Pierre Hardy, creative director of the collections, exceptional pieces continue to showcase the skills of Hermès jewellers. The new *Niloticus* collection caused quite a stir: by a secret alchemy, pink gold becomes a crocodile skin of astonishing realism, whose innovatively articulated scales come to life with every movement. Each piece in the collection - necklace, bracelet, ring and earrings - is enhanced with a bar of diamonds and gemstones. This exceptional jewellery set was presented at the Faubourg Saint-Honoré store in June, together with the *Kelly*, *Collier de chien* and *Chaîne d'ancre* collections.

Another milestone of 2013 was the 75th anniversary of the legendary *Chaîne d'ancre*, celebrated with numerous new incarnations. Its link is enlarged to become *Initiale*, a line of bracelets and rings, veritable sculptures in silver on the top of which is the imprint of a horseshoe. It is available in a rhythmical alternation of cables, beads and wires to form the *Parade* bracelet, its silver tinkling with each movement. Or it takes its inspiration from the *Rallye 24* porcelain dinner service to give rise to a new, full-bodied line, *Chaîne d'ancre 24*, its principal elements being a bracelet with a folding clasp and double ring for a new style of wear.

Since 11 June 2013, Hermès has been RJC certified. This certification is the result of continuous efforts to improve our practices, carried out on products originating from the gold and diamond industries.



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1. Silver *Chaîne d'ancre* bracelets and rings.
2. Carrés d'assise, *Les Nécessaires d'Hermès* collection, in Essentiel bullcalf and *Circuit 24* and *Ottoman* patterned fabrics.
3. *Dune* wallpaper.

ART OF LIVING

Carried by its distinctive vision of the art of living, Hermès now puts its name to a complete range for the home. New collections of furniture, furnishing fabrics, wallpapers and carpets extend the existing collections of decorative objects, tableware and textiles. Unity of style, nobility of materials and a poetic vision of space are the vectors of an ambition that makes the contemporary home an expression of art in everyday life.

In 2013, the Art of Living division showed a strong dynamic underpinned equally by the historic collections and new furniture creations: *Les Nécessaires d'Hermès*, a line of functional, ingenious and comfortable furniture with multiple uses, created by the French designer Philippe Nigro. Presented at the Milan furniture fair, this light and elegant collection is made according to the traditions of fine cabinet-making, leather sheathing and upholstery. It marries the most demanding know-how with the noblest materials: warm-tinted Canaletto walnut, brushed steel, leather and fabrics.

The new collection of fabrics and wallpapers takes its inspiration from three themes: *Bord de mer* evokes regattas and seaside holidays. Softened linens, jacquards and cotton twills with nautical prints create a relaxing atmosphere and an invitation to travel. *Précieux* is applied to silks, heavy satins and silk and linen

jacquards. Finally, the *Équestre* designs, printed on herringbone cloth and warm jacquards, are evocative of jockey silks and spurs. Art of Living also brings its know-how and creativity to making dreams come true through the conception of personalised interiors and exceptional, unique spaces. Thus two examples of fine workmanship were unveiled for the first time at the Milan furniture fair: the clothes storage system, a wardrobe concealed behind three large rotating panels covered with saddle-stitched bullcalf, and the dresser, designed for storing a dinner service, a fine example of skilled workmanship with its doors, handles and shelves sheathed in bullcalf.

Finally, the collections of objects and textiles for the home contributed to this year's good results. Noble materials such as cashmere, handspun and woven, adorned with fine embroidery, were popular with connoisseurs and collectors: *Équateur* embroidered throw and *Feuillage* throw. Our skills in arts and crafts, such as our mastery of lacquering, or the combination of leather marquetry and tableterie of leather and precious woods, led to the creation of numerous decorative pieces, including exceptional boxes, cups and caskets, sources of creativity and growth.



PERFUMES

With sales of €210 million, an increase of 15% at constant exchange rates, Hermès Perfumes pursued its dynamic of strong growth in 2013, underpinned in particular by four notable creations.

Jour d'Hermès, the first women's perfume launched by Hermès since 2007, flies the flag for French-style "belle parfumerie" and was very well received, winning numerous awards.

Created by Jean-Claude Ellena, our perfumer since 2004, to "express flowers, and nothing but flowers, the essence of femininity", *Jour d'Hermès* relates the daily rebirth of the woman and her beauty, illuminated by Hermès.

It is presented in the first bottle designed by Pierre Hardy - set into a square base inspired by the historic Hermès bottle, four neat lines fan out and then meet in a sensual curve. Grace springs from solidity, in the image of this perfume whose name evokes the promises of dawn and eternal rebirth.

The *Colognes* collection is enriched with two new creations, celebrating the Art of Living dear to the House and the "A sporting life!" theme in two original expressions of hedonism and freshness. *Eau de mandarine ambrée* reveals a classicism reinvented by Jean-Claude Ellena, who admits to knowing "no fragrance more

joyful than mandarin, and more mellow than amber". With *Eau de narcississe bleu*, a contemporary and surprising interpretation, he seeks to recreate "the tactile aspect of a material".

Launched exclusively in Hermès stores at the end of 2013, the *Classiques* collection presents the fragrance heritage of the House in a new light. Eight perfumes, *Eau d'Hermès*, *Calèche*, *Équipage*, *Amazone*, *Bel Ami*, *Rocabar*, *Hiris* and *Rouge Hermès*, tell the tale of fifty years of perfume history and are set to conquer the present. Aiding this renaissance, Jean-Claude Ellena has revisited one of them, *Bel Ami*, to create *Bel Ami Vétiver*, a distinguished heart-stealer.

Épice Marine, the eleventh fragrance in the *Hermessence* collection, was born of the meeting between the perfumer and Olivier Roellinger, the "privateer chef". From smell to taste, from nose to palate, their exchanges fostered the creative process of these two spice enthusiasts. Inspired by these exchanges, with *Épice Marine*, Jean-Claude Ellena offers a wave of spices and North Sea air.

Lastly, *Terre d'Hermès* is staying on course and progressing on all markets, asserting itself year after year as a truly classic fragrance for men.



WATCHMAKING

The watchmaking sector represents 4% of the group's total turnover, with sales of €167 million in 2013, a small increase of 1% at constant exchange rates.

At the Baselworld Watch and Jewellery Show, Hermès inaugurated a new pavilion, designed by the Japanese architect Toyo Ito, who shares the values of the House: craftsmanship, a predilection for natural materials, the mastery of time, precision and innovation.

Our new models were displayed in this welcoming open space, which expressed the realm of "imagined time". A positioning strengthened in particular by the launch of the new *Arceau Le temps suspendu* collection, with a revisited case and powered by a movement entirely developed and produced with the aid of Vaucher Manufacture Fleurier.

Once again this year our exceptional know-how was highlighted in the presentation of two unique pocket-watches, the *Arceau Pocket Voilier* and *Arceau Pocket Volutes*. The first of these combines the art of engraving and "plique-à-jour" enamelwork, and the second is abundantly embellished with gold marquetry and sculpting. These exceptional models are equipped with Hermès Manufacture movements, as is the *Dressage Chronographe* watch which joins the sector of watches with Manufacture movements. 2013 also saw the presentation of the *Arceau Lift* model, the first watch with a flying tourbillon, its motif inspired by the wrought-iron double H that decorates the historic lift in our shop at 24, Faubourg Saint-Honoré in Paris.

Lastly, the *métier* continued its integration process with the total acquisition of Joseph Erard SA, the case manufacturers, and the modernisation of production processes.

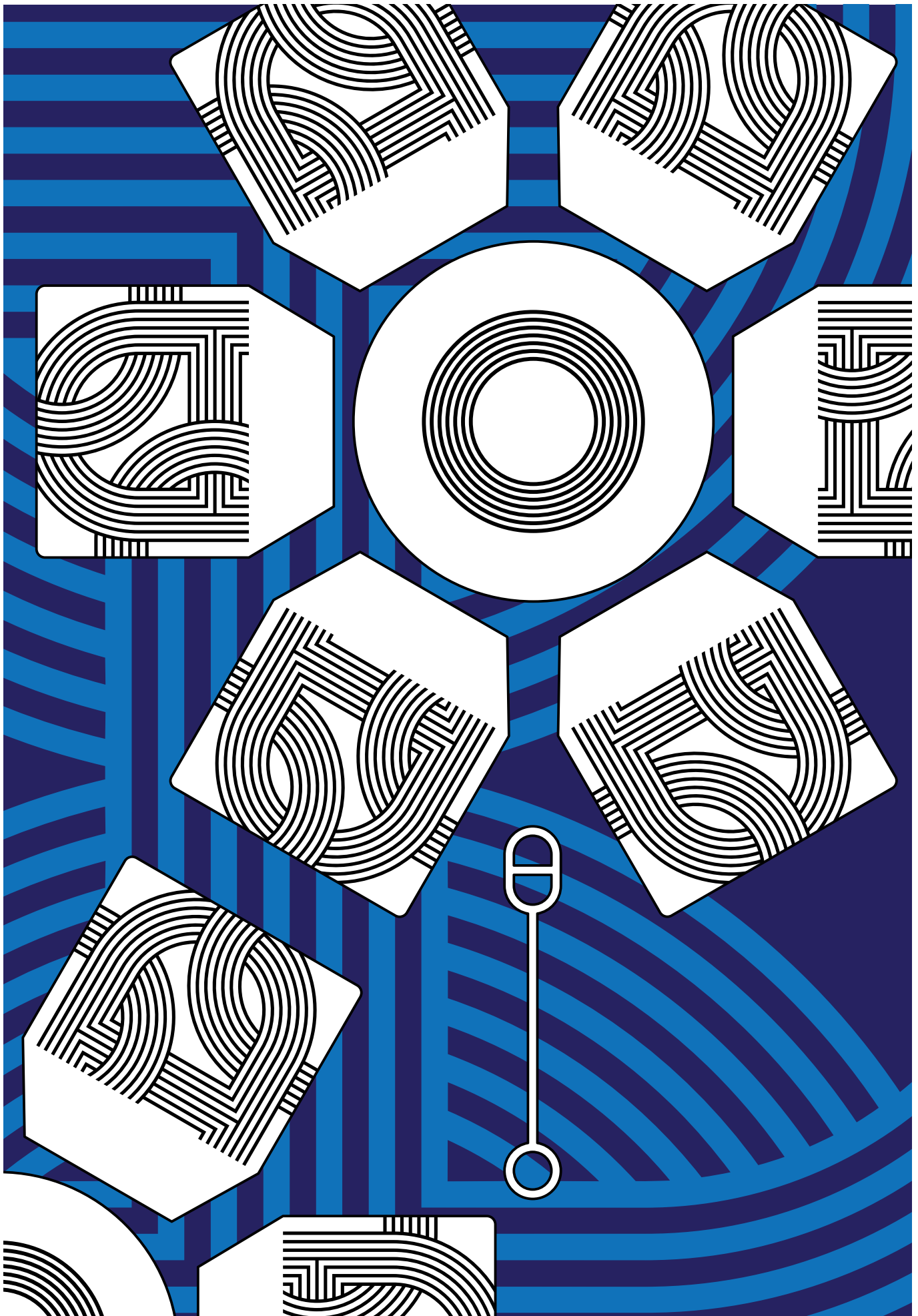


2.



3.

1. Les Classiques collection.
2. *Arceau Le Temps Suspendu* watch in rose gold set with diamonds and Havana brown matt alligator strap.
3. New Hermès pavilion at Baselworld.



TABLEWARE

Tableware encompasses La Table Hermès, Les Cristalleries de Saint-Louis and the Puiforcat silversmithing house. In 2013, turnover for this sector totalled €61 million, up 4% at constant exchange rates.

LA TABLE HERMÈS

In a mature, declining market, Tableware sales remained stable. Within the Hermès network of stores, sales displayed good buoyancy in Europe, Asia and the United States, while sales to external distributors showed a drop.

The year 2013 was notable for the creation of a porcelain dinner service: *Rallye 24*, inspired by the historic *Chaîne d'ancre* design, uses racing circuit motifs for a new and perfect breakaway. Its 49 pieces, in 17 boldly contemporary shapes, oval, oblong or square, are available in colours inspired by motor racing teams: grey, yellow, green, red, blue or black, in an interplay of glossy and metallic shades. Perfectly coordinated, they can be combined in countless ways, for multicoloured, two-coloured or monochrome table settings to suit any mood or occasion.

An impressive technical feat, *Rallye 24* was launched in March.



LES CRISTALLERIES DE SAINT-LOUIS

Despite difficult market conditions in 2013, Saint-Louis succeeded in maintaining its position, due in particular to the favourable reception of new lighting models, and the strengthening of the carafe and decanter activity.

This year, Saint-Louis transcended the art of lighting by combining ancestral skills with modernity in beautiful objects, offering new definitions of the chandelier and creating revolutionary light-fitting lines.

Thus the new *Apollo* trio, by Godefroy de Virieu and Stefania Di Petrillo, breaks away from classical codes: comprising two chandeliers and a table lamp, it offers a bouquet of light, ultra-contemporary, ethereal and poetic, while the subtly proportioned table lamp creates a radiant glow.

Three female designers responded to the Manufacture's invitation: Paola Navone, with her *Hulotte* line, pays tribute to the hot and cold techniques and opts for colour with double or triple crystal cut with her favourite patterns: polka dots and crosses. Ionna Vautrin, fascinated by the branches of the chandelier, transforms them into corollas to create the *Saule* line. And Kiki van Eijk shows off the techniques of the *métier* with the creation of *Matrice*, a lamp in the form of a mussel that gradually opens to release the light.

Rallye 24
porcelain plates.

1. Cristalleries de Saint-Louis collection: *Saule* lamp.
2. Puiforcat collection: *Zermatt autour de l'eau*.

The Manufacture continues to operate in its era with brio, revisiting exceptional pieces from its heritage and adding to its signature lines.

Symbols of outstanding achievement in crystalwork, the *Les Trois Cycles* vases revive a technique developed over a century ago to create a contemporary set of exceptional vases that invite admiration.

Paperweights, now complicit in contemporary creation, are joined by a new narrative trilogy between air and water, *Boréal*, *Cyclades* and *Notus*, designed by Claire Le Sage.

The emblematic Excess line is strengthened with two original ideas, a horizontal chandelier and a ceiling light, in tune with modern lifestyles. Meanwhile, the *Classique*, *Classique Grand Siècle* and *Classique Renversant* chandeliers now sport the Saint-Louis flagship colour of flannel grey crystal, with warm, ashy tones. Lastly, the *Thistle* family celebrated its centenary with two new members: a vase and a limited edition paperweight.

Light, colour and know-how have been the keywords of Saint-Louis' communication in 2013.

After presenting the *Apollo* collection at Maison & Objet, Saint-Louis exhibited for the second time at the EuroLuce fair in Milan in April. This was an opportunity to unveil the three innovative collections *Matrice*, *Hulotte* and *Saule*, also presented in May at the New York *WantedDesign* show in which Saint-Louis took part for the first time. All of these creations, as well as our *Les Trois Cycles* vases, received broad coverage in the international press.

2013 was also the year of the introduction of the new Saint-Louis architectural concept, implemented at a concession at Harrods in London and at Printemps Haussmann in Paris.





2.

PUIFORCAT

Puiforcat, expert in contemporary silversmithing, continued to develop its orientation towards an all-embracing Art of Living, uniting Tableware with everyday utensils and decorative objects. The House asserted its position as an exceptional brand, and confirmed a return to strong growth.

A reissue of fine silversmithing pieces in solid silver, the shaker and the *Sphère* tea and coffee service, designed by Jean Puiforcat and entirely hand-made, shone the limelight on the heritage of the House and its unique skills in silversmithing art.

The launch of the *Magnificat Puiforcat* collection, a line of imposing decorative objects in nickel-plated brass, created in collaboration with the Madrid silversmith-designers Juan and Paloma Garrido, confirmed Puiforcat's commitment to the world of decoration.

Puiforcat also wrote another chapter in the story of its *Zermatt* cutlery, with the new *Zermatt Autour de l'Eau* collection. Designed by Patrick Jouin and consisting of a water jug, a tumbler, a vase and a bowl, this collection in silver-plated metal displays tense, powerful lines, just like the original cutlery.

Lastly, Puiforcat adopted a new institutional visual identity and launched its e-commerce website in Europe.

OTHER GROUP BRANDS AND PRODUCTS

JOHN LOBB BOOTMAKER

After strong expansion in 2012, John Lobb continued its growth in 2013 in both bespoke and ready-to-wear. The bootmaker reaffirmed its fidelity to its core *métier* with two strong collections, numerous specialist orders in the context of the *By Request* offer, and the launch of a bold Derby in a limited edition for the traditional Saint-Crépin meeting. John Lobb also further extended its range of men's accessories, faithful to the spirit and codes of the brand, with an original line of calfskin gloves and heavy silk ties woven in England.

Sales increased on all markets, especially in Japan, where John Lobb strengthened its presence with the opening of a fifth branch within the Tokyo Midtown development, near the Roppongi quarter. In Asia, two new subsidiaries were established, in Hong Kong and Shanghai, confirming John Lobb's determination to develop a permanent presence in the region.

In the Near East, exclusive new concessions opened in Beirut during the summer.

Europe saw a promising start to online sales, already under way in the United States and Great Britain. John Lobb illustrated its intention to operate a dynamic digital strategy centred on a single website and a well-established presence across the various social media.

1.



2013 was also notable for the extension of ready-to-wear shoe production site in Northampton. While enabling a significant increase in production and stock capacity, these investments represent the determination of the Hermès group to anchor John Lobb's manufacturing activity firmly in England.

TEXTILES

The Hermès Textile Holding company unites the group's textile production skills, from creation to fabrication, including weaving, engraving and printing, under one umbrella structure.

2013 confirmed the vigorous growth of internal orders by the different Hermès divisions, both in historic products and in new lines, such as the Maxi-Twill. The incorporation of a dyeing and finishing workshop also contributed to these good results, illustrating the complementarity of *métiers* brought together under one roof.

