



**REGISTRATION DOCUMENT
FILED WITH THE AUTORITÉ DES MARCHÉS FINANCIERS**

In accordance with Article 212-13 of the AMF General Regulations, this shelf-registration document, which contains the annual financial report and comprises volume 1 and volume 2 of the Annual Report, was filed with the AMF on 10 April 2014. This document may be used in support of a financial transaction only if it is supplemented by an offering circular approved by the AMF. This document has been drawn up by the issuer and implies the responsibility of its authorised signatories.

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



**2013 ANNUAL REPORT
OTHER INFORMATION CONTAINED IN THE SHELF-REGISTRATION DOCUMENT
CONSOLIDATED FINANCIAL STATEMENTS AND PARENT COMPANY FINANCIAL STATEMENTS**

VOLUME 2

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OVERVIEW OF HERMÈS INTERNATIONAL

Role

Hermès International is the Group's parent company. Its purpose is:

- to define the Group's strategy and its focuses for development and diversification;
- to oversee the operations of its subsidiaries and to provide corporate, financial, legal and commercial assistance;
- to manage the Group's real estate assets;
- to protect and defend its trademarks, designs, models, and patents;
- to maintain a documentation centre and make it accessible to the subsidiaries;
- to ascertain that the style and image of each brand name is consistent throughout the world and, for this purpose, to design and orchestrate advertising campaigns, actions and publications to support the various business activities;
- to provide guidance in design activities and to ensure that the Hermès spirit is consistently applied in each business sector.

Hermès International derives its funds from:

- dividends received from subsidiaries;
- royalties from trademarks, licensed exclusively to Group subsidiaries, to wit, Hermès Sellier, Comptoir Nouveau de la Parfumerie, Compagnie des Arts de la Table (dissolved by transfer of all assets and liabilities on 5 June 2013), La Montre Hermès, Hermès Horizons and Faubourg Italia (amounts concerning the 2013 financial year are presented on pages 274 et seq).

Hermès brands, which belong to Hermès International, are protected by trademarks in many countries, for all categories of products in each of the group's business sectors.

Hermès International's scope of consolidation encompasses 129 subsidiaries and sub-subsidiaries. A simplified presentation of the Group appears on page 24 of Volume 1.

Legal form

Hermès International is a *société en commandite par actions* (partnership limited by shares). In this form of partnership, the share capital is divided into shares and there are two classes of partners: one or more Active Partners, with the status of "commerçant", who actively engage in operating the business and are jointly and severally liable for all the Company's debts for an indefinite period of time, and limited partners, who are not actively engaged in the business and are liable only up to the amount of their contribution. The rules governing the operation of a *société en commandite par actions* are the following:

- the Active Partner or partners, who carry on the business, are jointly and severally liable for all the Company's debts, for an indefinite period of time;
- the limited partners (or shareholders), who contribute capital, are liable in this capacity only up to the amount of their contribution;
- the same party may be both an Active Partner and a limited partner;
- a Supervisory Board is appointed by the Ordinary General Meeting of Shareholders as a supervisory body (Active Partners, even if they are also limited partners, cannot vote on the appointment of Supervisory Board members);
- one or more Executive Chairmen, selected from among the Active Partners or from outside the Company, are chosen to manage the Company.

Limited partners (shareholders)

The limited partners:

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

The main limited partners (shareholders) are listed on page 106.

Active Partner

Since 1 April 2006, Émile Hermès SARL has been the sole Active Partner of Hermès International.

The Active Partner:

- has the authority to appoint or revoke the powers of any Executive Chairman, on the considered recommendation of the Supervisory Board;
- takes the following decisions for the Group, on the Supervisory Board’s recommendation:
 - determines the Group’s strategic options;
 - determines the Group’s consolidated operating and investment budgets; and
 - decides on any proposal submitted to the General Meeting pertaining to the appropriation of share premiums, reserves or retained earnings;
- may formulate recommendations to the Executive Management on any matter of general interest to the Group;
- authorises any loans of Hermès International whenever the amount of such loans exceeds 10% of the amount of the consolidated net worth of the Hermès Group, as determined based on the consolidated financial statements drawn up from the latest approved accounts (the “Net Worth”);

- authorises any sureties, endorsements or guarantees and any pledges of collateral and encumbrances on the Company’s property, whenever the claims guaranteed amount to more than 10% of the Net Worth;

- authorises the creation of any company or the acquisition of an interest in any commercial, industrial or financial operation, movable or immovable property, or any other operation, in any form whatsoever, whenever the amount of the investment in question amounts to more than 10% of the Net Worth.

In order to maintain its status of Active Partner, and failing which it will automatically lose such status ipso jure, Émile Hermès SARL must maintain in its articles of association clauses in their original wording or in any new wording as may be approved by the Supervisory Board of Hermès International by a three-quarter majority of the votes of members present or represented, stipulating the following:

- the legal form of Émile Hermès SARL is that of a *société à responsabilité limitée à capital variable* (limited company with variable capital);
- the exclusive purpose of Émile Hermès SARL is:
 - to serve as Active Partner and, if applicable, as Executive Chairman of Hermès International,
 - potentially to own an equity interest in Hermès International; and
 - to carry out all transactions in view of pursuing and accomplishing these activities and to ascertain that any liquid assets it may hold are appropriately managed;
- only the following may be partners in the Company:
 - descendants of Mr Émile-Maurice Hermès and his wife, born Julie Hollande; and
 - their spouses, but only as beneficial owners of the shares; and

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

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

Executive Chairmen

The Executive Management ensures the management of Hermès International.

In accordance with the articles of association, the Company is administered by one or two Executive Chairmen, each having the same powers and duties, who are physical persons and active partners, or they can be from outside the Company.

The Executive Chairmen are appointed by the Active Partner, after consultation with the Supervisory Board. On 4 June 2013, the General Meeting had modified Article 15.1 of the articles of association in order to allow the Active Partner to temporarily appoint a third Executive Chairman.

Effective on 5 June 2013, the Active Partner of Hermès International appointed Mr. Axel Dumas as Executive Chairman of Hermès International alongside Mr. Patrick Thomas, and of Émile Hermès SARL for an unspecified duration. This triple Executive Management was intended solely to prepare the succession of Mr. Patrick Thomas, which is why it was only set up temporarily. On 29 August 2013, Mr. Patrick Thomas informed the Management Board of Émile Hermès SARL, Active Partner, and the Supervisory Board of his resig-

nation from his duties as Executive Chairman of Hermès International, effective 31 January 2014. On 31 January 2014, the Executive Management took note of the end of the term as Executive Chairman of Mr. Patrick Thomas and removed the temporary indication from the articles of association.

The Company is therefore administered by two Executive Chairmen:

- the company Émile Hermès SARL (represented by Mr. Henri-Louis Bauer), appointed by decision of the Active Partner on 14 February 2006 (effective on 1 April 2006);
- Mr. Axel Dumas, appointed by decision of the Active Partner, on 4 June 2013 (effective on 5 June 2013).

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

Supervisory Board

The Company is governed by a Supervisory Board, which currently comprises eleven members who are appointed for a term of three years. The members are selected from amongst shareholders who are not Active Partners, legal representatives of an Active Partner, or an Executive Chairman.

The Supervisory Board exercises ongoing control over the Company's management.

For this purpose, it has the same powers as the Statutory Auditors and receives the same documents as the Statutory Auditors, at the same time as the Statutory Auditors. In addition, the Executive Management must submit a detailed report to the Supervisory Board on the Company's operations at least once a year.

The Supervisory Board submits its considered recommendation to the Active Partners:

- on the nomination and dismissal of any executive Chairman of the Company; and

– in case of the Executive Chairman’s resignation, on reducing the notice period.

The Supervisory Board:

– determines the proposed appropriation of net income to be submitted to the General Meeting each year;

– approves or rejects any proposed new wording of certain clauses of the articles of association of Émile Hermès SARL.

The Active Partner must consult the Supervisory Board prior to making any decisions on the following matters:

– strategic options;

– consolidated operating and investment budgets; and

– any proposal submitted to the General Meeting pertaining to the appropriation of share premiums, reserves or retained earnings.

Each year, the Supervisory Board presents to the Annual Ordinary General Meeting of Shareholders a report in which it comments on the Company’s management and draws attention to any inconsistencies or inaccuracies identified in the financial statements for the year.

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

Joint Council

The Executive Management of Hermès International or the Chairman of the Supervisory Board of Hermès International shall convene a joint council meeting of the Management Board of Émile Hermès SARL and the Supervisory Board of Hermès International whenever they deem it appropriate.

The Joint Council is an institution designed to enable broad collaborative efforts between the Active Partner’s Management Board, an internal body with a need to know the main aspects of Hermès International’s management, and the Supervisory Board, which is appointed by shareholders.

The joint council has knowledge of all matters that it addresses or that are submitted thereto by the party who convened the conference, but does not, in the decision-making process, have the right to act as a substitute for those bodies to which such powers are ascribed by law or by the articles of association of Hermès International or of Émile Hermès SARL. The Joint Council of the Management Board and Supervisory Board does not in itself have decision-making powers as such. It acts exclusively as a collaborative body. At their discretion, the Management Board and Supervisory Board may make all decisions or issue all recommendations within their jurisdiction in a joint council meeting.

Registered office – Principal administrative establishment

The registered office of Hermès International is located at 24, rue du Faubourg-Saint-Honoré, 75008 Paris, France.

The Company’s principal administrative establishment is located at 13-15, rue de la Ville-l’Évêque, 75008 Paris.

The Legal Department is located at 20, rue de la Ville-l’Évêque, 75008 Paris.

Date created – Commercial and Company Register, APE Code

Hermès International was created on 1 June 1938. It is registered with the Paris Commercial and

Company Register under number 572 076 396, APE code 7010Z.

Date of initial public offering

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

PRESENTATION OF ÉMILE HERMES SARL

Page 101 describes the control exercised by the Émile Hermès SARL company over Hermès International.

The operation of Émile Hermès SARL, Active Partner, was not affected by the set-up of the H51 SAS company in 2011, as presented on page 102.

Legal form

Émile Hermès SARL is a *société à responsabilité limitée à capital variable* (limited company with variable capital) and was created on 2 November 1989. Its partners are the direct descendants of Mr. Émile-Maurice Hermès and his spouse.

In companies with variable capital, the share capital can increase or decrease constantly, as existing partners or new “incoming” partners contribute additional funds, or as “outgoing” partners withdraw their funds”.

Corporate purpose

The sole purpose of Émile Hermès SARL is:
– to serve as Active Partner and, if applicable, as Executive Chairman of Hermès International;

– potentially to own a direct or indirect equity interest in Hermès International; and
– to carry out all transactions in view of pursuing and accomplishing these activities and to ascertain that any liquid assets it may hold are appropriately managed.

Partners

Only the following may be partners in Émile Hermès SARL:

– descendants of Mr. Émile-Maurice Hermès and his wife, born Julie Hollande; and
– their spouses, but only as beneficial owners of shares.

In the light of the Company’s purpose, no person shall be a partner if, for each share he owns in the Company, he does not have on deposit in the corporate accounts (draft resulting from the split that occurred on 1 March 2013):

– a number of non-dismembered Hermès International shares undivided and free from any encumbrance or commitment to third parties equal to 2,250 (two thousand two hundred and fifty); or
– the beneficial or legal ownership of a number of Hermès International shares undivided and free from any encumbrance or commitment to third parties equal to 4,500 (four thousand five hundred).

To 31 December 2013, all partners of Émile Hermès SARL are direct descendants of Mr. Émile-Maurice Hermès and his spouse.

Executive Chairman

Since 1 July 2012, the Executive Chairman of Émile Hermès SARL has been Mr. Henri-Louis Bauer, a great-grandson of Émile-Maurice Hermès.

Management Board

The Company is governed by a Management Board comprising three to twelve members, including the Executive Manager, who serves as Board Chairman.

Management Board members must be natural persons. The Executive Chairman is an ex-officio member thereof. The other members of the Management Board are chosen from amongst the company partners (draft resulting from the modification of the articles of association taking effect on 1 January 2014).

The Executive Manager of Émile Hermès SARL shall act in accordance with the Management Board's recommendations in exercising its powers as Active Partner of Hermès International.

Date created – Commercial and Company Register – Registered office

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

Share capital – Balance sheet – Net income

The authorised share capital is €343,840 and the share capital under the articles of association was €111,320 as at 31 December 2013. It is divided into 27,830 shares with a par value of €4 each (after the four-way share split on 1 March 2013). As at 31 December 2013, Émile Hermès SARL had total balance sheet of €32,434,288, including net income for the year of €3,927,601.

Corporate Governance

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Corporate governance – Report from the Chairman of the Supervisory Board

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

In accordance with the regulatory provisions and with the recommendations issued by the AMF (Financial Markets Authority), we hereby submit our report on the corporate governance principles applied by the Company, on the composition of the Supervisory Board (hereinafter “the Board”) and the application of the principle of balanced representation of women and men within the Board, on the conditions for preparation and organisation of the Supervisory Board's work and on the internal control procedures instituted by the Executive Management.

The present report has been prepared by the Chairman of the Supervisory Board with the help of the Compensation, Appointments and Governance Committee, hereinafter the “CAG Committee” (part relative to corporate governance), of the Audit Committee (part relative to internal control), of the Board secretary and of the functional departments in question. It was approved by the Board during its meeting on 19 March 2014.

Corporate governance code

• Corporate governance principles

Corporate governance principles applied Since 2009, the Supervisory Board has officially adopted the latest version of the AFEP/MEDEF recommendations on corporate governance, revised in June 2013, as it deemed these recommendations to be entirely in keeping with the Group's corporate governance policy.

• Provisions of the AFEP/MEDEF corporate governance code, revised in June 2013, that were set aside and explanations

Severance pay (art. 23.2.5)

REGARDING MR. PATRICK THOMAS

The Company had agreed to pay Mr. Patrick Thomas an amount equal to 24 months' compensation in the event that his appointment as Executive Chairman is terminated for certain reasons other than his resignation.

Mr. Patrick Thomas resigned from his duties as Executive Chairman of the company as of 31 January 2014, which did not result in his entitlement to the payment of this severance pay, which is therefore non-applicable.

REGARDING MR. AXEL DUMAS

The company had agreed to pay Mr. Axel Dumas an amount equal to 24 months of overall compensation (compensation under the articles of association and supplemental compensation) in case of cessation of his duties as Executive Chairman for reasons other than resignation, subject to meeting certain performance criteria over 5 financial years. This commitment, the provisions of which are identical with the one given to Mr. Patrick Thomas, was approved by the Supervisory Board during its meeting on 4 June 2013 and will be the subject of a resolution (10th) during the next General meeting pursuant to Article L 225-40 of the *Code de commerce*.

The payment of this severance pay is contingent upon termination of the appointment as Executive Chairman resulting:

- either from a decision taken by Mr. Axel Dumas by reason of a change of control over the Company, a change in the Executive Chairman of Émile Hermès SARL, which is an Executive Chairman of the Company, or a change in the Company's strategy; or;
- from a decision taken by the Company.

The Supervisory Board considered that the deferred compensation commitment made for the benefit of Mr. Axel Dumas complies with the requirements of the AFEF/MEDEF corporate governance code.

Non-competition compensation (art. 23.2.5)

When Mr. Patrick Thomas informed the other Executive Chairmen of his desire to resign from his duties on 31 January 2014, the latter wished to obtain a non-competition commitment from him. The Management Board of the company Émile Hermès SARL, during its meeting on 19 November 2013, approved this principle and the terms of the agreement whereby Mr. Patrick Thomas assumes a commitment lasting for 10 years in exchange for the payment of annual inclusive compensation equal to €966,300 in each of the years 2014, 2015, 2016 and 2017. The Supervisory Board authorised this agreement during its meeting on 20 November 2013 as part of the procedure on related-party agreements.

The Supervisory Board considered that it was necessary to protect the company’s legitimate interests, while respecting Mr. Patrick Thomas’ situation.

The simultaneous nature of the signing of this non-competition commitment and of Mr. Patrick Thomas’ departure excluded any possibility of an opt-out provision.

Similarly, as this agreement has just been signed, it was not necessary for the Supervisory board to once again give a ruling on its application at the time of Mr. Patrick Thomas’ departure.

Criteria for Supervisory Board members to qualify as independent (art. 9.4)

Because of the ownership structure of the Company, which is majority-owned by direct descendants of Mr. Émile Hermès, several years

ago, the Supervisory Board decided that it would be advisable for it to include members who are not related to the Hermès family.

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

Based on a proposal from the CAG Committee, the Supervisory Board decided, during its meeting on 14 November 2012, to review the application procedure of the seniority criterion (12 years) used to qualify the independence of the Supervisory Board members as of 2013. The only Supervisory board member whose term lasted for more than 12 years was Mr. Ernest-Antoine Seillière, whose term has ended and will not be renewed. Since the General meeting on 4 June 2013, no Board member has therefore been in office for more than 12 years.

With respect to Mr. Maurice de Kervénoaël, on the recommendation of the CAG Committee, the Supervisory Board deemed that the fact that Mr. Maurice de Kervénoaël serves as a Director within the Comptoir Nouveau de la Parfumerie, a Company subsidiary, did not call his independence into question. This matter will no longer have to be re-examined since the term of Mr. Maurice de Kervénoaël will be ending at the time of the General meeting on 3 June 2014, and he does not wish to put forward his name again.

*Proportion of independent members
on the Audit Committee (art. 16.1)*

The Board determined that while slightly less than two-thirds (60%) of Audit Committee members are independent directors, this situation was not detrimental to the Committee's operation.

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

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

*Balanced representation of female and male
members of the Supervisory Board (art. 6.4)*

The Supervisory board has set objectives for the evolution of its composition that comply with the deadlines set down by the law of 13 January 2011, i.e. at least 20% for each sex on 1 January 2014 and at least 40% on 1 January 2017, rather than the deadlines included in the AFEP/MEDEF corporate governance code (2013 and 2016), for practical implementation reasons having to do with the dates of its general meetings.

The 20% objective defined by law had already been reached by Hermès International between 2010 and 2012, and has once again been reached since 4 June 2013.

A proposal is made to the General meeting of 3 June 2014 to continue the feminization of the

Board's composition by appointing Mrs. Monique Cohen, which will serve to increase the proportion of female Board members to 36.36%.

**• Corporate governance measures adopted
in 2013 and 2014**

On 23 January 2013, the Supervisory Board took note of and/or approved the conclusions of the work of the CAG Committee relative to:

- the analysis of the individual situation of the members of the Supervisory Board and of the Executive Chairmen with regard to the plurality of offices;
- the annual examination of possible conflicts of interest of the Supervisory Board members;
- the annual examination intended to identify members of the Audit committee that have particular skills in financial or accounting fields;
- the verification of the compliance of the Supervisory Board members relative to the holding threshold of 200 registered shares;
- the update of the Supervisory Board's master file;
- the self-assessment of the work of the Compensation, Appointments and Governance Committee;
- the progress of the assignment concerning evolution of the Board's composition.

On 20 March 2013, the Supervisory Board took note of and/or approved the conclusions of the work of the CAG Committee relative to:

- the review of the report from the chairman of the Supervisory Board on the corporate governance principles implemented by the Company, and reporting on the composition of the Board and the application of the principle of balanced representation of women and men within the Board, on the conditions for preparing and organising the work of the Supervisory Board as well as on the internal

control and risk management procedures implemented by the Company;

- the update of the CAG Committee's rules of procedure;
- the verification of the compliance of the Supervisory Board members relative to the holding threshold of 200 registered shares;
- the examination of the Active Partner's proposals regarding the appointment/renewal of the terms of the Supervisory Board members at the time of the Hermès International General Meeting on 4 June 2013;
- the examination of potential conflicts of interest.

On 4 June 2013, the Supervisory Board:

- appointed a new vice-chairman of the Supervisory Board;
- renewed the terms of the Audit Committee members and chairman;
- renewed the terms of the CAG Committee members and appointed a new chairman;
- gave a favourable opinion regarding the appointment of Axel Dumas as Executive Chairman by the Active Partner;
- provided the new members with the Supervisory Board's master file.

On 26 June 2013, the Supervisory Board took note of and/or approved the conclusions of the works of the CAG Committee relative to:

- the update of the Supervisory Board's master file;
- the situation of the Supervisory Board members relative to the objectivity and independence criteria contained in the Supervisory Board's rules of procedure and confirmed that their situation had not changed;

- the specific financial or accounting skills of the Audit committee members, and confirmed that their situation had not changed;
- the compliance of the new Supervisory Board members with the holding threshold of 200 shares;
- the progress of the assignment concerning evolution of the Board's composition.

On 29 August 2013, the Supervisory Board took note of and/or approved the conclusions of the works of the CAG Committee relative to:

- the analysis of the practices of Hermès International in view of the changes to the AFEP/MEDEF corporate governance;
- formal assessment of the Supervisory Board to be performed in 2013;
- the progress of the assignment concerning evolution of the Board's composition.

During the same meeting, the Supervisory Board took note of the resignation of Mr. Patrick Thomas from his position as Executive Chairman as of 31 January 2014.

On 20 November 2013, the Supervisory Board took note of and/or approved the conclusions of the work of the CAG Committee relative to:

- the progress of the assignment concerning evolution of the Board's composition;
- the method for appointing future Supervisory Board members representing the employees;
- the analysis of the results of the 3-year assessment of the Board's works;
- a new distribution method for the directors' fees by board member to apply since 2014;
- the update of the Supervisory board's rules of procedure.

During the same meeting, the Supervisory Board provided the members with the 2014 calendar of negative windows, and reiterated their responsibility concerning holding inside information.

On 22 January 2014, the Supervisory Board took note of and/or approved the conclusions of the work of the CAG Committee relative to:

- the progress of the assignment concerning evolution of the Board’s composition;
- the analysis of the individual situation of the members of the Supervisory Board and of the Executive Chairmen with regard to the plurality of offices;
- the annual examination of possible conflicts of interest of the Supervisory Board members;
- the annual examination intended to identify members of the Audit committee that have particular skills in financial or accounting fields;
- the verification of the compliance of the Supervisory Board members relative to the holding threshold of 200 registered shares;
- the self-assessment of the work of the Compensation, Appointments and Governance Committee;
- the update of the Supervisory Board’s master file.

On 19 March 2014, the Supervisory Board took note of and/or approved the conclusions of the work of the CAG Committee relative to:

- the review of the report from the chairman of the Supervisory Board on the corporate governance principles implemented by the Company, and reporting on the composition of the Board and the application of the principle of balanced representation of women and men within the Board, on the conditions for preparing and organising the work of the Supervisory Board as well as on the internal

control and risk management procedures implemented by the Company;

- the review of the chapters of the shelf-registration document on corporate governance and executive compensation (management report) and of the description of the proposed resolutions relative to the advisory opinion (“Say on Pay”) regarding the compensation of directors;
- the update of the Supervisory Board’s master file;
- the creation of an orientation and training procedure for new Board members;
- the examination of the Active Partner’s proposals regarding the appointment/renewal of the terms of the Supervisory Board members at the time of the Hermès International General Meeting on 3 June 2014;
- the examination of potential conflicts of interest.

During the same meeting, the Supervisory Board decided to include, on the agenda of board meetings on a regular basis as of 2015, issues pertaining to sustainable development as well as social and environmental responsibility.

During each meeting, the CAG Committee informed the Supervisory Board of current events relating to governance (AMF reports, AFEP/MEDEF reports, IFA studies, etc.).

Conditions for preparing and organising the Board’s work

- **Composition of the Supervisory Board – Application of the principle of balanced representation of women and men within the Board – Proportion of employee representatives**

The Supervisory Board currently has 11 eleven members: Mr. Éric de Seynes, chairman, Mrs. Dominique Senequier and Mr. Maurice de Kervénoaël, deputy chairmen, Mr. Charles-Éric Bauer, Mr. Matthieu Dumas, Mr. Blaise Guerrand, Mrs. Julie Guerrand, Mr. Renaud Momméja, Mr. Robert Peugeot Mr. Nicolas Puech and Mrs. Florence Woerth.

All of the Supervisory Board members are of French nationality.

From amongst its members, the Supervisory Board appoints two deputy chairmen, currently Mrs. Dominique Senequier and Mr. Maurice de Kerve-noaël. The articles of association indicate that in case of the chairman’s absence, his duties will be performed by the older of the two deputy chairmen. Mrs. Nathalie Besombes, company law and stock market director, provides the Board’s secretariat under the chairman’s control.

In 2011, the CAG Committee was directed to provide the Supervisory Board with recommendations regarding the change of the Board’s composition, with the objective of reaching a proportion of at least 40% from each sex within the composition of the Supervisory Board by 2017.

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

The Chairman of the Supervisory Board and the

Executive Chairmen participated in the efforts of the CAG Committee with regard to appointments.

1. Definition of a “target Supervisory board”

This step was carried out in late 2011 and early 2012. To this end, the Board’s secretary, working with the Board chairman and the chairman of the CAG Committee, prepared a “roadmap” on the basis of the work of the Institut français des administra-teurs (IFA), while also including a review of the applicable rules and regulations.

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

- optimal size (number of board members): the Board’s current size is compliant with the marketplace recommendations and is currently satisfactory;
- age limit: the current statutory rule (no more than one third of the number of board members can be over the age of 75 years) is satisfactory;
- number of women: to reach the objectives indi-cated above, 2 men will have to be replaced by 2 women within the Board by 2017;
- number of “independent” members: the current proportion of more than one-third independent members according to the criteria used by the Company will be maintained;
- missing typical talents/profiles needed to improve the Board’s operation: the applications will be assessed based on various criteria relating to the specific features of the Hermès house.

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

This step was carried out in 2012 and in early 2013. After examining proposals from several recruiting

consulting firms, the CAG Committee selected a major firm that has a good knowledge of Hermès, and directed it to identify potential candidates for joining the Supervisory Board on the basis of the target objectives described above.

The members of the Émile Hermès SARL Supervisory board and Management board were also asked to submit proposed candidacies.

In 2012 and 2013, the CAG Committee received several applications and decided to only have the selected recruiting consulting firm review the female applications, in view of the objective of attaining the target of 40% of each sex in 2017.

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

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

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

In 2013 and early 2014, the Supervisory Board continued with its search for a woman to join the Board.

Progress of the assignment in 2014

Based on a detailed report and an oral presentation from the firm, the CAG Committee provided a new list of candidates, and several CAG Committee members were directed to meet with them individually, along with the chairman of the Supervisory Board.

In March 2014, the CAG Committee discussed the results of these interviews and decided to recommend the application of Mrs. Monique Cohen.

This application was submitted to the Émile Hermès SARL Management board and to the Supervisory Board, which unanimously decided to propose her appointment to the 2014 General Meeting, as this would serve to increase the percentage of women on the Board to 36.36%.

The information about Mrs. Monique Cohen is provided on pages 266 and 267.

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

The Supervisory Board currently includes no member representing the employees. Given the implementation of the law of 14 June 2013 relative to safeguarding employment, it is proposed to the General Meeting of 3 June 2014 that it should modify Article 18 of the articles of association so as to include provisions for Supervisory Board members representing the employees.

The Supervisory Board would meet after the Meeting on 3 June 2014 consisting of eleven members. A single Supervisory board member representing the employees must therefore be assigned this year. This appointment must occur before 3 December 2014, provided that the modification of the articles of association resolution is passed.

• Criteria for qualifying a Supervisory Board member as an “independent” – management of conflicts of interest - plurality of offices

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

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

– they must comply with the criteria set out in Article 9.4 of the AFEP/MEDEF Code of Corporate Governance, including the criterion pertaining to length of service that has been respected by the General meeting since 4 June 2013. In 2013, the Board examined the situation of each of its members in the light of the aforesaid criteria, on a case-by-case basis, and determined that four directors qualified as “independent”: Mrs. Dominique Senequier and Mrs. Florence Woerth, Messrs. Maurice de Kervénoaël and Robert Peugeot.

A summary table describing each Supervisory Board member’s situation is provided on page 24. The Board resolved that one-third of the Supervisory Board members should be independent members. This proportion is observed.

In particular, the Board identified no significant business relationship between the people and the Company. This analysis is performed each year on the basis of a detailed questionnaire that is sent to all Supervisory Board members, in which they are asked to make a sworn statement regarding any situations that could constitute a potential conflict of interest. Moreover, the Supervisory Board ethics charter indicates that “a Supervisory Board member must strive to avoid any conflict that could exist between his/her moral or material interests, and those of the company. He shall inform the Supervisory Board of any conflict of interests in which he might be involved. In cases in which he cannot avoid being in a position of conflict of interests, he shall refrain from taking part in the discussions and any decision on the matters concerned”.

The analysis of the individual situation of each of the Supervisory Board members and of the Executive Chairmen with regard to the rules on the plurality of offices indicated that no Board member or

Executive Chairman holds multiple offices, both with regard to the legal rules and the principles set down by Article 19 of the AFEP/MEDEF corporate governance code (not holding more than four other corporate offices in companies outside of the Group, with the exception of companies for which the main activity is the acquisition and management of equity interests).

▪ **Duration and staggering of the terms of office**

Article 18.2 of the articles of association stipulates that Supervisory Board members are appointed for a term of three years. Since the General Meeting of 2 June 2009, the Company has established a provision whereby one-third of Supervisory Board members stand for re-election each year.

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

The Supervisory Board’s rules of procedure, that have existed since 18 March 2009, and the last version of which were approved by the Supervisory Board on 20 November 2013, is provided in its entirety in page 40.

These rules of procedure include an obligation for the Supervisory Board members to own a relatively significant number of registered shares (200 shares). On 22 January 2014, the Supervisory Board determined that all Board members were meeting this obligation.

The Supervisory Board ethics charter, that has existed since 26 January 2011, and the last version of which was approved by the Supervisory Board on 25 January 2012, is reproduced in its entirety on page 46.

Corporate governance – Report from the Chairman of the Supervisory Board

Summary table describing the situation (compliance or not) on 31/12/2013 of the Supervisory Board members in view of the criteria contained in the AFEP/MEDEF corporate governance code in order to define the independence of Supervisory Board members											
	Charles-Éric Bauer	Matthieu Dumas	Blaise Guerrand	Julie Guerrand	Maurice de Kervénoaël	Renaud Momméja	Robert Peugeot	Nicolas Puech	Éric de Seynes	Dominique Senequier	Florence Woerth
Independence criteria of the AFEP/MEDEF corporate governance code, revised in June 2013 (art. 9.4)											
Not being an employee or corporate officer of the Company, an employee or board member of its parent company or of a company that it consolidates, and not having been one in the previous five years.	No	No	No	No	No	No	Yes	Yes	No	Yes	Yes
Not being a corporate officer director of a company in which the Company directly or indirectly holds a board member's position or in which an employee designated as such or a corporate officer of the Company (currently or having served as one within the last five years) is serving as a board member.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Not being a customer, or, business banker or financing banker: – that is significant for the company or its group; – or for which the company or its group represents a significant share of the business.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Not having close family ties with a corporate officer.	No	No	No	No	Yes	No	Yes	No	No	Yes	Yes
Not having been the company's auditor during the previous five years.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Not having been a board member of the company for more than 12 years.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Hermès International additional independence criterion											
Not being a partner or member of the Management Board of Émile Hermès SARL, Active Partner.	No	No	No	No	Yes	No	Yes	Yes	No	Yes	Yes
Conclusion	Non independent	Non independent	Non independent	Non independent	Independent ⁽¹⁾	Non independent	Independent	Non independent	Non independent	Independent	Independent

(1) Concerning Mr Maurice de Kervénoaël, the Supervisory Board, upon the recommendation of the RNG Committee, considered that the 2010 transformation of the Comptoir Nouveau de la Parfumerie into a public limited company with a board of directors, in which Mr Maurice de Kervénoaël is a director, did not call his independence into question. This situation shall be regularised at the Annual General Meeting of 03 June 2014, seeing as the term of office of Mr Maurice de Kervénoaël shall expire and he does not wish to stand for office again.

Attendance at Supervisory Board meetings in 2013			
Member of the Board	Attendance	Applicable number of meetings	Individual attendance rate
Mr Éric de Seynes	7	7	100%
Mr Maurice de Kervénoaël	7	7	100%
Mr Ernest-Antoine Seillière	2	2	100%
Mr Charles-Éric Bauer	7	7	100%
Mr Matthieu Dumas	7	7	100%
Mr Blaise Guerrand	7	7	100%
Mrs Julie Guerrand	7	7	100%
Mr Renaud Momméja	7	7	100%
Mr Robert Peugeot	7	7	100%
Mr Nicolas Puech	2	7	29%
Mrs Dominique Senequier	5	5	100%
Mrs Florence Woerth	7	7	100%
Average			94%

Since 2011, a “master file” has been provided to the Supervisory Board. This master file currently contains the following headings:

- list and contact details of the Executive committee members, of the Supervisory Board members and of the Board’s committee and secretary;
- professional background of the Supervisory Board members;
- summary table of the ending dates of the terms of office;
- Supervisory Board rules of procedure;
- Audit committee rules of procedure;
- Compensation, Appointments and Governance Committee rules of procedure;
- Supervisory Board ethics charter;
- explanatory memo on the list of insiders;
- calendar of negative windows;
- regulations relative to the declaration and direct registration obligations of the directors;
- rules on the reimbursement of expenses;
- presentations of Hermès International and Émile Hermès SARL;
- articles of association with comments;

- summary of the civil liability of the corporate officers.

This master file is updated on a regular basis.

The Statutory Auditors and the Works Council representatives are systematically invited to attend all Supervisory Board meetings. According to the articles of association, the Supervisory Board meets at least twice each year.

In fiscal 2013, the Supervisory Board met 7 times with the regular presence of almost all of its members, resulting in an average attendance rate of 94%, as shown in the above table.

Furthermore, as in previous years, the Chairman of the Supervisory Board was invited to attend all meetings of the Management Board of Émile Hermès SARL.

To ensure that Supervisory Board meetings are held in due and proper form, a file containing background documents on matters appearing on the agenda is sent out to each Supervisory Board member prior to each meeting and, since 2011, at least 48 hours beforehand, insofar as possible.

Persons who are not Board members, in particular members of the Executive Committee and of the Management Committee, may be invited to attend Board meetings at the Chairman's discretion to provide any information that members of the Board might require to reach a full understanding of matters on the agenda that are technical in nature or require special expertise.

Since 2011, the Board has occasionally been required to travel to various sites in order to further its knowledge of one of the Group's particular subsidiaries.

As such, in 2011, the Board visited the leather goods and silk printing site in Pierre-Bénite.

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

In 2013, the Board visited the Puiforcat workshops and archives. That same day, the Board travelled to the new Cité des métiers Hermès in Pantin, where it was provided with a presentation on the human resources and organisational consequences of the relocation, as well as a presentation on the real estate project. The Board members then carried out a complete visit of the site.

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

• Role of the Supervisory Board

The primary role of the Supervisory Board of a limited partnership with share capital is to maintain on-going control over the Company's management in accordance with the law and with the articles of association.

In this respect, the Supervisory Board is responsible for assessing the advisability of strategic choices; monitoring the correctness of Executive Management's actions; ensuring equal treatment of all shareholders; and verifying the procedures implemented by the Company to ensure the fairness and accuracy of the parent company and consolidated financial statements.

To fulfil these obligations, every year, the Supervisory Board presents any comments it may have on the parent-company and consolidated financial statements, decides on the proposed appropriation of net income, and provides all recommendations and authorisations.

The Supervisory Board has delineated the due diligence procedures it carried out during the year ended 31 December 2013 in a report presented to the Annual General Meeting called to approve the financial statements (page 268).

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

As an extra-statutory mission, the rules of procedure call for the Supervisory Board to approve or refuse an executive chairman's acceptance of any new appointment within a listed company.

• Assessment of the Supervisory Board

Given the progress made by the Company in recent years in governance terms, in 2011, the Supervisory Board decided to only carry out a questionnaire-

based self-assessment every 3 years, in addition to an annual review of the Board's work that would be included in the agenda of a Board meeting.

In late 2013, the CAG Committee performed its formal 3-years self-assessment after having thoroughly updated its assessment questionnaire. A question now remains as to each member's actual contribution to the Board's works. This questionnaire also proposes that Board members wishing to do so could meet with the chairman of the RNG Committee for an individual interview, that would be more propitious for discussions and also for a more in-depth look at certain answers to the questionnaire. The CAG Committee reviewed proposals from three firms specialising in governance or in Board assessments. The CAG Committee considered that the review of the assessment questionnaire was sufficient in order to progress with the Board's assessment process. Also, for confidentiality reasons, it preferred not to provide Board-related information to a third party.

It therefore decided not to turn to an external firm for the formal assessment of the Board.

An anonymous and global compilation of the analysis of the responses to the questionnaires was carried out by the CAG Committee chairman during the Supervisory board meeting on 20 November 2013.

The analysis of the assessment results indicated that nearly all of the axes for improvement identified during the formalized assessment in 2010, and during the last annual review in 2012, are now satisfactory in view of the actions initiated since 2010. The vast majority, i.e. 80% or more, of the questions resulted in "very satisfactory" or "satisfactory" assessments.

The CAG Committee reviewed the axes for improvement identified by the Board members in 2013.

The 2013 assessment indicated that certain Board members expect to see progress with the following points that the Board, based on proposal from the CAG Committee, decided to adopt as axes for improvement for 2014:

- continuing the evolution of the Board's composition, notably by increasing the percentage of women members;
- creating an orientation and training procedure for new Board members;
- monitoring the integration plans for new takeovers;
- improving the Audit committee's information regarding the main risks.

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

The Board's next formal self-assessment will be in 2016.

• Training for Supervisory Board members

The Supervisory Board members can make use of the company's grouped membership in the IFA, and thereby take advantage of all of its services.

Mrs. Julie Guerrand was certified as a certified company board member (ASC France) in 2013.

Other Board members will likely be taking part in this company governance certification programme carried out by the IFA in partnership with Sciences-Po. Also, an analysis is in progress with regard to creating an orientation and training procedure for new Board members.

• Expense reimbursements

Supervisory Board members are reimbursed for travel, accommodation and restaurant expenses incurred thereby to attend the Supervisory Board meetings, upon presentation of substantiating documents or receipts. These reimbursements

are capped (see rules of procedure, page 42) and inspired by the rules applicable to the Group's employees.

• **Directors' fees and remuneration**

For the fourth consecutive year, the following principles have been used for the distribution of directors' fees and compensation applicable to the 2013 financial year:

- €100,000 fixed component for the Supervisory Board Chairman's compensation, with no variable component since he is required to chair all meetings;
- €15,000 for the fixed component and €1,000 for the variable component per meeting, up to a maximum of five meetings per year, for each Vice-Chairman of the Board and for the Board's other members;
- €20,000 for the fixed component and no variable component for the Chairmen of the Audit Committee and the CAG Committee;
- €10,000 for the fixed component and no variable component for the other members of the Audit Committee and the CAG Committee.

In keeping with these principles, on 22 January 2014, the Supervisory Board apportioned directors' fees and compensation of €399,000 in respect of 2013 out of a total of €480,000 approved by a resolution adopted by the Shareholders at the Ordinary General Meeting of 4 June 2013. The amounts allocated to each Board member for 2012 and 2013 are indicated on page 87.

Based on a proposal from the CAG Committee and in order to apply the AFEP/MEDEF corporate governance code revised in June 2013, that indicates that the distribution provisions for director's fees must include a preponderant part based on actual attendance, on 20 November 2013, the

Supervisory Board decided to modify the provisions for the distribution of director's fees that will be paid in 2015 relative to the 2014 financial year.

The completed modifications relate to:

- the reduction of the fixed annual amount of the director's fees from €15,000 to €8,000 for the Board's members and vice-chairmen;
- the replacement of the variable part per meeting (from €1,000, with a ceiling of €5,000 per year) for the Board's members and vice-chairmen, with a variable annual part of €14,000 in proportion with their attendance;
- the reduction of the fixed annual amount of the director's fees for the Audit committee and CAG Committee members from €10,000 to €4,000;
- the setting of an annual variable part of the director's fees for the Audit committee and CAG Committee members of €6,000, based on attendance.

This amounts to a maximum increase of the overall annual amount of directors' fees by €2,000 per board member (i.e. the equivalent of two meetings, since the variable part previously set at €1,000 per meeting was capped at five meetings, whereas an average of seven Board meetings are held each year).

According to the CAG Committee, the fact that the previous rules were from 2010 and that the average number of meetings had increased to seven in recent years, justify the increase in the individual maximum amount allocated to the Supervisory board members.

The new principles for distributing directors' fees and their amounts are set out in the Supervisory Board rules of procedure (page 42).

As of 2014, it is proposed that the overall amount of the directors' fees should be increased to €500,000 in view of the appointment of the new distribution

provisions and in anticipation of the desired evolution of the Board's composition.

• **Special committees**

Two special committees have been created:

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

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

Compensation, Appointments and Governance Committee

The CAG Committee consists of the following members:

- Mrs. Dominique Senequier, chairwoman;
- Mr. Matthieu Dumas, member;
- Mr. Robert Peugeot, member.

The composition rules, duties and operating provisions of the CAG Committee are described in detail in the rules of procedure approved by the Supervisory Board, and that have been in existence since 24 March 2010. The latest version of these rules of procedure, dated 20 March 2013, is reproduced in its entirety on page 50.

In 2013, the Supervisory Board:

- appointed Mrs. Dominique Senequier as chairwoman of the CAG Committee, as replacement for Mr. Ernest-Antoine Seillière, whose term of office as a Supervisory Board member expired in 2013 and who did not wish to stand again;

- renewed the composition of the CAG Committee, for its other members, after the renewal of the terms of the Supervisory Board members by the General meeting on 4 June 2013;
- identified the CAG Committee members who can be qualified as "independent", i.e. Mrs. Dominique Senequier and Mr. Robert Peugeot.

As in 2012, the CAG Committee met six times in 2013, with all of its members attending the meetings (average attendance rate of 100%).

In 2013, the CAG Committee was notably required to examine and/or issue recommendations on the following elements:

- AMF 2012 annual report on corporate governance and executive compensation;
- change of the composition of the Board;
- 2012 AFEP/MEDEF annual report on the distribution of directors' fees;
- 2013 AFEP/MEDEF annual report on corporate governance;
- analysis of the individual situation of the members of the Supervisory Board and of the Executive Chairmen with regard to the plurality of offices;
- update of the Supervisory Board's master file;
- annual examination intended to identify members of the Audit committee that have particular skills in financial or accounting fields;
- annual examination of possible conflicts of interest of the Supervisory Board members;
- review of the report from the chairman of the Supervisory Board on the corporate governance principles implemented by the Company, and reporting on the composition of the Board and the application of the principle of balanced representation of women and men within the Board, on the conditions for preparing and organising the work of the Supervisory Board as well as on the internal

control and risk management procedures implemented by the Company;

- verification of the compliance of the Supervisory Board members relative to the holding threshold of 200 registered shares;
- update of the CAG Committee’s rules of procedure;
- self-assessment of the work of the CAG Committee;
- AMF recommendation n° 2013-15 on corporate governance and the compensation of company directors with reference to the AFEP/ MEDEF corporate governance code;
- consolidated presentation of the recommendations contained in the AMF annual reports;
- AFEP/MEDEF corporate governance code for listed companies, revised in June 2013: analysis of the Hermès international practices in view of the changes to the code and the proposed evolutions;
- examination of the active partner’s proposals regarding the appointment / renewal of the Supervisory Board members during the Hermès International 2013 General meeting (in view of the expiry of the terms of 4 members);
- AFG corporate governance code of January 2013;
- presentation of the Group’s business code of conduct;
- 2013 compensation of the Executive Chairmen and press release to be published on the financial Internet site;
- examination of the situation of the Supervisory Board members relative to the objectivity and independence criteria contained in the Supervisory board’s rules of procedure;
- examination of the fiscal 2012 performance and consequences on the number of bonus shares allocated to each beneficiary as part of the 2012 selective bonus shares plan;
- 2013 compensation, 2012 bonus and 2013 target bonuses of the Executive committee members;

- the increase of the total amount of the directors’ fees;
- proposal for a new distribution method for the directors’ fees by board member in 2014;
- formal 3-year assessment of the Supervisory Board in 2013: analysis of the results and axes for improvement;
- update of the Supervisory board’s rules of procedure;
- proposal regarding the method for appointing Supervisory Board members representing the employees;
- EY review of the governance practices;
- work of the IFA;
- adoption of a calendar setting the advanced dates of the meetings of the CAG Committee, and schedule of the work planned over the course of the year;
- France Board Index 2013-Spencer Stuart;
- examination of the Management Board’s proposal regarding the additional compensation of Mr. Patrick Thomas.

Audit Committee

The Audit Committee is composed of the following members:

- Mr. Maurice de Kervénoaël, Chairman;
- Mr. Charles-Éric Bauer, member;
- Mr. Renaud Momméja, member;
- Mr. Robert Peugeot, member;
- Mrs. Florence Woerth, member.

The composition rules, duties and operating provisions of the Audit Committee are described in detail in the rules of procedure approved by the Supervisory Board, that have been in existence since 24 March 2010 and that remain unchanged. These rules of procedure are reproduced in their entirety on page 54.

In 2013, the Supervisory Board:

- identically and completely renewed the composition of the Audit committee after the renewal of the terms of the Supervisory Board members by the General meeting on 4 June 2013;

- identified the Audit committee members who can be qualified as “independent”, i.e. Mrs. Florence Woerth, Mr. Maurice de Kervenoaël and Mr. Robert Peugeot;

- considered that all Audit committee members have special skills in the areas of finance or accounting in view of their professional experience, as described in pages 66, 69, 73, 74 and 76.

The CAG Committee met 4 times in 2013, with all of its members attending the meetings (average attendance rate of 100%). Before each meeting of the Audit Committee, members of the Audit Committee receive in due time, with reasonable prior notice and subject to confidentiality requirements, documentation concerning points of the agenda which require prior analysis and reflection.

In 2013, the Audit Committee carried out its assignment, notably concerning the following matters:

- review of financial statements:
 - parent company and consolidated financial statements for the year ended 31 December 2012;
 - consolidated financial statements to 30 June 2013,
 - statutory auditors’ report on the consolidated financial statements,
 - review of the press release on half-year and full- year results;
- presentation of the main projects in progress;
- review of the cash situation;
- examination of the internal control and risk management systems:
 - activity of the audit and risk department in 2012

and major axes with regard to risk management, audit admissions and coordination of the internal control for 2013;

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

- special assignments:
 - annual formally documented self-assessment of Audit committee operation;
 - review of 2013 budget and verification that strategic guidelines were followed appropriately.

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

Compensation of Committee members

As indicated on page 28 above, the calculation provisions for the compensation of the members of specialised committees were modified in 2013 (taking effect in 2014) in order to implement a predominating variable part based on attendance.

This compensation is equal to:

- €4,000 for the fixed component and €6,000 for the variable component in proportion with the attendance of members at the meetings;
- €20,000 per year of fixed component without a variable component for the chairmen.

• **Factors liable to affect the outcome of a public offering**

Factors liable to affect the outcome of a public offering are described in the Management Report (page 96).

• **Special terms and conditions for participating in general meetings**

The terms and conditions for participating in general meetings are set out in Volume 1 (page 107).

The terms and conditions of internal control and risk management in the company

Pursuant to Articles L 225-37, L 225-68, L 823-19 and L 823-20 of the *Code de commerce*, below is the report on the principal risk management and internal control procedures instituted within the Company, using the new “Reference Framework” published by the AMF in 2010, AMF recommendation n° 2011-18, published in December 2011, and the AFEP/MEDEF corporate governance code of June 2013.

The present report was prepared by the Supervisory Board chairman, with the help of the Audit committee and of the relevant functional departments.

It was approved by the Board during its meeting on 19 March 2014.

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

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

Internal control systems rely on on-going, recurring actions that are integrated into the Company’s operating processes.

They apply to all functions and processes, including those associated with the production of financial and accounting information.

The Hermès internal control objectives are to ensure:

- compliance with laws and regulations;
- proper observance of the Executive Management’s instructions and strategy directions;
- that the Company’s internal procedures, particularly those that help to protect its assets as well as the safety and security of property and persons, are operating effectively; and;
- the reliability of financial information;

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

• **Internal control environment**

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

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

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

The quality-oriented values and mentality shared

by all employees serve as a solid foundation to underpin acceptance and observance of stringent internal control policies and procedures.

The way in which the two systems work together and their balance are contingent on the control environment which forms their common base, and more specifically, on the Company’s ingrained risk management and internal control culture, management style and corporate values.

In this area, to underpin the risk management culture promoted by the Group, in 2009, the Group adopted a formal Code of Conduct and has disseminated it to further strengthen this culture. In 2013, it was completed by the business code of conduct, that sets out the behaviours expected from the Group’s employees.

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

• Parties responsible for management and internal control system

Senior management

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

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

Audit Committee

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

- the process for preparing financial information;
- the effectiveness of the internal control and risk management systems;
- the statutory audit of parent company financial statements and consolidated financial statements by the Statutory Auditors;
- the independence of the Statutory Auditors”.

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

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

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

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

Audit and Risk Management Department

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

- it identifies and analyses risks;
- it performs internal audits and monitors the implementation of the recommendations;
- ensure the deployment of internal control suited to the Group's stakes.

The A&RMD coordinates the work of a team of internal auditors and a network of employees responsible for internal control, in France and in other countries, within the business lines and within the distribution and support activities. It works with the group's departments in order to promote the upstream handling of the main risks. The Department reports to the Group's senior management, which guarantees its independence, and has unlimited authority to review any matter at its discretion.

The A&RMD implements a continuous initiative intended to improve the internal control and risk management system.

Since 2010, an audit charter setting out the duties and responsibilities of the internal auditors and their professional conduct and providing a formal procedure for their audit assignment operations has been carried out. In 2013, the system was completed by a risk charter that formalizes the principles and rules implemented with regard to risk management, and by an internal control charter that formalizes the roles and responsibilities of the people involved in internal control.

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

The Group's operational staff

The senior executives, the major functional and operating departments, and members of the Management Committees of the Group's various

entities serve as the main centre of internal control; they are the main beneficiaries of the system and also key contributors to its proper operation.

Control activities carried out at the level of each entity fall under the joint responsibility of the chief executive officer and chief financial officer, as evidenced by the signature of a letter of affirmation relating to the knowledge of the Hermès internal control objectives and of the quality of the controls implemented within the entity. To this end, they rely on the results of the annual internal control self-assessment questionnaire.

• Risk management system

The Group's risk management process is based on the preparation of risk maps and on the existence of specialised committees.

Initiated in 2004, the mapping initiative has been rolled out to the main entities under the supervision of the A&RMD, and relayed by the internal control managers who are in charge of monitoring the action plans and updating the maps.

This mapping is used to systematically identify and assess the main risks. It is a lever for improving the performance, since it contributes to protecting the company's value and assets, and to defining action plans as well as the responsibilities of the stakeholders.

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

Hermès International has also deployed specific processes for monitoring certain risks, by means of specialised committees or working groups. These committees meet on a periodic basis (generally

monthly). For example, committees focusing on real estate risks, transportation safety, IT risks and cash risks analyse the stakes, study the appropriate corrective measures and verify that the existing control systems correspond with the Group procedures. The main involved operational contacts take part in these committees, as well as the A&RMD, whose role is to facilitate the identification of risks and of the associated action plans.

The A&RMD can also modify its action plan and carry out ad hoc assignments in order to deal with new risks, notably in the event that an alarm is issued by a Group department.

• **Internal control system**

Organisation

The Company's management is organised into an Executive Committee, a Management Committee and several special Committees, and ensures that strategic directions are followed consistently and that information is disseminated effectively.

Detailed organisational charts and memoranda outlining strategic directions give staff members a thorough understanding of their role in the organisation and a way periodically to evaluate their performance by comparing it with stated targets. The sales organisation is based on an approach designed to foster a high level of accountability among local managers, whose duties and responsibilities are clearly defined.

The retail sales outlets are supervised by entities responsible for the geographical area, whose managers report to the Group's International Affairs Department, thereby ensuring consistency in operations and providing a means of control. The business sectors are organised based on a defined allocation of duties and responsibilities.

In its human resources processes, Hermès has established hiring, training and skills development

programmes designed to enable each individual effectively to perform his or her duties, now or in the future.

Within Hermès International, the Finance Department has primary responsibility for preparation and control of financial information (see below).

Information systems

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

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

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

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

Internal control system monitoring

The internal control processes are described in several procedural manuals. They are defined on the Group level, then extended and adapted to the context and to the local regulations, by each division.

The Group procedures cover the third Company's main cycles (purchasing, sales, cash, inventories, fixed assets, human resources, IT systems, etc.), with particular attention to the procedures within the stores (sales, account collections, inventory management, security...).

In an effort to summarize and identify the key internal control principles to be implemented within the entities, they were entirely reviewed in 2013. On a regular basis, the audit and risk department updates the Group procedures, in collaboration with the various experts in their respective domains. All Group employees have access to them via a secure intranet site.

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

The Group chart of accounts, prepared according to the international accounting standards (IFRS) and available on the Internet, provides details of the posting rules.

Moreover, the Group finance department periodically issues instructions for the subsidiaries, at the time of the closings or on an isolated basis, on any subject related to financial information.

The usage manual for the consolidation system (Magnitude) presents all of the rules having to be followed for the financial reporting. It presents all of the applicable procedures in accounting and financial terms, and also contains details on the posting operations.

The Investment Project Management Manual describes the applicable rules within the Group.

The Business Development and Investment Department (DPEI) is in charge of keeping these procedures up to date, circulating them and ascertaining that they are applied. The DPEI examines each investment project by coordinating the preliminary business and financial analyses and issuing opinions on investment return calculations. The procedure is carried out in stages. The managers involved issue recommendations, which are summarised by the DPEI. Depending on the scale of the projects, the Executive Management reviews the summary recommendations and takes the ultimate decision on whether or not to approve the project.

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

- a cash management procedure that defines the roles and responsibilities between the Group cash and the subsidiaries;
- rules for opening and operating bank accounts, called Prudential Rules, for each of the Group's companies, which are constantly updated and include monitoring of the authorised signatories, inter alia;
- a change policy approved by the Group's Supervisory Board (this policy describes all authorised financial instruments and sets limits on their use by members of the Hermès International Treasury Management Department);
- a foreign exchange risk management agreement with each relevant subsidiary, which provides a framework for the relationships between the Hermès Group and its subsidiaries, sets out cash management policy and rules, and defines the terms and conditions for calculating and applying the annual guaranteed exchange rates; and;
- a Group cash investment policy, which is approved by the Supervisory Board of Hermès

International and sets out the criteria for investing the Group's cash and limits on its use by members of the Hermès International Treasury Management Department.

The internal control self-assessment work

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

Each year, the subsidiaries perform a self-assessment using three questionnaires available on the intranet, in the "CHIC" ("Check your Hermès Internal Control") IT tool administered by the A&RMD. The self-assessment uses a general internal control questionnaire (CHIC Practices) for which the repository is linked with the AMF "Reference framework", a specific cash management questionnaire (CHIC Treasury) and a questionnaire on the operational procedures within the distribution network (CHIC Boutique). These questionnaires are updated on an annual basis, in order to include any new risks and controls identified as key on the Group level.

The A&RMD is in charge of the consolidation and analysis of the action plans. The consolidation of the questionnaires is now automated. The self-assessment summary is drafted by the A&RMD. It recommends the internal control priorities set for the following year. The CHIC Boutique questionnaire is monitored on the level of the country directors within the distribution network. The

results are also analysed on a centralised basis, in order to identify areas for improvement and control priorities for the stores for the coming year. The internal control managers are involved in the self-assessment, and are in charge of monitoring the action plans. The A&RMD checks the questionnaires during its audits. It checks that the controls have been correctly appropriated, as well as the implementation of the corrective action plans.

Internal control system monitoring

Internal control performs periodic reviews on the local level, that are completed by the A&RMD on the basis of each entity's stakes. The responsibility of the network of internal control managers is to ensure that the main risks related to the distribution and production operations as well as the support functions are covered by suitable controls, notably regarding the safety of the assets. This network has become more dense and now provides fine-meshed internal control within the main entities.

As part of its role to coordinate the network of internal control managers, the A&RMD is involved in their appointment, it validates each subsidiary's annual plan, it disseminates best practices, notably through an information sharing tool, a training and awareness-raising session relative to internal control priorities, and it encourages the sharing of experiences between all network members.

The audit assignments represent the third control level. The auditors work on the basis of an annual audit plan, validated by the Executive Management and the Audit committee, and that is adapted every six months, if necessary. The A&RMD also carries out support missions for the internal control roll-out within newly acquired entities.

The A&RMD may call on outside firms to conduct specialised audits. Each year, the A&RMD presents a report on its work to the Audit Committee.

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

• **Internal control system for accounting and financial information**

The internal control system applicable to accounting and financial information is a key component of Hermès International's overall management system.

It is designed to ensure stringent financial oversight of the Company's business activities. It encompasses all processes involved in producing and reporting accounting and financial information and to meet the following goals:

- the prevention and identification of any accounting or financial fraud or inconsistencies, inasmuch as this is possible;
- the reliability of information circulated and used in-house by the senior management;
- the reliability of the published accounts and of other information reported to investors.

Oversight of the accounting and financial organisation

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

The internal control process for accounting and

financial information involves the following parties:

- the Group's executive management, which includes the Executive Chairmen and the Executive Committee.

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

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

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

- the Managing Director for Finance and Administration, who is a member of the Executive Committee, is in charge of internal control for accounting and financial information at the Group level. He is responsible for implementing an appropriate accounting policy oversight system, together with adequate resources (organisation, human resources, tools). He also ascertains that the year-end account closing process is carried out properly;

– the Group Finance Department, which carries out the controls needed to monitor operations and to ensure the reliability of financial information. These controls are performed primarily during reviews conducted when the year-end and half-year accounts are closed, when estimates are updated and budgets are prepared.

Procedures for preparing published accounting and financial information

The procedures that Hermès has implemented in drawing up the financial statements aim to ensure the following:

- that published accounting and financial information is impartial, objective and relevant in the light of user requirements; that reporting deadlines are met (via a timetable for closing the accounts), and that such information is understandable;
- that year-end consolidated account closing procedures that meet these criteria are drawn up and circulated to all consolidated entities, namely via the Group Chart of Accounts, the Manual of Financial Procedures, and instructions sent to the subsidiaries;

- the traceability of closing accounting entries within the information systems;
- that individual accounts are controlled to ascertain that they comply with Group accounting standards and practices and to verify their consistency prior to integration of the consolidation packages, inter alia...);
- that systems are in place for analysing the accounts, such as reviews conducted by the auditors, verification of consolidation transactions, ascertaining that IFRS have been properly applied, analysis of internal transactions, etc.

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

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

The Chairman of the Supervisory Board

Supervisory board rules of procedure

(20 November 2013 version)

PREAMBLE

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

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

SECTION I – SUPERVISORY BOARD

A - Composition of the Board

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

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

ARTICLE 2 - *Independence of Board members*

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

• **Independence criteria**

The independence criteria applicable to Board members are as follows:

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

– they must comply with the criteria set out in Article 9.4 of the June 2013 AFEP/MEDEF Corporate Governance Code, except for the criterion pertaining to length of service, which is expressly excluded.

• **Procedure for qualifying members as “independent directors”**

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

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

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

• **Proportion of independent members on the Board**

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

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

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

B - Operation of the Board

ARTICLE 1 - *Meetings of the Supervisory Board*

• **Frequency of meetings**

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

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

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

requirements are those stipulated by law and by the articles of association.

The schedule of Board meetings other than special meetings is drawn up from one year to the next.

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

The Statutory Auditors and the Works Council representatives are invited to attend all Supervisory Board meetings.

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

• **Minutes**

Minutes are drawn up following each meeting and sent to all Board members, who are invited to comment.

Any comments are discussed at the next Supervisory Board meeting, which approves the final text of the minutes of the previous meeting.

ARTICLE 2 - Information of Board members

Board members are entitled to receive all information required to fulfil their duties and responsibilities and may request any documents that they deem to be useful.

Before each Board meeting, members are sent in good time, with reasonable lead time and subject to confidentiality requirements, a file containing documentation on items on the agenda requiring prior analysis and review.

Between scheduled Board meetings, members receive all important information pertaining to the Company on a regular basis and are notified of any event or change with a material impact on

transactions or information previously disclosed to the Board.

Board members shall send requests for additional information to the Chairman of the Board, who is responsible for assessing the usefulness of the documents requested.

Board members have a duty to request any information that they deem to be useful and essential to carry out their duties.

ARTICLE 3 - Continuing education for Board members

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

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

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

C - Assessment of the Board by its members

The Board periodically – i.e. every three years – carries out assessments of its performance covering its areas of responsibility and its commitment, by using an assessment matrix proposed by the Compensation, Appointments and Governance Committee. During the other years, a review of the Board's work is included in the agenda of a Board meeting.

As part of this process, the different areas of responsibility and commitment of the Board and its members are reviewed and assessed; and any applicable recommendations for improving performance are issued.

SECTION II – SPECIAL COMMITTEES OF THE SUPERVISORY BOARD

The Board may create special Board Committees, to which it appoints members and the chairman. These Committees act under the collective and exclusive responsibility of the Supervisory Board. Their role is to research and to prepare for certain deliberations of the Board, to which they submit their opinions, proposals or recommendations.

Two Committees have been created:

- the Audit Committee (26 January 2005);
- the Compensation Committee (26 January 2005), to which the Board subsequently decided to assign new duties and responsibilities; it was renamed “Compensation and Appointments Committee” on 18 March 2009 and “Compensation, Appointments and Governance Committee” on 20 January 2010. The rules applying to the composition, duties and responsibilities and operating procedures for each Board Committee are set out in rules of procedure proposed by the said Committee and approved by the Supervisory Board.

SECTION III – COMMON PROVISIONS

ARTICLE 1 - *Compensation of Board members and directors’ fees*

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

- €100,000 fixed component for the Supervisory Board Chairman’s compensation, with no variable component since he is required to chair all meetings;
- €8,000 for the fixed component and €14,000 for the variable component on the basis of attendance, for each Vice-Chairman of the Board;
- €8,000 for the fixed component and €14,000 for the variable component on the basis of attendance, for the other Board members;

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

- €4,000 for the fixed component and €6,000 for the variable components based on meeting attendance, for the other members of the Audit Committee and of the Compensation, Appointments and Governance Committee;

- if a member is appointed during the year, the outgoing member and his successor will share the fixed component and the variable component will be allotted based on their attendance at meetings;
- members of Hermès International’s Executive Committee do not receive any directors’ fees.

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

ARTICLE 2 - *Rules governing reimbursement of accommodation and travel expenses*

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

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

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

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

18 - Supervisory Board

18.1 - The Company is governed by a Supervisory Board consisting of three to fifteen members selected from among Shareholders who are not Active Partners, legal representatives of an Active Partner, or executive Chairmen. When appointments to the Supervisory Board come up for renewal, the number of Supervisory Board members is fixed by a decision adopted by the Active Partners by unanimous vote.

Supervisory Board members may be natural persons or legal entities.

At the time of their appointment, legal entities must designate a permanent representative who is subject to the same terms, conditions and obligations and incurs the same liabilities as if he were a Supervisory Board member in his own name, without prejudice to the joint and several liability of the legal entity he represents. The permanent representative serves for the same term of office as the legal entity he represents.

If the legal entity revokes its representative's appointment, it is required to notify the Company thereof forthwith by registered post, and to state the identity of its new permanent representative. This requirement also applies in the event the permanent representative should die, resign, or become incapacitated for an extended period of time.

18.2 - Supervisory Board members are appointed or reappointed by the Ordinary General Meeting of Shareholders.

The Active Partners may, at any time, propose that one or more new Supervisory Board members be nominated.

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

18.3 - No person over the age of seventy-five shall be appointed to the Supervisory Board if, as a result of such appointment, more than one-third of the Board members would be over that age.

18.4 - The appointments of Supervisory Board members can be revoked by a resolution adopted by the Ordinary General Meeting only for cause, on the joint recommendation of the Active Partners, acting by unanimous consent, and the Supervisory Board.

18.5 - In the event of a vacancy or vacancies caused by the death or resignation of one or more Supervisory Board members, the Supervisory Board may appoint an interim replacement member within three months as from the effective date of the vacancy.

However, if no more than two Supervisory Board members remain in office, the member or members in office, or, in his or their absence, the executive Chairman, or in his absence, the Statutory Auditor or Auditors, shall immediately call an Ordinary General Meeting of Shareholders for the purpose of filling the vacancies to bring the number of Board members up to the required minimum.

19 - Deliberations of the Supervisory Board

19.1 - The Supervisory Board elects a Chairman, who is a natural person, and two Vice-Chairmen, from among its members.

It appoints a secretary who may be but is not required to be a Supervisory Board member.

If the Chairman is absent, the older of the two Vice-Chairman acts as Chairman.

19.2 - The Supervisory Board meets when convened by its Chairman or by the executive Management, whenever required for the Company's best interest but no less than twice per year, at the Company's registered office or at any other place specified in the notice of meeting.

Notices are served by any means providing legally valid proof in business matters, at least 7 business days before the meeting. This period of time may be shortened by unanimous consent of the Chairman or a Vice- Chairman of the Supervisory Board, the Active Partners and the executive Management.

Any member of the Supervisory Board may give a proxy to one of his colleagues to represent him at a Board meeting, by any means providing legally valid proof in business matters.

Each member may hold only one proxy during a given meeting. These provisions are applicable to the permanent representative of a legal entity that is a member of the Supervisory Board.

The Supervisory Board is duly convened only if a quorum consisting of at least half of its members is present or represented.

Resolutions are adopted by a majority of the votes of members present or represented. However, the Supervisory Board must approve or reject any proposed new wording of certain clauses of the articles of association of Émile Hermès SARL by a three-quarters majority of members present or represented, in accordance with the stipulations of the article entitled "Responsibilities and Powers of the Active Partners".

Supervisory Board members who participate in the meeting by videoconferencing or telecommunications means that enable them to be identified and effectively to participate in the meeting through the use of technology providing for continuous and simultaneous transmission of discussions are deemed to be present for purposes

of calculating the quorum and majority, except at Supervisory Board meetings convened for the review and verification of the Annual Report and consolidated and parent company financial statements. The Supervisory Board defines the conditions and procedures for using videoconferencing or other telecommunications means when applicable.

The executive Management must be convened to Supervisory Board meetings and may attend such meetings, but it does not have the right to participate in the discussion and to vote.

19.3 - The deliberations of the Supervisory Board are recorded in minutes, which are entered in a special initialled register and signed by the Chairman and the secretary.

20 - Powers of the Supervisory Board

20.1 - The Supervisory Board exercises ongoing control over the Company's management.

For this purpose, it has the same powers as the Statutory Auditors and receives the same documents as the Statutory Auditors, at the same time as the Statutory Auditors. In addition, the executive Management must submit a detailed report to the Supervisory Board on the Company's operations at least once a year.

20.2 - The Supervisory Board submits to the Active Partners for their consideration its considered recommendation:

- on the nomination and dismissal of any executive Chairman of the Company; and
- in case of the Executive Chairman's resignation, on reducing the notice period.

20.3 - Each year, the Supervisory Board determines the proposed appropriation of net income to be submitted to the General Meeting.

20.4 - The Supervisory Board approves or rejects any proposed new wording of certain clauses of

the articles of association of Émile Hermès SARL in accordance with the stipulations of the article entitled “Responsibilities and Powers of the Active Partners”.

20.5 - The Active Partners must consult the Supervisory Board prior to taking any decisions concerning:

- strategic options;
- consolidated operating and investment budgets; and
- any proposal submitted to the General Meeting pertaining to the appropriation of share premiums, reserves or retained earnings.

20.6 - Each year, the Supervisory Board presents a report to the Annual Ordinary General Meeting of Shareholders in which it comments on the

Company’s management and draws attention to any inconsistencies or inaccuracies identified in the financial statements for the year.

This report, together with the Company’s balance sheet and a list of its assets and liabilities, is made available to the Shareholders and may be consulted at the Company’s registered office as from the date of the notice of the General Meeting.

The Supervisory Board may convene a General Meeting of Shareholders whenever it deems this appropriate.

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

Supervisory Board ethics charter

(25 January 2012 version)

PREAMBLE

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

ARTICLE 1 – MANDATE AND CORPORATE INTEREST

A member of the Supervisory Board must act under all circumstances in the company's corporate interest.

He must, whatever his mode of appointment, consider himself to be a representative of all the shareholders, and must also take into account the requirements of the other stakeholders.

ARTICLE 2 – COMPLIANCE WITH LAWS AND ARTICLES OF ASSOCIATION

A member of the Supervisory Board must fully understand his rights and obligations.

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

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

• Principles

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

Holding inside information creates an obligation to refrain from carrying out transactions on Hermès International shares for each member of the Supervisory Board.

In particular, when he holds information on the company which has not been made public, he undertakes not to use it to carry out transactions on the company's shares, or to have such transactions carried out by a third party.

Each member of the Supervisory Board thus has the duty to refrain from carrying out transactions on the securities (shares) of Hermès International on the basis of such information, or from causing or allowing others to do so, until this information is made public.

Each member is personally responsible for appraising the "inside" nature of any information they hold, and for deciding accordingly whether they may or may not use or pass on this information or carry out any transaction on the company's shares or have such transactions carried out by others.

• Lists of insiders

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

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

Hermès International updates this list at least twice a year.

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

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

• Prudential regulations

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

AS REGARDS WRITTEN DOCUMENTS

- mark all “sensitive” documents with the word “Confidential”;
- avoid over-wide dissemination (e-mail/common network);
- keep paper documents under lock and key and lock electronic documents with passwords;
- get third parties receiving inside information to sign a confidentiality commitment;

AS REGARDS ORAL EXCHANGES

- be discrete in relations with others;
- be watchful of people around them in public places.

• “Blackout” periods”

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

• Duty to inform

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

- the provisions in force concerning the holding of inside information and insider training: Article L 465-1 of the Monetary and Financial Code and Articles 621-1 et seq. of the General Regulations of the AMF;
- declarations concerning exceeding of thresholds;
- directors’ declaration obligations.

• Declarations to the AMF

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

Members of the Supervisory Board and persons closely associated with them must send their

declaration to the AMF, by electronic means (declarationdirigeants@amf-france.org), within a period of five trading days following the conducting of the transaction.

The declarations are then placed on line on its website by the AMF and are the subject of an annual summary statement in the company's management report.

ARTICLE 4 – PERFORMING OF DUTIES: GUIDING PRINCIPLES

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

ARTICLE 5 – INDEPENDENCE, COURAGE AND DUTY OF NOTIFICATION

A member of the Supervisory Board must be careful to maintain under all circumstances his independence of judgement, decision and action. He shall not be influenced by any factor that is not in keeping with the corporate interests that he is responsible for defending.

He shall alert the Supervisory Board to any information known to him which appears to him to be liable to affect the company's interests. He has a duty to express his questions and opinions clearly. He shall endeavour to convince the Supervisory Board of the appropriateness of his positions. In the event of disagreement, he shall be careful to ensure that these positions are explicitly recorded in the minutes of the proceedings.