The investments made enabled several operations to be successfully implemented:

- increasing the capacity of a large-width printing tool, inaugurated in late 2012,
- commissioning a high-capacity tool dedicated to scarves,
- creating a special printing workshop for small series,
- inaugurating a new engraving technology.

In July, the textile division participated in the Artistic Crafts operation during the haute-couture catwalk shows organised at the Nissim de Camondo museum of decorative arts in Paris. It was thus able to show off its exceptional skills such as velours au sabre, photoengraving and hand-crafting.

The textile division continued its development, paying special attention to maintaining and passing on skills, with our training hub of textile engineers and numerous apprenticeship schemes that have been implemented.

1. John Lobb derbies.
2. Pieces of a light cobalt-blue Porosus crocodile jacket.

TANNING AND PRECIOUS LEATHERS

The Tanning sector handles the purchasing, tanning, dyeing and finishing of precious skins destined for high-quality brands and manufacturers operating in fashion and leather goods (bags, small leather goods, shoes, belts, garments, etc.) and for the high-end watchmaking industry (watch straps).

The sector benefited from the resilience of the world market in precious skins, especially in the fashion and leather goods sectors. The incorporation of calfskin production via the tannery in Annonay also contributed to this result.



The division continued its operation of seeking high-quality materials by strengthening its relations with long standing partners.

Considerable investments were made to support the integration, the upgrading and the securing of entities acquired in 2012, and in improving quality and developing know-how throughout the production and distribution chain.

The division is thus acquiring the means to achieve its objectives: to assert its position of excellence on the precious skins market in support of high-quality production, by securing supplies, optimising production capacities, and promoting innovation and creativity, while remaining exemplary in terms of respecting ethical and environmental standards.

HERMÈS HORIZONS

Since 2011, Hermès Horizons has extended its sheathing activity to the world of transport. The traditional artisanal skills, creative energy and the sense of innovation characteristic of Hermès are brought to bear in a customised service.


An example of this activity in 2013 is a private jet whose interior was completely redesigned, both in the organisation of the space and in the design of the different interior fittings (seats, tables, walls and partitions). Several months of work were required to complete the design process and then carry out the full sheathing operation in the Pantin workshop.

In the motor vehicle sector, a collector entrusted the Hermès Horizons workshops with the job of upholstering the interior of a magnificent and extremely rare French model dating from the early 20th century. To upholster it in natural cowhide, the original shapes of the trim had to be recalculated on the basis of drawings and photographs from the period.

2013 also marked an important turning point in the activity of Hermès Horizons, with the launch of a range of bicycles which now includes two models developed entirely in-house. Ultra-light by virtue of their carbon-fibre construction, easy to manoeuvre, comfortable and efficient, they employ technologies used for competition cycles and are endowed with equipment to facilitate use, for enhanced everyday enjoyment.

As in previous years, Hermès Horizons assisted other entities of the House by contributing its sheathing experience.

PETIT H

A workshop created and run by Pascale Mussard,  (pronounced “petit h”) brings Hermès’ skills and materials together under one roof and offers artists the chance to use them for “re-creative” purposes. Thus, scraps of noble materials not used by the production workshops – leather, silk, horsehair, pieces of porcelain, crystal, etc. – become “nuggets” that are reborn in the hands of leatherworkers and saddlers, silversmiths, couturiers, and master glass- and porcelain-makers with the assistance of designers.

This direct interaction between ideas and hands, inspired by these noble materials, leads to the invention of some surprising objects. In 2013, petit h set off to meet Hermès customers around the world for two temporary sales events. Thus the Hermès stores in

Singapore (in July) and London (in November) were transformed for three weeks with a unique scenography for each.

Nomadic in essence, petit h nevertheless decided to drop anchor in June at the entrance to the Hermès store in the Rue de Sèvres, Paris. This unique home port enables it to present a selection of its workshop’s creations year-round.

In this way, petit h can grow and assert its identity while remaining faithful to its manifesto: “When I grow up, I want to stay small!”.



1.

1. The *Origami* rabbit in orange Togo calfskin.
2. Shang Xia boutique in Paris, Rue de Sèvres.

SHANG XIA

This contemporary Chinese craft brand, which opened its first store in Shanghai in 2010, entered a new stage in 2013.

This was in September, when Shang Xia opened its first store outside China in the Rue de Sèvres, in the very heart of Paris. In a refined, poetic atmosphere, customers were introduced to its specific skills, such as bamboo weaving or the production of cashmere felt, supported by products emblematic of the brand.

And a new Shang Xia store situated in Shanghai's Hong Qiao airport opened its doors in December.

Throughout the year, the addition of new objects to its collections and the exploration of new techniques have enabled Shang Xia to enrich its contemporary Chinese Art of Living range.

Thus, inspired by the ancestral techniques of Mongolian nomads, the cashmere felt is "sculpted" to form a coat or jacket made from a single piece.

Symbols of high-quality craftsmanship, the walnut shelves in the *Da Tian Di* collection, their strict outer lines contrasting with their inner curves, evoke the spirit of the Shang Xia logo. These stylised modern "treasure shelves" consist of individually placed or fully integrated modular elements.

Meanwhile, the *Wu Fu* vases – meaning "Five Delights" – are the result of the reinterpretation of ancient techniques. Their satiny texture, like porcelain, and their crackled appearance, are obtained by lacquering with incrustated eggshell: a technique of an extreme precision, reserved for the most experienced master craftsmen.

OTHER ACTIVITIES OF THE GROUP

These business activities are carried out on the group's production sites on behalf of external brands, such as the packaging of perfumes on the Vaudreuil site in Normandy.



PARTNERSHIPS

FAUBOURG ITALIA

In addition to its tableware and art of living collections, Hermès is currently developing a complete range for the home that now includes upholstery fabrics and wallpapers. The latter are developed in partnership with the Italian fabric producer Dedar, which also controls international distribution. A joint subsidiary, named Faubourg Italia, was created in 2011. Hermès International holds 60% of its capital.

J3L

In 2013, Compagnie Hermès de Participations 2 acquired a 30% share in the capital of the J3L company, a long-standing French supplier of the group, specialising in metallic pieces dedicated principally to leather goods and fashion accessories.

PERRIN & FILS

Holding Textile Hermès has a 39.5% stake in the capital of Perrin & Fils. The Perrin Group specialises in weaving for a range of sectors as diverse as lingerie, upholstery fabrics, ready-to-wear and accessories.

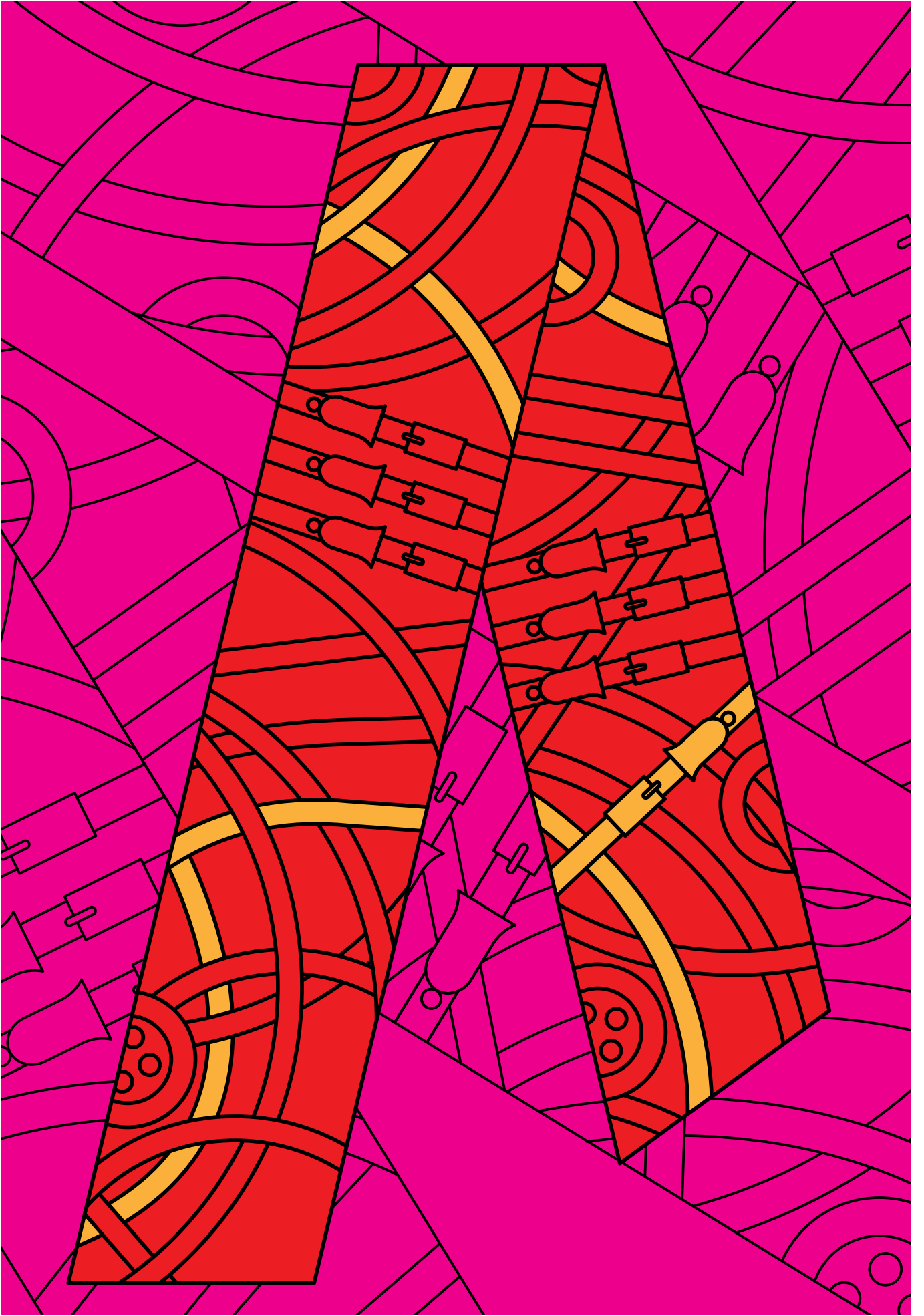
VAUCHER MANUFACTURE FLEURIER

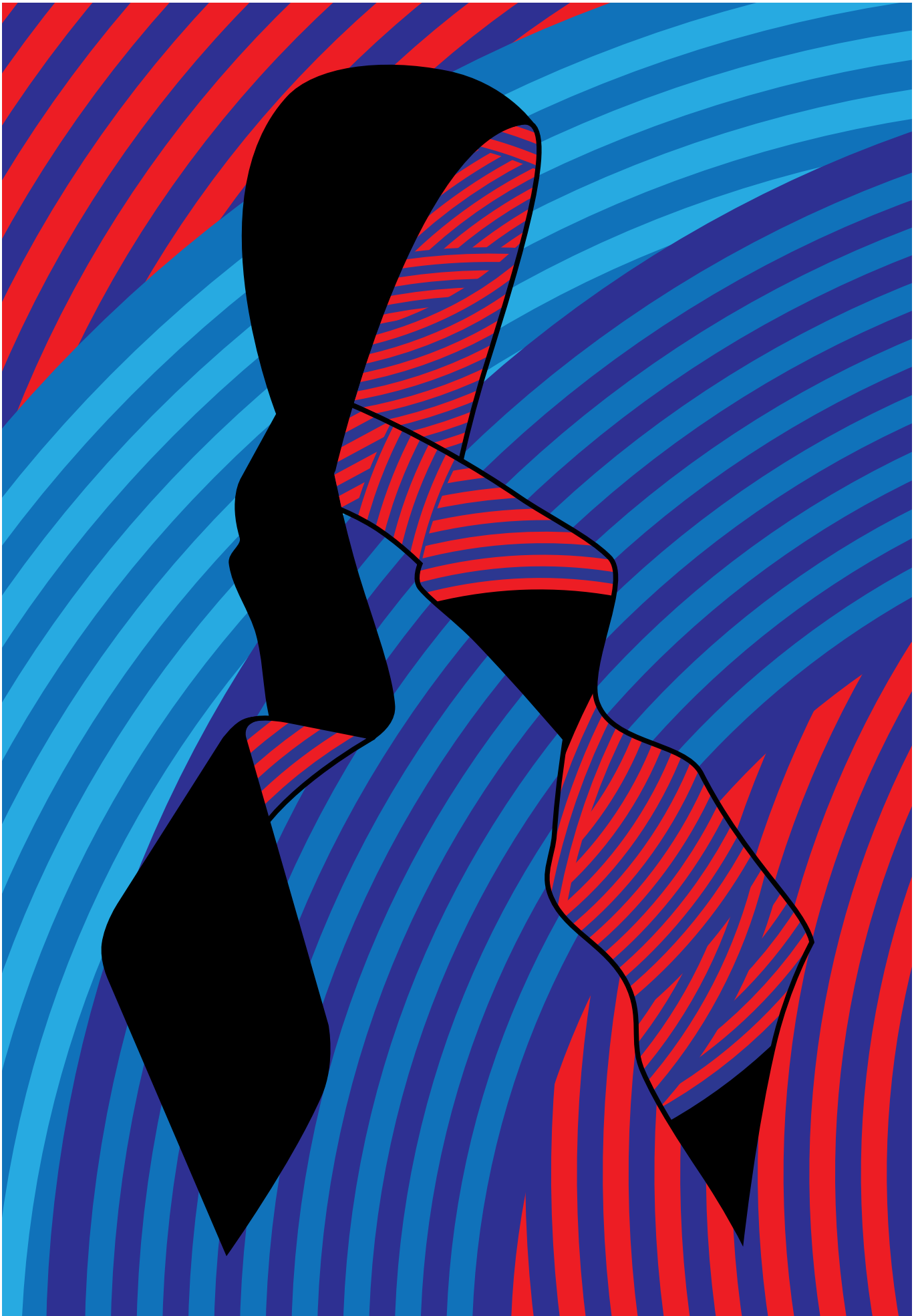
La Montre Hermès holds a 25% share in the capital of Vaucher, the watchmaking Manufacture. Located in the heart of traditional watchmaking territory, between Neuchâtel in Switzerland and the French border, the Vaucher Manufacture offers superior expertise in premium and prestige watch movements.



Collection of home fabrics and wallpapers.

Cavalcadour maxi-twill in silk twill.





ACTIVITY BY REGION

	2013 (Revenue in €M)	2013 (Mix in %)	2012 (Revenue in €M)	2012 (Mix in %)	Evolutions at current exchange rates	Evolutions at constant exchange rates
Europe	1,350	36%	1,217	35%	10.9%	11.7%
France	613	16%	556	16%	10.4%	10.4%
Rest of Europe	737	20%	662	19%	11.4%	12.9%
Americas	627	17%	569	16%	10.3%	14.2%
Asia-Pacific	1,711	45%	1,645	48%	4.0%	13.1%
Japan	463	12%	545	16%	(15.0)%	6.5%
Rest of Asia-Pacific	1,248	33%	1,100	32%	13.4%	16.4%
Other	66	2%	53	1%	25.8%	26.0%
Consolidated revenue	3,755	100%	3,484	100%	7.8%	13.0%

The Hermès Group's turnover totalled €3,755 million in 2013, a rise of 13% at constant exchange rates and of 8% at current exchange rates.

EUROPE

In 2013, the Hermès Group generated 36% of its sales in Europe. Sales for this sector totalled €1,350 million, up 12% at constant exchange rates. Sales increased by 10% at constant exchange rates in France and 13% in other countries in Europe.

Three events stood out in the French distribution network. In early June, “petit h” was permanently installed in the boutique on rue de Sèvres in Paris. Thanks to this unique sales area, the re-creation workshop will now be able to display its items to the public through-out the year, while continuing to roam the world. In December, the spotlight was on the Deauville store as it moved back into the premises it has occupied since the 1930s - a typical Normandy townhouse situated in the heart of the historic centre of the seaside resort - after several months of renovation. Finally, in September, Shang Xia opened its first store outside China, on the rue de Sèvres, in the heart of Paris.

From left to right: window displays of the Hermès stores in Milan, on the Rue du Faubourg-Saint-Honoré in Paris, and in Beverly Hills in Los Angeles.

In London, the store within Harrods was hugely successful following the renovation and extension work carried out in 2012, also benefitting from the addition of a new jewellery and watch space. Another highlight was the move of the Milan store to the famous Via Montenapoleone in October, after 26 years on Via Sant'Andrea. This new Hermès flagship store in Italy covers 600m² over two floors. For the opening, the Italian duo Analogia Project produced a series of outstandingly creative and poetic window displays. In Switzerland, the store in Basel enjoyed a changed of décor: its sales area has been extended to over 200m², in a spacious and light-filled atmosphere.



THE AMERICAS

In 2013, the Americas zone represented 17% of Group sales, with a turnover of €627 million, up 14% at constant exchange rates.

In the US, the Rodeo Drive store in Beverly Hills, California, has been completely redesigned. Now extending to more than 900m², the store has a new space dedicated to the home, offering furniture, lifestyle accessories and tableware. In May, not far from the temporary store in Miami's Design District, an event called *A Man's World, Miami* took place, inspired by the sports and leisure ranges from the men's Spring-Summer 2013 ready-to-wear collection.

Also in May, the American subsidiary acquired a concession in Greenwich, Connecticut.

Canada consolidated its growth with the solid performance of the Toronto store and with a large volume of sales from the website launched in 2012.

In Latin America, the success of the fifth Mexican store, which opened at the end of 2012 in the Palacio de Hierro in Monterrey, was confirmed. The Mexico City Perisur store, which has been installed in South Mexico City since 2002, has been renovated. In Argentina, the Buenos Aires store moved to one of the capital's famous streets, Avenida Alvear, a listed historic monument.



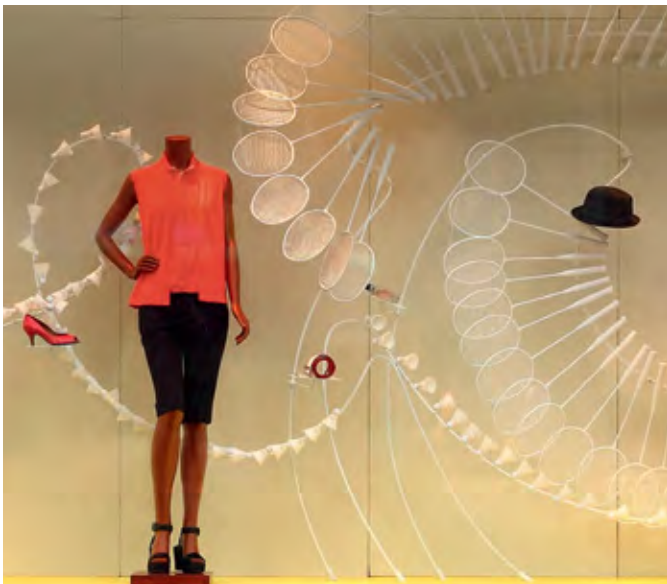
ASIA-PACIFIC

In 2013, the Asia-Pacific zone represented 45% of Hermès group total sales. It generated turnover of €1,711 million, up 13% at constant exchange rates.

Turnover increased by 7% in Japan and by 16% in the rest of the zone. 2013 saw the opening of two new stores. In Japan, the Nagoya Mitsukoshi store, covering nearly 700m², opened in September. In China, in the port city of Ningbo in the province of Zhejiang, a 400m² store of exquisite architecture was unveiled. In Singapore, the acquisition of two concessions at Changi airport contributed to the zone's dynamism.

Five other stores in Asia were also renovated or relocated. In

Japan, the Kobe store left the Daimaru shopping centre to move to a superb building in the centre of the very elegant Kyukyoryuchia district. In China, the boutique in the China World shopping centre in Beijing was expanded, as was the Hangzhou Hubin store. The latter store now provides almost 650m² of sales space over two levels, in a unique and comfortable setting. In Korea, the Hyundai Coex store, the main commercial area and Seoul's business centre, reopened in February 2013 with a 250m² sales area. Finally, in Hong Kong, the boutique in the Lee Gardens shopping centre has been completely reorganised to offer a new experience of French art of living. It now boasts more natural light, the basement accommodates the Home range, the ground floor is dedicated to men and the first floor to women.



From left to right: window displays of the Hermès stores in Beijing Park Life, Plaza 66 in Shanghai, Ginza in Tokyo, and in Sydney.

Lastly, the future House of Hermès project in China has given rise to major renovation work on a building that dates back to the era of the French Concession in Shanghai. Once renovated, this historic listed building, due to open in the second half of 2014, will accommodate the Group's fifth House of Hermès.

Over the next few years, Hermès will continue the qualitative development of its distribution network in China in response to ever-increasing demand, in a bid to maintain its unique image and exclusive product range.



64. ACTIVITY BY REGION



HERMÈS AROUND THE WORLD

Hermès products are available worldwide through a network of 315 exclusive stores.

Hermès watches, perfumes and tableware are also sold through networks of specialised stores and in airport duty-free stores.

315 RETAIL OUTLETS

EUROPE

Austria: 2

2 stores (cessionaires)

Belgium: 3

3 stores (branches):

Antwerp

Brussels

Knokke-le-Zoute

Czech Republic: 1

1 store (branch):

Prague

Denmark: 2

2 stores (cessionaires)

France: 34

15 stores (branches):

Aix-en-Provence

Biarritz

Bordeaux

Cannes

Deauville

Lille

Lyon

Marseille

Paris faubourg Saint-Honoré

Paris George-V

Paris Sèvres

Rennes

Rouen

Saint-Tropez

Strasbourg

19 stores (cessionaires)

Germany: 19

10 stores (branches):

Baden-Baden

Berlin KaDeWe

Berlin West

Cologne

Düsseldorf

Frankfurt

Hamburg

Hanover

Munich

Nuremberg

9 stores (cessionaires)

Greece: 2

1 store (branch):

Athens

1 store (cessionaire)

Ireland: 1

1 store (branch):

Dublin

Italy: 19

11 stores (branches):

Bologna

Capri

Florence

Milan

Naples

Padua

Palermo

Rome

Rome campo Marzio

Turin

Venice

8 stores (cessionaires)

Luxembourg: 1

1 store (cessionaire)

Norway: 1

1 store (cessionaire)

Netherlands: 4

2 stores (branches):

Amsterdam Bijenkorf

Amsterdam PC Hoofstraat

2 stores (cessionaires)

Portugal: 1

1 store (branch):

Lisbon

Principality of Monaco: 1

1 store (branch):

Monte-Carlo

Russia: 2

2 stores (branches)

Moscow GUM

Moscow Stoleshnikov

Spain: 6

6 stores (branches):

Barcelona Diagonal

Barcelona Paseo de Gracia

Madrid Castellana

Madrid Ortega y Gasset

Marbella

Valencia

Sweden: 1

1 store (cessionaire)

Switzerland: 12

9 stores (branches):

Basel

Bern

Crans

Geneva

Gstaad

Lausanne

Lugano

Saint-Moritz

Zurich

3 stores (cessionaires)

Turkey: 3

2 stores (branches):

Istanbul

Istanbul Istinye

1 store (cessionaire)

United Kingdom: 9

8 stores (branches):

Glasgow

London Bond Street

London Harrods

London Royal Exchange

London Selfridges

London Sloane Street

Manchester

Manchester Selfridges

1 store (cessionaire)



1.



THE AMERICAS

Argentina: 1

1 store (branch):
Buenos Aires

Brazil: 1

1 store (concessionaire)

Canada: 5

4 stores (branches):

Calgary

Montreal

Toronto

Vancouver

1 store (concessionaire)

Caribbean: 1

1 store (branch):

Saint-Barthélemy

Chile: 1

1 store (concessionaire)

Mexico: 5

3 stores (branches):

Mexico Masaryk

Mexico Palacio Perisur

Mexico Santa Fe

2 stores (concessionaires)

Panama: 1

1 store (concessionaire)

USA: 36

27 stores (branches):

Atlanta

Bergen County

Beverly Hills

Boston

Charlotte

Chicago

Dallas

Denver

Greenwich

Hawaii Ala Moana

Hawaii Duty Paid Waikiki

Houston

King of Prussia

Las Vegas Bellagio

Las Vegas CityCenter

Las Vegas Wynn

Miami

New York Madison

New York Man on Madison

New York Wall Street

Palm Beach

San Diego

San Francisco

Seattle

Short Hills

South Coast Plaza

Washington Fairfax

9 stores (concessionaires)

2.



1. Previous page: Hermès store window display in Barcelona.
2. Hermès store window display on Madison Avenue, New York.





ASIA

China: 21

20 stores (branches):
 Beijing China World
 Beijing Park Life
 Beijing Peninsula Palace Hotel
 Chengdu Maison Mode
 Dalian Furama Hotel
 Guangzhou La Perle
 Guangzhou Taikoo Hui
 Hangzhou Hubin Store
 Hangzhou Tower
 Harbin Mykal
 Kunming Golden Eagle
 Nanjing Deji
 Ningbo Heyi Avenue
 Qingdao Hisense Plaza
 Shanghai IFC
 Shanghai Plaza 66
 Shenyang Mixc
 Shenzhen City Crossing
 Suzhou Matro
 Wuhan International Plaza
 1 store (concessionaire)

Hong Kong: 8

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

India: 2

2 stores (branches):
 Bombay
 New Delhi

Indonesia: 2

2 stores (concessionaires)

Japan: 45

30 stores (branches):
 Chiba Sogo
 Fukuoka Hakata Hankyu
 Kobe Daimaru
 Kyoto Takashimaya
 Matsuyama Iyotetsu Takashimaya
 Nagoya JR Takashimaya
 Nagoya Matsuzakaya
 Nagoya Mitsukoshi
 Okayama Takashimaya
 Osaka Hilton
 Osaka Midosuji
 Osaka Pisa Royal
 Osaka Takashimaya
 Osaka Umeda Hankyu
 Sapporo Daimaru
 Sendai Fujisaki
 Tachikawa Isetan
 Tokyo Ginza
 Tokyo Ikebukuro Seibu
 Tokyo Marunouchi
 Tokyo Nihombashi Mitsukoshi
 Tokyo Nihombashi Takashimaya
 Tokyo Shibuya Seibu
 Tokyo Shibuya Tokyu
 Tokyo Shinjuku Isetan
 Tokyo Shinjuku Takashimaya
 Tokyo Tamagawa Takashimaya
 Urawa Isetan
 Yokohama Sogo
 Yokohama Takashimaya
 15 stores (concessionaires)

Macau: 3

3 stores (branches):
 Four Seasons
 One Central
 Wynn

Malaysia: 2

1 store (branch):
 Kuala Lumpur Pavilion

1 store (concessionaire)

Philippines: 1

1 store (concessionaire)

Singapore: 7

6 stores (branches):
 Liat Tower
 Marina Bay Sands
 Scotts Square
 Singapore Changi Airport T1
 Singapore Changi Airport T2
 Takashimaya
 1 stores (concessionaires)

South Korea: 17

9 stores (branches):
 Busan Shinsegae
 Daegu Hyundai
 Seoul Dosan Park
 Seoul Galleria
 Seoul Hyundai
 Seoul Hyundai Coex
 Seoul Shilla
 Seoul Shinsegae
 Seoul Shinsegae Gangnam
 8 stores (concessionaires)

Taiwan: 9

6 stores (branches):
 Kaohsiung Hanshin
 Taichung FE21
 Tainan Mitsukoshi
 Taipei Bellavita
 Taipei Regent
 Taipei Sogo Fuxing
 3 stores (concessionaires)

Thailand: 3

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

Vietnam: 2

2 stores (concessionaires)

MIDDLE EAST AND OTHERS

Bahrain: 1

1 store (concessionaire)

Kazakhstan: 1

1 store (concessionaire)

Kuwait: 1

1 store (concessionaire)

Lebanon: 2

2 stores (concessionaires)

Qatar: 1

1 store (concessionaire)

United Arab Emirates: 4

4 stores (concessionaires)

OCEANIA

Australia: 5

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

Guam: 1

1 store (branch)

New Caledonia: 1

1 store (concessionaire)

Saipan: 1

1 store (branch)



Hermès store window display
 in Dosan Park in Seoul.



1.



2.



3.



4.

1 and 2. *Saut Hermès* at the *Grand Palais* event, in Paris.

3. *A Man's World* event, Miami.

4. Hermès pavilion at the Milan international furniture fair.

5. *Mouvement féminin* event at the *École Militaire* in Paris.

6. *Esencia del cuero* exhibition in Madrid.

COMMUNICATION

This year's theme, "A sporting life!", set a course for energy and optimism in 2013. Since its beginnings, the world of sport has inspired the company's passion for movement, casual elegance and excellence. Far from being a mere quest for performance, for Hermès, sport means spirit, style and above all pleasure.

Thus the fourth *Saut Hermès at the Grand Palais* in Paris played a particularly significant role, perfectly illustrating the company's loyalty to its equestrian roots and its commitment to riders. Year after year, this show jumping competition – one of the most prestigious in the world – attracts the international equestrian elite, who come to participate under the venue's majestic glass dome. Combining sporting events and themed activities, the *Saut Hermès* is the very incarnation of the spirit which has underpinned our communication strategy throughout the year.

Alongside this, many events conspired to reveal the unsuspected riches of the collections and the worlds which bring them together.

5.



The *Mouvement féminin* held in November at the École Militaire in Paris, gave the many guests the opportunity to explore the wealth of the world dedicated to women. Culminating in the spring-summer 2014 show by designer Christophe Lemaire, *Mouvement féminin* showcased the collections of bags, silk goods, shoes and jewellery, amongst others, on a highly imaginative set. As the evening unfolded we saw young girls in Derby shoes skipping, others dancing and twirling their bags, and synchronised swimmers performing in colourful swimsuits... on dry land.

Likewise, the masculine world was highlighted in Miami at the *A Man's World, Miami* evening, in a backdrop devised by the artist Leandro Erlich and Véronique Nichanian, the project's artistic director. Through a series of light-hearted and surprising digital and interactive installations, guests were invited to discover Hermès' full range of articles for men - the ready-to-wear collection, ties, leather goods, watches, shoes, etc.

For three years, the Milan Furniture Fair has been an important event for Hermès home universe. In 2013, *Les Nécessaires d'Hermès*, a new collection of occasional furniture, were displayed in an unusual setting inside a series of little open huts stacked on top of each other. This initiative was applauded by the press, decorators and architects who attended the opening.

6.



Throughout the year, silk was highlighted at a number of *Jeux d'Hermès* events, paving the way for a series of imaginative interludes based on reinvented sports, transformed into light-hearted, often madcap games in settings designed with a nod to silk and its vast array of colours and designs. The Hermès spirit was ubiquitous, combining beauty and fun. During the Jeux, the public was introduced to the mobile app Silk Knots, a game based on the thousands of ways of tying a Hermès scarf.

The *Festival des métiers*, which began in 2011, continued its tour, meeting the public all over the world. From Beijing to Toronto via London, the Festival continues to amaze visitors as they discover the variety and vitality of the craft expertise offered by Hermès. Entranced by the virtuosity and passion of the craftsmen and moved by the authenticity of the occasion, people come back time and again to the festival, aware of what a rare experience this is.

In September, the *Leather Forever* exhibition, which has already toured Shanghai, Milan and London, chose Spain as its latest destination. Over 20,000 visitors attended the 20-day exhibition, held in central Madrid and entitled *Esencia del Cuero*, to experience the timelessness of the Hermès leather collections.

In the United States, the Beverly Hills boutique, which has been boldly renovated and extended, reopened at the beginning of September with stunning Atlantis-themed window displays from the artist duo Zim & Zou. A party on the theme of Hollywood's finest hours celebrated ten years of excellent relations with our Californian clientele, for whom Hermès epitomises French refinement and quality.

The Watchmaking division marked a new stage at Baselworld with the opening of the pavilion designed by Japanese architect Toyo Ito, winner of the 2013 Pritzker Prize. In a celebration of a time of imagination, emotions and dreams, the *Time in Motion* show, combining music, dance and video, continued its great escape, stopping off in New York, Moscow and Tokyo.

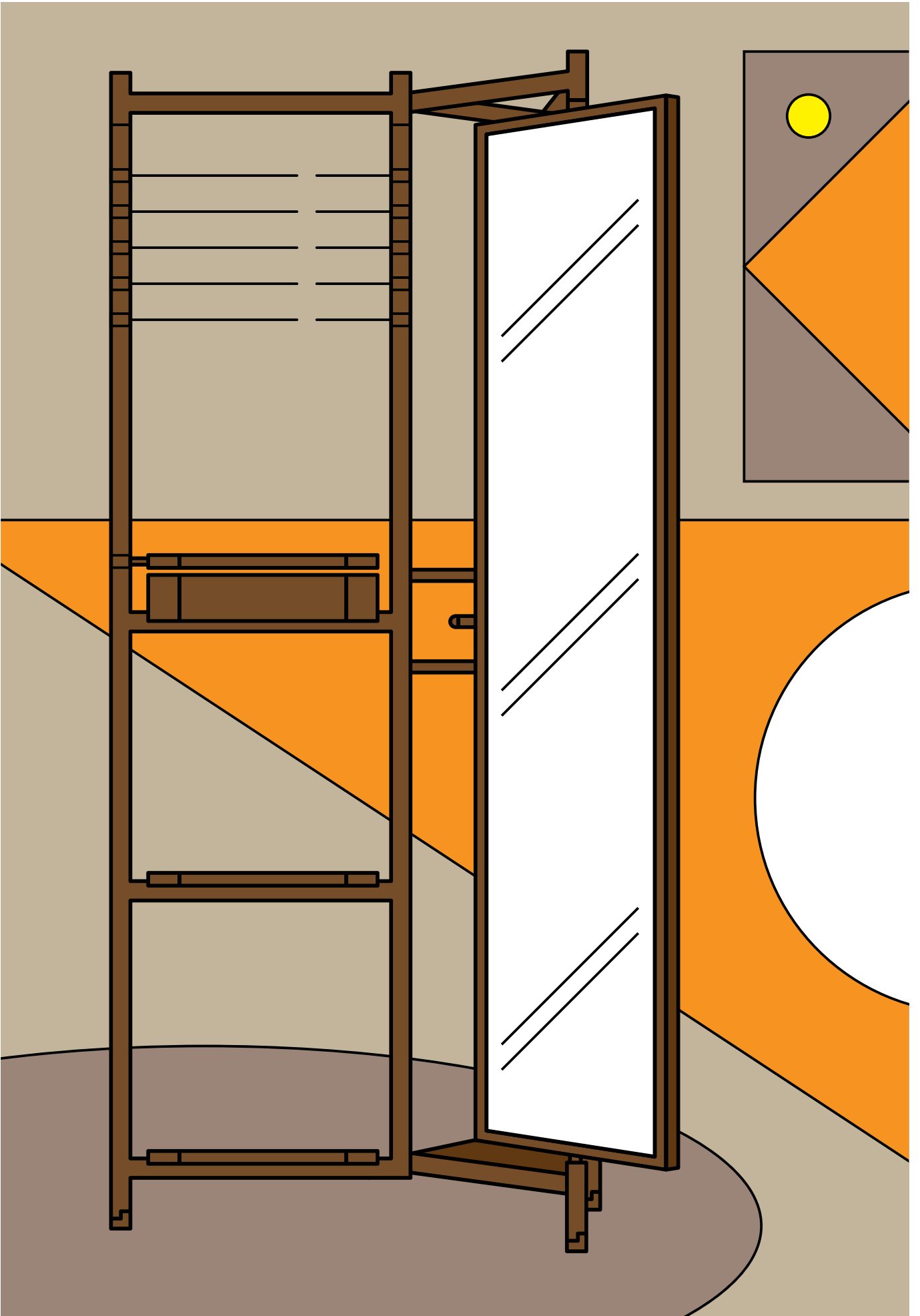
In order to ensure that this sport-filled year leaves a lasting legacy, a book entitled *Chic, le Sport !*, featuring a collection of sports photos by Jacques Henri Lartigue, was co-published with Actes Sud. In this part of his body of work, Lartigue illustrates changes in sport, from its outer social appearance to the aesthetics of the body in motion.