ARTICLE 6 – INDEPENDENCE AND CONFLICT OF INTERESTS

A member of the Supervisory Board shall endeavour to avoid any possible conflict between his moral and material interests and those of the company. He shall inform the Supervisory Board of any conflict of interests in which he might be involved.

In cases in which he cannot avoid being in a position of conflict of interests, he shall refrain from taking part in the discussions and any decision on the matters concerned.

ARTICLE 7 – INTEGRITY AND FAIRNESS

A member of the Supervisory Board acts in good faith under all circumstances and does not take any initiative which could be detrimental to the company's interests.

He makes a personal commitment to maintain complete confidentiality concerning the information he receives, the discussions in which he participates and the decisions taken.

He undertakes not to use the inside information to which he has access for his personal benefit or for the benefit of any other person. In particular, when he holds information on the company which has not been made public, he undertakes not to use it to carry out transactions on the company's shares, or to have such transactions carried out by a third party.

ARTICLE 8 – PROFESSIONALISM AND COMMITMENT

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

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

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

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

He shall attend the General Meetings of shareholders.

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

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

ARTICLE 9 – PROFESSIONALISM AND EFFECTIVENESS

A member of the Supervisory Board shall contribute to the collegiality and effectiveness of the work of the Supervisory Board and of any specialised committees constituted within it. He shall make any recommendation which he believes may improve the methods of operation of the Board, particularly at the time of its periodic evaluation. He agrees to the evaluation of his own action within the Supervisory Board.

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

ARTICLE 10 – APPLICATION OF THE CHARTER

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

Compensation, Appointments and Governance Committee rules of procedure

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

PREAMBLE

These rules of procedure define the composition, missions and methods of organisation and operation of the Compensation, Appointments and Governance Committee of Hermès International, which acts under the collective and exclusive responsibility of the Supervisory Board.

Their purpose is to contribute to the quality of the work of the Compensation, Appointments and Governance Committee by favouring the application of corporate governance principles and best practices for ethical reasons and to improve efficiency.

A. COMPOSITION OF THE COMPENSATION, APPOINTMENTS AND GOVERNANCE COMMITTEE

• Chairmanship - Number of members

The Chairman of the Compensation, Appointments and Governance Committee is appointed by the Supervisory Board.

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

• Proportion of independent members

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

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

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

B. MISSIONS OF THE COMPENSATION, APPOINTMENTS AND GOVERNANCE COMMITTEE

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

Without prejudice to the powers of the Supervisory Board, which it does not replace, the missions of the Compensation, Appointments and Governance Committee are:

IN THE AREA OF COMPENSATION

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

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

IN THE AREA OF APPOINTMENTS

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

IN THE AREA OF GOVERNANCE

- to propose updating of the governance rules whenever necessary;
- to periodically check that the independent

members of the Supervisory Board meet the criteria of objectivity and independence defined by the Supervisory Board rules of procedure;

- to examine the composition of the specialised committees;
- to steer the annual process of evaluation of the operation of the Supervisory Board;
- to check in particular that the Supervisory Board rules of procedure and the governance recommendations of the AFEP/MEDEF consolidated code in force are properly taken into account in the operation of the company’s management bodies.

C. OPERATION OF THE COMPENSATION, APPOINTMENTS AND GOVERNANCE COMMITTEE

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

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

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

The role of secretary of the meetings of the Compensation, Appointments and Governance Committee is performed, if he is present, by the

Group Human Resources Director, or by a member of the Compensation, Appointments and Governance Committee appointed as *rapporteur* by the Chairman.

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

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

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

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

D. REPORTS TO THE SUPERVISORY BOARD

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

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

E. INFORMATION OF THE COMPENSATION, APPOINTMENTS AND GOVERNANCE COMMITTEE

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

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

The Compensation, Appointments and Governance Committee may contact the main directors of the group as part of its remit, after the Chairman of the Supervisory Board has informed the Executive Management. It may, if necessary, request the intervention of an external expert to carry out additional studies.

F. REMUNERATION OF THE COMPENSATION, APPOINTMENTS AND GOVERNANCE COMMITTEE

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

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

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

Audit Committee rules of procedure

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

PREAMBLE

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

A. COMPOSITION OF THE AUDIT COMMITTEE

• Chairmanship - Number of members

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

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

• Proportion of independent members

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

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

• Term of appointment to the Audit Committee

The members of the Audit Committee are appointed by the Supervisory Board for the duration of their term of office as a member of the

Supervisory Board or for any other term defined by the Supervisory Board. They may be reappointed indefinitely.

B. MISSIONS OF THE AUDIT COMMITTEE

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

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

- to examine and comment on the company's consolidated corporate accounts before they are closed by the Executive Management;
- to make sure that the accounting methods adopted are appropriate and permanent;
- to check that the internal procedures for collecting and checking data guarantee the quality of the information supplied;
- to examine the work programme and the results of the internal and external audit missions;
- to carry out the specific missions entrusted to it by the Supervisory Board;
- to monitor the effectiveness of the internal control and risk management systems and of the statutory audit of the annual accounts and, if necessary, the consolidated accounts by the statutory auditors;
- to make sure that the rules guaranteeing the independence and objectivity of the statutory auditors are complied with;
- to participate in the procedure for selection of the statutory auditors.

In the performance of these missions, the Audit Committee may carry out field trips to obtain

complete information on the group and to appraise the overall consistency of the internal control and risk management system.

C. OPERATION OF THE AUDIT COMMITTEE

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

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

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

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

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

Certain persons who are not members of the Audit Committee – particularly the statutory auditors, the Audit and Risk Director, the Financial Director and the Executive Management – may be invited to meetings of the Audit Committee. Meetings of the Audit Committee are validly held when at least half of the members participate in

them, it being specified that members who participate in a meeting of the Audit Committee by videoconferencing or telecommunication means under the conditions stipulated for meetings of the Supervisory Board are deemed to be present. Decisions of the Audit Committee are taken by majority vote of the members present.

D. REPORTS TO THE SUPERVISORY BOARD

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

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

E. INFORMATION OF THE AUDIT COMMITTEE

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

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

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

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

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

F. REMUNERATION OF THE AUDIT COMMITTEE

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

G. SELF-ASSESSMENT OF THE AUDIT COMMITTEE

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

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

Corporate Governance

The corporate governance principles established by the Company are described in the Report from the Chairman of the Supervisory Board, on pages 16 to 39.

COMPOSITION AND OPERATION OF THE ADMINISTRATIVE, EXECUTIVE AND SUPERVISORY BODIES

The composition of the management bodies appears in Volume 1, pages 11 to 13 of the Annual Report. Their operation is described on pages 8 to 13.

Changes during financial year 2013 and early 2014

The General meeting on 4 June 2013:

- appointed Mrs. Dominique Senequier as a new Supervisory Board as replacement for Mr. Ernest-Antoine Seillière for a period of three years, expiring at the end of the Annual ordinary general meeting called in order to approve the financial statements of the financial year ending on 31 December 2015;
- renewed the terms as Supervisory Board members of Mrs. Julie Guerrand, Mrs. Florence Woerth and Mr. Charles-Éric Bauer, for a period of three years expiring at the end of the Annual Ordinary General Meeting called in order to approve the financial statements of the financial year ending on 31 December 2015.

The Supervisory Board meeting on 4 June 2013 appointed Mrs. Dominique Senequier as Deputy Chairwoman of the Supervisory Board and as chairwoman of the Compensation, appointments and governance committee, as replacement for Mr. Ernest-Antoine Seillière, for the duration of his term as a Supervisory Board member.

After having received a favourable opinion from the Supervisory Board members, the Active Partner of Hermès International appointed – as of 5 June 2013 – Mr. Axel Dumas as Executive Chairman of Hermès International alongside Mr. Patrick Thomas, and of Émile Hermès SARL for an unspecified duration.

This triple Executive Management has been set up as a temporary measure in order to prepare the succession of Mr. Patrick Thomas.

During its meeting on 29 August 2013, the Supervisory Board took note of the resignation of Mr. Patrick Thomas from his position as Executive Chairman, as of 31 January 2014.

INFORMATION ON CORPORATE EXECUTIVE OFFICERS AND SUPERVISORY BOARD MEMBERS

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

Summary table of the changes occurring in the composition of the Supervisory board during 2013

	Departures	Appointments	Renewals
Changes that have occurred	Mr. Ernest-Antoine Seillière, whose term of office expired	Mrs. Dominique Senequier	Mrs. Julie Guerrand Mrs. Florence Woerth Mr. Charles-Éric Bauer
Modifications involving a diversification (in terms of feminization or international experience) or governance-related change	Since 4 June 2013, no one has been a member of the Supervisory board for more than 12 years.	The proportion of women in the composition of the Supervisory Board increased from 18.18% to 27.27%.	–

Corporate Governance

Summary information on corporate executive officers and Supervisory Board members

Name	Date of birth (dd/mm/yy)	Age in 2014	Office	Date first appointed	Term of office/ Expiry date	Years in office in 2014
Axel Dumas	03/07/1970	44 years	Executive Chairman	05/06/2013	Open-ended	1 year
Patrick Thomas	16/06/1947	67 years	Executive Chairman	15/09/2004	31/01/2014	8 years
Émile Hermès SARL	–	–	Executive Chairman	01/04/2006 (and from 1990 to 1994)	Open-ended	7 years
Éric de Seynes	09/06/1960	54 years	Chairman of the Supervisory Board	03/03/2011	2014 GM	3 years
			Supervisory Board Member	07/06/2010 (and from 2005 to 2008)	2014 GM	4 years
Maurice de Kervénoaël	28/09/1936	78 years	Vice-Chairman of the Supervisory Board	02/06/2005	2014 GM	9 years
			Supervisory Board Member	03/06/2003 (and from 1995 to 2001)	2014 GM	11 years
			Audit Committee Chairman	26/01/2005	2014 GM	9 years
Charles-Éric Bauer	09/01/1964	50 years	Supervisory Board Member	03/06/2008	2016 GM	6 years
			Audit Committee member	26/01/2005	2016 GM	9 years
Matthieu Dumas	06/12/1972	42 years	Supervisory Board Member	03/06/2008	2015 GM	6 years
			Member of the Compensation, Appointments and Governance Committee	03/06/2008	2015 GM	6 years
Blaise Guerrand	04/06/1983	31 years	Supervisory Board Member	29/05/2012	2015 GM	2 years
Julie Guerrand	26/02/1975	39 years	Supervisory Board Member	02/06/2005	2016 GM	9 years
Renaud Momméja	20/03/1962	52 years	Supervisory Board Member	02/06/2005	2014 GM	9 years
			Audit Committee member	03/06/2008	2014 GM	6 years
Robert Peugeot	25/04/1950	64 years	Supervisory Board Member	24/01/2007	2015 GM	7 years
			Member of the Compensation, Appointments and Governance Committee	03/06/2008	2015 GM	6 years
			Audit Committee member	03/06/2008	2015 GM	6 years
Nicolas Puech	29/01/1943	71 years	Supervisory Board Member	29/05/2012	2015 GM	2 years
Dominique Senequier	21/08/1953	61 years	Vice-Chairwoman of the Supervisory Board	04/06/2013	2016 GM	1 years
			Supervisory Board Member	04/06/2013	2016 GM	1 years
			Chairwoman of the Compensation, Appointments and Governance Committee	04/06/2013	2016 GM	1 years
Florence Woerth	16/08/1956	58 years	Supervisory Board Member	07/06/2010	2016 GM	4 years
			Audit Committee member	07/06/2010	2016 GM	4 years

GM: general meeting.

Executive chairmen

AXEL DUMAS

A direct descendant of Mr Émile-Maurice Hermès, Axel Dumas joined the Hermès group in 2003. He served as sales director in France and directed the Jewellery division from 2006 to 2008, then the Leather goods and saddlery division from 2008 to 2011. He was appointed as Managing Director of operations in 2011, before being appointed as Executive Chairman of Hermès International as of 5 June 2013, for an unspecified duration.

Date of appointment as Executive Chairman

5 June 2013

Term of appointment expires

Open-ended

Age in 2014

44 years

Nationality

French

Shares held in Hermès International

Legal owner of 3,328 shares as at 31 December 2013

Address

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

EXECUTIVE CHAIRMAN OF HERMÈS INTERNATIONAL

Expertise and additional professional experience

Axel Dumas is a graduate of the Institut d'études politiques de Paris and of Harvard Business School (AMP 179). He also has a bachelor's degree in philosophy and of a master's degree in business law. He began his career at BNP Paribas, in China from 1995 to 1997, and then in the United States from 1999 to 2003.

Expertise and additional professional experience

Company name		Country	Office
Hermès International	H ♦	France	Executive Chairman
Ateliers A.S.	H C	France	Permanent Representative of Hermès International, board member
Boissy Mexico	H	Mexico	Acting Director
Castille Investissements	H	France	Permanent Representative of Hermès International, Chairman
Isamyol 24 devenue Compagnie Hermès de participations 2	H	France	Permanent Representative of Hermès International, Chairman
Compagnie Hermès de participations	H	France	Permanent Representative of Hermès International, Chairman
Comptoir Nouveau de la Parfumerie	H C	France	Permanent Representative of Hermès International,
Créations Métaphores	H	France	Director
Grafton Immobilier	H	France	Permanent Representative of Hermès International, Member of the Management Board
Herlee	H	Hong Kong	Chairman
Hermès Australia	H	Australia	Chairman and Director
Hermès Asia Pacific	H	Hong Kong	Chairman and Director
Hermès Benelux Nordics	H	Belgium	Director
Hermès Canada	H	Canada	Director
Hermès China	H	China	Chairman and Director
Hermès de Paris (Mexico)	H	Mexico	Chairman and Director
Hermès do Brasil	H	Brasil	Acting Director
Hermès GB	H	Great Britain	Director
Hermès Grèce	H	Greece	Chairman and Director
Hermès Horizons	H	France	Director
Hermès Iberica	H	Spain	Chairman
Hermès Italie	H	France	Director
Hermès Japon	H	Japan	Chairman and Director
Hermès Korea	H	South Korea	Director
Hermès Immobilier Genève	H	Switzerland	Chairman and Director
Hermès Latin America	H	United States	Director
Hermès Monte-Carlo	H	Monte Carlo	Permanent representative of Hermès International, vice-chairman, permanent representative of Hermès International, board member and permanent representative of Hermès Sellier, board member
Hermès of Hawaii	H	United States	Chairman and Director
Hermès of Paris	H	United States	Chairman and Director
Hermès Prague	H	Czech Republic	Supervisory Board Member
Hermès Retail (Malaysia)	H	Malaysia	Chairman and Director

H Listed company ♦ Listed company C Office taken into account in the calculation of multiple offices

AXEL DUMAS (CONTINUED)

Company name		Country	Office
Hermès Sellier	H	France	Chairman, Managing Director - Hermès Leather goods and Saddlery division, Managing Director - Hermès Commercial division, Managing Director - Hermès Silk & Textiles division, Managing Director - Hermès Hermès Travel Retail division, Managing Director - Hermès Jewellery division, Managing Director of Hermès Homme division and Managing Director - Hermès Services Group division
Immobilière du 5 rue de Furstemberg	H	France	Permanent Representative of Hermès International, Chairman
Isamyol 25	H	France	Permanent Representative of Hermès International, Chairman
Isamyol 26	H	France	Permanent Representative of Hermès International, Chairman
Isamyol 27	H	France	Permanent Representative of Hermès International, Chairman
Isamyol 28	H	France	Permanent Representative of Hermès International, Chairman
Motsch – George V	H	France	Permanent Representative of Hermès International, Chairman
Saint Honoré (Bangkok)	H	Thailand	Director
SCI Boissy les Mûriers	H	France	Permanent Representative of Hermès International, Chairman
Axam 2		France	Executive Chairman
Maia		France	Executive Chairman
Mathel		France	Executive Chairman
H 51		France	Director

H Listed company ♦ Listed company C Office taken into account in the calculation of multiple offices

Other offices and positions held during the previous four years and ending before 1 January 2013

Member of the Management Board of Hermès Sellier (France) and managing director - Hermès Distribution Europe division of Hermès Sellier (France), Executive Chairman of AXAM (France) and Member of the Management Board of Hermès Rus (Russia).

PATRICK THOMAS

Patrick Thomas, who is not related to the Hermès family, served as managing director of Hermès International from 1989 until 1997. He returned to the Hermès Group on 15 July 2003 as Managing Director of Hermès International before being appointed Executive Chairman, a post that he held from 15 September 2004 to 31 January 2014.

Date of appointment as Executive Chairman
15 September 2004

Term of appointment expires
31 January 2014

Age in 2014
67 ans

Nationality
French

Shares held in Hermès International
Legal owner of 20,003 shares as at 31 December 2013

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

EXECUTIVE CHAIRMAN OF HERMÈS INTERNATIONAL

Expertise and additional professional experience

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

Offices and positions held during 2013

Company name	Country	Office
Hermès International	H ♦ France	Executive Chairman (until 31/01/2014)
Boissy Mexico	H Mexico	Acting Director (until 28/06/2013)
Boissy Singapore	H Singapore	Director (until 31/12/2013)
Castille Investissements	H France	Permanent Representative of Hermès International, Chairman (until 16/06/2013)
Compagnie Hermès de participations	H France	Permanent Representative of Hermès International, Chairman (until 25/06/2013) Permanent Representative of Hermès International, Member of the Management Board (until 31/12/2013)
Faubourg Italia	H Italy	Director
Full More Group	H Hong Kong	Chairman and Director
Grafton Immobilier	H France	Permanent Representative of Hermès International, Chairman (until 24/06/2013)
Herlee	H Hong Kong	Chairman and Director (until 05/06/2013)
Hermès Asia Pacific	H Hong Kong	Chairman and Director
Hermès Australia	H Australia	Director (until 05/06/2013)
Hermès Benelux Nordics	H Belgium	Director (until 28/06/2013)
Hermès Canada	H Canada	Chairman and Director (until 09/07/2013)
Hermès China	H China	Chairman and Director (until 05/06/2013)
Hermès de Paris (Mexico)	H Mexico	Acting Director (until 28/06/2013)
Hermès do Brasil	H Brasil	Director (until 30/07/2013)
Hermès GB	H United Kingdom	Chairman and Director (until 05/06/2013)
Hermès Grèce	H Greece	Director (until 30/09/2013)
Hermès Iberica	H Spain	Director (until 09/09/2013)
Hermès Immobilier Genève	H Switzerland	Chairman (until 30/06/2013) Director (until 28/06/2013)
Hermès Italie	H Italy	Chairman of the Board of directors and Director (until 05/06/2013)
Hermès Japon	H Japan	Director (until 28/03/2013)
Hermès Korea	H South Korea	Executive Director and board member (until 05/06/2013)
Hermès Latin America	H United States	Director (until 31/12/2013)
Hermès Monte-Carlo	H Principality of Monaco	Permanent Representative of Hermès International, vice-chairman (until 30/06/2013)
Hermès of Hawaii	H United States	Chairman of the Board of directors and Director (until 12/03/2013)
Hermès of Paris	H United States	Chairman of the Board of directors and Director (until 12/03/2013)
Hermès Retail (Malaysia)	H Malaysia	Chairman and Director (until 05/06/2013)
Hermès Sellier	H France	Permanent Representative of Hermès International, Member of the Management Board
Hermtex	H France	Chairman of the Board and Director (until 31/12/2013)
Immauger	H France	Permanent Representative of Hermès International, Executive Chairman (until 25/06/2013)

H Listed company ♦ Listed company C Office taken into account in the calculation of multiple offices

PATRICK THOMAS (CONTINUED)

Company name		Country	Office
Isamyol 23, now Immobilière de la Cotonnière	H	France	Permanent Representative of Hermès International, Chairman (until 10/07/2013)
Isamyol 24, now Compagnie Hermès de Participations 2	H	France	Permanent Representative of Hermès International, Chairman (until 28/06/2013)
Isamyol 25	H	France	Permanent Representative of Hermès International, Chairman (until 28/06/2013)
Isamyol 26	H	France	Permanent Representative of Hermès International, Chairman (until 28/06/2013)
Isamyol 27	H	France	Permanent Representative of Hermès International, Chairman (until 28/06/2013)
Isamyol 28	H	Japan	Permanent Representative of Hermès International, Chairman (until 28/06/2013)
John Lobb Japan	H	Switzerland	Director
La Montre Hermès	H	France	Director
Laurent-Perrier	◆ C	Germany	Supervisory Board Member
Leica Camera AG		France	Supervisory Board Member
Massilly Holding	C	France	Vice-Chairman and Supervisory Board member
Motsch – George V	H	France	Permanent Representative of Hermès International, Chairman (until 28/06/2013)
Rémy Cointreau	◆ C	Thailand	Director
Saint-Honoré (Bangkok)	H	France	Director (until 05/06/2013)
SCI Auger-Hoche	H	France	Permanent Representative of Hermès International, Executive Chairman
SCI Boissy les Mûriers	H	France	Permanent Representative of Hermès International, Executive Chairman (until 25/06/2013)
SCI Boissy Nontron	H	France	Permanent Representative of Hermès International, Executive Chairman
SCI Édouard VII	H	France	Permanent Representative of Hermès International, Executive Chairman
SCI Honossy	H	France	Permanent Representative of Hermès International, Executive Chairman
SCI Les Capucines	H	France	Permanent Representative of Hermès International, co-Executive Manager
SCI Les Choseaux		France	Executive Chairman
Shang Xia Trading (Shanghai)	H	China	Chairman and Director

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

Other offices and positions held during the previous four years and ending before 1 January 2013

Director of Lacoste (France), permanent representative of Hermès International, Chairman and Managing Director of the divisions: Hermès Leather goods-Saddlery, Hermès Commercial, Hermès Marketing, Hermès Silk & Textiles, Hermès Travel Retail, Hermès Service Group, Hermès Distribution Europe, Hermès Jewellery and Hermès Homme, permanent representative of Holding Textile Hermès, chairman of Holding Textile Hermès, ex-Sports-Silk (France), permanent representative of Hermès International, chairman of Holding Textile Hermès, ex-Sports-Silk (France), permanent representative of Holding Textile Hermès, ex-Sports-Silk, director of Ateliers A.S. (France), Supervisory Board member of Bank Neuflyze OBC (France), director of Castille Investissements (France), director of Hermès India Retail & Distributors Private Ltd (India), Chairman and Legal representative of Hermès Korea Travel Retail (South Korea), chairman of Hermès Korea (South Korea), chairman of Holding Textile Hermès (France) and Member of the Management Board of Holding Textile Hermès (France), permanent representative of Hermès International, chairman of Immobilière du 5 rue de Furstemberg (France), permanent representative of Hermès International,

PATRICK THOMAS (CONTINUED)

chairman of Isamyol 12, now Ateliers de Tissage de Bussières and of Challes (France), permanent representative of Hermès International, director of John Lobb (France), director of Wally Yachts (Luxembourg), permanent representative of Hermès International, chairman of SAS Workshops Nontron (France), permanent representative of Hermès International, director of the Compagnie of the Cristalleries de Saint-Louis (France), permanent representative of Hermès International, director and Member of the Management Board of Creations Métaphores (France), director of Hermès Singapore (Retail) (Singapore), director of Hermès South East Asia (Retail) (Singapore), permanent representative of Hermès International, chairman of Isamyol 8, now Immobilière Charentaise of the Tardoire (France), permanent representative of Hermès Sellier, Executive Director of Hermès Monte-Carlo (Principality of Monaco), permanent representative of Hermès International, chairman of Isamyol 16, now Maroquinerie de la Tardoise (France), permanent representative of Hermès International, chairman of Isamyol 17, now Maroquinerie Iseroise (France), permanent representative of Hermès International, chairman of Isamyol 18, now Immobilière Textiles Honoré (France), permanent representative of Hermès International, chairman of Isamyol 20, now Immobilière Iséroise (France), permanent representative of Hermès International, chairman of Isamyol 21, now Puiforcat (France), permanent representative of Hermès International, chairman of Isamyol 22, now Compagnie des Arts de la Table et de l'Email, Vice-Chairman and Supervisory Board member of Gaulme (France), Supervisory Board member of Hermès Prague (Czech Republic), executive director and legal representative of Shang Xia Trading (Shanghai).

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

Émile Hermès SARL has been Active Partner of Hermès International since 27 December 1990. Émile Hermès SARL was appointed Executive Chairman on that date and held that office until 31 December 1994. On 1 April 2006, it was again appointed as Executive Chairman of Hermès International for an open-ended term.

It does not currently serve nor has it served as a corporate officer for any other company.

Date of appointment as Executive Chairman

1 April 2006

Term of appointment expires

Open-ended

Shares held in Hermès International

2 to 31 December 2013 as legal owner

Address

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

ACTIVE PARTNER AND EXECUTIVE CHAIRMAN OF HERMÈS INTERNATIONAL

Expertise and additional professional experience

Émile Hermès SARL is a limited company with variable capital under French law. Its partners are the direct descendants of Émile-Maurice Hermès and his spouse. Émile Hermès SARL's Executive Chairman is Mr. Henri-Louis Bauer (appointment effective as of 1 July 2012), a direct descendant of Mr. Émile-Maurice Hermès, and it has a Management board. Émile Hermès SARL's main purpose is to be the Active Partner of Hermès International. The Company's modus operandi is described on pages 11 and 12.

ÉMILE HERMÈS SARL

Offices and positions held during 2013

Company name	Country	Office
Hermès International	H ♦ France	Active partner and Executive Chairman

H Listed company ♦ Listed company C Office taken into account in the calculation of multiple offices

Other offices and positions held during the previous four years and ending before 1 January 2013

None.

HENRI-LOUIS BAUER

Offices and positions held during 2013

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

H Listed company ♦ Listed company C Office taken into account in the calculation of multiple offices

Other offices and positions held during the previous four years and ending before 1 January 2013

Executive Committee Member of Pollux et Consorts (until 2011) and chairman of Pollux et Consorts (until 2009).

Active Partner

ÉMILE HERMÈS SARL

(Refer to the paragraph above concerning Executive Chairmen.)

Supervisory Board

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

ÉRIC DE SEYNES

Eric de Seynes is a direct descendant of Mr. Émile-Maurice Hermès. He has been a member of the Supervisory Board since 7 June 2010. He previously held this office from 2005 until 2008. He also served as Audit Committee member from 2005 to 2008 and as member of the Management Board of Émile Hermès from 2008 to 2010.

He was appointed Chairman of the Supervisory Board on 3 March 2011.

Date of appointment to the Board

7 June 2010

Term of appointment expires

2014 General Meeting

Age in 2014

54 years

Nationality

French

Shares held in Hermès International

Legal owner of 203 shares as at 31 December 2013, at least 200 of which are registered

Address

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

CHAIRMAN AND SUPERVISORY BOARD MEMBER OF HERMÈS INTERNATIONAL

Expertise and additional professional experience

Éric de Seynes is a graduate of École Supérieure Libre des Sciences Commerciales Appliquées (ESLSCA) with a specialisation in marketing. Until 2013, he successively served as: marketing manager for Mobil Oil Française, director of sponsoring for Seita, marketing director for Sonauto-Yamaha, director of marketing and sales for Yamaha Motor France, Chairman of Groupe Option and chief executive officer of Yamaha Motor France. Since 2014, he has served as Operational Director (COO) of Yamaha Motor Europe NV, while also being chairman of Yamaha Motor France, member of the Global Executive Committee of Yamaha Motor Corporation Japan and chairman of the Chambre syndicale internationale de l'automobile et du motocycle.

Offices and positions held during 2013

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

H Listed company ♦ Listed company C Office taken into account in the calculation of multiple offices

Other offices and positions held during the previous four years and ending before 1 January 2013

Board member of Management Board of Émile Hermès SARL (France), Supervisory board and Audit committee member of Hermès International (France).

MAURICE DE KERVÉNOAËL

Mr. Maurice de Kervénoaël, is not related to the Hermès family and is an independent director based on the criteria applied by the Company. He has been a member of the Supervisory Board since 3 June 2003 and previously held that office from 1995 until 2001. He was appointed Vice-Chairman of the Supervisory Board on 2 June 2005 He has also served as chairman of the Audit Committee since its inception on 26 January 2005.

Date of appointment to the Board

3 June 2003

Term of appointment expires

2014 General Meeting

Age in 2014

78 years

Nationality

French

Shares held in Hermès International

Legal owner of 203 shares as at 31 December 2013, at least 200 of which are registered

Address

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

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

Expertise and additional professional experience

Maurice de Kervénoaël is a graduate of École des Hautes Études Commerciales (HEC). Mr. de Kervénoaël is currently Executive Chairman of MDK Consulting, Chairman of the Supervisory Board of Champagnes Laurent-Perrier, a Director on the Board of Holding Reinier (Groupe Onet) and Chairman of the Board of Directors of Mellerio International.

Offices and positions held during 2013

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

H Listed company ♦ Listed company C Office taken into account in the calculation of multiple offices

Other offices and positions held during the previous four years and ending before 1 January 2013

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

DOMINIQUE SENEQUIER

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

Dominique Senequier is not related to the Hermès family and is an independent director based on the criteria applied by the Company.

Date of appointment to the Board
4 june 2013

Term of appointment expires
2016 General Meeting

Age in 2014
61 years

Nationality
French

Shares held in Hermès International
Legal owner of 200 shares as at 31 December 2013, all of which are registered

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

Expertise and additional professional experience

Dominique Senequier is a graduate of the École polytechnique (X72) and also holds a DEA (postgraduate qualification) in “Finance Bank Currency” from the Sorbonne university.

At GAN, where she began her career, she created and developed the GAN Participations subsidiary from 1987 to 1995, after having served as group acquisitions manager and having spent five years as a member of the insurance control body. In 1996, she joined the AXA Group and set up AXA Private Equity. In 2013, she founded the company Ardian Holding, of which she is currently the chairwoman.

Offices and positions held during 2013

Company name	Country	Office
Hermès International	H ♦ France	Chairwoman and Supervisory Board member , chairwoman of the Compensation, Appointments and Governance Committee member
Ardian France SA (formerly called AXA Investment Managers Private Equity Europe SA)	C France	Chairwoman of the Board
Ardian Germany GmbH (formerly called AXA Private Equity Germany GmbH)	Germany	Chairwoman of the Supervisory Board
Ardian Holding SAS (formerly called Holding PE SAS)	France	Chairwoman (until 10/09/2013)
Ardian Investment Singapore Pte Ltd (formerly called AXA Private Equity Asia Pte Ltd)	Singapore	Member of the Board
Ardian Investment Switzerland AG (formerly called AXA Private Equity Switzerland AG)	Switzerland	Chairwoman of the Board of Directors
Ardian Investment Switzerland Holding AG (formerly called AXA Private Equity Switzerland Holding AG)	Switzerland	Chairwoman of the Board of Directors
Ardian Investment Singapore Pte Ltd (formerly called AXA Private Equity Asia Pte Ltd)	United Kingdom	Chairwoman of the Board of Directors, member of ASF V and AESF V Committees
Ardian Italy Srl (formerly called AXA Private Equity Italy Srl)	Italy	Chairwoman of the Board of Directors

H Listed company ♦ Listed company C Office taken into account in the calculation of multiple offices

DOMINIQUE SENEQUIER (CONTINUED)

Company name	Country	Office
Ardian SA (formerly called AXA Investment Managers Private Equity SA)	C France	Chairwoman of the Executive Board
Ardian US LLC (formerly called AXA Private Equity US LLC)	United States	Chairwoman of the Supervisory Board
AXA Beijing Consulting Limited Company	China	Member of the Board
AXA Infrastructure Investissement SAS	France	Chairwoman, member of the Management Board and Coordination Committee
AXA Private Equity Eastern Europe GmbH (liquidated on 05/12/2013)	France	Chairwoman of the Supervisory Board (until 05/12/2013)
Compagnie Industriale Reunite SpA	◆ Italy	Member of the Board
Escouf Properties Corp.	United States	Chairwoman
Fondation Valentin Haüy	France	Member of the Board
Groupe Bourbon	◆ France	Observer on the Board of directors (until 29/05/2013)
SCI 30 rue Jacob SCI	France	Executive chairman
Schneider Electric SA	◆ C France	Supervisory Board member (until 25/06/2013)
SENEQ SA	Belgium	Director
SENUM SAS	France	Chairwoman
Théâtre des Champs-Élysées SA	C France	Director
UN Pension Fund	United States	Member of the Investment Committee of the United Nations (until 05/12/2013)

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

Other offices and positions held during the previous four years and ending before 1 January 2013

Observer on the Board of directors of Nakama (France), observer on the Supervisory Board of Schneider Electric (France), chairwoman of Pikanter 9 (France), chairwoman of Pikanter 10 (France), Member of the Board of Hewlett-Packard Company (United States), chairwoman, Member of the Management Board and of the Investment committee of Matignon Développement 1 (France), chairwoman, Member of the Management Board and of the Investment committee of Matignon Développement 2 (France), chairwoman, Member of the Management Board and of the Investment committee of Matignon Développement 3 (France), chairwoman, Member of the Management Board and of the Investment committee of Matignon Développement 4 (France), Executive Chairman of Vendôme GSG (France).

CHARLES-ÉRIC BAUER

A direct descendant of Mr Émile-Maurice Hermès, Charles-Éric Bauer has been a member of the Supervisory Board since 3 June 2008. Mr. Bauer has also served as member of the Audit Committee since its inception on 26 January 2005.

Date of appointment to the Board
3 June 2008

Term of appointment expires
2016 General Meeting

Age in 2014
50 years

Nationality
French

Shares held in Hermès International
Legal owner of 73,648 shares as at 31 December 2013, at least 200 of which are registered

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

MEMBER OF THE SUPERVISORY BOARD AND OF THE AUDIT COMMITTEE OF HERMÈS INTERNATIONAL

Expertise and additional professional experience

Charles-Éric Bauer holds a degree in technical analysis from Institut des Techniques de Marchés. He is also a graduate of École d'Administration et Direction des Affaires (EAD) business school, option: finance. He served as Co-Managing Director of the Company and Head of Mutual Fund Management at Caixa-Gestion from 2000 to 2005, and as Director, Corporate and Institutional Clients, CaixaBank France, from 2005 to 2007. Since March 2007, he has been Associate Director of Hem-Fi Conseil, a consulting firm active in the allocation and selection of financial assets.

Offices and positions held during 2013

Company name	Country	Office
Hermès International	H ♦ France	Supervisory Board and Audit Committee member
H51	France	Director
Almareen	France	Executive Chairman
Sabarots	France	Executive Chairman
Yundal	France	Executive Chairman
Samain B2	France	Executive Chairman
Hem-Fi Conseil	France	Associate Director
Zumsee	France	Executive Chairman
Almareen 2	France	Executive Chairman

H Listed company ♦ Listed company C Office taken into account in the calculation of multiple offices

Other offices and positions held during the previous four years and ending before 1 January 2013

Executive Committee Member of Pollux et Consorts (until 2013).

MATTHIEU DUMAS

A direct descendant of Mr. Émile-Maurice Hermès, Matthieu Dumas has been a member of the Supervisory Board and of the Compensation, Appointments and Governance Committee since 3 June 2008.

Date of appointment to the Board

3 June 2008

Term of appointment expires

2015 General Meeting

Age in 2014

42 years

Nationality

French

Shares held in Hermès International

Legal owner of 213 shares as at 31 December 2013, at least 200 of which are registered

Address

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

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

Expertise and additional professional experience

He holds a Master of Law degree from Université Paris II-Assas and a Master of Management degree majoring in strategic marketing, development and corporate communication from the Institut Supérieur de Gestion. From 2001 to 2003, he served as Head of Promotion and Partnerships at Cuisine TV (Canal+ Group), then as Marketing and Business Development Director from 2003 to 2006. In 2008, he served as Head of Brands at 13e Rue, NBC Universal Group, then as Deputy Chief Executive Officer for all PureScreens brands in 2010, then marketing and communication director for the Discovery Channel in France.

Offices and positions held during 2013

Company name	Country	Office
Hermès International	H ♦ France	Member of the Supervisory Board and of the Compensation, Appointments and Governance Committee
Comptoir Nouveau de la Parfumerie	H C France	Director
Eaque	France	Executive Chairman
L.D.M.D.	France	Executive Chairman
ASOPE	France	Executive Chairman
AXAM 2	France	Executive Chairman
MATHEL	France	Executive Chairman
H2	France	Director
Discovery Channel	France	Director of Marketing and Communication

H Listed company ♦ Listed company C Office taken into account in the calculation of multiple offices

Other offices and positions held during the previous four years and ending before 1 January 2013

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

BLAISE GUERRAND

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

Date of appointment to the Board

29 may 2012

Term of appointment expires

2015 General Meeting

Age in 2014

31 years

Nationality

French

Shares held in Hermès International

Legal owner of 200 shares as at 31 December 2013, all of which are registered.

Address

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

MEMBER OF THE SUPERVISORY BOARD OF HERMÈS INTERNATIONAL

Expertise and additional professional experience

Blaise Guerrand is a graduate of HEC Paris. He began his career as an analyst within the Equity capital markets department of the NM Rothschild & Sons bank in London, between 2005 and 2006. From 2007 to 2010, he was an Associate and then director of equity interests for the Indian subsidiary of Ashmore Investment Management, one of the worldwide leaders in investments in emerging countries, with more than \$75 billion under management and listed on the London Stock Exchange. Since 2011, he has been the asset management director of Avest Capital, based in London and Bombay. Since 2007, he has also been the Director of the ACCESS Health International foundation that, in partnership with the Rockefeller Foundation, works to improve access to healthcare for the underprivileged classes in certain developing countries.

Offices and positions held during 2013

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

H Listed company ♦ Listed company C Office taken into account in the calculation of multiple offices

Other offices and positions held during the previous four years and ending before 1 January 2013

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

JULIE GUERRAND

Miss Julie Guerrand is a direct descendant of Mr. Émile-Maurice Hermès. She has been a member of the Supervisory Board since 2 June 2005. She also served as member of the Audit Committee from its inception on 26 January 2005 until 2 March 2011, when she withdrew from the Audit Committee to take on the new position she now holds as a salaried employee of the Company.

Date of appointment to the Board

2 June 2005

Term of appointment expires

2016 General Meeting

Age in 2014

39 years

Nationality

French

Shares held in Hermès International

Legal owner of 4,805 shares as at 31 December 2013, at least 200 of which are registered

Address

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

MEMBER OF THE SUPERVISORY BOARD OF HERMÈS INTERNATIONAL

Expertise and additional professional experience

She holds a DEUG advanced degree in applied mathematics and the social sciences and a Master of Economics and Industrial Strategy from université Paris IX-Dauphine. From 1998 until 2006, Miss Guerrand served first as Executive Assistant, then as Authorised Representative, Assistant Director and later Deputy Director of the Financial Affairs Department (mergers and acquisitions counsel) at the Rothschild & Cie investment bank. From 2007 until 2011, she was Director of Equity Investments at Paris Orléans, a holding company listed on Euronext and controlled by the Rothschild family. She was appointed Director of Corporate Development of Hermès International in March 2011. She is a company director (ASC France) that has been certified by IFA and Sciences-Po since 2013.

Offices and positions held during 2013

Company name	Country	Office
Hermès International	H ♦ France	Supervisory Board Member Director of Corporate Development
Hermès Cuir Précieux	H France	Member of the Management Board
28-30-32 Faubourg Saint-Honoré	France	Director
Antonino	France	Chairwoman
H51	France	Executive chairwoman
Jakyval	Luxembourg	Director
Jerocar	France	Chairwoman
La Mazarine-SCIFAH	France	Chairwoman
SCI Apremont	France	Chairwoman
SCI Briand Villiers I	France	Chairwoman
SCI Briand Villiers II	France	Chairwoman
SCI 8 Drouot	France	Chairwoman
Société Immobilière du Faubourg Saint-Honoré "SIFAH"	France	Chairwoman
Société Immobilière du Dragon	France	Chairwoman
Val d'Isère Carojero	France	Chairwoman

H Listed company ♦ Listed company C Office taken into account in the calculation of multiple offices

Other offices and positions held during the previous four years and ending before 1 January 2013

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

RENAUD MOMMÉJA

A direct descendant of Mr. Émile-Maurice Hermès, Renaud Momméja has been a member of the Supervisory Board since 2 June 2005. He has also served as Audit Committee member since 3 June 2008.

Date of appointment to the Board

2 June 2005

Term of appointment expires

2014 General Meeting

Age in 2014

52 years

Nationality

French

Shares held in Hermès International

Legal owner of 120,314 shares as at 31 December 2013, at least 200 of which are registered

Address

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

MEMBER OF THE SUPERVISORY BOARD AND OF THE AUDIT COMMITTEE OF HERMÈS INTERNATIONAL

Expertise and additional professional experience

He is a graduate of École Supérieure Libre des Sciences Commerciales Appliquées (ESLSCA). Since 2004, he has been the Executive Chairman of SARL Tolazi, rental management, a corporate organisation and strategy consulting firm.

Since 2006, he has been the representative of the SC Lor on the executive management committee of the SC du Château Fourcas Hosten.

Offices and positions held during 2013

Company name	Country	Office
Hermès International	H ♦ France	Supervisory Board and Audit Committee member
28-30-32 Faubourg Saint-Honoré	France	Chairman
Altizo	France	Executive Chairman
Binc	France	Executive Chairman
Comptoir Nouveau de la Parfumerie	H C France	Director
GFA Château Fourcas Hosten	France	Co-Executive Chairman
H2	France	Chairman
HUSO	C France	Director
J.L. & Co	H United Kingdom	Director
Lor	France	Co-Executive Chairman
Rose Investissement	France	Executive Chairman
SARL Tolazi	France	Executive Chairman
SCI Briand Villiers I	France	Executive Chairman
SCI Briand Villiers II	France	Executive Chairman
SCI de l'Univers	France	Executive Chairman
Société Civile du Château Fourcas Hosten	France	Permanent Representative of Lor, Executive Chairman
SCI du 74 du Faubourg Saint Antoine	France	Co-Executive Chairman
Société immobilière du Faubourg Saint-Honoré "SIFAH"	France	Executive Chairman

H Listed company ♦ Listed company C Office taken into account in the calculation of multiple offices

Other offices and positions held during the previous four years and ending before 1 January 2013

Supervisory Board member of Comptoir Nouveau de la Parfumerie (France) and Chairman of SAS Pollux et Consorts (France).

ROBERT PEUGEOT

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

Mr. Robert Peugeot is not related to the Hermès family and is deemed to be an independent director based on the criteria adopted by the Company. He has been a member of the Supervisory Board of Hermès International since 24 January 2007. Since 3 June 2008, he has also served on the Audit Committee and on the Compensation, Appointments and Governance Committee.

Date of appointment to the Board

24 January 2007

Term of appointment expires

2015 General Meeting

Age in 2014

64 years

Nationality

French

Shares held in Hermès International

Legal owner of 200 shares as at 31 December 2013, all of which are registered

Address

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

Expertise and additional professional experience

After his studies at the École centrale de Paris and the INSEAD, Robert Peugeot held various positions of responsibility within the PSA Peugeot Citroën Group and was a member of the Group's executive committee between 1998 and 2007, in charge of the innovation and quality functions. He has been a member of the Peugeot PLC supervisory board since February 2007, he is a member of the Finance and audit committee and has chaired the Strategic committee since December 2009. He has directed the development of FFP since late 2002.

Offices and positions held during 2013

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

H Listed company ♦ Listed company C Office taken into account in the calculation of multiple offices

Other offices and positions held during the previous four years and ending before 1 January 2013

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

Robert Peugeot holds 7 other terms of office in listed companies, but 5 of these terms of office are held as a result of being the chairman and chief executive officer of the company FFP, the main activity of which is to acquire and manage such equity interests.

NICOLAS PUECH

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

Date of appointment to the Board

29 May 2012

Term of appointment expires

2015 General Meeting

Age in 2014

71 years

Nationality

French

Shares held in Hermès International

Legal owner of 6,082,615 shares as at 31 December 2013, at least 200 of which are registered

Address

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

MEMBER OF THE SUPERVISORY BOARD OF HERMÈS INTERNATIONAL

Expertise and additional professional experience

Nicolas Puech had an education in the Arts. He is Foundation Board Chairman of the Fondation Nicolas Puech whose purpose is to support, encourage, assist and promote any undertaking and actions that it considers worthwhile in charitable, humanitarian, religious, medical or cultural areas, as well as in environmental science.

Offices and positions held during 2013

Company name	Country	Office
Hermès International	H ♦ France	Supervisory Board Member
Fondation Nicolas Puech	France	Foundation Board Chairman
Mutual assistance association for the descendants of Mr. and Mrs. Émile-Maurice Hermès	France	Director
Hermès Company foundation	H France	Director

H Listed company ♦ Listed company C Office taken into account in the calculation of multiple offices

Other offices and positions held during the previous four years and ending before 1 January 2013

None

FLORENCE WOERTH

Mrs. Florence Woerth is not related to the Hermès family and is an independent director based on the criteria applied by the Company. She has been a member of the Supervisory Board since 7 June 2010. Since that date, she has also been an Audit Committee member.

Date of appointment to the Board

7 June 2010

Term of appointment expires

2016 General Meeting

Age in 2014

58 years

Nationality

French

Shares held in Hermès International

Legal owner of 250 shares as at 31 December 2013, 200 of which are registered. She has made it known that since 25 January 2014, all of her shares are registered.

Address

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

MEMBER OF THE SUPERVISORY BOARD AND OF THE AUDIT COMMITTEE OF HERMÈS INTERNATIONAL

Expertise and additional professional experience

She holds degrees from Société française des analystes financiers (SFAF) and École des Hautes Études Commerciales (HEC). From February 2006 until October 2007, Mrs. Woerth was Senior Private Banker for development and management of high net worth accounts, in charge of wealth management at La Compagnie 1818, the private banking arm of Groupe Caisse d'Épargne. She also served as Portfolio and wealth Management Director and Manager, then as Executive Chairman in charge of advertising and marketing for the private bank, Head of Business Development for very high net worth customers, and member of the Private Banking Executive Committee at Rothschild & Cie Gestion. She was Head of Investments and Research in charge of financial asset management at Clymène from November 2007 until June 2010. Since December 2010, she has been a financial investment consultant. Since November 2012, she has also been director of the FIA (Fédération internationale de l'automobile) website.

Offices and positions held during 2013

Company name	Country	Office
Hermès International	H ♦ France	Supervisory Board and Audit Committee member
Association Jean-Bernard	France	Member of the Board
Expert Isi Conseil	France	Chairwoman
Écurie Dam's	France	Chairwoman
Fondation Conde	France	Member of the board and treasurer
SC Conde	France	Chairwoman

H Listed company ♦ Listed company C Office taken into account in the calculation of multiple offices

Other offices and positions held during the previous four years and ending before 1 January 2013

Head of Investments and Research at Clymène (France).

STATEMENTS BY CORPORATE EXECUTIVE OFFICERS AND SUPERVISORY BOARD MEMBERS

According to the statements made to the Company by the corporate executive officers and Supervisory Board members:

- no corporate executive officer or Supervisory Board member has been convicted of fraud within the last five years;
- no corporate executive officer or Supervisory Board member has been involved in any bankruptcy, sequestration or liquidation within the last five years in his or her capacity as a member of an administrative, management or supervisory body or as a senior executive;
- no corporate executive officer or Supervisory Board member has been barred by a court from acting as a member of an administrative, management or supervisory body of a listed company or from participating in the management or in conducting the business of a listed company over the past five years;

- no corporate executive officer or Supervisory Board member has been the subject of any official public accusation or penalty issued by the statutory or regulatory authorities (including designated professional bodies).

CONFLICTS OF INTEREST

Each year since 2010, the Company has been sending out a very detailed questionnaire to all Supervisory Board members, asking them to indicate any potential conflicts of interest that may exist due to their office as member of the Supervisory Board of Hermès International.

This questionnaire covers all possible situations, with specific examples, and asks the Board members to report all situations that could present a potential conflict of interest.

The Compensation, Appointments and Governance Committee analysed in 2013 each of these situations and found that none of them constituted a conflict of interest as such for the relevant parties.

TRANSACTIONS IN HERMÈS INTERNATIONAL SHARES BY CORPORATE OFFICERS AND THEIR IMMEDIATE FAMILY MEMBERS

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

Declaration N°	Transaction date	Name and office held	Description of transaction	Type of Instrument	Unit price	Transaction amount
2013DD252693	17 June 2013	Guillaume de Seynes, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Chairman	Exercise of stock options	Shares	€82.40	€89,321
2013DD253084	25 June 2013	Dominique Senequier, member of the Supervisory Board	Purchase	Shares	€242.36	€48,471
2013DD253182	25 June 2013	Axel Dumas, Executive Chairman	Exercise of stock options	Shares	€82.40	€271,920
2013DD253483	28 June 2013	Pierre-Alexis Dumas, Executive Committee Member	Sale	Shares	€263.18	€4,737,240
2013DD253484	28 June 2013	H51, legal person linked to the Executive Chairman Axel Dumas, to members of the Executive committee, to members of the Supervisory Board and to members of the Management Board of Émile Hermès SARL, Active Partner and Executive Chairman	Purchase	Shares	€263.18	€9,474,480
2013DD253485	28 June 2013	Sandrine Brekke, born Dumas, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Chairman	Sale	Shares	€263.18	€4,737,240
2013DD257316	20 May 2013	Florence Woerth, member of the Supervisory Board	Purchase	Shares	€276.80	€14,009
2013DD265648	20 September 2013	Renaud Momméja, member of the Supervisory Board	Sale	Shares	€269.35	€222,214
2013DD265649	20 September 2013	Altizo, a legal entity related to Renaud Momméja, member of the Supervisory Board	Purchase	Shares	€269.35	€222,214
2013DD267002	1 October 2013	H51, legal person linked to the Executive Chairman Axel Dumas, to members of the Executive committee, to members of the Supervisory Board and to members of the Management Board of Émile Hermès SARL, Active Partner and Executive Chairman	Purchase	Shares	€259.60	€3,634,400
2013DD267004	1 October 2013	Pierre-Alexis Dumas, Executive Committee Member	Sale	Shares	€259.60 €265.64	€1,817,200 €2,311,068
2013DD267009	1 October 2013	Sandrine Brekke, born Dumas, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Chairman	Sale	Shares	€259.60 €265.64	€1,817,200 €2,204,812
2013DD267010	1 October 2013	FOR 4, a legal entity related to Sandrine Brekke, born Dumas, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Chairman	Purchase	Shares	€265.64	€1,832,916
2013DD267011	1 October 2013	AFEA SC, a legal entity related to Pierre-Alexis and Sandrine Brekke, born Dumas, Executive Committee Member, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Chairman	Purchase	Shares	€265.64	€2,682,964
2013DD276601	26 November 2013	Pierre-Alexis Dumas, Executive Committee Member	Sale	Shares	250.52 €	€1,252,600
2013DD276604	26 November 2013	Sandrine Brekke, born Dumas, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Chairman	Sale	Shares	250.52 €	€1,252,600
2013DD276605	26 November 2013	AFEA, a legal entity related to Pierre-Alexis Dumas, Executive Committee Member	Purchase	Shares	250.52 €	€1,728,588
2013DD276606	26 November 2013	FOR 4, a legal entity related to Sandrine Brekke, born Dumas, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Chairman	Purchase	Shares	250.52 €	€776,612

Declaration N°	Transaction date	Name and office held	Description of transaction	Type of Instrument	Unit price	Transaction amount
2013DD278459	5 December 2013	H51, legal person linked to the Executive Chairman Axel Dumas, to members of the Executive committee, to members of the Supervisory Board and to members of the Management Board of Émile Hermès SARL, Active Partner and Executive Chairman	Purchase	Actions	€251.79	€10,819,920
2013DD278460	5 December 2013	Guise, a legal entity related to Guillaume de Seynes, Executive Committee Member	Sale	Shares	€251.79	€3,147,375
2013DD279045	6 December 2013	Henri-Louis Bauer, Executive Chairman of Émile Hermès SARL, Active Partner and Executive Chairman	Exchange	Shares	€174.00	€2,610,000
2013DD279047	6 December 2013	Charles-Éric Bauer, Supervisory Board member	Exchange	Shares	€174.00	€2,610,000
2013DD279050	6 December 2013	Agnès Harth, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Chairman	Exchange	Shares	€174.00	€106,140,000
2013DD279053	6 December 2013	H2, legal person linked to the Executive Chairman Axel Dumas, to Guillaume de Seynes, member of the Executive committee, and to members of the Management Board of Émile Hermès SARL, Active Partner and Executive Manager	Exchange	Shares	€174.00	€118,320,000
2013DD279846	17 December 2013	Sféric, legal person related to Éric de Seynes, chairman of the Supervisory Board	Sale	Shares	€250.90	€3,086,070
2013DD279850	17 December 2013	H51, legal person linked to the Executive Chairman Axel Dumas, to members of the Executive committee, to members of the Supervisory Board and to members of the Management Board of Émile Hermès SARL, Active Partner and Executive Chairman	Purchase	Shares	€250.90	€4,147,377
2013DD280260	23 December 2013	Natural person related to Agnès Harth, member of the Management Board of Émile Hermès SARL, Active Partner and Executive Chairman	Exchange	Shares	€174.00	€13,920,000

No other corporate executive officer (executive Chairman or Supervisory Board member) of Hermès International reported any trades in Hermès International shares in 2013.

No other member of senior management (executive Committee member) of Hermès International reported any trades in Hermès International shares in 2013.

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

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

As of 31 December 2013, the corporate executive officers, senior executives and Supervisory Board members' interests in the Company's share capital, as reported to the Company, were as follows:

	Shares held by legal owners and beneficial owners ⁽¹⁾ (OGM called to vote on appropriation of earnings)				Shares held by legal owners and reversionary owners ⁽¹⁾ (votes at other general meetings)			
	Number of shares	%	Number of vote	%	Number of shares	%	Number of vote	%
Share capital as at 31/12/2013	105,569,412	100.00%	146,315,765	100.00%	105,569,412	100.00%	146,315,765	100.00%
Executive chairmen								
Émile Hermès SARL	2	0.00%	4	0.00%	2	0.00%	4	0.00%
Axel Dumas	3,328	0.00%	3,331	0.00%	3,328	0.00%	3,331	0.00%
Supervisory Board members								
Éric de Seynes	203	0.00%	206	0.00%	203	0.00%	206	0.00%
Charles-Éric Bauer	73,648	0.07%	147,296	0.10%	73,648	0.07%	147,296	0.10%
Matthieu Dumas	213	0.00%	216	0.00%	213	0.00%	216	0.00%
Blaise Guerrand	200	0.00%	400	0.00%	200	0.00%	400	0.00%
Julie Guerrand	4,805	0.00%	9,610	0.01%	4,805	0.00%	9,610	0.01%
Maurice de Kervénoaël	200	0.00%	200	0.00%	200	0.00%	200	0.00%
Renaud Momméja	120,314	0.11%	240,628	0.16%	120,326	0.11%	240,652	0.16%
Robert Peugeot	200	0.00%	210	0.00%	200	0.00%	210	0.00%
Nicolas Puech ⁽²⁾	6,082,615	5.76%	6,082,615	4.16%	6,082,615	5.76%	6,082,615	4.16%
Dominique Senequier ⁽³⁾	200	0.00%	200	0.00%	200	0.00%	200	0.00%
Florence Woerth	250	0.00%	250	0.00%	250	0.00%	250	0.00%
Executive Committee (excluding Executive Chairmen and Supervisory Board members)								
Patrick Albaladejo	25	0.00%	25	0.00%	25	0.00%	25	0.00%
Florian Craen	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Guillaume de Seynes	2,639	0.00%	2,669	0.00%	2,639	0.00%	2,669	0.00%
Pierre-Alexis Dumas	85,057	0.08%	166,789	0.11%	80,934	0.08%	158,543	0.11%
Mireille Maury	25	0.00%	25	0.00%	25	0.00%	25	0.00%

(1) Voting rights exercisable at General Meetings. In accordance with Article 12 of the Company's Articles of Association, voting rights attached to the shares are exercised by the legal owners for all decisions taken by all general meetings, with the exception of decisions concerning the appropriation of net income, in which case the beneficial owner shall exercise the voting rights. The method of reporting and allocating voting rights is detailed on page 96.

(2) Including 900,000 shares held in the name of the Fondation Nicolas Puech.

(3) He has been a member of the Supervisory Board since 4 June 2013.

COMPENSATION AND BENEFITS PAID TO CORPORATE EXECUTIVE OFFICERS

The tables cited and presented on pages 85 to 92 have been numbered by reference to the AMF’s recommendation of 22 December 2008 on information on executive compensation to be disclosed in shelf-registration documents, except Tables 11 and 12, which were numbered by the Company. The Executive Chairmen, the Active Partner and the members of the Supervisory Board are shareholders and as such, they received a dividend of €2.50 per share in 2013.

Executive chairmen

• Other compensation elements

A detailed presentation of the principles and amount (or valuation) of each Executive Chairman’s compensation elements is provided in the presentation of the reasons for the revolutions, on page 256. This presentation covers the following elements:

- gross annual variable compensation under the articles of association;
- gross annual supplemental compensation;
- deferred variable compensation;
- multi-year variable compensation;
- exceptional compensation;
- share options, performance shares or any other long-term compensation element;
- signing bonus;
- severance pay;
- non-competition indemnity;
- supplementary pension scheme;
- directors’ fees;
- valuation of benefits in kind.

All potential or required compensation elements of the Executive Chairmen are immediately released

to the public after the meeting of the Management Board that determined them, in a press release published on the company’s financial Internet site <http://finance.hermes.com>.

The following table summarizes the press releases relating to the compensation elements of the Executive Chairmen published during the last two financial years:

Publication date	Press releases
2013	
25 March 2013	Potential or acquired compensation elements of the Executive Chairmen.
7 June 2013	Potential or acquired compensation elements of the new Executive Chairman, Mr. Axel Dumas.
21 November 2013	Potential or acquired compensation elements of the Mr. Patrick Thomas, Executive Chairman.
2012	
22 March 2012	Potential or acquired compensation elements of the Executive Chairmen.
31 August 2012	Waiver of his employment contract by Mr. Patrick Thomas, Executive Chairman.

Mr. Henri-Louis Bauer, legal representative of the company Émile Hermès S.A.R.L, Executive Chairman, does not personally receive any compensation from Hermès International. He is paid by the company Émile Hermès S.A.R.L for his duties as this company’s Executive Chairman, that is unrelated to the position as Executive Chairman of the company Émile Hermès S.A.R.L in Hermès International. The Executive Chairmen receive no compensation or benefits in kind from the subsidiaries of Hermès International.

A breakdown of effective compensation paid to the Executive Chairmen set by the Management Board of Émile Hermès S.A.R.L for the last two years is provided in [Table 2](#) on page 86.

Each year, the Compensation, Appointments and Governance Committee of the Supervisory Board of Hermès International is responsible for ascertaining that compensation paid to the Executive Chairmen complies with the provisions of the articles of association and the decisions made by the Active Partner.

In order to totally comply with the AFEP/MEDEF corporate governance code, on 5 July 2013 Mr. Axel Dumas decided, with immediate effect, to waive his employment contract at the time of his appointment as the Executive Chairman of Hermès International.

• **Service agreements**

No Executive Chairman directly or indirectly invoices the company for providing services.

By means of a service contract dated 1 September 2005, amended several times since then, the Émile Hermès SARL wished to rely on the services of Hermès International for the performance of current or non-recurring assignments in the legal (legal secretariat, monitoring of the shareholding, etc.) and financial (accounting, tax declarations, cash management, etc.) fields, as well as secretarial services. Any change to the entrusted assignments or anticipated re-invoicing (excluding annual indexing) must be the subject of an amendment. This contract and its existing or future amendments must undergo the procedure for related-party agreements, as indicated in the special report from the statutory auditor, page 274.

• **Director's fees from Group subsidiaries**

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

Active Partners

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

Compensation of the Active Partner	Distribution of the profits paid with regards to the previous financial year	
	2013	2012
Émile Hermès SARL	€3,646,826.73	€3,226,349.18

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

• **Directors' fees and remuneration**

Supervisory Board members receive directors' fees and compensation in a total amount that is approved by the shareholders at the General Meeting and that is apportioned by the Supervisory Board.

Compensation paid to members of the Audit Committee and of the Compensation, Appointments and Governance Committee is deducted from the total amount of directors' fees.

The principles for apportioning directors' fees are set out in the report from the Chairman of the Supervisory board, page 28.

Table 3 on pages 87 and 88 provide details of the director's fees and other compensation received by Supervisory Board members from Hermès International and companies that it controls according to Article L 233-16 of the *Code de commerce* over the course of the last two financial years.

The members of the Supervisory Board of a société en commandite par actions may be bound to the Company by an employment agreement with no condition other than that resulting from the

existence of a relationship of subordination with the Company and the recognition of effective employment.

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

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

No options to subscribe for or to purchase shares were allotted to Supervisory Board members during 2013, nor were any such options exercised by those persons.

No free shares were granted to any Supervisory Board members during 2013.

OPTIONS TO SUBSCRIBE FOR SHARES AS AT 31 DECEMBER 2013

All share subscription option plans lapsed in 2009. The General meeting did not provide the Executive Management with any authorisation to grant share purchase options.

OPTIONS TO PURCHASE SHARES AND DISTRIBUTIONS OF FREE SHARES AS AT 31 DECEMBER 2013

General policies on the allocation of options and free shares

Distributions of share purchase options and the granting of free shares are part of the long-term compensation policy of the Hermès group.

However, these distributions have historically been carried out at a multi-year rhythm (cf. comments below on current plan); they are of an exceptional nature and were provided to a much broader population of executives than the Group’s corporate officers and managing directors.

With regard to allocation of free shares, such allocations were carried out in 2007, 2010 and 2012, for the benefit of all Group personnel members (subject to minimum seniority on the allocation date), both in France and abroad.

In compliance with the provisions of Articles L 225-197-1 et seq of the *Code de commerce*, these allocations were subject to conditions, notably with regard to presence, and respectively, to a vesting period of 4 years for the participants in France and 6 years for the participants abroad, and to a mandatory holding period for the acquired shares of 2 years for the participants residing in France. Moreover, the allocation of free shares in 2012 for the benefit of Mr. Patrick Thomas were also subject to several performance conditions over the years.

Current share purchase option plans

The Executive Management was authorised to grant options to purchase shares to certain employees and corporate officers of Hermès International and of affiliated companies by the Extraordinary General Meeting. These grants of authority were not used in 2013. After the three-for-one stock split on 10 June 2006, by a decision of 12 June 2006, the Executive Management made the following adjustments for plans remaining in effect as of that date:

- the number of shares to which all outstanding share purchase options entitle the holders was tripled;
- the exercise price of all outstanding stock options was divided by three.

Information on the terms and conditions applying to stock option plans that remained in effect at 1 January 2013 and reflecting these adjustments is shown in [Table 8](#) on page 90. [Table 9](#) on page 91 shows the number of options to purchase shares granted to the ten non-executive employees who received the largest number of options and options exercised by such employees.

Current plans for the allocation of free shares

In accordance with Article L 225-197-4 of the *Code de commerce*, we hereby report to you on free shares granted during 2013.

The Extraordinary general meeting provided the Executive Management with authorisation to allot free shares, on one or more occasions, to some or all employees and/or senior executives of the Company or companies affiliated therewith, by granting existing shares in the Company for no consideration.

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

When it granted the above authority, the General

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

The General Meetings of 5 June 2007, 2 June 2009, 30 May 2011, 29 May 2012 and 4 June 2013 approved the same conditions for beneficiaries who are employees of French subsidiaries; the Executive Management is authorised to waive the vesting period for employees of foreign subsidiaries providing that the holding period is at least four years.

These grants of authority were not used by the Executive Management in 2013.

Information on the terms and conditions applying to free share plans appears in [Table 11](#) on page 92. Information on free shares granted to the ten non-executive employees who received the largest number of shares appears in [Table 12](#) on page 92. Free share distributions do not dilute the share capital because they consist exclusively of existing shares in the Company. Their valuation at the time of their allocation and according to the method adopted for the consolidated financial statements is indicated in the appendix thereto (note 30.2, page 216).

TABLES PREPARED IN ACCORDANCE WITH THE AMF RECOMMENDATION N° 2009-16 OF 17 DECEMBER 2013 PERTAINING TO INFORMATION ON EXECUTIVE COMPENSATION TO BE DISCLOSED IN SHELF-REGISTRATION DOCUMENTS

Table 1

Summary of compensation, stock options and shares granted to each Executive Chairman	2013	2012
Mr Axel Dumas		
Compensation due in respect of the year (detailed in Table 2)	€862,500 ⁽¹⁾	n/a
Value of stock options granted during the year (detailed in Table 4)	n/a	n/a
Value of multi-year variable compensation allocated during the year	n/a	n/a
Value of performance shares granted during the year (detailed in Table 6)	n/a	n/a
Total	€862,500	n/a
Émile Hermès SARL		
Compensation due in respect of the year (detailed in Table 2)	€3,694,050	€3,070,895
Value of stock options granted during the year (detailed in Table 4)	n/a	n/a
Value of multi-year variable compensation allocated during the year	n/a	n/a
Value of performance shares granted during the year (detailed in Table 6)	n/a	n/a
Total	€3,694,050	€3,070,895
Mr Patrick Thomas		
Compensation due in respect of the year (detailed in Table 2)	€3,262,800	€1,980,000
Value of stock options granted during the year (detailed in Table 4)	n/a	n/a
Value of multi-year variable compensation allocated during the year	n/a	n/a
Value of performance shares granted during the year (detailed in Table 6)	n/a	€7,102,705 ⁽²⁾
Total	€3,262,800	€9,082,705⁽²⁾

n/a : not applicable.

(1) Mr. Axel Dumas was appointed Executive Chairman as of 5 June 2013, these amounts correspond with his compensation as Executive Chairman from 5 June to 31 December 2013. In 2013, Mr. Axel Dumas also received compensation relative to his employment agreement as managing director of operations from 1 January to 4 June 2013, which is unrelated to his corporate office within the company. In 2014, on a prorated basis, he will receive the bonus that he will be entitled to claim in this regard, on the basis of the objectives that had been set for him.

(2) This amount corresponds to compensation paid over a period of several years. The number of performance shares allotted to the executive Chairman takes into account the fact that Mr. Patrick Thomas had received no options or shares during the five preceding years (last allocation in January 2008).

These shares will only be obtained as of 2016 and this is contingent on meeting performance criteria.

In order to ensure complete accordance with the AMF recommendation, the value of these performance shares (granted as part of the democratic and selective plans of 15 May 2012) has been added to the compensation due for financial year 2012, notwithstanding that this is compensation paid over a period of several years.

Table 2

Gross annual compensation of the Executive Chairmen	2013			2012		
	Ceilings approved by the Articles of Association or by the General Meeting	Amounts due (or granted) by the Management Board ⁽¹⁾	Amounts paid	Ceilings approved by the Articles of Association or by the General Meeting	Amounts due (or granted) by the Management Board ⁽²⁾	Amounts paid
Mr Axel Dumas	<i>Management Board decision of 31 May 2013</i>					
Variable compensation under the articles of association	€2,199,205	€431,250	€431,250	n/a	n/a	n/a
Additional remuneration	€1,494,845	€431,250	€431,250	n/a	n/a	n/a
<i>Fixed component</i>	€1,284,559	€431,250	€431,250	n/a	n/a	n/a
<i>Percentage indexed to revenue growth</i>	€210,286	0 €	0 €	n/a	n/a	n/a
Exceptional compensation	–	–	–	–	–	–
Directors' fees	n/a	n/a	n/a	n/a	n/a	n/a
Benefits in kind	n/a	n/a	car/ representation	n/a	n/a	n/a
Émile Hermès SARL	<i>Management Board decision of 20 March 2013</i>			<i>Management Board decision of 21 March 2012</i>		
Variable compensation under the articles of association	€2,199,205	€2,199,205	€2,199,205	€1,786,336	€1,786,336	€1,786,336
Additional remuneration	€1,494,845	€1,494,845	€1,494,845	€1,284,559	€1,284,559	€1,284,559
<i>Fixed component</i>	€1,284,559	€1,284,559	€1,284,559	€1,085,783	€1,085,783	€1,085,783
<i>Percentage indexed to revenue growth</i>	€210,286	€210,286	€210,286	€198,776	€198,776	€198,776
Exceptional compensation	–	–	–	–	–	–
Directors' fees	n/a	n/a	n/a	n/a	n/a	n/a
Benefits in kind	n/a	n/a	n/a	n/a	n/a	n/a
Mr Patrick Thomas	<i>Management Board decision of 20 March 2013</i>			<i>Management Board decision of 21 March 2012</i>		
Variable compensation under the articles of association	€2,199,205	€1,228,176	€1,228,176	€1,786,336	€1,023,480	€1,023,480
Additional remuneration	€1,494,845	€1,147,824	€1,147,824	€1,284,559	€956,520	€956,520
<i>Fixed component</i>	€1,284,559	€986,354	€986,354	€1,085,783	€808,505	€808,505
<i>Percentage indexed to revenue growth</i>	€210,286	€161,469	€161,469	€198,776	€148,014	€148,014
	<i>Management Board decision of 19 November 2013</i>					
Variable compensation under the articles of association ⁽²⁾	n/a	€539,779	€539,779	n/a	n/a	n/a
Additional remuneration ⁽²⁾	n/a	€347,021	€347,021	n/a	n/a	n/a
<i>Fixed component</i>		€298,205	€298,205	n/a	n/a	n/a
<i>Percentage indexed to revenue growth</i>		€48,817	€48,817	n/a	n/a	n/a
Exceptional compensation	–	–	–	–	–	–
Directors' fees	n/a	n/a	n/a	n/a	n/a	n/a
Benefits in kind	n/a	n/a	car	n/a	n/a	car

n/a : not applicable.

(1) A detailed presentation of the principles and amount (or valuation) of each Executive Chairman's compensation elements is provided in the presentation of the reasons for the resolutions, on page 257. If there are more than two executive Chairmen, the combined total gross annual compensation of all executive Chairmen, according to the articles of association, shall not be more than 0.40% of the Company's consolidated income before tax (i.e. €4,398,410 for 2013).

(2) These amounts take into account the ceilings granted on an individual and collective basis by the articles of association and the General Meeting.