Based on the year's theme, our advertising campaigns have continued to be inspired by the founding values of Hermès. The first of our two press campaigns, photographed on Lake Como, won the Grand Prix Stratégies du Luxe 2013, as did the series of short videos created for digital marketing. Entitled "A sporting life!", the campaign of four scenarios in which objects from the collections were humorously presented as characters playing sport formed the core of the digital marketing strategy, a popular initiative which created a strong current of affection.

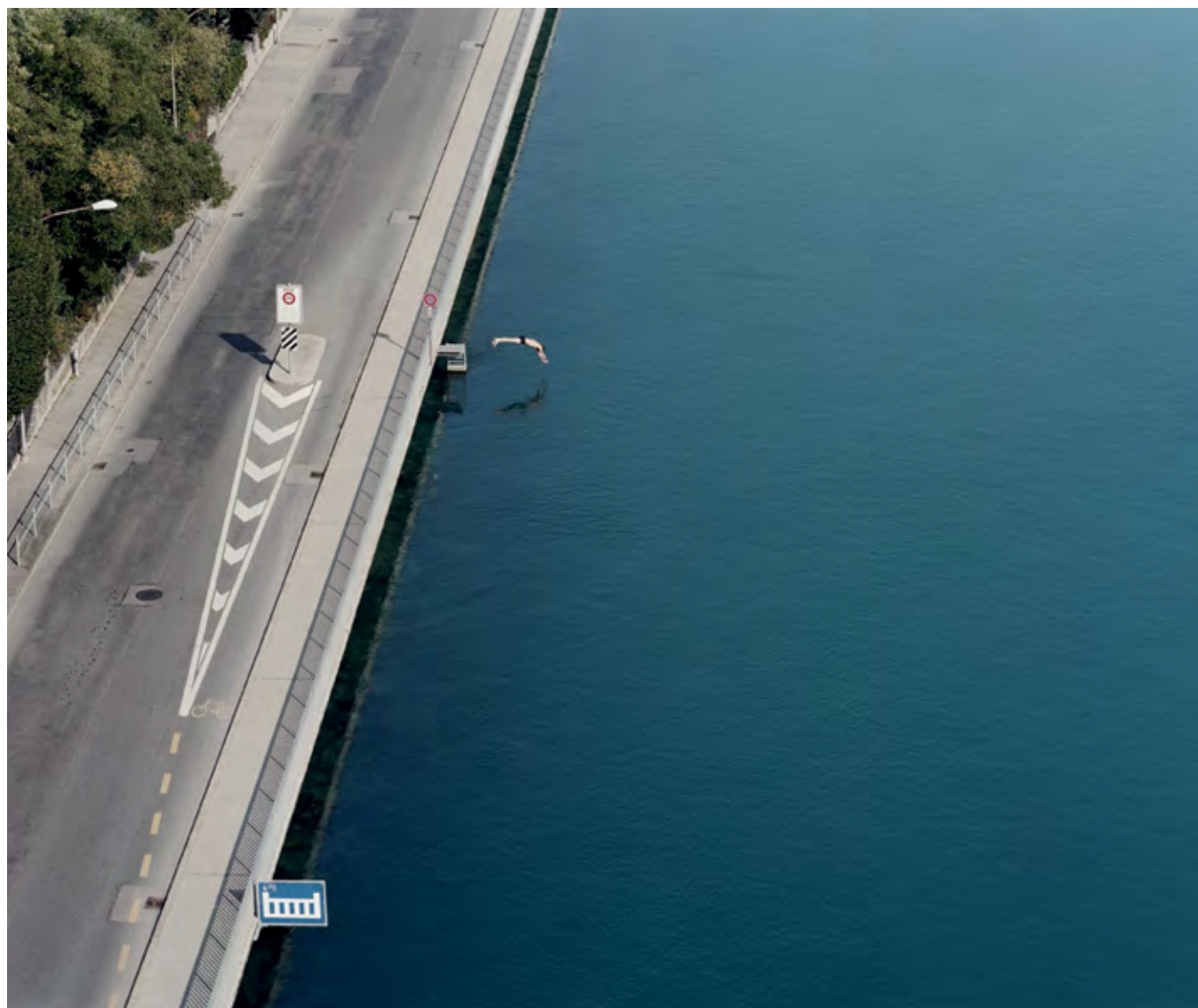
The playful and poetic Christmas campaign – another highlight – confirmed the distinctive digital branding unique to Hermès.

Finally, in Korea, Hermès celebrated the first Korean language edition of the *Le Monde d'Hermès* magazine with its friends and customers at the Dosan Park boutique.

Over the course of the "A sporting life!" year, Hermès' communications strategy once again firmly proclaimed the Maison's unique loyalty to its roots with a lightness of spirit resulting from its passion for quality.



FONDATION D'ENTREPRISE HERMÈS





Bern 1 exhibition
by Patrick Messina,
at the TH13 gallery.

In 2013, the Fondation d'Entreprise Hermès affirmed its stance as a socially responsible sponsor by strengthening and developing its major programmes: artists-in-residence at the Hermès Manufactures, contemporary art and photography exhibitions in dedicated spaces, preparing and performing shows to the public as part of the New Settings programme, support for the creativity of the future with the Émile Hermès prize for design. In April, as it entered its second five-year mandate, the Fondation announced its new commitments, in particular: an Expertise Academy and H3 – a call for international projects via the Hermès teams around the world – designed to identify and support associations that work in the field of solidarity.

POSITIONING

The Fondation d'entreprise Hermès provides support to those who learn, master, pass on and explore the creative crafts necessary for building today's world and inventing that of tomorrow. Keeping traditional skills and new applications at the heart of its quest, the Fondation acts on two complementary fronts: expertise and creation, and expertise and transmission.

The Fondation develops its own programmes of exhibitions, artists-in-residence and project support, in the fields of the visual arts, the performing arts, design, expertise and biodiversity. It also supports organisations operating in these fields on all five continents.

The many varied initiatives of the Fondation d'Entreprise Hermès are all underpinned by a single guiding conviction: *What we do creates who we are.*

STRENGTHENING AND DEVELOPING MAJOR PROGRAMMES

In 2013, the Fondation d'entreprise Hermès, true to the *modus operandi* outlined at its creation in 2008, developed and strengthened its major programmes by supporting project instigators involved in similar fields of activity.

As such, over the course of the year, the Fondation's fourth artist-in-residence programme in the Hermès Manufactures completed its first cycle, culminating in an exhibition of all the works produced at the Palais de Tokyo in Paris.

Under the leadership of the programme's patrons, the artists Richard Deacon, Susanna Fritscher, Giuseppe Penone and Emmanuel Saulnier, four young artists were given *carte blanche* to design and produce a piece in one of the house's Manufactures, which enabled them to use materials and draw on expertise which are not usually readily accessible. These young artists were: Gabriele Chiari at Holding Textile Hermès, Marcos Ávila Forero at the Nontron leather goods workshop, Marie-Anne Franqueville at the Saint-Louis crystal glassworks and Anne-Charlotte Yver at the John Lobb workshop.

An exhibition, devised by curator Gaël Charbau, brought together for the first time the sixteen works produced over the four years of the programme. Entitled *Condensation*, the exhibition was part of the *Nouvelles Vagues* season at the Palais de Tokyo (21st June – 9th September) and showcased the creative and human adventure shared by the artists and craftsmen. This exhibition is expected to tour Asia in 2014.

These residencies also featured a number of publications, also available from bookshops, co-published with Actes Sud: the Fondation's collection of "Cahiers de Résidence".

Overseas, the Fondation continued its cultural programmes, with

1. The *Condensation* exhibition at the Palais de Tokyo in Paris.
2. In the context of the “local knowledge and biodiversity” programme, support for the UMR 208 – Paloc (local heritage) – IRD project, for the study and promotion of agricultural heritage of Rio Negro (Brazil).

the help of specialist exhibition organisers, producing eighteen events in spaces made available by Hermès in Brussels (La Verrière), Tokyo (the Forum), Seoul (L'Atelier Hermès), Singapore (Third Floor), New York (The Gallery at Hermès) and Bern (TH13). For La Verrière, Guillaume Désanges – the venue's new curator – devised a series of exhibitions in total harmony with the Fondation's philosophy. Since April 2013, the *Gestures of the Mind* series has featured exhibitions which revolve around one central issue: how contemporary artists, who may be conceptual thinkers in the tradition of Marcel Duchamp, are also meticulous craftsmen of their own work.

This programme is very often accompanied by support for the production of new pieces, which are then presented on site by the artists.

In the performing arts field, 2013 marked the third year of the *New Settings* programme, which aims to support theatrical productions devised by visual and performance artists working together. Here too, production assistance enabled five projects to be developed then presented at the Théâtre de la Cité Internationale (Paris) in November: *Systema Occam* by Xavier Veilhan and Eliane Radigue, *Quantum* by Gilles Jobin and Julius von Bismarck, *Urban Renewal* by Kyle deCamp and Joshua Thorson, *Lives* by Ali Moini and Georges Apostolakos, and *Qu'est-ce qui nous arrive ?!* by Mathilde Monnier and François Olislaeger.

For the first time, in order to increase the visibility of the works, the artists and the programme, a partnership with the French Institute Alliance Française (FIAF) was set up to showcase a selection of *New Settings* shows in New York in September, as part of the Crossing the Line festival.

This enabled the French and international public to discover the various collaboration methods and judge the diversity of the work created when several artistic disciplines come together.

In April, a new call for Émile Hermès prize design projects was launched, with a view to accompanying the development of our companies. The subject of this third series, open to the international design, architecture and engineering community, was “Time to yourself”: the aim was to come up with an innovative object or piece of furniture which might give rise to a moment of calm, a pause, a brief suspension or a possible break from the bustle of a fast-paced world, with its uninterrupted continuum of actions, thoughts and obligations. The prize will be awarded in May 2014, once the twelve finalists have developed their prototypes.

In May, the second call for “Biodiversity and Local Knowledge” projects was issued. This action-research project is designed to study the development of expertise as a tool to promote biodiversity within the context of the globalised market, with its increasing drive towards the standardisation of practices, economies of scale and homogenisation. The issue is to understand the impact of norms and standards on local production, and to promote mechanisms that enable it to retain its distinctiveness, which is essential for the protection of biodiversity and ecosystems. Three organisations were thus selected: SWISSAID for a project involving seed saving systems in Colombia, UMR (Joint Research Unit) 208 – PaLoc Local Heritage – IRD (French Development Research Institute) for the study and promotion of the agricultural heritage of the Rio Negro (Brazil) and the University of Lausanne's Institute of Geography and Sustainability for the recognition of the expertise of wild plant gatherers in France in the face of the current markets.

As a counterpoint to this programme, a conference bringing together international researchers was organised with Iddri (the Institute of development and international relations), which has been one of the Fondation's partners since its inception. International researchers thus assembled at the National Library of France (within which the Fondation has supported the creation of a Centre for Resources on Sustainable Development) in June to discuss the subject “Biodiversity and traditional knowledge: how can they be protected?”. The occasion was an opportunity to present the outcomes of the work carried out by the beneficiaries of the first call for “Biodiversity and Local knowledge” projects.

ANNOUNCEMENT AND INTRODUCTION OF NEW PROGRAMMES

In 2013, the Fondation d'entreprise Hermès was renewed for a second five-year mandate (in accordance with the French law on patronage and charitable foundations). The new resources allocated to the Fondation by Hermès International and Hermès Sellier will enable it to follow its public interest mission to promote individuals and organisations that use their skills and expertise to build a better world.

To this end, in addition to those activities already taking place, two new programmes have been initiated.

In the field of training and study of specialist crafts, a Skills Academy has been devised and set up. This biennial meeting is dedicated to the transfer of the knowledge and practices of craftsmanship and their interaction with other sectors, including design and engineering. As a laboratory of expertise, this programme promotes collective intelligence by supporting exploration, creation and sustainability. Its first national call for applications led to the recruitment of 21 participants (craftsmen, designers and engineers) to follow the "Xylomania! Exploring wood-based crafts" programme for nine months. This educational programme, drawn up with guest designer Patrick Jouin, consists of conferences, master classes and a workshop. Some of the events will be open to the public (registration required).

Finally, in order to enable Hermès employees to get involved in its

social responsibility activities, the Fondation launched a call for internal projects entitled H3 (Heart - Head - Hand). Its goal is to identify and support associations that operate in the regions in which Hermès has premises, and that provide employment schemes for young people in difficult circumstances and/or promote the conservation of natural resources. This programme, which encourages humanist values such as curiosity and mutual aid, has led to the selection of nineteen projects around the world thanks to the close ties forged by our employees. These projects are: Centre équestre de la Haute Ehn (France), CAPC musée d'art contemporain (France), Association Liger (France), Australia Children's music foundation (Australia), Les enfants du soleil (France), Etudes et chantiers (France), Cometa (India), Jardin d'Astrée (France), Entrepreneurs du Monde (France), Philadelphia Mural Arts Program (United States), Project Dignity (South Asia), Autism Society of Korea (Korea), Canova (Italy), School of Yes (United States), Solibu (France), Association du Docteur Fatiha (France), Le Mas joyeux (France), Khamir (India), ESTIA Cooperativa sociale onlus (Italy).

For the Fondation d'entreprise Hermès, 2013 was thus a year of continuity and transition, in which its charitable commitment was renewed. Capitalising on the work accomplished in the first mandate, and on the new financial and human resources available for the second, enables the Fondation to assert its values and particularities in order to increase the scope of its mission of general interest.

See all the programmes, projects supported and activity reports on the Fondation website: www.fondationdentreprisehermes.org



1.



2.

SUSTAINABLE DEVELOPMENT AND THE ENVIRONMENT

When it comes to sustainable development, Hermès' mission is to strengthen our corporate project around the authenticity of each product and the application of our house's ethics to all aspects of our business. Product authenticity means especially respecting natural raw materials and developing artisanal skills, essentially in France, and taking the time to do things well. The company's ethics, formalised in a charter, inspire Hermès' relations with its employees, suppliers, customers and shareholders.

Hermès is an attentive, concerned and committed company which conducts its business in a way that respects its ecological, social, economic and cultural environment. The group selects suppliers who are at the forefront of their speciality, and who are exemplary not only in terms of the quality of their products and services but also in their social and environmental policies.

For some years now, the company's efforts in this respect have been coordinated by a Sustainable Development Committee in which members of the Executive Committee actively participate. The Committee notably published an ethics charter and set up an intranet site intended to keep staff informed and share good practices. In 2011, the Group reinforced its commitment by creating a Sustainable Development Department and a group Operations Committee. In 2012, an internal standard was drawn up to help ensure the consistency of everyone's missions. In 2013, local Sustainable Development Committees were set up, a code of business conduct was circulated to all employees and monitoring tools began to be deployed.

In June 2012, as part of its voluntary carbon compensation strategy, Hermès also joined the Livelihoods Fund, a group of companies financing carbon compensation projects with extremely beneficial social and environmental effects. Livelihoods supports projects in Africa, India and Indonesia, where the goal is to replant over a hundred million trees and ensure long-term economic development for the local populations.

Lastly, Hermès' founding values are also expressed through the Fondation d'Entreprise Hermès. Created in 2008, this foundation

supports philanthropic projects that focus on expertise, transmission of knowledge and biodiversity.

Many sustainable development initiatives were set up in the various group entities. Whether social, environmental or corporate, these initiatives are described in the corresponding sections of this report. A correspondence table at the end of volume 2 summarises all the group's initiatives, as required by legislation. They are covered by a specific report issued by an independent outside body on page 283 of volume 2. Hermès International is also included in the FTSE4Good¹ index.

1FTSE4Good is a stock market index listing companies with the best practices in the area of corporate social responsibility, evaluated independently by FTSE, a partner of Euronext and the London Stock Exchange.

THE GROUP'S INDUSTRIAL ACTIVITY

AN EVOLVING SCOPE

In 2013, our long-standing strategy to consolidate and strengthen the group's manufacturing capacity was pursued and intensified in two *métiers*:

- in accordance with its strategy to safeguard supplies, Hermès has expanded its scope with the takeover of Beyrand, a printer of chromolithographs for porcelain and enamel products;
- the Watchmaking division, pursuing its strategy to master watchmaking expertise, acquired a 100% stake in Joseph Erard, a case manufacturer.

Hermès now operates forty-six production units, thirty-five of which are in France, spread over thirty-nine geographical locations (twenty-eight in France, three in Switzerland, two in the United States, four in Australia, one in Great Britain and one in Italy), not forgetting the Bobigny logistics platform. The regular increase in the number of production facilities has been undertaken in close consultation with the local authorities and various stakeholders. Industrial employment amounted to 4,954 jobs at the end of 2013, representing an increase of 407 jobs in France and 501 worldwide (389 at constant perimeter).

METHODOLOGY

The scope of the environmental data in this report encompasses all the production and logistics entities controlled by the group. Consolidation data in water and energy consumption is shown below, while the detailed figures relating to each sector, the amount of waste and qualitative information about each *métier's* specific issues are given on page 125 to page 150 of volume 2.

Reporting software has been used throughout the group since 2012 to collect data about consumption on each site. This software also makes it possible to access documentation explaining how the indicators for the data collected are organised and defined. A consistency check is carried out automatically when the figures are entered and then again at the time of overall consolidation by the Industrial Department. The figures published include data from Joseph Erard since the 1st of January 2013 and from Beyrand from the 1st of May 2013, but not yet from the new Australian and American entities of the Tanneries and Precious Leathers division. These entities will gradually be included in the environmental measuring and monitoring process at a pace determined by their technical characteristics and local constraints. The consumption figures for certain rented sites are not available (water for the Montbron and Saint-Antoine leather goods manufacturing sites, and water and energy for the John Lobb Mogador workshop in Paris); however, these represent a negligible proportion of the consolidated total, given the size of the workshops and the absence of industrial use of water.

OUR GOALS

Working with the *métiers* and all those involved in our production sites, the Industrial Division is pursuing an environmental programme whose goals have remained unchanged since 2003:

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

Everyone's efforts are needed on each site if we are to achieve these goals. An environment, health and safety network has been in place since 2003. Coordinated by the Industrial Department, it organises Hermès' initiatives in these areas. The network comprises some twenty members, who meet several times a year not only to share results and best practices but also to undergo training – in 2013, for example, the emphasis was on energy management

of buildings – and develop action plans for the future together.

In 2011, an outside consulting firm was contracted to conduct the third cycle of EHS audits in our various units over the course of three years. Twenty-three audits were thus conducted between June 2011 and December 2013. Audits are also conducted at the time of construction or acquisition of new sites, enabling coverage of Hermès' whole industrial perimeter over the three-year period. The information system deployed on the sites to carry out the group's environmental reporting can also be used to coordinate the follow-up of these audits and monitor changes in regulations in the environment, health and safety fields. The group's intranet site continued to build awareness about sustainable development among Hermès employees, both in and outside of France. The issues addressed by Hermès, relating both to the environment and to health and safety, are explained on the site, which also reports regularly on activities organised by the EHS network and local initiatives addressing biodiversity, energy saving, Sustainable Development Week, and more.

The investments made in environmental risk prevention are detailed in volume 2. A lot of equipment is replaced each year to improve the systems for treatment of waste discharged into water and into the air, in order to comply with all applicable regulations. Similarly, noise measurements are regularly made around the sites to check that they comply with the standards applicable to them.

OUR ACCOMPLISHMENTS

Although none of its procurement sources are located in a water stress region, in early 2002 Hermès launched a programme to reduce water consumption. This continued in 2013, enabling the increase in consumption to be limited to 8% at constant perimeter compared to 2012, while the group's turnover increased by 13%.

This performance is the result of a number of initiatives involving practically all our production sites. For example, the tanneries continued the initiatives undertaken while improving their monitoring of consumption at the various stages of the process, succeeding in reducing the average water consumption ratio per product by 2.8% at constant perimeter compared to 2012. In the Textiles division, the water recycling systems at Ateliers A.S. and SIEGL were entirely revised, and new, more efficient washing machines were installed at Ateliers A.S., SIEGL, Atelier d'Ennoblement d'Irigny (AEI) and Établissements Marcel Gandit (Gandit), enabling the increase in consumption to be limited to 13% despite an 18% growth in production activity.

If we include the new Tannerie d'Annonay, Beyrand and Joseph Erard activities, the group's overall consumption rose by 35% from one year to the next. However, between 2002 and 2013, production activity rose, like turnover, by a factor of 3, while water consumption dropped by 11%.

ENERGY CONSERVATION

Despite the sharp rise in production volumes, the rise in our overall energy consumption was just 3% at constant perimeter (+ 12% if we include consumption by Tannerie d'Annonay, Beyrand and Joseph Erard).

The major renovation and insulation work carried out on the roofs and facades at the Bobigny and Vaudreuil sites in 2012 resulted in significant savings: the reduction was as much as 18% on the Vaudreuil site. The improvement of the internal gas network at CIA, in Pantin, explains the reductions in consumption observed in the leather cutting workshop and in the one at Puiforcat.

Numerous lighting improvement projects at Sayat, Bobigny and at several Textiles and Tanneries sites helped to restrict the increase in electricity consumption to 3% in real terms (+ 12% if we include consumption by Tannerie d'Annonay, Beyrand and Joseph Erard).

LAND USE

The group's industrial activity does not contribute to artificial use of land, given the small surface area occupied by its sites and the negligible rate of change in land use which may be caused by the cattle and sheep farms in Europe in which the sources of supply of raw hides for our leathers are located. For any new industrial site created, an impact study is carried out which incorporates issues relating to animal and plant life and preservation of natural environments.

CONSUMPTION OF RAW MATERIALS

The raw materials used for manufacturing Hermès products undergo a rigorous selection process to identify those which meet stringent quality and sustainability requirements. Each *métier* works to constantly improve the use of these rare and precious materials.

ADAPTATION TO CLIMATE CHANGE

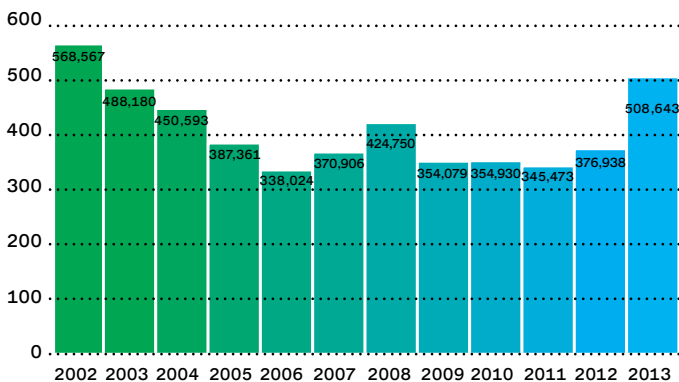
In accordance with the requirements of the applicable regulations (article 75 of law 2010-788 of the 12 July 2010), on the 27 December 2012 Hermès published its *Bilan Carbone*[®], in accordance with the method and scope indicated by the legislation (direct emissions, generated by fixed and moving sources, and indirect emissions, associated with the consumption of electricity, heat or steam).

In 2013, the group equipped itself with tools enabling the overall assessment of its production and distribution sites' greenhouse gas emissions to be updated each year. This work is carried out with the help of two independent external specialists, using the *Bilan Carbone*[®] method.

The results of this study provide more precise data for debates focused on the group's environmental impacts and enable action plans to be drawn up within the framework of our Water-Energy-Carbon-Waste plan, which has been in place since 2010. Because our activities are highly diverse and emissions vary widely from one division to another, each *métier* drew up a plan addressing its own issues.

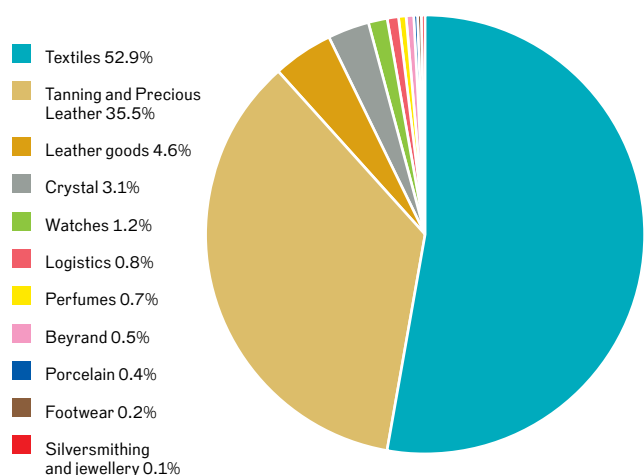
CHANGE IN WATER CONSUMPTION

in thousands of m³



NB: Including Hermès Cuirs Précieux from 2008, Natéber, Immobilière Textile Honoré (ITH) and Atelier d'Ennoblement d'Irigny (AEI) from 2012, Tannerie d'Annonay, Beyrand and Joseph Erard from 2013.

WATER CONSUMPTION BY MÉTIER



A major concern for the Leather Goods division, for example, is focusing attention on the consumption of fine, rare raw materials of exceptional quality. This consumption is optimised by jointly implementing best practices and taking steps to keep rejects down and re-use offcuts.

For the Tanneries and Precious Leathers centre, switching from the traditional method of air freight to maritime shipping of raw skins constituted a major step forwards. Following careful analysis and far-reaching trials, which began in 2009, the use of maritime transport increased from 30% in 2011 to 43% in 2013.

All of the measures taken as part of the Water-Energy-Carbon-Waste programme are aimed at reducing Hermès' impact on climate change. The particular care taken with raw material supply channels limits the risks of being threatened by the consequences of this phenomenon.

BIODIVERSITY

Biodiversity protection is addressed not only at group level but also by each individual métier depending on its own specific issues. For example, Hermès abides by laws intended to combat illegal logging, such as the Lacey Act in the United States or the EUTR (European Union Timber Regulation), and the guidelines of the Washington Convention (CITES) which protects endangered plant and animal species threatened with extinction worldwide. Furthermore, the sheepskins and cowhides used at Hermès come exclusively from countries in Europe, and we have committed partnerships with our tanners.

RELATIONSHIPS WITH PARTNERS

The majority of the group's production is integrated. Most of our subcontractors and suppliers have been partners for many years, and these stable relationships enable close collaboration on numerous matters to be established on a lasting basis.

All of these subcontractors and suppliers undertake to comply with the group's fair trading and social and environmental responsibility charters, whose requirements go beyond the regulations applicable locally. Internal and external audits are conducted in the course of pre-referencing procedures and regular inspections. Improvement plans are drawn up for them as part of a partnership and progress policy.

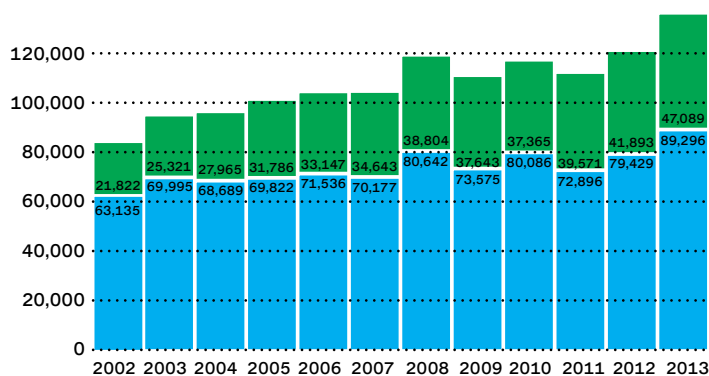
All Hermès' production and distribution sites maintain constant dialogue with local authorities and stakeholders with the aim of good integration in the local community and relationships based on responsible trust and good neighbourliness.

PROVISIONS AND GUARANTEES FOR ENVIRONMENTAL RISKS

No provision was made for environmental risks in the financial statements for 2013. No company in the group had to pay compensation in 2013 as a result of a court ruling concerning the environment.

CHANGE IN ENERGY CONSUMPTION (IN MWH)

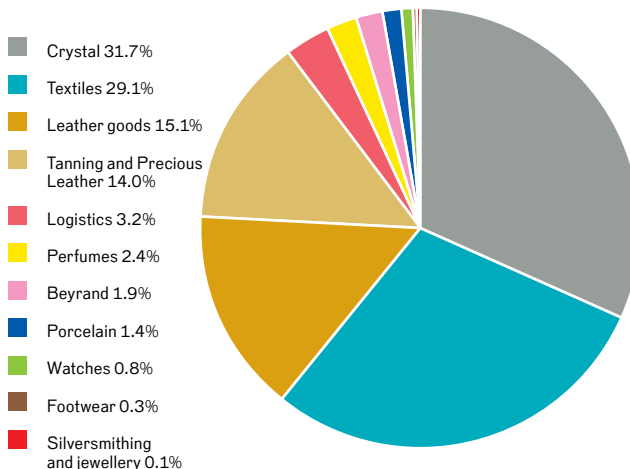
Electricity Gas



NB: Including Hermès Cuir Précieux from 2008, Natéber, Immobilière Textile Honoré (ITH) and Atelier d'Ennoblement d'Irigny (AEI) from 2012, Tannerie d'Annonay, Beyrand and Joseph Erard from 2013.

ENERGY CONSUMPTION BY MÉTIER

(gas and electricity)



THE GROUP'S PROPERTY DEVELOPMENT ACTIVITY

GENERAL POLICY

ORGANISATION OF THE COMPANY FOR ENVIRONMENTAL QUESTIONS IN THE PROPERTY FIELD

Since 2008, the group's Property Development Department has been operating an environmental policy based on the following principles:

- systematically adopt an environmentally friendly stance during construction;
- help protect the environment by ensuring that building projects are properly suited to their setting and the local architecture, while simultaneously preserving the ecosystem;
- use renewable energy sources whenever possible;
- employ energy-saving methods;
- put quality first in terms of architecture, functionality and sustainability, in a constant effort to ensure users' well-being;
- strive for flexible, adaptable construction geared towards future developments, while encompassing running costs from the very earliest stages;
- anticipate, whenever possible, regulatory and technical developments and incorporate them in our projects;
- ensure the safety of all those present on our major worksites through the systematic appointment of a health and safety coordinator, working independently from the project management team, and by organising worksite audits.

This policy applies to all potential tertiary sector and production sites. It is implemented in cooperation with the group's project managers and external partners (architects, builders, service providers and suppliers) chosen by the Property Development Division.

The 2013 environmental report is based on data collected directly from France for all stores around the world.

For energy consumption, only the electricity consumption indicator is published, publication of the residual levels of consumption of other energies having been ruled out.

Publication of water consumption figures for stores was also ruled out due to the lack of information sent back and the very insignificant proportion represented by this consumption (mainly water used in toilets) in the group's overall water consumption.

The electricity consumption figures concern the 203 Hermès branches around the world, the John Lobb branches and the branches of Cristalleries Saint-Louis and Puiforcat. The consumption data of the 112 exclusive concession stores are not included. For the Faubourg Saint-Honoré branch, it is estimated that the store accounts for 50% of total consumption in a building that also houses offices and workshops. The data for the other stores (branches) in France are included in the report. The same is true

for all the French branches of John Lobb, Saint-Louis and Puiforcat. In Europe, outside France, more than 90% of stores are covered. In Asia, 71% of stores are covered, including all stores in Greater China (mainland China, Hong Kong and Macao), Thailand, Malaysia and Australia. In Japan, the four main stores are also included. In the Americas region, 70% of stores are covered, including 93% of stores in the US.

The consumption of certain branches is not incorporated in this report, mainly because of their location in shopping centres, which makes access to source information more complicated. If there is no individual sub-metering in stores, energy consumption data are not available.

In addition, the scope of the report was extended in 2013 to all offices and storage premises of branches throughout the world.

EMPLOYEE TRAINING / INFORMATION

In the property development field, changes in regulations are monitored in liaison with the various parties involved (from architects to building trades).

SUSTAINABLE USE OF RESOURCES

STEPS TO IMPROVE EFFICIENCY OF USE OF MATERIALS

Since 2011, the thickness of the stone used for floors has been optimised for all new stores. Brass and Corian have been replaced by other more environmentally friendly materials, resulting in a very significant reduction in overall weight.

In 2012, a provisional store concept which involved re-using furniture was developed and implemented in Europe and the United States. Application of this concept in the other regions continued in 2013.

Lastly, in partnership with suppliers, a systematic effort is being made to give preference to locally obtained materials whenever possible. For example, in 2012, the new facade of a boutique undergoing refurbishment in China was created entirely from local stone.

ENERGY CONSUMPTION

The stores located in the areas mentioned above consumed 31,779 MWh of electricity in 2013, including 29,953 MWh for the stores themselves and 1,826 MWh for ancillary premises (offices and storage). These figures represent a rise of approximately 6% compared to 2012 for stores. This was entirely due to an increase in sales surface areas, mainly in Asia where some stores were enlarged and new boutiques opened, and to the expanded scope and improvement of reporting from subsidiaries. Office and storage type premises are also included for the majority of regions.

We should note the continued drop in electricity consumption in the France and Americas regions, which can mainly be explained by the use of LED lighting, which continued to increase in 2013.

Improving energy efficiency in our boutiques means optimising the main hubs of energy consumption, i.e. lighting and air conditioning. The choice of materials, a reduction in weight and an effort to source supplies locally also improve our *Bilan Carbone*® assessments at worksites and during refurbishments.

In 2013, some ten stores in the United States switched to a “green” electricity supplier.

Lighting:

Since 2010, LED lighting has been used for our watch and jewellery window displays and for the shelves in all our new and refurbished stores. Nearly half of our stores were equipped in this way at the end of 2013. In 2013, an “all LED” lighting (including ceiling lighting) solution was extended to all new store projects following successful trials conducted in three pilot stores in Europe in 2011 and 2012.

Other initiatives (installation of sub-metering and presence

detection systems in fitting rooms, toilets and back offices and lighting scenarios appropriate for the use of the store) were also incorporated in new store projects in 2013. Ever more efficient new technical solutions are constantly being evaluated for progressive incorporation in existing stores.

Air conditioning:

The reduction in electricity consumption coupled with the fact that LED lighting generates much less heat than traditional lighting has enabled us to consider the option of downsizing our air conditioning devices in stores. This approach will be adopted for future worksites

MEASURES TO IMPROVE USE OF RENEWABLE ENERGY SOURCES

In 2013, the roof of the Beverly Hills store in the United States was equipped with solar panels to supply electricity for the roof terrace lighting.