Table 3

Director's fees and other compensation received by the Hermès International Supervisory Board members Director's fees received by the non-managing corporate officers in the companies controlled by Hermès International	Amounts paid in 2014 in respect of 2013	Amounts paid in 2013 in respect of 2012
Total amount of directors' fees and compensation approved by the shareholders of Hermès International	€480,000	€400,000
Total amount of directors' fees and compensation actually paid by Hermès International	€399,000	€394,500
Mr Éric de Seynes		
Compensation as Chairman of the Supervisory Board	€100,000	€100,000
Directors' fees - Hermès International		
- <i>fixed component</i>	-	-
- <i>variable component based on attendance</i>	-	-
Directors' fees - Hermès Sellier	€3,000	€12,000
Mr Maurice de Kervénoaël		
Compensation as Chairman of the Supervisory Board	€20,000	€20,000
Directors' fees - Hermès International	€20,000	€20,000
- <i>part fixe</i>	€15,000	€15,000
- <i>part variable basée sur l'assiduité</i>	€5,000	€5,000
Directors' fees - Comptoir Nouveau de la Parfumerie	€10,000	€10,000
Mr Ernest-Antoine Seillière ⁽¹⁾		
Compensation as Chairman of the Compensation, Appointments and Governance Committee	€10,000	€20,000
Directors' fees - Hermès International	€9,500	€20,000
- <i>fixed component</i>	€7,500	€15,000
- <i>variable component based on attendance</i>	€2,000	€5,000
Mr Charles-Éric Bauer		
Compensation as Audit Committee Chairman	€10,000	€10,000
Directors' fees - Hermès International	€20,000	€20,000
- <i>fixed component</i>	€15,000	€15,000
- <i>variable component based on attendance</i>	€5,000	€5,000
Mr Matthieu Dumas		
Compensation as member of the Compensation, Appointments and Governance Committee	€10,000	€10,000
Directors' fees - Hermès International	€20,000	€20,000
- <i>fixed component</i>	€15,000	€15,000
- <i>variable component based on attendance</i>	€5,000	€5,000
Directors' fees - Comptoir Nouveau de la Parfumerie ⁽²⁾	€2,250	n/a
M Blaise Guerrand		
Directors' fees - Hermès International ⁽³⁾	€20,000 ⁽³⁾	€12,500 ⁽³⁾
- <i>fixed component</i>	€15,000	€7,500
- <i>variable component based on attendance</i>	€5,000	€5,000
Jetons de présence Hermès Sellier	€1,500	€12,000
Mrs Julie Guerrand		
Compensation as Audit Committee Chairman	n/a	n/a
Directors' fees - Hermès International	€20,000	€20,000
- <i>fixed component</i>	€15,000	€15,000
- <i>variable component based on attendance</i>	€5,000	€5,000

(1) Fin de mandat le 4 juin 2013.

(2) Nomination le 5 juin 2013.

(3) Nomination le 29 mai 2012.

n/a : non applicable.

Table 3 (continued)

Director's fees and other compensation received by the Hermès International Supervisory Board members Director's fees received by the non-managing corporate officers in the companies controlled by Hermès International	Amounts paid in 2014 in respect of 2013	Amounts paid in 2013 in respect of 2012
Mr Olaf Guerrand ⁽⁴⁾		
Directors' fees - Hermès International	n/a	€9,500
- fixed component	-	€7,500
- variable component based on attendance	-	€2,000
Jetons de présence Hermès of Paris	n/a	\$10,000
Mr Renaud Momméja		
Compensation as Audit Committee Chairman	€10,000	€10,000
Directors' fees - Hermès International	€20,000	€20,000
- fixed component	€15,000	€15,000
- variable component based on attendance	€5,000	€5,000
Directors' fees - Comptoir Nouveau de la Parfumerie	€3,000	€9,000
Mr Robert Peugeot		
Compensation as Audit Committee Chairman	€10,000	€10,000
Compensation as member of the Compensation, Appointments and Governance Committee	€10,000	€10,000
Directors' fees - Hermès International	€20,000	€20,000
- fixed component	€15,000	€15,000
- variable component based on attendance	€5,000	€5,000
Mr Nicolas Puech		
Directors' fees - Hermès International ⁽⁵⁾	€17,000	€12,500
- fixed component	€15,000	€7,500
- variable component based on attendance	€2,000	€5,000
Mrs Dominique Senequier ⁽⁶⁾		
Compensation as member of the Compensation, Appointments and Governance Committee	€10,000	n/a
Directors' fees - Hermès International	€12,500	n/a
- fixed component	€7,500	-
- variable component based on attendance	€5,000	-
Mrs Florence Woerth		
Compensation as Audit Committee Chairman	€10,000	€10,000
Directors' fees - Hermès International	€20,000	€20,000
- fixed component	€15,000	€15,000
- variable component based on attendance	€5,000	€5,000

(4) Term ended on 29 May 2012.

(5) Appointment on 29 May 2012.

(6) Appointment on 4 June 2013.

n/a: not applicable.

Table 4

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

n/a : not applicable.

Table 5

Options to subscribe for or to purchase shares exercised during the year by the Executive Chairmen of Hermès International			
Name of corporate executive officer	Plan no. and date	Number of options exercised during the year	Exercise price
Mr Axel Dumas	Plan n° 7 du 02/01/2008	3,300	82.40 €
Mr Patrick Thomas	n/a	–	n/a
Total	n/a	–	n/a

n/a : not applicable.

Table 6

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

n/a : not applicable.

Table 7

Performance shares that have become available for each corporate officer			
Name of corporate executive officer	Plan no. and date	Number of shares that became available during the year	Vesting conditions
Mr Axel Dumas	n/a	–	n/a
Mr Patrick Thomas	n/a	–	n/a
Total	n/a	–	n/a

n/a : not applicable.

Table 8

History of stock option grants Information on stock options or purchase options	
General Meeting of 25/05/1998 (6th resolution) – Subscription or purchase options	Plans n° 1 to 4 expired
General Meeting of 03/06/2003 (15th resolution) – Purchase options	Plans n° 5 and 6 expired
General Meeting of 06/06/2006 (9th resolution) – Purchase options	Plan n° 7
Date of executive Management decision	02/01/2008
Total number of shares that may be purchased	244,420
<i>Number of shares that may be purchased by Executive Chairmen and Supervisory Board members in office on option grant date</i>	14,300
Mr Patrick Thomas	11,000
Mr Guillaume de Seynes	3,300
Starting point for exercising options	03/01/2012
Expiration date	02/01/2015
Purchase price	€82.40
Terms for exercising options (if plan comprises several tranches)	n/a
Aggregate number of shares purchased to 28/02/2014	162,399
Aggregate number of share purchase options cancelled or expired as at 28/02/2014	27,500
Remaining share purchase options at the end of the financial year	60,021
General Meeting of 02/06/2009 (14th resolution) – Purchase options	No plan established in 2009, 2010 and 2011
General Meeting of 30/05/2011 (21st resolution) – Purchase options	No plan established in 2011 and 2012
General Meeting of 29/05/2012 (13th resolution) – Purchase options	No plan established in 2013
General Meeting of 04/06/2013 (18th resolution) – Purchase options	

n/a : not applicable.

Table 9

Number of options to subscribe for or to purchase shares granted to the ten non-executive employees who received the largest number of options and options exercised by such employees	Total number of options granted/ number of shares purchased or subscribed	Weighted average price	Plans n° 1 to 6	Plan n° 7
Options granted during the year to the ten employees of the issuer and any company included in the issuer's scope of consolidation	–	–	Plans expired	–
Options held in the issuer and the aforesaid companies that were exercised during the year by the ten employees of the issuer and of such companies who purchased or subscribed for the largest number of shares under these options (aggregate information)	–	–		16,244

Table 10

Directors (natural persons)	Employment agreement	Supplementary pension scheme	Compensation or benefits due or liable to be due upon termination or change in function (4)	Indemnities relative to a non-competition clause (4)
Mr Axel Dumas, Executive Chairman Term began: 05/06/2013 Term ends: Open-ended	no (1)	yes	yes	no
Mr Patrick Thomas, Executive Chairman Term began: 15/09/2004 Term ends: 31/01/2014	no (2)	yes	yes	yes (3)

(1) Since 05/06/2013.

(2) Since 16/07/2012.

(3) Since 20/11/2013.

(4) The details of these commitments can be found on page 259.

Table 11

Information on free share distribution plans in effect as at 1 January 2014								
Date of executive Management decision	Total number of shares granted	Shares granted to senior executives ⁽¹⁾	Number of senior Executives concerned ⁽¹⁾	Fair value on the allotment date	Ownership transfer date of shares granted	Date from which shares may be sold	Number of shares vested ⁽⁴⁾ as at 31/12/2013	Number of shares forfeited as at 31/12/2013
General Meeting of 06/06/2006 (10th resolution) – Free shares								
None								
General Meeting of 05/06/2007 (15th resolution) – Free shares								
30/11/2007 (plan a)	170,025	150	6	€ 84	02/12/2011	03/12/2013 ⁽²⁾ 02/12/2011 ⁽³⁾	n/a	
General Meeting of 02/06/2009 (15th resolution) – Free shares								
31/05/2010 (plan b)	188,500 ⁽⁵⁾	24,000	6	€101	01/06/2014 ⁽²⁾ 01/06/2016 ⁽³⁾	02/06/2016	500	8,500
31/05/2010 (plan c)	229,860	180	6	€101	01/06/2014 ⁽²⁾ 01/06/2016 ⁽³⁾	02/06/2016	870	32,130
General Meeting of 30/05/2011 (20th resolution) – Free shares								
15/05/2012 (plan d)	515,280	420	7	€233.42	1st tranche of 20 shares 16 May 2016 2nd tranche of 20 shares 16 May 2017 3rd tranche of 20 shares 16 May 2018	1st tranche of 20 shares 17 May 2018 2nd tranche of 20 shares 17 May 2019 3rd tranche of 20 shares 18 May 2020	780	37,620
15/05/2012 (plan e)	302,000	70,000	7	€236.29	16/05/2016	17/05/2018	0	2,500
General Meeting of 29/05/2012 (14th resolution) – Free shares								
None								
General Meeting of 04/03/2013 (19th resolution) – Free shares								
None								

(1) For purposes of Table 11, "senior executives" include the executive Chairmen, the members of the Supervisory Board and the members of the executive Committee as of the grant date.

(2) Beneficiaries employed by the Company and its French subsidiaries.

(3) Beneficiaries employed by the Company's foreign subsidiaries.

(4) Including through

Table 12

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

n/a : not applicable.

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

Tables 11 and 12 were numbered by Hermès International.

Information on the share capital and shareholders

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Information on the share capital and shareholders

SHARE CAPITAL

	Amount	Number of registered share	Value
As at 01/01/2013	€53,840,400.12	105,569,412	€0.51
As at 31/12/2013	€53,840,400.12	105,569,412	€0.51
As at General Meeting date	€53,840,400.12	105,569,412	€0.51

All shares are fully paid.

VOTING RIGHTS

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

On 28 February 2014, there were 147,757,443 voting rights in circulation.

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

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

Furthermore, double voting rights are allocated to:

- any fully-paid registered share which has been duly recorded on the books in the name of the same shareholder for a period of at least four years from the date of the first general meeting following the fourth anniversary of the date when the share was registered on the books; and
- any registered share allotted for no consideration

to a shareholder, in the event of a capital increase effected by capitalisation of sums in the share premium, reserve or retained earnings accounts, in proportion to any existing shares which carry double voting rights.

Double voting rights are automatically eliminated under the conditions stipulated by law, notably for any shares that have been converted to bearer shares or transferred, with the exception of shares transferred to another shareholder due to inheritance or due to an inter vivos gift.

Failure to disclose attainment of certain ownership thresholds as provided by law or by the articles of association may disqualify the shares for voting purposes (see Article 11 of the articles of association on page 299).

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

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

- the Executive Chairmen may only be appointed or dismissed by the Active Partner;
- Émile Hermès SARL, the Active Partner, must retain in its Articles of association certain provisions concerning its legal form, corporate purpose and the conditions to be met to qualify as a partner (see Article 14.3 of the articles of association of Hermès International on page 301);
- the Company may be converted into a SARL (limited liability company) or SA (corporation) only with the consent of the Active Partner;

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

Hermès International’s articles of association also contain stipulations that are liable to produce an impact on the outcome of a public offering, namely :

- voting rights are exercised by the legal owners at all general meetings, except for decisions regarding the appropriation of net income, in which case the beneficial owner shall exercise the voting rights;
- double voting rights are allocated to each share registered on the books in the name of the same shareholder for a period of four consecutive years;

- any shareholder who comes to hold 0.5% of the shares and/or voting rights, or any multiple of that fraction, must disclose this fact (Article 11 of the articles of association) ;
- the priority acquisition right to Hermès International shares that the company H51 has declared holding under the conditions shown on page 108. Lastly, the Executive Management has a grant of authority to carry out capital increases.

CHANGES IN SHARE CAPITAL OVER THE PAST THREE YEARS

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

Information on the share capital and shareholders

SUMMARY OF THE USE OF FINANCIAL AUTHORISATIONS

In accordance with the provisions of Article L 225-100, paragraph 7 of the *Code de commerce*, the table below summarises the delegations of authority and powers granted to the executive Management by the General Meeting, in financial matters, differentiating: all authorisations currently in effect; any authorisations used during 2013, if relevant; new authorisations to be submitted to the shareholders at the General Meeting of 3 June 2014.

	Resolution No.	Term of authorisation Expires ⁽¹⁾	Characteristics	Used during 2013
Combined General Meeting of 30 May 2011				
Capital increase by capitalisation of reserves	24 th	26 months 4 June 2013	The face value of the capital increases likely to be carried out immediately and/or in the future pursuant to the present delegation cannot be greater than 20% of the issued capital on the meeting date, with the capital increases carried out pursuant to the present delegation not being applied to the common cap of the delegations granted in resolutions 25, 26 and 27.	None
Issues with pre-emptive subscription rights all securities giving access to equity	25 th	26 months 4 June 2013	The face value of the capital increases likely to be carried out immediately and/or in the future pursuant to the present delegation cannot be greater than 20% of the issued capital, with this ceiling being common to all capital increases carried out pursuant to the delegations granted in resolutions 25, 26 and 27.	None
Issues without pre-emptive subscription rights all securities giving access to equity	26 th	26 months 4 June 2013	The face value of the debt instruments likely to be issued pursuant to the present delegation cannot be greater than 20% of the issued capital, with this cap being common to all issues carried out pursuant to the delegations granted in resolutions 25 and 26.	None
Capital increase without pre-emptive subscription right in favour of members of a savings plan	27 th	26 months 4 June 2013	The face value of the capital increases likely to be carried out immediately and/or in the future pursuant to the present delegation cannot be greater than 1% of the issued capital, with this cap being applied to the 20% ceiling that is common to the delegations granted in resolutions 25, 26 and 27. Discount set at 20% of the average of the listed prices of the Company's shares during the twenty Stock market sessions preceding the day of the decision establishing the subscription opening date.	None
Combined General Meeting of 29 May 2012				
Share buyback	10 th	18 months 4 June 2013	Ceiling 10% of share capital Maximum purchase price €400 Maximum amount of funds committed €800 million	See page 111
Cancellation of shares purchased (general cancellation programme)	12 th	24 months 4 June 2013	Ceiling 10% of share capital	None
Options to purchase existing shares	13 th	38 months 4 June 2013	The Management will set the share purchase price within the limits and pursuant to the provisions of Article L 225-177 sub-paragraph 4 of the <i>Code de commerce</i> , and it will be at least equal to the average listed prices on the twenty Stock market sessions preceding the option allotment, without being less than 80% of the average purchase price of the shares held. In the event that free shares are granted to one or more Executive Chairmen: – the Company must meet one or more of the conditions listed in Article L 225-186-1 of the <i>Code de commerce</i> , and – call options cannot be exercised by the executive Chairman or Chairmen until after they have left office, unless an amount has been decided regarding a number of shares resulting from the exercise of options they must hold in registered form until after they have left office.	None
Bonus share distribution to employees	14 th	38 months 4 June 2013	The number of call options granted pursuant to resolution 13 and the number of shares allotted at no cost in accordance with resolution 14 cannot represent a number of shares greater than 2% of the total number of shares existing at the time of the allotment, without taking into account the ones granted pursuant to the preceding authorisations. In the event that free shares are granted to one or more Executive Chairmen: – the Company must meet one or more of the conditions listed in Article L 225-197-6 of the <i>Code de commerce</i> ; and – the allotted shares cannot be sold before the cessation of functions of the executive Chairman/Chairmen in question, unless an amount has been decided regarding such shares that the aforesaid person(s) will have to hold as registered shares until ending his/their functions.	None

	Resolution No.	Term of authorisation Expires ⁽¹⁾	Characteristics		Used during 2013
Combined General Meeting of 4 June 2013					
Share buyback	11 th	18 months 4 December 2014	Ceiling 10% of share capital Maximum purchase price €400 Maximum amount of funds committed €800 million		See page 111
Cancellation of shares purchased (general cancellation programme)	13 th	24 months 4 June 2015	Ceiling 10% of share capital		None
Capital increase by capitalisation of reserves	14 th	26 months 4 August 2015	The face value of the capital increases likely to be carried out immediately and/or in the future pursuant to the present delegation cannot be greater than 20% of the issued capital on the meeting date, with the capital increases carried out pursuant to the present delegation not being applied to the common cap of the delegations granted in resolutions 15, 16 and 17.		None
Issues with pre-emptive subscription rights all securities giving access to equity	15 th	26 months 4 August 2015	The face value of the capital increases likely to be carried out immediately and/or in the future pursuant to the present delegation cannot be greater than 20% of the issued capital, with this ceiling being common to all capital increases carried out pursuant to the delegations granted in resolutions 15, 16 and 17.	The face value of the debt instruments likely to be carried out immediately and/or in the future pursuant to the present delegation cannot be greater than 20% of the issued capital, with this ceiling being common to all capital increases carried out pursuant to the delegations granted in resolutions 15 and 16.	None
Issues without pre-emptive subscription rights all securities giving access to equity	16 th	26 months 4 August 2015	The face value of the capital increases likely to be carried out immediately and/or in the future pursuant to the present delegation cannot be greater than 1% of the issued capital, with this cap being applied to the 20% ceiling that is common to the delegations granted in resolutions 15, 16 and 17. Discount set at 20% of the average of the listed prices of the Company's shares during the twenty Stock market sessions preceding the day of the decision establishing the subscription opening date.		None
Capital increase without pre-emptive subscription right in favour of members of a savings plan	17 th	26 months 4 August 2015	The face value of the capital increases likely to be carried out immediately and/or in the future pursuant to the present delegation cannot be greater than 1% of the issued capital, with this cap being applied to the 20% ceiling that is common to the delegations granted in resolutions 15, 16 and 17. Discount set at 20% of the average of the listed prices of the Company's shares during the twenty Stock market sessions preceding the day of the decision establishing the subscription opening date.		None
Options to purchase existing shares	18 th	38 months 4 August 2016	The number of call options granted pursuant to resolution 18 and the number of shares allotted at no cost in accordance with resolution 19 cannot represent a number of shares greater than 2% of the total number of shares existing at the time of the allotment, without taking into account the ones granted pursuant to the preceding authorisations.	The Management will set the share purchase price within the limits and pursuant to the provisions of Article L 225-177 sub-paragraph 4 of the <i>Code de commerce</i> , and it will be at least equal to the average listed prices on the twenty Stock market sessions preceding the option allotment, without being less than 80% of the average purchase price of the shares held. In the event that free shares are granted to one or more Executive Chairmen: - the Company must meet one or more of the conditions listed in Article L 225-186-1 of the <i>Code de commerce</i> , and - call options cannot be exercised by the executive Chairman or Chairmen until after they have left office, unless an amount has been decided regarding a number of shares resulting from the exercise of options they must hold in registered form until after they have left office and - the stock options granted shall be contingent upon meeting performance criteria defined at the time of the grant.	None
Bonus share distribution to employees	19 th	38 months 4 August 2016	In case of allotment to one or more executive chairmen: - the Company must meet one or more of the conditions listed in Article L 225-197-6 of the <i>Code de commerce</i> ; and - the allotted shares cannot be sold before the cessation of functions of the executive Chairman/Chairmen in question, or an amount must be decided that the aforesaid person(s) will have to hold as registered shares until ending his/his functions.		None
Grants proposed to the Combined General Meeting of 3 June 2014					
Share buyback	14 th	18 months 3 December 2015	Ceiling 10% of share capital Maximum purchase price €400 Maximum amount of funds committed €800 million		-
Cancellation of shares purchased (general cancellation programme)	15 th	24 months 3 June 2016	Ceiling 10% of share capital		-

Information on the share capital and shareholders

	Resolution No.	Term of authorisation Expires ⁽¹⁾	Characteristics	Used during 2013
Options to purchase existing shares	16 th	38 months 3 August 2017	<p>The Management will set the share purchase price within the limits and pursuant to the provisions of Article L 225-177 sub-paragraph 4 of the <i>Code de commerce</i>, and it will be at least equal to the average listed prices on the twenty Stock market sessions preceding the option allotment, without being less than 80% of the average purchase price of the shares held.</p>	–
Bonus share distribution to employees	17 th	38 months 3 August 2017	<p>The number of call options granted pursuant to resolution 16 and the number of shares allotted at no cost in accordance with resolution 17 cannot represent a number of shares greater than 2% of the total number of shares existing at the time of the allotment, without taking into account the ones granted pursuant to the preceding authorisations.</p> <p>In case of allotment to one or more executive chairmen:</p> <ul style="list-style-type: none"> – the Company must meet one or more of the conditions listed in Article L 225-186-1 of the <i>Code de commerce</i>; and – the allotted shares cannot be sold before the cessation of functions of the executive Chairman/ Chairmen in question, or an amount must be decided that the aforesaid person(s) will have to hold as registered shares until ending his/their functions; – the granted free shares shall be contingent upon meeting serious and demanding performance criteria over the course of several years, that will be defined at the time of the grant; – the maximum percentage of call options granted shall be 0.05%, this cap being applied to the 2% ceiling that is common to the delegations granted in resolutions 16 and 17. <p>In the event that free shares are granted to one or more executive Chairmen:</p> <ul style="list-style-type: none"> – the Company must meet one or more of the conditions listed in Article L 225-197-6 of the <i>Code de commerce</i>; and – the allotted shares cannot be sold before the cessation of functions of the executive Chairman/ Chairmen in question, or an amount must be decided that the aforesaid person(s) will have to hold as registered shares until ending his/their functions – the granted free shares shall be contingent upon meeting serious and demanding performance criteria over the course of several years, that will be defined at the time of the grant, – the maximum percentage of free shares that can be granted will be 0.05%, with this cap being applied against 2% cap common to the delegations listed in resolutions 16 and 17. 	–

(1) For the indication of expiry dates valid before the General Meeting of 4 June 2013, authorisations which cancelled and superseded authorisations granted for similar purposes for the remainder of the term of the initial authorisation and for the unused portion were taken into account.

Information on the Shareholders

APPROXIMATE NUMBER OF SHAREHOLDERS

At least once each year, the Company uses the Euro-clear France “identifiable bearer shares” procedure to identify its shareholders. At the time of the last request on 31 December 2013, there were approximately 23,000 shareholders, compared with some 25,000 as at 31 December 2012 and 13,000 as at 30 December 2011.

MAIN SHAREHOLDERS TO 31 DECEMBER 2013 – CONTROL OF THE COMPANY

The Hermès International company is controlled – through the company Emile Hermès SARL, its Active Partner – by the Hermès family group, that also holds, notably through the company H51 SAS, a majority interest (both share capital and voting rights) in the company’s capital in the capacity of limited partner. This control is considered to be exclusive control for the purposes of Article L 233-16 of the *Code de commerce*.

The companies H51 SAS, H2 SAS (formerly THEODULE) are held exclusively by members of the Hermès family group.

To the Company’s knowledge, no shareholder, other than those listed in the tables on page 106, directly holds 5% or more of the share capital or voting rights.

The ownership interests of corporate officers, directors and Supervisory Board members are listed on page 80.

Material changes in ownership of the share capital over the past three years are described below, under “Ownership threshold disclosures”. To the best of the Company’s knowledge, the organisation of the Hermès family group has not changed significantly since the creation of the company H51 SAS.

Changes since the closing of the fiscal year

To the Company’s knowledge, there has been no significant change between 31 December 2013 and the date on which this registration document was filed with the AMF.

Measures taken to prevent abusive control

Please refer to the sections on “Corporate governance” on page 16 and “Conflicts of interest” on page 77.

SHARE OWNERSHIP THRESHOLD DISCLOSURES

Share ownership threshold disclosures in 2013

No surpassing of a legal threshold was declared in 2013.

Ownership threshold disclosures during the past two financial years

Surpassing of the threshold in the 2012 financial

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

- *AMF Notice n° 212C0320*. The company H2 SAS (formerly THÉODULE) disclosed that, on 20 February 2012, it had surpassed the 5% threshold of company voting rights, and that it individually held 6,196,102 Hermès International shares representing 7,366,102 voting rights, i.e. 5.87% of the capital and 5.03% of the voting rights.

Share ownership threshold disclosures in 2011

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

• *AMF Notice n° 211C2278*. LVMH Moët Hennessy Louis Vuitton, a *société anonyme* (limited liability company), disclosed that it had moved above the following thresholds, on 15 December 2011, indirectly, through companies that it controls, the 15% threshold of voting rights of the Hermès International company, and that it indirectly holds 23,518,942 Hermès International shares representing an equal number of voting rights, i.e. 22.28% of the capital and 16.00% of the voting rights of the latter, distributed as follows:

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

LVMH Moët Hennessy Louis Vuitton has indicated that this threshold was reached following a reduction of Hermès International’s total voting rights. Furthermore, pursuant to Article L 223-14 III 3° and IV of the AMF General Regulation, the LVMH Moët Hennessy Louis Vuitton disclosed that it held a cash-settled equity swap contract for the equivalent of 205,997 Hermès International shares, which will mature at the end of the unwind period, beginning on 4 April 2014. Simultaneously, LVMH Moët Hennessy Louis Vuitton filed the following declaration of intent: “Statement of objectives of LVMH Moët Hennessy Louis Vuitton for the next six months. LVMH

Moët Hennessy Louis Vuitton declares that :

- it is not acting in concert with a third party;
- it does not intend to seek representation on the Supervisory Board of Hermès International, in its own name or by the appointment of a representative;
- it plans to pursue, where appropriate, its acquisitions of Hermès International shares according to market conditions;
- it has not entered into any temporary agreement of sale targeting the shares or voting rights of the issuer;
- it financed the purchase of the Hermès International shares from its group’s own funds, while stipulating that the fact of surpassing the above threshold was passive, resulting from a decrease of the total number of voting rights of Hermès International;
- it does not plan to take control of Hermès International or to file a public takeover bid, and, consequently, it is not considering any of the transactions cited in Article 223-17 I 6° of the AMF General Regulation.

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

• *AMF Notice n° 211C2288*. The public limited company under Luxembourg law Jakyval disclosed having, on 12 December 2011, after a contribution of Hermès International shares to the company H51, fallen below the 5% threshold of the capital of Hermès International, and that it holds 832,371 shares representing the same number of voting rights, i.e. 0.8% of the capital and 0.6% of the voting rights of the latter.

The variable capital simplified joint stock company H51 (controlled at the very top by the natural

person members of the Hermès family group as defined on page 106) disclosed having surpassed, on 12 December 2011, the 5%, 10%, 15%, 20%, 25% and 30% thresholds of the capital and one third of the voting rights of Hermès International and, on 13 December 2011, the thresholds of one third of the capital and 50% of the capital and voting rights of Hermès International, with the holding of 52,943,797 Hermès International shares representing 81,424,658 voting rights, i.e. 50.15% of the capital and 55.41% of the voting rights of the latter.

H51 indicated that the surpassing of these thresholds results from a reclassification of Hermès International shares, that notably led to the absorption of the companies Axam, Falaises, Flèches, Pollux & Consorts and SDH by the H51.

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

At the same time, the company H51 disclosed the following declaration of intent for the six-month period following this disclosure:

“H51 discloses :

- surpassing thresholds as a result of mergers, conveyances and acquisitions (the debt held on H51 by the assignors made it possible to subscribe for H51 shares), no financing was necessary;
- H51 is a member of the family group made up of the private limited company Émile Hermès, its associates, their spouses, children, grandchildren and their family holding companies that are direct and indirect shareholders of Hermès International;
- the members of this group (including 90 natural persons and 29 legal persons that are direct shareholders of Hermès International) act together;
- H51 can acquire Hermès International shares within or outside of the market (notably in case of the possible exercise of its priority acquisition right);
- H51 already has control of Hermès International as a member of the family group;
- as the increase of the capital and voting rights held by H51 results from an intra-group reclassification, the strategy of H51 relative to Hermès International corresponds to the strategy implemented by the Hermès family group;

	Shares	% capital	Decisions regarding the appropriation of net income		Other decisions	
			Voting rights	% voting rights	Voting rights	% voting rights
H51 SAS	52,943,797	50.15	81,424,658	55.41	81,424,658	55.41
H2 SAS ⁽¹⁾	5,289,090	5.01	6,459,090	4.40	6,459,090	4.40
Other members ⁽²⁾	8,090,707	7.66	10,422,503	7.09	14,502,505	9.87
Family group	66,323,594	62.82	98,306,251	66.90	102,386,253	69.67

(1) Formerly Théodule.

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

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

- it has no intention of implementing one of the operations indicated in Article 223-17 I 6° of the AMF general regulations;
- H51 has not signed any agreement relating to the shares or voting rights of Hermès International;
- H51 is not planning to request its appointment or that of one or more people as members of the Supervisory Board.”

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

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

This right will remain in effect at least until 31 December 2040 (a description of the priority acquisition right is shown on page 108).

At the time of this disclosure, the Hermès family group disclosed, as part of a regularisation, falling below, in 2000, after a sale of shares within and outside of the market, the threshold of two thirds of the capital of Hermès International. The Falaises simplified joint stock company has disclosed, as part of a regularisation, surpassing, in 2003, after an acquisition of shares within and outside of the market, the threshold of 5% of the capital of Hermès International. The Axam civil law partnership (4, rue Jean-Goujon, 75008 Paris) has disclosed, as part of a regularisation, surpassing, in 2004, after an acquisition of shares within and outside of the market, the threshold of 5% of the capital of Hermès International. The simplified joint stock company SDH has disclosed surpassing, in 2006, after the

allotment of double voting rights, the threshold of 10% of the voting rights of Hermès International.

EXEMPTION DECISION – DISPUTES

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

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

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

In a ruling handed down on 28 May 2013, the Commercial Chamber of the Court of Cassation rejected both appeals.

On 10 July 2012, Hermès International filed a complaint for insider trading, price manipulation and complicity. On 17 October 2012, Hermès International filed a civil suit. A criminal investigation is in progress.

On 18 June 2013, Hermès International filed suit before the Paris Commercial Court against, in particular, LVMH and certain companies in its group as well as the three banks that had participated in the operation, in pursuit of the cancellation of the equity swap contracts signed in 2008 and the return to the market of the 12,801,246 Hermès International that the group LVMH acquired in this manner. The application by Hermès is based on the illegal nature of the actions and operations that

allowed the LVMH group to acquire more than 12% of its share capital in 2010. To begin with, Hermès International asked the Paris commercial court to defer its ruling until the settlement order of the aforesaid criminal investigation.

EMPLOYEE OWNERSHIP OF SHARE CAPITAL

To the best of the company's knowledge, the proportion of capital represented by the shares held by Group employees (excluding directors and corporate officers) to 31 December 2013 is not significant. No shares are owned by employees of the Company or any affiliated entities via the corporate employee share savings scheme or dedicated employee investment fund.

PLEDGING OF SHARES

Duly registered shares are not encumbered by any material pledges.

TREASURY SHARES

As at 31 December 2013, Hermès International held 1,441,309 of its own shares, purchased under the terms of the share buyback programme described on page 111.

STOCK MARKET ETHICS CHARTER

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

The purpose of this charter is to formalize the measures implemented by the Hermès Group with regard to preventing violations by insiders, and to inform all employees possibly having access to privileged information with regard to the obli-

gations incumbent upon them, and the possible penalties.

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

This calendar indicates the mandatory, legal (Article L 225-197-1 of the *Code de commerce* for stock options or assignment of shares distributed at no cost) or internal abstention periods applicable to all operations involving the company's shares (purchase, sale, purchase option exercise, etc.).

As indicated in AMF recommendation 2010-07, the abstention obligation applies as of the moment when the persons in question are in possession of privileged information, and notably when the release of accounting elements would make it possible to sufficiently determine the results upstream of the following abstention periods :

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

DIVIDEND POLICY

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

included in the historical financial information is shown on page 256.

In order to partially distribute the strong cash position that existed (more than one billion euros), in 2012 an exceptional dividend of €5 was distributed in addition to the ordinary dividend. Owing to the strong cash position at the end of 2013, on 12 February 2014, the Executive Management decided to pay an interim dividend for the fourth time. In the future, the Executive Manage-

ment will decide, on a case-by-case basis, whether it is appropriate to pay an interim dividend before the General Meeting.

The time limit after which entitlement to dividends on Hermès International shares ends is the time limit laid down by the law in this respect, to wit, five years as from the dividend payment date. After the five-year time limit expires, the Company pays over any unclaimed dividends to the tax centre to which it reports.

OWNERSHIP OF SHARE CAPITAL AND VOTING RIGHTS AS AT 31 DECEMBER 2013

On 31 December 2013, and to the best of the Company's knowledge, the Company capital and voting rights are distributed as shown below:

	Capital		Voting rights ⁽¹⁾			
			Appropriation of net income		Other	
	Number	%	Number	%	Number	%
H51 SAS	53,108,799	50.31	85,143,884	58.19	85,143,884	58.19
H2 SAS (Formerly THÉODULE)	6,876,102	6.51	8,046,102	5.50	8,046,102	5.50
Other members of the Hermès Family	6,473,055	6.13	7,814,689	5.34	11,894,689	8.13
Sub-total Hermès family group ⁽²⁾	66,457,956	62.95	101,004,675	69.03	105,084,675	71.82
LVMH Moët Hennessy Louis Vuitton	24,430,343	23.14	24,430,343	16.70	24,430,343	16.70
Free float	7,157,189	6.78	14,798,132	10.11	10,718,132	7.33
M. Nicolas Puech	6,082,615 ⁽³⁾	5.76	6,082,615 ⁽³⁾	4.16	6,082,615 ⁽³⁾	4.16
Treasury shares ⁽⁴⁾	1,441,309	1.37	0	0.00	0	0.00
Total	105,569,412	100.00	146,315,765	100.00	146,315,765	100.00

(1) Voting rights exercisable at General Meetings. In accordance with Article 12 of the Company's articles of association, voting rights attached to the shares are exercised by the legal owners at all General Meetings save for decisions regarding the appropriation of net income, in which case the beneficial owner shall exercise the voting rights. The method of reporting and allocating voting rights is detailed on page 96.

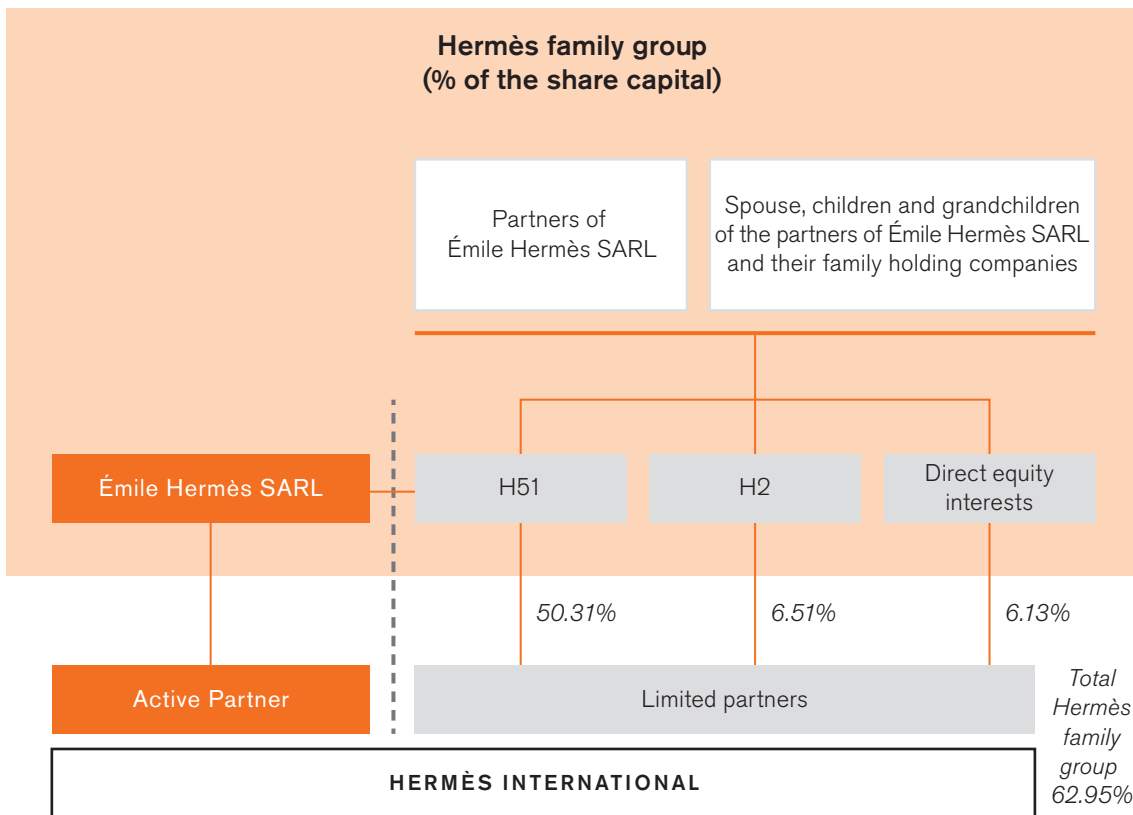
(2) The Hermès family group comprises the partners of Émile Hermès SARL, their spouses, children and grandchildren, and their family holding companies that are direct and indirect shareholders of Hermès International and Émile Hermès SARL.

(3) Including 900,000 shares held in the name of the Fondation Nicolas Puech.

(4) Without counting 10,433 shares that were acquired on the market and are being processed by the BP2S, securities department, but which were already accounted for by the company as at 31 December 2013.

These figures have been calculated on the basis of registered shares from the records kept by the BP2S securities department and for the bearer shares from the declarations, if applicable, of interested parties.

The significant change in the number of voting rights between 31/12/2012 and 31/12/2013 can be explained by the expiry of the two-year suspension period of the voting rights on certain shares after regularisation of the disclosures relative to exceeding thresholds. The changes since the closing of the fiscal year are presented on page 96.



CHANGE IN OWNERSHIP AND VOTING RIGHTS

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

Shareholders with more than 5% of the share capital or the voting rights	31/12/2013			31/12/2012			31/12/2011		
	Capital	Voting rights ⁽¹⁾		Capital	Voting rights ⁽¹⁾		Capital	Voting rights ⁽¹⁾	
		Appropriation of net income	Other		Appropriation of net income	Other		Appropriation of net income	Other
H51 SAS	50.31%	58.19%	58.19%	50.20%	57.07%	57.10%	50.15%	56.68%	56.70%
H2 SAS (Formerly THÉODULE)	6.51%	5.50%	5.50%	5.87%	5.16%	5.16%	5.01%	4.50%	4.50%
Other members of the Hermès Family	6.13%	5.34%	8.13%	6.80%	6.01%	8.86%	7.66%	7.25%	10.09%
Sub-total Hermès family group ⁽²⁾	62.95%	69.03%	71.82%	62.87%	68.23%	71.09%	62.82%	68.43%	71.27%
LVMH Moët Hennessy Louis Vuitton	23.14%	16.70%	16.70%	22.64%	16.74%	16.74%	22.28%	16.37%	16.37%
Free float	6.78%	10.11%	7.33%	7.33%	10.77%	7.91%	7.70%	10.96%	8.12%
M. Nicolas Puech	5.76%	4.16%	4.16%	5.76%	4.26%	4.26%	5.76%	4.24%	4.24%
Treasury shares	1.37%	0.00%	0.00%	1.40%	0.00%	0.00%	1.44%	0.00%	0.00%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

(1) Voting rights exercisable at General Meetings. In accordance with Article 12 of the Company's articles of association, voting rights attached to the shares are exercised by the legal owners at all General Meetings save for decisions regarding the appropriation of net income, in which case the beneficial owner shall exercise the voting rights. The method of reporting and allocating voting rights is detailed on page 96.

(2) The Hermès family group comprises the partners of Émile Hermès SARL, their spouses, children and grandchildren, and their family holding companies that are direct and indirect shareholders of Hermès International and Émile Hermès SARL.

Information on the Shareholders

SHAREHOLDERS' AGREEMENTS

A priority right for acquisition of Hermès International shares (AMF notification 211C2288) took effect on 13 December 2011. This priority acquisition right is for the benefit of the simplified joint stock company with variable capital H51 and was initially granted by 102 natural persons and 33 legal persons (all members, owned by the members or of which a parent is a member of the Hermès family group), representing approximately 12.3% of the Hermès International share capital.

By amendment (AMF notification 213C0716), that took effect on 17 June 2013, the price at which the H51 company could acquire Hermès International shares from members of the Hermès family group, pursuant to this priority acquisition right, will be equal to the average of the prices weighted by the volumes (on any trading platform) of the Hermès International shares during the thirty Market days preceding the notification date of the transfer, except in the event that such shares are insufficiently liquid (as defined in the amendment), in which case an expertise procedure will be implemented. To the best of the Company's knowledge:

- the organisation of the Hermès family group has not changed significantly since the creation of the company H51 SAS;
- the priority acquisition right for the benefit of the company H51 SAS relates to the bulk of the company's shares otherwise held by members of the Hermès family group;
- the right acquisition right was granted by the members of the Hermès family group and by descendants of these members who do not yet directly or indirectly hold company shares.

Moreover, the following shareholders' agreements, falling within the framework of the Dutreil law and still in effect in 2013, were brought to the Company's attention:

	Dutreil ISF wealth tax agreement 2010.3	Dutreil ISF wealth tax agreement 2010.4	Dutreil ISF wealth tax agreement 2010.5
Governed by	CGI - Article 885 I <i>bis</i>	CGI - Article 885 I <i>bis</i>	CGI - Article 885 I <i>bis</i>
Date of signature	28 December 2010	29 December 2010	28 December 2010
Term of parties commitment	Six years from the registration date (i.e. from 29 December 2010)	Six years from the registration date (i.e., from 30 December 2010)	Six years from the registration date (i.e., from 30 December 2010)
Contractual term of agreement			
Renewal terms	Tacitly renewable for further one-year	Tacitly renewable for further one-year	Tacitly renewable for further one-year
Percentage of share capital covered by agreement as of signature date	58.79%	53.82%	42.56%
Percentage of voting rights covered by agreement as of signature date	67.55%	61.59%	49.29%
Signatory parties with senior executive status (within the meaning of L 621-18-2-a)	<i>As of the date of signature of the agreement:</i> – Émile Hermès SARL, Executive Chairman and Active Partner – Jérôme Guerrand, Chairman of the Supervisory Board – Patrick Thomas, Executive Chairman	<i>As of the date of signature of the agreement:</i> – Émile Hermès SARL, Executive Chairman and Active Partner – Jérôme Guerrand, Chairman of the Supervisory Board – Patrick Thomas, Executive Chairman	<i>As of the date of signature of the agreement:</i> – Émile Hermès SARL, Executive Chairman and Active Partner – Jérôme Guerrand, Chairman of the Supervisory Board – Patrick Thomas, Executive Chairman
Signatory parties with close personal ties with senior executives (within the meaning of Articles L 621-18-2 c and R 621-43-1 of the <i>Code Monétaire et Financier</i>)	All signatory parties	All signatory parties	All signatory parties
Names of signatory parties holding at least 5% of the share capital and/or voting rights in the Company on 31 December 2013	AXAM SC ⁽¹⁾ FALAISES SAS ⁽¹⁾ FLÈCHES SAS ⁽¹⁾ JAKYVAL SA ⁽¹⁾ POLLUX & Consorts SAS ⁽¹⁾ SDH SAS ⁽¹⁾ THÉODULE SC (renamed H2 SAS)	AXAM SC ⁽¹⁾ FALAISES SAS ⁽¹⁾ FLÈCHES SAS ⁽¹⁾ JAKYVAL SA ⁽¹⁾ POLLUX & Consorts SAS ⁽¹⁾ SDH SAS ⁽¹⁾ THÉODULE SC (renamed H2 SAS)	AXAM SC ⁽¹⁾ FALAISES SAS ⁽¹⁾ FLÈCHES SAS ⁽¹⁾ JAKYVAL SA ⁽¹⁾ POLLUX & Consorts SAS ⁽¹⁾ SDH SAS ⁽¹⁾ THÉODULE SC (renamed H2 SAS)

(1) H51 SAS since 12 December 2011.

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

Information on the Shareholders

	Dutreil Transmission agreement 2012.1	Dutreil Transmission agreement 2013.1	Dutreil Transmission agreement 2013.2	Dutreil ISF wealth tax agreement 2013.3
Governed by	CGI - Article 787 B	CGI - Article 787 B	CGI - Article 787 B	CGI - Article 885 I bis
Date of signature	27 December 2012	8 October 2013	18 December 2013	27 December 2013
Term of parties commitment	Two years from the registration date (i.e. from 29 December 2012)	Two years from the registration date (i.e. from 8 October 2013)	Two years from the registration date (i.e. from 18 December 2013)	Two years from the registration date (i.e. from 27 December 2013)
Contractual term of agreement	Two years from the registration date			
Renewal terms	By formal notification to the tax department before 15 December 2014	No renewal	By formal notification to the tax department before 20 December 2015	By formal notification to the tax department before 20 December 2015
Percentage of share capital covered by agreement as of signature date	56.40%	50.42%	56.81%	56.83%
Percentage of voting rights covered by agreement as of signature date	61.23%	56.09%	63.06%	63.07%
Signatory parties with senior executive status (within the meaning of L621-18-2-a)	<i>As of the date of signature of the agreement:</i> – Émile Hermès SARL, Executive Manager and Active Partner – Éric de Seynes, Chairman of the Supervisory Board	<i>As of the date of signature of the agreement:</i> – Émile Hermès SARL, Executive Chairman and Active Partner – Axel Dumas, Executive Chairman	<i>As of the date of signature of the agreement:</i> – Émile Hermès SARL, Executive Chairman and Active Partner – Axel Dumas, Executive Chairman – Éric de Seynes, Chairman of the Supervisory Board	<i>As of the date of signature of the agreement:</i> – Émile Hermès SARL, Executive Chairman and Active Partner – Axel Dumas, Executive Chairman – Éric de Seynes, Chairman of the Supervisory Board
Signatory parties with close personal ties with senior executives (within the meaning of Articles L 621-18-2 c and R 621-43-1 of the <i>Code Monétaire et Financier</i>)	All signatory parties	All signatory parties	All signatory parties	All signatory parties
Names of signatory parties holding at least 5% of the share capital and/or voting rights in the Company on	H51 SAS H2 SAS (FormerlyTHÉODULE)	H51 SAS	H51 SAS H2 SAS (FormerlyTHÉODULE)	H51 SAS H2 SAS (FormerlyTHÉODULE)

Share buyback programme

In accordance with the provisions of Article L 225-209 of the *Code de commerce*, we hereby present our report on the Company's share buyback programme for 2013, pursuant to the authorisations granted by the shareholders at the General Meetings indicated below:

Programme authorised by General Meeting of	29 May 2012 (effective until 4 June 2013)	4 June 2013 (effective until 5 June 2013)
Date of executive Management	21 March 2012	20 March 2013
Maximum number of shares	10% of the issued capital	10% of the issued capital
Maximum authorised amount	€800 million	€800 million
Maximum purchase price	€400	€400

During the year ended 31 December 2013, the Executive Management carried out the transactions listed in the tables below under the share buyback programmes authorising the Executive Management to trade in the Company's own shares under the terms of Article L 225-209 of the *Code de commerce*.

	From 01/01/2013 to 04/06/2013	From 05/06/2013 to 31/12/2013	Total
Not covered by liquidity contract			
Number of shares registered in the Company's name as at 31 December 2012	1,449,442		1,449,442
Number of shares bought		10,746	10,746
Reason for purchase		External growth	
Average purchase price		€250.40	€250.40
Number of shares sold	14,355	11,014	25,369
Average selling price	€80.81	€85.08	€82.66
Net transaction costs, excluding VAT			€0
Number of cancelled shares			0
Average price of cancelled shares			-
Number of shares registered in the Company's name as at 31 December 2013	1,465,087	-268	1,434,819
Number of shares			
– Employee shareholding	1,465,087	-11,014	1,424,073
– External growth		10,746	10,746
Net value at purchase cost	€307,925,367	€1,753,755	€309,679,121
Net value at closing price	€378,145,425	-€70,618	€378,074,807
Par value	€731,894	-€137	€731,758
Percentage of share capital involved	1.36%	0.00%	1.36%
Covered by liquidity contract			
Number of shares registered in the Company's name as at 31 December 2012	18,226	0	18,226
Funds allocated (liquidity account)	€5,000,000	€5,000,000	€5,000,000
Number of shares bought	66,111	89,123	155,234
Average purchase price	€253.31	€255.24	€254.42
Number of shares sold	66,687	89,850	156,537
Average selling price	€253.11	€256.00	€254.77
Number of shares registered in the Company's name as at 31 December 2013	17,650	-727	16,923
Net value at purchase cost	€4,694,446	-€465,785	€4,228,660
Net value at closing price	€4,650,775	-€191,565	€4,459,211
Par value	€9,002	-€371	€8,631
Percentage of share capital involved	0.02%	0.00%	0.02%

A report on any such transactions since 1 January 2014 will be submitted to you at the Annual General Meeting called in 2015 to approve the financial statements for the year ending 31 December 2014.

The Executive Management

Share price trend over the past five years

2009				
Month	Share price (in €)			Monthly average daily trading volume on Euronext
	High	Low	Closing average	
January	104.65	75.01	87.85	133,436
February	83.60	65.66	74.50	223,503
March	87.56	64.84	74.96	218,118
April	103.00	84.00	92.46	195,080
May	104.10	94.51	99.92	111,435
June	101.00	88.91	93.88	146,674
July	106.70	92.29	99.28	85,991
August	106.30	98.65	102.04	62,496
September	102.95	97.00	100.09	74,879
October	101.10	94.29	97.61	66,937
November	99.95	92.52	96.47	59,159
December	98.68	91.80	94.91	50,477

2010				
Month	Share price (in €)			Monthly average daily trading volume on Euronext
	High	Low	Closing average	
January	100.50	92.00	96.13	68,702
February	100.40	93.80	97.39	56,061
March	105.95	98.88	103.22	54,517
April	103.50	97.53	100.20	52,133
May	110.45	97.54	103.90	95,700
June	114.35	105.00	110.31	88,705
July	132.85	106.15	118.27	112,613
August	150.00	131.80	139.16	152,411
September	168.85	140.95	156.74	82,063
October	207.75	152.35	172.84	205,924
November	168.00	136.30	149.06	359,308
December	167.35	143.30	154.22	155,551

2011				
Month	Share price (in €)			Monthly average daily trading volume on Euronext
	High	Low	Closing average	
January	163.05	142.55	153.76	71,324
February	157.75	143.30	149.37	194,549
March	161.40	142.05	152.14	93,915
April	160.00	148.50	153.32	40,937
May	180.55	157.20	170.17	87,207
June	206.00	178.70	190.66	149,829
July	242.30	199.50	222.29	81,561
August	269.55	210.50	246.10	100,819
September	272.50	221.80	256.50	74,367
October	251.60	212.45	235.85	54,550
November	258.40	218.25	239.85	41,140
December	237.00	210.00	226.12	41,675

2012				
Month	Share price (in €)			Monthly average daily trading volume on Euronext
	High	Low	Closing average	
January	269.00	228.15	249.74	35,177
February	290.90	260.00	275.58	37,711
March	286.25	243.50	259.88	86,877
April	270.00	243.85	253.81	47,566
May	279.85	255.00	266.00	37,084
June	267.55	241.40	253.67	47,515
July	244.25	219.00	230.45	41,304
August	235.10	212.50	223.64	33,339
September	232.85	209.00	218.87	36,319
October	220.90	207.70	213.85	29,922
November	238.50	210.75	227.86	30,710
December	238.50	222.90	231.08	22,432

2013				
Month	Share price (in €)			Monthly average daily trading volume on Euronext
	High	Low	Closing average	
January	245.15	224.15	235.90	32,326
February	257.00	238.75	250.86	29,817
March	271.90	255.10	259.98	24,659
April	278.45	247.80	259.42	23,370
May	283.20	255.40	271.66	18,238
June	273.90	235.50	254.75	20,517
July	265.00	245.20	254.32	15,831
August	264.80	243.00	257.57	12,973
September	274.50	253.15	263.17	18,623
October	268.70	246.70	257.74	13,554
November	257.90	246.10	251.64	15,648
December	265.40	244.50	251.64	18,276

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

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INFORMATION ON THE PARENT COMPANY FINANCIAL STATEMENTS

The parent company financial statements as presented were approved by the Executive Management on 12 February 2014 and will be submitted to the shareholders for approval at the Annual General Meeting of 3 June 2014. The parent company financial statements were also reviewed by the Audit Committee at its meeting of 17 March 2014.

Revenue

Revenue amounted to €189.9 million in 2013, an increase of 22% on the €155.2 million registered in 2012.

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

Statement of financial position and statement of income

Hermès International's statement of financial position and statement of income appear on pages 225 to 249. The parent company financial statements are drawn up in accordance with the provisions of French laws and regulations and with generally accepted accounting principles.

As at 31 December 2013, total assets amounted to €2,221.0 million compared with €1,986.5 at 31 December 2012. The statement of income shows net income of €544.3 million, compared with €542.9 million in 2012. As at 31 December 2013, the share capital amounted to €53,840,400.12, made up of 105,569,412 shares with a par value of €0.51 each.

INFORMATION ON ACCOUNTS PAYABLE MATURITIES

Pursuant to Article L 441-6-1 of the *Code de commerce* and of Decree No. 2008-1492 of 30 December 2008, a breakdown of trade accounts payable by due date is provided on page 240.

INFORMATION ON SUBSIDIARIES AND ASSOCIATES

A list of companies whose registered office is located in French territory and in which the Company owns a material interest, whether directly or indirectly, is provided in the notes to the parent company financial statements (pages 248 and 249).

Activities of the subsidiaries

The activities of the group's main subsidiaries are shown on page 31 of volume 1.

Significant acquisitions of equity interests in French companies

In 2013:

- Castille Investissement acquired a 51% equity interest in the Beyrand company, that specialises in the manufacturing and sale of chromos for porcelain decoration;
- Compagnie Hermès de participations 2 acquired a 30% equity interest in the share capital of the company J3L, the parent company of a group of approximately 10 company specialising in the manufacturing and sale of metallic parts;
- For cash investment purposes, Hermès International acquired a 16.74% equity interest in the company Ardian Holding SAS.

Property and insurance

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Property

In Paris, the Group currently occupies a surface of offices of approximately 23,000 m², primarily near its historical registered office at 24, rue du Faubourg-Saint-Honoré and near 19-21, rue Boissy d'Anglas, which it owns. The staff also occupies office premises located in the rue de la Ville-l'Evêque, that are rented to third parties under commercial leases, and a site located in the rue du Faubourg-Saint-Antoine, that is also home to a leather goods manufacturer.

In the Paris region, the Group owns a logistics centre of approximately 21,000 m², in Bobigny, and has extensive facilities in the community of Pantin. In 2013, the extension works on the Hermès Workshops in Pantin were completed, thereby providing an additional surface of 26,000 m² for the house's various divisions and activities. The Cité des métiers was officially inaugurated on 20 September 2013.

Still in Pantin, the worksite of the future Maison des savoir-faire Jean-Louis Dumas will be completed by year end, increasing the Group's surfaces in this community to nearly 70,000 m².

The Group owns 41 of the 46 production units that it operates. These production units are spread

across 39 sites, 28 of them in France, 3 in Switzerland, 2 in the United States, 4 in Australia, 1 in Great Britain and 1 in Italy (for a detailed list, please see page 126). Two new leathersgoods production sites are currently being built in France (Charente and Isère regions).

A new tannery is also being built in northern Italy.

Hermès products are available worldwide through a network of 315 exclusive stores. A detailed list of these appears in Volume 1, pages 64 to 69 of the Annual Report. Of the 315 exclusive Hermès retail outlets worldwide, 203 are operated as branches. Most of these are rented under long-term commercial leases intended primarily to ensure the continuity of operations over time. The Group also owns the buildings that accommodate certain stores, including those in Paris, Ginza in Tokyo, Dosan Park in Seoul, The Galleria in Hong Kong, in Beverly Hills and in Geneva. The branches are located in the following regions: 73 in Europe (including 16 in France), 36 in the Americas (including 27 in the US), 87 in Asia (including 30 in Japan), and 7 in Oceania.

The Hermès Group's policy regarding insurance is to transfer any exposure that is liable to produce a material impact on profits to the insurance market. The group insurance programmes represent the bulk of the insurance coverage of the subsidiaries. They are placed with leading insurance companies, via several of the top ten brokers in France. The main international insurance programmes favour an "all risks except" approach and cover:

1) property damage and operating losses that may affect the production sites, logistics centres, distribution centres or administrative offices, in France and in other countries. The policy underwritten by FM Global was renewed for a one-year term. The upper cover limit is €500 million. The deductibles for direct damage vary from €15,000 to €250,000, and from €70,000 to three days of gross margin for operating losses. In Japan, the Group has an earthquake insurance policy covering €40 million in direct damage and operating losses. It secured this policy several years ago. Prevention inspections were carried out at 77 production and distribution sites in 2013. Implementation of the main issued recommendations is monitored through a formally documented system.

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

3) transportation of the products between production sites and to the distribution network. A policy was taken out from ACE Europe;

4) responsibilities concerning the environment. This policy was renewed with AIG Europe on 1 May 2013 for a period of 20 months. The upper cover limit per claim is €7.5 million and €10 million for the period, and the deductibles are set at €25,000.

Other contracts have been arranged in order to meet specific needs, notably in connection with construction operations (new works or renovations) carried out as the project owner.

In 2013, no material claims for damages were filed under these policies.

CSR appendices: Environmental information

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Results by *métier*

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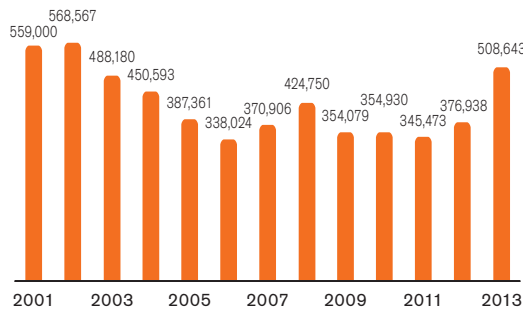
149 Footwear

150 Logistics

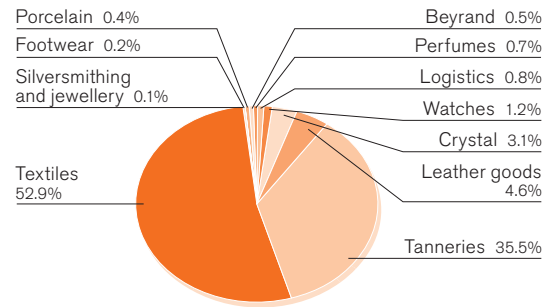
Environmental information

CONSUMPTION OF NATURAL RESOURCES

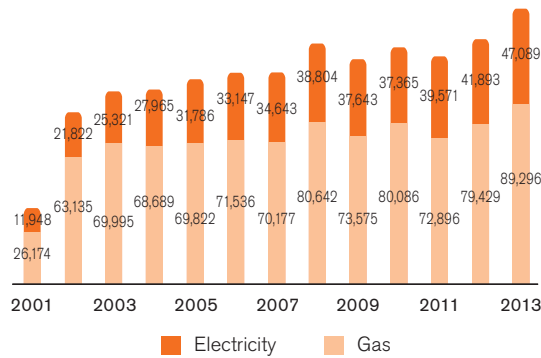
• Evolution of water consumption ⁽¹⁾ (in m³)



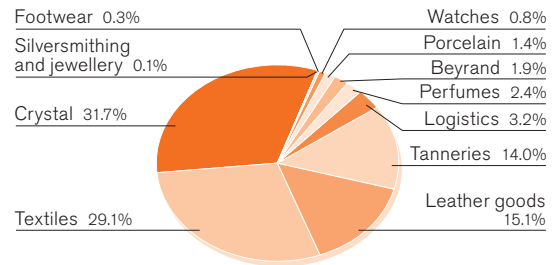
• Breakdown of the water consumption by *métier* in 2013 (in m³)



• Evolution of energy consumption ⁽¹⁾ (in MWh)



• Breakdown of the energy consumption by *métier* in 2013 (en MWh)



(1) With the integration of Hermès Cuir Précieux as of 2008, Natéber, Immobilière Textile Honoré and Ateliers d'Ennoblement d'Irigny as of 2012, Tannerie d'Annonay, Beyrand and Joseph Erard as of 2013.

PRODUCTION SITES

The Hermès Group controls forty-six production units, including thirty-five in France, on thirty-

nine geographical sites (twenty-eight in France, four in Australia, three in Switzerland, two in the United States, one in Great-Britain and one in Italy), plus the Bobigny logistics platform.

Business line	Company name (<i>production sites</i>)
Leather goods	Hermès Sellier (<i>Paris Faubourg Saint-Honoré, Pantin-Pyramide, Pantin-CIA, Pierre-Bénite</i>) Maroquinerie de Saint-Antoine (<i>Paris-faubourg Saint-Antoine</i>) Maroquinerie de Belley (<i>Belley</i>) Maroquinerie des Ardennes (<i>Bogny-sur-Meuse</i>) Maroquinerie de Sayat (<i>Sayat</i>) La Manufacture de Seloncourt (<i>Seloncourt</i>) La Maroquinerie Nontronnaise (<i>Nontron</i>) Manufacture de Haute Maroquinerie (MHM) (<i>Aix-les-Bains</i>) Ganterie de Saint-Junien (<i>Saint-Junien</i>) Comptoir Nouveau de la Parfumerie (<i>Le Vaudreuil</i>) Maroquinerie Iséroise (<i>Fitilieu</i>) Maroquinerie de la Tardoire (<i>Montbron</i>)
Tanneries and fine leather goods	Gordon-Choisy (<i>Montereau</i>) Tanneries des Cuir d'Indochine et de Madagascar (TCIM) (<i>Vivoin</i>) Michel Rettilli (<i>Cuneo/Italie</i>) Tannerie d'Annonay (<i>Annonay</i>) <i>United States division, including Reptile Tannery of Louisiana (RTL) (Lafayette)</i> <i>Australia division</i>
Perfumes	Comptoir Nouveau de la Parfumerie (<i>Le Vaudreuil</i>)
Textiles	Créations Métaphores (<i>Bourgoin-Jallieu</i>) Société d'Impression sur Étoffes du Grand-Lemps (Siegl) (<i>Le Grand-Lemps</i>) Ateliers A.S. (<i>Pierre-Bénite</i>) Holding Textile Hermès (HTH) (<i>Pierre-Bénite, Bourgoin-Jallieu</i>) Établissements Marcel Gandit (Gandit) (<i>Bourgoin-Jallieu</i>) Ateliers de Tissage de Bussièeres et de Challes (ATBC) (<i>Bucol, Le Crin (Bussièeres, Challes)</i>) Société Novatrice de Confection (SNC) (<i>Nontron, Bourgoin-Jallieu</i>) Ateliers d'Ennoblement d'Irigny (AEI) (<i>Irigny</i>)
Crystal	Compagnie des Cristalleries de Saint-Louis (<i>Saint-Louis-lès-Bitche</i>)
Silversmithing and jewellery	Puiforcat (<i>Pantin-CIA</i>)
Porcelain and enamel	Compagnie des Arts de la Table et de l'Émail (CATE) (<i>Nontron</i>) Beyrand (<i>Saint-Just-le-Martel</i>)
Watches	La Montre Hermès (<i>Bienne/Suisse</i>) Natéber (<i>La Chaux-de-Fonds/Suisse</i>) Joseph Érad (<i>Noirmont/Suisse</i>)
Footwear	John Lobb (<i>Paris-rue de Mogador, Northampton/Royaume-Uni</i>)
Logistics	Hermès Sellier (<i>Bobigny</i>)

The information on the environmental impacts of the activity of the Hermès production units and distribution site is presented by métier (leather goods, textiles, tanning, perfumes, crystal, watches, porcelain and enamel, silversmithing and jewellery, footwear and logistics), each time using the most appropriate indicators, in accordance with the provisions of Article 225 of the Grenelle 2 Act of 12 July 2010. The areas examined include the organisation and means implemented in order to prevent environmental risks, the use of resources, pollution control and waste management issues, climate change and biodiversity. Additional information is provided in order to present the main actions undertaken in the health and safety fields, as well as the societal commitments and relations with the stakeholders specific to each business line.

LEATHER GOODS

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

2013 saw a strong production increase, estimated in production hours as more than +9% relative to 2012. The hiring rhythm remained at around 200 people in 2013, thereby completing the personnel on the existing sites and allowing for the set-up of two new sites: the Maroquinerie Iséroise and Maroquinerie de la Tardoire. The division included more than 2,800 personnel numbers at year-end.

1. HEALTH, SAFETY AND ENVIRONMENT POLICY

The objective is to make the group's plants into sites that are respectful of both people and the environment, while maintaining the tradition of excellence, work well done and innovation that are the mark of the Hermès house.

• Environment

The main objective is to stabilise the consumption figures in a context of strong growth, which means reducing them with a constant perimeter.

To this end, environmental reporting is now in place throughout the division, thereby allowing for monthly tracking of the gas and electricity consumption figures. The Bilan Carbone® (carbon audits) of the entities were updated in 2012 in 2013. They were followed by 16 action plans within the framework of "water energy carbon waste" projects initiated within the group's industrial department. Nearly half of these projects were completed in 2013.

€160,000 of investments were devoted to preventing environmental risks and pollution in 2013. They included the acquisition of equipment intended to prevent any spillage of chemical products (dedicated cabinets, retention tanks...), the filtration of water dedicated to certain specific uses, and the insulation of the buildings.

• Health and safe working conditions

The ambition is to ensure that the topic of occupational health and safety is considered with the same degree of appropriation, excellence and passion as the business lines themselves within the Hermès Leather goods division.

The single risk assessment document (French acronym: DUER) is used to inventory, rate and prioritize the potential risks on the basis of the

work situations. Its ultimate goal is an action plan intended to reduce the existing risks by involving all of the site’s functions and the personnel representative bodies (PRB). A common outline for this document was prepared for the leather goods sites, thereby facilitating exchanges and discussions on these subjects.

An ergonomic and orthopaedic study of the main manufacturing operations was performed, that involved placing the leather goods worker in the actual working conditions involved in making a bag. Its conclusions led to the setting of ambitious objectives in these domains for each site.

2. ORGANISATION

A health, safety, environment, ergonomics and sustainable development manager is attached to the Continuous Production Improvement Department. He is responsible for organising the progress plans and the data consolidation around these topics for all of the division’s sites, in line with the group policy. Each production site has an HSE manager in charge of the operational management of these issues

3. OVERSIGHT

In order to oversee, coordinate and assess the various actions undertaken within the division, key get-togethers have been scheduled throughout the year:

- the HSE steering committee, working with the division’s general management, reviews the indicators and measures the progress of the projects each quarter;
- the “Health at work” day, held twice each year, is an opportunity for the HSE managers, occupational nurses and physicians on the sites to discuss the relevant indicators and action plans;
- the HSE meeting is a two-day information

and training session, held twice each year, for the site’s HSE managers. During this meeting, specific issues are considered, and best practices are exchanged;

- once each year, the HSE networks from Leather goods and the group meet for a broader sharing of knowledge and experience;
- a “Machine compliance and equipment acceptance” day brings together the managers in charge of maintenance and new works with the HSE network, for a uniform verification of the equipment compliance.

4. FIGURES

	2007	2008	2009	2010	2011	2012	2013
Water (m ³)	30,905	23,346	30,202	24,812	24,761	22,234	23,553
Electricity (MWh)	10,607	11,063	11,297	11,399	11,751	12,468	12,233
Gas (MWh)	7,755	9,130	7,410	8,572	7,594	8,070	8,276
Fuel oil (MWh)	1,382	1,037	953	726	-	-	-
Wood (MWh)	-	-	70	385	390	377	338
OIW (t)	684	670	640	633	638	670	584
HIW (t)	15	21	29	37	42	49	69
Level of activity	100	108	109	110	118	126	138

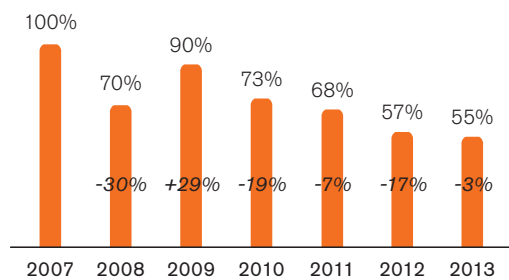
The figures above do not include the Le Vaudreuil workshop and the Faubourg Saint-Honoré Saddlery workshop, which are included elsewhere.

• Water

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

At 23,553 m³, water consumption was high in 2013 and saw a 5.9% increase relative to 2012, though the increase is lower than that of the activity (above

9%) and of the staff (almost 8%). As such, the quantity of water consumed by employee fell slightly, from 8.47 m³ to 8.31 m³ per person between 2012 and 2013, while the water consumption compared to activity decreased by 3%.



WATER CONSUMPTION COMPARED TO ACTIVITY

The distribution varied only slightly between 2012 and 2013: the *La Pyramide* site in Pantin is the division's main consumer, which can be explained by the many events and occasions organised on the site. The Belley site's share doubled from 2012 to 2013, i.e. from 3 to 6% of the division, but this can be explained by an invoice forgotten by the supplier in 2012.

• Energy

Electricity, gas and water are the energies used within the division. Electricity is used in the buildings and in production. Gas is used only to heat sites. The Maroquinerie Nontronnaise site uses wood for the boiler installed in 2009.

The total energy consumption (electricity, gas and wood) was 20,848 MWh for 2013, meaning a decrease of 67 MWh (-0.03%) relative to 2012. The 2013 results are in line with the objective of stabilising the absolute value of the energy consumption figures within a context of strong growth. With a constant perimeter, total energy consumption has dropped on a regular basis since

2007. It has fallen by 23.5% since 2007, and by 8.7% in 2013 relative to 2012.

Continuing with the actions initiated in 2009 in order to limit consumption increases, detailed energy analyses were carried out in 2010 on the Ardennes, Sayat, Nontron, Seloncourt, Aix-les-Bains and Pierre-Bénite sites. Carried out by an engineering firm specialising in climate engineering, these analyses were aimed at identifying new areas for possible improvements that have been budgeted for as part of a plan initially intended for 2012-2013 but now to be extended to 2014.

Within this framework, large-scale works were initiated at the Maroquinerie des Ardennes, with the installation of airlock vestibules at the building entrance and on the shipping and receiving docks, thereby limiting air infiltration. At the Maroquinerie de Sayat, compact fluorescent lights were replaced with LEDs in the washrooms, break rooms and change rooms: 110 bulbs were changed in 2013, and they jointly ensure energy reductions, the well-being of the craftsmen (thermal and visual comfort, and ergonomics) and an improvement of the quality performance.

Electricity

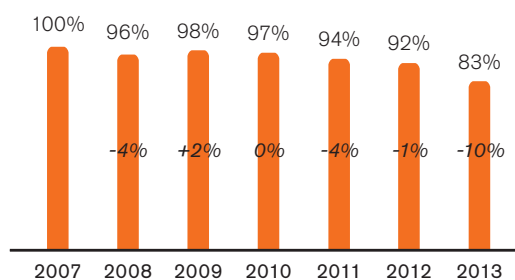
Electricity is used not only for production equipment (cutting machines, leather marking tools, work station lighting, etc.) but also to light common areas, in some water heaters and to run the air conditioning, ventilation and cooling units in work areas.

The division's electricity consumption was 12,233 MWh in 2013, a decrease of 1.9% compared to 2012.

The following factors explain this result:

- the installation of a motor-generator set during the line maintenance works over 2 months and individual actions involving the shut-down of the

air conditioning allowed the CIA to decrease its electricity consumption by 16% relative to 2012; – the Maroquinerie de Saint-Antoine had sub-meters installed in order to separate consumption related to the site’s activity from that of the Hermès International services present in the same building.



ELECTRICITY CONSUMPTION COMPARED TO ACTIVITY

At the leather goods facility in Pierre-Bénite, the energy analysis carried out in 2010 highlighted the preponderant influence of highly energy-consuming air heating plants operating constantly without any possibility of adjustment. In 2012, better control of the system led to an improvement in perceived comfort while at the same time stabilising consumption.

The ultimate objective is to be able to stop or decrease the air exchange on the basis of the occupancy of the premises and the outdoor temperature: an initial step was performed in 2013 with the installation of specific meters connected to an analysis platform that provides for real-time monitoring of the consumption of the various stations.

Fossil fuels

Gas consumption was 8,276 MWh in 2013, up 2.5% compared to 2012.

This increase is limited relative to the increase from

2011 to 2012 (+6%), and when compared with the activity, consumption is down by 6% relative to 2012.

The fluctuations shown below can be traced back to more or less harsh winters, as well as difficulties with the control of the heating, ventilation and air conditioning equipment, that have now been overcome.



GAS CONSUMPTION COMPARED TO ACTIVITY

Renewable energies

Until the end of 2013, the use of renewable energies was concentrated at the Maroquinerie de Nontron. Photo-thermal solar panels are used for heating the domestic water, thereby fully accounting for the needs of the plant.

The wood-burning boiler provided for 59% of heating needs in 2012, i.e. 338 MWh (compared to 58% in 2012 and 66% in 2011). The gas boiler supplements the wood-burning boiler between seasons, and during particularly cold climatic periods. The Maroquinerie de Belley is taking part in a district wood-burning boiler project. The technical installations were completed in 2013, while commissioning is expected in the first half of 2014. The Maroquinerie de Saint-Antoine site in Paris is no longer heated by gas but by the city of Paris urban heating system.

- **Effluent water and atmospheric emissions**

The leather goods sites represent limited sources of waste due to environmentally friendly and primarily manual manufacturing processes. Since 2008, the sites have been equipped with water-based cleaning tables for washing production tools, eliminating the contamination of water with glue and the clogging of pipes. The air inside the workshops is regularly analysed to check its quality. Water-based glues are now systematically used on all sites in place of solvent-based glues. The air conditioning, ventilation, heating, gluing and sanding machines that generate atmospheric emissions are equipped with filters that guarantee the quality of the released air.

- **Waste**

Ordinary industrial waste (OIW) such as leather, cardboard, paper, plastic cups, etc., and hazardous industrial waste (HIW), such as the waste from the water-based cleaning tables and dirty packaging, are sorted and recycled.

The division's OIW figures for 2013 amounted to 584 tonnes, versus 670 in 2012. The decrease can primarily be explained by the clarification of the qualification of leather scraps that are sold, and by the leather recycling efforts. The quantity of HIW stands at 69 tonnes, i.e. 20 tonnes more than in 2012. Despite the now systematic usage of water-based glues on all production sites, waste related to such glues or dyes but that are not considered to be hazardous products, such as dye and glue containers or gluing machine filters, are now considered as HIW, which explains the bulk of this increase.

5. SUSTAINABLE DEVELOPMENT

The company's sustainable development initiative was presented to the management committees and HSE managers of the division's 10 manufacturing plants, with discussion of the reference points and identification of avenues for action for 2013-2014. Seven working group's proposed ideas for actions, the following of which were selected as avenues for progress: measuring the physical difficulty of assembling bags, optimising the cutting of the hides, careful overview of the start of manufacturing processes, improving the energy management of the buildings, recruiting and integration of handicapped persons, strengthening the ties with local stakeholders.

Moreover, the division continues to work closely with four ESAT (sheltered work establishments) and an EA (adapted company) established near the sites. For both technical aspects and quality, they are accompanied by an assigned contact person who works with them on a day-to-day basis. As such, two new activities were began with the set-up of a new suction table for sanding.

The Sustainable development week once again involved many events focusing on biodiversity, ecological gestures, reducing the carbon footprint, as well as recycling... The most noteworthy included: the Maroquinerie de Belley arranged for a parcel of land to be used by a reintegration association that grows organic vegetables. To reduce organic waste from the manufacturing of leather goods and to produce natural fertilizer for the gardens, a compost was set up. The MHM company restaurant proposed a meal using local produce, that was very popular with the personnel. A market was organised with a local farmer and representatives from organic food shops. The site also arranged for the personnel to have access to four electric cars, an electric scooter and an electric

bicycle for a week. At Nontron, awareness was raised with regard to waste, and explanations were provided on the recent installations at the leather goods plant. A distribution system for baskets of organic foods was proposed for the interested personnel at the Maroquinerie de Saint-Antoine, and the recycling of cups was initiated. A similar initiative was undertaken at Pierre-Bénite, along with the possibility of joining an association of producers of organic food baskets. Finally, an initiative promoting the integration of handicapped persons was initiated by opening the plant's doors to an ESAT. A carpooling challenge was organised at the Maroquinerie des Ardennes.

The Maroquinerie Nontronnaise has been equipped with Jardins Filtrants® water gardens for treatment of domestic water. Beehives were installed near these water points, and their production is distributed to all personnel working on the site, who have thus been made aware of the need to preserve biodiversity and to protect bees in particular.

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

• Usage of materials

The raw materials used in the manufacturing of saddlery products and leather goods primarily consist of hides from bovine and ovine origins, as well as fine leathers (crocodile, lizard, ostrich), metal materials treated for various finishes (gold, palladium...) and textiles (silk, cotton canvas).

The leathers used by Hermès are rare and of exceptional quality. Their very careful usage is one of the main concerns for producers of leather goods:

- the cutting scraps from the leather for fine leather goods are carefully put aside for the production of

smaller articles, when necessary. These scraps are first used locally within each site, then centralized for a possible second usage;

- great attention is paid to the associated cutting technique, that involves aligning models of differing sizes and shapes when beginning to cut a hide. This ensures the best possible usage of its surface;

- the sharing of best practices and concrete improvements of cutting techniques are organised and encouraged.

This helps to increase the expertise of the cutters and to optimise the usage of the leathers.

• Bilan Carbone®

The Bilan Carbone® initiative was launched within the Pierre-Bénite plant in late 2006, and extended to the entire division in 2008. The Bilan Carbone® perimeter set up for 2011, 2012 and 2013 includes the division's plants and subcontractors. The distribution of the contributing stations varied only slightly: half of the emissions come from materials, one quarter from personnel commuting and one quarter from energy consumption.

This regular measurement serves to verify that the carbon footprint grew more slowly than the activity over the period in question. It also contributes to the action plans on energy consumption, the usage of materials, etc.

TEXTILES

The Textiles division now has eleven sites, each implementing its own environment, health and safety policy with a programme drawn up at the start of the year by the sector's EHS coordinator and the industrial strategy director. The total amount of investments made under this programme is equal to €785,000.

2013 was a strong year for production, increasing by 18% compared to 2012. As a result, major investments were carried out in 2013:

- renovation and extension of the Ateliers d'Ennoblement d'Irigny (AEI), acquisition of a new tenter frame, new inspecting machines, transfer and optimisation of the dyeing machines;
- commissioning of a new printing line on the site of the Ateliers A.S. (Pierre-Bénite), creation of a new prototyping and small series workshop;
- transfer of the Gandit manufacturing plant in September 2013 to ITH in Bourgoin-Jallieu, with a new production line;
- grouping of the HTH archives on the ITH site at year end.

In all of the textiles sectors, the 2013 consumption indicators increased less than production, relative to the previous year. As such, for an 18% increase of the volumes, water usage increased by 13%, electricity by 8% and gas by 3%.

• Figures

	2009	2010	2011	2012	2013
Water (m ³)	199,000	215,800	198,478	238,760	269,232
Electricity (MWh)	9,267	9,520	9,694	11,673	12,586
Gas (MWh)	20,443	22,810	21,000	26,324	27,115
OIW (t)	239	345	346	448	457
HIW (t)	409	488	522	546	696

• Water

The production of the Ateliers A.S. increased by 6% in printing volume. The water consumption reduction programme is continuing, notably with the framewashing machines. During the year, the water recycling system was also completely overhauled. Also, the investment in two new pot washing machines made it possible to replace equipment that consumed more water. As a result, the water consumption increase was limited to 5% between 2013 and 2012. The production volume at Siegl increased by 31%. The investment in a new framewashing machine and the increase of the size of the printing series helped to optimise the water consumption. The wastewater recycling system was completely overhauled over the course of the year. The water consumption increase was limited to 3.7%.

The production of AEI, the fabric dyeing site, was very high during the year, with its volumes increasing by 27.5%. The stock of machines was extensively modified, with the installation of a new tenter frame that will allow for new qualities. Water consumption increased by 50% over the year.

The production at Gandit increased by 11.7%. New equipment was installed, most notably a new framewashing machine.

• Wastewater

All means helping to control and improve the quality of the effluent are being explored: the replacement of chemical products with products that are more respectful of the environment, reduced use of solvents, decreased consumption of chemical products, and optimisation of the recovery of products before their transfer to the station. As such, for the printing sites, the new equipment includes the recovery of colours, better stripping of the frames and recovery of the

products resulting from the stripping of tables. Consumption of frame stripping products thus fell by 3.4% between 2013 and 2012 at Siegl, and by 10% for the Ateliers A.S.

At the Ateliers A.S., the dyeing workshop was transferred to AEI in September 2012. Wastewater pollution measured by the COD (chemical oxygen demand) decreased by 52%. The result is an increase of AEI's COD by the same order of magnitude. The Siegl wastewater treatment system was improved by the installation of a third biomembrane reactor and by the complete renovation of the existing units.

- **Energy**

At the Ateliers A.S., the increased production resulted in the boiler operating for 7 days a week. The installed power increased in 2013 as a result of the installation of new equipment (replacement of an air heating plant, installation of air conditioning in the workshop accommodating the new line). A lighting system with motion detectors, operated according to the movement of the printers, was installed in the South workshop. The new printing line has been fitted with lights offering better performance in terms of energy consumption. Electricity usage increased by 2%, while gas consumption fell by 9%, which to a large extent can be explained by the transfer of the dyeing workshop to AEI, for which the consumption figures are significantly higher.

Siegl's electricity and gas consumption were stable between 2013 and 2012, despite the increase of volumes produced. To a large extent, the size of the series explains this stability.

The production of the Ateliers de Tissage de Bussières increased by 10%. The site's lighting was completely replaced with LED lights. Electricity consumption increased by 4%, while gas consump-

tion fell by 1%. The ATBC Challes production increased by 5%, while electricity consumption dropped by 5%.

The new ITH site in Bourgoin-Jallieu now accommodates the activities of Gandit, of the SNC, of the HTH inspection and of Créations Métaphores. The gas consumption is primarily used to heat the premises. The electricity consumption provides for the ambient lighting, workstation lighting and operation of the machines. For the Gandit company, four new ovens were installed, that consume less energy than the old ones. Workstation lighting was optimised in the construction and inspection workshops. With the arrival and ramp-up of these activities in 2013, the electricity consumption practically doubled, while gas consumption fell by 16%. The reduction of gas consumption resulted from the grouping of the activities under a single roof.

- **Consumption of raw materials**

The main raw materials used within the sector are silk, cashmere and cotton. True partnerships have been set up with suppliers in order to increase the reliability of the procurement and to ensure compliance with the ethical and environmental requirements of the Hermès house.

Relative to the usage of fabrics, a plan to reduce material losses has been implemented.

- **Waste**

The aim is to constantly improve waste management and disposal through approved channels. For Ateliers A.S., the HIW (hazardous industrial waste) increased by 19.3% and OIW (ordinary industrial waste) by 8.3%, related to the increase of colour waste. For Siegl, the results are +35% for HIW and an equivalent decline for OIW.

Waste sorting was improved at AEI, while informa-

tion and awareness-raising meetings were organised in the workshops in September 2013. After the large sorting, storage and evacuation campaign for chemical products carried out in 2012, OIW increased by 26% while HIW dropped by 20%.

At Gandit, the frame recycling project started in June 2011 was continued. It is being conducted in collaboration with an ESAT (sheltered work establishment). The frame recycling rate is 9% for the full year. The usage of silver films was reduced by 98% between 2008 and 2013.

• Bilan Carbone®

All of the sector's Bilan Carbone® audits are now updated each year. Good knowledge of the stations producing emissions made it possible to improve the specifications of the new machines and to carry out specific operations, such as the equipping the South workshop at Ateliers A.S. with LED lights.

• Societal commitments

Partnerships have been set up with ESATs for the recycling of Gandit's photoengraving frames, fabric sampling for Creations Métaphores, as well as the upkeep of green spaces and the cleaning of the premises.

HTH is supporting the partner company Handysoie, in collaboration with an ESAT that employs handicapped personnel for the manufacturing of textile products. A contribution was also made to the IPC Athletics world championships, held in Lyon. The National handicap week provided an opportunity to involve the HTH sector's personnel to listen to testimonials and share experiences with disabled people.

Finally, the partnership set up with the Sport dans la ville association, intended to promote the integration of young people, was as opportunity to

bring the teams together around the "But en or" (Golden goal) operation.

• Health and Safety

Personnel awareness of environmental, health and safety issues is raised by means of regular displays, targeted communications and appropriate signs. Training sessions are provided on a regular basis, notably on the themes of management of chemical products, road safety and occupational well-being. In 2013, the Management committee continued to encourage the involvement of all managers, and the implemented actions helped to reduce accidents:

- quarterly meetings are organised for the entire sector, involving the site directors, the HR managers, the HSE managers and the nurses. This momentum allows for better sharing of best practices, more efficient awareness-raising of the departments and intermediate management, thanks to structured site visits;
- new prevention resources have been implemented in order to decrease the risks of accident and musculo-skeletal disorders, thanks to warm-up programmes that are included as of the training period at the time of the orientation of newcomers;
- HSE aspects, most notably ergonomics, are also integrated right from the upstream part of new projects, whether worksites or production equipment.

TANNERIES AND FINE LEATHER GOODS

• Sites and organisation

The “Tanneries and fine leather goods” division consists of four tanneries for exotic leather (primarily crocodiles and alligators) located in France, Italy and the United States, as well as one veal tannery located in Annonay. These production sites report directly to the Hermès Cuir Précieux (HCP) industrial department.

The oversight of the actions relating to health, safety and environment stakes is provided by the dedicated managers on each production site. The improvement of the environmental impacts of the sites (water, energy, waste) and of the working conditions of the employees are amongst their priority missions. As a result, they receive support from the site directors who are directly involved with regard to these subjects. All of the data are shared within the division and joint improvements are implemented at the instigation of the industrial department. In 2013, this organisation was strengthened by the hiring of a HSE-sustainable development manager reporting to the industrial department, whose task is to structure and coordinate the existing network. €254,000 were devoted to preventing environmental risks and pollution, with the bulk of these investments having been used to improve the effluent treatment systems within the Annonay, Lafayette and Montereau tanneries. In order to more firmly secure the position of sustainable development within the division’s corporate strategy, a HSE-sustainable development policy was drafted in late 2013. It is the fruit of works carried out in 2013, and of reflections with the Management committee members. This initiative is part of the internal reaffirmation of the HCP commitments that align with the group values.

• Figures

	2009	2010	2011	2012	2013 ⁽¹⁾
Water (m ³)	95,809	85,215	95,036	87,649	180,340
Electricity (MWh)	3,260	3,256	3,686	3,555	5,529
Gas (MWh)	7,567	8,104	6,577	7,230	13,541
Fuel oil (MWh)	–	–	–	–	55
OIW (t)	nc	nc	nc	781	1,876
HIW (t)	nc	nc	nc	159	1,022
Of which recycled waste (t)	nc	nc	nc	140	1,070
Of which recovered waste (t)	nc	nc	nc	85	267

nc : not communicated.

(1) Reporting perimeter that includes the Annonay tannery (acquired in December 2012).

• Water

The significant increase of the division’s water consumption in 2013 is primarily due to the addition of the Annonay tannery to the perimeter, that accounts for 53% of the division’s consumption.

With a constant perimeter relative to 2012 (only exotic leather tanneries), the division’s average ratio of water consumption (1/cm of product put into production) is down by nearly 3%. In 2013, the sites continued their efforts to control and reduce their consumption.

Each month, the tanneries monitor their water consumption, and the meters associated with the different procurement sources are checked and calibrated on a regular basis. Significant discrepancies not related to production differences are analysed. In case of anomalies, the maintenance teams on the sites perform the necessary verifications in order to locate and repair any possible leaks.

In order to improve the tracking of its process-based consumption, the Annonay tannery installed two electromagnetic flowmeters in 2013, in order to record the volumes of water drawn from the river. The Montereau tannery performed

a search for possible leaks within the site's internal networks, as well as the installation of water saving devices in the canteen and awareness-raising for the craftsmen.

Finally, the Lafayette tannery installed a collection tank in order to gather any water runoff at the time of the adjustment of the temperature of the flowmeters.

These actions follow on from the ones undertaken in 2012 in the Montereau, Vivoin and Lafayette tanneries, that resulted in a significant reduction of their water consumption. They notably involved the replacement, at Montereau, of old water softeners (intended for the regeneration of resins) that were replaced with better performing and lower consumption models, the performance, at Vivoin, of renovation works on the wet sector in order to optimise the distribution points and to better manage the water supply of the dyeing drums, as well as the implementation, at Lafayette, of a preventive maintenance programme or the modification of the water mixing system with the installation of 3 meters that provide quick detection of any abnormal consumption.

• Energy

The strong increase of energy consumption (electricity and gas) as an absolute value can be explained by the inclusion of the Annonay tannery within the reporting perimeter.

The tannery represents 44.5% of the division's energy consumption (respectively 49% and 33% of the division's electricity and gas consumption, as well as 100% of its fuel oil consumption).

On the basis of a constant perimeter relative to 2012 (exotic leather tanneries), the average energy consumption ratio of the tanneries (kWh/cm of product put into production) remained stable in 2013.

The tanneries monitor their energy consumption on a monthly basis. As such, the HSE managers work with the maintenance teams within the tanneries in order to optimise and reduce energy consumption while maintaining comfortable working conditions for the craftsmen.

In Montereau, the renovation works on the roofing and insulation of the buildings in compliance with the RT 2012 standard, launched in 2012, continued in 2013, along with the replacement of the old lighting with new generation neon lights, that consume half as much energy, were completed. At the same time, the site installed a new air compressor that provides better output, as well as an automatic standby mechanism for both finishing machines.

The insulation works on the steam conduits initiated in 2012 Vivoin tannery were continued in 2013. At the same time, a GTC (Centralised Technical Management) system was installed in order to regulate and monitor the operation of the boilers. For its part, in 2013, the Annonay site improved the insulation of the refrigerated zone used to store hides, in order to avoid any energy wastage. Finally, the Lafayette Tannery replaced the office air conditioning system with equipment that consumes less energy, and completed various improvements involving the lighting of the offices: timers and motion sensors on the lighting systems in many storage and transit areas, replacement of the lighting systems in the river sector with LED lighting.

• Discharges

Each tannery is equipped with a treatment plant and verifies its effluents in compliance with the applicable standards. Regulatory inspection reports are submitted to the local authorities on a regular basis. The division's tanneries continu-

ally work on improving the performances of the effluent treatment.

In Montereau, the reduction in water consumption combined with the increase in production has led to a concentration of pollutants in waste water. In 2013, the site continued its research on the implementation of optimised effluent treatment. These tests are being analysed, and a decision will be made in 2014 on the basis of the performances.

In 2013, the Vivoin tannery continued the roll-out of its action plan based on the FMECA method (failure modes, effects and criticality analysis) for its purification station, in order to safeguard the water treatment process.

As part of optimising its effluent treatment, the Annonay site performed improvement works on its dechromatation and purification stations (automated systems, tanks, etc.).

The tanning division's atmospheric emissions are essentially due to the operation of the boilers, the dry degreasing activity and the finishing booths. The verifications of such equipment as identified in the prefectural orders or site permits, are performed in compliance with the applicable regulations. The thresholds were not exceeded on any site.

Finally, each year, the Montereau site prepares a management plan for its solvents, in keeping with its prefectural order. As such, the site undertook efficient actions that led to a significant reduction of its emissions of the VOC (volatile organic compounds) resulting from its activity.

• **Waste**

The significant increase of the production of hazardous and non-hazardous waste also resulted from the inclusion of the Annonay tannery within the 2013 reporting perimeter. It contributed 55% of the division's total production of non-hazardous

waste and 84% of its production of hazardous waste, notably as a result of the more significant volumes of sludge and shavings.

Waste production on the division's sites is directly related to the activity on the sites, and is relatively constant from one year to the next. However, an increase of the generated OIW was recorded on the Montereau and Vivoin sites (respectively +10% and +35%), due to the modernization works performed in 2013 on both sites.

Each site continually strives to seek out the best recycling or reclamation channels for its waste. The ordinary industrial waste (OIW) and biomedical waste with risks of infection (BWRI) produced on the sites are incinerated with energy recovery, hazardous waste is processed separately on the basis of its characteristics, paper and cardboard materials are recycled through classical paper industry channels, metals are resold in order to be directed towards steel recycling channels, while leather shavings undergo a thermolysis treatment in order to recover the chromium that they contain. The Annonay Tannery has set up a reclamation department for the gluestock and shavings produced from tripe splitting. Also, the installation of a new press filter resulted in an 18% reduction of its production of sludge, as a result of improving the dryness thereof.

On-site waste storage was optimised in order to avoid all pollution (sheltered storage areas, retention basins, etc.), and regular actions were undertaken with the craftsmen in order to raise awareness regarding sorting and arranging work areas, using the 5S method.

• **Adverse noise and olfactory effects**

In connection with the current production activities, as well as any isolated maintenance or civil engineering operations, the sites make every effort

to avoid and reduce adverse noise and olfactory effects as much as possible.

Only the Annonay site, located in an industrial zone, was the subject of an odour complaint from nearby residents in 2013. The injection of ferric chloride (resulting in sulphide precipitation) into the effluent storage tank at the treatment plant resulted in an efficient elimination of this problem.

• **Bilan Carbone®**

The Bilan Carbone® for the “Tanneries and fine leather goods” division was updated for 2013. The division’s CO₂ emissions increased significantly between 2011 and 2013 (+55%) as a result of the integration of the Annonay tannery into the reporting perimeter. The division’s stations producing the most emissions are energy consumption, air freight and the use of chemical products. With a constant perimeter of the exotic leather tanneries, excluding the Lafayette tannery, where the site’s procurements are made by road, the CO₂ emissions remained stable between 2011 and 2013, while the volume of purchased raw hides increased significantly.

This decrease of CO₂ emissions from the transportation of raw hides is the result of efforts made in recent years to replace the traditional transport by air of the raw hides with maritime transport, that uses ten to twenty times less energy.

In 2010, after repeated tests, a maritime transport system was set up for *Alligator mississippiensis* from Florida and Louisiana, for *Crocodilus niloticus* from Africa and, more recently, for *Crocodilus porosus* from Asia and Australia. In 2013, the share of maritime transport of these species reached 43%, a slight decrease relative to the 2012 result, notably due to production constraints in the tanneries that obliged the sites to occasionally give preference to air freight over maritime freight.

It is important to note that the procurements of exotic hides is very regulated internationally, and is carried out in strict compliance with the CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora) regulations. This international agreement between States is intended to ensure that the trade in animal specimens does not threaten the survival of the species to which they belong.

• **Relations with stakeholders**

Visits to the tanneries are occasionally organised on their initiative. As such, in December 2013, the Vivoin tannery organised an “open house” operation over two days that attracted some 500 people to the site. As part of collaborative efforts with universities, institutes and professional training institutions, the Annonay and Montereau sites opened their facilities to visits by many students and people undergoing training.

Thanks to a partnership with the Montereau ESAT, the Montereau tannery has two participants on-site, involved in production operations. As a result of obtaining satisfactory results, the site management decided to increase their hours on the site. The site also works with this ESAT as part of the maintenance of its green spaces.

As part of the division’s commercial relations with its subcontractors and hide suppliers, the industrial department regularly performs audits in order to check that the group’s requirements, notably in terms of quality as well as compliance with social and environmental commitments, are actually being respected.

These audits are performed annually, and by the end of 2013, 70% of the partners had been visited; the remainder will be visited during the first quarter of 2014.

• **Health and Safety**

Risk prevention, protection of the employees and the security of the products are some of the division's priorities. As such, the necessary human and material resources are assigned in order to reach its objectives. For the past several years, the sites have been working to improve health and safety conditions, and many initiatives have already been undertaken, notably including an assessment of professional risks and of the hardship resulting from work at the various workstations. Exchanges between dedicated managers on each site are held on a regular basis in order to share best practices within the division.

Two agreements on preventing hardship were signed in 2012, on the Montereau and Vivoin sites. This initiative, shared with the members of the CHSCT (Health and Safety committee), the workplace physicians, human resources and the site managers, led to the preparation of an action plan to reduce hardship at the exposed workstations over 3 years.

Examples of these actions include: the completion of a compliance study on the extraction systems at Vivoin and Montereau, the air exchange in the shaving area at Montereau, a machine compliance assessment at Vivoin and Cuneo, the purchase of machines to improve safety in most of the tanneries, the securing of hazardous zones within the sites, the installation of an automatic frame machine for hides at Montereau in order to significantly reduce musculo-skeletal disorders, the installation of a new secure stripping zone at Montereau, the performance of noise mapping at Annonay, the completion of monthly safety communication campaigns at Vivoin and Annonay, and safety improvements on the renovation worksites.

All of the tanneries also continued to work on optimising the management of chemical products

(listing, identification, storage and usage) and on setting up a strict purchasing policy for new products as well as the replacement of chemical products in order to comply with the current regulations while anticipating any future changes ((REACH, POP [persistent organic pollutants] protocol, etc.).

Finally, as part of the safety training for the craftsmen, many training sessions were held on the sites in addition to the regulatory training: handling of chemical products, gestures and postures, workplace first aid, evacuation and rescue exercises were carried out with the fire department, enhanced orientation for newcomers (e.g.: 8 hours of training provided by an experienced person at Cuneo, use of a risk awareness video at Montereau).

PERFUMES

In 2013, the Vaudreuil site underwent extensive changes with an appreciable increase of the personnel, as well as extensive modifications to the work environments. The investments devoted to preventing EHS risks were equal to approximately €493,000, and primarily involved works on the roof and *façades* in order to improve the energy efficiency of the buildings.

• **Figures**

	2009	2010	2011	2012	2013
Water (m ³)	5,777	4,359	2,772	2,703	3,756
Electricity (MWh)	1,430	1,446	1,701	1,414	1,533
Gas (MWh)	2,331	3,032	2,037	2,161	1,774
Fuel oil (MWh)	8	8	3	12	4
HIW (t)	79	114	140	230	199
OIW (t)	341	351	397	557	627

• **Water**

The site’s water consumption increased relative to the two previous years. A leak was detected in the city water network that supplies the sprinkler network. After the repair, more regular reading of the meter was implemented.

Municipal water was also used this year in order to top up the fire reservoir and for a few sprinkler tests, instead of using water from the reservoir. The manufacturing tanks were also washed more frequently, as part of the application of the GMP (Good Manufacturing Practices).

• **Energy**

Overall natural gas consumption declined by 18% compared to 2012. This is the result of the major renovation and insulation work on the roofs and exterior walls that was started in 2011 and completed in December 2012. This work resulted in better temperature control in the buildings and therefore reduced gas consumption. It should be noted that as the average exterior temperatures were by and large the same in 2013 and 2012, the decreased consumption can therefore not be attributed to meteorological conditions. The new heating, air conditioning and ventilation equipment in the leather workshop also had an effect on the gas and electricity consumption. It is for this reason that specific meters were installed in February 2013 for the gas, and in July 2013 for the electricity. The gas and the consumption of each activity (Leather goods and Perfumes) can now be independently monitored in order to target the necessary actions in pursuit of reductions.

• **Atmospheric emissions**

For 2013, atmospheric emissions of VOCs (Volatile Organic Compounds) were estimated at less than 1% of the total consumption of solvents and

therefore remain below the 5% emission limit for perfume industries. These VOCs primarily consist of ethanol, a product that is not bio-accumulable, presents no measurable risk to animal and plant life, and vaporises and biodegrades quickly.

The boiler emissions were also tested and analysed, and are compliant with the regulations.

• **Waste**

The volume of generated waste increased by approximately 5% relative to 2012. It should be noted, however, that the overall quantity of hazardous waste (HIW) fell by 13%. The increase of the volume of OIW is linked to the extensive works undertaken, notably the renovation of the office areas, that resulted in storage and sorting.

In 2013, 52% of the waste was recycled and 8% recovered, which marks a significant increase over 2012. Indeed, a portion of the alcoholic products was processed by a new service provider that offers a material recycling service of nearly 100%.

The usual service providers also offer new recycling possibilities, notably for alcohol and glass, products that were previously burned for energy recovery.

• **Bilan Carbone®**

The Vaudreuil site updated its Bilan Carbone®. The efforts are currently focused on improving the collection and reliability of the input data. It should be noted that the two largest sources of emissions of greenhouse gases are the downstream freight and packaging, particularly glass bottles.

• **Health and Safety**

Significant projects related to health and safety were carried out in 2013:

- update of the chemical risk assessment for all activities at Vaudreuil and performance of a

campaign to verify the exposure levels to chemical agents during the manufacturing and packaging activities for perfumes, in the leather workshop as well as in the maintenance and upkeep workshops;

- coordination of works involving external companies (prevention plans, safety orientation, work permits, field safety coordination, management of co-activity). These large-scale works required the involvement of the entire HSE and maintenance team so as to ensure the safety of the worksites and of the Hermès personnel (rearrangement of offices, creation of temporary meeting/reception rooms, demolition of the old structure and construction of a new reception pavilion, construction of additional parking and roadways, insulation of the storeroom's roof). A person from the HSE team is dedicated to managing the external companies;
- change of the alarm supervision system in collaboration with the group's general services;
- many actions undertaken after the regular visits by the DREAL in 2013, notably the performance of noise measurements at the edges of the property, improving the quality of aqueous emissions through better knowledge of their composition, launch of the update of the usage authorisation file. The HSE actions launched in previous years were continued in 2013: safety events, HSE audits, 15-minute safety briefing, CHSCT project files, ergonomic relays working groups, warm-up gymnastics, safety training (extinguishers, ESI, first aiders)...

CRYSTAL

In 2013, two people in the Compagnie des Cristalleries de Saint-Louis coordinated the site's EHS work: an environment & new construction manager, and a health and safety coordinator. As of September 2012, a single "Maintenance/New Construction, Health, Safety and Environment" entity was created under the authority of a new technical manager.

In 2013, a budget of €204,000 was devoted to various projects targeting improved performance in terms of health, safety and working conditions, including one project on the ergonomics of the selection stations and a mechanical taker-in at the Grande Place, as well as optimisation of the aspiration systems for acid fumes.

• Annual overall figures

	2009	2010	2011	2012	2013
Water (m ³)	17,558	18,461	17,991	12,992	15,850
Electricity (MWh)	8,118	7,548	8,985	8,563	8,797
Gas (MWh)	31,799	33,028	32,488	32,474	34,428
Fuel oil (MWh)	101	168	123	93	101
OIW (t)	84	132	85	92	92
HIW (t)	1,228	1,086	1,030	1,032	1,180
Of which recycled/ recovered waste (t)	1,052	935	828	807	860

• Water

Since 2008, on a comparable basis, a 47% reduction has been recorded. Attentive and demanding management of the water resources as well as the motivation of the personnel resulted in stable consumption figures, though with a slight increase since 2012, after a change of the product mix.

• **Energy and Bilan Carbone®**

The higher energy consumption can be explained by the increased activity and by the continuing operation of the pot oven that is approaching its end-of-life, and operating in degraded condition. It is expected to be replaced in 2014. As a result of the longer and more severe winter in the first half of 2013, a larger share was devoted to heating than in 2012.

A study on potential energy savings was carried out by an engineering firm that specialises in climate engineering. It will contribute to the action plans on this topic, which is very closely monitored on the site: it is also the main source of emissions of greenhouse gases, for which the overall assessment is now updated every year.

• **Waste**

The quantities of OIW and the overall total waste remain comparable from one year to the next. A partnership was consolidated with Emmaüs for the removal, recycling and reclamation of all types of wood waste, as well as for the reclamation of IT waste. The quantity of cullet reclaimed outside of the company in 2013 increased relative to 2012 (792 tonnes versus 751 tonnes), resulting from a reduction of the stock carried out in 2012. The rate of recycled cullet increased by one point in 2013.

• **Acqueous effluent and atmospheric emissions**

As every year, particular attention was paid to liquid effluent and atmospheric emissions. An in-depth monitoring plan was carried out for four periods of fifteen days over the course of the year, which required the installation of an approved meteorological station. The preparation of this report, along with action plans, occurred in January 2014.

A campaign intended to reduce discharges of dangerous substances into water (French acronym: RSDE) was carried out over six months. Since half 2013, it has been undergoing analysis by the Agence de bassin Rhin-Meuse and the DREAL. The disposal of used industrial water, pre-decanted in the respective workshops and collected at a single point, transits via a final decantation basin before being treated, since the first half of 2009, by phytotreatment.

To improve the installation's performance, an additional 75 m3 buffer decantation basin was built, and a study on additional physicochemical treatment is in progress.

An audit performed by an external audit firm, on the new 30,000 Nm3/h centralised dust extractor installed in 2012, led to the system's optimisation both in terms of its capture and the scrubbing of the discharges, with the improvement having been confirmed by taking measurements.

• **REACH**

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

• **Health and Safety**

In 2013, actions continued in an effort to improve ergonomics at the workstations, focusing on the selection stations in the Quality department.

In October 2013, extensive training over 3 days was provided to all members of the health, safety and working conditions committee (CHSCT), the

nurse, the safety coordinator and the technical & EHS coordinator, on the analysis of workplace accidents using the causal analysis tree method.

An assessment of chemical risks was launched in late 2012, that led to the set-up of uniform exposure groups and to the preparation of a sampling strategy for inhalation risks. The first campaign was carried out in the first half of 2013, followed by an initial compilation at the end of 2013, before the organisation of presentations for all managers and the Management committee in the first quarter of 2014.

WATCHES

The watch division now consists of La Montre Hermès (design, manufacturing and distribution of watch products), of the company Joseph Erard (manufacturing of watch cases) and of Natéber (manufacturing of dials).

Since 2012, an EHS and general services position was been in place to conduct activities concerning EHS issues in the Watches division. An EHS committee meets once every quarter on each of the three sites, and organises inspection visits. External audits on issues relating to the environment, health and safety as well as fire are organised on a regular basis. Some €450,000 have been devoted to investments relating to the environment, ensuring machine compliance, ergonomics and safety.

• Figures

	2009	2010	2011	2012	2013 ⁽¹⁾
Water (m ³)	1,012	707	860	5,437	6,013
Electricity (MWh)	334	357	381	509	1,027
Gas (MWh)	-	-	-	118	94
OIW (t)	20	20	20	19	22

(1) Integration of Joseph Erard as of 1 January 2013.

• Water

Water consumption is monitored on a monthly basis.

While water is used only for domestic purposes within LMH, it is used in the electroplating process at Natéber and in the washing of watch cases at Joseph Erard. Total consumption is up by 11% due to the integration of Joseph Erard, but down by 22% with a constant perimeter.

• Energy

Electrical energy consumption is monitored, with a report published each month as a component of the annual report. The total consumption is up by 79% as a result of the electricity consumption of Joseph Erard (that does not use any gas), but down by 6% with a constant perimeter.

• Waste

The waste production is monitored, with a report published each month as a component of the annual report.

Personnel are informed and trained to use the bins provided for each category of waste and are careful to comply with best practices for waste disposal. Departmental managers ensure compliance with the sorting instructions.

No aqueous products, solvents, glues or dyes are disposed of via the drains. They are placed in sealed containers and disposed of via a professional chemical disposal company.

• Atmospheric emissions

For La Montre Hermès, there are no atmospheric emissions, as the heating water is produced by the incineration plant of the city of Bruegg, that recycles part of the combustible waste.

For Natéber, the heating plant within the factory uses city gas. For Joseph Erard, the central heating system runs on domestic fuel oil.

• **Bilan Carbone®**

The Bilan Carbone® performed each year at LMH now includes the Joseph Erard and Nateber sites in order to provide an overall view of the emissions and to steer the reduction projects throughout the watch division.

PORCELAIN AND ENAMEL

1. COMPAGNIE DES ARTS DE LA TABLE ET DE L'EMAIL

The activity on the Nontron site is devoted to the decoration of white porcelain parts and the manufacturing of enamel bracelets. A health, safety and environment manager reporting to the site director has been in place since 2012. The site's consumption figures are posted on a display board at its entrance.

A specific budget was allocated to the efforts to save energy and optimise the lighting; the total amount of the investments devoted to EHS was equal to €185,000.

• **Figures**

	2009	2010	2011	2012	2013
Water (m³)	803	1,196	1,429	1,615	1,883
Electricity (MWh)	846	936	922	1,229	1,222
Gas (MWh)	478	547	461	547	696
Fuel oil (MWh)	55	55	33	31	31
OIW (t)	75	65	34	82	81
HIW (t)	1.7	3.9	7.6	8.8	34.2

• **Water**

Both for the porcelain decoration activity and for the enamel activity, the Nontron site uses water in its industrial process as well as for domestic purposes. In 2013, water consumption increased by 17% relative to 2012. The very strong increase of the

enamel production volumes explains the greater need for water for industrial purposes, while the significant personnel increase during the year explains the increased use of water for domestic purposes.

• **Energy**

The site's overall energy consumption (electricity, gas and fuel oil) increased by 8%. This increase is due exclusively to the higher gas consumption as a result of an abnormally long winter.

• **Bilan Carbone®**

The Bilan Carbone® was updated in 2013, while the main source of emissions continues to be transportation. The switch to an annual analysis frequency improved the accuracy of the data collection.

• **Usage of resources and waste**

The CATE primarily uses porcelain, metal, chromolithographies and pigments for enamel preparation. The site is working on reducing its consumption figures, and has implemented several actions: upstream collaboration with suppliers, working groups on improving the internal scrap rates, recycling of metallic mounts and precious materials.

The weight of generated OIW remained stable; the recycling of materials includes wood, paper, cardboard, plastic, etc. Scrapped porcelain parts are also recycled, while the solvents and used packaging are burned for energy recovery. The weight of HIW is sharply higher. This reflects the increase of the enamelled activity and the set-up of regular cleaning of the enamel circuits and of the buffer basin.

• **Health and Safety**

Training is an important component of the local actions, with fire training for all of the personnel, gesture and posture training for the logistics and control sectors, and chemical risks training for the enamel and brushes sectors.

From the viewpoint of equipment, the safety shoes were replaced for all personnel members, while a mechanical lift table and two large load pallet trucks were installed at the incoming quality control. The chairs in the decor application workshop were replaced with a more ergonomic model. The single risk assessment document was updated on a new medium, in a participatory manner that involved the CHSCT members and the sector managers.

Exposure measurements were performed at the workstations where chemical products are used.

• **Acqueous effluent**

In 2013, a study was carried out by an external institution, in order to optimise the station that processes the effluent from the enamel process. Regular cleaning of the circuits and of the lift station was implemented. All chemical products are now used in retention tanks, thereby preventing any risk of pollution from effluents.

• **Societal commitments**

The site, located at the heart of the city of Nontron, is the community's second largest employer after La Maroquinerie Nontronnaise. Whenever possible, local craftsmen are used for regular works involving electricity, mechanical applications, plumbing, roofing and earthworks.

2. BEYRAND (ceramic printing by silk screening)

• **General policy with regard to environmental matters**

In 2013, the quality manager, reporting to the industrial director, took over the health, safety and environment functions. Normative and regulatory monitoring is carried out in collaboration with the group's industrial department, while waste as well as energy consumption and works are monitored with the purchasing and maintenance departments. In 2013, €41,000 of investments were made in order to improve the ergonomics of various workstations, for the chemical risk assessment and for pollution prevention.

• **Figures**

	2009	2010	2011	2012	2013 ⁽¹⁾
Water (m ³)	1,896	3,514	4,767	4,150	4,243
Electricity (MWh)	2,243	2,396	2,574	2,550	2,425
Gas (MWh)	1,715	2,072	1,611	1,709	1,627
Fuel oil (l)	–	3,000	6,000	4,501	3,000
OIW (t)	33	36	42	44	38
HIW (t)	9	9	9	11	14

(1) Consolidation within the Hermès group as of 1 May 2013.

Water consumption has been relatively stable for the last three years. Water is primarily used for domestic purposes, to supply the automatic fire suppression network, and frame washing.

The site has a water treatment station at the exit from the washer/scouring sluice (physicochemical process). Water analyses performed in 2013 at the station's exit demonstrated its efficiency, since the released water contained no pollutants. There are also silver recovery units at the output from the film developers. The rain water and wastewater networks are separate.

• **Energy**

The gas and electricity consumption figures have been stable in recent years. These figures are primarily related to the climatic conditions. Indeed, gas is used for heating and electricity is used primarily for the air conditioning, that must run at all times for production to be carried out. In order to rationalise and reduce gas consumption, a boiler was disconnected in 2013.

The purchase of fuel oil is also dependent on the climatic conditions and the presence or not of the personnel, since only one building (maintenance and archive building) had a boiler using fuel oil. This boiler’s burner was replaced in 2013.

Also, filling gauges were installed on the tanks.

• **Usage of resources and waste**

The waste has been stable in recent years. The site has recovery vats for the various types of waste. The following types of waste are sorted on the site: pasty products, used solvents, soiled packaging, paper, porcelain scraps, wood... All ink cartridges are also recovered and reused. Colour and paper consumption are calculated as accurately as possible such as to avoid wastage. Screens and colour pots are reused insofar as possible before being destroyed. Approximately 20% of the OIW are currently recycled. Awareness-rating actions regarding correct waste sorting are carried out on the site on a regular basis.

• **Soils**

An investigation of the soils was performed regarding the location of the inerted tanks as well as the tanks that were removed. The analysis indicated that no residual pollution was detected on the site.

• **Health and Safety**

As part of the site’s action plan, various actions were carried out in 2013:

- a project to improve the workstations in the control workshop was carried out in close collaboration with the department’s personnel. This project resulted in the purchase of ergonomic seats, as well as the production of a prototype that is currently in the modification phase:

- various workshops (screens and production) were reviewed in order to limit movements and manual handling, shelves were moved or removed entirely, and the spaces as well as the work organisation were redefined. The tools were also replaced (ergonomic pliers...);

- a consulting institution came in to perform the chemical risk assessment. This made it possible to improve the work organisation and the usage of personal protective equipment;

- new first aiders and workplace emergency personnel (SST) were trained;

- the entire isolated worker protection system was replaced;

- a HSE display was set up. This display is periodically reviewed, according to various topics (PPE, safety...);

- a compliance analysis of the rotating machines was performed.

SILVERSMITHING AND JEWELLERY

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

• Figures

	2009	2010	2011	2012	2013
Water (m ³)	696	853	1 055	486	358
Electricity (MWh)	173	190	168	200	175
Gas (MWh)	17.9	16.7	11.8	12.7	10.4

• Energy

Energy consumption returned to more customary levels in 2013. Improvements to the internal gas network decreased consumption by 18%.

• Water

Water consumption once again declined in 2013 after an initial decrease in 2012 as a result of maintenance work on the installations, a search for leaks and some new equipment such as shut off valves. A meter was installed on the water process in 2013. It will provide for more accurate analysis of the consumption figures.

• Usage of materials

The main raw material used by Puiforcat is silver. This precious metal is shaped on-demand by the supplier. All of the shavings, filings, defective or obsolete parts are melted down and refined in order to be used for the manufacturing of new parts.

• Effluent and atmospheric emissions

Since 2005, closed-circuit resin-based recycling systems for electroplating baths were installed in the Puiforcat workshop and in the prototype workshop. Every year, an outside specialist regenerates the filtration resins of the electroplating

bath and disposes of the used bath liquids and of waste produced in the process. Instructions were entirely rewritten for using and maintaining the baths and for the alarm system, and posted at all workstations. To prevent accidental pollution, the chemicals are stored in special cabinets and the baths are installed on retention tanks.

• Bilan Carbone®

The Bilan Carbone® was updated in 2013. The most significant emission source is transportation, that represents half of the emissions.

• Health and Safety

A polishing workstation redesign project was carried out in close collaboration with the CHSCT, the employee health department and the workshop's craftsmen. The working group defined the various solutions (dimensions of the station's various elements, lighting, aspiration...).

The assessment document on professional risks was updated in a coordinated manner with the CHSCT, that was able to improve its skills with the single document methodology. This initiative also provided an opportunity to tackle various subjects in the field in order to strengthen the awareness of the personnel regarding risks at the workstation.

FOOTWEAR

The IT systems in general services manager is responsible for overseeing environment, health and safety issues on the John Lobb site in Northampton, while in Paris these issues are handled directly by the site's production manager. The Northampton site underwent a significant transformation in 2013, with the transfer of the logistics and offices to a new building.

• Figures

	2009	2010	2011	2012	2013
Water (m ³)	861	847	767	788	844
Electricity (MWh)	219	233	225	242	275
Gas (MWh)	213	200	193	177	186

• Water and energy

Water is primarily intended for domestic purposes and for the weekly tests of the sprinkler system. The manufacturing process represents a marginal part of the water consumption, during the preparation phase for soles. After years of optimising the consumption, the increase in 2013 is a reflection of the personnel growth and of an increase in the number of work hours.

The consumption of domestic water was consistent with the increase of produced volumes. Used only for heating, gas consumption remained relatively stable: the slight increase can be explained by the meteorological conditions.

• Bilan Carbone®

The Bilan Carbone® was updated in 2013, and will henceforth be updated annually.

• Waste

Selective sorting is in place in the manufacturing process for plastic, cardboard and paper.

A contract is still in place with a company that collects waste each day and manages its treatment, ensuring 100% recycling with no burial.

• Health and Safety

The Northampton site is proceeding with its health and safety initiative launched in 2009, while notably continuing to work with an external consultant who specialises in these fields, for the follow-up and update of the plant's obligations.

All new employees are provided with training in the area of hygiene and safe working conditions. In 2013, the Northampton site was audited by an external consultant, relative to the EHS and fire perimeter. The resulting recommendations and action plans are being rolled out.

LOGISTICS

A person reporting to the Management division is responsible for environment, health and safety projects on the site. On a daily basis, the general services team provides the maintenance of the buildings and equipment needed for the site's operation.

• Figures

	2009	2010	2011	2012	2013
Water (m ³)	2,586	2,680	2,324	4,274	4,246
Electricity (MWh)	2,694	2,480	2,059	2,040	2,016
Gas (MWh)	3,316	3,776	2,535	2,224	2,305

• Water and energy

Water consumption decreased slightly in 2013 relative to 2012 though the personnel numbers remained stable, as water is only used on the site for domestic purposes.

The site underwent significant work to repair the *façade* of the administrative building in order to improve its insulation, and all of the windows were changed. The building also received a new ventilation/air conditioning/heating system, along with a new and more suitable boiler. The investments devoted to improving the energy performance represented an amount of €2.8 million, spread over 2012 and 2013.

Energy-saving light bulbs have now been installed on the ground floor of both warehouses. On the first floor of warehouse 2, a central system controls the lighting by span, instead of leaving the lights on all day on the floor.

• **Waste**

A specific paper recycling bin was added to the offices. Initiated in 2009, the generalized usage of reusable containers (rolls, crates...) continued in collaboration with the production sites.

• **Discharges**

The site produces only slight adverse noise effects, resulting primarily from the boiler room and truck

traffic. The noise levels were measured in order to verify compliance with the prefectural operation order. A decanting tank for hydrocarbons was installed on the level of the car parks. The works to separate the flows of wastewater and rainwater were completed.

• **Bilan Carbon®**

The Bilan Carbone® was updated in 2013, with the main source of emissions naturally being transportation, the optimisation of which is a daily task.

• **Health and Safety**

The “gestures and postures” training continued in 2013, with 36 people trained this year after the 84 people trained in 2012.

All of the team members were provided with training as part of the evacuation and/or fire outbreak procedure.

Individual hearing protection was provided for certain stations after the noise measurement campaign.

CSR appendices: Human resources

- 155 Group headcount
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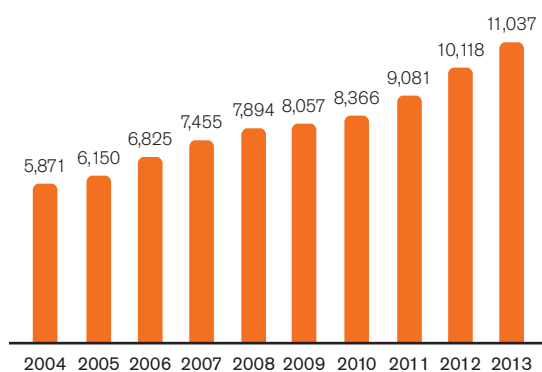
Social information

In accordance with Article 225 of the Grenelle 2 law of 10 July 2010, we have outlined information on the way in which Hermès takes social consequences into account in its activities, which we have presented below.

The sectors examined include the priorities of employment, organisation of work, social relations, health and safety, training and equal treatment as well as compliance with the fundamental agreements and conventions regarding labour. At this point, it is important to clarify that the organisation of the human resources is decentralised and that a HR presence can be found in all zones and countries where the Group operates.

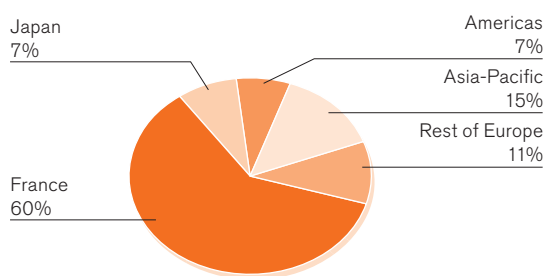
GROUP HEADCOUNT

The headcount within the Hermès Group includes active permanent staff members and people on fixed-term contracts of more than nine months, including apprenticeship contracts. The permanent active staff represent 96% of the total staff. Increasing by 97% over the last ten years, the Group headcount was equal to 11,037 people on 31 December 2013.

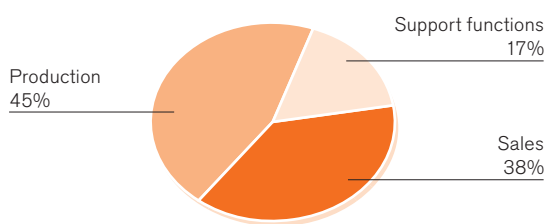


WORKFORCE BY REGION

	2012	2013	Growth by zone	Distribution of the additional jobs
France	6,111	6,631	9%	57%
Europe (Rest of Europe)	1,099	1,234	12%	15%
Americas	659	718	9%	6%
Asia-Pacific	1,525	1,706	12%	19%
Japan	724	748	3%	3%
Group total	10,118	11,037	9%	100%



PERSONNEL BY SECTOR



Sales staff includes:

- all people in direct contact with customers in stores, such as sales personnel, cashiers, hostesses, store security staff, etc.;
- all people who work in specialised networks (perfumes, watches, etc.), and all individuals who work with intermediaries, sales representatives, export managers, etc.;

- all people in direct contact with finished goods and in indirect contact with customers, that is, employees who work in distribution but who are not directly engaged in selling.

Production staff includes:

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

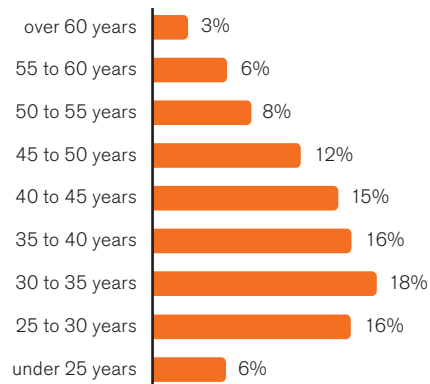
Support staff includes:

- all people who are employed in design or other creative fields, with particular know-how;
- all people who are members of departments such as Executive Management, Finance, Human Resources, General services, Legal, IT, Press, Public Relations, etc.

DEMOGRAPHIC DATA

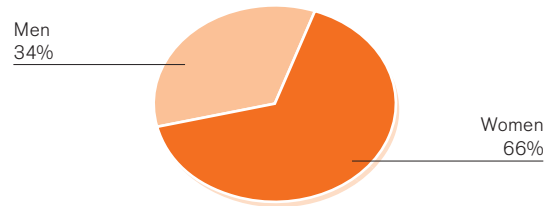
• Age pyramid

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



• Workforce by sex

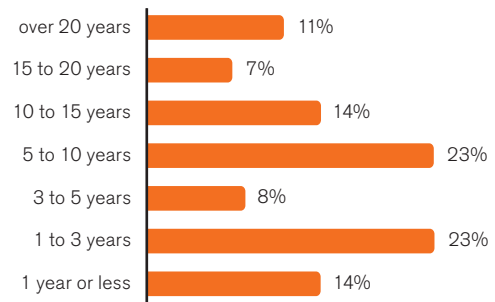
Women make up a significant majority of the Group's staff (66%), represented on all levels of the hierarchy, and all activities.



• Age pyramid

The average length of service is 8 years and nearly 46% of staff members have been with the Group for less than five years.

The group encourages the development of skills and long careers. Nearly one third of the staff has been with the Group for more than ten years.



JOB CREATION

Given the group's organic growth, the last 10 years have not required any restructuring efforts for economic reasons that had any consequences with regard to jobs. During development operations (creation of sites), possible transfers are on a voluntary basis.

In France, individual layoffs involved 50 people in 2013.

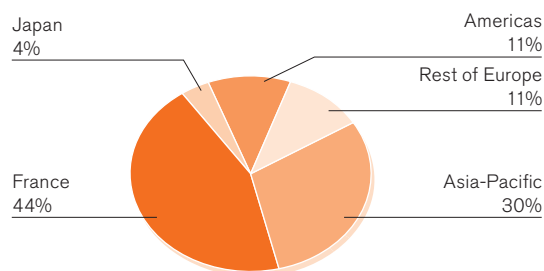
As part of the Hermès Group strategy to protect and develop its sources of supply, the Group acquired two production companies in the watch and “art of living” sectors. At the end of 2013, the workforce of the acquired companies amounted to 126 employees.

Moreover, as part of our priority to increase production capabilities in the leather goods sector, the Group will open in 2014 two new production sites in the Doubs region. In future, these two sites will employ approximately 250 employees each.

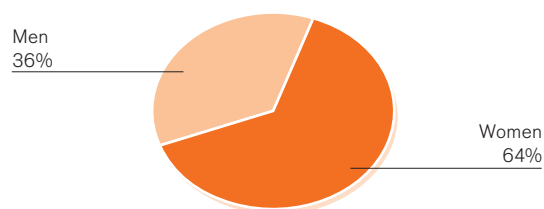
• **Newcomers within the group**

1,527 employees joined the Group in 2013 (acquisitions, replacements and new positions). Amongst the people who joined the Group, the average age was 33.

• **Newcomers by geographical zone**



• **Newcomers by type**



• **Jobs created within the Group**

The total workforce of the Group increased by 919 people relative to 2012. Without including the acquisitions it has made, the Group created 794 jobs in 2013, including 778 open-ended contracts.

As mentioned, the production sector has seen the most growth with the creation of 501 additional jobs in order to increase our production capabilities and protect our expertise and the Group’s sources of supply.

COMPENSATION

(in €M)	2010	2011	2012	2013
Payroll	325	367	431	474

The Group’s payroll was €474 million in 2013 versus €431 million in 2012, to which one must also add €159 million of social charges, €59.9 million of incentives and profit-sharing, and €1.9 million for the social projects budget.

Barring exchange effects, the payroll reflects both the growth of the personnel numbers as well as an increase of the wages in all geographical zones.

The desire to recognise both collective and individual performance has, in recent years, resulted in the development of the individual and collective variable shares.

The compensation levels are primarily a reflection of the skills and markets related to the job basins. The compensation policy is based on a desire to recognise growing levels of competence, while maintaining internal and external competitiveness.

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

The compensation of the corporate officers is shown on page 81 of the present document.

EMPLOYEE SUPPORT ACTIVITIES (FRANCE)

The total amount paid to works councils for employee support activities rose by 18.8% in 2013.

(in €M)	2011	2012	2013
Employee support activities	1.4	1.6	1.9

INCENTIVE SCHEMES AND PROFIT-SHARING (FRANCE)

(in M€)	Incentive	Profit-sharing	Total
2011	21.7	18.5	40.2
2012	22.0*	20.5	42.5
2013	20.6	39.3**	59.9

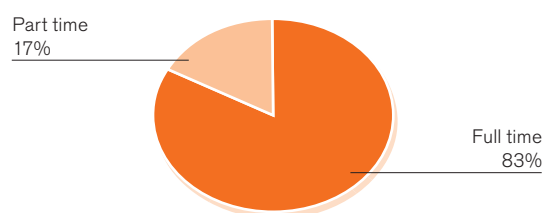
* In 2012, an exceptional incentive supplement was paid to most of the Group's French companies.

** In 2013, the incentive was extended to all of the Group's French companies.

ORGANISATION OF THE WORKING TIME

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

• Full time - Part time



• Absenteeism

In view of the demographic diversity, the range of activities between sales and production, as well as the diversity of the creative business lines even within the production sector itself, the Group prefers a qualitative follow-up of absenteeism by entity.

Changes are systematically monitored and analysed by entity, in order to identify causes and propose action plans.

The Management of absenteeism is of key importance to the HRD present on each production site, which facilitates a very customised follow-up of the population groups.

For example, the absenteeism tracking tools include the usage of return interviews. This type of measure helps to encourage dialogue, leading to better understanding of the causes of the absence while respecting medical secrecy. The managers are also trained in managing returns according to the type of absence, which is a key element for limiting their frequency.

Moreover, this absenteeism tracking has led certain companies to only establish short and medium-term objectives with regard to absenteeism. These objectives are accompanied by actions such as an improvement of working conditions, development of versatility or manager training regarding the management of absenteeism.

As such, the adopted measures include communication, awareness-raising and prevention actions (vaccinations, presence of a physician on the sites, etc.), but also control actions in order to increase the accountability of the employees and managers. Beyond these actions, based on the demographics of certain sites, specific actions were implemented with regard to maternity support. For example, these specific action plans could involve adapting the workstation, or implementing prevention

actions intended to allow pregnant women to remain at work until the start of their maternity leave.

SOCIAL RELATIONS

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

In France, Hermès complies with the relevant obligations. The social dialogue is organised by each company in order to comply with the local particularities and to ensure that the discussions will account for the realities of each situation.

A group committee meets once each year in order to discuss and debate the appraisal of the elapsed year and the prospects for coming years. In addition, a follow-up committee for the social dialogue in France was set up in 2008, in application of a social dialogue agreement signed with all representative trade union organisations.

Hermès does not manage any manufacturing activity outside of Europe. The social relations of the distribution activities are supervised by the human resources directors for each zone (or country, according to the size of the local markets), who ensure compliance with the local regulations and the application of the Group's ethics charter.

In France more than 60 agreements and amendments (group level and companies) were signed in 2013, including three agreements regarding the composition, configuration and operation of the group committee.

Also during the year, 20 agreements or action plans were tabled regarding the generation contract, and 2 relating to occupational health and safety.

2013 also saw the first concrete application for the employees of the Group companies that signed the profit-sharing agreement for 2012.

HEALTH AND SAFETY

The health and safety of the house's employees are priority subjects. The measures that serve to ensure compliance with the regulatory obligations in this regard are implemented and monitored site by site, then consolidated by the business lines, as explained in the chapter on the results of the environment, health and safety policy, on page 127 and following. Workplace accidents are monitored by each entity. As such in 2013, 149 workplace accidents with sick leave were declared in France.

However, in view of the diversity of the activities and working time within each entity, it has not been possible to determine frequency and severity rates for the overall Group. A research project is in progress in order to come up with a common definition of the number of theoretically worked hours (overall and uniform measurement for the entire Group).

TRAINING

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

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

Follow-up training is provided to each employee within each company. At the present time, the follow-up indicators are different, and do not allow for data consolidation on the Group level.

For Hermès International, the Group holding company representing nearly 3% of the overall staff, 3,210 hours of training were provided in 2013.

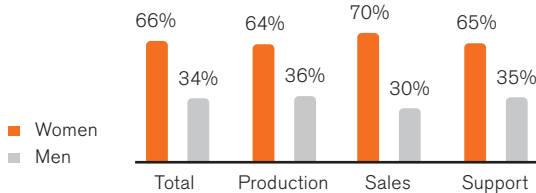
EQUAL TREATMENT

The group is very attached to the principles of recognition and respect, irrespective of one’s origin, sex, family situation or profession.

This respect for differences is presented to the employees in the ethics charter that serves as the guarantor of the objectivity, equal opportunity and promotion of diversity without discrimination as part of the recruiting, career progress and daily management.

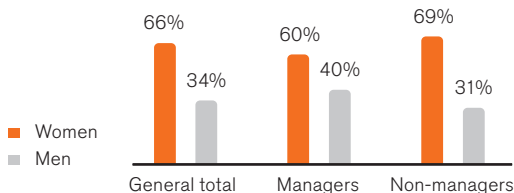
The distribution of the men/women indicates a majority of women, which is uniform across the sectors.

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

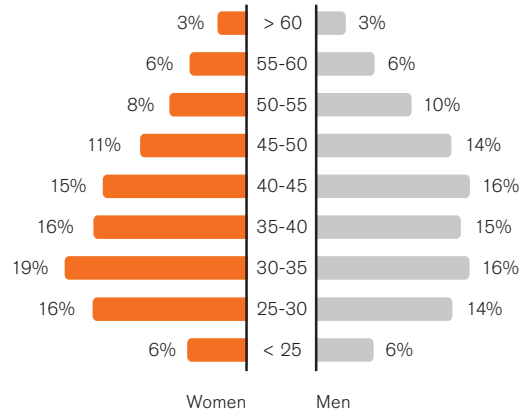


• **Distribution men-women by category (managers/non-managers)**

We note a majority of women in the various functions, notably in management positions. A woman is one of the members of the Group Executive Committee.



The men-women age pyramid breaks down as follows:



EMPLOYMENT OF DISABLED WORKERS

Through its concrete actions, the Group works to promote the employment of handicapped people, notably in the textile sector.

The number of workers with disabilities declared in France stands at 226 people, meaning an increase of 41 people relative to 2012.

ADVANCEMENT AND COMPLIANCE WITH THE FUNDAMENTAL CONVENTIONS REGARDING HUMAN RIGHTS

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

- the Universal declaration of human rights;
- the European Union charter of fundamental rights;
- the Charter of fundamental rights of the International Labour Organisation (1), that includes principles grouped according to the following topics:

freedom of association, forced labour, child labour, discrimination;

- the OECD guidelines (2);
- the OECD convention on combating bribery of public officials.

It is self-evident that the Hermès Group and its employees strive to comply with the applicable laws and regulations in all countries in which they are active.

These principles are clearly set out in the Group's ethics charter, that has been published in ten languages, available on the Group Intranet and published since 2009 in more than 12,000 copies (including one for each newcomer).

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

(2) The OECD (Organisation for Economic Cooperation and Development) brings together the governments of 30 countries in support of the principles of democracy and the market economy, for the purposes of:

- supporting sustainable economic growth;
- developing employment;
- raising living standards;
- maintaining financial stability;
- helping other countries to develop their economies;
- contributing to the growth of worldwide trade.

Consolidated financial statements

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Consolidated statement of income for the year ended 31 December 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 expenses (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 for 2013 ⁽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	–	–
<i>Gains and losses recorded in equity and transferable through profit or loss</i>	<i>(76.1)</i>	<i>34.3</i>
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)
<i>Gains and losses recorded in equity and not transferable through profit or loss</i>	<i>(8.0)</i>	<i>(18.7)</i>
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 taxes.

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

Consolidated statement of financial position as at 31 December 2013

ASSETS

	in millions of euros	
	31/12/2013	31/12/2012
Non-current assets	1,688.4	1,603.0
Goodwill (Note 10)	51.4	79.3
Intangible assets (Note 11)	108.9	101.6
Property, plant and 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

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

EQUITY AND LIABILITIES

Before appropriation	in millions of euros	
	31/12/2013	31/12/2012
Equity	2,841.2	2,358.3
Share capital (Note 20)	53.8	53.8
Shares 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

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

Statement of changes in consolidated equity as at 31 December 2013

Before appropriation

	Share capital (Note 20)	Shares premium	Treasury shares (Note 20)
As at 31 December 2011	53.8	49.6	(304.1)
Net income attributable to owners of the parent	-	-	-
Other comprehensive income	-	-	-
<i>Sub-total</i>	-	-	-
Change in share capital and share premium	-	-	-
Purchase or sale of treasury shares	-	-	(9.1)
Share-based payment	-	-	-
Dividends paid	-	-	-
Other	-	-	-
As at 31 December 2012	53.8	49.6	(313.3)
Net income attributable to owners of the parent	-	-	-
Other comprehensive income	-	-	-
<i>Sub-total</i>	-	-	-
Change in share capital and share premium	-	-	-
Purchase or sale of treasury shares	-	-	(0.6)
Share-based payment	-	-	-
Dividends paid	-	-	-
Other	-	-	-
As at 31 December 2013	53.8	49.6	(313.9)

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

in millions of euros

Consolidated reserves and net income – owners of the parent	Financial instruments (Note 20.2)	Exchange difference (Note 20.1)	Actuarial gains and losses (Note 20.3)	Equity – group share	Non-controlled equity interests (Note 21)	Equity	Number of shares (Note 9)
2,500.8	(29.1)	67.1	(25.3)	2,312.8	12.7	2,325.5	105,569,412
739.9	–	–	–	739.9	10.6	750.5	–
0.8	55.1	(21.0)	(19.5)	15.4	0.2	15.6	–
740.7	55.1	(21.0)	(19.5)	755.3	10.8	766.1	–
–	–	–	–	–	–	–	–
–	–	–	–	(9.1)	–	(9.1)	–
28.4	–	–	–	28.4	–	28.4	–
(731.8)	–	–	–	(731.8)	(10.5)	(742.3)	–
(11.1)	–	–	–	(11.1)	0.8	(10.3)	–
2,527.0	26.0	46.0	(44.8)	2,344.4	13.9	2,358.2	105,569,412
790.3	–	–	–	790.3	8.6	798.9	–
0.3	4.5	(79.5)	(8.3)	(82.9)	(1.1)	(84.0)	–
790.7	4.5	(79.5)	(8.3)	707.4	7.5	714.9	–
–	–	–	–	–	–	–	–
–	–	–	–	(0.6)	–	(0.6)	–
42.5	–	–	–	42.5	–	42.5	–
(263.9)	–	–	–	(263.9)	(9.3)	(273.3)	–
(4.1)	–	–	–	(4.1)	3.5	(0.6)	–
3,092.1	30.5	(33.5)	(53.1)	2,825.6	15.6	2,841.2	105,569,412

Table of consolidated cash flows as at 31 December 2013

Before appropriation	in millions of euros	
	2013	2012
CASH FLOWS USED IN OPERATIONAL 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
Marked-to-market value of financial instruments	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
Other	(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)
Buybacks of treasury shares net of disposals	(0.6)	(9.1)
Borrowings	0.1	34.3
Reimbursements of borrowings	(9.9)	(45.5)
Other increases/(decreases) in equity	3.1	0.1
Net cash used in financing activities	(280.7)	(762.6)
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 the 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)

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

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

Hermès International is a *société en commandite par actions* (partnership limited by shares) established under French law. It is listed on the euolist (Compartment A) and governed by all laws applicable to commercial companies in France.

Its registered office is located at 24, rue du Faubourg-Saint-Honoré, 75008 Paris (France). Hermès International will be dissolved automatically as at 31 December 2090, except in the event of early dissolution or unless the term is extended.

The consolidated financial statements present the financial position of Hermès International and its subsidiaries

(the "Group"), together with interests in associates (see Note 1.2). They are prepared on the basis of annual financial statements for the period ended 31 December, expressed in euros.

The consolidated financial statements as presented were approved by the executive Management on 18 March 2014 and will be submitted to the shareholders for approval at the Annual General Meeting on 3 June 2014. The consolidated financial statements were also reviewed by the Audit Committee at its meeting on 17 March 2014.

NOTE 1 - ACCOUNTING POLICIES AND PRINCIPLES

1.1 - Accounting standards

The Hermès Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European union as of 31 December 2013. Under European Regulation 1606/2002 of 19 July 2002 (available on the www.eur-lex.europa.eu website), companies listed on a regulated stock exchange in one of the European Union Member States are required to present their consolidated financial statements prepared in accordance with IFRS for financial years commencing on or after 1 January 2005.

1.1.1 - Mandatory standards, amendments and interpretations applicable as at 1 January 2013

The Group has applied the amendments of standards and interpretations that came into force as at 1 January 2013, as adopted by the European Union, to its consolidated financial statements:

- ◆ amendment IAS 1 on the gains and losses recognised in equity and their separate presentation, depending on whether or not they are transferable to the statement of income in the future;
- ◆ amendments to the IAS 19 standard relative to personnel benefits. The Group has applied this standard since the end of the year ended 31 December 2012. The other amendments of standards and the following interpretations have no significant impact on the

Group's consolidated financial statements:

- ◆ IFRS 1 on severe hyperinflation and the removal of final implementation dates for new adopters;
- ◆ the amendment to the IFRS 7 standard, on settlement of the financial assets and liabilities;
- ◆ the IFRS 13 standard, that defines the fair value and information to be provided on the provisions for the assessment of the latter when it is used;
- ◆ IFRIC 20 Overdraft fees incurred during the production phase of an open-cast mine.