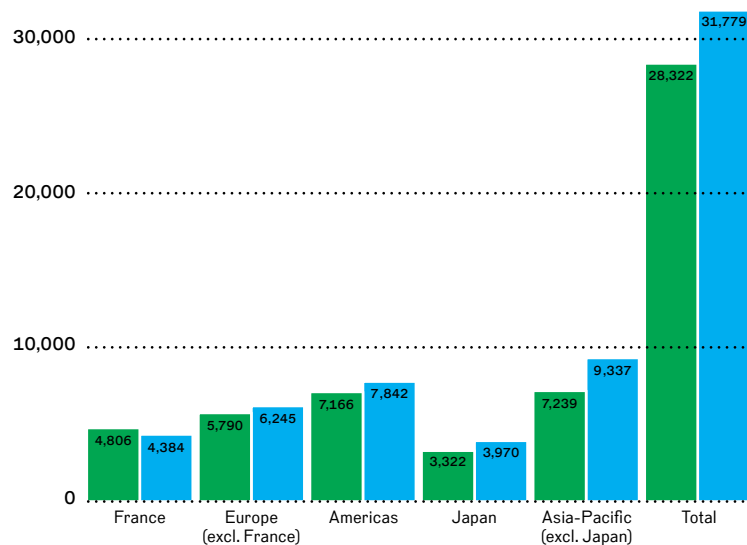
ELECTRICITY CONSUMPTION BY GEOGRAPHICAL ZONE

- France 13.7%
- Europe (excl. France) 19.7%
- Americas 24.7%
- Japan 12.5%
- Asia-Pacific (excl. Japan) 29.4%

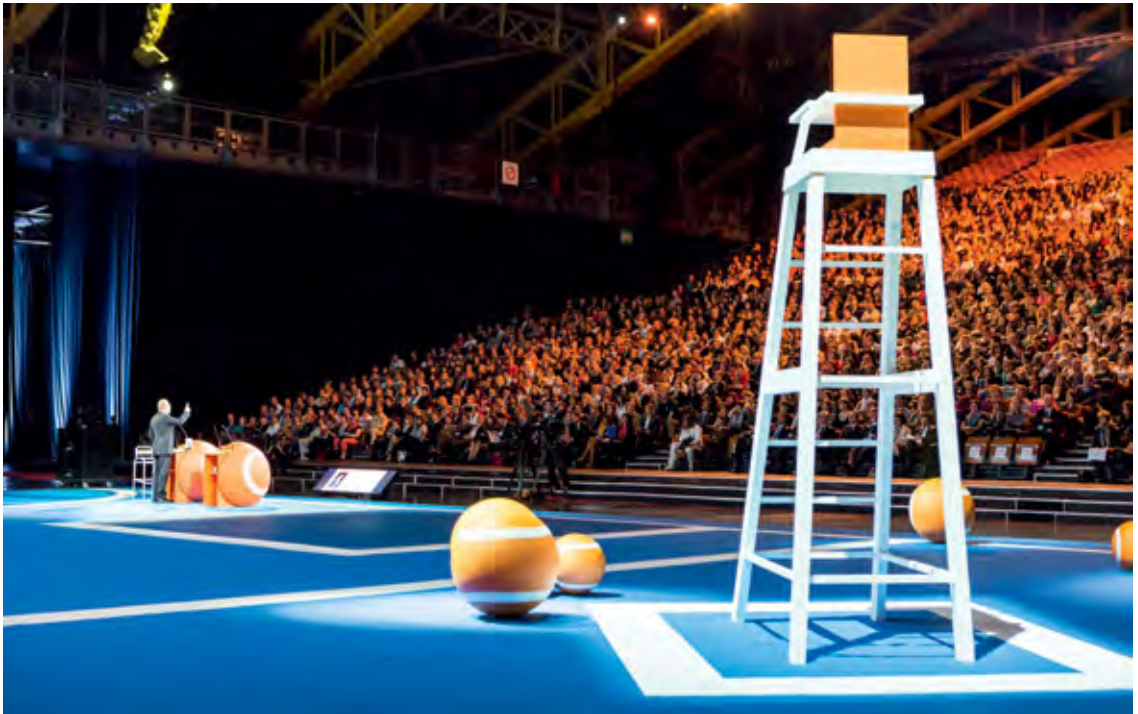


ELECTRICITY CONSUMPTION OF BRANCHES AND ANCILLARY PREMISES BY GEOGRAPHICAL ZONE (IN MWH)

- 2012 (excluding ancillary premises)
- 2013



HERMÈS: A RESPONSIBLE, COMMITTED EMPLOYER



HERMÈS CONTINUES TO GROW WHILE MAINTAINING ITS SPIRIT OF INCLUSIVITY

In a context of sustained growth, the teams have continued to increase in size to respond to the development of activities and the necessary advancement of skills. The recruitment of a large number of staff has been accompanied by increased awareness of the need for a culture of transmission in order to preserve and develop the sharing of expertise and knowledge.

Staff numbers have increased from 10,118 at the end of 2012 to 11,037 as of 31 December 2013. This growth includes a perimeter effect of 126 employees linked to the acquisition of Beyrand (manufacturer of transfers for porcelain) and Joseph Eyrard (a Swiss Manufacture of watch movements).

In 2013, the imminent opening of two new sites in Franche-Comté was announced, with the aim of forming a regional Franche-Comté hub with the Seloncourt site by 2018, thus in the long run creating a total of nearly 400 jobs. This new regional activity started in December on a temporary site in Etupes, staffed by around ten craftsmen and women from Seloncourt.

The Attelage scheme, introduced in all subsidiaries, teams each new member of staff up with a “mentor”, to guide them as they learn the ropes at Hermès. This individual guidance aims to facilitate integration into the company’s unique culture.

L'UNIVERSITÉ D'HERMÈS (UNIVERSITY OF HERMÈS): TRANSMITTING CULTURE AND DEVELOPING LEADERSHIP SKILLS

Created in 2012, *L'Université d'Hermès Ex-Libris* supports employee development and their understanding of the culture and vision of the company. This year, the university continued to roll out its programmes in four fields: team management, the dissemination of Hermès culture, expertise and product training. More than 900 members of staff were able to enjoy a collective learning experience, guided by the principles of openness to the world, operational efficiency, transversality and high quality.

The development of leadership skills is a major focus for the company's educational activities, with five management training programmes. Over 240 team leaders have developed their managerial skills based on the "Hermès grocer-poet LeADer" model in order to improve their behaviours and practices and achieve a balance between exacting standards and benevolent support.

Co-development workshops enable managers to share their team leadership problems and identify practical areas for improvement.

The schemes for the integration and dissemination of Hermès culture have helped facilitate understanding of the business plan and increased the sense of belonging. The two main plans, *Mosaïque*, dedicated to the integration of new members of staff in Europe, and the *IFH* (Hermès Training Institute), a programme designed to share the company's plan and vision with managers, were of benefit to more than 400 members of staff in 2013.

At the same time, a specific initiative was organised for the new General Managers of the Distribution hub, in order to help them settle into the Hermès world and into their new roles.

In Northern Asia, 125 members of staff took part in *HTree* integration sessions that are crucial to preserving, prolonging and nourishing Hermès cultural heritage.

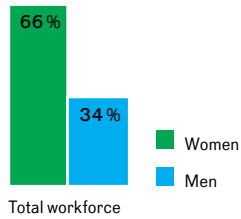
The Product training activities were increased in every region through local programmes of knowledge acquisition and maintenance. These activities, which are intended to help sales advisors become sales experts, capable of fully representing the maison and sharing its expertise and history, have involved more than 360 sales employees in Europe.

Programmes dedicated to general product knowledge have also been implemented in Asia, in response to strong commitment to high quality service.

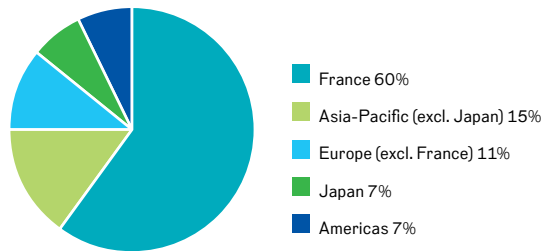
The retail training activities organised by the Hermès Merchants School were delivered to over 170 members of staff worldwide, supported by an e-learning programme and supplemented with local initiatives.

In France, more than 250 employees from the Paris stores attended the *Osons vendre* programme, led by managers.

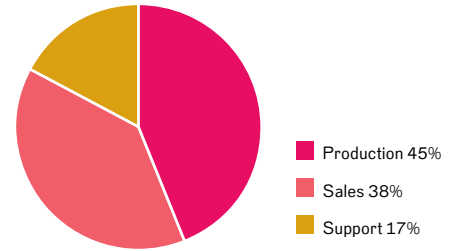
BREAKDOWN OF WORKFORCE BY GENDER



BREAKDOWN BY REGION



BREAKDOWN BY JOB CATEGORY



THE DEVELOPMENT OF LOCAL SKILLS: RESPONDING TO NEEDS OF THE MÉTIERS

THE TEXTILE SCHOOL IN THE RHÔNE ALPES REGION

This school was created in 2013 with the aim of preserving and disseminating the expertise of the sector, contributing to the internal and external influence of the hub and strengthening its regional presence. Eighty members of staff benefitted from the integration programme *Au fil d'HTH*, giving them a global overview of professions within the Textile sector and involving them in the development issues of the hub's future.

Co-development workshops enable the team leaders to discuss their everyday preoccupations and improve their management practices.

L'ÉCOLE DU CUIR

It continues to pursue its mission to develop and share leatherwork expertise, training more than 550 members of staff in 2013. Their efforts have particularly focussed on expanding and consolidating the methodology, skills and techniques of our network of internal trainers. Dialogue with the school's partners on the needs and development of the craft has ensured the greatest possible coherence between initial training and further training. Finally, specific training modules were implemented for cutters and mechanics.

LA VALIDATION DES ACQUIS PAR L'EXPÉRIENCE - VAE (The Validation of Expertise Acquired through Experience)

Four craftsmen from the Seloncourt leather goods workshop

participated in a pilot VAE session. Following the creation of a technical portfolio, a practical test and a presentation to a jury, all of them passed their exams and received the coveted title of *Sellier Maroquinier d'Art* (Skilled Leatherworker-Saddler) from the Ecole Boudard.

THE YOUNG TANNERS PROGRAMME

This programme, run at the Tanning hub, enables young engineers to undertake a 24-month course with introductions to four crafts at four tanneries and in at least two countries. This long apprenticeship in exotic skins and processing techniques turns the apprentices into tanning experts. At the same time, a network of internal trainers has been created, to pass on knowledge with passion and efficiency.

LE PRIX DE L'ADRESSE: A MUCH-ANTICIPATED INTERNAL PRIZE FOR CRAFT EXCELLENCE

The 2013 *Prix de l'Adresse* saw 28 teams of craftsmen (120 voluntary participants), compete as a team to create an exceptional piece in either the leather, textile, porcelain, silversmithing, watch-making, shoemaking or ready-to-wear *métiers*. This dual challenge required the team to pool both their technical and interpersonal skills. Eight teams received the *Prix de l'Adresse* and two teams were awarded the *Prix de l'Audace*. This award for outstanding craftsmanship bears witness to the passionate commitment of Hermès craftsmen to their specialisms, coupled with their ambition to excel themselves in their pursuit of high quality products, all in a spirit of collective adventure.

NETWORKING SCHEMES: OPENING UP TO THE REALITIES OF OTHER SPECIALISMS

The *Tandem* scheme teams up leather craftsmen and sales staff, who each spend a week in a boutique or at the Manufacture, in order to give each other an insight into their respective specialisms and forge bonds between their complementary worlds. In 2013, 50 members of staff benefitted from these very fruitful encounters.

The *Parcours d'Adresse* programmes created in 2011 give craftsmen the opportunity to learn about a craft specialism in depth, through a week-long introductory course broken down into several stages, from the raw material to the finished article. In 2013, these courses took place over 17 weeks and were attended by 166 craftsmen from the leather goods, textiles, ready-to-wear, porcelain, crystal, perfume and watchmaking sectors. By exploring the particularities and daily realities of another *métier*, they learn to share their common culture and identify their shared spirit and practices.

In Singapore, the 3-day *Chic S'pore* seminar was attended by 175 members of staff from the Asia Pacific zone. A presentation of the business plan, illustrated by the achievements in 2012 and the plans for 2013 and beyond, was the point of departure for a collective reflection on the product range, customer service and boutique life, amongst other subjects. This convivial opportunity for dialogue demonstrated the company's recognition of the vitality of its activities, led by its committed and passionate teams, within the region.

SHARED INFORMATION: MOBILISING STAFF AROUND THE BUSINESS PLAN

Forum H, the annual staff information session, took place in Lyon before an audience of 1,400 staff members, mostly from the leather goods and textile clusters in the local region. The highlights of the 2012 activity analysis and the sharing of plans for 2013 were punctuated by artistic interludes and speeches by participants in programmes during the year.

In September, another *Forum H* brought together all staff members working in Switzerland – around 200 employees from Hermès Switzerland and from La Montre Hermès, in the same spirit of conviviality, to present the company's plans, values and perspectives.

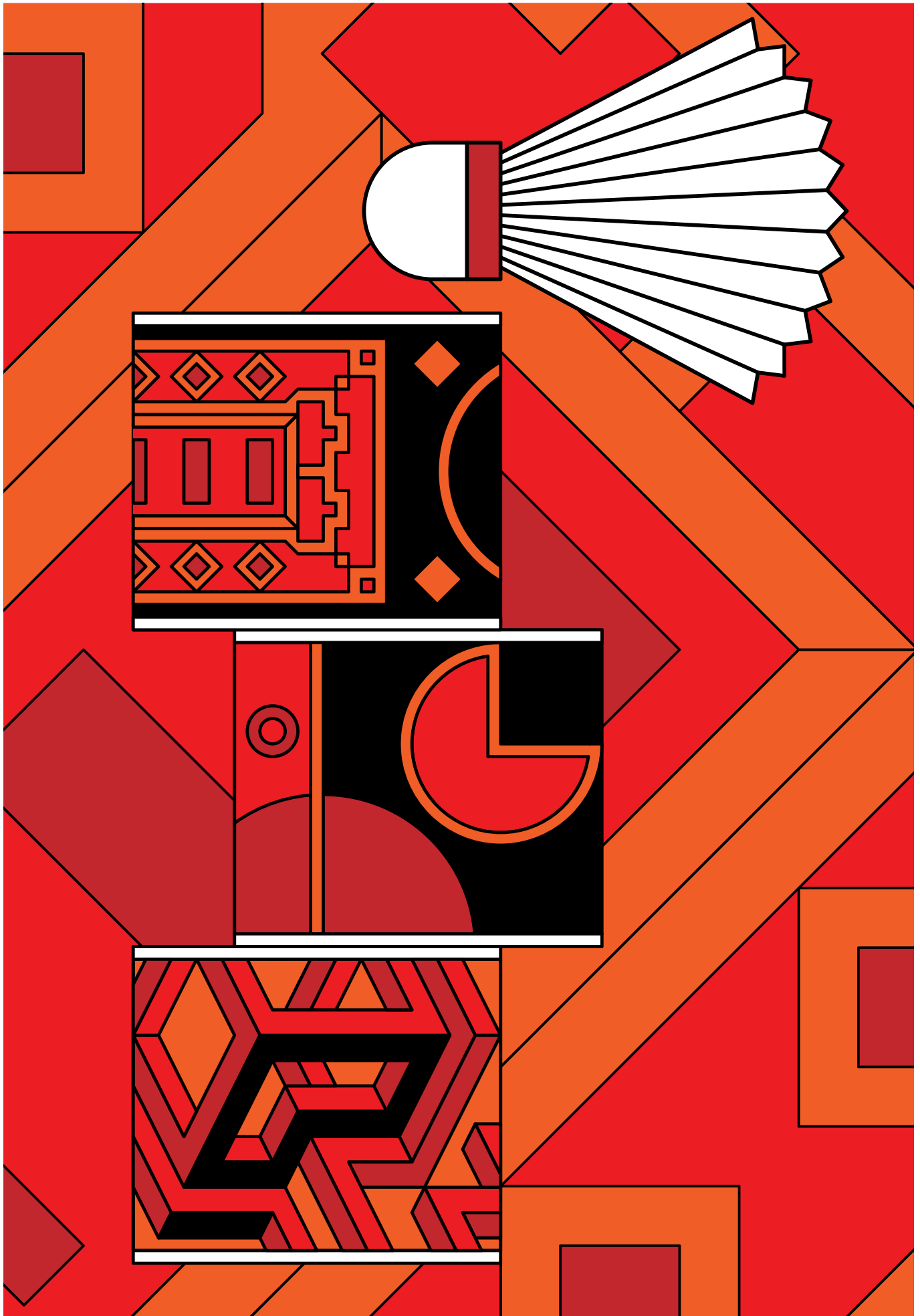
Finally, Hermès China, which now boasts over 300 members of staff, also organised a *Forum H* for the first time, held in December in the city of Hangzhou. This highly appreciated internal communication event further strengthened the cohesion of teams in a country where the distances involved need to be overcome with meetings such as this.

DIVERSITY: HANDICAP HTH, A LONG-TERM PROJECT BEING DEVELOPED DAY-TO-DAY

In 2013, the textile field employed 37 registered disabled people, compared to 31 in 2010, and the subcontracting budget for specialist establishments has quadrupled since 2010, rising from €10,000 to €40,000.

Thus Établissements Marcel Gandit recycles its printing frames (sorting of frames and removal of gauze, imperfections and markings) through Léon Fontaine, part of the French ESAT initiative for work-based support establishments or services. As part of this partnership, ESAT employees visited Établissements Marcel Gandit. The initiative was designed to help them visualise the various production phases, identify their own role in the process and understand the importance of their contribution.

Outreach activities such as the participation in the IPC World Championships in Lyon, the meeting with the guide dog training school for Lyon and the Centre East, and the meeting with the employment scheme participants at the Voil'Avenir shipyard, are designed to bring about a gradual attitude shift at the textile cluster and turn disability into a real source of enrichment.



RISK MANAGEMENT

AN ACTIVE APPROACH TO RISK MANAGEMENT

The Audit and Risk Management Department plays a dual role: firstly, it identifies risks and assists operational managers in developing action plans to strengthen internal controls. Secondly, it works with the relevant departments and contributes to managing major risks and participates in the various risk monitoring committees.

A Group risk map is drawn up based essentially on risk analyses conducted within the main Hermès entities. This prioritisation at the highest level is then taken into account to conduct risk mapping within all entities.

As described in the report from the Chairman of the Supervisory Board on internal control and risk management procedures, on page 32 of volume 2, the Audit and Risk Management Department plays a key role in providing a clear view of the group's control over its key risks. It works closely with the other departments to establish local initiatives (coordination and leadership of the internal supervisory management network, self-assessment procedures, etc.), thereby helping to instil a culture of risk awareness that combines caution with initiative.

The main risk factors for the group, taking its business model into account, are described in this chapter.

LIMITING INDUSTRIAL RISKS AND PROTECTING THE ENVIRONMENT

The group Industrial Department implements and coordinates the initiatives designed to protect our manufacturing assets, our employees and the environment on all Hermès production sites. It relies on the industrial departments in the *métiers* and site directors to have internal diagnostics or audits carried out by specialised third parties and to prepare operational improvement plans. The recommendations resulting from these analyses in the areas of organisation, procedures, training or investment are subject to careful follow-up. Safety-related expenditure and investment are considered to be a priority when making budget choices. Hermès' initiatives and accomplishments with regard to the environment are presented in the Environment and Sustainable Development section (page 78 of volume 1) of this report.

MINIMISING RISKS TO OUR PROPERTY ASSETS

All property-related transactions are handled and centralised by the Property Development Department. This helps to control critical processes, including:

- identification and assessment of the viability of retail store locations, production facilities and administrative offices based on qualitative and technical criteria;
- direct or indirect overseeing of key construction projects in France to ensure the work is carried out properly;
- supervising inspection plans for the group's main sites, covering structural and fire safety issues. These inspections are supplemented by prevention system reviews carried out by the group's insurance companies.

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

PROTECTING OUR ASSETS THROUGH A PRUDENT INSURANCE PROGRAMME

The group holds policies from leading insurers to provide property, operating loss and civil liability cover, as described in the “Insurance” section on page 121 of volume 2.

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

COMPLIANCE WITH APPLICABLE LAWS IN ALL AREAS

The group keeps abreast of changes in legislation and case law in all relevant areas to ensure that it complies with French and foreign laws and regulations. This monitoring is carried out by in-house and external firms.

Internally, to address the growing complexity of all areas of the law, the Legal Department is organised by centres of expertise specialising in the major branches of the law: intellectual property, corporate/securities law, property law, and business law (contracts of all kinds, competition, distribution, consumption).

Labour and tax matters are respectively handled by the group Human Resources and Tax Departments, which work in conjunction with the Legal Department.

Externally, in each region where the group operates, Hermès is advised by leading local independent law firms, renowned and specialised in each of the numerous areas covered.

While the group is involved in ongoing litigation, there are no pending settlements that are expected to have an impact on its business or on its financial results.

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

PROTECTING THE HEALTH AND SAFETY OF CONSUMERS

Our products are regularly tested by laboratories in Europe, Asia and the United States to ensure their innocuousness and conformity with the world’s most demanding regulations. We continuously monitor and analyse the development of regulations before drawing up our product specifications.

PROTECTING AND DEFENDING OUR INTELLECTUAL PROPERTY RIGHTS

The group places great importance on the protection and defence of its intellectual property rights. It owns a particularly large number of brands and domain names which is regularly growing to include new names, new product classes and services and new geographical areas. For this reason a specific team within the Legal Department is dedicated to these issues.

The group also ensures that all its new and existing creations are protected, with numerous design patents filed both in France and elsewhere. Obtaining three-dimensional trademarks in several countries allows the company to protect some of its products, such as the *Kelly* and *Birkin* bags.

Finally, the group ensures that its rights are respected and applies an active anti-counterfeiting policy involving both preventive measures (training and lobbying) and coercive measures (administrative, civil and criminal proceedings) across the world and particularly on the Internet.

These proceedings are led by the Legal Department with the support of external advisers and in collaboration with the local competent authorities as regards intellectual property and the fight against counterfeiting.

They enable several hundreds of thousands of counterfeit products to be seized and destroyed every year, the group’s rights to be recognised and the payment of damages to redress the loss suffered.

BALANCING AND SAFEGUARDING OUR DISTRIBUTION

Hermès holds a unique position in the luxury market, of which it represents only a small fraction (around 1.7% of a market valued at just over €217 billion for the year 2013). Hence, the group has relatively little exposure to general trends in the sector. Its broad portfolio of products reduces the risk of dependence on any particular range and its distribution is well-balanced geographically. With nearly 315 sales outlets, which includes 203 branches (and which account for 80% of turnover), Hermès relies on a distribution structure that significantly reduces customer risk. The stores owned by the group are listed on page 120 of volume 2.

Moreover, the exposure of sales to seasonal phenomena is limited: 53% of total sales were generated in the second semester of 2013 (compared with 54% in 2011 and 2012, and 55% in 2010).

In each country where the group operates, products are distributed through a selective distribution network specific to each house, in keeping with applicable local laws. Hermès implements a number of initiatives to ensure compliance.



CONSERVATIVE TREASURY AND CURRENCY MANAGEMENT

As the group has a positive cash flow, it is not exposed to liquidity risk and applies a conservative policy in managing market risks, such as exchange rates, interest rates and counterparty risks. Because the bulk of its production is in the euro zone but it derives a significant percentage of its sales in US dollars, Japanese yen and other Asian currencies, the group is naturally exposed to currency risks.

In this respect, treasury and currency management is centralised by the group's Treasury Department and follows stringent management and monitoring rules. The Middle & Back Office Department run the administrative management and control operations, including the use of integrated cash flow software. Furthermore, the Audit and Risk Management Department oversees proper compliance with risk monitoring and management procedures. On a monthly basis, the Treasury Security Committee ascertains that these procedures have been followed and that any risks identified have been addressed.

The group follows a conservative investment policy, designed to avoid the risk of capital loss and maintain liquidity in order to be able to implement rapid and independent strategic changes.

The group deals with leading banks and financial institutions only. In addition, counterparty risks on financial transactions are monitored on an ongoing basis by Hermès International's Treasury Management Department.

Most free cash flow is invested for the short term, mainly in money-market mutual funds offered by leading financial institutions and in deposit certificates issued by top-rated banks, with very low sensitivity.

Exposure to operational currency risk is systematically hedged on an annual basis, based on projected cash flows. In parallel, exposure to non-operational currency risk is hedged as soon as the commitment is firm and definitive.

The Treasury Department constantly monitors changes in legal regulations as regards investment and derivative transactions to ensure that the group conforms to current regulations.

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

I.T. RISK MONITORING AND PREVENTION

Hermès' expenditure on IT systems (equipment and maintenance) is comparable with that of its peers in the sector. Its purpose is to ensure good operational performance, to keep IT-related risks under control and to ensure that these systems are regularly upgraded for the future.

The group's IT Systems Department works under an information technology governance charter and has drawn up a corpus of procedures that apply to all group companies. IT systems security audits have been carried out within the major subsidiaries to verify compliance with the group's procedures.

In 2013, work to further enhance the security of IT systems entailed harmonising the different systems in use around a standard ERP system and finalising the roll-out of a new, modern management tool for stores and distribution subsidiaries.

As regards IT risk prevention, work carried out in 2013 focused mainly on enhancing the security of our central systems, ensuring the security of external access, protecting workstations, preventing leaks of confidential data and improving safety mechanisms and the breakdown tolerance of critical systems to ensure continued operation in the event of any incidents.

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

CONTROL OVER SOURCING

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

Finally, the group is strengthening supply protection, implementing a policy of diversification and limitation of supplier dependence, and building up strategic stocks.



CONSOLIDATED RESULTS

CONSOLIDATED RESULTS

The Hermès group reported 2013 sales revenue of €3,754.8 million, an increase of 7.8% on the previous year at current exchange rate (of 13.0% at constant exchange rate).

The gross margin reached 68.8%, an increase of 0.7 point versus 2012, in consequence especially of the positive currency conversion impact.

Selling, marketing and administrative expenses, which represented €1,215.2 million versus €1,130.8 million in 2012, include notably €211.2 million of communication expenditure, which represented 5.6% of sales versus 5.2% in 2012.

Other income and expenses came to €151.1 million. This includes €115.2 million of depreciation and amortisation charges, which reflects the rapid pace of investments, particularly in the development and renovation of the distribution network.

Operating income strongly increased (+8.9%), to reach €1,218.0 million versus €1,118.6 million in 2012. The operating margin advanced by 0.3 point, reaching 32.4% of sales versus 32.1% in 2012, the group's best performance.

Net financial income represents an expense of €23.5 million versus €18.6 million registered in 2012.

The income tax expense increased by 13.9% and reached €397.6 million in 2013 versus €349.1 million in 2012, in particular due to the 3% tax on the distribution of dividends introduced by the second Amending Finance Law for 2012, and also due to the increase in the corporate tax rate in France.

Net income attributable to non-controlling interests totalled €8.6 million versus €10.6 million last year.

The group net income reached €790.3 million versus €739.9 million in 2012, which represented an increase of 6.8%.

INVESTMENTS

In 2013, Hermès pursued the development of the distribution network and the securing of its sources of supply, with €232.4 million in investments (excluding financial investments), and notably including the opening or the renovation of thirteen branches. As a reminder, 2012 Hermès group investments included a leasehold for the Hermès store in Beverly Hills.

FINANCIAL POSITION

The operating cash flow totalled €1,015.9 million, an increase of 14.8%. This increase, faster than that of the net income, results

BREAKDOWN OF INVESTMENTS

(in millions of euros)	2013	2012	2011
Operating investments	211.3	263.1	185.2
Investments in financial assets	21.1	106.9	29.2
<i>Subtotal - Investments (excluding financial investments)</i>	<i>232.4</i>	<i>370.0</i>	<i>214.4</i>
Financial investments ¹	50.5	27.7	19.6
Total investments	282.9	397.7	234.0

¹ The financial investments correspond to the investments for which the sensitivity and maturity require that they be classified as financial assets in accordance with IFRS.

from the higher incidence in 2013 of operating non-cash charges (at fair value measurement of hedging instruments and stock option plans). It has enabled the financing of the entirety of the operating investments (€232.4 million), the working capital (€119.1 million), and the dividend payment (€260.3 million).

The net cash position reached €1,022.0 million as at 31 December 2013 versus €686.1 million as at 31 December 2012, an increase of 49%.

Restated net cash (after taking into account non-liquid financial investments and borrowings) totalled €1,091.0 million as at 31 December 2013, versus €721.0 million as at 31 December 2012.

Strong earnings growth drove up shareholders' equity to €2,825.6 million (Group share) as at 31 December 2013, versus €2,344.4 million as at 31 December 2012.

VALUE CREATION

The notions of economic value added and return on capital employed were implemented within Hermès several years ago as performance indicators for the Group's investments.

Economic value added is calculated according to the method of the firm Stern Stewart & Co. It represents the difference between

adjusted operating income (excluding the financial result and exceptional elements) after operating tax¹, and the average cost of capital employed during the year² multiplied by the weighted average cost of capital employed by the Group³.

Return on capital employed is the adjusted operating income after operating tax¹ on the average cost of capital employed during the year².

Economic value added (€679 million in 2013 versus €629 million in 2012) increased by 8% thanks to the increase in the operating result. Return on capital employed remains very high and reached 41% in 2013.

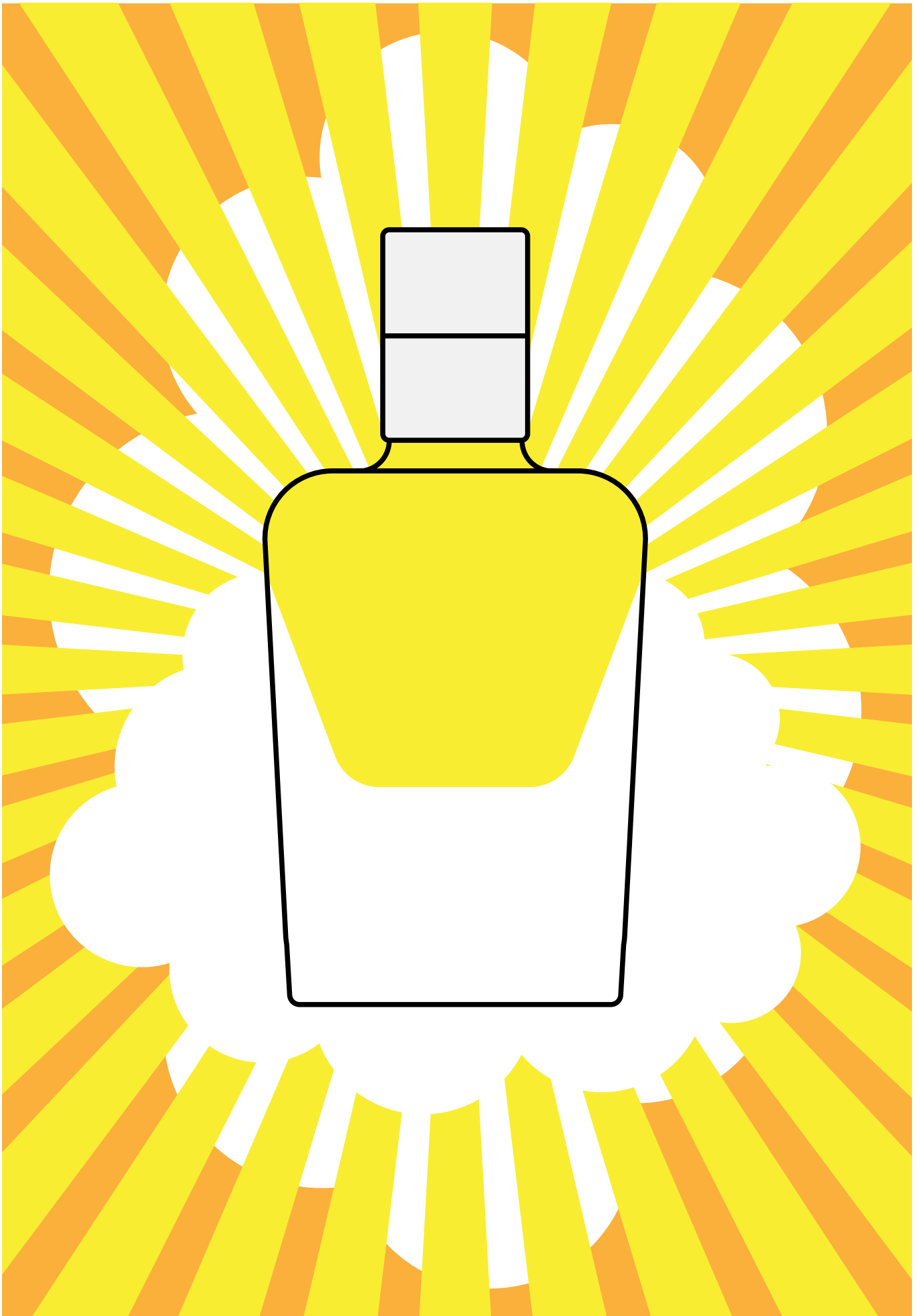
EXCEPTIONAL EVENTS

No exceptional events occurred in 2013.

1. €859 million in 2013 versus €809 million in 2012.

2. €2,083 million in 2013 versus €1,779 million in 2012

3. 8.66% in 2013 versus 10.14% in 2012



OUTLOOK

Consistent with the vision that has guided us since 1837, Hermès will continue its long-term strategy based on creativity, the mastery of expertise, the development of its distribution network, the strengthening of its production capacity and the protection of supplies.

The theme of metamorphosis will underpin our work in 2014: not only the transformation of precious materials into objects of beauty in the skilled hands of our craftsmen, but above all, the determination of Hermès to constantly reinvent itself, pushing back the boundaries of excellence.

The development of the retail network will continue. The opening of new boutiques will be limited. Priority will be given to extending and renovating current branches. The main event in this respect will be the September opening of a House of Hermès in Shanghai, in a historic and listed building in the Old French Quarter – the sixth such House in the world. This new opening will firmly establish the presence of Hermès in a country that has welcomed it with such enthusiasm.

In response to the particularly rapid growth experienced by Hermès in the last five years, efforts to develop production capacity will continue, without compromising on the training of craftsmen. The two leather goods manufactures opened in Isère and Charente in 2012 will continue to grow. Meanwhile, work has begun on two new manufactures in Franche-Comté, which will be operational in 2016. This approach is also required in the field of silk, where demand is strong and the variety of formats available in the collections requires flexibility of production facilities.

In terms of communication, digital activities will intensify, particularly in advertising and social media. The events strategy will remain very active with the *Saut Hermès at the Grand Palais*, events specific to each range (men, women and homeware), the travelling exhibition *Leather Forever* and the *Festival des Métiers*.

More than ever, the focus will be on supporting and training the men and women who make up Hermès and give it its uniqueness.



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SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME 2013

(in millions of euros)	2013	2012
Revenue (Note 3)	3,754.8	3,484.1
Cost of sales (Note 4)	(1,170.3)	(1,110.8)
Gross profit	2,584.4	2,373.3
Selling, marketing and administrative expenses (Note 5)	(1,215.2)	(1,130.8)
Other income and expense (Note 6)	(151.1)	(123.8)
Recurring operating income (Note 3)	1,218.0	1,118.6
Other non-recurring income and expense	-	-
Operating income	1,218.0	1,118.6
Net financial income (Note 7)	(23.5)	(18.6)
Pre-tax income	1,194.6	1,100.0
Income tax expense (Note 8)	(397.6)	(349.1)
Net income from associates (Note 15)	2.0	(0.4)
CONSOLIDATED NET INCOME	798.9	750.5
Net income attributable to non-controlling interests (Note 21)	(8.6)	(10.6)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 3)	790.3	739.9
Earnings per share (in euros) (Note 9)	7.59	7.11
Diluted earnings per share (in euros) (Note 9)	7.54	7.07

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(in millions of euros)	2013	2012
Consolidated net income	798.9	750.5
Variation of translation differences (note 20.3)	(80.6)	(20.8)
Cash flow hedging ¹ (note 20.3)	4.5	55.1
- fair value variation	30.5	26.0
- recycling through profit or loss	(26.0)	29.1
Assets available for sale ¹	-	-
- fair value variation	-	-
- recycling through profit or loss	-	-
Gains and losses recorded in equity and transferable through profit or loss	(76.1)	34.3
Capital gains or losses on disposals of treasury shares ¹ (note 20.3)	0.3	0.8
Commitments to the personnel: value change linked to actuarial gains and losses ¹ (note 20.3)	(8.3)	(19.5)
Gains and losses recorded in equity and not transferable through profit or loss	(8.0)	(18.7)
Comprehensive income	714.9	766.1
attributable to owners of the parent	707.4	755.3
attributable to non-controlling interests	7.5	10.8

¹ Net of tax

The note numbers refer to the Notes to the Consolidated Financial Statements in Volume 2 of the 2013 Annual Report.