1.1.2 - Non-mandatory standards and interpretations as at 1 January 2013

The Group has opted for early application of the standards and interpretation that it will be mandatory to apply as at 31st December 2013. These standard and interpretations should have no significant impact on the Group's earnings and financial situation.

This primarily involves:

- ◆ IAS 27 amended, on separate financial statements;
- ◆ IAS 28 amended, on investments in associates and joint ventures;
- ◆ IFRS 10 on the consolidated financial statements;
- ◆ IFRS 11 on joint arrangements;
- ◆ IFRS 12 on disclosures of interests in other entities;
- ◆ amendments to the IAS 32 standard – Financial instruments: presentation, relative to the settlement of financial assets and liabilities;

- ◆ amendments to IAS 36 relative to the information to be provided on the recoverable value of financial assets;
- ◆ amendments to the transitional provisions of IFRS standards 10, 11 and 12;
- ◆ amendments to the IFRS standards 10, 12 and IAS 27 on the consolidation of investment entities.

1.2 Scope and methods of consolidation

The consolidated financial statements include the financial statements of Hermès International and material subsidiaries and associates over which Hermès International directly or indirectly exerts exclusive control, joint control or significant influence.

1.2.1 - Exclusive control

Exclusive control is presumed to exist when the Group holds more than 50% of the voting rights. Nevertheless, it can be considered that a company is under exclusive control when less than 50% is held, provided that the Group holds the power to govern a company's financial and operational policies in order to derive benefits from its business activities.

The financial statements of companies under exclusive control are fully consolidated. Under the full consolidation method, assets, liabilities, incomes and expenses are combined in full on a line by-line basis. Equity and net income attributable to non-controlling interests are identified separately under "Non-controlling interests" in the consolidated statement of financial position and the consolidated statement of income.

1.2.2 - Joint control

Entities owned by the Group in which the power to govern financial and operating policies is contractually shared with one or more other parties, none of which exercises effective control, are accounted for using the equity method. On the present date the Group does not hold any company under joint control.

1.2.3 - Significant influence

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

1.2.4 - Newly consolidated and deconsolidated companies

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

1.3 - Conversion of foreign-currency items

1.3.1 - Foreign-currency transactions

Foreign-currency transactions are recorded on initial recognition in euros, by using the applicable exchange rate at the date of the transaction (historical rate). Monetary assets and liabilities denominated in foreign currencies are converted using the closing exchange rate. Foreign currency adjustments are recognised in incomes or expenses. Non-monetary assets and liabilities denominated in foreign currencies are converted using the exchange rate at the transaction date.

1.3.2 - Conversion of foreign companies' financial statements

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

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

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

1.4 - Eliminations of intragroup transactions

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

These transactions are subject to corporate income tax. Dividends and interim dividends received by the Group from consolidated companies are eliminated on consolidation. A matching amount is recorded in consolidated reserves.

In the case of companies accounted for using the full consolidation method, reciprocal payables and receivables as well as reciprocal income and expenses are fully eliminated.

1.5 - Structure of the consolidated statement of financial position

In accordance with IAS 1 – Presentation of Financial Statements, the Group classifies its assets and liabilities on its statement of financial position as current and non-current. An asset or liability is classified as current:

- ◆ when the Group plans to realise an asset or pay a liability within twelve months or within the Group's normal operating cycle;
- ◆ when the relevant asset or liability is held for the purpose of being traded.

IAS 12 – Income Taxes specifies that deferred tax balances shall not be classified as non-current.

1.6 - First-time consolidation and goodwill

1.6.1 - Subsidiaries

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

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

The resulting valuation adjustments are recognized under the related assets and liabilities, including the share attributable to non-controlling interests, and not just the share of net assets acquired. The residual difference, which is the difference between the transferred counterparty and the share of net assets measured at fair value, is recognised under goodwill.

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

Purchases or sales of non-controlling interests that do not lead to a change in control are recorded as equity transactions among shareholders. Consequently, any difference between the fair value of the counterparty paid or received and the corresponding book value of the equity interest acquired or sold (without resulting in a loss of control), but that does not provide control, is directly recorded in equity.

The valuation of identifiable intangible assets recognized upon first-time consolidation is based mainly on the work of independent experts, taking into account sector-specific criteria that enable such valuations to be subsequently monitored.

In accordance with the provisions of amended IFRS 3, Goodwill is not amortised. Goodwill is reviewed annually, when the budget is drawn up, to ensure that the residual net value does not exceed the recoverable amount in respect of the expected return on the investment in the related subsidiary (determined on the basis of discounted future cash flows). If internal or external events or circumstances bring to light indications of lost value, the frequency of the impairment tests may be revised (see Note 1.8).

Impairment of the Goodwill of subsidiaries is not reversible. Any impairment charge is included in "Other income and expenses" of the operating income.

1.6.2 - Associated companies

Goodwill of associates is recognised under "Investments in associates". When impairment criteria as defined by IAS 39 – Financial Instruments: Recognition and Measurement indicate that these investments may

be impaired, the amount of such impairment is determined in accordance with the rules defined by IAS 36 – Impairment of assets.

Goodwill impairment is reversible.

1.7 - Intangible assets and property, plant and equipment

In accordance with IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets, only those items whose cost can be reliably determined and from which it is probable that future economic benefits will flow to the Group are recognised as fixed assets.

1.7.1 - Intangible fixed assets

Intangible assets, valued at amortised historical cost, consist primarily of:

- ◆ leasehold rights;
- ◆ patents, models and brands other than internally generated brands;
- ◆ computer software.

Leasehold rights are generally deemed to be fixed assets with an indefinite life if their residual value at the end of the lease term is positive. In this case, they are subject to impairment testing to ensure that their net carrying amount is higher than their probable realizable value. Other intangible assets are amortised on a straight-line basis over periods ranging from one to five years maximum and are deemed to be fixed assets with a finite life.

It is specified that internally generated brands and items that are similar in substance are not recognised under intangible assets, in accordance with IAS 38. All costs incurred in this respect are recognised as expenses.

1.7.2 - Tangible fixed assets

Property, plant and equipment is recorded at historical acquisition cost, less accumulated depreciation and recognised impairment losses, and is depreciated, generally using the straight-line method, over the following average estimated useful lives:

- ◆ buildings: 20 to 50 years;
- ◆ leasehold improvements, furniture and fixtures: 10 to 20 years depending on the expected useful life of the related asset and the term of the lease (in particular in the case of store fixtures);
- ◆ machinery, plant and equipment: 10 to 20 years;

- ◆ other: 3 to 10 years maximum.

Total depreciation and amortisation of property, plant and equipment are presented in “Other income and expenses”, except for allocations relative to fixed assets used for production, that are included in “Cost of sales”.

The different components of an asset are recorded as separate items when their estimated lives, and therefore the periods over which they are depreciated, differ significantly. Where an asset is made up of components with different useful lives, these components are recorded as separate items under “Property, plant & equipment”. Gains or losses on disposals of assets represent the difference between the sale proceeds and the net carrying amount of the divested asset, and are included in “Other operating income and expenses”.

1.7.3 - Finance lease agreements

Property acquired under finance lease agreements is capitalised when the lease effectively transfers to the lessee virtually all risks and rewards incident to ownership of such property. The criteria for evaluating these agreements as provided by IAS 17 - Leases are based primarily on:

- ◆ the lease term as a proportion of the life of the leased assets;
- ◆ the total future minimum payments in proportion to the fair value of the asset financed;
- ◆ the transfer of ownership at the end of the lease;
- ◆ the existence of an attractive purchase option;
- ◆ the specific nature of the leased asset.

Finance leases identified in this way, if they are material, are restated in order to show:

- ◆ on the asset side of the statement of financial position, the original value of the relevant property and the theoretical depreciation thereon (wherein the original value is the lower of the present value of the minimum lease payment amounts or the fair value of the leased asset at the inception of the lease);
- ◆ on the liabilities side of the statement of financial position, the corresponding financial liability;
- ◆ under financial expense and depreciation, the minimum lease payments under the agreement, such that the financial expense is allocated to periods during the lease term so as to produce a constant periodic interest

rate on the remaining balance of the liability for each fiscal year.

Leases that do not meet the criteria of finance leases are treated as operating leases, in which case the rents are recorded under income on a straight-line basis over the lease term.

1.7.4 – Investment property

In accordance with IAS 40 – Investment Property, property held by the Group to earn rental income is recognised under “Investment property”. For property that is held for use both for the supply of goods and services and as investment property, the two components are identified separately and recognised in accordance with IAS 16 – Property, Plant and Equipment, and IAS 40, respectively.

As in the case of property, plant and equipment, investment property is recognised at historical acquisition cost less accumulated depreciation and recognised impairment losses, over the same depreciation periods as those applicable to other property, plant and equipment.

1.8 - Impairment of fixed assets – impairment losses

In accordance with IAS 36 – Impairment of Assets, when events or changes in the market environment indicate that there is the risk of an impairment loss on:

- ◆ intangible assets,
- ◆ property, plant and equipment,
- ◆ investment property,
- ◆ goodwill,

these assets are required to undergo a detailed review in order to determine whether their net carrying amount is lower than their recoverable amount, which is defined as the higher of fair value (less disposal cost) or value in use. Value in use is the present value of the future cash flows expected to be derived from an asset and from its disposal.

If the recoverable amount is lower than the net carrying amount, an impairment loss equal to the difference between these two amounts is recognised. Impairment losses on intangible assets and property, plant and equipment with a finite life may subsequently be reversed if the recoverable amount rises above the net carrying amount (up to the amount of the impairment loss initially recognised).

The Group tests for impairment of assets with an indefinite life every year during the budget preparation period in order to take the most recent data into account. If internal or external events or circumstances indicate impairment losses, the frequency of impairment testing may be revised.

1.8.1 - Model

In determining the value in use of assets, assets to which independent cash flows cannot be directly allocated are grouped within a cash-generating unit (CGU) to which they are attached. The recoverable amount of the CGU is measured using the discounted cash flow (DCF) method, applying the following principles:

- ◆ cash flow (after tax) figures are derived from a medium-term (five years) business plan developed by the relevant entity;
- ◆ the discount rate is determined based on WACC for the Group (8.66% in 2013) adjusted for local inflation and any country risks;
- ◆ the recoverable amount is calculated as the sum of cash flows generated each year and the terminal value, which is determined based on normative cash flows by applying a zero growth rate to infinity.

The Hermès Group has defined the following CGUs:

- ◆ sales units (branches), distribution, which are treated independently from one another;
- ◆ separate production activities (leather production, silk production);
- ◆ businesses centred on production or distribution of one type of product (including Perfumes, watches, HCP...);
- ◆ investment property;
- ◆ associated companies.

1.9 - Financial assets and liabilities

In accordance with IFRS, financial assets include non-consolidated and other investment securities, loans and financial receivables, and the positive fair value of financial derivatives.

Financial liabilities include borrowings and debt, bank lines of credit and the negative fair value of financial derivatives.

Financial assets and liabilities are presented in the statement of financial position under current or non-current assets or liabilities, depending on whether they

come due within one year or more, with the exception of trading derivatives, which are recorded under current assets or liabilities.

Operating payables and receivables and cash and cash equivalents fall within the scope of IAS 39 – Financial Instruments: Recognition and Measurement, and are presented separately on the statement of financial position.

1.9.1 - Classification of financial assets and liabilities and valuation methods

A. Financial assets and liabilities stated at fair value with changes in fair value recorded in the statement of income

These assets are initially recognised at acquisition cost excluding incidental acquisition expenses. For each closing period, they are measured at fair value. Changes in fair value are recorded in the statement of income under “Other financial income and expenses”. Dividends and interest received on these assets are also recognised in the statement of income under “Other financial income and expenses”.

B. Held-to-maturity financial assets

This category covers fixed-term financial assets, bought with the intention and ability of holding them until maturity.

These items are recognised at amortised cost. Interest is calculated at the effective interest rate and recorded in the statement of income under “Other financial income and expenses”.

C. Loans and financial receivables

Loans and financial receivables are valued and recognised at amortised cost less any impairment.

Interest is calculated at the effective interest rate and recorded in the statement of income under “Other financial income and expenses”.

D. Available-for-sale financial assets

Available-for-sale financial assets include non-consolidated investments and investment securities. For each closing period, they are stated at fair value.

Unrealised gains or losses on available-for-sale financial assets are recorded under other comprehensive income in “Derivatives included in shareholders' equity”.

For available-for-sale financial assets represented by debt securities, interest is calculated at the effective interest rate and credited to the statement of income under “Other financial income and expenses”.

E. Financial liabilities

Financial debts are recorded at amortised cost, with separate reporting of embedded derivatives where applicable.

Interest is calculated at the effective interest rate and recorded in the statement of income under “Gross cost of debt” over the duration of the financial debt.

F. Derivative financial instruments

Scope

The scope of derivative financial instruments applied by the Group corresponds to the principles set out in IAS 39 – Financial Instruments: Recognition and Measurement. According to Group rules, consolidated subsidiaries may not take any speculative financial positions.

In compliance with IAS 39, the Group analyses all its contracts, of both a financial and non-financial nature, to identify the existence of any “embedded” derivatives. Any component of a contract that affects the cash flows of a given contract in the same way as a stand-alone derivative corresponds to the definition of an embedded derivative.

If they meet the conditions set out by IAS 39, embedded derivatives are accounted for separately from the “host” contract at the inception date.

Measurement and recognition

Derivatives are initially recorded at fair value.

Changes in the fair value of these derivatives are recorded in the statement of income, unless they are classified as cash flow hedges, as described below. Changes in the fair value of such hedging instruments are recorded directly under other comprehensive income in “Derivatives included in shareholders' equity”, excluding the ineffective portion of the hedge, which is recorded in the statement of income under “Other financial income and expenses”. The ineffective portion of the hedge corresponds to the changes in the fair value of the hedging instrument in excess of changes in the fair value of the hedged item. When the hedged

cash flows materialise, the amounts previously recognised in equity are transferred to the statement of income in the same way as for the hedged item.

Derivatives classified as hedges

The Group uses derivatives to hedge its foreign exchange risks.

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

- 1) the hedge must be supported by appropriate documentation from its inception;
- 2) the effectiveness of the relationship of the hedge must be demonstrated both prospectively and retrospectively. The income obtained in this way must be between 80% and 125%.

G. Cash and cash equivalents

Cash and cash equivalents comprise liquid assets and short-term investments, usually maturing within three months or less of the acquisition date, and with negligible risk of fluctuation in value. Investments in listed shares, investments for a term of over three months that are not redeemable before the maturity date and bank accounts covered by restrictions (frozen accounts) other than restrictions due to country- or sector-specific regulations (e.g. currency controls) are not included in cash in the statement of cash flows. Bank overdrafts that are deemed to be financing arrangements are also excluded from the cash position.

Shares in funds held for the short term and classified as "Cash equivalents" are recorded at fair value, with changes in fair value recorded in the statement of income.

1.9.2 - Impairment of financial assets

For each closing period, the Group assesses whether there is any objective evidence of an asset's impairment. If so, the Group estimates the asset's recoverable value and records any necessary impairment as appropriate for the category of asset concerned.

A. Financial assets recorded at amortised cost

Impairment is equal to the difference between the asset's net carrying amount and the discounted value of projected future cash flows expected to be generated

as determined using the original effective interest rate of the financial instrument. Any impairment loss is included in the statement of income under "Other financial income and expenses". If the impairment loss decreases in a subsequent period, it is reversed and recorded as income.

B. Available-for-sale financial assets

If there is a significant long-term decrease in the fair value of available-for-sale financial assets, the unrealised loss is reclassified from equity to income. If, in a subsequent period, the fair value of an available-for-sale financial asset increases, the increase in value is recorded in equity for equity instruments, while for debt instruments, the impairment previously recorded is reversed and transferred to the statement of income.

1.10 - Inventories

Inventories and work-in-progress held by Group companies are valued at the lower of cost (including indirect production costs) or net realisable value. Cost is generally calculated at weighted average cost or standard cost adjusted for variances.

The cost of Inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition, as specified by IAS 2 – Inventories. In particular, discounts and collection costs are included in the measurement of inventories.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Impairment is booked to reduce inventories to net realisable value if this is lower than the carrying amount. These impairments are included in the cost of sales.

1.11 - Treasury shares

Shares held in treasury are recorded at acquisition cost and are deducted from equity. Gains or losses on the disposal of these shares are recognised directly in equity, with no impact on net income.

1.12 - Revenue and trade receivables

Revenue consists of sales of retail goods, sales of goods and services produced by the Group's main business operations, and income from royalties, licences and operating subsidiaries.

Revenue is recognised:

- ◆ when the major risks and benefits incident to ownership of goods are transferred to the buyer;
- ◆ when the amount of revenue can be measured reliably;
- ◆ when any volume or trade discounts and other benefits on sales are deducted from revenue (separability principle);
- ◆ when, at the transaction date, it is probable that the amount of the sale will be recovered.

In general, sales of goods are accounted for on delivery, sales of services are accounted for on completion.

1.12.1 - Credit risk

Credit risk arises from the potential inability of customers to meet their payment obligations. When there is objective evidence of impairment, the value of these obligations is adjusted at each closing period. An impairment expense is recognised in the statement of income when the carrying amount of the asset is higher than its recoverable amount.

1.13 - Other non-recurring income and expense

"Other non-recurring operating income and expenses" relates to major events which occurred during the year and produced a material financial impact. This item is presented separately from recurring operating income because it could give a misleading view of the Group's performance.

This line item therefore includes significant amounts of income and expense items generated by unusual or infrequent events.

1.14 - Operating segments

In accordance with IFRS 8 – Operating Segments, the segment information presented is based on internal reporting used by management to assess the performance of the different business sectors.

The activity of the Hermès Group is monitored by the main operational decision-maker ("Executive committee") by geographical area and trades.

Given the Group's current structure, organised into geographical area placed under the responsibility of operational managers in charge of applying the strategy defined by the executive committee, the Group has determined that the geographical area constitute the operating segments with reference to the fundamental principle of IFRS 8.

1.15 - Put options granted to non-controlling interest holders

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

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

1.16 - Provisions

A provision is a liability of uncertain timing or amount. It is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation. In addition, a reliable estimate of the amount of the obligation is made based on the information available to the Group when the consolidated financial statements are prepared.

1.17 - Pension plans and other long-term benefits

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

1.17.1 - Defined contribution pension plans

For basic post-employment and other defined-contribution plans, the Group recognises contributions to be paid as expenses when they are due and when no provision was booked in this respect, as the Group has no obligations other than the contributions paid.

1.17.2 - Defined benefit pension plans

For defined-benefit plans, the Group's obligations are calculated annually by an independent actuary using the projected credit unit method. This method is based on actuarial assumptions and takes into account the employee's probable future length of service, future salary and life expectancy as well as staff turnover.

The present value of the obligation is calculated by applying an appropriate discount rate for each country where the obligations are located. It is recognised on a basis pro-rated to the employee's years of service.

When benefits are partly funded in advance by external funds (insurance companies, foundations or other entities), the assets held are measured at fair value, and taken into account in the assessment of the liabilities.

The expense recognised in the consolidated statement of income is the sum of:

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

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

1.17.3 - Other long-term benefits

Certain other post-employment benefits, such as life insurance and health insurance benefits (primarily in Japan), or long-term benefits such as long-service awards (bonuses paid to employees, mainly in France, based on length of service), are also covered by

provisions, which are determined using an actuarial calculation that is comparable to that used to calculate provisions for post-employment benefit obligations.

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

1.18 - Income tax expense

Income tax expense includes:

- ◆ the current tax for the year of the consolidated companies;
- ◆ deferred tax resulting from timing differences:
 - between the taxable earnings and accounting income of each consolidated company;
 - arising from adjustments made to the financial statements of consolidated companies to bring them into line with Group accounting principles;
 - arising from consolidation adjustments.

1.18.1 - Deferred tax

Deferred tax is calculated on all timing differences existing at year-end (full reserve) at the tax rate in force on that date, or at the enacted tax rate (or nearly enacted rate) for the subsequent fiscal year. Previous deferred tax is revalued using the same rate (liability method).

The main categories of deferred tax apply to restatements of internal margins on inventories, impairment on inventories and timing differences. Deferred tax assets are recorded to the extent that their future use is probable given the expected taxable profits. If a recovery risk arises on some or all of a deferred tax asset, an impairment is recorded.

Deferred tax is also recognised on unrealised gains on investments in associates. In accordance with IAS 12 – Income Taxes, these gains represent the difference between the consolidated value of these investments and their tax value.

Foreign currency differences arising from the conversion of deferred tax income or expense are recognised in the statement of income in deferred tax income or expense.

1.18.2 - Group tax election

Since 1 January 1988, the Company has opted for a group tax election under French tax law. Under the terms of an agreement between the parent company and the subsidiaries included in the group tax election, projected and actual tax savings or liabilities generated by the Group are recognised in the parent company's statement of income in the year in which they arise.

1.19 - Adjustment of depreciation, amortisation and impairment

The impact of accounting entries booked net of deferred tax solely to comply with tax legislation is eliminated from the consolidated financial statements.

These adjustments mainly relate to restricted provisions and accelerated tax depreciation in French companies, and to impairment of inventories and doubtful receivables in foreign companies.

1.20 - Earnings per share

In accordance with IAS 33 – Earnings per Share, basic earnings per share is calculated by dividing the net income attributable to owners of the parent by the average number of ordinary shares outstanding during the period.

The net earnings per share are calculated on the basis of the weighted average number of circulating shares during the fiscal year.

The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, less the treasury shares, adjusted by the number of ordinary shares bought back or issued during the period multiplied by a time-weighting factor.

The weighted average number of circulating shares during the fiscal year as well as those from previous fiscal years are adjusted in order to account, if relevant, for operations involving the free distribution of shares and the reduction of the share's face value occurring during the fiscal year, as well as of treasury shares.

Diluted earnings per share is adjusted for the effects of all potentially dilutive ordinary shares that may be created as a result of the conversion of convertible instruments, the exercise of stock options or share warrants, or the issuance of new shares.

The diluted earnings per share are restated for the shares that are to be created as part of the share subscription plans decided upon by the Chairmen.

1.21 - Option plans and similar

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

The fair value of stock options is determined using a binomial model, which takes into account the attributes of the plan (exercise price, exercise period), market data at the time of allotment (risk-free rate, share price, volatility, expected dividends) and assumptions on the beneficiaries' behaviour.

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

1.22 - Use of estimates

The preparation of the consolidated financial statements under IFRS sometimes requires the Group to make estimates in valuing assets and liabilities and income and expenses recognised during the year. The Group bases these estimates on comparative historical data and on a variety of assumptions, which it deems to be the most reasonable and probable under the circumstances. Accounting principles that require the use of assessments and estimates are also described in the relevant notes.

Furthermore, IAS 1 - Presentation of Financial Statements requires that the main assumptions and sources of uncertainty underlying such estimates be described, whenever there is a significant risk that the estimated amounts of assets and liabilities will be materially adjusted during the following period. In this case, the notes include information which, by its nature or scope, helps users of the financial statements to understand the judgments management has made, including but not limited to:

- ◆ the nature of the assumption or estimate;
- ◆ the sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation;

- ◆ the expected resolution of any uncertainty and the range of reasonably possible outcomes within the next financial year;
 - ◆ an explanation of any changes made to past assumptions if the uncertainty remains unresolved.
- The main items that require the use of assessments and estimates are as follows.

1.22.1 - Depreciation and amortisation periods for property, plant & equipment and intangible assets

Estimates and assumptions are used to calculate the estimated useful life of these assets in order to determine the period over which they should be depreciated or amortised and to recognise any impairment in value. This useful life is determined in accordance with the Group's accounting principles, which are applied uniformly and systematically by all subsidiaries. These periods are shown in Note 1.7.

1.22.2 - Impairment of fixed assets

The value of fixed assets has been reviewed in detail in order to determine whether any impairment loss must be recognised in accordance with the model described in Note 1.8. The impairment testing model and the assumptions used are estimates based on management's judgment, past events and, whenever available, information from external sources. These have been applied in determining discount rates, terminal values, sales projections, and operating margins.

1.22.3 - Provisions

A provision is a liability of uncertain timing or amount. Estimates and assumptions are used in calculating provisions and may be a source of uncertainty. When there is significant uncertainty, which may in particular be the case in analysing provisions for risks and litigation, the provision is assessed on the basis of the scenario that is deemed to be the most probable and/or the most conservative, in accordance with the principles set forth in Note 1.16.

1.22.4 - Post-employment and other employee benefit obligations

Obligations under defined-benefit plans are calculated based on assumptions provided by an independent actuary, in accordance with the principles described in Note 1.17.

1.22.5 - Deferred tax

Deferred tax assets and liabilities are recognised in accordance with the principles described in Note 1.18. When an entity has recognised tax losses in the recent past, as a general rule, no deferred tax asset is recognised until there is a reasonable certainty that it will return to profits.

1.23 - Subsequent events

On 12 February 2014, the Chairmen decided on the payment of an interim dividend of €1.50 per share. The interim dividend was paid on 28 February 2014. No other significant event has occurred since the closing as at 31 December 2013.

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

No significant change in the scope of consolidation occurred during financial year 2013.

NOTE 3 - SEGMENT INFORMATION

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

3.1 - Statement of income by segment

in millions of euros

2013	France	Rest of Europe	Japan	Rest of Asia-Pacific	Americas	Other	Holding	Total
Revenue	613.1	737.0	463.2	1,248.1	627.4	66.1	-	3,754.8
Selling, marketing and administrative expenses	(186.7)	(222.0)	(175.7)	(340.1)	(194.0)	(21.7)	(75.0)	(1,215.2)
Depreciation	(15.3)	(24.2)	(10.5)	(34.7)	(20.6)	(0.7)	(9.2)	(115.2)
Operating provisions	(3.6)	(4.2)	(2.5)	(2.7)	(2.5)	(1.1)	(0.4)	(16.9)
Impairment losses	(3.1)	(0.1)	-	-	-	-	-	(3.2)
Other income/(expenses)	(1.2)	(0.2)	0.2	(9.6)	(4.7)	-	(0.3)	(15.9)
Operating results	208.0	202.8	178.1	490.3	210.6	12.0	(83.7)	1,218.0
<i>Operating margin by segment</i>	33.9%	27.5%	38.5%	39.3%	33.6%	18.1%		32.4%
Net financial income							(23.5)	(23.5)
Net income from associates							2.0	2.0
Income tax expense							(397.6)	(397.6)
Net income attributable to non-controlling interests							(8.6)	(8.6)
Net income	208.0	202.8	178.1	490.3	210.6	12.0	(511.4)	790.3

in millions of euros

2012	France	Rest of Europe	Japan	Rest of Asia-Pacific	Americas	Other	Holding	Total
Revenue	555.5	661.8	545.0	1,100.3	568.9	52.6	-	3,484.1
Selling, marketing and administrative expenses	(178.8)	(191.3)	(201.6)	(290.4)	(175.6)	(18.2)	(75.0)	(1,130.8)
Depreciation	(11.6)	(22.1)	(11.6)	(28.0)	(17.1)	(0.6)	(10.2)	(101.3)
Operating provisions	(6.5)	(2.2)	(1.2)	(2.5)	(1.4)	(5.4)	(6.9)	(26.0)
Impairment losses	(2.8)	(0.2)	-	-	-	-	-	(3.0)
Other income/(expenses)	-	(2.1)	0.4	0.3	0.2	-	7.8	6.5
Operating results	155.6	188.7	201.3	456.9	181.1	3.2	(68.2)	1,118.6
<i>Operating margin by segment</i>	28.0%	28.5%	36.9%	41.5%	31.8%	6.1%	-	32.1%
Net financial income							(18.6)	(18.6)
Net income from associates							(0.4)	(0.4)
Income tax expense							(349.1)	(349.1)
Net income attributable to non-controlling interests							(10.6)	(10.6)
Net income	155.6	188.7	201.3	456.9	181.1	3.2	(446.9)	739.9

3.2 - Revenue by *métier*

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

	in millions of euros	
	2013	2012
Leather Goods-Saddlery	1,633.8	1,596.6
Ready-to-wear & Accessories	843.1	745.6
Silk & Textiles	453.9	424.6
Other Hermès <i>métiers</i>	216.4	165.2
Perfumes	209.7	184.1
Watches	167.2	172.7
Tableware	61.2	60.5
Other products	169.6	134.9
Revenue	3,754.8	3,484.1

3.3 - Non-current assets by geographical area

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

	in millions of euros	
	31/12/2013	31/12/2012
France	710.3	641.8
Rest of Europe	173.6	172.7
Japan	153.5	192.5
Rest of Asia-Pacific	222.4	217.8
Americas	125.1	132.1
Rest of the world	-	-
Non-current assets ⁽¹⁾	1,384.9	1,356.9

(1) Non-current assets other than financial instruments and deferred tax assets.

NOTE 4 - COST OF SALES

All commissions are included in cost of sales. Impairment of inventories, losses on inventories, and the

portion of depreciation that is allocated to the production cost of goods sold are included in the cost of sales.

NOTE 5 - SELLING, MARKETING AND ADMINISTRATIVE EXPENSES

	in millions of euros	
	2013	2012
Advertising and marketing expenses	(211.2)	(181.9)
Other selling and administrative expenses	(1,004.1)	(948.9)
Total	(1,215.2)	(1,130.8)

NOTE 6 - OTHER INCOME AND EXPENSES

	in millions of euros	
	2013	2012
Depreciation (Note 3)	(115.2)	(101.3)
Net change in recurring provisions	(2.4)	(16.0)
Cost of defined benefit plans (Note 25.3)	(14.4)	(10.0)
<i>Sub-total</i>	<i>(16.8)</i>	<i>(26.0)</i>
Reversible impairment losses (Note 3)	(3.2)	(3.0)
Other expense (including depreciation of goodwill)	(19.3)	(28.6)
Other income	3.4	35.1
<i>Sub-total</i>	<i>(19.0)</i>	<i>3.5</i>
Total	(151.1)	(123.8)

Total depreciation and amortisation of tangible and intangible assets included in operating expenses (other income and expenses and cost of sales) amounted to

€135.3 million in 2013, compared with €117.1 million in 2012. The other expenses include depreciation of goodwill (refer to Note 10).

Notes to the consolidated financial statements

NOTE 7 - NET FINANCIAL INCOME

	in millions of euros	
	2013	2012
Income from cash and cash equivalents	6.2	11.3
Cost of gross debt	(1.0)	(1.5)
- of which: income from hedging instruments	(0.2)	(0.4)
Cost of net debt	5.2	9.8
Other financial income and expenses	(28.6)	(28.4)
- of which: ineffective portion of cash flow hedges (Note 22.2.4)	(29.1)	(21.5)
Total	(23.5)	(18.6)

NOTE 8 - INCOME TAX EXPENSE

8.1 - Breakdown of income tax expense

	in millions of euros	
	2013	2012
Current tax	(429.6)	(398.1)
Deferred tax	32.0	49.0
Total	(397.6)	(349.1)

8.2 - Rationalisation of income tax expense

The effective tax was 33.3% as at 31 December 2013, compared with 31.7% as at 31 December 2012. This tax rate includes, for €7.9 million, the effect of the 3% tax on dividend distributions resulting from the

second rectifying finance law for 2012. The difference between the theoretical tax and the actual tax is explained as follows:

	in millions of euros	
	2013	2012
Net income attributable to owners of the parent	790.3	739.9
Net income from associates	2.0	(0.4)
Net income attributable to non-controlling interests	(8.6)	(10.6)
Tax expense	(397.6)	(349.1)
Pre-tax income	1,194.6	1,100.0
Effective tax rate	33.3%	31.7%
Current tax rate in France ⁽¹⁾	38.0%	36.1%
Theoretical tax charge	(453.9)	(397.1)
<i>Reconciliation items</i>		
- differences relating to foreign tax (primarily the tax rate)	80.0	39.8
- permanent timing differences and transactions taxed at a reduced rate	(23.7)	8.2
Total	(397.6)	(349.1)

(1) The tax rate applicable in France is the basic rate of 33.33% plus the social contribution of 3.3% and an exceptional surcharge of 10.7% for French companies with sales revenue of more than €250 million, i.e. 38%.

8.3 - Deferred tax

Deferred tax is recognised on all differences between values for tax purposes and values for accounting purposes using the liability method. Discounting is not

applied to deferred tax. The net change in deferred tax assets and liabilities is broken down as follows:

in millions of euros

	2013	2012
Deferred tax assets as at 1 January	217.8	194.2
Deferred tax liabilities as at 1 January	23.0	17.5
Net deferred tax assets as at 1 January	194.8	176.7
Impact on the statement of income	32.0	49.0
Impact on the scope of consolidation	(0.5)	(4.3)
Impact of foreign currency movements	(14.2)	(7.1)
Other ⁽¹⁾	4.8	(19.5)
Net deferred tax assets as at 31 December	216.8	194.8
Deferred tax assets as at 31 December	242.5	217.8
Deferred tax liabilities as at 31 December	25.7	23.0

(1) Other items primarily involve deferred taxes resulting from changes in the portion of revaluation of financial instruments recorded under equity (transferable portion) and in actuarial gains and losses on employee benefit obligations. These changes had no impact on net income for the year (see Note 20.3).

Deferred taxes mainly related to the following adjustments:

in millions of euros

	2013	2012
Internal margins on inventories and impairment on inventories	163.1	133.0
Employee obligations	62.6	54.9
Derivatives	(7.4)	(8.0)
Impairment losses	5.4	5.4
Restricted provisions	(35.2)	(28.4)
Other	28.4	37.8
Total	216.8	194.8

As at 31 December 2013, tax loss carry-forwards and other temporary differences that did not give rise to the recognition of deferred tax assets represented potential tax savings of €9.1 million.

NOTE 9 - NET EARNINGS PER SHARE

In accordance with the definitions set out in Note 1.20, the calculation and reconciliation of basic

earnings per share and diluted earnings per share is as follows:

	2013	2012
Numerator (in millions of euros)		
Basic net income	790.3	739.9
Adjustments	-	-
Diluted net income	790.3	739.9
Denominator (in number of shares)		
Weighted average number of ordinary shares	104,118,188	104,087,228
Basic earnings per share	7.59	7.11
Weighted average number of shares under option	40,655	55,585
Weighted average number of shares under free share allotment plans	698,713	541,470
Weighted average number of diluted ordinary shares	104,857,556	104,684,282
Diluted earnings per share	7.54	7.07
Annual average price per share	€255.74	€241.85

NOTE 10 - GOODWILL

	in millions of euros					
	31/12/2012	Increases	Decreases	Currency impact	Other	31/12/2013
Goodwill	142.9	0.1	-	(19.5)	(0.5)	122.9
Total gross value	142.9	0.1	-	(19.5)	(0.5)	122.9
Amortisation booked before 1 January 2004	36.8	-	-	(4.5)	(4.3)	27.9
Impairment losses	26.8	17.1	-	(4.6)	4.4	43.6
Total depreciation and impairment losses	63.6	17.1	-	(9.1)	0.1	71.6
Total net value	79.3	(17.0)	-	(10.4)	(0.6)	51.4

10.1 - Impairment tests

CGU HCP

The goodwill of the CGU HCP stands at a net value of €10.8 million as at 31 December 2013. The recoverable amount of the CGU was determined on the basis of its value in use. This was determined in relation to the forecasts of the expected future cash flows, taking into account the time value and the specific risks

linked to the CGU. The forecasts of the expected future cash flows were established over a horizon of five years. For the calculation of the value in use, a terminal value equivalent to the capitalisation to infinity of annual normative cash flows is added to the value to expected flow. The growth rate used to project the cash flow forecasts to infinity is 2.9%.

The discount rate before tax that is applied to the cash flow forecasts is 8.66%.

In 2013, the annual asset impairment test resulted in the Group registering a goodwill value loss of €17.0 million, entered in the financial statement on the line "Other income and expenses" of the recurring operating income.

As part of this test, an analysis was performed on the sensitivity of the value in use to the key hypotheses. The hypotheses that are part of the valuation model used by the Group are (i) the long-term growth rate for the calculation of the terminal value, (ii) the discounting rate, (iii) the change of working capital requirements.

The results of the sensitivity analyses are presented below:

- ◆ long-term growth rate: a change of -0.5 points would lower the recoverable value by €16 million;
- ◆ discounting rate: a change of -1 rate point would result in an increase of the recoverable value of +€52 million, a change of +1 point would lower the recoverable value by €36 million;
- ◆ working capital requirements: a positive/negative change of 5 points of the WCR/turnover ratio would

have an impact of +/- €15 million on the CGU's recoverable value.

CGU distribution

The goodwill of the distribution CGU represents a net value of €26.6 million. Within this CGU, the main goodwill is that of Hermès Japan, which stands at €13.8 million.

The discount rate before tax that is applied to the Japan cash flow forecasts is 10.38%; for the other countries, it varies from 9.28% to 12.38%.

The annual asset impairment test of this asset as well as those of the other non-significant goodwill of this CGU do not bring to light any probable scenario according to which the recoverable value of the CGU becomes lower than the net carrying amount.

Other CGUs

The other goodwill relates to the Group's various production CGUs, and represents a net value of €13.9 million. Individually, the above goodwill figures are not significant and do not bring to light any probable depreciation scenario.

NOTE 11 - INTANGIBLE FIXED ASSETS

in millions of euros

	31/12/2012	Increases	Decreases	Currency impact	Other	31/12/2013
Leasehold rights	68.3	1.5	–	(1.2)	0.1	68.7
Concessions, patents, licences and software	40.2	3.6	(0.3)	(2.0)	4.2	45.8
Other intangible assets	126.0	15.6	(0.2)	(3.6)	3.1	141.0
Fixed assets under construction	2.6	5.3	–	–	(2.5)	5.3
Total gross value	237.1	26.0	(0.5)	(6.8)	5.0	260.8
Amortisation of leasehold rights	35.3	2.6	–	(0.9)	–	37.0
Amortisation of concessions, patents, licences and software	27.7	3.8	(0.3)	(1.6)	1.1	30.7
Amortisation of other intangible assets	71.3	13.2	(0.2)	(2.1)	0.9	83.1
Impairment losses ⁽¹⁾	1.1	0.2	(0.1)	–	(0.2)	1.0
Total depreciation and impairment losses	135.4	19.9	(0.6)	(4.6)	1.7	151.9
Total net value	101.6	6.2	0.1	(2.2)	3.2	108.9

(1) Impairment losses relate to production operations and stores deemed not to be sufficiently profitable according to the criteria set out in IAS 36 - Impairment of Assets.

Notes to the consolidated financial statements

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

in millions of euros

	31/12/2012	Increases ⁽¹⁾	Decreases	Currency impact	Other	31/12/2013
Land	166.8	2.0	–	(26.0)	0.1	142.8
Buildings	547.1	7.1	(3.0)	(30.2)	111.4	632.5
Machinery, plant and equipment	192.4	19.8	(5.7)	(2.0)	18.3	222.9
Store fixtures and furnishings	327.5	35.4	(7.8)	(19.9)	40.1	375.4
Other tangible assets	360.4	30.2	(11.4)	(3.0)	(0.6)	375.6
Fixed assets under construction	156.7	91.2	(0.1)	(1.5)	(155.8)	90.6
Total gross value	1,750.9	185.8	(28.0)	(82.6)	13.6	1,839.7
Depreciation of buildings	190.1	27.4	(2.5)	(14.6)	2.8	203.1
Depreciation of machinery, plant and equipment	122.5	15.0	(5.4)	(1.3)	11.7	142.6
Depreciation of store fixtures and furnishings	196.3	36.9	(7.7)	(12.2)	11.0	224.3
Depreciation of other tangible assets	217.2	36.1	(11.2)	(2.1)	(14.4)	225.7
Impairment losses ⁽²⁾	17.4	6.2	(1.9)	(0.2)	(2.6)	19.0
Total depreciation and impairment losses	743.4	121.6	(28.6)	(30.3)	8.5	814.6
Total net value	1,007.5	64.2	0.5	(52.2)	5.1	1,025.1

(1) Investments made during the year related mainly to the opening and renovation of stores and capital expenditure to expand production capacity.

(2) Impairment losses relate to production operations and stores deemed not to be sufficiently profitable according to the criteria set out in IAS 36 - Impairment of Assets. It is noted that the cash generating units on which impairment losses have been recognised are not individually material when compared with the Group's overall business.

No item of property, plant or equipment has been pledged as debt collateral. Furthermore, the amount of such assets in temporary use is not material when compared with the total value of property, plant and equipment.

NOTE 13 - INVESTMENT PROPERTY

in millions of euros

	31/12/2012	Increases	Decreases	Currency impact	Other	31/12/2013
Land	34.2	–	–	(0.6)	(2.0)	31.6
Buildings	73.4	–	–	(1.4)	2.0	74.0
Total gross value	107.6	–	–	(2.0)	–	105.6
Depreciation	9.3	2.2	–	0.0	–	11.5
Total net value	98.3	(2.2)	–	(2.1)	–	94.1

It is stipulated that the Group and its subsidiaries are not bound by any contractual obligation to buy, build or develop investment properties, existing or not. Moreover, the costs incurred for the upkeep, maintenance and improvement of the investment assets are not significant nor likely, as far as we know, to change materially in the coming fiscal years. The rental proceeds coming from investment properties were equal to €4.2 million in fiscal 2013.

As at 31 December 2013, the fair value of the investment properties was greater than €110 million. This estimate is based on evaluation works performed by independent experts, with a satisfactory frequency. The evaluations are notably based on real estate operations involving comparable assets and on indicators established by professionals or recognised institutions.

NOTE 14 - FINANCIAL ASSETS

	in millions of euros					
	31/12/2012	Increases	Decreases	Currency impact	Other	31/12/2013
Investments in financial assets and accrued interest ⁽¹⁾	20.4	50.6	(19.1)	–	–	51.9
Liquidity contract	8.1	–	(0.2)	–	–	7.8
Other financial assets	5.6	–	(4.8)	(0.1)	–	0.7
Other non-consolidated investments ⁽²⁾	0.2	–	–	–	–	0.2
Participating/convertible loan	1.5			(0.1)	(1.4)	–
Total gross value	35.8	50.6	(24.1)	(0.2)	(1.4)	60.6
Impairment	7.2	–	(4.3)	–	(1.5)	1.5
Total net value	28.5	50.6	(19.8)	(0.2)	0.0	59.1

(1) Financial investments correspond to investments that do not meet the cash equivalent criteria notably as a result of their original maturity of more than 3 months.

(2) Other available-for-sale non-consolidated investments do not include any listed securities.

Notes to the consolidated financial statements

NOTE 15 - INVESTMENTS IN ASSOCIATES

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

	in millions of euros	
	2013	2012
Balance as at 1 January	25.8	12.9
Impact of changes in the scope of consolidation	19.3	13.9
Net income from associates	2.0	(0.4)
Dividends paid	(0.2)	(0.2)
Change in foreign exchange rates	(2.4)	(0.4)
Other	–	–
Balance as at 31 December	44.5	25.8

NOTE 16 - LOANS AND DEPOSITS

	in millions of euros					
	31/12/2012	Increases	Decreases	Currency impact	Other	31/12/2013
Loans and deposits ⁽¹⁾	45.4	20.9	(18.6)	(3.7)	–	44.0
Impairment	2.5	–	(0.2)	–	–	2.3
Total	42.9	20.9	(18.4)	(3.7)	–	41.8

(1) Security deposits amounted to €24.9 million as at 31 December 2013, compared with €23.4 million as at 31 December 2012.

NOTE 17 - INVENTORIES AND WORK-IN-PROGRESS

	in millions of euros					
	31/12/2013			31/12/2012		
	Gross	Impairment	Net	Gross	Impairment	Net
Retail, semi-finished and finished goods	681.7	233.8	447.9	591.8	192.1	399.7
Raw materials and work in progress	477.5	112.1	365.5	418.9	91.8	327.2
Total	1,159.3	345.9	813.4	1,010.7	283.8	726.9
Net income/(expense) from the impairment of retail, intermediate and finished goods	–	(51.6)	–	–	(17.6)	–
Net income/(expense) from the impairment of raw materials and work in progress	–	(20.6)	–	–	(10.6)	–

No inventories were pledged as debt collateral.

NOTE 18 - TRADE AND OTHER RECEIVABLES

in millions of euros

	31/12/2013			31/12/2012
	Gross	Impairment	Net	Net
Trade and other receivables	198.9	5.3	193.6	207.1
<i>of which: – amount not yet due</i>	<i>114.0</i>	<i>0.2</i>	<i>113.8</i>	<i>183.1</i>
<i>– amount payable (1)</i>	<i>84.9</i>	<i>5.1</i>	<i>79.8</i>	<i>23.9</i>
Current tax receivables	5.8	–	5.8	0.8
Other current assets	116.2	0.4	115.7	116.6
Other non-current assets	21.1	–	21.1	1.3
Total	342.0	5.7	336.3	325.8

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

in millions of euros

	31/12/2013			31/12/2012
	Gross	Impairment	Net	Net
Less than 3 months	77.5	0.7	76.8	21.7
Between 3 and 6 months	3.5	0.6	2.9	2.2
Between 6 months and 1 year	3.9	3.8	0.1	–

Except for other non-current assets, all accounts receivable are due within one year. There were no significant payment deferrals that would justify the discounting of receivables.

The Group's policy is to recommend securing accounts receivable insurance cover, inasmuch as local conditions

permit it. Consequently, the risk of non-recovery is low, as evidenced by accounts receivable impairment, which amounted to approximately 3% of the gross value at the end of 2013, as in 2012. There is no significant concentration of credit risk.

NOTE 19 - CASH AND CASH EQUIVALENTS

19.1 - Change in net cash position

in millions of euros

	31/12/2012	Cash flows	Currency impact	Impact on the scope of consolidation	Other ⁽¹⁾	31/12/2013
Cash and cash equivalents	199.8	116.3	(10.0)	0.2	–	306.3
Marketable securities ⁽²⁾	497.4	252.0	(1.9)	–	–	747.6
<i>Sub-total</i>	<i>697.2</i>	<i>368.4</i>	<i>(11.9)</i>	<i>0.2</i>	<i>–</i>	<i>1,053.9</i>
Bank overdrafts and current accounts in debit	(11.1)	(22.3)	1.6	(0.0)	–	(31.9)
Net cash position	686.1	346.1	(10.3)	0.1	–	1,022.0

(1) Corresponds to the mark-to-market on cash and cash equivalents.

(2) Primarily invested in money market UCITS and cash equivalents with a duration of less than 3 months.

All of the cash and cash equivalents have a maturity of less than 3 months and a sensitivity of less than 0.5%. The gains and losses generated during the fiscal year

and recorded through profit or loss were equal to €0.5 million in 2013, versus €1.1 million in 2012. No unrealised gain or loss existed as at 31 December 2013.

19.2 - Change in working capital

in millions of euros

	31/12/2012	Change in working capital	Other cash flows	Currency impact	Impact from revaluation of financial and hedging instruments	Other	31/12/2013
Net inventories and work in progress	726.9	98.9	–	(18.9)	–	6.4	813.4
Trade and other receivables	207.1	23.6	–	(12.9)	(24.6)	0.4	193.6
Other current assets	116.6	0.4	–	(2.5)	–	1.1	115.7
Other non-current assets	1.3	0.1	–	–	–	19.8	21.1
Available-for-sale securities (excluding liquidity contract and forward investments)	5.9	(4.8)	–	(0.1)	–	0.1	1.0
Accrued interest on investments	0.8	–	(0.8)	–	–	–	–
Held-to-maturity securities	1.5	–	–	(0.1)	–	(1.4)	–
Loans and deposits	45.3	2.3	(0.1)	(3.7)	–	0.1	44.0
Deferred tax assets	143.5	31.5	–	(9.7)	–	(2.0)	163.2
Trade payables (excluding amounts payable relating to fixed assets)	(301.9)	(16.9)	–	7.5	1.7	(4.1)	(313.8)
Other liabilities and miscellaneous items (excluding current tax expense)	(372.1)	(69.1)	–	17.6	3.4	(5.9)	(426.2)
Net financial derivatives	35.0	7.9	–	–	15.9	(7.5)	51.3
Change in working capital	609.7	73.8	(0.8)	(22.7)	(3.6)	6.9	663.3

NOTE 20 - SHAREHOLDERS' EQUITY

As at 31 December 2013, Hermès International's share capital consisted of 105,569,412 fully-paid shares with a par value of €0.51 each. 1,451,742 of these shares are treasury shares. In fiscal 2013, the following treasury movements occurred:

- buyback of 10,746 shares at a face value of €0.51 for a total of €2.7 million;
- exercise of 24,349 share purchase options reserved for Hermès Group employees;
- allotment of 1,020 free shares to Hermès Group employee;
- sale of 1,303 shares as part of the liquidity contract.

It is specified that no shares are reserved for issuance under put options or agreements to sell shares.

For management purposes, the Hermès Group uses the notion of "shareholders' equity" as shown in the consolidated statement of changes in equity. More specifically, shareholders' equity includes the part of financial instruments that has been transferred to

equity as well as actuarial gains and losses, as defined in Notes 1.9 and 1.17.

The Group's objectives, policies and procedures in the area of capital management are in keeping with sound management principles designed to ensure that operations are well-balanced financially and to minimise the use of debt. As its surplus cash position gives it some flexibility, the Group does not use prudential ratios such as "return on equity" in its capital management. Since 2012, the Group made no change in its capital management policy and objectives. Lastly, the parent company, Hermès International, is governed by French laws on capital requirements. Shareholders' equity must be greater than or equal to at least half of the share capital. If it drops below this level, an extraordinary General Meeting must be called to approve the measures required to remedy this situation. Hermès International has never been in this position and has always met this requirement.

20.1 - Foreign currency adjustments

The change in foreign currency adjustments in 2013 is analysed below:

	in millions of euros	
	2013	2012
Balance as at 1 January	46.0	67.1
Japanese yen	(33.2)	(27.3)
US dollar	(8.8)	(4.1)
Yuan	(0.3)	(1.4)
Australian dollar	(16.3)	0.1
Pound sterling	(2.7)	2.6
Swiss franc	(0.7)	1.4
Singapore dollar	(11.4)	2.8
Hong Kong dollar	(2.9)	2.8
Other currencies	(3.2)	2.1
Balance as at 31 December	(33.5)	46.0

20.2 - Financial instruments – equity share

In 2013, changes in derivatives and financial investments were broken down as follows (after tax):

	in millions of euros	
	2013	2012
Balance as at 1 January	26.0	(29.1)
Amount transferred to equity during the year for derivatives	(19.8)	29.1
Amount transferred to equity during the year for financial investments	–	–
Adjustments in the value of derivatives at closing	32.3	19.8
Other deferred losses/gains on exchange in the comprehensive income	(8.0)	6.2
Balance as at 31 December	30.5	26.0

20.3 - Other comprehensive income

In 2013, other comprehensive income was broken down as follows:

	in millions of euros		
	Gross impact	Tax effect	Net impact
Actuarial gains and losses (Note 25.3.4)	(12.6)	4.3	(8.3)
Foreign currency adjustments (Notes 20.1 and 21)	(84.9)	4.4	(80.6)
Derivatives included in equity (Note 20.2)	8.7	(4.2)	4.5
Gain/(loss) on sale of treasury shares	0.5	(0.2)	0.3
Balance as at 31 December 2013	(88.3)	4.3	(84.0)

And for 2012:

	in millions of euros		
	Gross impact	Tax effect	Net impact
Actuarial gains and losses (Note 25.3.4)	(30.5)	11.0	(19.5)
Foreign currency adjustments (Notes 20.1 and 21)	(20.8)	–	(20.8)
Derivatives included in equity (Note 20.2)	86.6	(31.5)	55.1
Gain/(loss) on sale of treasury shares	1.3	(0.5)	0.8
Balance as at 31 December 2012	36.5	(20.9)	15.6

NOTE 21 - NON-CONTROLLED EQUITY INTERESTS

	in millions of euros	
	2013	2012
Balance as at 1 January	13.9	12.7
Net income attributable to non-controlling interests	8.6	10.6
Dividends paid to non-controlling interests	(9.3)	(10.5)
Exchange rate adjustment on foreign entities	(1.1)	0.2
Other changes	3.5	0.8
Balance as at 31 December	15.6	13.9

NOTE 22 - EXPOSURE TO MARKET RISKS

22.1 - Counterparty risk

Pursuant to the applicable internal control procedures, the Group only deals with leading banks and financial institutions that have signed FBF and ISDA agreements on trading in forward financial instruments, and it is not exposed to any material counterparty risk. In addition, counterparty risks on financial transactions are monitored on an ongoing basis by Hermès International's Treasury Management department. Lastly, the Group has no exposure to any material risk of dependence on a single counterparty.

22.2 - Currency risk

Most of the Group's currency exposure comes from sales denominated in foreign currencies. It hedges this exposure in order to minimise the impact of currency fluctuations on the Group's profits. The Group's currency exposure management policy is based on the following principles:

- the manufacturing subsidiaries invoice the distribution subsidiaries in their local currency, which automatically concentrates the currency risk on the manufacturing subsidiaries;
- the Group's net currency exposure is systematically hedged by Hermès International according to annual budgets, based on highly probable future operating cash flows, through firm foreign exchange transactions and/or optional ones eligible for hedge accounting;

– no speculative transactions in the economic sense of the term are authorised;

– all other non-operating transactions are hedged against currency risk as soon as the commitment is firm and definitive. It corresponds to financial risks arising from intercompany loans and dividends in foreign currencies.

These management rules have been validated by the executive Committee and have also been endorsed by the Supervisory Board.

The administrative management and control of these transactions are provided by the middle & back office department, notably by means of an integrated cash software program. In addition, Hermès International's Internal Audit department ascertains compliance with the risk control and management procedures.

Within this set of rules, management's decisions are validated by the executive Committee, via a Treasury Security Committee that meets on a regular basis.

The Group's currency exposure is hedged annually by Hermès International, based on highly probable future cash flows derived from budget projections. In practice, as at 31 December, nearly 100% of the Group's annual requirements for the previous year had been hedged.

As part of its currency risk management procedure, the Group uses purchases and sales of put and call options and currency swaps to hedge future cash flows and firm commitments made in foreign currencies.

22.2.1 - Net currency positions

in millions of euros

Currency	Monetary assets/ (liabilities) ⁽¹⁾	Future cash flows	Net position before hedging	Derivative instruments ⁽²⁾	Net position after hedging	Hedging ratio
As at 31/12/2013						
US dollar	50.7	294.5	345.2	(344.6)	0.6	100%
Yuan	79.4	167.7	247.1	(240.8)	6.2	97%
Japanese yen	54.9	166.7	221.6	(221.5)	0.1	100%
Hong Kong dollar	(33.9)	184.1	150.2	(151.6)	(1.4)	101%
Singapore dollar	6.3	135.7	142.0	(144.0)	(2.0)	101%
Swiss franc	49.0	36.7	85.7	(79.6)	6.1	93%
Pound sterling	(1.2)	70.1	68.9	(67.1)	1.8	97%
Euro ⁽³⁾	11.1	42.2	53.3	(51.5)	1.7	97%
Canadian dollar	2.7	21.6	24.3	(22.6)	1.8	93%
Thai baht	2.4	15.1	17.5	(15.2)	2.3	87%
Rouble	4.0	12.4	16.5	(15.2)	1.3	92%
Australian dollar	2.7	9.4	12.0	(11.1)	1.0	92%
South Korean won	0.4	(7.1)	(6.7)	7.1	0.4	106%
Mexican peso	0.8	4.6	5.3	(5.0)	0.3	93%
New Turkish lira	0.3	4.1	4.4	(4.5)	(0.1)	103%
Czech koruna	0.3	2.9	3.2	(3.0)	0.1	95%
United Arab emirates dirham	(0.0)	(1.3)	(1.3)	1.2	(0.1)	91%
Taiwan Dollar	0.9	-	0.9	-	0.9	-
Total	230.8	1,159.3	1,390.1	(1,369.0)	21.1	98%
Au 31/12/2012						
US dollar	60.0	299.6	359.6	(367.9)	(8.3)	102%
Japanese yen	67.8	163.5	231.3	(231.9)	(0.6)	100%
Yuan	42.7	142.9	185.6	(173.9)	11.7	94%
Singapore dollar	1.2	137.7	138.9	(131.6)	7.3	95%
Hong Kong dollar	(57.9)	167.4	109.5	(115.5)	(6.0)	106%
Swiss franc	42.9	28.5	71.4	(68.1)	3.3	95%
Euro ⁽³⁾	6.6	40.5	47.0	(48.3)	(1.2)	103%
Pound sterling	(18.4)	54.0	35.6	(34.1)	1.5	96%
Australian dollar	20.9	6.8	27.7	(17.6)	10.1	64%
Canadian dollar	3.3	20.3	23.6	(21.9)	1.6	93%
Rouble	2.2	14.1	16.4	(15.8)	0.5	97%
Thai baht	1.6	11.6	13.2	(12.4)	0.7	95%
Mexican peso	2.0	4.8	6.8	(7.0)	(0.1)	102%
South Korean won	0.8	(7.3)	(6.5)	7.3	0.8	112%
New Turkish lira	0.3	4.1	4.4	(4.5)	(0.1)	103%
Czech koruna	0.4	2.3	2.7	(2.4)	0.2	91%
United Arab emirates dirham	(0.1)	(1.1)	(1.2)	1.2	-	103%
Taiwan Dollar	0.7	-	0.7	-	0.7	-
Total	176.8	1,089.9	1,266.7	(1,244.5)	22.1	98%

(1) The monetary assets are recognised from receivables and loans as well as from bank balances, investments and cash equivalents dated less than three months from the acquisition date. Monetary liabilities are recognised from financial debts as well as operating liabilities and miscellaneous liabilities. (2) Purchase/(Sale). (3) Euro exchange risk for subsidiaries having a different functional currency.

22.2.2 - Sensitivity to currency fluctuations

The sensitivity of equity to currency risk is analysed for the cash flow hedge reserve. The impact on equity corresponds to the change in the market value of cash flow hedging derivatives relative to the current variance in exchange rates, ceteris paribus.

A 10% rise in the currencies to which the Group is exposed as of the closing date would lead to a

€69.9 million decrease in equity (before tax) in the cash flow reserve, a 10% depreciation would lead to an increase of €82.1 million (before tax). Moreover, a 10% rise in the currencies to which the Group is exposed as of the closing date would lead to an increase of €2.3 million in net income, while a depreciation to the same extent would lead to a decrease of €1.9 million.

Notes to the consolidated financial statements

22.2.3 - Analysis of currency contracts

in millions of euros

Contracts	Nominal amounts of the derivative instruments	Nominal amounts of the derivative instruments used for currency risk hedging	Market value of contracts as at 31 December 2013 ⁽¹⁾			Total
			Future cash flow hedge	Fair value hedge	Unallocated	
Options purchased						
US dollar put	39.2	39.2	2.0	–	–	2.0
US dollar collar	104.6	104.6	5.2	–	–	5.2
Chinese yuan put	24.8	24.8	1.1	–	–	1.1
Chinese yuan collar	65.7	65.7	2.8	–	–	2.8
Japanese yen put	24.7	24.7	3.0	–	–	3.0
Japanese yen collar	90.6	89.4	9.9	–	0.1	10.0
Hong Kong dollar put	28.7	28.7	1.5	–	–	1.5
Hong Kong dollar collar	76.4	76.4	3.9	–	–	3.9
Singapore dollar put	28.6	28.6	1.6	–	–	1.6
Singapore dollar collar	76.1	76.1	4.0	–	–	4.0
	559.4	558.2	35.2	–	0.1	35.3
Forward currency contracts⁽²⁾						
US dollar	157.1	157.2	3.2	–	–	3.2
Yuan	77.2	77.2	0.8	–	–	0.8
Japanese yen	57.8	57.8	6.5	–	0.4	6.8
Hong Kong dollar	86.1	86.1	4.4	–	–	4.4
Singapore dollar	34.6	34.1	1.2	–	–	1.1
Swiss franc	36.8	36.8	(0.3)	–	–	(0.3)
Pound sterling	70.1	70.1	(1.2)	–	–	(1.2)
Euro ⁽³⁾	41.7	41.7	(2.6)	–	–	(2.6)
Canadian dollar	21.6	21.6	1.4	–	–	1.4
Thai baht	15.1	15.1	0.6	–	–	0.6
Rouble	12.4	12.4	0.5	–	–	0.5
Australian dollar	9.4	9.4	1.2	–	–	1.2
Other	3.1	3.1	1.2	–	–	1.2
	623.1	622.5	16.7	–	0.4	17.0
Treasury swaps⁽²⁾						
US dollar	43.7	42.7	(0.0)	–	0.1	0.1
Yuan	73.1	73.1	(0.1)	–	–	(0.1)
Japanese yen	49.6	49.6	0.2	–	1.0	1.2
Hong Kong dollar	(39.6)	(40.3)	0.0	–	–	0.1
Singapore dollar	4.7	3.9	0.2	–	(0.4)	(0.2)
Swiss franc	42.8	42.8	0.0	–	0.1	0.1
Pound sterling	(3.0)	(3.0)	(0.1)	–	0.1	–
Euro ⁽³⁾	9.9	9.7	(0.1)	–	–	(0.1)
Canadian dollar	0.9	0.6	0.0	–	–	–
Rouble	2.7	2.7	0.0	–	–	–
Australian dollar	1.7	1.7	0.0	–	–	–
Other	1.2	1.0	0.0	–	–	–
	187.7	184.5	0.3	–	0.8	1.1
Options sold						
Japanese yen put	–	–	–	–	–	–
Japanese yen collar	(1.2)	–	–	–	(0.1)	(0.1)
	(1.2)	–	–	–	(0.1)	(0.1)
Total	1,369.0	1,365.2	52.1	–	1.2	53.3

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

in millions of euros

Contracts	Nominal amounts of the derivative instruments	Nominal amounts of the derivative instruments used for currency risk hedging	Market value of contracts as at 31 December 2012 ⁽¹⁾			
			Future cash flow hedge	Fair value hedge	Unallocated	Total
Options purchased						
US dollar put	30.4	30.4	1.3	–	–	1.3
US dollar collar	77.8	77.8	3.5	–	–	3.5
Japanese yen put	39.5	28.5	2.8	–	0.5	3.3
Japanese yen collar	49.1	49.1	3.6	–	–	3.6
Chinese yuan put	20.3	19.4	0.8	–	0.1	0.8
Chinese yuan collar	48.2	45.0	1.8	–	0.2	2.0
Singapore dollar put	23.9	23.9	0.5	–	–	0.5
Singapore dollar collar	51.2	51.2	1.1	–	–	1.1
Hong Kong dollar put	21.1	21.1	0.9	–	–	0.9
Hong Kong dollar collar	58.0	58.0	2.7	–	–	2.7
Australian dollar calls	(7.0)	–	–	–	–	–
	412.5	404.5	19.0	–	0.8	19.8
Forward currency contracts⁽²⁾						
US dollar	192.8	192.8	5.2	–	–	5.2
Japanese yen	85.8	85.9	10.0	–	–	10.0
Yuan	78.5	78.5	0.1	–	–	0.1
Singapore dollar	59.7	59.7	(4.0)	–	–	(4.0)
Hong Kong dollar	87.6	86.9	2.0	–	0.2	2.1
Swiss franc	28.3	28.3	0.1	–	–	0.1
Euro ⁽³⁾	40.4	40.4	0.1	–	–	0.1
Pound sterling	54.0	54.0	0.1	–	–	0.1
Australian dollar	4.5	4.5	(0.1)	–	–	(0.1)
Canadian dollar	20.3	20.3	0.3	–	–	0.3
Rouble	14.1	14.1	(0.3)	–	–	(0.3)
Thai baht	11.6	11.6	(0.1)	–	–	(0.1)
Other	2.9	2.1	0.1	–	–	0.1
	680.5	679.1	13.4	–	–	13.6
Treasury swaps⁽²⁾						
US dollar	66.9	62.3	0.2	–	0.5	0.7
Japanese yen	68.4	67.5	0.3	–	3.6	3.9
Yuan	31.0	29.0	0.3	–	0.1	0.4
Singapore dollar	(3.3)	(3.5)	0.1	–	0.1	0.2
Hong Kong dollar	(51.1)	(52.4)	0.3	–	(0.6)	(0.3)
Swiss franc	39.9	39.8	–	–	0.1	0.1
Euro ⁽³⁾	7.9	8.4	(0.1)	–	–	(0.1)
Pound sterling	(19.9)	(20.2)	0.1	–	(0.1)	(0.1)
Australian dollar	20.1	19.9	0.2	–	(0.1)	0.1
Canadian dollar	1.6	1.6	–	–	–	–
Rouble	1.7	1.7	–	–	–	–
Other	3.4	3.1	0.1	–	–	0.1
	166.6	157.3	1.5	–	3.5	5.0
Options sold						
Japanese yen put	(11.0)	–	–	–	(0.5)	(0.5)
Chinese yuan put	(0.9)	–	–	–	(0.1)	(0.1)
Chinese yuan collar	(3.1)	–	–	–	(0.2)	(0.2)
	(15.0)	–	–	–	(0.8)	(0.8)
Total	1,244.5	1,240.9	33.9	–	3.6	37.7

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

22.2.4 - Ineffective portion of cash flow hedges

The ineffective portion of cash flow hedges recorded in net income was -€29.1 million (including +€0.7 million from over-hedging), compared with

-€21.5 million (including -€0.3 million from over-hedging) in 2012 (see Note 7). The impact of the effective portion of the hedges recorded in equity is shown in Note 20.3.

22.3 - Interest rate and liquidity risks

The Hermès Group's policy is to maintain a positive treasury position and to have cash available in order to be able to finance its growth strategy independently. The Group's treasury surpluses and needs are directly managed or overseen by Hermès International's Treasury Management department in accordance with a conservative policy designed to avoid the risk of capital loss and to maintain a satisfactory liquidity position.

Cash surpluses are invested mainly in money-market mutual funds and cash equivalents with a sensitivity of less than 0.5% and a recommended investment period of less than three months.

The items recognised by the Group as "Cash and cash equivalents" strictly correspond with the criteria used in the AMF position, as updated in 2011. The

investments are regularly reviewed in accordance with Group procedures and in strict compliance with the qualification criteria as defined by standard IAS 7 – Cash flow statement and the recommendations of the AMF. As at 31 December 2013, these analyses had not led to changes in the previously adopted accounting classification.

From time to time, the Group uses financial instruments such as swaps and interest rate derivatives to hedge part of its payables and receivables against interest rate fluctuations.

It applies the same risk monitoring and management procedures as for currency transactions.

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

To 31/12/2013

in millions of euros

	< 1 year	1 to 5 years	> 5 years	Total	Variable rate	Fixed rate
Financial assets	1,053.7	–	–	1,053.7	953.7	100.0
Euro	715.7	–	–	715.7	615.7	100.0
Yuan	36.4	–	–	36.4	36.4	–
US dollar	62.8	–	–	62.8	62.8	–
Japanese yen	17.9	–	–	17.9	17.9	–
Other	220.8	–	–	220.8	220.8	–
Financial liabilities ⁽¹⁾	32.0	4.9	0.4	37.3	32.2	5.1
Euro	18.8	0.6	0.4	19.8	19.0	0.8
Japanese yen	12.8	–	–	12.8	12.8	–
Other ⁽²⁾	0.4	4.3	–	4.7	0.4	4.3
Net cash before hedging	1,021.6	(4.9)	(0.4)	1,016.3	921.4	94.9
Net cash after hedging	1,021.6	(4.9)	(0.4)	1,016.3	921.4	94.9

in millions of euros

	< 1 year	1 to 5 years	> 5 years	Total	Variable rate	Fixed rate
Financial assets	1,053.7	–	–	1,053.7	953.7	100.0
Cash and cash equivalents	1,053.7	–	–	1,053.7	953.7	100.0
Financial liabilities ⁽¹⁾	32.0	4.9	0.4	37.3	32.2	5.1
Medium and long term debt	–	4.9	0.4	5.3	0.3	5.0
Bank overdrafts and short-term debt	31.8	–	–	31.8	31.7	0.1
Current accounts in debit	0.2	–	–	0.2	0.2	–
Net cash before hedging	1,021.6	(4.9)	(0.4)	1,016.3	921.4	94.9
Net cash after hedging	1,021.6	(4.9)	(0.4)	1,016.3	921.4	94.9

(1) Excluding commitments to buy out non-controlling interests (€19.3 million as at 31 December 2013).

(2) Mainly consists of long-term amortisable fixed-rate loans contracted by Hermès India Retail and Distributors to finance investments related to the Mumbai store (opened in October 2011).

To 31/12/2012

in millions of euros

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

in millions of euros

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

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

(2) Mainly consists of amortisable fixed-rate loans contracted by Hermès Japan to finance the purchase of the land and construction of the Ginza store in Tokyo. These loans are guaranteed by Hermès International but are not covered by any real collateral or by any specific covenants.

(3) Mainly consists of long-term amortisable fixed-rate loans contracted by Hermès India Retail and Distributors to finance investments related to the Mumbai store (opened in October 2011).

22.3.1 - Equity risk

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

22.3.2 - Sensitivity to changes in interest rates

A uniform 1 percentage point increase in interest rates would have had a positive impact of €9.21 million on consolidated income (€4.9 million in 2012).

The market value of marketable securities is equivalent to their carrying amount.

Financial liabilities do not include the debt associated with employee profit-sharing, which is included under "Other liabilities".

22.4 - Fair value of the financial assets and liabilities

2013	Assets at fair value	Loans and accounts receivables	Held-to-maturity assets
Investments in financial assets (Note 14)	–	20.1	–
Liquidity contract (Note 14)	7.8	–	–
Other financial assets (Note 14)	–	–	0.7
Other non-consolidated investments (Note 14)	–	–	–
Held-to-maturity securities (Note 14)	–	–	–
Financial assets (Note 14)	7.8	20.1	0.7
Loans and deposits (Note 16)	–	41.8	–
Trade and other receivables (Note 18)	–	336.3	–
Active foreign exchange derivatives (Note 22.2.3)	67.0	–	–
Cash and cash equivalents (Note 19)	572.3	481.3	–
Bank overdrafts (Note 22)	–	–	–
Loan - India (Note 22)	–	–	–
Other loans (Note 22)	–	–	–
Current accounts in debit (Note 22)	–	–	–
Financial debts (Note 22)	–	–	–
Trade payables and other liabilities (Note 26)	–	–	–
Liability derivative instruments (Note 22.2.3)	–	–	–
Other liability derivative instruments	–	–	–

* Interest rates are variable rates.

In compliance with the IFRS 7 – Financial instruments - disclosures, the assets and liabilities recorded at fair value are classified according to the three following fair value levels:

- *level 1*: prices listed on an active market. If listed prices in an active market are available, they are used as a priority in order to determine market value;
- *level 2*: internal model with parameters that can be observed on the basis of internal valuation techniques.

These techniques require the use of the usual mathematical calculation methods that include data that can be observed within the markets (future prices, yield curve...). The calculation of most derivative financial instruments traded within markets is performed on the basis of models that are commonly used by participants in order to assess these financial instruments;

- *level 3*: internal model with non-observable parameters.

in millions of euros

Assets available for sale	Liabilities at fair value	Liabilities at amortised cost	Carrying amount	Fair value	Evaluation level	Interest rate	Effective interest rate
30.5	-	-	50.5	50.5	-	-	-
-	-	-	7.8	7.8	1	-	-
-	-	-	0.7	0.7	-	-	-
0.1	-	-	0.1	0.1	-	-	-
-	-	-	-	-	-	-	-
30.6	-	-	59.1	59.1	-		
-	-	-	41.8	41.8	-	-	-
-	-	-	336.3	336.3	-	-	-
-	-	-	67.0	67.0	2		
-	-	-	1,053.7	1,053.7	1	-	-
-	-	(31.6)	(31.6)	(31.6)	-	*	-
-	-	(4.3)	(4.3)	(4.3)	-	10.3%	10.3%
-	-	(1.2)	(1.2)	(1.2)	-	3.8%	3.8%
-	-	(0.2)	(0.2)	(0.2)	-	*	-
-	-	(37.3)	(37.3)	(37.3)	-	-	-
-	-	(868.7)	(868.7)	(868.7)	-	-	-
-	(13.7)	-	(13.7)	(13.7)	2	-	-
-	(1.9)	-	(1.9)	(1.9)	2	-	-

Notes to the consolidated financial statements

2012	Assets at fair value	Loans and accounts receivables	Held-to- maturity assets
Investments in financial assets (Note 14)	–	–	–
Liquidity contract (Note 14)	8.1	–	–
Other financial assets (Note 14)	–	–	1.3
Other non-consolidated investments (Note 14)	–	–	–
Held-to-maturity securities (Note 14)	8.1	–	1.3
Financial assets (Note 14)	–	–	–
Loans and deposits (Note 16)	–	42.9	–
Trade and other receivables (Note 18)	–	325.8	–
Active foreign exchange derivatives (Note 22.2.3)	54.4	–	–
Cash and cash equivalents (Note 19)	361.3	335.7	–
Bank overdrafts (Note 22)	–	–	–
Loan - Japan (Note 22)	–	–	–
Loan - India (Note 22)	–	–	–
Other loans (Note 22)	–	–	–
Current accounts in debit (Note 22)	–	–	–
Financial debts (Note 22)	–	–	–
Trade payables and other liabilities (Note 26)	–	–	–
Liability derivative instruments (Note 22.2.3)	–	–	–
Other liability derivative instruments	–	–	–

* Interest rates are variable rates.

For fiscal 2013 and 2012, there were no transfers between levels 1 and 2 for financial assets and liabilities recognised at fair value.

in millions of euros

Assets available for sale	Liabilities at fair value	Liabilities at amortised cost	Carrying amount	Fair value	Evaluation level	Interest rate	Effective interest rate
19.1	–	–	19.1	19.1	1	–	–
–	–	–	8.1	8.1	1	–	–
–	–	–	1.3	1.3	–	–	–
0.1	–	–	0.1	0.1	–	–	–
19.2	–	–	28.5	28.5	–	–	–
–	–	–	–	–	–	–	–
–	–	–	42.9	42.9	–	–	–
–	–	–	325.8	325.8	–	–	–
–	–	–	54.4	54.4	2	–	–
–	–	–	697.0	697.0	1	–	–
–	–	(11.0)	(11.0)	(11.0)	–	*	–
–	–	(2.6)	(2.6)	(2.6)	–	1.8%	1.8%
–	–	(5.8)	(5.8)	(5.8)	–	10.6%	10.6%
–	–	(2.6)	(2.6)	(2.6)	–	5.1%	5.1%
–	–	(0.2)	(0.2)	(0.2)	–	*	–
–	–	(22.2)	(22.2)	(22.2)	–	–	–
–	–	(847.0)	(847.0)	(847.0)	–	–	–
–	(16.7)	–	(16.7)	(16.7)	2	–	–
–	(2.6)	–	(2.6)	(2.6)	2	–	–

NOTE 23 - PROVISIONS

in millions of euros

	31/12/2012	Accruals	Reversals ⁽¹⁾	Currency impact	Other and reclassifications	31/12/2013
Current provisions	33.2	6.8	(14.5)	(1.7)	2.8	26.5
Non-current provisions	16.4	2.1	(3.1)	(0.0)	(0.6)	14.7
Total	49.6	8.8	(17.6)	(1.7)	2.2	41.2

(1) Of which €11.5 million reversed and used.

As at 31 December 2013, the provisions involve provisions for returns (€13.8 million) as well as other risks concerning legal, financial and tax matters in terms of

their amount or due date (€27.4 million). No class of provision is individually material.

NOTE 24 - EMPLOYEES

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

	31/12/2013	31/12/2012
France	6,631	6,110
Rest of Europe	1,234	1,099
Rest of the world	3,172	2,909
Total	11,037	10,118

By category, the breakdown is as follows:

	31/12/2013	31/12/2012
Production	4,954	4,453
Sales	4,197	3,970
Supports (design, marketing, administration)	1,886	1,695
Total	11,037	10,118

Total personnel costs amounted to €836.1 million in 2013, compared with €765.0 million in 2012.

NOTE 25 - POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFIT OBLIGATIONS

25.1 - Description of plans

Hermès Group employees are eligible for short-term benefits (paid leave, sick leave, profit-sharing), long-term benefits (long-service awards) and post-employment benefits under defined contribution/defined benefit plans (mainly retirement benefits, and supplemental pension schemes).

Post-employment benefits are awarded either through defined contribution plans or through defined benefit plans.

25.1.1 - Defined contribution plans

Under these plans, regular payments are made to outside organisations, which are responsible for their administrative and financial management. These plans release the employer from any subsequent obligation, as the outside organisation takes responsibility for paying amounts due to employees (basic Social Security old-age plan, ARRCO/AGIRC supplemental pension plans, defined contribution pension funds).

25.1.2 - Defined benefit plans

Under these plans, the employer assumes an obligation *vis-à-vis* its employees. If these plans are not entirely funded in advance, a provision is recorded.

Post-employment and similar benefit obligations (Defined Benefit Obligations or DBOs) are measured using the projected credit units method, based on actuarial assumptions that take into consideration specific conditions, primarily macroeconomic conditions, in the different countries in which the Group operates. Changes to actuarial assumptions and experience effects give rise to actuarial gains and losses which are all recorded in the equity over the period during which they were recognised.

For the Group, the main defined benefit plans apply to:
 – retirement benefits in France, Italy, Turkey, Greece, Japan and Taiwan: these are calculated based on

employee length of service and annual salary upon reaching retirement age. These obligations are partially or entirely externalised depending on the country;

– long-service awards in France: these are awards for longstanding service or outstanding initiatives taken by employees or persons treated as employees during their careers, or for skills enhancement. The awards are issued with a bonus, under the terms of a collective agreement, company-wide agreement or decision by the relevant company or works council;

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

– a supplementary plan for the directors in France or abroad (Switzerland, Canada).

	in millions of euros					
	< 1 year	> 1 year	2013	< 1 year	> 1 year	2012
Post-employment and similar benefit obligations	5.3	83.2	88.5	3.7	66.6	70.3
Total	5.3	83.2	88.5	3.7	66.6	70.3

25.2 - Actuarial assumptions as at 31 December 2013

Actuarial assumptions are reviewed annually. For 2013, the following actuarial assumptions were used:

	France	Italy	Switzerland	Japan	Taiwan	Rest of Asia
Retirement age (in years)	62/65 years	62/66 years	63/64 years	60 years	65 years	50/65 years
Increase in salaries	3.0%	2.0%-2.5%	2.2%	2.5%	3.5%	5.0% - 9.0%
Increase in Social Security ceiling	2.75%	n/a	n/a	n/a	2.0%	n/a
Discounting rate	2.8%-1.8%*	2.8%	2.1%	1.4%	1.9%	0.6% - 2.9%

n/a: not applicable.

* Rates according to the duration of the plans.

2012 assumptions

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

n/a: not applicable.

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

An increase or decrease of 0.50 point in the discount rate would respectively entail a decrease of the pension provision of the Hermès Group of €8.7 million or an increase of €9.7 million, the counterparty of which would be accounted for in equity. More specifically, for pension plans in Switzerland, an increase or a decrease of 0.5 point of the applied interest rate would

respectively entail an increase in the pension provision of €0.9 million or a decrease of €0.9 million, the counterparty of which would be accounted for in equity.

In accordance with amended standard IAS 19, the respective rates of return are henceforth determined in correspondence with the discount rate of the obligations. To 31 December 2013, the contributions paid for the coming year (including contributions paid to a fund and benefits paid directly by the employer) amounted to €5.3 million versus €3.9 million paid in 2013.

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

in millions of euros

	Defined benefit pension plans	Other defined benefit plans	2013	Defined benefit pension plans	Other defined benefit plans	2012
Provisions to 1 January	63.4	5.9	69.3	62.5	4.6	67.1
Foreign currency adjustments	(5.9)	(0.1)	(6.0)	(3.3)	–	(3.4)
Pension expense	13.4	1.1	14.5	(23.3)	1.5	(21.9)
Benefits/contributions paid	(3.5)	(0.4)	(3.9)	(3.6)	(0.1)	(3.7)
Actuarial gains and losses/Limits on plan assets	12.7	–	12.7	30.5	–	30.5
Changes in the scope of consolidation	0.3	–	0.3	0.3	–	0.3
Adjustment of opening equity	–	–	–	–	–	–
Other	1.6	–	1.6	1.3	–	1.3
Provisions to 31 December	82.0	6.5	88.5	64.4	5.9	70.3

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

in millions of euros

	Defined benefit pension plans	Other defined benefit plans	2013	Defined benefit pension plans	Other defined benefit plans	2012
Present value of obligations on 1 January	119.5	5.9	125.3	116.3	4.6	120.9
Foreign currency adjustments	(6.3)	(0.1)	(6.4)	(3.2)	–	(3.2)
Service cost	8.5	0.6	9.1	8.3	0.5	8.8
Interest cost	2.8	0.1	2.9	3.3	0.2	3.5
Benefits paid	(1.8)	(0.4)	(2.3)	(2.7)	(0.1)	(2.9)
Employee contributions	1.1	–	1.1	0.9	–	0.9
Experience gains and losses	5.2	0.1	5.3	8.5	(0.1)	8.4
Actuarial gains & losses from demographic assumptions	0.5	0.1	0.7	11.1	0.2	11.2
Actuarial gains & losses from financial assumptions	6.6	0.1	6.8	10.7	0.7	11.4
Changes of plan	(0.1)	(0.1)	(0.2)	(34.2)	–	(34.2)
Changes in the scope of consolidation	13.5	0.2	13.7	0.5	–	0.5
Other	1.5	–	1.5	–	–	–
Present value of bonds on 31 December	151.0	6.5	157.5	119.5	5.9	125.3

25.3.2 - Fair value of pension plans

in millions of euros

	2013	2012
Fair value of obligations on 1 January	56.1	52.8
Employer contributions	3.5	3.6
Employee contributions	1.1	0.9
Benefits paid	(1.8)	(2.7)
Expected return on plan assets	1.4	1.8
Financial expense	(0.1)	–
Foreign currency adjustments	(0.4)	0.1
Actuarial gains & losses	(0.4)	(0.5)
Changes in the scope of consolidation	9.7	0.2
Other	–	–
Fair value of plan assets on 31 December	69.1	56.1

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

in millions of euros

	Defined benefit pension plans	Other defined benefit plans	2013	Defined benefit pension plans	Other defined benefit plans	2012
Present value of funded obligations	117.6	–	117.6	85.9	–	85.9
Fair value of plan assets	(69.1)	–	(69.1)	(56.1)	–	(56.1)
Excess of obligations/(assets) in funded plans	48.5	–	48.5	29.8	–	29.8
Present value of unfunded obligations	33.5	6.5	40.0	34.6	5.9	40.5
Unrecognised net assets	–	–	–	–	–	–
Net defined benefit obligations	82.0	6.5	88.5	64.4	5.9	70.3
Breakdown of obligations - assets	–	–	–	–	–	–
Breakdown of obligations - liabilities	82.0	6.5	88.5	64.4	5.9	70.3
Net obligations	82.0	6.5	88.5	64.4	5.9	70.3

25.3.4 - Changes in actuarial gains and losses

in millions of euros

Actuarial gains and losses recognised in equity as at 1 January 2011	38.8
Experience gains and losses	8.5
Actuarial gains & losses from changes in assumptions	21.7
Impact of limits on plan assets	0.5
Other actuarial gains and losses	(0.4)
Actuarial gains and losses recognised in equity as at 31 December 2012	69.2
Experience gains and losses	5.2
Actuarial gains & losses from changes in demographic assumptions	0.5
Actuarial gains & losses from changes in financial assumptions	6.6
Impact of limits on plan assets	–
Other actuarial gains and losses	0.3
Actuarial gains and losses recognised in equity as at 31 December 2013	81.8

25.3.5 - Analysis of expenses recognised in the statement of income

in millions of euros

	Defined benefit pension plans	Other defined benefit plans	2013	Defined benefit pension plans	Other defined benefit plans	2012
Service costs	8.5	0.6	9.1	8.3	0.5	8.8
Interest costs	2.8	0.1	2.9	1.5	0.2	1.7
Expected return on plan assets	(1.4)	–	(1.4)	–	–	–
(Gains)/loss resulting from change in plan	(0.1)	(0.1)	(0.2)	(33.1)	–	(33.1)
Changes in the scope of consolidation	3.5	0.2	3.7	–	–	–
Net actuarial (gains)/losses recognised during the year	–	0.3	0.3	–	0.8	0.8
Administrative expenses	0.1	–	0.1	–	–	–
Cost of defined benefit plans	13.4	1.1	14.5	(23.3)	1.4	(21.9)

25.4 - Plan assets

The average breakdown by asset type is as follows:

in millions of euros

	31/12/2013		31/12/2012	
	Value	Breakdown	Value	Breakdown
Shares	6.3	9%	3.7	7%
Bonds	50.8	73%	43.2	77%
Other	12.0	17%	9.3	16%
Total	69.1	100%	56.1	100%

25.5 - Information by geographical area

in millions of euros

	31/12/2013		31/12/2012	
	Value	Breakdown	Value	Breakdown
France	87.6	56%	67.2	54%
Rest of Europe	44.6	28%	29.5	24%
Japan	22.4	14%	26.1	21%
Rest of Asia-Pacific	2.7	2%	2.6	2%
Americas	0.2	0%	n/a	n/a
Present value of bonds	157.5	100%	125.4	100%
France	37.2	54%	36.4	65%
Rest of Europe	31.6	46%	19.5	35%
Rest of Asia-Pacific	0.3	0%	0.3	1%
Fair value of plan assets	69.1	100%	56.1	100%
France	–	–	–	–
Rest of Asia-Pacific	–	–	–	–
Unrecognised net assets	–	–	–	–
France	50.5	57%	30.8	45%
Rest of Europe	13.0	15%	11.0	14%
Japan	22.4	25%	26.1	38%
Rest of Asia-Pacific	2.4	3%	2.3	3%
Americas	0.2	0%	n/a	n/a
Provisions for post-employment and similar benefit obligations	88.5	100%	70.3	100%

n/a: not applicable.

NOTE 26 - TRADE PAYABLES AND OTHER LIABILITIES

	in millions of euros	
	31/12/2013	31/12/2012
Suppliers	313.8	301.9
Amounts payable relating to fixed assets	48.3	43.5
Trade and other payables	362.1	345.5
Current tax liabilities	94.8	124.1
Other current liabilities	343.6	323.4
Other non-current liabilities	68.2	54.0
Trade payables and other liabilities	868.7	847.0

NOTE 27 - UNRECOGNISED COMMITMENTS, CONTINGENT ASSETS
AND CONTINGENT LIABILITIES**27.1 - Financial commitments**

	in millions of euros				
	< 1 year	1 to 5 years	> 5 years	31/12/2013	31/12/2012
Bank guarantees given	4.7	–	8.0	12.7	12.4
Buybacks of securities (commitments received)	–	–	–	–	–
Irrevocable purchase commitments for financial assets	–	0.9	21.8	22.7	21.6
Other commitments	8.1	–	–	8.1	46.1
Finance leases	–	–	–	–	0.9

Future non-cancellable commitments on lease agreements for all stores operated by the Group worldwide are as follows:

	in millions of euros				
	< 1 an	1 to 5 years	> 5 years	Total	Annual discounting rate
Minimum payments to be made on rental agreements in 2013	84.4	230.2	99.5	414.1	8.66%
Minimum payments to be made on rental agreements in 2012	79.8	191.0	96.4	367.3	10.14%

27.2 - Other unrecognised commitments

The Group has no knowledge of any commitments other than those mentioned elsewhere herein and that would not be reflected in the financial statements for the year ended 31 December 2013. To date, there is no exceptional event or dispute that would be liable to

have a likely and material impact on the Group's financial position.

Furthermore, in the normal course of its business operations, the Group is involved in legal actions and is subject to controls. A provision is recorded when a risk is identified and when its cost can be estimated.

NOTE 28 - RELATED-PARTY TRANSACTIONS

In 2013, transactions with equity-accounted associates were not material relative to the Group's overall business activities.

Relationships with other related parties, within the meaning of IAS 24 – Related Party Disclosures can be summarised as follows:

- RDAI firm: RDAI was commissioned to undertake a design assignment for the application of the architectural concept to all Hermès Group stores. Fees paid by the Hermès Group amounted to €6.9 million before tax in 2013. The RDAI firm, as well as the above-mentioned SCI, are considered to be related parties given that certain members of the Group's management or members of the Supervisory Board have personal interests therein and exercise significant influence;
- Émile Hermès SARL, Active Partner: Émile Hermès SARL is a *société à responsabilité limitée à capital variable* (limited company with variable capital). Its partners are the direct descendants of Émile-Maurice

Hermès and his spouse. Émile Hermès SARL's executive Manager is Mr Henri-Louis Bauer. The Company is governed by a Management Board. Each year, Hermès International pays 0.67% of the distributable profits to the Active Partner. In addition, Hermès International charges Émile Hermès SARL for certain expenses incurred. Hermès International charged back €0.6 million in this respect in 2013;

- Ardian Holding: as part of the diversification of its investments, Hermès International acquired a 16.74% equity interest in the company Ardian Holding, in which a member of the Supervisory Board has responsibilities. This commitment had been assumed prior to this person's appointment.

Certain of the above transactions constitute related-party agreements according to the definition contained in the *Code de commerce*. For further details, see the description of the proposed resolutions on page 256 to 265.

Lease agreements with related parties

Address	Lessor	Lessee	Lease type	Lease term	Start date	End date	Security deposit
Building 28/30/32, rue du Faubourg-Saint-Honoré	SAS 28/30/32 rue du Faubourg-Saint-Honoré	Hermès International	Commercial lease	9 years	01/01/2007	31/12/2015	3 months
Building 28/30/32, rue du Faubourg-Saint-Honoré	SAS 28/30/32 rue du Faubourg-Saint-Honoré	Hermès Sellier	Commercial lease	9 years	01/01/2007	31/12/2015	3 months
Building 26, rue du Faubourg-Saint-Honoré	SAS 28/30/32 rue du Faubourg-Saint-Honoré	Hermès International	Commercial lease	9 years	01/01/2005	31/12/2013	3 months
Building 26, rue du Faubourg-Saint-Honoré	SAS 28/30/32 rue du Faubourg-Saint-Honoré	Hermès International	Commercial lease	9 years	01/01/2008	31/12/2016	3 months
Building 23, rue Boissy-d'Anglas	SAS 28/30/32 rue du Faubourg-Saint-Honoré	Hermès Sellier	Commercial lease	9 years	01/01/2009	31/12/2017	3 months
Building 74, rue du Faubourg-Saint-Antoine	SCI 74 rue du Faubourg-Saint-Antoine	Hermès International	Commercial lease	9 years	01/07/2008	30/06/2017	3 months
4, rue du Pont-Vert 27400 Le Vaudreuil	Briand Villiers I	Comptoir Nouveau de la Parfumerie	Commercial lease	9 years firm	01/07/2005	30/06/2014	3 months

Total lease expenses related to the above agreements amounted to €8.9 million in 2013, compared with €8.7

million in 2012. All of the transactions described were carried out on an arm's length basis.

NOTE 29 - EXECUTIVE COMPENSATION

Compensation paid to Corporate executive Officers, executive Managers and Supervisory Board members of the Group in 2013 amounted to €18.0 million, compared

with €16.0 million in 2012. It was broken down as follows for each category of remuneration:

	in millions of euros	
	2013	2012
Short-term benefits	11.5	9.6
Post-employment benefits	1.8	1.5
Other long-term benefits	0.2	0.2
Share-based payments	4.5	4.7
Total	18.0	16.0

The deferred compensation commitments for the corporate officers only relate to the Group executive Chairman, in case of the cessation of his functions

under certain conditions. The information regarding this commitment is provided on page 81.

NOTE 30 - SHARE-BASED PAYMENTS

30.1 - Share purchase option plans

	in shares	
	2013	2012
Outstanding as at 1 January	84,370	221,870
<i>exercisable</i>	84,370	221,870
Options issued	-	-
Options exercised	(24,349)	(137,500)
Options cancelled	-	-
Options forfeited	-	-
Outstanding as at 31 December	60,021	84,370
<i>exercisable</i>	60,021	84,370
<i>Weighted average exercise price</i>	€82.51	€82.51

The information relative to the share purchase plans is provided on page 90 (Table no. 8). The options still

in circulation as at 31 December 2013 expire as of 2 January 2015.

30.2 - Free share allotment plans

30.2.1 - Free share allotment plans

	in shares	
	2013	2012
Outstanding as at 1 January	1,182,620	401,700
<i>exercisable</i>	-	-
Options issued	-	817,280
Options exercised	(1,020)	(730)
Options cancelled	-	-
Options forfeited	(28,860)	(35,630)
Outstanding as at 31 December	1,152,740	1,182,620
<i>exercisable</i>	-	-

The information relative to the free share allotment plans is provided on page 92 (Table no. 11).

30.2.2 - Expense for the year

	in millions of euros	
	2013	2012
Free share allotment plans	42.5	28.4
Share purchase option plans	-	-
Expense for the year	42.5	28.4

NOTE 31 - INFORMATION ON FEES PAID

For fiscal year 2013, the fees paid to the statutory auditors and members of their networks were the following:

in millions of euros

	PricewaterhouseCoopers				Crowe Horwath, Didier Kling & Associés firm			
	2013	Distrib.	2012	Distrib.	2013	Distrib.	2012	Distrib.
Audit								
Statutory audits	1.6	74%	1.4	78%	0.5	95%	0.4	100%
<i>Hermès International (parent company)</i>	0.2	11%	0.2	11%	0.2	34%	0.1	39%
<i>Fully consolidated subsidiaries</i>	1.4	63%	1.2	67%	0.3	61%	0.2	61%
Other due diligence reviews and services directly related to the mission of the statutory auditors	0.2	10%	0.1	6%	0.0	5%	–	–
<i>Hermès International (parent company)</i>	0.1	4%	–	–	0.0	5%	–	–
<i>Fully consolidated subsidiaries</i>	0.1	6%	0.1	6%	–	–	–	–
<i>Sub-total</i>	1.8	84%	1.5	83%	0.5	100%	0.4	100%
Other services provided by the networks to the foreign subsidiaries								
Legal, tax and corporate matters ⁽¹⁾	0.4	16%	0.3	17%	–	–	–	–
<i>Sub-total</i>	0.4	16%	0.3	17%	–	–	–	–
Total	2.2	100%	1.8	100%	0.5	100%	0.4	100%

(1) Fees paid to auditors for tax matters are related to foreign subsidiaries which require such services to ensure local and international tax compliance, including the review of tax matters on financial statements.

The observed imbalance can be explained by the fact that the PwC network is in charge of nearly all of the auditing of the foreign subsidiaries of the Hermès Group.

Notes to the consolidated financial statements

NOTE 32 - SCOPE OF CONSOLIDATION

List of the main consolidated companies as at 31st December 2013 (manufacturing and holding subsidiaries of the divisions)

Company	Head office	2013 percentage			Registered n° (France)
		Control	Interest	Method*	
Hermès International	24, rue du Faubourg-Saint-Honoré, 75008 Paris	Parent	Parent	Parent	572 076 396
Boissy Mexico	Avenida Presidente Mazaryk 422, Local « A » Col Polanco, 11560 Mexico D.F. (Mexico)	51.00	51.00	Full	-
Castille Investissements	24, rue du Faubourg-Saint-Honoré, 75008 Paris	100.00	100.00	Full	352 565 451
Compagnie des Cristalleries de Saint-Louis	Saint-Louis-lès-Bitche, 57620 Lemberg (France)	99.96	99.96	Full	353 438 708
Compagnie Hermès de Participations	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	413 818 147
Compagnie Hermès de Participations 2	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	789 925 534
Comptoir Nouveau de la Parfumerie	23, rue Boissy-d'Anglas, 75008 Paris	99.67	99.67	Full	542 053 285
Faubourg Italia	1/A Piazza della Repubblica, 20121 Milan (Italy)	60.00	60.00	Full	-
Faubourg Guam	C/Co Calvo Fisher & Jacob LLP, 259 Martyr Street, Suite 100, Hagatna Guam 96910 (United States)	100.00	100.00	Full	-
Financière Saint-Honoré	9, avenue Eugène-Pittard, 1211 Geneva 12 (Switzerland)	100.00	100.00	Full	-
Full More Group	25/F, Chinachem Leighton Plaza, 29 Leighton Road, Causeway Bay (Hong Kong)	92.00	92.00	Full	-
Ganterie de Saint-Junien	18, rue Louis-Codet, 87200 Saint-Junien (France)	100.00	100.00	Full	391 581 196
Grafton Immobilier	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	440 256 444
Hermès Argentina	Avenida Alvear 1981, 1129 Buenos Aires (Argentina)	100.00	99.99	Full	-
Hermès Asia Pacific	25/F Chinachem Leighton Plaza, 29 Leighton Road, Causeway Bay (Hong Kong)	100.00	100.00	Full	-
Hermès Australia	Level 11, 70 Castlereagh Street, Sydney NSW 2000 (Australia)	100.00	100.00	Full	-
Hermès Benelux Nordics	50, boulevard de Waterloo, 1000 Brussels (Belgium)	100.00	100.00	Full	-
Hermès Canada	131 Bloor Street West, Toronto, Ontario M5S 1R1 (Canada)	100.00	100.00	Full	-
Hermès (China) Co. Ltd	30/F Hong Kong Plaza, N° 283 Huaihai Central Road, Shanghai (China)	100.00	100.00	Full	-
Hermès Cuir Précieux	33, avenue de Wagram, 75017 Paris	100.00	100.00	Full	398 142 695
Hermès de Paris (Mexico)	Avenida Presidente Mazaryk 422, Local « A » Col Polanco, 11560 Mexico D.F. (Mexico)	51.00	51.00	Full	-
Hermès GB	1 Bruton Street, Londres W1J 6TL (United Kingdom)	100.00	100.00	Full	-
Hermès GmbH	Marshallstrasse 8, 80539 Munich (Germany)	100.00	100.00	Full	-
Hermès Grèce	Rue Stadiou 4 et rue Voukourestiou 1, City Link, 10564 Syntagma Athens (Greece)	100.00	100.00	Full	-
Hermès Iberica	José Ortega y Gasset 12, 28006 Madrid (Spain)	100.00	100.00	Full	-
Hermès Horizons	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	480 011 527

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

Company	Head office	2013 percentage			Registered n° (France)
		Control	Interest	Method*	
Hermès Immobilier Genève	C/- Hermès (Suisse), 1, rue Robert-Céard, 1204 Geneva (Switzerland)	100.00	100.00	Full	-
Hermès India Retail and Distributors Private Ltd	G/5-9 Shopping Arcade, The Oberoi, Dr Zakir Hussain Marg, 110003 New Delhi (India)	51.01	51.01	Full	-
Hermès Internacional Portugal	Largo do Chiado 9, 1200-108 Lisbon (Portugal)	100.00	100.00	Full	-
Hermès Istanbul	Abdi İpekçi Cad. No:79 Nisantasi, Sisli, Istanbul (Turkey)	100.00	100.00	Full	-
Hermès Italie	Via Gastone Pisoni 2, 20121 Milan (Italy)	100.00	100.00	Full	-
Hermès Japon	4-1, Ginza 5-Chome, Chuo-ku, Tokyo 104-0061 (Japan)	100.00	100.00	Full	-
Hermès Korea	630-26 Shinsa-Dong Gangnam-gu, Séoul 135-895 (South Korea)	94.59	94.59	Full	-
Hermès Latin America Inc.	703 Waterford Way, Suite 195, Miami, Floride 33126 (United States)	100.00	100.00	Full	-
Hermès Middle East South Asia	One Marina Boulevard, #28-00, Singapore 018989 (Singapore)	100.00	100.00	Full	-
Hermès Monte-Carlo	11-13-15, avenue de Monte-Carlo, 98000 Monaco	100.00	100.00	Full	-
Hermès of Paris	55 East, 59th Street, 10022 New York (United States)	100.00	100.00	Full	-
Hermès Prague	Parizska 12/120, 11000 Prague (Czech Republic)	100.00	100.00	Full	-
Hermès Retail (Malaysia)	Level 16, Menara Asia Life, 189 Jalan Tun Razak, 50400 Kuala Lumpur (Malaysia)	70.00	70.00	Full	-
Hermès Russie	10 rue Vozdvizhenka, 125009 Moscow (Russia)	99.9	99.9	Full	-
Hermès Sellier	24, rue du Faubourg-Saint-Honoré, 75008 Paris	99.77	99.77	Full	696 520 410
Hermès Singapore (Retail)	One Marina Boulevard, #28-00, Singapore 018989 (Singapore)	100.00	100.00	Full	-
Hermès Suisse	1, rue Robert-Céard, 1204 Genève (Switzerland)	100.00	100.00	Full	-
Hermès South East Asia	One Marina Boulevard, #28-00, Singapore 018989 (Singapore)	100.00	100.00	Full	-
Holding Textile Hermès	16, chemin des Mûriers, 69310 Pierre-Bénite (France)	96.17	96.17	Full	592 028 542
Immauger	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	377 672 159
Immobilière du 5 rue de Furstemberg	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	440 252 849
Immobilière Charentaise de la Tardoire	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	440 252 567
Immobilière de la Cotonnière	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	535 205 728
J. L. & Company Limited	Westminster Works, Oliver Street, Northampton NN2 7JL (United Kingdom)	100.00	100.00	Full	-
John Lobb	23, rue Boissy-d'Anglas, 75008 Paris	99.99	99.99	Full	582 094 371
La Manufacture de Seloncourt	18, rue de la Côte, 25230 Seloncourt (France)	100.00	100.00	Full	407 836 329
La Maroquinerie Nontronnaise	Route de Saint-Martin-le-Pin, 24300 Nontron (France)	100.00	100.00	Full	403 230 436

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

Notes to the consolidated financial statements

Company	Head office	2012 percentage			Registered n° (France)
		Control	Interest	Method*	
La Montre Hermès	Erlenstrasse 31 A, 2555 Brügg (Switzerland)	100.00	100.00	Full	-
Leica Camera Japan Co	1-7-1 Yurakucho Chiyoda-ku, Tokyo 100-0006 (Japan)	49.00	49.00	EA	-
Manufacture de Haute Maroquinerie	ZAE Les Combaruches, 825, bd Jean-Jules-Herbert, 73100 Aix-les-Bains (France)	100.00	100.00	Full	409 548 096
Maroquinerie de Belley	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	428 128 425
Maroquinerie de la Tardoire	Le Plantier, 16220 Montbron (France)	100.00	100.00	Full	480 011 568
Maroquinerie de Saint-Antoine	12-14, rue Auger, 93500 Pantin (France)	100.00	100.00	Full	409 209 202
Maroquinerie de Sayat	12-16, rue Auger, 93500 Pantin (France)	100.00	100.00	Full	411 795 859
Maroquinerie des Ardennes	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	428 113 518
Maroquinerie Iséroise	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	480 011 451
Maroquinerie Thierry	ZI Les Bracots, rue des Fougères, 74890 Bons-en-Chablais (France)	43.82	43.82	EA	312 108 368
Motsch-George V	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	440 252 476
Perrin & Fils	ZA Les Chaumes, 38690 Le Grand-Lemps (France)	39.52	38.01	EA	573 620 143
Saint-Honoré (Bangkok)	Room G03/2, The Emporium Shopping Mall, 622 Sukhumvit Road, Klongton, Klongtoey, Bangkok 10330 (Thailand)	51.00	51.00	Full	-
SC Honossy	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	393 178 025
SCI Auger-Hoche	12-22, rue Auger, 93500 Pantin (France)	100.00	100.00	Full	335 161 071
SCI Boissy Les Mûriers	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	351 649 504
SCI Boissy Nontron	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	442 307 021
SCI Les Capucines	ZI les Bracots, 74890 Bons-en-Chablais (France)	60.00	77.53	Full	408 602 050

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

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Statement of income for the year ended 31 December 2013

	in millions of euros	
	2013	2012
Operating income	243.9	192.9
Revenue (Note 2)	189.9	155.2
Other revenue	0.5	1.0
Reversals of provisions and expense reclassifications	53.4	36.6
Operating expenses	266.6	220.0
Supplies	2.6	2.0
External services	22.3	19.0
Other external services	64.0	53.5
Taxes and duties (other than income tax)	9.2	3.6
Salaries	38.1	38.5
Social security and similar expense (Note 3)	65.1	55.7
Depreciation, amortisation, provisions and impairment	55.9	43.9
Other expenses	9.3	3.8
OPERATING INCOME	(22.7)	(27.2)
Financial income	669.3	634.1
Income from subsidiaries and associates	653.6	581.6
Other interest and similar income	7.8	11.7
Reversals of provisions and impairment (Note 11)	7.3	32.2
Foreign exchange gains	–	7.5
Net income from disposals of marketable securities	0.5	1.1
Financial expense	107.3	73.7
Accruals to provisions and impairment (Note 11)	91.4	72.5
Foreign exchange losses	13.7	–
Interest and similar expense	2.1	1.2
NET FINANCIAL INCOME	562.0	560.4
RECURRING OPERATING INCOME	539.3	533.2
Exceptional income	1.0	15.2
Exceptional expenses	0.6	2.4
NET EXCEPTIONAL INCOME (Note 4)	0.4	12.8
INCOME BEFORE TAX AND EMPLOYEE PROFIT-SHARING	539.7	546.0
Employee profit-sharing	(4.1)	(4.2)
Income tax expenses (Note 5)	8.7	1.1
NET INCOME	544.3	542.9

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

Statement of financial position as at 31 December 2013

ASSETS

	in millions of euros	
	31/12/2013	31/12/2012
NON-CURRENT ASSETS	619.8	468.7
INTANGIBLE ASSETS (Note 6)	6.5	4.7
Licences, patents and trademarks	2.0	1.6
Other	4.5	3.0
PROPERTY, PLANT & EQUIPMENT (Note 6)	14.3	15.4
Land	0.2	0.2
Buildings	–	–
Other	14.0	15.2
Fixed assets under construction	0.1	–
FINANCIAL ASSETS (Note 7)	599.0	448.6
Investments in subsidiaries and associates	558.6	411.8
Other long-term securities	2.6	2.7
Other financial assets	37.7	34.2
CURRENT ASSETS	1,596.8	1,512.9
Trade receivables (Note 8)	148.7	89.4
Other receivables (Note 8)	446.8	626.0
Marketable securities (Note 9)	971.7	770.8
Derivative instruments	24.1	24.1
Cash	5.5	2.7
PREPAYMENTS (Note 8)	4.4	4.9
TOTAL ASSETS	2,221.0	1,986.5

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

EQUITY AND LIABILITIES

Before appropriation

in millions of euros

	31/12/2013	31/12/2012
EQUITY	1,810.4	1,530.0
Share capital (Note 10)	53.8	53.8
Share premium	49.6	49.6
Other reserves	400.7	400.4
Legal reserve	5.7	5.7
Retained earnings	756.1	477.4
Net income for the year	544.3	542.9
Restricted provisions (Note 11)	0.2	0.1
PROVISIONS FOR CONTINGENCIES AND LOSSES (Note 11)	133.9	68.8
LIABILITIES	276.6	387.8
Financial debts (Note 12)	30.9	20.6
Derivative instruments	5.0	7.3
Operating liabilities (Note 12)	58.7	78.6
Other liabilities (Note 12)	182.1	281.3
TOTAL EQUITY AND LIABILITIES	2,221.0	1,986.5

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

Changes in equity in 2013

	in millions of euros						
	Share capital (Note 10)	Share premium	Legal reserve, other reserves and retained earnings	Net income for the year	Restricted provisions (Note 11)	Equity	Number of shares outstanding (Note 10)
Balance as at 31 December 2011 before appropriation of net income	53.8	49.6	1,133.8	481.6	0.2	1,719.0	105,569,412
Appropriation of 2011 net income	-	-	-	-	-	-	-
Dividends paid in respect of the year	-	-	(250.2)	(481.6)	-	(731.8)	-
Net income for 2012	-	-	-	542.9	-	542.9	-
Other changes	-	-	-	-	-	-	-
Balance as at 31 December 2012 before appropriation of net income	53.8	49.6	883.5	542.9	0.1	1,530.0	105,569,412
Appropriation of 2012 net income	-	-	278.9	(278.9)	-	-	-
Dividends paid in respect of the year	-	-	-	(263.9)	-	(263.9)	-
Net income for 2013	-	-	-	544.3	-	544.3	-
Other changes	-	-	-	-	0.1	0.1	-
Balance as at 31 December 2013 before appropriation of net income	53.8	49.6	1,162.5	544.3	0.2	1,810.4	105,569,412

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

Cash flow statement for 2013

	in millions of euros	
	2013	2012
Net income	544.3	542.9
Depreciation and amortisation	3.9	3.4
Change in provisions and impairment (Note 11)	133.0	80.1
Capital gains/(losses) on disposals	4.2	(12.6)
OPERATING CASH FLOWS	685.4	613.8
Variation of intra-group current accounts	52.9	(156.2)
Variation of the other receivables	(59.5)	4.9
Variations of trade payables and other liabilities	(13.9)	30.7
Change in working capital	(20.4)	(120.6)
NET FLOWS COMING FROM OPERATIONS	665.0	493.2
Purchase of intangible assets (Note 6)	(3.3)	(2.0)
Purchase of property, plant & equipment (Note 6)	(1.6)	(2.1)
Investments in subsidiaries and associates (Note 7)	(195.9)	(55.1)
Purchase of other financial assets (Note 7)	(20.1)	(28.3)
Disposals	19.6	40.5
Change in receivables and payables relating to fixed assets	0.6	0.3
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(200.8)	(46.7)
Dividends paid	(263.9)	(731.8)
Buyback of options and share subscriptions	(0.3)	(9.1)
CASH FLOWS USED IN FINANCING ACTIVITIES	(264.2)	(740.9)
CHANGE IN NET CASH POSITION	200.0	(294.4)
Net cash position at the beginning of period (Note 13)	454.2	748.6
Net cash position at end of period (Note 13)	654.2	454.2
CHANGE IN NET CASH POSITION	200.0	(294.4)

Liabilities relating to employee profit-sharing have been reclassified into Other liabilities. In 2012, by convention, the current accounts of the subsidiaries were classified as Cash assets or liabilities. In 2013, these variations were reclassified as "net flows coming from operations", given that they are intended for the financing of the working capital requirements of the Group subsidiaries. This presentation gives a primarily economic view of the company's cash flows. The 2012 figures have been modified in order to account for this reclassification.

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

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

The financial year covers the 12 months from 1 January through 31 December 2013.

The following notes are an integral part of the financial statements.

NOTE 1 - ACCOUNTING POLICIES AND PRINCIPLES

Generally accepted accounting conventions have been applied, in line with the principle of prudence, according to the following accounting assumptions and principles:

- ◆ the Company's status as an ongoing concern;
- ◆ the consistency of accounting policies from one financial year to another;
- ◆ the accruals and matching principle;
- ◆ the historical cost convention;

and in accordance with the general rules for the preparation and presentation of the annual financial statements in the 1999 chart of accounts, as well as all rules from the accounting regulation committee subsequent to this date. They are compliant with the generally accepted principles.

1.1 - Intangible assets

Intangible assets include the purchase of original works of arts by living artists, which allows the Company to benefit from a tax deduction that is set aside in a reserve, as well as software and the cost of websites, which are amortised on a straight-line basis over one to six years.

1.2 - Property, plant and equipment

Property, plant and equipment are valued at acquisition cost (purchase price plus incidental expenses, excluding acquisition costs), except for assets acquired before 31 December 1959, which are shown in the statement of financial position at their value in use on that date.

Depreciation is calculated using the straight-line or declining-balance method, on the basis of the following expected useful lives:

- ◆ buildings: straight-line method over 20 to 30 years;
- ◆ building fixtures and fittings: straight-line method over 10 to 40 years;
- ◆ office furniture and equipment: straight-line or declining-balance method over 4 to 10 years;
- ◆ computer equipment: declining-balance method over 3 years;
- ◆ vehicles: straight-line method over 4 years.

1.3 - Financial assets

Investments in subsidiaries and associates are shown in the statement of financial position at acquisition cost, excluding incidental expenses. Where the balance sheet value at closing is lower than the carrying amount, a provision for impairment is recorded for the difference.

The balance sheet value is determined based on criteria such as the value of the share of net assets or the earnings prospects of the relevant subsidiary. These criteria are weighted by the effects of owning these shares in terms of strategy or synergies, in respect of other investments held.

1.4 - Trade receivables

Trade receivables are recorded at face value. A provision for impairment is recognised where there is a risk of non-recovery.

1.5 - Marketable securities

The gross value of marketable securities is their acquisition cost less incidental expenses. Marketable securities are valued at the lower of acquisition cost or market value, calculated separately for each category of securities.

In the event that part of a line of securities is sold, proceeds on disposals are calculated using the first-in, first-out method (FIFO).

Treasury shares that are specifically allocated to covering employee share allotments or options to purchase shares are recorded under "Marketable securities". A provision is accrued in an amount representing the difference between the purchase price of the shares and the option exercise price, if the purchase price is more than the exercise price.

In the event of a decrease in the stock market price, a provision for impairment is recognised for treasury shares that are not specifically allocated. It is calculated as the difference between the net carrying amount of the shares and the average stock market price for the month immediately preceding the closing date, weighted by the exchanged volumes.

1.6 - Treasury management

Income and expense items expressed in foreign currencies are converted into euros at the hedged exchange rate. Payables, receivables, and cash expressed in currencies outside the euro zone are shown on the statement of financial position at the hedged exchange rate or at the closing rate if they are not hedged. In this case, differences arising from the reconversion of payables and receivables at the closing exchange rate are recorded in the statement of financial position under "Foreign currency adjustments". A provision for contingencies is established for unrealised foreign exchange losses. Premiums on foreign currency options are recorded as an expense on the maturity date.

In addition, financial instruments are used in connection with the management of the Company's treasury investments. Gains and losses on interest rate differentials and any corresponding premiums are recognised on an accrual basis.

1.7 - Income tax expenses

Since 1 January 1988, the Company has opted for a group tax election under French tax law. Under the terms of an agreement between the parent company and the subsidiaries included in the group tax election, projected and actual tax savings or liabilities generated by the Group are recognised in income (temporary or definite) in the year in which they arise. The tax expense borne by the subsidiaries is the expense they would have incurred if there had been no group tax election.

The main companies included in the group tax election are Hermès International, Ateliers d'Ennoblement d'Irigny, Ateliers de Tissage de Bussièrès et de Challes, Castille Investissements, Compagnie des Arts de la Table et de l'Émail, Compagnie des Cristalleries de Saint-Louis, Compagnie Hermès de Participations, Compagnie Hermès de Participations 2, Comptoir Nouveau de la Parfumerie, Créations Métaphores, SCI Edouard VII, Établissements Marcel Gandit, Ganterie de Saint-Junien, Gordon-Choisy, Grafton Immobilier, Hermès Cuir Précieux, Hermès Horizons, Hermès Sellier, Hermès Voyageur, Holding Textile Hermès, Immauger, Immobilière du 5 rue Fürstenberg, Immobilière Charentaise de la Tardoire, Immobilière de la Cotonnière, Immobilière Iséroise, Immobilière Textile Honoré, John

Lobb, La Manufacture de Seloncourt, La Maroquinerie Nontronnaise, Manufacture de Haute Maroquinerie, Maroquinerie de Belley, Maroquinerie des Ardennes, Maroquinerie de Sayat, Maroquinerie de Saint-Antoine, Maroquinerie de la Tardoire, Maroquinerie Iséroise, Motsch George V, SC Honossy, Puiforcat, SCI Auger-Hoche, SCI Boissy Les Mûriers, SCI Boissy Nontron, Société d'Impression sur Étoffes du Grand-Lemps, Société Novatrice de Confection, Tannerie d'Annonay et Tanneries des Cuir d'Indochine et de Madagascar.

1.8 - Post-employment and other employee benefit obligations

For basic pension and other defined-contribution plans, Hermès International recognises contributions to be paid as expenses when they come due and no provision is accrued in this respect, as the Company has no obligation other than the contributions paid.

For defined-benefit plans, Hermès International's obligations are calculated annually by an independent actuary using the projected credit unit method. This method is based on actuarial assumptions and takes into account the employee's probable future length of service, future salary and life expectancy as well as staff turnover. The present value of the obligation is calculated by applying an appropriate discount rate. It is recognised on a basis pro-rated to the employee's years of service.

Benefits are partly funded in advance by external funds (insurance companies).

Assets held in this way are measured at fair value.

The expense recognised in the statement of income is the sum of:

- the past service cost, which reflects the increase in obligations arising from the vesting of one additional year of benefits;
- the interest cost, which reflects the increase in the present value of the obligations during the period.

Accrued actuarial gains and losses are amortised when they exceed 10% of the obligation amount, gross of dedicated investments, or of the market value of these investments at year-end ("corridor" method), starting from the year following the year in which they were initially recognised and continuing over the average residual duration of employment of the employee.

NOTE 2 - REVENUE

	in millions of euros	
	2013	2012
Sales of services	95.8	74.7
Royalties	94.1	80.6
REVENUE	189.9	155.2

Sales of services are primarily amounts charged back to subsidiaries for advertising and public relations services, rent, staff provided on secondment, insurance and professional fees. They also include the accrued income pursuant to a re-invoicing agreement for free share allotment expenses concerning the Group's French

companies for €27.7 million in 2013 versus €19 million in 2012.

Royalties are calculated based on the production subsidiaries' revenue. Their increase results from the increase in the sales revenue of the companies subject to this royalty.

NOTE 3 - SOCIAL SECURITY AND SIMILAR EXPENSE

	in millions of euros		
	2013	2012	Variation
2010 share allotment plan	17.3	16.0	1.4
2012 share allotment plan	33.1	24.3	8.8
Social charges	14.8	15.5	(0.7)
SOCIAL SECURITY AND SIMILAR EXPENSE	65.1	55.7	9.4

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

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

Notes to the financial statements

NOTE 4 - NET EXCEPTIONAL INCOME

	in millions of euros	
	2013	2012
Exceptional incomes	1.0	15.2
Reversal of provisions for accelerated depreciation	0.0	0.1
Disposals of property, plant and equipment and financial assets	1.0	15.1
Exceptional expenses	(0.6)	(2.4)
Provisions for accelerated depreciation	(0.1)	(0.1)
Disposals of property, plant and equipment and financial assets	(0.5)	(2.4)
NET EXCEPTIONAL INCOME	0.4	12.8

The exceptional income primarily consists of a profit of €0.5 million on the disposals of treasury shares related to

the liquidity contract. In 2012, it included the disposal of the subsidiary Gordon-Choisy within the Hermès group.

NOTE 5 - INCOME TAX EXPENSE

5.1 - Breakdown of income tax expense

	in millions of euros	
	2013	2012
Income before tax	535.6	541.8
Income before tax and employee profit-sharing	539.8	546.0
Employee profit-sharing	(4.1)	(4.2)
Income tax expenses	8.7	1.1
Tax (parent company only)	(10.9)	(14.9)
<i>incl. tax on net exceptional income</i>	<i>(0.2)</i>	<i>(1.0)</i>
<i>incl. tax on other items</i>	<i>(10.8)</i>	<i>(13.9)</i>
Tax arising from group tax election	19.6	16.0
NET INCOME	544.3	542.9

Hermès International recognised a tax credit of €8.7 million in 2013, compared with a tax credit of €1.1 million in 2012. In addition, Hermès International is jointly liable for payment of the tax of the fiscally consolidated group, which amounted to €176.7 million in 2013 compared with €175.6 million in 2012.

The income tax expense takes into account the additional tax contributions of 3.30% and 10.7%, and the tax on dividends.

Hermès International's corporate income tax expense only includes applicable exemptions under the terms

of the parent-daughter regime for income from investments in subsidiaries.

The income tax credit takes into account the effect of the group tax election arising from tax losses for certain subsidiaries and from offsetting the share of fees and expenses on income and the capital gains on disposals of property, plant and equipment and financial assets, where relevant.

5.2 - Increases or decreases in future tax liability

As at 31 December 2013, the future tax liability increased €15.7 million versus a net increase of €4.5 million as at 31 December 2012. This corresponded to a €7.1 million temporarily non-deductible expense and, a €22.8 million taxation deferral on

temporarily non-taxable accrued income. The increases or reductions of the future tax liability were calculated while taking into account additional contributions of 3.30% and 10.7%.

NOTE 6 - FIXED ASSETS

in millions of euros

	Gross value as at 31/12/2012	Increases	Decreases	Other	Gross value as at 31/12/2013	Depreciation	Net value as at 31/12/2013
Intangible assets	15.5	3.3	(0.1)	-	18.7	(12.3)	6.5
Licences, patents and trademarks	1.6	0.3	-	-	2.0	-	2.0
Other	13.9	2.9	(0.1)	-	16.8	(12.3)	4.5
Property, plant and equipment	28.2	1.6	(0.3)	-	29.6	(15.3)	14.3
Land	0.2	-	-	-	0.2	-	0.2
Buildings	0.5	-	-	-	0.5	(0.5)	-
Other	27.5	1.6	(0.3)	-	28.9	(14.8)	14.1
INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	43.8	4.9	(0.3)	-	48.3	(27.6)	20.8

NOTE 7 - FINANCIAL ASSETS

in millions of euros

	Gross value as at 31/12/2012	Purchases / Subscriptions	Disposals	Gross value as at 31/12/2013	Provisions for impairment (Note 11)	Net value as at 31/12/2013
Investments in subsidiaries and associates	663.2	195.9	–	859.1	(300.5)	558.6
Hermès Cuir Précieux ⁽¹⁾	30.3	79.8	–	110.1	(47.8)	62.3
Holding Textile Hermès ⁽¹⁾	12.7	78.0	–	90.7	–	90.7
Ardian Holding ⁽²⁾	–	30.5	–	30.5	–	30.5
Maroquinerie Iséroise ⁽¹⁾	0.0	3.5	–	3.5	(2.3)	1.3
Maroquinerie de la Tardoise ⁽¹⁾	0.0	3.0	–	3.0	(3.0)	–
Ganterie de Saint-Junien ⁽¹⁾	0.5	1.0	–	1.5	(1.3)	0.1
Faubourg Guam	–	0.1	–	0.1	–	0.1
Other equity interests ⁽³⁾	619.6	0.0	–	619.7	(246.0)	373.7
Other financial assets	39.9	22.9	(23.7)	39.0	(1.3)	37.7
Investments in financial assets	28.5	20.1	(19.3)	29.2	(1.3)	27.9
Treasury shares (including liquidity contract) ⁽⁴⁾	4.2	2.7	(0.0)	6.9	–	6.9
Deposits and guarantees	2.8	0.1	(0.0)	2.9	–	2.9
Outstanding loans and advances	4.4	–	(4.4)	–	–	–
Other long-term securities	2.9	0.0	(0.0)	2.8	(0.2)	2.6
FINANCIAL ASSETS	705.9	218.8	(23.8)	901.0	(302.0)	599.0

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

(1) Namely share capital increases of Hermès group subsidiaries.

(2) The purchase of Ardian Holding shares is part of the policy to diversify the Group's cash investments.

(3) Other provisions for impairment mainly relate to the subsidiaries Castille Investissements, Compagnie Hermès de Participations, Hermès Horizons, Maroquinerie de Saint-Antoine, Faubourg Italia, Hermès Argentina, Hermès India, John Lobb, La Manufacture de Seloncourt, Manufacture de Haute Maroquinerie, La Maroquinerie Nontronnaise, Maroquinerie de Belley and Maroquinerie de Sayat.

(4) As at 31 December 2013, Hermès International held 27,669 treasury shares (liquidity contract and unallocated shares intended for external growth operations). These shares were valued on the basis of their stock market price when they were purchased, i.e. €250.08 per share.

NOTE 8 - ANALYSIS OF ASSETS BY MATURITY

in millions of euros

	31/12/2013				31/12/2012	
	< 1 year	> 1 year and < 5 years	Gross amount	Impairment	Net amount	Net amount
Other financial assets (Note 7)	-	39.0	39.0	(1.3)	37.7	34.2
Outstanding loans and advances	-	-	-	-	-	-
Other		39.0	39.0	(1.3)	37.7	34.2
Current assets	595.3	30.0	625.3	(29.9)	595.4	715.4
Trade and other receivables	60.4	-	60.4	(0.0)	60.4	42.8
Other operating receivables	58.4	30.0	88.3	-	88.3	46.6
Other receivables ⁽¹⁾	476.6	-	476.6	(29.8)	446.8	626.0
Prepayments	4.4	-	4.4	-	4.4	4.9
Advertising and marketing fees	2.8	-	2.8	-	2.8	3.5
Rents	1.3	-	1.3	-	1.3	1.1
Other	0.3	-	0.3	-	0.3	0.3
TOTAL	599.8	69.0	668.8	(31.2)	637.6	754.5

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

in millions of euros

	31/12/2013	31/12/2012
	Other financial assets	
Within 1 year	-	19.1
Between 1 and 5 years	39.0	16.4
Current assets		
Within 1 year	595.3	690.2
Between 1 and 5 years	30.0	32.0
Prepayments		
Within 1 year	4.4	4.9
Between 1 and 5 years	-	-

Notes to the financial statements

NOTE 9 - MARKETABLE SECURITIES

in millions of euros

	Gross value as at 31/12/2012	Provisions for impairment	Net value as at 31/12/2013	Net value as at 31/12/2013
Mutual funds	264.9	–	264.9	161.7
Negotiable debt securities	400.0	–	400.0	300.0
Treasury shares ⁽¹⁾	307.0	(0.2)	306.8	309.1
MARKETABLE SECURITIES	971.9	(0.2)	971.7	770.8

(1) Includes 1,424,073 Hermès International treasury shares acquired under employee stock option or free share allotment plans and valued at the acquisition price. A provision of -€0.2 million was booked on 31 December 2013, corresponding with the difference between the acquisition price of the shares and the price of the option exercise by the beneficiaries. The shares are to be added to the 27,669 other treasury shares held as financial assets (see Note 7).

NOTE 10 - EQUITY

As at 31 December 2013, Hermès International's share capital amounted to €53,840,400.12, made up of 105,569,412 shares with a par value of €0.51 each, or the same as at 31 December 2012.

NOTE 11 - PROVISIONS

in millions of euros

	31/12/2012	Accruals	Reversals		31/12/2013
			Provisions used	Provisions unused	
Provisions for impairment	264.1	75.6	(4.8)	(2.8)	332.1
Financial assets (Note 7)	257.3	49.4	(4.4)	(0.3)	302.0
Trade and other receivables	6.8	26.1	(0.4)	(2.6)	29.9
Marketable securities	–	0.2	–	–	0.2
Restricted provisions	0.1	0.1	(0.0)	–	0.2
Accelerated depreciation	0.1	0.1	(0.0)	–	0.2
Provisions for contingencies and losses	68.8	67.8	(1.6)	(1.1)	133.9
Provisions for contingencies ⁽¹⁾	8.4	16.1	(1.6)	(1.1)	21.7
Provisions for losses ⁽²⁾	60.5	51.8	–	–	112.2
TOTAL	333.1	143.5	(6.4)	(3.9)	466.2

(1) Provisions for contingencies include: provisions for risks arising on the Company's subsidiaries, to cover the Company's share of negative net equity, in accordance with accounting principles and policies, and provisions for ongoing litigation.

(2) Provisions for losses mainly include the cost of free shares allotment plans granted in May 2010 and 2012 as well as with retirement benefits and expenses associated with the supplementary pension scheme for executives and senior managers. These amounts are periodically paid over to pension funds.

NOTE 12 - ANALYSIS OF LIABILITIES BY MATURITY

in millions of euros				
	31/12/2013		31/12/2012	
	< 1 year	> 1 year and < 5 years	Net amount	Net amount
Financial liabilities	18.1	12.7	30.9	20.6
Bank borrowings ⁽¹⁾	16.2		16.2	10.2
Other borrowings and debt ⁽²⁾	1.9	12.7	14.6	10.4
Operating liabilities	54.6	4.1	58.7	78.6
Trade payables and related accounts ⁽³⁾	20.0		20.0	17.9
Tax and employee-related liabilities ⁽⁴⁾	34.6	4.1	38.7	60.7
Other liabilities	179.7	2.4	182.1	281.3
Amounts payable relating to fixed assets	1.9		1.9	1.4
Other ⁽⁵⁾	177.8	2.4	180.2	279.9
TOTAL	252.5	19.2	271.7	380.5

(1) Bank overdrafts.

(2) Funds held in trust for employees under the statutory employee profit-sharing scheme.

(3) Including €8.3 million in invoices not yet received.

(4) Including €26.6 million in tax and employee-related liabilities payable.

(5) Mainly comprise financial current accounts with subsidiaries.

in millions of euros		
	31/12/2013	31/12/2012
Financial liabilities		
Within 1 year	18.1	11.7
Between 1 and 5 years	12.7	8.9
Operating liabilities		
Within 1 year	54.6	78.6
Between 1 and 5 years	4.1	-
Other liabilities		
Within 1 year	179.7	281.3
Between 1 and 5 years	2.4	-

Notes to the financial statements

Information on accounts payable due dates

in millions of euros

	31/12/2013		
	Group	Non-group	Total
Trade payables	4.1	15.9	20.0
Total not yet due	0.5	1.0	1.5
less than 30 days	0.2	0.6	0.8
30 to 90 days	0.0	0.2	0.3
over 90 days	0.3	0.1	0.5
Total payable	3.5	14.9	18.5
within 30 days	3.5	14.9	18.5
within 30 to 60 days	–	–	–

in millions of euros

	31/12/2012		
	Group	Non-group	Total
Trade payables	2.4	15.6	18.0
Total not yet due	0.3	0.5	0.8
less than 30 days	0.1	0.2	0.3
30 to 90 days	0.2	0.1	0.2
over 90 days	0.1	0.2	0.3
Total payable	2.0	15.1	17.2
within 30 days	2.0	15.1	17.2
within 30 to 60 days	–	–	–

NOTE 13 - CHANGE IN NET CASH POSITION

in millions of euros

	2013	2012	Variation
Marketable securities	664.9	461.7	203.2
Cash	5.5	2.7	2.8
Bank overdrafts	(16.2)	(10.2)	(6.1)
NET CASH POSITION	654.2	454.2	200.0

For the cash variation, treasury shares are excluded from the marketable securities.

NOTE 14 - RELATED-PARTY TRANSACTIONS

Transactions with companies accounted for by the equity method were not material by comparison with the overall business activities of Hermès International in 2013.

The companies mentioned below are considered related parties insofar as certain members of management of the company or certain members of the Supervisory Board have personal interests therein and exercise significant influence. Relationships with related parties are summarised as follows:

- RDAI firm: RDAI was commissioned to undertake a design assignment for the application of the architectural concept to all Hermès Group stores. Fees paid by Hermès International amounted to less than €0.1 million (excluding VAT) in 2013 and in 2012;
- Émile Hermès SARL, Active Partner: Émile Hermès

SARL is a *société à responsabilité limitée à capital variable* (limited company with variable capital). Its partners are the direct descendants of Émile-Maurice Hermès and his spouse. Émile Hermès SARL's executive Manager is Mr Henri-Louis Bauer. The Company is governed by a Management Board. Each year, Hermès International pays 0.67% of the distributable profits to the Active Partner. In addition, Hermès International charges Émile Hermès SARL for certain expenses incurred. In 2013, the amount invoiced was €0.3 million, compared with €0.4 million in 2012;

- SAS 28/30/32 rue du Faubourg Saint Honoré and SCI 74 rue du Faubourg-Saint-Antoine: total rental expense for the leases mentioned below amount to €5.2 million versus €5 million in 2012.

Lease agreements with related parties

Address	Lessor	Lessee	Lease type	Lease term	Start date	End date	Security deposit
Building 28/30/32, rue du Faubourg-Saint-Honoré	SAS 28/30/32 rue du Faubourg-Saint-Honoré	Hermès International	Commercial lease	9 years	01/01/2007	31/12/2015	3 months
Building 26, rue du Faubourg-Saint-Honoré	SAS 28/30/32 rue du Faubourg-Saint-Honoré	Hermès International	Commercial lease	9 years	01/01/2005	31/12/2013	3 months
Building 26, rue du Faubourg-Saint-Honoré	SAS 28/30/32 rue du Faubourg-Saint-Honoré	Hermès International	Commercial lease	9 years	01/01/2008	31/12/2016	3 months
Building 74, rue du Faubourg-Saint-Antoine	SCI 74 rue du Faubourg-Saint-Antoine	Hermès International	Commercial lease	9 years	01/07/2008	30/06/2017	3 months

All of the transactions described were carried out on an arm's length basis.

NOTE 15 - EXPOSURE TO MARKET RISKS AND FINANCIAL COMMITMENTS

15.1 - Exchange risk

Most of the company's currency exposure comes from sales denominated in foreign currencies. These risks

are generally fully hedged, based on highly probable future cash flows, using forward currency sales or options that are eligible for hedge accounting.

15.1.1 - Net currency positions

As at 31/12/2013

in millions of euros

Currency	Monetary assets/ (liabilities)	Future cash flows	Net cash position	Derivative instruments ⁽¹⁾	Net position after hedging	Hedging ratio	10% sensitivity
Hong Kong dollar	(51.5)	1.2	(50.3)	49.5	(0.8)	98%	(0.1)
Swiss franc	40.7	7.0	47.7	(48.4)	(0.7)	101%	(0.1)
Japanese yen	40.9	1.3	42.2	(43.0)	(0.7)	102%	(0.1)
Singapore dollar	(26.7)	1.9	(24.8)	23.6	(1.2)	95%	(0.1)
US dollar	14.6	3.2	17.8	(19.0)	(1.3)	107%	(0.1)
Pound sterling	(9.6)	1.2	(8.4)	8.1	(0.3)	97%	(0.0)
Yuan	(0.5)	1.5	1.0	(1.0)	(0.0)	101%	(0.0)
Australian dollar	0.3	0.3	0.6	(0.1)	0.5	22%	0.1
Rouble	0.2	0.2	0.4	(0.4)	(0.0)	107%	(0.0)
New Turkish lira	(0.3)	-	(0.3)	0.3	0.0	101%	0.0
Mexican peso	0.0	0.2	0.2	(0.3)	(0.1)	147%	(0.0)
Canadian dollar	0.2	0.0	0.2	(0.0)	0.2	6%	0.0
Czech koruna	0.0	0.0	0.1	(0.1)	0.0	78%	0.0
Thai baht	(0.0)	0.0	0.0	(0.1)	(0.1)	297%	(0.0)
Total	8.3	18.0	26.3	(30.9)	(4.5)	117%	(0.5)

As at 31/12/2012

in millions of euros

Currency	Monetary assets/ (liabilities)	Future cash flows	Net cash position	Derivative instruments ⁽¹⁾	Net position after hedging	Hedging ratio	10% sensitivity
Hong Kong dollar	(78.6)	1.2	(77.4)	71.1	(6.3)	92%	(0.7)
Japanese yen	61.2	3.1	64.3	(66.6)	(2.3)	104%	(0.3)
Swiss franc	37.1	7.4	44.5	(46.4)	(1.9)	104%	(0.2)
Australian dollar	33.2	0.1	33.3	(20.7)	12.6	62%	1.1
US dollar	26.5	3.0	29.6	(30.1)	(0.6)	102%	(0.1)
Pound sterling	(25.7)	1.0	(24.7)	25.2	0.5	102%	0.1
Singapore dollar	(11.1)	1.8	(9.3)	9.0	(0.2)	97%	(0.0)
Mexican peso	0.1	0.4	0.5	(0.8)	(0.3)	156%	(0.0)
Rouble	0.1	0.1	0.2	(0.2)	0.0	82%	0.0
Thai baht	0.0	0.1	0.1	(0.1)	(0.1)	168%	(0.0)
Czech koruna	0.0	0.0	0.0	(0.1)	(0.0)	121%	(0.0)
Total	42.7	18.5	61.2	(59.7)	1.5	98%	(0.1)

(1) Purchase/(Sale).

15.1.2 - Analysis of currency contracts

Hedging operations are performed over-the-counter, exclusively with leading banks. The

Company therefore does not incur any significant counterparty risk.

in millions of euros

	Nominal amounts of the derivative instruments	Nominal amounts of the derivative instruments used for currency risk hedging	Market value of the contracts as at 31/12/2013 ⁽¹⁾
Options purchased			
US dollar put	39.2	39.2	2.0
US dollar collar	104.6	104.6	5.2
Japanese yen put	24.7	24.7	3.0
Japanese yen collar	90.6	89.4	10.0
Hong Kong dollar put	28.7	28.7	1.5
Hong Kong dollar collar	76.4	76.4	3.9
Singapore dollar put	28.6	28.6	1.6
Singapore dollar collar	76.1	76.1	4.0
Chinese yuan put	24.8	24.8	1.1
Chinese yuan collar	65.7	65.7	2.8
	559.4	558.2	35.3
Forward currency contracts ⁽²⁾			
US dollar	(140.6)	(140.6)	(5.6)
Japanese yen	(112.8)	(112.8)	(11.8)
Hong Kong dollar	(103.9)	(103.9)	(4.4)
Singapore dollar	(102.8)	(103.3)	(4.6)
Yuan	(89.0)	(89.0)	(1.0)
Swiss franc	7.0	6.9	(0.0)
Pound sterling	1.2	1.2	(0.0)
Australian dollar	0.3	0.3	0.0
Other	0.5	0.5	0.0
	(540.1)	(540.7)	(27.4)
Treasury swaps ⁽²⁾			
US dollar	15.8	14.8	0.1
Japanese yen	41.6	41.6	1.0
Hong Kong dollar	(50.7)	(51.3)	0.0
Singapore dollar	(25.5)	(26.2)	(0.4)
Yuan	(0.5)	(0.5)	(0.0)
Swiss franc	41.4	41.3	0.1
Pound sterling	(9.3)	(9.3)	0.1
Australian dollar	(0.2)	(0.2)	(0.0)
Other	0.2	(0.5)	0.0
	12.9	9.7	0.9
Options sold			
Japanese yen put	-	-	-
Japanese yen collar	(1.2)	-	(0.1)
	(1.2)	-	(0.1)
Total	30.9	27.1	8.7

(1) Gain/(Loss).

(2) (Purchase)/Sale.

Notes to the financial statements

in millions of euros

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

(1) Gain/(Loss).

(2) (Purchase)/Sale.

15.2 - Other financial commitments as at 31 December 2013

in millions of euros

	31/12/2013	31/12/2012
Bank guarantees ⁽¹⁾	6.0	15.0
Irrevocable commitments to purchase financial assets	22.7	21.6
Other commitments ⁽²⁾	194.0	49.8
TOTAL	222.8	86.3

(1) The significant guarantees given on behalf of subsidiaries bear interests at a rate that aligns with the market banking conditions.

(2) The other commitments primarily relate to lease payments by Hermès International or by subsidiaries, for which Hermès International is the guarantor.

Moreover, two “umbrella” sureties have been granted to the HSBC and BNP Paribas banks for a maximum amount of €75 million and €100 million to give subsidiaries designated by Hermès International access to an aggregate Group banking facility. As at 31 December 2013, the amounts drawn on these credit facilities amounted to €4.9 million and €7.6 million, respectively.

Also, the amount of the subsidiaries' tax losses that Hermès International is liable for refunding to its subsidiaries under the Group tax election agreement amounted to €75.7 million as at 31 December 2013, versus €68.9 million as at 31 December 2012.

NOTE 16 - EMPLOYEES

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

	31/12/2013	31/12/2012
Executive/managerial staff	308	286
Support staff	23	20
TOTAL	331	306

In compliance with opinion No. 2004-F CU from the National Accounting Council, the total number of training hours corresponding with the rights acquired

pursuant to the individual training entitlement is equal to 23,545 hours as at 31 December 2013, versus 20,254 hours as at 31 December 2012.

NOTE 17 - POST-EMPLOYMENT BENEFIT OBLIGATIONS

As at 31 December 2013, the value of post-employment benefit obligations amounted to €47.9 million versus €35.2 million as at 31 December 2012. Amounts due in respect of statutory retirement benefits and supplemental pension schemes have been paid over to an insurance company; the value of the funds is €28.3 million. A provision of €2.5 million has been accrued to cover the remainder of these obligations.

For 2013, the following actuarial assumptions were used:

- retirement age (in years): 62 to 65 years
- increase in salaries: 3 to 4%
- discount rate: 1.8 to 2.8%
- expected rate of return on plan assets: 2.8 to 3.5%

After applying the "corridor" method, actuarial differences amounted to €44.2 million as at 31 December 2013 compared with €38.8 million as at 31 December 2012.

NOTE 18 - COMPENSATION OF CORPORATE OFFICERS

Gross aggregate compensation paid to corporate officers and directors in respect of 2013 amounted to €8.2 million, including €0.4 million in directors' fees.