NB: The values shown in the tables are generally expressed in millions of euros. In certain cases, the effect 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 2013**ASSETS**

(in millions of euros)	31/12/2013	31/12/2012
Non-current assets	1,688.4	1,603.0
<i>Goodwill</i> (Note 10)	51.4	79.3
Intangible assets (Note 11)	108.9	101.6
Property, plant & equipment (Note 12)	1,025.1	1,007.5
Investment property (Note 13)	94.1	98.3
Financial assets (Note 14)	59.1	28.5
Investments in associates (Note 15)	44.5	25.8
Loans and deposits (Note 16)	41.8	42.9
Deferred tax assets (Note 8.3)	242.5	217.8
Other non-current assets (Note 18)	21.1	1.3
Current assets	2,249.2	1,802.8
Inventories and work-in-progress (Note 17)	813.4	726.9
Trade and other receivables (Note 18)	193.6	207.1
Current tax receivables (Note 18)	5.8	0.8
Other current assets (Note 18)	115.7	116.6
Derivative financial instruments (Note 22.2.3)	67.0	54.4
Cash and cash equivalents (Note 19.1)	1,053.7	697.0
TOTAL ASSETS	3,937.6	3,405.8

The note numbers refer to the Notes to the Consolidated Financial Statements in Volume 2 of the 2013 Annual Report.

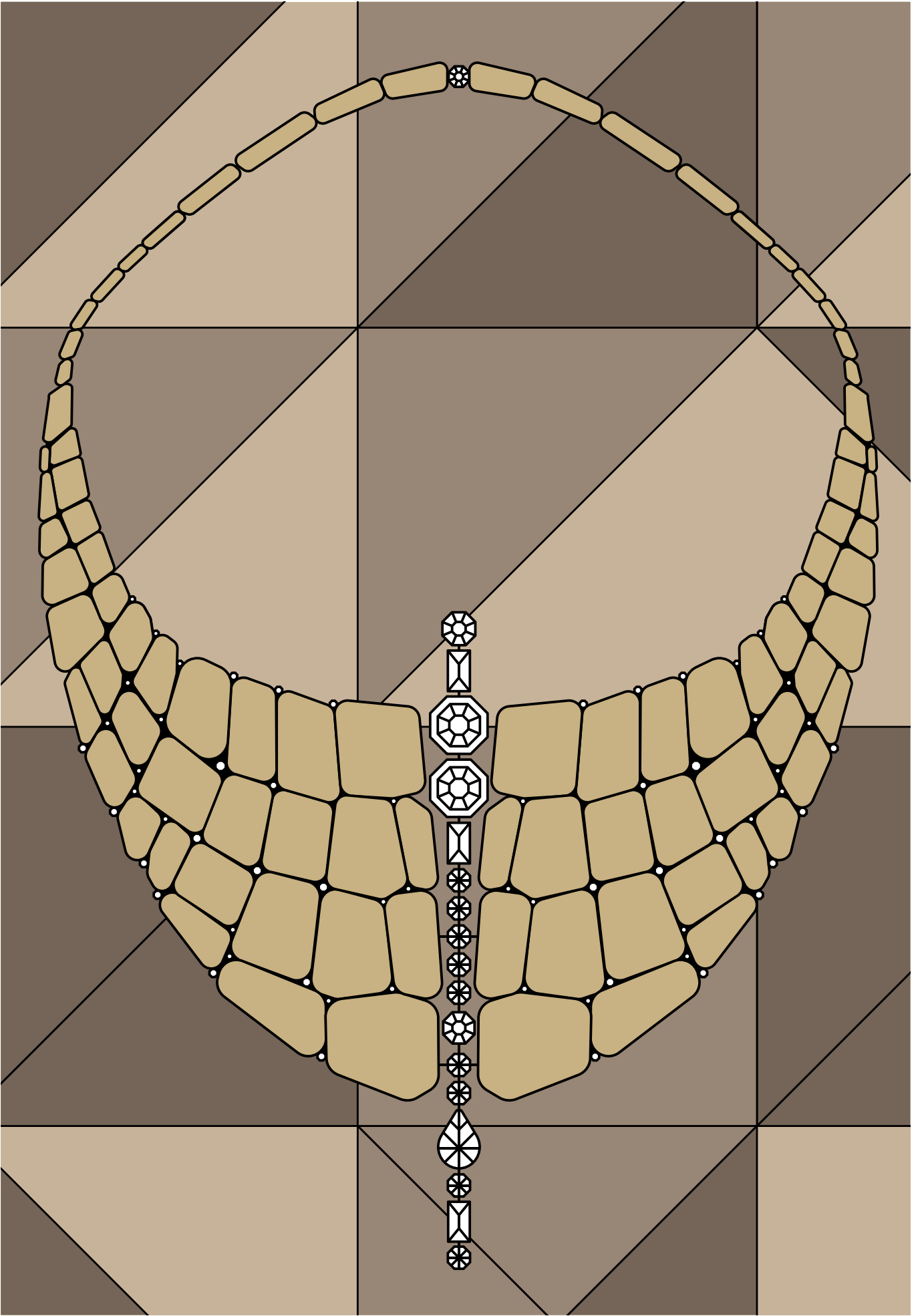
EQUITY AND LIABILITIES (BEFORE REPARTITION)

(in millions of euros)	31/12/2013	31/12/2012
Equity	2,841.2	2,358.3
Share capital (Note 20)	53.8	53.8
Share premium	49.6	49.6
Treasury shares (Note 20)	(313.9)	(313.3)
Reserves	2,248.7	1,742.2
Foreign currency adjustments (Note 20.1)	(33.4)	46.0
Financial instruments included in equity (Note 20.2)	30.5	26.0
Net income attributable to owners of the parent (Note 3)	790.3	739.9
Non-controlling interests (Note 21)	15.6	13.9
Non-current liabilities	216.4	183.6
Borrowings and debt (Notes 22.3 and 22.4)	24.6	23.7
Provisions (Note 23)	14.7	16.4
Post-employment and other employee benefit obligations (Note 25.1.2)	83.2	66.5
Deferred tax liabilities (Note 8.3)	25.7	23.0
Other non-current liabilities (Note 26)	68.2	54.0
Current liabilities	880.0	863.9
Borrowings and debt (Notes 22.3 and 22.4)	32.0	14.7
Provisions (Note 23)	26.6	33.2
Post-employment and other employee benefit obligations (note 25.1.2)	5.3	3.7
Trade and other payables (Note 26)	362.1	345.5
Derivative financial instruments (Note 22.2.3)	15.6	19.3
Current tax liabilities (Note 26)	94.8	124.1
Other current liabilities (Note 26)	343.6	323.4
TOTAL EQUITY AND LIABILITIES	3,937.6	3,405.8

The note numbers refer to the Notes to the Consolidated Financial Statements in Volume 2 of the 2013 Annual Report.

CONSOLIDATED STATEMENT OF CASH FLOWS 2013

(in millions of euros)	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income attributable to owners of the parent (Note 3)	790.3	739.9
Depreciation and amortisation (Notes 11, 12 and 13)	135.3	117.1
Impairment losses (Notes 10 and 12)	23.6	28.0
<i>Mark-to-market value of derivatives</i>	5.4	1.4
Currency gains/(losses) on fair value adjustments	21.6	1.4
Change in provisions	(0.2)	(20.2)
Net income from associates (note 15)	(2.0)	0.4
Net income attributable to non-controlling interests (Note 21)	8.6	10.6
Capital gains/(losses) on disposals	0.6	1.4
Deferred tax	(9.5)	(23.2)
Accrued expenses and income related to share-based payments (Note 30.2.2)	42.5	28.4
Others	(0.3)	(0.4)
Operating cash flows	1,015.9	884.8
Cost of net debt	(3.5)	16.2
Current tax expense	429.6	398.1
Operating cash flows before cost of debt and current tax expense	1,442.0	1,299.1
Change in working capital (Note 19.2)	(73.8)	(152.3)
Cost of net debt	3.5	(16.2)
Income tax paid	(474.9)	(359.3)
Net cash from operating activities	896.9	771.2
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of intangible assets (Note 11)	(26.0)	(22.7)
Purchase of property, plant and equipment (Notes 12 and 13)	(185.2)	(240.3)
Investments in associates	(21.1)	(106.9)
Purchase of other financial assets (Note 14)	(50.5)	(27.7)
Amounts payable relating to fixed assets	2.3	13.0
Proceeds from sales of operating assets	0.7	-
Proceeds from sales of other financial assets (Note 14)	19.3	25.8
Net cash used in investing activities	(260.6)	(358.9)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Dividends paid	(273.3)	(742.3)
Net purchase of treasury shares	(0.6)	(9.1)
Borrowings	0.1	34.3
Reimbursements of borrowings	(9.9)	(45.5)
Other equity rises/ (reductions)	3.1	0.1
Net cash used in financing activities	(280.7)	(762.6)
Effect of changes in the scope of consolidation (Note 19.1)	0.1	(0.1)
Effect of foreign currency exchange on intragroup transactions	(9.7)	3.0
Effect of foreign currency exchange (Note 19.1)	(10.1)	(4.8)
CHANGE IN NET CASH POSITION (Note 19.1)	335.9	(352.2)
Net cash position at beginning of period (Note 19.1)	686.1	1,038.3
Net cash position at end of period (Note 19.1)	1,022.0	686.1
CHANGE IN NET CASH POSITION (Note 19.1)	335.9	(352.2)





SHAREHOLDER'S GUIDE

FINANCIAL INFORMATION

The Hermès financial website, consultable at <http://finance.hermes.com/>, was completely reorganised in 2013. On this website, shareholders and investors can access the following information, available in French and in English, for the last five financial years:

General presentation of the Group

- > Group Overview
- > Hermès métiers
- > Stores and manufactures
- > Key figures

Corporate Governance

- > Group Management
 - > Executive management
 - > Executive committee
- > Management bodies
 - > Supervisory board
 - Composition
 - Rules of procedure
 - Ethics charter
 - > Special committees of the Supervisory board
 - Audit Committee
 - > Composition
 - > Rules of procedure
 - The Compensation, Appointments and Governance Committee
 - > Composition
 - > Rules of procedure
 - > The Active Partner

Press releases

- > All press releases
- > Sales
- > Results
- > Other press releases

Reports and Presentations

- > Half-year reports
- > Annual reports/Reference documents
- > Presentations
- > Other reports

Shareholder's guide

- > The Hermès shareholder
- > Financial calendar
- > The Hermès share
- > Dividends
- > General meetings

Live share price

Regulated information

Other legal information

- > Share buy-back
- > Monthly information relating to total number of shares and voting rights comprising the share capital
- > Liquidity contract
- > Articles of association
- > Others

2014 CALENDAR (FOR INFORMATION ONLY)

Q1 2014 consolidated sales:	29/04/2014
Combined General Meeting of shareholders:	03/06/2014
Q2 2014 consolidated sales:	18/07/2014
H1 2014 consolidated net income:	29/08/2014
Q3 2014 consolidated sales:	06/11/2014

SHAREHOLDER INFORMATION

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

Mr. Lionel Martin-Guinard

Deputy Finance Manager

Hermès International

24, rue du Faubourg-Saint-Honoré, 75008 Paris.

Tel.: +33 (0)1 40 17 49 26 / Fax: +33 (0)1 40 17 49 54

E-mail: lionel.martin.guinard@hermes.com

HOW TO BUY HERMÈS INTERNATIONAL SHARES

REGISTERED SHARES

These shares are registered in a securities account held by:

BNP PARIBAS SECURITIES SERVICES

Services aux émetteurs

GRANDS MOULINS DE PANTIN

9, rue du Débarcadère

93761 Pantin Cedex

Tel.: +33 (0)8 26 10 91 19

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

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

Administered registered shares are handled by another financial institution, of the shareholder's choice, that may charge custody fees.

BEARER SHARES

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

HOW TO PARTICIPATE IN GENERAL MEETINGS OF SHAREHOLDERS

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

- in the register of registered shares held on behalf of the Company by its agent BNP Paribas Securities Services;
 - or in a securities account held by the financial intermediary with which their shares are registered if the shares are bearer shares.
- Shareholders may choose to participate in the General Meeting in one of three different ways:
- by attending the Meeting and voting in person;
 - by voting by post: by casting their vote by postal ballot or by giving a proxy to the Chairman of the General Meeting or to another authorised representative;
 - by voting online: by casting their vote online or by giving a proxy to the Chairman of the General Meeting or to another authorised representative.

IF YOU WISH TO ATTEND THE GENERAL MEETING OF HERMÈS INTERNATIONAL

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

- If you did not opt to receive the meeting notice by e-mail, and your shares are *registered shares*, you will automatically receive the meeting notice together with the attendance form by post; you should complete the form and return it in the enclosed postage-paid envelope. In addition, all registered shareholders may now obtain an admission card online. Simply log on to the Planet-shares-My Proxy site using your access code, as described in the "Voting online" section below;

- If you hold *bearer shares*, you should request a certificate from your financial intermediary proving your status as a shareholder as of the date of the request. Your financial intermediary will then forward this certificate to BNP Paribas Securities Services, who will send you an admission card.

If you have not received your admission card by the third business day before the General Meeting and if you hold bearer shares, you should request a shareholding certificate from your custodian institution; if you hold registered shares, you may make yourself known on arrival at the General Meeting.

On the day of the Meeting, all shareholders will be asked to provide evidence of their status as shareholder and proof of identity at the registration desk.

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

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

If voting by post:

If you hold *registered shares*, you will automatically receive the attendance form together with the meeting notice. If you hold bearer shares, you should send a request to your custodian

institution, which will forward the attendance form together with a shareholding certificate to BNP Paribas Securities Services. Requests for attendance forms will be honoured only if received by no later than Friday, 28 May 2014. The duly completed form should be returned using the enclosed postage-paid envelope and must be received by BNP Paribas Securities Services by no later than 12:00 midnight (CET) on Friday, 30 May 2014.

Voting online:

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

If you hold *registered shares*:

If you hold fully registered shares and wish to vote online, before the Meeting, you should log on to the website at the address given below, using the login and password that was sent to you.

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

If you hold *bearer shares*:

If you hold bearer shares and wish to vote online before the General Meeting, you should request a shareholding certificate from the financial institution that is the custodian of your shares and provide your e-mail address. The custodian will send the shareholding certificate, together with your email address, to BNP

Paribas Securities Services, the manager of the online voting site. BNP Paribas Securities will use this email address to send you a login and a password, which will enable you to log on to the site at the address shown below.

In both cases, simply follow the instructions that appear on screen. The secure voting website will open on 13 May 2014. Shareholders may vote online before the General Meeting until 3:00 p.m. (CET) on the day before the meeting, i.e., until Monday, 2 June 2014.

To avoid possible bottlenecks on the dedicated secure website, it is recommended that you not wait until the day before the meeting to cast your vote.

Address of the secure dedicated website:

<https://gisproxy.bnpparibas.com/hermesinternational.pg>

It is specified that:

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

- may not choose another method of participation;
- may opt to sell some or all of their shares.

However, if the sale takes place before 12:00 midnight (CET) on Thursday, 29 May 2014, the Company shall invalidate or apply any relevant changes to the postal vote, online vote, proxy, admission card or shareholding certificate, as appropriate. The authorised intermediary acting as custodian shall notify the Company or its agent of any such sale and shall forward the necessary

information. Any sale or other transaction completed after 12:00 midnight CET on Thursday, 29 May 2014, by any means whatsoever, shall not be notified by the authorised financial intermediary or taken into consideration by the Company, notwithstanding any agreement to the contrary.

Proxies:

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

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

If you hold fully *registered shares*:

- you may submit your request via the My Shares menu of Planet-shares-My Proxy, by logging on with your usual login and password, then going to “My shareholder area - My general meetings” and clicking on the “Appoint or Revoke Proxy” button.

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

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

This e-mail must contain the following information: company name and date of the general meeting, surname, first name, address, bank references of the shareholder, as well as the first

name, surname and, if possible, the address of the proxy.

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

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

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

OWNERSHIP THRESHOLD DISCLOSURES

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

Any natural or legal person, acting alone or jointly, coming into possession of more than 5% of Hermès International's share capital or voting rights (see table below) is required to disclose to the Company the total number of shares or voting rights held.

Such disclosure must also be made whenever the percentage of share capital or voting rights held falls below one of the thresholds indicated above.

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

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

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

By the 15th of each month, the Company publishes a report on its website (www.hermes-international.com) disclosing the total number of shares, the total number of theoretical voting rights (including shares disqualified from voting) and the total number

of exercisable voting rights (excluding shares disqualified from voting) that make up the share capital on the last day of the previous month.

OWNERSHIP THRESHOLDS, NOMINATIVE REGISTRATION REQUIREMENT

Any natural or legal person, acting alone and/or jointly, coming into possession, in any manner whatsoever, within the meaning of Articles L 233-7 et seq. of the French Code de Commerce, of a number of shares representing 0.5% of the share capital and/or of the voting rights in General Meetings (or any multiple of this percentage), at any time, even after attaining one of the thresholds provided for by Articles L. 233-7 et seq. of the Code de Commerce, must, within five Stock Exchange days from the date this threshold is exceeded, request the registration of his shares in nominative form. This nominative registration requirement applies to all shares already owned, as well as any that come into ownership beyond this threshold. A copy of the nominative registration application, sent by registered post with acknowledgement of receipt to the registered office within ten Stock Exchange days from the date on which the threshold is attained, shall constitute a declaration of attaining the ownership threshold in question. The registration requirement for securities also applies to any natural or legal person, acting alone and/or jointly, coming into possession, in any manner whatsoever according to the meaning of Articles L 233-7 et seq. of the French Code de Commerce, of a number of shares representing 0.5% of the share capital and/or of the voting rights in General Meetings.

In the event of failure to comply with the above requirements, the shares that exceed the threshold subject to disclosure or having been subject to disclosure shall be disqualified from voting rights. In the event of an adjustment, the corresponding voting rights can only be exercised once the period stipulated by law and current regulations has expired.

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

IMAGE CREDITS

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