List of investments in subsidiaries and associates as at 31 December 2013

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES AND OTHER LONG-TERM SECURITIES

	in thousands of euros	
	Number of shares	Net value
Carrying value greater than €100,000		
Ardian Holding	30,500,000	30,500
Compagnie Hermès de Participations	4,200,000	26,270
Comptoir Nouveau de la Parfumerie	753,501	27,146
ERM Warenhandels GmbH	1	1,263
ERM-WHG Warenhandels GmbH	1	1,235
Faubourg Italia	60	1,316
Financière Saint-Honoré	3,000	1,694
Ganterie de Saint-Junien	224,000	139
Grafton Immobilier	5,174,500	82,792
Herlee	50,000,000	19,511
Hermès Argentina	37,747	1,128
Hermès Asia Pacific	314,999,999	43,483
Hermès Australia	6,500,000	4,409
Hermès Benelux Nordics	57,974	3,164
Hermès Canada	1,000	1,501
Hermès Cuirs Précieux	6,400,000	62,312
Hermès de Paris (Mexico)	5,850,621	1,134
Hermès GmbH	1	7,218
Hermès Grèce	566,666	1,700
Hermès Holding GB	7,359,655	10,535
Hermès Iberica	69,311	4,952
Hermès Immobilier Genève	70,000	44,457
Hermès Internacional Portugal	799,200	999
Hermès Istanbul	259,999	2,996
Hermès Italie	412,200	13,196
Hermès Japon	4,400	13,727
Hermès Middle East South Asia	2,100	103
Hermès Monte-Carlo	13,198	201
Hermès of Paris	114,180	10,903
Hermès Prague	38,000	1,090
Hermès Sellier	310,279	4,788
Hermès South East Asia	1,000,000	2,201
Holding Textile Hermès	45,151,350	90,685
La Maroquinerie Nontronnaise	366,250	2,789
Maroquinerie de Belley	647,172	4,374
Maroquinerie de Sayat	295,649	3,879
Maroquinerie des Ardennes	284,063	10,527
Maroquinerie Iséroise	487,000	1,254
SC Honossy	210,099	3,203
SCI Auger-Hoche	4,569,401	11,242
SCI Boissy Les Mûriers	8,699	1,326
SCI Boissy Nontron	99,999	734
SCI Les Capucines	24,000	366
SCI Immauger	1,375	2,096
Stoleshnikov 12	1	393
Carrying value less than €100,000		330
TOTAL		561,257

Table of subsidiaries and equity interests to 31 December 2013

COMPANIES OR GROUPS OF COMPANIES

A – Detailed information on investments in subsidiaries and associates with a gross carrying value exceeding 1% of the share capital of Hermès International

		Share capital	Equity
		[in '000]	[in '000]
1. SUBSIDIARIES (AT LEAST 50% OF THE SHARE CAPITAL HELD BY THE COMPANY)			
Castille Investissements	Paris	EUR 9,650	EUR (14,572)
Compagnie Hermès de Participations	Paris	EUR 42,000	EUR 26,270
Comptoir Nouveau de la Parfumerie	Paris	EUR 9,072	EUR 31,624
ERM Warenhandels Gmbh	Vienna (Austria)	EUR 35	EUR 193
ERM-WHG Warenhandels Gmbh	Vienna (Austria)	EUR 35	EUR 108
Faubourg Italia SRL	Milan (Italy)	EUR 100	EUR 2,193
Financière Saint-Honoré	Geneva (Switzerland)	CHF 3,000	CHF 51,079
Ganterie de Saint-Junien	Saint-Junien (France)	EUR 224	EUR 96
Grafton Immobilier	Paris	EUR 82,792	EUR 86,927
Herlee	Causeway Bay (Hong Kong)	HKD 65,000	HKD 405,020
Hermès Argentina	Buenos Aires (Argentina)	ARS 3,974	ARS 10,662
Hermès Asia Pacific	Causeway Bay (Hong Kong)	HKD 315,000	HKD 1,896,913
Hermès Australia	Sydney (Australia)	AUD 6,500	AUD 19,386
Hermès Benelux Nordics	Brussels (Belgium)	EUR 2,665	EUR 6,692
Hermès Canada	Toronto (Canada)	CAD 2,000	CAD 19,136
Hermès Cuir Précieux	Paris	EUR 6,400	EUR 39,241
Hermès de Paris (Mexico)	Mexico (Mexico)	MXN 1,705	MXN 99,754
Hermès GmbH	Munich (Germany)	EUR 7,200	EUR 22,664
Hermès Grèce	Athens (Greece)	EUR 1,700	EUR 2,708
Hermès Holding GB	London (United Kingdom)	GBP 7,360	GBP 26,951
Hermès Horizons	Paris	EUR 460	EUR (2,144)
Hermès Iberica	Madrid (Spain)	EUR 4,228	EUR 9,385
Hermès Immobilier Genève	Geneva (Switzerland)	CHF 70,000	CHF 64,475
Hermès India Retail and Distributors	New Delhi (India)	INR 94,355	INR (48,041)
Hermès Internacional Portugal	Lisbon (Portugal)	EUR 800	EUR 1,272
Hermès Istanbul	Istanbul (Turkey)	TRY 6,500	TRY 13,176
Hermès Italie	Milan (Italy)	EUR 7,786	EUR 21,247
Hermès Japon	Tokyo (Japan)	JPY 220,000	JPY 18,212,592
Hermès of Paris	New York (United States)	USD 11,418	USD 286,495
Hermès Prague	Prague (Czech Republic)	CZK 8,018	CZK 30,897
Hermès Sellier	Paris	EUR 4,976	EUR 304,630
Hermès South East Asia	Singapore (Singapore)	SGD 1,000	SGD 197,100
Holding Textile Hermès	Lyon (France)	EUR 46,686	EUR 106,417
John Lobb	Paris	EUR 200	EUR (3,046)
La Manufacture de Seloncourt	Seloncourt (France)	EUR 2,399	EUR (2,761)
La Maroquinerie Nontronnaise	Nontron (France)	EUR 5,860	EUR 1,780
Manufacture de Haute Maroquinerie	Aix-les-Bains (France)	EUR 6,450	EUR (2,016)
Maroquinerie de Belley	Paris	EUR 7,766	EUR 3,398
Maroquinerie de la Tardoire	Montbron (France)	EUR 37	EUR (447)
Maroquinerie de Saint-Antoine	Pantin (France)	EUR 1,680	EUR (1,629)
Maroquinerie de Sayat	Pantin (France)	EUR 4,730	EUR 2,389
Maroquinerie des Ardennes	Paris	EUR 4,545	EUR 10,090
Maroquinerie Iséroise	Fitilieu (France)	EUR 487	EUR 1,124
SC Honossy	Paris	EUR 3,151	EUR 3,238
SCI Auger-Hoche	Pantin (France)	EUR 6,946	EUR 10,619
SCI Boissy Les Mûriers	Paris	EUR 1,322	EUR 5,369
SCI Boissy Nontron	Paris	EUR 1,000	EUR 734
SCI Immauger	Paris	EUR 2,269	EUR 3,265
Stoleshnikov 12	Moscow (Russia)	RUB 14,469	RUB 238,644
2. ASSOCIATES (10% TO 50% OF THE SHARE CAPITAL HELD BY THE COMPANY)			
Ardian Holding	Paris	EUR 182,252	EUR 182,252

B – Aggregate information on other subsidiaries and associates

1. SUBSIDIARIES (not included in A)

- France (aggregate)
- Other countries (aggregate)

2. ASSOCIATES (not included in A)

- France (aggregate)
- Other countries (aggregate)

TOTAL

Percentage of capital held [%]	Gross value of shares held [€'000]	Net value of shares held [€'000]	Outstanding loans/ advances [€'000]	Guarantees given [€'000]	Revenue [€'000]	Profit or loss on the period [€'000]	Dividends received during the period [€'000]
100.00%	160,407	-	-	-	-	(13,327)	-
100.00%	42,013	26,270	-	-	-	205	-
99.67%	27,146	27,146	-	-	195,232	21,489	19,934
100.00%	1,263	1,263	-	-	251	40	-
100.00%	1,235	1,235	-	-	136	17	-
60.00%	2,000	1,316	-	-	2,965	173	69
100.00%	1,694	1,694	-	-	-	20,996	-
100.00%	1,457	139	-	-	2,520	(233)	-
100.00%	82,792	82,792	-	-	-	1,271	-
76.92%	19,511	19,511	-	-	-	32,666	40,555
94.99%	3,760	1,128	-	2,175	5,523	877	-
100.00%	43,483	43,483	-	-	455,301	151,729	143,382
100.00%	4,409	4,409	-	-	40,983	8,508	6,925
100.00%	3,164	3,164	-	-	44,599	3,704	5,699
100.00%	1,501	1,501	-	-	48,393	12,213	9,175
100.00%	110,134	62,312	-	-	-	(51,695)	-
51.00%	1,134	1,134	-	-	10,203	1,179	599
100.00%	7,218	7,218	-	10	105,576	15,267	13,000
100.00%	1,700	1,700	-	-	5,712	776	323
100.00%	10,535	10,535	-	-	-	13,378	-
100.00%	15,337	-	-	-	1,802	(1,634)	-
100.00%	4,952	4,952	-	-	37,717	4,254	5,060
100.00%	44,457	44,457	-	-	-	645	-
51.01%	822	-	-	-	7,485	111	-
99.90%	999	999	-	-	3,795	415	349
100.00%	2,996	2,996	-	-	9,028	1,556	-
90.00%	13,196	13,196	-	-	100,613	10,125	8,533
100.00%	13,727	13,727	-	-	435,805	75,157	72,805
100.00%	10,903	10,903	-	121,078	502,894	70,254	-
100.00%	1,090	1,090	-	-	4,899	794	895
99.77%	4,788	4,788	-	261	1,821,294	286,630	266,840
100.00%	2,201	2,201	-	-	216,239	65,842	-
96.71%	90,685	90,685	-	-	158,999	3,762	-
99.99%	10,596	-	-	232	6,570	(964)	-
100.00%	11,143	-	-	-	13,513	(1,813)	-
100.00%	9,167	2,789	-	-	10,814	(1,240)	-
100.00%	3,111	-	-	-	13,597	(1,122)	-
100.00%	10,165	4,374	-	-	12,400	(332)	-
100.00%	3,037	-	-	-	3,201	(2,302)	-
100.00%	7,098	-	-	-	6,940	(1,550)	-
100.00%	9,118	3,879	-	-	12,770	(1,882)	-
100.00%	10,527	10,527	-	-	17,161	832	-
100.00%	3,537	1,254	-	-	2,577	(1,507)	-
100.00%	3,203	3,203	-	-	-	210	-
99.99%	11,242	11,242	-	3,086	-	(542)	-
99.99%	1,326	1,326	-	-	-	796	-
100.00%	1,000	734	-	-	-	(6)	-
92.34%	2,096	2,096	-	-	-	168	-
3.13%	781	393	-	-	28,504	3,781	98
16.74%	30,500	30,500	-	-	nd	nd	-
	1,244	775	-	100		8,712	57,991
	230	105	-	-		377	-
	65	65	-	-		(329)	-
	52	51	-	-		23	-
	861,947	561,257	-	126,942			652,232

Five-year summary of the Company's financial data

	2013	2012	2011	2010	2009
Share capital at year-end					
Share capital (in millions of euros)	53.8	53.8	53.8	53.8	53.8
Number of shares outstanding	105,569,412	105,569,412	105,569,412	105,569,412	105,569,412
Aggregate results of operations (in millions of euros)					
Revenue excluding VAT	189.9	155.2	126.7	90.9	67.0
Income before tax, employee profit-sharing, depreciation, amortisation, provisions, and impairment	626.2	593.6	462.9	344.1	261.3
Corporate income tax (income)	(8.7)	(1.1)	(14.0)	(6.1)	(16.5)
Employee profit-sharing (expense)	4.1	4.2	3.2	3.1	2.6
Income after tax, employee profit-sharing, depreciation, amortisation, provisions, and impairment	544.3	542.9	481.6	325.2	243.2
Profits distributed as dividends (including treasury shares)	288.7 ⁽¹⁾	267.6	742.2	160.5	112.5
Earnings per share (in euros)					
Income after tax and employee profit- sharing but before depreciation, amortisation, provisions and impairment	5.98	5.59	4.49	3.29	2.61
Income after tax, employee profit-sharing, depreciation, amortisation, provisions, and impairment	5.16	5.14	4.56	3.08	2.30
Net dividend paid per share	2.7 ⁽¹⁾	2.5	7.0	1.5	1.05
Personnel					
Average number of employees	331	306	282	260	254
Total payroll (in millions of euros)	38.1	38.5	29.1	25.3	26.7
Employee benefits paid during the year (in millions of euros)	65.1	55.7	42.3	28.3	20.4

(1) Subject to approval by the Ordinary General Meeting of 3 June 2014. A proposal will be made for a dividend of €2.70, for which an interim dividend of €1.50 was paid on 28 February 2014.

Combined General Meeting of 3 June 2014

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 - *Statutory Auditors' report on the financial statements*
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 - *Statutory auditors' special report on related-party agreements and commitments*
 - *Statutory Auditors' special report prepared in application of Article L 226-10-1 of the Code de commerce on the report from the Chairman of the Supervisory board.*
 - *Statutory Auditors' report on the capital decrease by cancellation of own shares purchased (fifteenth resolution)*
 - *Statutory Auditors' report on the authorisation to grant share purchase options (sixteenth resolution)*
 - *Statutory Auditors' report on the authorisation to grant existing free shares (eighteenth resolution)*
 - *Report of one of the statutory auditors, appointed as an independent third party, on the consolidated labour, environmental and social information presented in the management report*
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Agenda of the Combined General Meeting of 3 June 2014

I – ORDINARY BUSINESS

[1] Presentation of reports to be submitted to the Ordinary General Meeting

Executive Management's reports:

- on the financial statements for the year ended 31 December 2013 and on the Company's business operations for the period;
- on the management of the Group and on the consolidated financial statements for the year ended 31 December 2013;
- on resolutions relating to ordinary business.

Report from the Chairman of the Supervisory Board:

- on the corporate governance principles applied by the Company, on the composition of the Supervisory Board and on the application of the principle of gender parity within it, on the conditions for preparation and organisation of the Supervisory Board's work and on the internal control and risk management procedures instituted by the Company.

Supervisory Board's report

Statutory Auditors' reports:

- on the annual financial statements;
- on the consolidated financial statements;
- on related-party agreements and commitments;
- prepared in application of Article L 226-10-1 of the *Code de commerce* on the Report from the Chairman of the Supervisory Board.

[2] Vote on resolutions relating to ordinary business

First resolution

Approval of the parent company financial statements.

Second resolution

Approval of the parent company financial statements.

Third resolution

Discharge of Executive Management.

Fourth resolution

Appropriation of net income. Dividend distribution.

Fifth resolution

Approval of related-party agreements and commitments.

Sixth resolution

Re-election of Mr. Éric de Seynes as Supervisory Board member for a term of three years.

Seventh resolution

Re-election of Mr. Renaud Momméja as Supervisory Board member for a term of three years.

Eighth resolution

Appointment of Mrs. Monique Cohen as a new Supervisory Board member for a term of three years as replacement for Mr. Maurice de Kervénoaël.

Ninth resolution

Supervisory board fees and remunerations.

Tenth resolution

Approval of the commitments made to Mr. Axel Dumas regarding the cessation of his duties as Executive Chairman.

Eleventh resolution

Opinion on the compensation elements owed or allocated as of 5 June 2013 (date of his appointment as Executive Chairman) to 31 December 2013 to Mr. Axel Dumas.

Twelfth resolution

Opinion on the compensation elements owed or allocated in respect of the year ended 31 December 2013, to the company Émile Hermès SARL, Executive Chairman of the company.

Thirteenth resolution

Opinion on the compensation elements owed or allocated in respect of the year ended 31 December 2013 and from 1 to 31 January 2014 (date of the cessation of his duties as Executive Chairman), to Mr. Patrick Thomas.

Fourteenth resolution

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

II – EXTRAORDINARY BUSINESS

[1] Presentation of reports to be submitted to the Extraordinary General Meeting

Executive Management's report:

– on resolutions relating to extraordinary business.

Supervisory Board's report.**Statutory Auditors' report:**

– on the capital reduction through the cancellation of purchased shares (fifteenth resolution);
– on the authorisation to allocate share purchase options (sixteenth resolution);
– on the allocation of existing free shares (seventeenth resolution).

Report of one of the statutory auditors, appointed as an independent third party, on the consolidated labour, environmental and social information presented in the management report

[2] Vote on resolutions relating to extraordinary business

Fifteenth resolution

Authorisation to cancel some or all of the shares purchased by the Company (Article L 225-209 of the *Code de commerce*) - General share cancellation programme.

Sixteenth resolution

Authorisation to the Executive Management to grant share purchase options.

Seventeenth resolution

Authorisation to the Executive Management to grant ordinary shares in the Company for no consideration.

Eighteenth resolution

Modification of Article 18 of the articles of incorporation for the purposes of determining the provisions for the appointment of Supervisory board members representing the employees in compliance with the provisions of the law of 14 June 2013 relative to the safeguarding of employment, and also to include an indication therein of the existence of rules of procedure.

Nineteenth resolution

Powers.

Description of proposed resolutions

We invite you to approve all of the resolutions proposed to you, which are presented below.

I – ORDINARY BUSINESS

Approval of the parent company and consolidated financial statements – Discharge of Executive Management

In the first, second and third resolutions, we ask that you duly note the amount of expenses and charges covered by Article 39-4 of the General Tax Code, which totalled €182,256; that you approve the parent company financial statements and consolidated financial statements for the year ended 31 December 2013 as they have been presented to you; and that you grant final discharge to the Executive Management for its management of the Company for the said financial year.

Appropriation of net income – Dividend distribution

In the 4th resolution, we submit to you for approval the appropriation of net income for the year, in the amount of €544,302,496.73. Of this amount, and in application of the articles of association, €284,158.00 are to be appropriated to the reserve for purchasing original works of art and, pursuant to the articles of association, €3,646,826.73 are to be distributed to the Active Partner. The Supervisory Board recommends that you fix the dividend at €2.70 per share. This represents an increase of 8% in the dividend relative to the previous year.

In accordance with Article 243 *bis* of the General Tax Code, this dividend entitles shareholders who are natural persons and liable for income tax in France to a 40% tax allowance; this entire dividend will be taken into account *ipso jure* for the determination of their overall income subject to

the income tax schedule, and will be eligible for the 40% allowance as provided by Article 158-3 of the General Tax Code.

After the interim dividend of €1.50 per share paid on 28 February 2014, the remainder of the dividend for the year, which amounts to €1.20 per share, will be detached from the shares on 5 June 2014 and be payable in cash on 10 June 2014 based on closing positions on the evening of 9 June 2014. As Hermès International is not entitled to receive dividends for shares held in treasury, the corresponding sums will be transferred to retained earnings on the date the dividend becomes payable.

The gross dividend per share paid in respect of each of the three previous financial years is as follows:

In euros			
Financial year	2012	2011	2010
Ordinary dividend	2.50	2.00	1.50
Exceptional dividend	–	5.00	–
Amount eligible for tax allowance pursuant to Article 158-3 of the GTC	40%	40%	40%

We note that the five-year summary of the Company's financial data required under Article R225-102 of the *Code de commerce* is presented on page 251.

Related-party agreements and commitments

In the 5th resolution, we ask that you formally note the related-party agreements and commitments covered by Articles L 226-10 and L 225-38 to L 225-40 of the *Code de commerce*, which are described in the Statutory Auditors' special report on pages 274 to 278.

The new agreements, the only ones submitted for a vote by the meeting, involve:

- the granting by Hermès International of sureties and guarantees to certain of its subsidiaries;
- the deferred compensation commitments made in favour of Mr. Axel Dumas, Executive Chairman;
- the signing of a non-competition commitment with Mr. Patrick Thomas at the time of his departure from the group.

Re-election of Supervisory Board members

The terms of office of three Supervisory Board members (Messrs. Éric de Seynes, Renaud Momméja and Maurice de Kervénoaël) will be coming to an end at the closing of the present meeting.

Mr. Maurice de Kervénoaël does not wish to put forward his name again. In the 6th and 7th resolutions, the active partner proposes that you renew the terms of office of two of the three Supervisory Board members that are coming to an end, for the statutory term of three years:

- Mr. Éric de Seynes,
- Mr. Renaud Momméja.

These terms of office will therefore expire at the end of the General meeting called in 2017 in order to vote on the financial statements for the fiscal year ending on 31 December 2016.

Pages 65 and 73 contain information on the persons whose re-election is submitted for your approval.

Appointment of new Supervisory Board member

In the 8th resolution, the Active Partner proposes that you appoint Mrs. Monique Cohen as Supervisory Board member for the statutory term of three years to replace Mr. Maurice de Kervénoaël who did not wish to put forward his name once again. This term of office will therefore expire at the end of the General Meeting called in 2017 in order to vote on the financial statements for the financial

year ending on 31 December 2016. Pages 266 and 267 contain information regarding the person whose appointment is submitted for your approval.

Supervisory board fees and remunerations

In the 9th resolution, you are asked to set the amount of the directors' fees and compensation of the Supervisory board at €500,000 in order to account for the new distribution principles adopted by the Supervisory board on 20 November 2013 and in anticipation of the evolution of the Board's composition (as presented in the report from the Chairman of the Supervisory board, page 16). This amount would be valid for each fiscal year beginning as of 1 January 2014, and remain in effect until decided otherwise.

Approval of the commitments made to Mr. Axel Dumas regarding the cessation of his duties as Executive Chairman

In the 10th resolution, you are asked to approve, pursuant to the provisions of Articles L 225-42-1 and 226-10 of the *Code de commerce*, the commitments made in favour of Mr. Axel Dumas relative to the cessation of his duties as Executive Chairman. These commitments are described in the table relative to Mr. Axel Dumas that is contained in the presentation of the 11th resolution below and in the statutory auditors' special report, page 274.

Opinion on the compensation elements owed or allocated to the Executive Chairmen

In the 11th, 12th and 13th resolutions, we ask you to provide a favourable opinion on the compensation elements owed or allocated to the executive chairmen relative to the 2013 financial year, as presented in the three following tables.

Description of proposed resolutions

With regard to Mr. Axel Dumas, the submitted elements relate to the period from 5 June 2013 (date of his appointment as executive chairman) to 31 December 2013.

As Mr. Patrick Thomas is no longer serving on the date of the present Meeting, for transparency purposes, we nevertheless wish to present these elements for the 2013 financial year, as well as for

the period between 1 and 31 January 2014 (date of the cessation of his duties as executive chairman), for an opinion.

Under the terms of Article 26 of the articles of association, the Company pays 0.67% of the distributable profits to the company Émile Hermès SARL (i.e. €3,646,826.73 in 2013), but this does not constitute a senior executive's compensation.

COMPENSATION ELEMENTS	AMOUNT OR ACCOUNTING VALUATION (IN EUROS)	PRESENTATION
11^e résolution : M. Axel Dumas		
Gross annual variable compensation under the articles of association	From 5 June 2013 (date of his appointment as executive chairman) to 31 December 2013, €431,250	The gross annual compensation of each Executive Chairman for a given year, as authorised by the articles of association, shall not be more than 0.20% of the Company's consolidated income before tax (i.e. €2,199,205 for 2013) for the previous financial year. However, if there are more than two executive Chairmen, the combined total gross annual compensation of all executive Chairmen, according to the articles of association, shall not be more than 0.40% of the Company's consolidated income before tax (i.e. €4,398,410 for 2013) for the previous financial year. Within the ceiling set forth herein, the Management Board of the Active Partner Émile Hermès SARL determines the actual amount of the annual compensation pursuant to the articles of association payable to each Executive Chairman. The compensation paid in 2013 to Mr. Axel Dumas pursuant to the articles of association was determined by the Management Board on 31 May 2013.
Gross annual supplemental compensation	From 5 June 2013 to 31 December 2013, €431,250 – Fixed component: €431,250 – Percentage indexed to revenue growth: €0	The General Meeting of 31 May 2001 decided to allocate to each Executive Chairman gross annual compensation in addition to their compensation pursuant to the articles of association, subject to a ceiling of €457,347.05. This ceiling is indexed each year, but it can only be adjusted upwards. Since 1 January 2002, this amount has been indexed to the growth of the Company's consolidated revenue for the previous financial year at constant exchange rates and on the same scope of consolidation, by comparison with revenue for the next to last financial year (i.e. €1,494,845 for 2013). Within the ceiling set forth above, the Management Board of the Active Partner Émile Hermès SARL determines the actual amount of the annual supplemental compensation payable to each Executive Chairman. The supplemental compensation paid in 2013 to Mr. Axel Dumas was determined by the Management Board on 31 May 2013.
Deferred variable compensation	Not applicable	No provision is made for the principle of the allocation of deferred variable compensation.
Multi-year variable compensation	Not applicable	No multi-year compensation mechanism was implemented in 2013.
Exceptional compensation	Not applicable	No provision is made for such compensation.

Each Executive Chairman has the right to receive certain compensation under Article 17 of the articles of association, and may also receive supplemental compensation, the maximum amount of which is determined by the Ordinary General Meeting with the unanimous approval of the Active Partners.

Both the compensation provided by the articles of association and the supplemental compensation are in the nature of "variable" salaries, since the calculation methods provided merely constitute ceilings subject to which the Active Partner is free to set the actual compensation of the Executive Chairmen as it sees fit. Thus, Executive Chairmen are not guaranteed any minimum compensation. In order to make it easier to understand the manner of calculation of the compensation of the Executive Chairmen, the Company has always described their additional compensation, before indexation, as "fixed compensation", by analogy with market practices.

COMPENSATION ELEMENTS	AMOUNT OR ACCOUNTING VALUATION (IN EUROS)	PRESENTATION
Share options, performance shares or any other long-term compensation element	Purchase options = N/A Performance shares = N/A Other elements = N/A	No plan for purchase options nor allocation of performance shares for the benefit of the Executive Chairmen occurred during the 2013 financial year.
Signing bonus	Not applicable	No such commitment exists.
Severance pay	0 €	<p>The company has agreed to pay Mr. Axel Dumas an amount equal to 24 months of overall compensation (compensation under the articles of association and supplemental compensation) in case of cessation of his duties as Executive Chairman (decision of the Supervisory Board of 4 June 2013 subject to approval by the General meeting on 3 June 2014 in a specific resolution – 9th resolution – in application of Article L 225-42-1 of the <i>Code de commerce</i>).</p> <p>This commitment was made according to the same provisions as had been the case with Mr. Patrick Thomas. Indeed, the payment of severance is subject to the fact that the cessation of the Executive Chairman's duties results:</p> <ul style="list-style-type: none"> – either from a decision taken by Mr. Axel Dumas by reason of a change of control over the Company, a change in the Executive Manager of Émile Hermès SARL, i.e. the Company's Executive Chairman, or a change in the Company's strategy; or – from a decision taken by the Company. <p>Moreover, the payment of such compensation is also subject to the realisation of the following performance conditions, in order for the conditions of his departure to be in line with the Company's situation: achieving budget targets in at least four out of the five previous years (with revenue and operating profit growth measured at constant rates), without deterioration in the Hermès brand and corporate image. The Supervisory Board considered that the deferred compensation commitment made for the benefit of Mr. Axel Dumas complies with the requirements of the AFEP/MEDEF corporate governance code.</p>
Non-competition indemnity	Not applicable	Mr. Axel Dumas is not subject to a non-competition commitment, meaning that there are no provisions for such an indemnity.
Supplementary pension scheme	No amount is owed for the 2013 financial year	<p><i>Defined contribution pension plan (art. 83 of the GTC)</i> Mr. Axel Dumas is covered by the defined contribution supplementary pension plan set up for all personnel members of the Group's French companies (decision of the Supervisory Board of 4 June 2013 subject to approval by the General meeting on 3 June 2014 – 4th resolution – in application of Article L 225-40 of the <i>Code de commerce</i>).</p> <p><i>Defined benefits pension plan (art. 39 of the GTC)</i> Mr. Axel Dumas is also eligible for the supplementary pension plan set up in 1991 for the benefit of all company directors (decision of the Supervisory Board of 4 June 2013 subject to approval by the General meeting on 3 June 2014 – 4th resolution – in application of Article L 225-40 of the <i>Code de commerce</i>). As a fundamental condition of the pension regulations, in order to be eligible for the scheme, beneficiaries must have reached the end of their professional career with the Company, have at least 10 years of seniority, and be eligible to draw pension benefits under the basic state Social Security regime. The annual benefit under this plan, if all eligibility conditions are met, will be calculated according to the average of the 3 last annual salaries, and cannot exceed a ceiling of 8 times the Social security ceiling.</p>
Directors' fees	Not applicable	The Executive Chairmen do not receive any directors' fees.
Valuation of benefits in kind	€ 2,110	The only benefits in kind provided to Mr. Axel Dumas are a company car and a representation policy. Mr. Axel Dumas is covered by the health expenses plan and provident fund set up by the group for all of the personnel of the entities in France.

Description of proposed resolutions

COMPENSATION ELEMENTS	AMOUNT OR ACCOUNTING VALUATION (IN EUROS)	PRESENTATION
12th resolution: Émile Hermès SARL		
Gross annual variable compensation under the articles of association	From 1 January to 31 December 2013, €2,199,205	<p>The gross annual compensation of each Executive Chairman for a given year, as authorised by the articles of association, shall not be more than 0.20% of the Company's consolidated income before tax (i.e. €2,199,205 for 2013) for the previous financial year.</p> <p>However, if there are more than two executive Chairmen, the combined total gross annual compensation of all executive Chairmen, according to the articles of association, shall not be more than 0.40% of the Company's consolidated income before tax (i.e. €4,398,410 for 2013) for the previous financial year.</p> <p>Within the ceiling set forth herein, the Management Board of the Active Partner Émile Hermès SARL determines the actual amount of the annual compensation pursuant to the articles of association payable to each Executive Chairman.</p> <p>The compensation paid in 2013 to the Émile Hermès SARL company pursuant to the articles of association was determined by the Management Board on 20 March 2013.</p>
Gross annual supplemental compensation	From 1 January to 31 December 2013, €1,494,845 – Fixed component: €1,284,559 – Percentage indexed to revenue growth: €210,286	<p>The General Meeting of 31 May 2001 decided to allocate to each Executive Chairman gross annual compensation in addition to their compensation pursuant to the articles of association, subject to a ceiling of €457,347.05. This ceiling is indexed each year, but it can only be adjusted upwards. Since 1 January 2002, this amount has been indexed to the growth of the Company's consolidated revenue for the previous financial year at constant exchange rates and on the same scope of consolidation, by comparison with revenue for the next to last financial year (i.e. €1,494,845 for 2013). Within the ceiling set forth above, the Management Board of the Active Partner Émile Hermès SARL determines the actual amount of the annual supplemental compensation payable to each Executive Chairman.</p> <p>The supplemental compensation paid in 2013 to the Émile Hermès SARL company was determined by the Management Board on 20 March 2013.</p>
Deferred variable compensation	Not applicable	No provision is made for the principle of the allocation of deferred variable compensation.
Multi-year variable compensation	Not applicable	No multi-year compensation mechanism was implemented in 2013.
Exceptional compensation	Not applicable	No provision is made for such compensation.
Share options, performance shares or any other long-term compensation element	Purchase options = N/A Performance shares = N/A Other elements = N/A	No plan for purchase options nor allocation of performance shares for the benefit of the Executive Chairmen occurred during the 2013 financial year.
Signing bonus	Not applicable	No such commitment exists.
Severance pay	Not applicable	No such commitment exists.
Non-competition indemnity	Not applicable	No such commitment exists.
Supplementary pension scheme	Not applicable	As a legal person, Émile Hermès SARL is not eligible for a supplementary pension plan.
Directors' fees	Not applicable	The Executive Chairmen do not receive any directors' fees.
Valuation of benefits in kind	Not applicable	Émile Hermès SARL does not receive any benefits in kind.

COMPENSATION ELEMENTS	AMOUNT OR ACCOUNTING VALUATION (IN EUROS)	PRESENTATION
13th resolution: Mr. Patrick Thomas		
Gross annual variable compensation under the articles of association	<p>From 1 January to 31 December 2013, €1,228,176 + €539,779 as a supplement i.e. a total of €1,767,955</p> <p>From 1 to 31 January 2014, €102,348</p>	<p>The gross annual compensation of each Executive Chairman for a given year, as authorised by the articles of association, shall not be more than 0.20% of the Company's consolidated income before tax (i.e. €2,199,205 for 2013) for the previous financial year.</p> <p>However, if there are more than two executive Chairmen, the combined total gross annual compensation of all executive Chairmen, according to the articles of association, shall not be more than 0.40% of the Company's consolidated income before tax (i.e. €4,398,410 for 2013) for the previous financial year.</p> <p>Within the ceiling set forth herein, the Management Board of the Active Partner Emile Hermès SARL determines the actual amount of the annual compensation pursuant to the articles of association payable to each Executive Chairman.</p> <p>The compensation paid in 2013 to Mr. Patrick Thomas pursuant to the articles of association was determined by the Management Board on 20 March 2013, and the supplement by the Management Board on 19 November 2013.</p> <p>The compensation owed to Mr. Patrick Thomas in 2014 pursuant to the articles of association for 2013 (only for January) was determined by the Management Board on 18 March 2014.</p>
Gross annual supplemental compensation	<p>From 1 January to 31 December 2013, €1,147,824 + €347,021 as a supplement. i.e. a total of €1,494,845</p> <p>– Fixed component: €1,284,559</p> <p>– Percentage indexed to revenue growth: €210,286</p> <p>From 1 to 31 January 2014, €95,652</p> <p>– Fixed component: €95,652</p> <p>– Percentage indexed to revenue growth: €0</p>	<p>The General Meeting of 31 May 2001 decided to allocate to each Executive Chairman gross annual compensation in addition to their compensation pursuant to the articles of association, subject to a ceiling of €457,347.05. This ceiling is indexed each year, but it can only be adjusted upwards. Since 1 January 2002, this amount has been indexed to the growth of the Company's consolidated revenue for the previous financial year at constant exchange rates and on the same scope of consolidation, by comparison with revenue for the next to last financial year (i.e. €1,494,845 for 2013). Within the ceiling set forth above, the Management Board of the Active Partner Emile Hermès SARL determines the actual amount of the annual supplemental compensation payable to each Executive Chairman.</p> <p>The supplemental compensation paid in 2013 to Mr. Patrick Thomas was determined by the Management Board on 20 March 2013, and the supplement by the Management Board on 19 November 2013.</p> <p>The supplemental compensation owed to Mr. Patrick Thomas in 2014 for 2013 (only for January) was determined by the Management Board on 18 March 2014.</p>
Deferred variable compensation	Not applicable	No provision is made for the principle of the allocation of deferred variable compensation.
Multi-year variable compensation	Not applicable	No multi-year compensation mechanism was implemented in 2013.
Exceptional compensation	Not applicable	No provision is made for such compensation.
Share options, performance shares or any other long-term compensation element	Purchase options = N/A Performance shares = N/A Other elements = N/A	No plan for purchase options nor allocation of performance shares for the benefit of the Executive Chairmen occurred during the 2013 financial year.
Signing bonus	Not applicable	No such commitment exists.

Description of proposed resolutions

COMPENSATION ELEMENTS	AMOUNT OR ACCOUNTING VALUATION (IN EUROS)	PRESENTATION
Severance pay	€0	<p>The Company had agreed to pay Mr. Patrick Thomas an amount equal to 24 months' compensation (sum of compensation as authorised by the articles of association and supplemental compensation) in the event that his appointment as Executive Chairman is terminated (decision of the Supervisory Board on 19 March 2008, approved by the General Meeting on 3 June 2008, 5th resolution).</p> <p>On 18 March 2009, the Supervisory Board had decided that the payment of this amount would be subject to the termination of Mr. Thomas' appointment as Executive Chairman resulting:</p> <ul style="list-style-type: none"> – either from a decision of the Executive Chairman by reason of a change of control over the Company, a change in the Executive Manager of Émile Hermès SARL, which is an Executive Chairman of the Company, or a change in the Company's strategy; or – from a decision taken by the Company. <p>This commitment had been made subject to the realisation of the following performance conditions, in order for the conditions of his departure to be in line with the Company's situation: achieving budget targets in at least four out of the five previous years (with revenue and operating profit growth measured at constant rates), without deterioration in the Hermès brand and corporate image.</p> <p>Mr. Patrick Thomas requested termination of his term of office as Executive Chairman of the company as of 31 January 2014, notably in order to claim his retirement rights, which did not result in his entitlement to the payment of this severance pay, which is therefore non-applicable.</p>
Non-competition indemnity	€966,300 for each of the years 2014, 2015, 2016 and 2017	<p>During its meeting on 19 November 2013, the Management Board of the company Émile Hermès SARL decided to provide Mr. Patrick Thomas with inclusive annual compensation of €966,300 for each of the years 2014, 2015, 2016 and 2017 since he will be subject to a non-competition obligation for ten years. This non-competition commitment was approved by the Supervisory Board during its meeting on 20 November 2013 pursuant to the related-party agreements.</p>
Supplementary pension scheme	No amount is owed for the 2013 financial year	<p><i>Defined contribution pension plan (art. 83 of the GTC)</i></p> <p>Mr. Patrick Thomas was covered by the defined contribution supplementary pension plan set up for all personnel members of the Group's French companies (decision of the Supervisory Board of 19 March 2008, approved by the General meeting on 3 June 2008 – 6th resolution).</p> <p><i>Defined benefits pension plan (art. 39 of the GTC)</i></p> <p>Mr. Patrick Thomas was also eligible for the supplementary pension plan set up in 1991 for the benefit of all company directors (decision of the Supervisory Board of 19 March 2008, approved by the General meeting on 3 June 2008 – 6th resolution).</p> <p>As a fundamental condition of the pension regulations, in order to be eligible for the scheme, beneficiaries must have reached the end of their professional career with the Company, have at least 10 years of seniority, and be eligible to draw pension benefits under the basic state Social Security regime. The annual benefit under this plan, if all eligibility conditions are met, will be calculated according to the average of the 3 last annual salaries, and cannot exceed a ceiling of 8 times the Social security ceiling.</p>
Directors' fees	Not applicable	The Executive Chairmen do not receive any directors' fees.
Valuation of benefits in kind	€3,754	Mr. Patrick Thomas had the use of a company car. This was the only benefit in kind that he received. Mr. Patrick Thomas was covered, until leaving his position on 31 January 2014, by the health expenses plan and provident fund set up by the group for all of the personnel of the entities in France.

Grant of authority to the Executive Management – Share buyback programme

In the 14th resolution, you are asked to renew the authorisation granted to the Executive Management to trade in the Company's own shares, under the conditions stipulated therein, more specifically:

- purchases and sales of shares representing up to 10% of the share capital would be authorised;
- the maximum purchase price (excluding costs) would be €400 per share. The maximum amount of funds to be committed would be €800 million.

It is stipulated that treasury shares on the day of the General Meeting are not taken into account in this maximum amount. This authorisation would be valid for eighteen months from the date of the General Meeting.

II – EXTRAORDINARY BUSINESS

Grants of authority to the Executive Management – Cancellation of shares

In the 15th resolution, you are asked to renew the authorisation granted to the Executive Management to cancel some or all of the shares purchased by the Company on the stock market under the share buyback programme, on one or more occasions, up to a maximum of 10% of the share capital. This authorisation would enable the Company to cancel shares issued to cover stock options that are no longer exercisable or that have expired. This authorisation would be valid for twenty-four months from the date of the General Meeting.

Grants of authority to the Executive Management – Share purchase options

In the 16th resolution, we ask that you renew the authorisation provided to the Executive Management to grant options to purchase shares to

employees and corporate officers of the Company and its subsidiaries, so as to continue the Group's policy of giving employees a stake in the Group's growth.

The total number of options that may be granted and that have not yet been exercised and the total number of free shares granted under the terms of the 17th resolution shall not represent more than 2% of the total number of ordinary shares description of proposed resolutions outstanding on the date on which the options to purchase shares would be granted, not including those options granted under the terms of previous authorisations. The purchase price of the shares would be fixed by the Executive Management within the limitations and in accordance with the terms and conditions stipulated by law.

Given currently applicable regulations, the purchase price will be equal to 100% of the average of opening share prices during the twenty trading days preceding the day on which the options would be granted, without being less than 80% of the average purchase price of the shares held by the company, notably acquired through the share buyback programme. This price would not be subject to change during the lifespan of the options unless the Company were to enter into the financial transactions covered by Article L 225-181 of the *Code de commerce*. In this case, the Executive Management would adjust the number of shares and the price in accordance with the applicable statutory provisions. The options would be exercisable within a maximum term of seven years from the option grant date.

In accordance with the statutory provisions currently in effect, and subject to their possible modification in the future, in the event of a grant of share purchase options to an Executive Chairman, the Company would ensure that it would either:

- also grant such options to all of the Company’s employees and to at least 90% of the employees of its French subsidiaries; or
- distribute free shares to the aforesaid employees; or
- enhance the terms of employee incentive and/or profit-sharing schemes of the Company and its subsidiaries (or institute such schemes, where applicable).

Furthermore, in accordance with the AFEP/MEDEF Code of Corporate Governance applied by the Company, any options granted to the Executive Management:

- would be contingent upon meeting serious and demanding performance criteria over the course of several consecutive years, that will be defined at the time of the grant;
- would be limited to a maximum percentage of 0.05%, with this sub-ceiling applying against the 2% ceiling common to the authorisations granted in the 16th and 17th resolutions.

This authorisation would be valid for thirty-eight months from the date of the General Meeting.

Grants of authority to the Executive Management – Free share distribution

In the 17th resolution, we ask that you renew the authorisation provided to the Executive Management to grant ordinary shares in the Company for no consideration.

The total number of shares granted for no consideration and the total number of share purchase options granted pursuant to the 16th resolution and not yet exercised shall not represent more than 2% of the total number of ordinary shares outstanding on the free share allotment date, not including those options granted under the terms of previous authorisations. The vesting period for the shares granted shall not be less than two years,

plus a holding period by the beneficiaries of no less than two years, except in the special cases set out in the resolution.

As in the case of share purchase options, in accordance with the statutory provisions currently in effect, and subject to their possible change in the future, in the event of a free share distribution to the Executive Management, the Company would either:

- grant free shares to all of the Company’s employees and to at least 90% of the employees of its French subsidiaries; or
- grant options to purchase shares to the aforesaid employees; or
- enhance the terms of employee incentive and/or profit-sharing schemes of the Company and its subsidiaries (or institute such schemes, where applicable).

Furthermore, in accordance with the AFEP/MEDEF Code of Corporate Governance applied by the Company, any free shares granted to the Executive Management:

- would be contingent upon meeting performance criteria defined at the time of the grant;
- would be limited to a maximum percentage of 0.05%, with this sub-ceiling applying against the 2% ceiling common to the authorisations granted in the 16th and 17th resolutions.

This authorisation would be valid for thirty-eight months from the date of the General Meeting.

Modification of Article 18 of the articles of association

The law of 14 June 2013 relative to the safeguarding of employment calls for the participation of employee representatives, with voting rights, in the meetings of the boards of directors (or supervisory boards) of large companies. The companies in questions are ones with total personnel equal

to at least 10,000 employees worldwide or 5,000 in France.

The company is therefore subject to this requirement and must accordingly include, in its articles of association, the provisions for assigning Supervisory Board members who represent the Group's employees. In the 18th resolution, we ask you to modify Article 18 of the articles of incorporation, for the purposes of determining the provisions for the appointment of Supervisory Board members representing the group's employees in compliance with the provisions of the law of 14 June 2013 relative to the safeguarding of employment.

Our proposal is that both the first and the second Supervisory Board members representing the employees should be appointed by the company's Group committee in view of the role of this employee representation body, which is the management's preferred contact and the members of which are drawn from the various works councils or individual personnel delegations from within the group companies.

In keeping with the law, the Group committee was consulted and, on 26 March 2014, gave a unanimous and favourable opinion as to the proposed appointment provisions.

The number of Supervisory Board members taken into account when determining the number of Supervisory Board members representing the employees will be assessed on the date of the appointment of the employee representatives to the Board. Neither the Supervisory Board members elected by the employees under Article L 225-27 of the *Code de commerce*, nor the employee share-

holder Supervisory Board members appointed in accordance with Article L 225-23 of the *Code de commerce* will therefore be taken into account.

The Supervisory Board members representing the employees must, at least two years beforehand, have signed an employment contract with the company or one of its direct or indirect subsidiaries having its registered office in France or abroad. The Supervisory Board would meet after the Meeting on 3 June 2014 consisting of eleven members. Pursuant to the legal provisions, a single Supervisory board member representing the employees must therefore be assigned this year for the statutory term of three years. This appointment must occur before 3 December 2014, provided that this 18th resolution is passed.

Like the other Supervisory Board members, the term of the Supervisory Board members representing the employees would be for three years.

A reduction to twelve or fewer than twelve Supervisory Board members would have no effect on the term of all Supervisory Board members representing the Group's employees, that would come to an end upon its normal expiry.

Notwithstanding Article 18.1 of the articles of association, the Supervisory Board members representing the Group's employees would not be required to be shareholders.

We also propose that you use the opportunity of this modification of Article 18 of the articles of association in order to mention therein the existence of Supervisory Board rules of procedure and the obligation for all Supervisory Board members to comply with them.

Information on Board members whose re-election and/or appointment is submitted to the Combined general meeting for approval

The information on the people whose terms of office will have to be renewed, i.e. Messrs Éric de Seynes and Renaud Momméja, is provided respectively on pages 65 and 73.

MONIQUE COHEN

Not related to the Hermès family and an independent director based on the criteria applied by the Company.

Age in 2014

58 years

Nationality

French

Shares held in Hermès International

170

Address

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

SUPERVISORY BOARD MEMBER OF HERMÈS INTERNATIONAL

Expertise and additional professional experience

Monique Cohen is a graduate of the Polytechnic Institute (X76), with a Masters degree in mathematics and a degree in business law.

She began her career in 1979 at Paribas as a senior banker then as the worldwide manager for equity-related business lines. Starting in 2000, she served as associate director in charge of investments in the sector of services for companies, financial and health services at Apax Partners. She is also the Chief Operating Officer of Altamir Gérance.

Monique Cohen is a director of the Safran group and Supervisory Board member of JCDecaux.

She was also co-opted to join the board of directors of BNP Paribas on 12 February 2014. The ratification of her appointment will be proposed to the meeting held on 14 May 2014.

She has been a member of the panel of the Financial Markets Authority since June 2011 and a member of the European Commission group of experts on venture capital and risk capital.

Offices and positions held during 2013

Company name	Country	Office
Apax Partners & Cie Gérance	France	Chief operating officer
Apax Partners MidMarket	France	Director
Altamir Gérance	France	Chief operating officer
Altran Technologies	France	Director
Financière MidMarket	France	Director
SC Fabadari	France	Assistant manager
SC Equa	France	Executive Chairwoman (term ended on 31/12/2013)
Finalliance	France	Director (term ended on 31/12/2013)
Financière Famax	France	Supervisory board member (until 31/12/2013)
Equalliance	France	Director (term ended on 31/12/2013)
Financière Duchessel	France	Chairwoman (term ended on 31/12/2013)
Safran	C ♦ France	Director
JCDecaux	C ♦ France	Supervisory Board member
B Capital	France	Director (term ended on 31/12/2013)
Global Project	France	Director (term ended on 31/12/2013), Supervisory board member

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

MONIQUE COHEN (CONTINUED)

Company name	Country	Office
Trocadéro Participations II	France	Chairwoman
Trocadéro Participations	France	Chairwoman and Supervisory Board member
SEP Altitude	France	Director
Texavenir II	France	Chairwoman and Supervisory Board member
Fabadari SC	France	Assistant manager
Wallet	Belgium	Director and Chairwoman of the Board of Directors
Wallet Investissement 1	Belgium	Director and Chairwoman of the Board of Directors
Wallet Investissement 2	Belgium	Director and Chairwoman of the Board of Directors
Buy Way Personal Finance Belgium	Belgium	Director
Buy Way Tech	Belgium	Director
Proxima Investissement	Luxembourg	Director and Chairwoman of the Board of Directors
Société de Financement Local (SFIL)	France	Director
Santemedia Groupe Holding	Luxembourg	Manager (Class C)

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

Other offices and positions held during the previous four years and ending before 1 January 2013

None

In accordance with legal and regulatory requirements, we hereby present our report for the year ended 31 December 2013. We first wish to inform you that:

- ◆ the Executive Management has kept us regularly informed of the Company's business operations and results;
- ◆ the statement of financial position, statement of income and notes thereto have been provided to us as required by law;
- ◆ transactions subject to prior approval by the Supervisory Board under the terms of special provisions contained in the Company's articles of association have been duly approved by us, as will be seen below;
- ◆ the Supervisory Board has met on a regular basis to decide on various matters within its exclusive competence under the terms of the articles of association.

1. Comments on the parent company financial statements and consolidated financial statements

In the light of the comprehensive review already provided, we have no specific comments on the business performance or on the financial statements for the year ended 31 December 2013.

We recommend that you approve the financial statements.

2. Appropriation of net income

On 12 February 2014, the Chairmen decided on the payment of an interim dividend of €1.50 per share. The interim dividend was paid on 28 February 2014. We recommend that you approve the proposed appropriation of net income as set out in the draft resolutions submitted to you for approval, calling for a net dividend of €2.70 per share. After deducting the interim dividend, the balance, or €1.20 per share,

would be detached from the shares on 5 June 2014 and payable on 10 June 2014, based on the closing positions on 9 June 2014.

3. Work of the Supervisory Board

Related-party agreements and commitments

The Executive Management informed us of the agreements to be entered into during the year ended 31 December 2013 and covered by the combined provisions of Articles L 226-10 and L 225-38 through L 225-43 of the *Code de Commerce*, and submitted them for our prior approval. The Statutory Auditors' special report on pages 274 to 278 gives a brief description of agreements and commitments approved during financial year 2013, as well as the ones approved during previous years and that remained in effect during the financial year.

An annual review of the related-party agreements and commitments was performed for the first time by the Supervisory Board in 2013 in compliance with proposal n° 27 of AMF recommendation n° 2012-05 on the general meetings of the shareholders of listed companies. After this review, the Company set up a working group for the purposes of identifying the related-party agreements and commitments that would have to be downgraded. This working group consisted of members of the finance department, the audit and risk management department and the legal department.

The statutory auditors were also involved in these works.

The working group considered that henceforth, only surety commitments resulting in compensation would have to be subject to the related-party agreements procedure. These commitments will continue to be subject to the specific procedure that includes Supervisory board authorisation of

sureties, endorsements and guarantees pursuant to Article L 225-35 of the *Code de commerce*.

The working group also found that certain agreements were signed under normal conditions.

After these works, it was determined that certain agreements could be downgraded.

Recommendations, authorisations and other items

In 2013, the Supervisory Board notably:

- examined the 2013 budget;
- adopted an update of the Supervisory board's rules of procedure;
- decided on the apportionment of directors' fees and compensation payable to the Board members and committee members in respect of 2012;
- renewed the global authorisation to the Executive Management to grant sureties, endorsements and guarantees on behalf of subsidiaries for 2013, subject to a ceiling;
- authorised a surety commitment in favour of a subsidiary;
- appointed a new chairman of the Compensation, appointments and governance committee;
- renewed the terms of the chairman, vice-chairmen, the chairman and members of the Audit committee and the other members of the Compensation, Appointments and Governance Committee, after the meeting had renewed the terms of certain members of the Supervisory Board;
- gave an opinion on the appointment of a new Executive Chairman in application of Article 15.2 of the articles of association;
- provided the Supervisory board's master file to the new members;
- provided the new members with the 2013 calendar of negative windows, and reiterated the responsibility related to the fact of holding inside information;

- examined the situation of the Supervisory Board members relative to the objectivity and independence criteria contained in the Supervisory board's rules of procedure;

- recalled the responsibility inherent to the fact of holding inside information as well as the Stock market ethics charter, and reviewed the 2014 calendar of negative windows;

- took note of the resignation of Mr. Patrick Thomas from his position as Executive Chairman as of 31 January 2014;

- received training regarding the legal regime relative to "insiders";

- approved Mr. Patrick Thomas' acceptance of a corporate office within a listed company;

- decided on the proposed appropriation of earnings to be submitted to the General Meeting of 4 June 2013;

- approved the wording of the prudential rules applicable by the subsidiaries, together with updated lists of the authorised signatories and banks of Hermès International;

- examined the projected management documents;

- reviewed a presentation on the clientele study prepared using the customer relations management IT system;

- approved the modification of Article 3 of the articles of association of the Émile Hermès SARL company;

- performed an annual review of the related-party agreements for which the effects are continuing over time;

- reviewed and/or approved the conclusions of the works of the Compensation, appointments and governance committee relative to:

- the analysis of the individual situation regarding multiple offices of members of the Supervisory board and managers,

- the annual examination intended to identify the Audit committee members having particular skills in the areas of finance or accounting,
 - the annual examination of the potential conflict of interest of Supervisory board members,
 - the review of the Supervisory board Chairman's report on the corporate governance principles implemented by the company, reporting on the composition of the Board and the application of the principle of the balanced representation of women and men within the Board, on the conditions for the preparation and organisation of the Supervisory board's works, as well as the internal control and risk management procedures existing within the company,
 - the verification of the compliance of the Supervisory Board members relative to the holding threshold of 200 registered shares,
 - the self-assessment of the works of the Compensation, appointments and governance committee,
 - the examination of the Active Partner's proposals regarding the appointment/renewal of the terms of the Supervisory Board members at the time of the Hermès International General Meeting on 4 June 2013,
 - the update of the Compensation, Appointments and Governance Committee rules of procedure,
 - the presentation of the Group's business code of conduct,
 - the update of the Supervisory board's master file,
 - the progress of the change of the composition of the Supervisory board;
 - the performance in financial year 2012 and its consequences on the number of free shares allocated to the beneficiaries subject to performance conditions as part of the democratic and selective plans of 15 May 2012,
 - the increase of the overall amount of the directors' fees,
 - the analysis of the company's practices in view of the changes to the AFEP/MEDEF corporate governance code revised in June 2013,
 - the method for appointing Supervisory Board members representing the employees,
 - the many works and marketplace reports relative to governance;
 - discussed the company's policy with regard to professional and wage equality;
 - performed a formal annual assessment of the Board's work;
 - examined the reports and work of the Audit committee, and its self-assessment;
 - issued a favourable opinion on the resolution submitted to the Combined General Meeting of 4 June 2013 and reviewed the reports prepared by the Executive Management;
 - formally noted the summary statement of services provided by Hermès International to Émile Hermès SARL in 2012 and projections for 2013;
 - examined the situation of certain equity interests;
 - formally noted proposals for acquisitions, disposals and equity investments by the Group;
 - formally noted proposed investment projects;
- In 2013, the Board visited the Puiforcat workshops and archives. That same day, the Board travelled to the new Cité des métiers Hermès in Pantin, where it was provided with a presentation on the human resources impact of the relocation, as well as a presentation on the real estate project. The Board members then carried out a complete visit of the site.

4. Recommendations on proposed resolutions submitted to the Combined General Meeting of 3 June 2014

We are in favour of all the proposed resolutions submitted to you.

This concludes our report on the information and opinions we considered necessary to bring to your attention in connection with the present General Meeting, and we recommend that you vote to approve all the resolutions submitted to you.

5. Composition of the Supervisory Board

We are fully in favour of the proposal made to you relative to:

- ◆ re-election of the members whose office is about to expire:
 - Mr. Éric de Seynes,
 - Mr. Renaud Momméja;

- ◆ appointment to the Supervisory Board:
 - Mrs. Monique Cohen as replacement for M. Maurice de Kervénoaël.

On page 21 of the report from the Supervisory board chairman, you will find an update on the task surrounding the change of the composition of the Supervisory board, that has been entrusted to the Compensation, appointments and governance committee since 2011.

The Supervisory Board

Statutory Auditors' report on the financial statements

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 December 2013, on:

- the audit of the accompanying financial statements of Hermès International;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Executive Management. Our role is to express an opinion on these financial statements based on our audit.

1. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at 31 December 2013 and of the results of its operations for the year then ended in accordance with French accounting principles.

2. Justification of our assessments

In accordance with the requirements of Article L 823-9 of the French Commercial Code (*Code de commerce*)

relating to the justification of our assessments, we bring to your attention the following matter:

- Note 1.3 to the financial statements describes the accounting methods and principles applied to determine the value of financial assets. As part of our assessment, we have examined the appropriateness of these methods and reviewed the assumptions used.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verifications and information

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French law.

We have no matters to report as to the fair presentation and consistency with the financial statements of the information given in the management report of the Executive Management, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L 225-102-1 of the French Commercial Code relating to remuneration and benefits received by corporate officers and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling it or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

In accordance with French law, we inform you that the required information concerning the identity of shareholders and holders of the voting rights has been properly disclosed in the management report.

Drafted in Neuilly-sur-Seine and Paris, on 26 March 2014

The Statutory Auditors

PricewaterhouseCoopers Audit
Christine Bouvry

Didier Kling & Associés
Christophe Bonte

Statutory Auditors' report on the consolidated financial statements

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 December 2013, on:

- the audit of the accompanying consolidated financial statements of Hermès International;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Executive Management. Our role is to express an opinion on these consolidated financial statements based on our audit.

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at 31 December 2013 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

2. Justification of our assessments

In accordance with the requirements of Article L 823-9 of the French Commercial Code (*Code de commerce*)

relating to the justification of our assessments, we bring to your attention the following matters:

- As part of our assessment of the accounting principles applied by the Group, we reviewed the methods used to apply these principles to intangible assets and property, plant and equipment (Note 1.7 to the consolidated financial statements) and to inventories (Note 1.10 to the consolidated financial statements) and we verified their proper implementation;

– The Group tests for impairment of goodwill on an annual basis according to the methods described in Note 1.8 to the consolidated financial statements. We reviewed the methods used to implement these tests and verified the reasonableness of the estimates made by the Executive Management;

– Note 1.17 to the consolidated financial statements describes the methods used to measure post-employment and other employee benefit obligations. With regard to defined-benefit plans, these obligations have been assessed by independent actuaries. Our work included reviewing the data and assumptions used. We also verified that the information provided in the notes to the consolidated financial statements on these matters is appropriate.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verification

As required by law and in accordance with professional standards applicable in France, we have also verified the information relating to the Group presented in the management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Drafted in Neuilly-sur-Seine and Paris, on 26 March 2014

The Statutory Auditors

PricewaterhouseCoopers Audit
Christine Bouvry

Didier Kling & Associés
Christophe Bonte

Statutory auditors' special report on related-party agreements and commitments

This is a free translation into English of the Statutory Auditors' special report on related-party agreements and commitments issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In our capacity as Statutory Auditors of Hermès International, we hereby report to you on related-party agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements and commitments.

Under the provisions of Article R 226-2 of the French Commercial Code (*Code de commerce*), it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by Article R 226-2 of the French Commercial Code in relation to the implementation during the year of agreements and commitments already approved by the Annual General Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

I. Agreements and commitments to be submitted for the approval of the Annual General Meeting

Agreements and commitments authorised during the year

In accordance with Article L.226-10 of the French Commercial Code, we were informed of the following agreements and commitments authorised by the Supervisory Board.

a) Guarantees granted

PERSONS CONCERNED: subsidiaries of Hermès International, directly or indirectly held at more than 50%.

NATURE, PURPOSE AND PROVISIONS: on 22 January 2013, the Supervisory Board renewed the authorisation given to Executive Management to grant endorsements and guarantees during 2013 to subsidiaries in which your company holds directly or indirectly more than 50% of the share capital, subject to a total net amount of €10,000,000 for all commitments and a net amount of €3,000,000 for each individual commitment.

No guarantees granted within the framework of this authorisation were called upon in 2013.

b) Commitments granted to an executive corporate officer
PERSON CONCERNED: Axel Dumas, co-Executive Manager of Hermès International.

NATURE, PURPOSE AND PROVISIONS: on 4 June 2013, your Supervisory Board took note of the information regarding the compensation of Axel Dumas further to his appointment as co-Executive Manager:

- *top-up pension scheme*: Axel Dumas will be eligible for the top-up pension scheme set up in 1991 for the benefit of the company's senior executives. Under this scheme, the beneficiary will receive annual payments based on the number of years of service and annual compensation. The payments represent a percentage of compensation for each year of service. The benefits paid under this top-up pension scheme are capped at eight times the annual French social security ceiling.

Axel Dumas will also be entitled to the defined contribution supplementary retirement plan set up for the benefit of all employees of the Group's French companies;

- *commitment in connection with the termination of his duties as Executive Chairman*: the Company has committed to pay Axel Dumas benefits equal to 24 months' compensation (compensation authorised by the articles of association plus additional compensation) in the event that his duties as Executive Chairman are terminated. This commitment is subject to meeting the following performance criteria: reaching at least four budgets (revenue and operating income growth rate measured at constant rates) in the five years before termination, with no deterioration in the Hermès brand image.

This termination payment will be payable on the termination of his duties as Executive Chairman resulting from:

– a decision of the Executive Chairman resulting from a change of control of the Company, a change in the Executive Manager of Émile Hermès SARL, which is an Executive Chairman of the Company, or a change in the Company's strategy; or,
– a decision taken by the Company;
• *employment contract*: in order to comply with the AFEP-MEDEF Code of Corporate Governance, Axel Dumas decided on 5 June 2013, to waive his employment contract, with immediate effect, when he was appointed to the position of Executive Chairman of Hermès International.

c) Non-competition commitment

PERSON CONCERNED: Patrick Thomas, co-Executive Chairman of Hermès International.

NATURE, PURPOSE AND PROVISIONS: On 20 November 2013, the Supervisory Board authorised the signing of a non-competition commitment. The Board considered that it was necessary to protect the Company's legitimate interests while respecting its situation, and therefore considered that it was in the Group's interests that Patrick Thomas would not accept, after his departure from the Group, assignments or duties (even as non-executive) in companies likely to compete with Hermès Group.

The provisions of this commitment are presented below: For a period of ten years, Patrick Thomas undertakes not to carry out, whether personally or on behalf of third parties, any activity that competes with that of Hermès International Group, and in particular not to collaborate, in any capacity whatsoever and in any form whatsoever, with a company in the luxury sector that is active in the following geographical zone: Europe and Asia.

This non-competition commitment took effect as of the departure of Patrick Thomas from the Group and is compensated in the amount of €966,300 per year for four years, on 1 February 2014, 2015, 2016 and 2017.

Agreements and commitments authorised since the year-end

PERSON CONCERNED: Axel Dumas, co-Executive Chairman of Hermès International.

NATURE, PURPOSE AND PROVISIONS: on 19 March 2014, the Supervisory Board authorised the continuation, for Axel Dumas, of the collective benefits regarding health expenses and the provident fund in effect within

the company for employees and corporate officers, in compliance with the eligible panels.

II. Agreements and commitments already approved by the Annual General Meeting

Agreements and commitments approved in previous years which were implemented during the year

In accordance with Article R 226-2 of the French Commercial Code, we have been informed that the following agreements and commitments, approved by the Annual General Meeting in previous years, remained in effect during the year.

a) Guarantees granted on behalf of Hermès Japan

PERSON CONCERNED: Hermès International, a shareholder with an interest of more than 10% in Hermès Japan.

NATURE, PURPOSE AND PROVISIONS: in its meetings on 25 May 1998 and 23 March 1999, the Supervisory Board authorised:

- a guarantee granted on behalf of Hermès Japan in connection with a loan of an initial amount of JPY 5,000,000,000 from the Japan Development Bank, repayable by 20 May 2013. A commission fee of JPY 187,153 (€1,791) was billed in respect of 2013;
- a guarantee granted on behalf of Hermès Japan in connection with a loan of an initial amount of JPY 2,500,000,000, repayable by 20 April 2013. A commission fee of JPY 76,389 (€731) was billed in respect of 2013.

No guarantees granted in the framework of these authorisations were called upon in 2013.

a) Service agreement entered into with Émile Hermès SARL

PERSON CONCERNED: Émile Hermès SARL, co-Executive Chairman of Hermès International.

NATURE, PURPOSE AND PROVISIONS: At its meetings of 23 March 2005, 14 September 2005 and 11 December 2007, the Supervisory Board authorised Hermès International to enter into a service agreement with Émile Hermès SARL for the provision of routine legal and financial services. At its meeting of 11 December 2007, the Supervisory Board authorised the signature of an

Statutory auditors' special report on related-party agreements and commitments

amendment to add secretarial services to this agreement. Amendments to the service agreement were signed by Hermès International and Émile Hermès SARL in 2012. At its meetings of 25 January 2012 and 30 August 2012, the Supervisory Board authorised two amendments to this agreement to alter the price of the secretarial services and to provide for share ownership monitoring. Hermès International billed €281,280 for services provided under the terms of this agreement in 2013.

c) Design mission contract with the company RDAI

PERSON CONCERNED: Sandrine Brekke, owner of more than 10% of RDAI and member of the Executive Management of Émile Hermès SARL, co-Executive Chairman.
NATURE, PURPOSE AND PROVISIONS: At its meetings of 20 March 2003 and 15 September 2004, the Supervisory Board authorised an agreement and its amendment between Hermès International and the architectural firm RDAI to undertake an assignment to design Hermès stores. Hermès International paid €19,806 in fees in connection with this agreement in respect of 2012.

d) Trademark licence agreements

PERSONS CONCERNED:

- Hermès International, direct or indirect shareholder with an interest of more than 10% in the licensed companies;
- For the Comptoir Nouveau de la Parfumerie: Maurice de Kervénoaël, Supervisory Board member of Hermès International and Board member of the Comptoir Nouveau de la Parfumerie;
- For Hermès Sellier: Éric de Seynes and Blaise Guerand, Supervisory Board members of Hermès International and members of the Management Board of Hermès Sellier;
- For Hermès Horizons: Axel Dumas, co-Executive Chairman of Hermès International and Board member of Hermès Horizons;
- For La Montre Hermès: Patrick Thomas, co-Executive Chairman of Hermès International and Board member of La Montre Hermès;
- For Faubourg Italia: Patrick Thomas, co-Executive Chairman of Hermès International and Board member of Faubourg Italia.

NATURE, PURPOSE AND PROVISIONS: Amendments to the trademark licence agreements were signed in 2011 by Hermès International and Hermès Sellier, Hermès Hori-

zons, Comptoir Nouveau de la Parfumerie, La Montre Hermès and Compagnie des Arts de la Table et de l'Émail, and in 2012 with Faubourg Italia. These amendments to the trademark licence agreements replaced the trademark licence agreements signed on 5 April 1996 as amended or extended by amendments authorised by the Supervisory Board on 26 March 1996, 23 September 1998, 20 March 2003, 26 January 2011, 30 August 2011 and 27 June 2012.

The current trademark licence agreements in effect provide for the following terms and royalties:

Company	Duration	Royalties paid in respect of 2013
Hermès Sellier	10 years as of 1 January 2007	€79,099,702
Hermès Horizons	10 years as of 1 January 2008	€83,926
Comptoir Nouveau de la Parfumerie	10 years as of 1 January 2007	€9,712,358
La Montre Hermès	10 years as of 1 October 2006	€4,529,038
Faubourg Italia	10 years as of 18 February 2011	€83,497
Compagnie des Arts de la Table	10 years as of 22 December 2006	€593,232

e) Compensation of members of special committees

PERSONS CONCERNED:

- Mr. Maurice de Kervénoaël;
- Mr. Charles-Éric Bauer;
- Mr. Robert Peugeot;
- Mr. Renaud Mommeja;
- Mr. Ernest-Antoine Seillière;
- Mrs. Dominique Sénéquier;
- Mr. Matthieu Dumas;
- Mrs. Florence Woerth.

NATURE, PURPOSE AND PROVISIONS: At its meetings on 26 January 2005, 2 June 2005 and 24 March 2010, the Supervisory Board decided to set the annual compensation of the Chairmen of the Audit Committee and the Compensation, Appointments and Governance Committee at €20,000, and at €10,000 for the other members. Hermès International granted a total of €100,000 to all committee members in consideration for the performance of their duties in respect of 2013.

f) Commitments for the benefit of an Executive Corporate officer

PERSON IN QUESTION: Patrick Thomas, co-Executive Chairman of Hermès International.

NATURE, PURPOSE AND PROVISIONS:

- *top-up pension scheme granted to an executive corporate officer*: by decision of the Supervisory Board on 21 March 2013, your company decided to set a cap of eight times the annual French social security ceiling for the benefits paid under the top-up pension scheme set up in 1991 for the benefit of the company's directors, including the Executive Chairman.

On 13 September 2006, the Board authorised the signing of an amendment to the regulations for this top-up pension scheme. The main modifications related to the scope, potential beneficiaries, conditions for the delivery of the benefits and the guarantees provided by the scheme. This benefit consists of an annual pension that is based on the number of years of service and annual compensation. The payments represent a percentage of compensation for each year of service. Moreover, the Executive Chairman, who is a natural person, was also eligible, as were all the other employees of the Group's French subsidiaries, for a defined contribution supplementary retirement plan set up in 2006. Patrick Thomas was able to benefit from this plan at the time of his retirement on 31 January 2014.

- *general life insurance and disability regime*: Patrick Thomas was eligible for the collective life-insurance and disability regime conferring the same rights on the Executive Chairmen as other company employees (in compliance with the eligible panels).

His eligibility for this regime ended with the end of his term of office, on 31 January 2014.

- *commitment in connection with the termination of his duties as Executive Chairman*: Patrick Thomas resigned with effect on 31 January 2014, to retire. Accordingly, in compliance with the decisions of the Supervisory Board on 19 March 2008 and 18 March 2009, the termination of his duties as Executive Chairman resulting from this resignation did not entitle him to the payment of the compensation for termination of his duties as Executive Chairman decided by the Board.

g) Employment contract of a Supervisory Board member

PERSON CONCERNED: Julie Guerrand.

NATURE, PURPOSE AND PROVISIONS: Since 7 March 2011, Julie Guerrand has had an employment contract

within the framework of her duties as Director Corporate Development. This agreement was authorised by the Supervisory Board at its meeting on 3 March 2011.

Agreements approved in previous years and reclassified as ordinary agreements (not subject to approval)

a) Guarantees given

On 22 January 2014, the Supervisory Board decided to reclassify the following agreements relating to guarantees and commitments provided by Hermès International as ordinary agreements:

- an "umbrella" guarantee for a maximum principal amount of €100 million granted to the BNP Paribas bank in order to guarantee its subsidiaries' operating credit lines;
- an "umbrella" guarantee for a maximum principal amount of €75 million granted to HSBC in order to provide subsidiaries, designated by Hermès International, with access to an aggregate group bank facility;
- a guarantee granted to London & Provincial Shop Centre on behalf of Hermès GB Ltd. in connection with the leasing of store premises located at 179/180 Sloane Street, London, and covering the performance by Hermès GB Ltd of all of its obligations as tenant under that lease;
- a guarantee granted to 693, Madison Avenue Company L.P. on behalf of Hermès of Paris Inc. in connection with the leasing of store premises located at 691-693-695 Madison Avenue in New York, and covering the performance by Hermès of Paris Inc. of all of its obligations as tenant under that lease;
- a guarantee granted to 680, Carlton House Inc., on behalf of Hermès of Paris Inc., in connection with the leasing of the John Lobb store located at 680 Madison Avenue in New York, and covering the performance by Hermès of Paris Inc. of all of its obligations as tenant under that lease;
- a guarantee granted to Hermès Cuirs Précieux covering the performance by Hermès Cuirs Précieux of all of its contractual obligations;
- a joint and several guarantee granted to Floris Estate on behalf of John Lobb, in connection with the renewal of the lease of the John Lobb store premises in Jermyn Street, London, for ten additional years for a maximum of £700,000 plus VAT (i.e. the equivalent of five years' rent), for the entire term of the lease (until 9 March 2022), and

Statutory auditors' special report on related-party agreements and commitments

covering the performance by John Lobb of all its obligations as tenant under that lease relative to the correct fulfilment by John Lobb of all of its obligations as lessee;

- a guarantee granted to 23 Wall Commercial Owners LLC on behalf of Hermès of Paris Inc. to cover the obligations for the lease for retail premises located on the ground floor of 15 Broad Street, New York;
- a joint, several and indefinite guarantee to The Streets of Buckhead Development & Co to cover the obligations incurred by JL & Co for the proposed lease of retail premises in Atlanta (Georgia, United States) for a ten-year term;
- a joint and several or at first demand guarantee granted to South Coast Plaza to cover the obligations incurred by JL & Co under a lease for retail premises located in the South Coast Plaza shopping centre (California, United States), for a ten-year term commencing on 1 May 2007;
- a joint and several guarantee granted to Maria del Carmen Ordonez de Briozzo to cover the obligations incurred by Hermès Argentina following the transfer to the latter of the lease agreement for the premises of the Hermès store in Buenos Aires for a ten-year period;

- a guarantee granted to Furla France in connection with the leasing of store premises located at 85, rue des Saints-Pères, 75006 Paris, and covering the performance by Hermès Sellier (Shang Xia division) of all of its obligations as tenant under that lease for a maximum amount equal to one years' rent excluding VAT.

The above sureties and guarantees given were not updated during the 2013 financial year.

b) Agreements entered into in connection with a joint venture

On 22 January 2014, the Supervisory Board decided to reclassify the following agreements, signed by your company or Faubourg Italia in connection with the joint-venture between your company and Dédar, as ordinary agreements and commitments:

- service agreement between Dédar and Faubourg Italia;
- design and model licence agreement between Hermès Sellier and Faubourg Italia;
- exclusive distribution agreement between Faubourg Italia and Dédar;
- exclusive distribution agreement between Hermès Sellier and Faubourg Italia.

Drafted in Neuilly-sur-Seine and Paris, on 31 March 2014
The Statutory Auditors

PricewaterhouseCoopers Audit
Christine Bouvry

Didier Kling & Associés
Christophe Bonte

Statutory Auditors' special report prepared in application of Article L 226-10-1 of the *Code de commerce* on the report from the Chairman of the Supervisory board.

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In our capacity as Statutory Auditors of your Company, and in accordance with Article L 226-10-1 of the French Commercial Code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of your Company in accordance with the aforementioned article of the French Commercial Code for the year ended 31 December 2013.

It is the Chairman's responsibility to prepare, and submit to the Supervisory Board for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by Article L 226-10-1 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, and
- to attest that the report sets out the other information required by Article L 226-10-1 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information
The professional standards require that we perform procedures to assess the fairness of the information

on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Supervisory Board's report, prepared in accordance with Article L 226-10-1 of the French Commercial Code.

Other information

We attest that the Chairman's report sets out the other information required by Article L 226-10-1 of the French Commercial Code.

Drafted in Neuilly-sur-Seine and Paris, on 26 March 2014
The Statutory Auditors

PricewaterhouseCoopers Audit
Christine Bouvry

Didier Kling & Associés
Christophe Bonte

Statutory Auditors' report on the capital decrease by cancellation of own shares purchased (fifteenth resolution)

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In our capacity as Statutory Auditors of your Company, and in accordance with the requirements of Article L 225-209 or the French Commercial Code (*Code de commerce*) concerning share capital decreases by cancellation of repurchased shares, we hereby report to you on our assessment of the reasons for and the terms and conditions of the proposed share capital decrease.

The Company's Executive Management proposes that the shareholders confer upon it, for a period of 24 months as of the date of this Meeting, all necessary powers to cancel, up to a maximum of 10% of the Company's share capital per period of 24 months, some

or all of the shares held or purchased to authorise the Company to buy back its own shares as provided under the aforementioned article.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures involved examining the fairness of the reasons for and the terms and conditions of the proposed share capital decrease, which is not considered to infringe upon the principle of equal treatment of shareholders.

We have no comments on the reasons for or the terms and conditions of the proposed share capital decrease.

Drafted in Neuilly-sur-Seine and Paris, on 26 March 2014
The Statutory Auditors

PricewaterhouseCoopers Audit
Christine Bouvry

Didier Kling & Associés
Christophe Bonte

Statutory Auditors' report on the authorisation to grant share purchase options (sixteenth resolution)

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In our capacity as Statutory Auditors of your Company, and in accordance with the requirements of Articles L 225-177 and R 225-144 of the French Commercial Code (*Code de commerce*), we hereby present our report on the authorisation to grant share purchase options to employees and corporate officers of Hermès International and all or some of its affiliated companies or groups, under the conditions stipulated by Article L 225-180 of the French Commercial Code, which is submitted to you for approval.

The Company's Executive Management proposes that, on the basis of its report, the shareholders authorise it, for a period of 38 months as of the date of this Meeting, to grant share purchase options, on one or several occasions, within the limit of 2% of the Company's ordinary shares on the date on which the options will be granted.

It is the Executive Management's responsibility to draw up a report on the reasons for granting share purchase options as well as the proposed methods used to set the purchase price. Our responsibility is to express an opinion on the proposed methods used to set the share purchase price.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted, in particular, in verifying that the proposed methods used to set the share purchase price are specified in the Executive Management's report and that they comply with the applicable laws and regulations.

We have no comments to make on the proposed methods used to set the share purchase price.

Drafted in Neuilly-sur-Seine and Paris, on 26 March 2014

The Statutory Auditors

PricewaterhouseCoopers Audit
Christine Bouvry

Didier Kling & Associés
Christophe Bonte

Statutory Auditors' report on the authorisation to grant existing shares for no consideration (seventeenth resolution)

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In our capacity as Statutory Auditors of your Company, and in accordance with the requirements of Article L 225-197-1 of the French Commercial Code (*Code de commerce*), we hereby present our report on the proposed authorisation to grant existing shares, for no consideration, to employees and/or corporate officers of Hermès International and all or some of its affiliated companies or groups, under the conditions stipulated by Article L 225 197-2 of the French Commercial Code, which is submitted to you for approval.

The Company's Executive Management proposes that, on the basis of its report, the shareholders authorise it, for a period of 38 months as of the date of this Meeting, to grant existing shares, for no consideration, on one or several occasions, within the limit of 2% of the Company's ordinary shares as of the grant date of the shares, wherein this is a combined ceiling including the share

purchase options that have been granted but not yet exercised under the sixteenth resolution.

It is the Executive Management's responsibility to draw up a report on this transaction which it wishes to carry out. Our responsibility is to make comments on the information which is provided to you on the proposed transaction, as necessary.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted, in particular, in verifying that the proposed methods disclosed in the Executive Management's report comply with the applicable laws and regulations.

We have no comments to make on the information provided in the Executive Management's report on the proposed authorisation to grant shares.

Drafted in Neuilly-sur-Seine and Paris, on 26 March 2014

The Statutory Auditors

PricewaterhouseCoopers Audit
Christine Bouvry

Didier Kling & Associés
Christophe Bonte

Report of one of the statutory auditors, appointed as an independent third party, on the consolidated labour, environmental and social information presented in the management report

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In our capacity as Statutory auditor of Hermès International appointed as an independent third party, whose certification request has been approved by COFRAC, we hereby report to you on the consolidated labour, environmental and social information for the financial year ended December 31, 2013, presented in the management report (hereinafter the “CSR Information”), in accordance with Article L 225-102-1 of the French Commercial Code (*Code de Commerce*).

Responsibility of the company

The Executive Management is responsible for preparing the company's management report including CSR Information in accordance with the provisions of Article R 225-105-1 of the French Commercial Code and with the guidelines used by the company (hereinafter the “Guidelines”), summarised in the management report.

Independence and quality control

Our independence is defined by regulatory texts, the French code of ethics governing the audit profession and the provisions of Article L 822-11 of the French Commercial Code. We have also implemented a quality control system comprising documented policies and procedures for ensuring compliance with the codes of ethics, professional auditing standards and applicable legal and regulatory texts.

Statutory auditor's responsibility

On the basis of our work, it is our responsibility to:

- certify that the required CSR Information is presented in the management report or, in the event that any CSR Information is not presented, that an explanation is provided in accordance with the third paragraph of Article R.225-105 of the French Commercial Code (Statement of completeness of CSR Information);
- express limited assurance that the CSR Information, taken as a whole, is, in all material respects, fairly presented in accordance with the Guidelines (Reasoned opinion on the fairness of the CSR Information).

Our work was carried out by a team of four people, over approximately 10 weeks between January and March 2014. We were assisted in our work by our specialists in corporate social responsibility.

We performed our work in accordance with the professional auditing standards applicable in France, with the decree of 13 May 2013 determining the conditions in which the independent third party performs its engagement.

1. Statement of completeness of CSR Information

We conducted interviews with the relevant heads of department to familiarise ourselves with sustainable development policy, according to the impact of the company's activity on labour and the environment, of its social commitments and any action or programmes related thereto.

We compared the CSR Information presented in the management report with the list provided for by Article R.225-105-1 of the French Commercial Code.

For any consolidated Information that was not disclosed, we verified that the explanations provided complied with the provisions of Article R.225-105, paragraph 3 of the French Commercial Code.

We ensured that the CSR Information covers the scope of consolidation, i.e., the company, its subsidiaries as defined by Article L.233-1 and the entities it controls as defined by Article L.233-3 of the French Commercial Code, with the perimeter limits indicated in the “Correspondence table (Article 225-105)” contained in the management report.

Based on this work, and given the limitations mentioned above, we attest to the completeness of the required CSR Information in the management report.

2. Reasoned opinion on the fairness of the CSR Information

Nature and scope of our work

We conducted approximately 10 interviews with the people responsible for preparing the CSR Information in the departments charged with collecting the information and, where appropriate, the people responsible for the internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in the light of their relevance, completeness, reliability, impartiality and comprehensibility, and taking good market practice into account when necessary;

Report of one of the statutory auditors, appointed as an independent third party, on the consolidated labour, environmental and social information presented in the management report

- verify the implementation of a data-collection, compilation, processing and control procedure that is designed to produce CSR Information that is exhaustive and consistent, and familiarise ourselves with the internal control and risk management procedures involved in preparing the CSR Information..

We determined the nature and scope of our tests and controls according to the nature and importance of the CSR Information in the light of the nature of the company, the social and environmental challenges of its activities, its sustainable development policy and good market practice. For the CSR Information that we considered to be most important ⁽¹⁾:

- on the level of the consolidating entity, we consulted documentary sources and conducted interviews to substantiate the qualitative information (organisation, policy, action), we followed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data and we verified their consistency and concordance with the other information in the management report;

- on the level of a representative sample of sites that we selected ⁽²⁾ on the basis of their activity, contribution to the consolidated indicators, location and a risk analysis, we carried out interviews in order to verify the correct application of the procedures and performed detailed tests on the basis of samples, so as to check the completed calculations and to compare the data with the supporting documentation. As such, the selected sample represents between 18% and 64% of the social quantitative information and between 22% and 70% of the environmental quantitative information.

For the other consolidated CSR Information, we assessed consistency based on our understanding of the company.

We also assessed the relevance of explanations given for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes used, based on our professional judgement, allow us

to express limited assurance; a higher level of assurance would have required us to carry out more extensive work. Because of the use of sampling techniques and other limitations intrinsic to the operation of any information and internal control system, we cannot completely rule out the possibility that a material irregularity has not been detected.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly, in all material respects, in accordance with the Guidelines.

(1) *Quantitative information*: total personnel and the distribution of the employees by sex, age and geographical zone; new hires and layoffs (France perimeter); number of workplace accidents with sick leave (France perimeter); total number of training hours (Hermès International perimeter, i.e. Group holding company); energy consumption by energy type; water consumption of the industrial sites.

Qualitative information: policies implemented with regard to training; health and safety conditions on the level of the industrial sites; general policy with regard to environmental matters; measures for preventing, reducing or remedying any discharges into the air, water and soil that would seriously affect the environment; measures taken to safeguard biodiversity; impact of the company regarding employment and regional development; consideration of social and environmental stakes in the purchasing policy; importance of subcontracting and the consideration, in relations with suppliers and subcontractors, of their social and environmental responsibility.

(2) *Environmental information*:

- industrial department, 5 plants: Ateliers A.S. (Pierre-Bénite - France, Textiles), Société d'Impression sur Étoffes du Grand-Lemps (Le Grand-Lemps - France, Textiles), Tannerie d'Annonay (Annonay - France, HPC), Gordon-Choisy (Montereau - France, HPC), Compagnie des Cristalleries de Saint-Louis (Saint-Louis-lès-Bitche - France, Crystal);

- real estate development department, 10 stores: Ginza (Japan), Midotsuji (Japan), Paris - Rue de Sèvres (France), Paris - George V (France), Cannes (France), Bordeaux (France), Strasbourg (France), Madison 691 (United States), New York corporate office (United States), Wall Street (United States).

Social information:

- for the personnel and new hires, 2 companies: Hermès Sellier and Hermès Japan;

- for the number of workplace accidents, 5 companies: Compagnie des Cristalleries de Saint-Louis, Maroquinerie de Saint-Antoine, Maroquinerie de Belley, Ateliers A.S. et Tannerie d'Annonay;

- for the number of dismissals, 5 companies: Comptoir Nouveau de la Parfumerie, Hermès Sellier, Compagnie des Cristalleries de Saint-Louis, Maroquinerie de Sayat, Compagnie des Arts de la Table et de l'Émail;

- for the number of training hours, 1 company: Hermès International.

Drafted in Neuilly-sur-Seine and Paris, on 26 March 2014

The Statutory Auditors

Christine Bouvry,
associate

Sylvain Lambert,
associate of the sustainable development department

Resolutions submitted to the Combined General Meeting of 3 June 2014

I - ORDINARY BUSINESS

First resolution

Approval of the parent company financial statements

The General Meeting, voting under the quorum and majority conditions applicable to ordinary general meetings, having heard the executive Management's report on the Company's operations and situation, the Supervisory Board's report and the Statutory Auditors' report for the

year ended 31 December 2013, approves the financial statements, the balance sheet and the notes thereto as presented, as well as the transactions they reflect. The General Meeting duly notes that the expenses and charges covered by Article 39-4 of the General Tax Code amounted to €182,256 in 2013.

Second resolution

Approval of the consolidated financial statements

The General Meeting, voting under the quorum and majority conditions applicable to ordinary general meetings, having heard the executive Management's report on the Group's operations and situation, the Supervisory Board's

report and the Statutory Auditors' report for the year ended 31 December 2013, approves the consolidated financial statements as presented to it, as well as the transactions that they reflect.

Third resolution

Discharge of executive Management

The General Meeting, voting under the quorum and majority conditions applicable to ordinary general meetings, gives

the executive Management final discharge for its management during the year commencing on 1 January 2013 and ending on 31 December 2013.

Fourth resolution

Appropriation of net income – Dividend Distribution

The General Meeting, voting under the quorum and majority conditions applicable to ordinary general meetings, notes that net income for the year amounted to €544,302,496.73 and retained earnings of €756,110,457.04, and having duly noted that the legal reserve has been reached in totality, approves the appropriation of these sums totalling €1,300,412,953.77 as distributable profits, as proposed by the Supervisory Board:

- ◆ to the reserve for purchasing original works of art: €284,158.00
 - ◆ to the Active Partner, pursuant to Article 26 of the articles of association: €3,646,826.73
 - ◆ to shareholders, an "ordinary" dividend of €2.70 per share, totalling: €285,037,412.40
 - ◆ to retained earnings, the balance of: €1,011,444,556.64
 - ◆ **total amount appropriated** ... €1,300,412,953.77
- The General Meeting resolves that the balance of the ordinary dividend for the financial year (a down payment

Resolutions submitted to the Combined general meeting of 3 June 2014

of €1.50 per share having been paid on 28 February 2014), which amounts to €1.20 which will be detached from the shares on 5 June 2014 and be payable in cash on 10 June 2014 based on closing positions on the evening of 9 June 2014.

As Hermès International is not entitled to receive dividends for shares held in treasury, the corresponding sums will be transferred to retained earnings on the date the dividend becomes payable. In accordance with Article 243 *bis* of the General Tax Code, it is stipulated that this dividend entitles shareholders who are natural persons and liable for income tax in France, this entire dividend will be taken into account ipso jure for the determination of their overall income subject to the income tax schedule, and will be eligible for the 40% allowance as provided by Article 158-3 of the General Tax Code. It is further recalled that, in compliance with Article 119 *bis* of the General Tax Code, the dividend distributed

to shareholders not liable for income tax in France is subject to a withholding at the source, at a rate determined according to the country of the shareholder's address for tax purposes.

In accordance with the provisions of Article 47 of Law No. 65-566 of 12 July 1965, the General Meeting duly notes that dividends distributed to the shareholders in respect of the three previous financial years were as follows:

In euros			
Financial year	2012	2011	2010
Ordinary dividend	2.50	2.00	1.50
Exceptional dividend	–	5.00	–
Amount eligible for tax allowance pursuant to Article 158-3 of the GTC	40%	40%	40%

Fifth resolution

Approval of related-party agreements and commitments

The General Meeting, voting under the quorum and majority conditions required for ordinary general meetings, having heard the Statutory Auditors' special report

on related-party agreements and commitments covered by the combined provisions of Articles L 226-10 and Articles L 225-38 through L 225-43 of the *Code de commerce*, approves the transactions entered into or performed during the financial year 2013.

Sixth resolution

Re-election of Mr. Éric de Seynes as Supervisory Board member for a term of three years

On the recommendation of the Active Partner, the General Meeting, voting under the quorum and majority conditions applicable to ordinary general meetings, re-elects as a member of the Supervisory board

Mr Éric de Seynes.

Pursuant to Article 18.2 of the articles of association, his term of office will expire at the end of the Annual General Meeting convened to vote on the financial statements for the year ended 31 December 2016.

Mr. Eric de Seynes has indicated that he is prepared to accept this appointment and that he is not legally prohibited from doing so in any manner whatsoever.

Seventh resolution

Re-election of Mr. Renaud Momméja as Supervisory Board member for a term of three years

On the recommendation of the Active Partner, the General Meeting, voting under the quorum and majority conditions applicable to ordinary general meetings, re-elects as a member of the Supervisory board

Mr Renaud Momméja.

Pursuant to Article 18.2 of the articles of association, his term of office will expire at the end of the Annual General Meeting convened to vote on the financial statements for the year ended 31 December 2016.

Mr. Renaud Momméja has indicated that he is prepared to accept this appointment and that he is not legally prohibited from doing so in any manner whatsoever.

Eighth resolution

Appointment of Mrs. Monique Cohen as a new Supervisory Board member for a term of three years as replacement for Mr. Maurice de Kervénoaël.

On the recommendation of the Active Partner, voting under the quorum and majority conditions applicable to ordinary general meetings, the Annual General Meeting elected as Supervisory Board member for the standard term of office of three years, replacing Mr. Maurice de Kervénoaël who is at the end of his term and who is not seeking a new term,

Mrs Monique Cohen.

Her term of office will expire at the end of the Annual General Meeting convened to vote on the financial statements for the year ended 31 December 2016.

Mrs. Monique Cohen has indicated that she is prepared to accept this appointment and that she is not legally prohibited from doing so in any manner whatsoever.

Ninth resolution

Supervisory board directors' fees and compensation

The General Meeting, voting under the quorum and majority conditions applicable to ordinary general meetings, fixes the total directors' fees and compensation

to be allocated to the members of the Supervisory Board and the members of committees created within it at €500,000 for each financial year beginning from 1 January 2014 until it is decided otherwise.

Tenth resolution

Approval of the commitments made to Mr. Axel Dumas regarding the cessation of his duties as Executive Chairman.

The General Meeting, voting under the quorum and majority conditions applicable to ordinary general meetings, having heard the Executive Management's report and the statutory auditors' special report on agreements falling under the combined provisions of Articles L 226-10, L 225-38 to L 225-43 of the *Code*

de commerce, approves, in compliance with the provisions of Article L 225-42-1 of the *Code de commerce*, the aforesaid agreement described in the said report relating to the elements comprising the compensation, indemnities and benefits likely to be paid by the company to Mr. Axel Dumas in the event that his appointment as Executive Chairman is terminated, according to the terms set down by the Supervisory Board during its meeting on 4 June 2013.

Eleventh resolution

Opinion on the compensation elements owed or allocated as of 5 June 2013 (date of his appointment as Executive Chairman) to 31 December 2013 to Mr. Axel Dumas.

The General Meeting, consulted in application of the recommendation in § 24.3 of the AFEP/MEDEF corporate governance code of June 2013, that constitutes the company's reference code in application of Article

L 225-37 of the *Code de commerce*, voting under the quorum and majority conditions applicable to ordinary general meetings, provides a favourable opinion on the compensation elements owed or allocated, in respect of the year ended 31 December 2013, as of 5 June 2013, date on which he assumed his functions as Executive Chairman, to Mr. Axel Dumas as presented in the description of the reasons for the proposed resolutions.

Twelfth resolution

Opinion on the compensation elements owed or allocated in respect of the year ended 31 December 2013, to the company Émile Hermès SARL

The General Meeting, consulted in application of the recommendation in § 24.3 of the AFEP/MEDEF corporate governance code of June 2013, that constitutes the company's reference code in application of

Article L 225-37 of the *Code de commerce*, voting under the quorum and majority conditions applicable to ordinary general meetings, provides a favourable opinion on the compensation elements owed or allocated, in respect of the year ended 31 December 2013, to the company Émile Hermès SARL as presented in the description of the reasons for the proposed resolutions.

Thirteenth resolution

Opinion on the compensation elements owed or allocated in respect of the year ended 31 December 2013 and from 1 to 31 January 2014 (date of the cessation of his duties as Executive Chairman), to Mr. Patrick Thomas

The General Meeting, consulted in application of the recommendation in § 24.3 of the AFEP/MEDEF corporate governance code of June 2013, that constitutes the company's reference code in application of

Article L 225-37 of the *Code de commerce*, voting under the quorum and majority conditions applicable to ordinary general meetings, provides a favourable opinion on the compensation elements owed or allocated, in respect of the year ended 31 December 2013 and from 1 to 31 January 2014 (termination date of his functions as Executive Chairman), to Mr. Patrick Thomas as presented in the description of the reasons for the proposed resolutions.

Fourteenth resolution

Authorisation to the Executive Management to trade in the Company's shares

The General Meeting, acting under the quorum and majority requirements applicable to ordinary general meetings, having reviewed the executive Management's Report:

- ◆ authorises the executive Management, with the option further to delegate such authority, in accordance with the provisions of Articles L 225-209 et seq. of the *Code de commerce* and European Commission Regulation 2273/2003 of 22 December 2003, to arrange for the Company to buy back its own shares, within the limitations stipulated by the applicable laws and regulations, subject to the following restrictions:
 - the number of shares held by the Company during the term of the buyback programme shall not exceed 10% of the total number of shares in the Company, at any time; this percentage shall apply to share capital adjusted as a function of transactions that will affect it subsequent to this General Meeting; in accordance with the provisions of Article L 225-209 of the *Code de commerce*, the number of shares used as a basis for calculating the 10% limit is the number of shares bought, less the number of shares sold during the term of the authorisation if the shares are purchased to provide liquidity under the conditions defined by the AMF General Regulation; and
 - the Company shall not at any time own more than 10% of its own shares;
- ◆ resolves that the shares may be bought with a view to:
 - ensuring that liquidity is provided for the shares on the equity market by an investment services provider acting entirely independently under a liquidity contract that

complies with a code of conduct recognised by the AMF (Financial Markets Authority);

- cancelling the shares, in order to increase the return on equity and earnings per share, and/or to neutralize the dilutive impact of capital increases for shareholders, wherein such purpose is contingent upon adoption of a special resolution by the extraordinary General Meeting;
- retaining the shares, in order subsequently to transfer the shares in payment, in exchange or as other consideration for a takeover bid initiated by the Company, it being specified that the number of shares purchased by the Company in view of retaining them and subsequently delivering them in payment or exchange under the terms of a merger, demerger or partial merger shall not exceed 5% of the share capital;
- allotting the shares to employees and corporate executive officers of the Company or an affiliated company, under the terms and conditions stipulated by law, as part of share purchase option plans (in accordance with Articles L 225-179 et seq. of the *Code de commerce*), or free share distributions (in accordance with Articles L 225-197-1 et seq. of the *Code de commerce*), or as part of the Company's employee profit sharing schemes or of an employee share ownership or savings plan;
- delivering the shares for the exercise of rights attached to securities entitling the holders to the allotment of shares in the Company, by conversion, exercise, redemption, exchange or by any other means, in accordance with stock market regulations.

This programme would also be intended to enable the Company to trade in its own shares for all other purposes that are or may in the future be authorised by the

applicable laws or regulations. In such case, the Company would inform its shareholders by publishing a special notice;

◆ resolves that, save for shares purchased in order to deliver them under share purchase plans for the Company's employees or corporate executive officers, that the purchase price per share shall be no higher than four hundred euros (€400), excluding incidental expenses;

◆ resolves, however, that the executive Management may adjust the aforesaid purchase price in the event of a change in the par value per share; a capital increase by capitalisation of reserves; a free share distribution; a stock split or reverse split; a write-off or reduction of the share capital; distribution of reserves or other assets; and any other transactions applying to shareholders' equity, to take into account the effect of such transactions on the value of the shares;

◆ resolves that the maximum amount of funds that may be committed to this share buyback programme shall be eight hundred million euros (€800,000,000);

◆ resolves that the shares may be purchased by any means, including partially or entirely by purchase on the stock market, block purchase, off-market purchase, public offerings to buy or exchange shares, or by the use of options or derivatives (in accordance with the then applicable laws and regulations and excluding the sale of

puts), at such times as the executive Management shall deem appropriate, including times of public offerings, in compliance with stock market regulations. The shares acquired pursuant to this authorisation may be retained, sold, or, more generally, transferred by any means, including by block sales and during times of public offerings;

◆ confers all powers on the executive Management for the purposes of this authorisation, with the option further to delegate such powers, and in particular:

– to effect all transactions; to determine the terms, conditions and procedures applicable thereto;

– to place all orders, either on or off market;

– to adjust the purchase price of the shares to take into account the effect of the aforesaid transactions on the value of the shares;

– to enter into all agreements, in particular for purposes of maintaining the stock transfer ledgers, to file all necessary reports with the Financial Markets Authority and any other relevant authority;

– to undertake all necessary formalities;

◆ resolves that this authorisation is granted for a period of eighteen months from the date of this Meeting, and that it supersedes the authorisation granted under the eleventh resolution adopted by the Combined General Meeting of 4 June 2013 and cancels the unused portion of that authorisation.

II - EXTRAORDINARY BUSINESS

Fifteenth resolution

Authorisation to cancel some or all of the shares purchased by the Company (Article L 225-209 of the *Code de commerce*) - General share cancellation programme

The General Meeting, voting under the quorum and majority requirements applicable to extraordinary general meetings, having reviewed the Management Report, the Supervisory Board's report and the Statutory Auditors' special report, and in accordance with Article L 225-209 of the *Code de commerce*, hereby authorises the executive Management to reduce the share capital by cancelling some or all of the shares acquired by the Company in connection with the share buyback programme covered by the fourteenth resolution submitted to the present Meeting and/or pursuant to any authorisation granted by a past or future general meeting, on one or more occasions, up to a maximum of 10% of the share capital per period of twenty-four months.

The General Meeting delegates to the executive Management full powers for purposes of this authorisation, and in particular:

- to allocate the difference between the purchase price and the par value of the shares to whichever reserve account it sees fit, and to record the reductions in share capital resulting from the cancellations authorised by the present resolution;
- to amend the Company's articles of association accordingly, and to undertake all necessary formalities. This authorisation is granted to the executive Management for a period of twenty-four months. It supersedes the authorisation granted under the thirteenth resolution adopted by the Combined General Meeting of 4 June 2013 and cancels the unused portion of that authorisation.

Sixteenth resolution

Authorisation to the Executive Management to grant share purchase options

The General Meeting, acting under the quorum and majority requirements applicable to extraordinary general meetings, having reviewed the Management Report, the Statutory Auditors' special report and the Supervisory Board's report, resolves to authorise the executive Management, in accordance with Articles L 225-177 et seq. of the *Code de commerce*, to allot, up to the limits set by the applicable legislation:

- on one or more occasions;
 - to all or some employees and corporate executive officers of Hermès International and companies or groups affiliated therewith under the conditions covered by Article L 225-180 of the *Code de commerce*, options to buy Hermès International shares that the Company has acquired under statutory conditions.
- The executive Management may use this authorisation, at such time or times as it may deem appropriate, for a

period of thirty-eight months as from the date of this meeting.

The total number of options that may be granted under this authorisation shall not be such that the total number of options granted pursuant to this resolution and the total number of free shares distributed pursuant to the seventeenth resolution would amount to more than 2% of the total number of ordinary shares in the Company, without consideration for those already allocated by virtue of the previous authorisations.

The options may be exercised by the beneficiaries within a maximum of seven years as from the option grant date. The purchase price of the shares shall be set by the executive Management, within the limits and in accordance with the conditions stipulated in paragraph 4 of Articles L 225-177 and paragraph 2 of L 225-179 of the *Code de commerce*; it shall be equal at least to the average quoted price of the shares on the stock exchange during the last twenty trading days preceding the option

grant date, without being less than 80% of the average stock purchase price of the shares held by the Company as purchases carried out under the conditions provided for in Articles L.225-208 and L.225-209 of the said Code.

The General Meeting grants the broadest of powers to the executive Management, acting within the limits set forth above, for purposes of this resolution, and in particular:

- ◆ to determine the terms and conditions of the transaction, in particular the conditions under which the options will be granted, the time or times at which the options may be allotted and exercised, the list of the beneficiaries of the options and the number of shares that each beneficiary may acquire;
- ◆ to determine the conditions for exercising the options;
- ◆ to stipulate any lock-up period for the shares resulting from the exercise of the options and/or period during which such shares cannot be converted to bearer shares, it being specified that such lock-up period shall not exceed three years from the option exercise date;
- ◆ to provide for the possibility of temporarily suspending the exercise of options for a maximum of three months in the event of a financial transaction entailing the exercise of a right attached to the shares.

In the event that free shares are granted to one or more executive Chairmen:

- ◆ resolves that the executive Management shall ascertain that the Company fulfils one or more of the conditions stipulated in Article L 225-186-1 of the *Code de commerce*, and shall take every necessary measure in this respect;

- ◆ resolves that the Supervisory Board shall ensure that the relevant executive Chairman or Chairmen may not exercise their options until after they have left office, or that it shall set a number of shares resulting from the exercise of options they must hold in registered form until after they have left office;

- ◆ resolves that, in accordance with the AFEP/ MEDEF Code of Corporate Governance of June 2013, as applied by the Company:

- the granted options shall be contingent upon meeting serious and demanding performance criteria over the course of several consecutive years, that will be defined at the time of the grant,
- the maximum percentage of options that can be granted to the Executive Chairmen under the present resolution will be 0.05%, with this cap being applied against 2% cap common to the delegations listed in the 16th and 17th resolutions.

If, during the period in which the options were granted, the Company undertakes one of the financial or securities transactions provided by law, in order to take into account the effect of any such transaction, the executive Management shall adjust the number and price of the shares included in the options granted, each year, the executive Management shall report to the Ordinary General Meeting on the transactions carried out pursuant to this authority.

This authorisation supersedes the authorisation granted under the eighteenth resolution adopted by the Combined General Meeting of 4 June 2013 and cancels the unused portion of that authorisation.

Seventeenth resolution

Authorisation to the Executive Management to grant ordinary shares in the Company for no consideration

The General Meeting, voting under the quorum and majority requirements applicable to extraordinary general meetings, having reviewed the Management Report, the Statutory Auditors' report and the Supervisory Board's report, and in accordance with the provisions of Article L 225-197-1 et seq. of the *Code de Commerce*:

- ◆ authorises the executive Management to grant bonus shares to some or all employees and/or corporate executive officers of the Company or in affiliated companies

or groups under the conditions set out in Article L 225-197-2 of the *Code de Commerce*, by allotting existing ordinary shares of the Company for no consideration. The existing shares that may be distributed pursuant to this resolution must have been purchased by the Company either in accordance with Article L 225-208 of the *Code de Commerce*, or as part of the share buyback programme authorised by the fourteenth resolution submitted to this Meeting under the terms of Article L 225-209 of the *Code de Commerce* or any share buyback programme applicable previously or in the future;

- ◆ resolves that the executive Management shall determine

the identity of the beneficiaries or the categories of beneficiaries of the free shares as well as the conditions and any criteria applying to distribution of the shares;

- ◆ resolves that the executive Management shall determine the dates on which the free shares will be distributed, within the conditions and limitations stipulated by law;

- ◆ resolves that the total number of ordinary shares distributed for no consideration under the terms of this authorisation shall not be such that the total number of free shares distributed pursuant to this resolution, and the total number of share purchase options granted by virtue of the sixteenth resolution and not yet exercised, amounts to more than 2% of the total number of ordinary shares in the Company as of the free share allotment date, not including those already conferred under authorisations granted by previous General Meetings;

- ◆ resolves that the executive Management shall determine, for each allotment, the vesting period at the end of which the ordinary shares shall be fully vested, wherein this period shall not be less than two years, unless new provisions of the law reducing the minimum vesting period were to be enacted, in which case the executive Management would be authorised to reduce the said vesting period; however, in the event of the beneficiary's death, his or her heirs may request that the shares be distributed within six months after the date of death; furthermore, the shares will be distributed before the end of the vesting period in the event that the beneficiary becomes disabled, providing that such disability is a Category 2 or Category 3 disability as defined by Article L 341-4 of the Social Security code;

- ◆ resolves that at the time of each distribution, the executive Management shall fix the period during which the beneficiaries must hold the shares, wherein this holding period shall not be less than two years from the date on which the shares are fully vested, and that the executive Management may waive the said holding period providing that the vesting period indicated in the preceding paragraph is at least four years; however, the shares shall be freely assignable in the event of the beneficiary's death, or should the beneficiary become disabled, providing that such disability is a Category 2 or Category 3 disability as defined by Article L 341-4 of the Social Security code;

- ◆ authorises the executive Management to determine any applicable conditions and criteria for distribution of the shares, including but not limited to the number of years of service, conditions with respect to maintaining employment or the term of office during the vesting period, and any other financial condition or condition relating to individual or collective performance;

- ◆ authorises the executive Management to record the free shares allotted in a registered account in the name of their owner, showing any lock-up period over the full duration of such period;

- ◆ authorises the executive Management to undertake, during the vesting period of the free shares, any adjustments needed to take into consideration the effect of transactions affecting the Company's share capital and, more specifically, to determine the conditions under which the number of ordinary shares granted will be adjusted;

- ◆ more generally, grants the broadest of powers to the executive Management, with the option further to delegate such powers as provided by law, to enter into all agreements, to draw up all documents, to carry out all formalities, and to undertake all filings with all relevant organisations, and, in general, to do all that is necessary. The period during which the executive Management may use this authorisation, on one or more occasions, is thirty-eight months from the date of this meeting.

In the event that free shares are granted to one or more executive Chairmen:

- ◆ resolves that the executive Management shall ascertain that the Company fulfils one or more of the conditions stipulated in Article L 225-197-6 of the *Code de Commerce*, and shall take every necessary measure in this respect;

- ◆ resolves that the Supervisory Board shall ascertain that the relevant executive Chairman or Chairmen shall not sell the shares distributed until after they have left office, or shall set a number of such shares that they must retain in registered form until after they have left office;

- ◆ resolves that, in accordance with the AFEP/MEDEF Code of Corporate Governance of June 2013, as applied by the Company:

- the granted free shares shall be contingent upon meeting serious and demanding performance criteria over the course of several consecutive years, that will be defined at the time of the grant,

- the maximum percentage of free shares that can be allocated to the Executive Chairmen under the present resolution will be 0.05%, with this cap being applied against 2% cap common to the delegations listed in the 16th and 17th resolutions.

Each year, the executive Management will report to the General Meeting on the number of shares distributed pursuant to this resolution under the conditions provided by law, and more particularly, by Article L 225-197-4 of the *Code de Commerce*. This authorisation supersedes

Resolutions submitted to the Combined general meeting of 3 June 2014

the authorisation granted under the nineteenth resolution adopted by the Combined General Meeting of

4 June 2013 and cancels the unused portion of that authorisation.

Eighteenth resolution

Modification of Article 18 of the articles of incorporation for the purposes of determining the provisions for the appointment of Supervisory board members representing the employees in compliance with the provisions of the law of 14 June 2013 relative to the safeguarding of employment, and also to include an indication therein of the existence of rules of procedure

The General Meeting, voting under the quorum and majority requirements applicable to extraordinary general meetings, and having heard the Management Report and the Supervisory Board's report, decides to temporarily amend Article 18 of the articles of association in the following way:

"18 – SUPERVISORY BOARD"

– Paragraph 18.1 is now drafted as follows:

"18.1 - The Company is governed by a Supervisory Board consisting of three to fifteen members (not including the members representing the employees appointed pursuant to the conditions of Article 18.6 below), selected from amongst shareholders who are not Active Partners, legal representatives of an Active Partner, or executive Chairmen."

– The following two paragraphs are added, as drafted below:

"18.6 - When the provisions of Article L 225-79-2 of the Code de commerce are applicable to the company, a natural person member representing the Group's employees must be assigned. When the Supervisory Board consists of 13 members and more (not including the employee representatives), a second natural person member

representing the Group's employees must be appointed. The number of Supervisory Board members taken into account when determining the number of Supervisory Board members representing the employees is assessed on the date of the appointment of the employee representatives to the Board. Neither the Supervisory Board members elected by the employees under Article L 225-27 of the Code de commerce, nor the employee shareholder Supervisory Board members appointed in accordance with Article L 225-23 of the Code de commerce are therefore taken into account.

Like the other Supervisory Board members, the term of the Supervisory Board members representing the employees will be as indicated in Article 18.2 of the present articles of association.

A reduction to twelve or fewer than twelve Supervisory Board members will have no effect on the term of all Supervisory Board members representing the employees, that will come to an end upon its normal expiry.

The Supervisory Board members representing the employees are appointed by the company's group committee. The Supervisory Board members representing the employees must, at least two years beforehand, have signed an employment contract with the company or one of its direct or indirect subsidiaries having its registered office in France or abroad. Notwithstanding the rule contained in Article 18.1 of the present articles of association, the Supervisory Board members representing the Group's employees are not required to be shareholders.

18.7 - Every Supervisory Board member must comply with the Supervisory Board rules of procedure."

Nineteenth resolution

Powers

The General Meeting confers full powers on any bearer of an extract or copy of these minutes recording its

deliberations to carry out all legal publication or other formalities.

Additional legal information

298 Articles of association of Hermès International (commented)

308 Persons Responsible

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Articles of association of Hermès International (commented)

(updated after the decisions of the Combined General Meeting on 4 June 2013 and the decisions of Executive Management on 31 January 2014)

Comments are indicated by a vertical line down the left margin.

1 - LEGAL FORM

The Company is a *société en commandite par actions* (partnership limited by shares) between:

- ◆ its limited partners, and
- ◆ its Active Partner, Émile Hermès SARL, with registered offices located at 23 rue Boissy-d'Anglas in Paris (75008).

The Company is governed by the laws and regulations applicable to partnerships limited by shares and by these articles of association.

The Company was converted into a *société en commandite par actions* (partnership limited by shares) by a decision of the Extraordinary General Meeting held on 27 December 1990, in order to preserve its identity and culture and thus ensure its sustainability over the long term, in the interests of the Group and all shareholders.

The rules governing the operation of a partnership limited by shares are the following:

- the Active Partner or partners, who carry on the business, are jointly and severally liable for all the Company's debts, for an indefinite period of time;
- the limited partners (or Shareholders), who contribute capital, are liable in this capacity only up to the amount of their contribution;
- the same party may be both an Active Partner and a limited partner;
- one or more Executive Chairmen, selected from among the Active Partners or from outside the Company, are chosen to manage the Company; the first Executive Chairman (or chairmen) is appointed by the articles of association;
- the Supervisory Board is appointed by the Ordinary General Meeting of Shareholders (Active Partners, even if they are also limited partners, cannot vote on their appointment). The first members of the Supervisory Board are appointed by the articles of association.

2 - PURPOSE

The Company's purpose, in France and in other countries, is:

- ◆ to acquire, hold, manage, and potentially sell direct or indirect equity interests in any legal entity engaged in the creation, production and/or sale of quality

products and/or services, and, in particular, in companies belonging to the Hermès Group;

- ◆ to provide guidance to the Group it controls, in particular by providing technical assistance services in the legal, financial, corporate, and administrative areas;
- ◆ to develop, manage and defend all rights it holds to trademarks, patents, designs, models, and other intellectual or industrial property, and in this respect, to acquire, sell or license such rights;
- ◆ to participate in promoting the products and/or services distributed by the Hermès Group;
- ◆ to purchase, sell and manage all property and rights needed for the Hermès Group's business operations and/or for asset and cash management purposes; and
- ◆ more generally, to engage in any business transaction of any kind whatsoever in furtherance of the corporate purpose.

3 - COMPANY NAME

The Company's name is "Hermès International".

4 - REGISTERED OFFICE

The Company's registered office is located at 24 rue du Faubourg-Saint-Honoré, 75008 Paris, France.

Il pourra être transféré :

- ◆ to any other location in the same département, by a decision of the executive Management, subject to ratification of such decision at the next Ordinary General Meeting; and
- ◆ to any other location, by a decision of the extraordinary General Meeting.

5 - DURATION

The Company will be dissolved automatically on 31 December 2090, unless it is dissolved previously or unless its duration is extended.

6 - SHARE CAPITAL - CONTRIBUTIONS

6.1 - The share capital is **€53,840,400.12**.

It is made up of **105,569,412** shares, all of them fully paid, which are apportioned among the Shareholders in proportion to their rights in the Company.

6.2 - The Active Partner, Émile Hermès SARL, has transferred its business know-how to the Company, in consideration for its share of the profits.

The par value of the shares is €0.51 each, after two three-for-one splits since the initial public offering, on 6 June 1997 and 10 June 2006.

7 - CAPITAL INCREASES AND REDUCTIONS

7.1 - The share capital may be increased either by the issuance of ordinary shares or preference shares, or by increasing the par value of existing equity securities.

7.2 - The General Meeting, voting in accordance with the quorum and majority requirements stipulated by law, has the authority to decide to increase the share capital. It may delegate this authority to the executive Management. The General Meeting that decides to effect a capital increase may also delegate the power to determine the terms and conditions of the issue to the executive Management.

7.3 - In the event of a capital increase effected by capitalisation of sums in the share premium, reserve or retained earnings accounts, the shares created to evidence the relevant capital increase shall be distributed only among the existing Shareholders, in proportion to their rights to the share capital.

7.4 - In the event of a capital increase for cash, the existing share capital must first be fully paid up. The Shareholders have preferential subscription rights, which may be waived under the conditions stipulated by law.

7.5 - Any contributions in kind or stipulation of special advantages made at the time of a capital increase are subject to the approval and verification procedures applicable to such contributions and instituted by law.

7.6 - The extraordinary General Meeting of Shareholders, or the executive Management when granted special authority for this purpose, and subject to protecting the rights of creditors, may also decide to reduce the share capital. In no event shall such a capital reduction infringe upon the principle of equal treatment of Shareholders.

7.7 - The executive Management has all powers to amend the articles of association as a result of a capital increase or reduction and to undertake all formalities in connection therewith.

8 - PAYMENT FOR SHARES

8.1 - Payment in consideration for newly created shares may be made in cash, including by set-off against liquid claims due by the Company; by contributions in kind; by capitalisation of reserves, earnings or share premiums; or as the result of a merger or demerger.

8.2 - Within the framework of resolutions adopted by the General Meeting, the executive Chairman calls the funds required to pay for the shares. Any late payment of amounts due for the shares shall

automatically bear interest payable to the Company at the legal interest rate plus three percentage points, and no legal action or formal notice shall be required to collect such interest.

9 - FORM OF THE SHARES

9.1 - All shares issued by the Company are in registered form until they have been fully paid up. Fully-paid shares may be in registered or bearer form, at the Shareholder's discretion. They are registered on a securities account under the terms and conditions provided by law.

The Annual General Meeting held on 29 May 2012 imposed regular form on equity interests above the threshold of 0.5%; non-compliance with this obligation will be sanctioned by the deprivation of voting rights.

9.2 - The Company may, at any time, in accordance with the applicable laws and regulations, request from the central custodian or any securities clearing organization information to enable it to identify the owners of securities giving immediate or future rights to vote at General Meetings, as well as the number of securities held by each such owner and any restrictions that may apply to the securities.

Clearing and settlement of the shares in France are effected by Euroclear. Hermès International ordinarily exercises this option once a year, as of 31 December.

10 - TRANSFER OF SHARES

Shares are freely transferable. Transfers are effected under the terms and conditions provided by law.

11 - OWNERSHIP THRESHOLD DISCLOSURES

When the shares are admitted to trading on a regulated market or a financial instruments market that admits trading in shares registered on a securities account with an authorised intermediary under the conditions provided by Article L 211-4 of the Code Monétaire et Financier, any natural or legal person, acting alone or jointly, coming into possession, in any manner whatsoever, within the meaning of Articles L 233-7 et seq. of the *Code de Commerce*, of a number of shares representing 0.5% of the share capital and/or of the voting rights in general meetings, or any multiple of this percentage, at any time, even after moving beyond any of the legal thresholds covered by Article L 233-7 et seq. of the *Code de Commerce*, is required to disclose to the

Company the total number of shares it owns by sending a notice by registered post, return receipt requested to the registered office within five days from the date it has moved beyond one of the aforesaid thresholds.

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

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

In the event of an adjustment, the corresponding voting rights may be exercised only after expiration of the period stipulated by law and the applicable regulations. Unless one of the thresholds covered by the aforesaid Article L 233-7 is exceeded, this sanction shall be applied only at the request of one or several Shareholders individually or collectively holding at least 0.5% of the Company's share capital and/or voting rights and duly recorded in the minutes of the General Meeting.

12 - RIGHTS AND OBLIGATIONS ATTACHED TO THE SHARES

12.1 - The shares are indivisible with regard to the Company.

Co-owners of undivided shares must be represented with regard to the Company and at General Meetings by one of them only or by a single representative; In the event of a disagreement, their representative shall be appointed by the Court at the request of the co-owner who takes the initiative to refer this matter to the Court.

12.2 - Each share shall give the holder the right to cast one vote at General Meetings of Shareholders.

However, double voting rights are allocated to:

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

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

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

Double voting rights were instituted by the Shareholders at the Extraordinary General Meeting of 27 December 1990.

Voting rights attached to the shares are exercised by the legal owners at all General Meetings (ordinary, extraordinary or special meetings), save for decisions regarding the appropriation of net income, in which case the beneficial owner shall exercise the voting rights.

This allocation was approved by the Extraordinary General Meeting of 6 June 2006.

12.3 - each share gives the holder a right of ownership in the Company's assets, its profits, and any winding-up surplus, in proportion to the percentage of ownership it represents.

All shares are of equal par value and are identical in all respects, except with respect the date on which they are eligible for the dividend.

12.4 - Ownership of a share automatically entails compliance with the Company's articles of association and with resolutions duly adopted by the General Meeting of Shareholders.

12.5 - whenever ownership of a certain number of shares is required in order to exercise any right whatsoever, owners of single shares, or with an insufficient number of shares, may only exercise such rights if they personally arrange to consolidate their shares, or arrange for the purchase or sale of a sufficient number of shares.

13 - DEATH, PROHIBITION, PERSONAL BANKRUPTCY, INSOLVENCY, RECEIVERSHIP OR COMPULSORY LIQUIDATION OF A PARTNER

The Company has two classes of partners:

- shareholders, "limited partners";
- active partners.

Since 1 April 2006, there has been only one Active Partner: Émile Hermès SARL.

13.1 - Shareholders

The Company shall not be dissolved in case of the death, legal prohibition or personal bankruptcy of a Shareholder, or due to the initiation of insolvency, receivership or compulsory liquidation proceedings against that Shareholder

13.2 - Active Partner

13.2.1 - In the event that an Active Partner should be prohibited by law from engaging in a business profession, or in the case of personal bankruptcy, or should insolvency, receivership or compulsory liquidation proceedings be initiated against him, such Active Partner shall automatically lose his status as Active Partner ipso jure; the Company shall not be dissolved. Neither shall the Company be dissolved if an Active Partner who is a natural person and who was appointed executive Chairman ceases to hold this office.

If, as a result of this loss of status, the Company no longer has any Active Partners, an extraordinary General Meeting of Shareholders must be called forthwith, either to appoint one or more new Active Partners, or to change the corporate form of the Company. Such change does not entail the creation of a new legal person.

If an Active Partner loses his status as such, he shall have the right to receive his share of the Company's profits, prorated until the day such status is lost, in full settlement of all amounts due.

13.2.2 - The Company shall not be dissolved in the event of the death of an Active Partner. If, as a result of this death, the Company no longer has any Active Partners, an extraordinary General Meeting of Shareholders must be called forthwith, either to appoint one or more new Active Partners, or to change the corporate form of the Company. Such change does not entail the creation of a new legal person.

This also applies if the Company has only one Active Partner and if that Active Partner loses his status as such for any reason whatsoever.

The heirs, assigns or the surviving spouse, if any, of the deceased Active Partner shall have the right to receive the deceased Active Partner's share of the Company's profits, prorated until the day such status is lost, in full settlement of all amounts due

14 - RESPONSIBILITY AND POWERS OF THE ACTIVE PARTNER

14.1 - Active Partners are jointly and severally liable for all the Company's debts, for an indefinite period of time.

14.2 - Each Active Partner has the power to appoint and revoke the appointment of any executive Chairman, acting on the Supervisory Board's considered recommendation under the conditions provided in the article entitled "Executive Management".

Acting by unanimous consent, the Active Partners:

- ◆ on the Supervisory Board's recommendation:
 - determines the Group's strategic options;
 - determines the Group's consolidated operating and investment budgets; and
 - decides on any proposal submitted to the General Meeting pertaining to the appropriation of share premiums, reserves or retained earnings;
- ◆ may formulate recommendations to the executive Management on all issues of general interest for the Group;
- ◆ authorise any loans of Hermès International whenever the amount of such loans exceeds 10% of the amount of the consolidated net worth of the Hermès Group, as determined based on the consolidated financial statements drawn up from the latest approved accounts (the "Net worth");
- ◆ authorise any sureties, endorsements or guarantees and any pledges of collateral and encumbrances on the Company's property, whenever the claims guaranteed amount to more than 10% of the Net worth;
- ◆ authorise the creation of any company or the acquisition of an interest in any commercial, industrial or financial operation, movable or immovable property, or any other operation, in any form whatsoever, whenever the amount of the investment in question amounts to more than 10% of the Net worth;

14.3 - In order to maintain its status of Active Partner, and failing which it will automatically lose such status ipso jure, Émile Hermès SARL

must maintain in its articles of association clauses, in their original wording or in any new wording as may be approved by the Supervisory Board of the present Company by a three-quarters majority of the votes of members present or represented, stipulating the following:

- ◆ the legal form of Émile Hermès SARL is that of a société à responsabilité limitée à capital variable (limited company with variable capital);
- ◆ the exclusive purpose of Émile Hermès SARL is:
 - to serve as Active Partner and, if applicable, as Executive Chairman of Hermès International,
 - potentially to own an equity interest in Hermès International; and
 - to carry out all transactions in view of pursuing and accomplishing these activities and to ascertain that any liquid assets it may hold are appropriately managed;
- ◆ only the following may be partners in the Company:
 - descendants of Mr. Émile-Maurice Hermès and his wife, born Julie Hollande; and

– their spouses, but only as beneficial owners of the shares; and

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

14.4 - Any Active Partner who is a natural person and who has been appointed to the office of executive Chairman shall automatically lose his status as Active Partner immediately upon termination of his office of executive Chairman for any reason whatsoever.

14.5 - All decisions of the Active Partners are recorded in minutes, which are entered in a special register.

15 - EXECUTIVE MANAGEMENT

15.1 - The Company is administered by one or two executive Chairman or Chairmen, who may be but are not required to be Active Partners in the Company. If there are two executive Chairmen, any provision of these articles of association mentioning “the executive Chairman” shall apply to each executive Chairman. The executive Chairmen may act jointly or separately. The executive Chairman may be a natural person or a legal person, which may be but is not required to be an Active Partner.

Currently, the Company is administered by two Executive Chairmen:

– Mr. Axel Dumas, who was appointed by a resolution approved by the Active Partners, after a considered recommendation of the Supervisory board, on 4 June 2013 (appointment effective as of 5 June 2013);

– Émile Hermès SARL, which was appointed by a resolution approved by the Active Partners, on the considered recommendation of the Supervisory Board, dated 14 February 2006 (appointment effective as of 1 April 2006).

From 4 June 2013 to 31 January 2014, Article 15.1 of the articles of association had been modified in order to allow the appointment of a third executive chairman.

This triple Executive Management was intended solely to prepare the succession of Mr. Patrick Thomas, which is why it was only set up temporarily.

On 31 January 2014, the Executive Management took note of the end of the term as Executive Chairman of Mr. Patrick Thomas, who had resigned, and removed the temporary indication from the articles of association.

15.2 - The executive Chairmen's term of office is open-ended. During the Company's lifetime, the power to appoint an executive Chairman is exclusively reserved for the Active Partners, acting on the Supervisory Board's recommendation. Each Active Partner may act separately in this respect.

15.3 - The appointment of an executive Chairman is terminated in case of death, disability, legal prohibition, or due to the initiation of insolvency, receivership or compulsory liquidation proceedings against that executive Chairman; if the appointment is revoked; if the executive Chairman resigns; or when the executive Chairman reaches 75 years of age.

The Company shall not be dissolved if an executive Chairman's appointment is terminated for any reason whatsoever.

An executive Chairman who wishes to resign must notify the Active Partners and the Supervisory Board thereof at least six months in advance, by registered post, unless each of the Active Partners, after soliciting the opinion of the Supervisory Board, has agreed to reduce this notice period.

An executive Chairman's appointment can be revoked only by an Active Partner, acting on the Supervisory Board's considered recommendation. In the event that the Supervisory Board recommends against revocation, the Active Partner in question must suspend its decision for a period of at least six months. At the end of this period, if it persists in its wish to revoke the appointment of the executive Chairman in question, that Active Partner must again solicit the opinion of the Supervisory Board, and once it has obtained a favourable recommendation from the Board, it may revoke the appointment of that executive Chairman.

16 - POWERS OF THE EXECUTIVE MANAGEMENT

16.1 - Relationships with third parties

Each executive Chairman is invested with the broadest of powers to act on the Company's behalf, in all circumstances. Each executive Chairman shall exercise these powers within the scope of the corporate purpose and subject to those powers expressly granted by law to the Supervisory Board and to General Meetings of Shareholders.

16.2 - Relationships among the partners

In relationships among partners, the executive Management holds the broadest of powers to undertake all management acts, but only if such acts are in the

Company's interests and subject to those powers granted to the Active Partners and to the Supervisory Board by these articles of association.

16.3 - Delegations of powers

The executive Chairman may, under his responsibility, delegate all powers as he sees fit and as required for the proper operation of the Company and its Group. He may issue a limited or unlimited blanket delegation of powers to one or more executives of the Company, who then take on the title of Managing director.

17 - REMUNERATION OF THE EXECUTIVE MANAGEMENT

The executive Chairman (or, where there is more than one, each executive Chairman) shall have the right to receive remuneration fixed by the articles of association and, potentially, additional remuneration, the maximum amount of which shall be determined by the Ordinary General Meeting, with the approval of the Active Partner or, if there are several Active Partners, with their unanimous approval.

The gross annual remuneration of the executive Chairman (or, where there is more than one, of each executive Chairman) for the year shall not be more than 0.20% of the Company's consolidated income before tax for the previous financial year.

However, if there are more than two executive Chairmen, the combined total gross annual remuneration of all executive Chairmen shall not be more than 0.40% of the Company's consolidated income before tax for the previous financial year.

Within the maximum amounts set forth herein, the Management Board of the Active Partner Émile Hermès SARL shall determine the effective amount of the annual remuneration of the executive Chairman (or, where there is more than one, of each executive Chairman).

Details on the remuneration of the Executive Chairmen are presented in the Executive Management's report on corporate governance (pages 81 et seq.).

18 - SUPERVISORY BOARD

The composition of the Supervisory Board is described in the report from the Chairman of the Supervisory Board (page 21).

18.1 - The Company is governed by a Supervisory Board consisting of three to fifteen members selected

from among Shareholders who are not Active Partners, legal representatives of an Active Partner, or executive Chairmen. When appointments to the Supervisory Board come up for renewal, the number of Supervisory Board members is fixed by a decision adopted by the Active Partners by unanimous vote.

In a decision dated 22 March 2012, the Active Partner set the number of Supervisory Board members at eleven.

Supervisory Board members may be natural persons or legal entities.

At the time of their appointment, legal entities must designate a permanent representative who is subject to the same terms, conditions and obligations and incurs the same liabilities as if he were a Supervisory Board member in his own name, without prejudice to the joint and several liability of the legal entity he represents. The permanent representative serves for the same term of office as the legal entity he represents.

If the legal entity revokes its representative's appointment, it is required to notify the Company thereof forthwith by registered post, and to state the identity of its new permanent representative. This requirement also applies in the event the permanent representative should die, resign, or become incapacitated for an extended period of time.

18.2 - Supervisory Board members are appointed or reappointed by the Ordinary General Meeting of Shareholders. The Active Partners may, at any time, propose that one or more new Supervisory Board members be nominated.

Supervisory Board members are appointed for a term of three years. As an exception to this rule, in order to ensure that one-third of the Supervisory Board members will stand for re-election each year, the General Meeting may decide to appoint one or more Board members for one or two years, and who may be designated by drawing lots, as necessary.

The General Meeting of 2 June 2009 approved a provision calling for one-third of Supervisory Board members to stand for re-election each year.

18.3 - No person over the age of seventy-five shall be appointed to the Supervisory Board if, as a result of such appointment, more than one-third of the Board members would be over that age.

18.4 - The appointments of Supervisory Board members can be revoked by a resolution adopted by the Ordinary General Meeting only for cause, on the joint recommendation of the Active Partners, acting by unanimous consent, and the Supervisory Board.

18.5 - In the event of a vacancy or vacancies caused by the death or resignation of one or more Supervisory Board members, the Supervisory Board may appoint an interim replacement member within three months as from the effective date of the vacancy.

However, if no more than two Supervisory Board members remain in office, the member or members in office, or, in his or their absence, the executive Chairman, or in his absence, the Statutory Auditor or Auditors, shall immediately call an Ordinary General Meeting of Shareholders for the purpose of filling the vacancies to bring the number of Board members up to the required minimum.

Pursuant to the safeguarding of employment law of 14 June 2013, a proposal was made to the Combined general meeting on 3 June 2014 that it should modify Article 18 of the articles of association in order to introduce provisions for the appointment of Supervisory Board members representing the employees..

19 - DELIBERATIONS OF THE SUPERVISORY BOARD

The conditions for preparation and organisation of the Supervisory Board's work are described in the report from the Chairman of the Supervisory Board (page 16).

19.1 - The Supervisory Board elects a Chairman, who is a natural person, and two Vice-Chairmen, from among its members.

It appoints a secretary who may be but is not required to be a Supervisory Board member.

If the Chairman is absent, the older of the two Vice-Chairman acts as Chairman.

19.2 - The Supervisory Board meets when convened by its Chairman or by the executive Management, whenever required for the Company's best interest but no less than twice per year, at the Company's registered office or at any other place specified in the notice of meeting.

Notices are served by any means providing legally valid proof in business matters, at least seven business days

before the meeting. This period of time may be shortened by unanimous consent of the Chairman or a Vice-Chairman of the Supervisory Board, the Active Partners and the executive Management.

Any member of the Supervisory Board may give a proxy to one of his colleagues to represent him at a Board meeting, by any means providing legally valid proof in business matters. Each member may hold only one proxy during a given meeting. These provisions are applicable to the permanent representative of a legal entity that is a member of the Supervisory Board.

The Supervisory Board is duly convened only if a quorum consisting of at least half of its members is present or represented.

Resolutions are adopted by a majority of the votes of members present or represented. However, the Supervisory Board must approve or reject any proposed new wording of certain clauses of the articles of association of Émile Hermès SARL by a three-quarters majority of members present or represented, in accordance with the stipulations of the article entitled "Responsibilities and Powers of the Active Partners".

Supervisory Board members who participate in the meeting by videoconferencing or telecommunications means that enable them to be identified and effectively to participate in the meeting through the use of technology providing for continuous and simultaneous transmission of discussions are deemed to be present for purposes of calculating the quorum and majority, except at Supervisory Board meetings convened for the review and verification of the Annual Report and consolidated and parent company financial statements. The Supervisory Board defines the conditions and procedures for using videoconferencing or other telecommunications means when applicable.

The executive Management must be convened to Supervisory Board meetings and may attend such meetings, but it does not have the right to participate in the discussion and to vote.

19.3 - The deliberations of the Supervisory Board are recorded in minutes, which are entered in a special initialled register and signed by the Chairman and the secretary.

20 - POWERS OF THE SUPERVISORY BOARD

20.1 - The Supervisory Board exercises on-going control over the Company's management.

For this purpose, it has the same powers as the

Statutory Auditors and receives the same documents as the Statutory Auditors, at the same time as the Statutory Auditors. In addition, the executive Management must submit a detailed report to the Supervisory Board on the Company's operations at least once a year.

20.2 - The Supervisory Board submits to the Active Partners for their consideration its considered recommendation:

- ◆ on the nomination and dismissal of any executive Chairman of the Company; and
- ◆ in case of the Executive Chairman's resignation, on reducing the notice period.

20.3 - Each year, the Supervisory Board determines the proposed appropriation of net income to be submitted to the General Meeting.

20.4 - The Supervisory Board approves or rejects any proposed new wording of certain clauses of the articles of association of Émile Hermès SARL in accordance with the stipulations of the article entitled "Responsibilities and Powers of the Active Partners".

20.5 - The Active Partners must consult the Supervisory Board prior to taking any decisions concerning:

- ◆ strategic options;
- ◆ consolidated operating and investment budgets; and
- ◆ any proposal submitted to the General Meeting pertaining to the appropriation of share premiums, reserves or retained earnings.

20.6 - Each year, the Supervisory Board presents a report to the Annual Ordinary General Meeting of Shareholders in which it comments on the Company's management and draws attention to any inconsistencies or inaccuracies identified in the financial statements for the year.

The Supervisory Board's report for the year ended 31 December 2013 is presented on page 268.

This report, together with the Company's balance sheet and a list of its assets and liabilities, is made available to the Shareholders and may be consulted at the Company's registered office as from the date of the notice of the General Meeting.

The Supervisory Board may convene a General Meeting of Shareholders whenever it deems this appropriate.

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

21 - JOINT COUNCIL OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD OF THE ACTIVE PARTNER

21.1 - The Executive Management of the Company or the Chairman of the Company's Supervisory Board shall convene a joint council meeting of the Supervisory Board and of the Active Partners; for purposes of this council, Émile Hermès SARL is represented by its Management Board.

Notices are served by any means providing legally valid proof in business matters, at least seven business days before the meeting. This period of time may be shortened by unanimous consent of the Chairman or a Vice-Chairman of the Supervisory Board and the executive Chairman.

21.2 - The joint council meets at the place indicated in the notice of meeting. It is chaired by the Chairman of the Company's Supervisory Board, or, in his absence, by one of the Vice-Chairmen of the Company's Supervisory Board, or, in their absence, by the oldest Supervisory Board member present. The executive Chairman or, if the executive Chairman is a legal entity, its legal representative or representatives, are convened to meetings of the joint council.

21.3 - The joint council has knowledge of all matters that it addresses or that are submitted thereto by the party who convened the conference, but does not, in the decision-making process, have the right to act as a substitute for those bodies to which such powers are ascribed by law or by the articles of association of the Company and of the Active Partner that is a legal entity. At their discretion, the Supervisory Board and Active Partners may make all decisions or issue all recommendations within their jurisdiction in a joint council meeting.

22 - REMUNERATION OF THE SUPERVISORY BOARD

Supervisory Board members may receive, as director's fees, annual compensation, the amount of which is determined by the Ordinary General Meeting of Shareholders and shall remain unchanged until such time as a new resolution is adopted by the Meeting.

The Board apportions directors' fees amongst its members as it sees fit.

23 - STATUTORY AUDITORS

The Company's financial statements are audited by one or more Statutory Auditors, under the terms and conditions provided by law.

24 - GENERAL MEETINGS OF SHAREHOLDERS

24.1 - General meetings are convened under the conditions set by law.

They are held at the registered office or at any other place specified in the notice of meeting.

24.2 - The right to participate in General Meetings is subordinated to registered shares being entered in the Company's register or bearer shares being registered in a securities account opened with an authorised financial intermediary, no later than three business days before the date of the meeting before 12:00 a.m., Paris time. Shareholders owning bearer shares must obtain an admittance certificate from the authorised financial intermediary evidencing the registration of their shares, which is attached to the postal vote or proxy form. All shareholders may cast their votes remotely or by proxy, under the conditions set forth in the applicable regulations.

Furthermore, on the executive Management's decision, shareholders may vote by any telecommunication or remote transmission means, in accordance with the regulations applicable at the time of the decision. This option shall be indicated in the notice of meeting published in the *Bulletin des annonces légales obligatoires* (BALO). Votes cast by Shareholders using the electronic ballot form provided on the website created by the meeting coordinator for this purpose are counted in the same way as votes cast by Shareholders present or represented. The electronic ballot may be completed and signed directly on this site by any procedure approved by executive Management and that complies with the conditions defined by Article L 1316-4 of the Code Civil, in the first sentence of Paragraph 2 (that is, by using a reliable identification procedure that guarantees that the signature is linked to the form), which may consist, inter alia of a login name and a password. Any proxies given or votes cast via this electronic means before the General Meeting, and the acknowledgements of receipt sent in response, will be deemed to be irrevocable instructions that are enforceable in every way, it being specified that in the event that shares are sold before the third business day preceding the Meeting, at 12:00 a.m., the Company will void or amend any proxy or voting instructions sent before that date accordingly. Persons invited by the executive Management or by the Chairman of the Supervisory Board may also attend General Meetings. The Active Partners may attend General Meetings of Shareholders. Active Partners that are legal entities are represented by a legal representative or by any person, Shareholder or otherwise, designated thereby.

The Annual General Meeting of 7 June 2010 amended Article 24.2 of the articles of association to allow the Executive Management to set up an electronic balloting system applicable to all future General Meetings.

24.3 - General meetings are chaired by the Chairman of the Supervisory Board or, in his absence, by one of the Vice-Chairmen of the Board, or in their absence, by the executive Chairman.

24.4 - The Ordinary and extraordinary General Meetings, duly convened in accordance with the conditions specified by law, carry out their responsibilities in accordance with the law.

24.5 - Except for resolutions pertaining to the nomination and revocation of Supervisory Board members, the nomination and revocation of the Statutory Auditors, the appropriation of net income for the year and the approval of related-party agreements that are subject to Shareholders' approval, no resolution adopted by the General Meeting shall be valid unless it is approved by the Active Partners no later than at the end of the General Meeting that voted on the relevant resolution. The Company's executive Management has all powers duly to record of such approval.

25 - ACCOUNTS

Each financial year consists of twelve months, commencing on 1 January and ending on 31 December.

26 - APPROPRIATION AND DISTRIBUTION OF PROFITS

The General Meeting approves the financial statements for the past year and duly notes the amount of distributable profits.

The Company pays 0.67% of the distributable profits to the Active Partners, at the time and place designated by the executive Management, within nine months at most after the end of the financial year.

The Active Partners apportion this amount amongst themselves as they see fit.

The remaining distributable profits revert to the Shareholders.

Their appropriation is decided by the Ordinary General Meeting, on the Supervisory Board's recommendation.

On the Supervisory Board's recommendation, the General Meeting may grant to each Shareholder an option to receive payment for all or part of the dividend or interim dividend in cash or in shares, under the conditions set by law.

On the Supervisory Board's recommendation, the General Meeting may decide to draw from the balance of profits reverting to the Shareholders the sums it deems appropriate to be allocated to Shareholders' retained earnings or to be appropriated to one or more extraordinary, general or special reserve funds, which do not bear interest, and to which the Active Partners as such have no rights.

On the unanimous recommendation of the Active Partners, the reserve fund or funds may, subject to approval by the Ordinary General Meeting, be distributed to the Shareholders or allocated to the partial or total amortisation of the shares. Fully amortised shares shall be replaced by entitlement shares with the same rights as the former shares, with the exception of the right to reimbursement of capital.

The reserve fund or funds may also be incorporated into the share capital.

Dividends are payable at the times and places determined by the executive Management within a maximum of nine months from the end of the financial year, unless this time period is extended by a court of law.

27 - DISSOLUTION OF THE COMPANY

At the end of the Company's lifetime or in the event of early dissolution, the General Meeting decides on the winding-up procedure and appoints one or several liquidators, whose powers are defined by the Meeting and who carry out their responsibilities in accordance with the applicable laws.

Any liquidation proceeds (*boni de liquidation*) shall be distributed amongst the Shareholders.

Persons responsible

PERSONS RESPONSIBLE FOR INFORMATION CONTAINED IN THE SELF-REGISTRATION DOCUMENT

Mr. Axel Dumas, Chief Executive Officer.

Émile Hermès SARL, 23, rue Boissy-d'Anglas,
75008 Paris, Executive Chairman.

DECLARATION BY PERSONS RESPONSIBLE FOR THE SELF-REGISTRATION DOCUMENT

To the best of our knowledge, having taken all reasonable measures to ensure that such is the case, we hereby certify that the information contained in this self-registration document is in accordance with the facts and contains no omission likely to affect its import.

To the best of our knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a fair view of the assets, liabilities and financial position and results of the Company and all the undertakings included in the consolidation, and that the Management Report, the

elements of which are listed on page 313 [reconciliation with management report] of volume 2, presents a fair view of the development and performance of the Company's business operations, results and financial position and all the undertakings included in the consolidation, as well as a description of the main risks and uncertainties to which they are exposed.

We have received a letter from the Statutory Auditors certifying that they have audited the financial and accounting information provided in this document and that they have read the document in its entirety.

Paris, 10 April 2014

The executive Management

Axel Dumas

Henri-Louis Bauer
representing Émile Hermès SARL

Auditors

STATUTORY AUDITORS

PricewaterhouseCoopers

Member, Compagnie Régionale des Commissaires aux Comptes de Versailles.

63, rue de Villiers

92200 Neuilly-sur-Seine

Represented by Mrs Christine Bouvry

First appointed at Annual General Meeting of 30 May 2011.

Term of appointment expires at the Annual General Meeting convened to approve the 2016 accounts.

Didier Kling & Associés

Member, Compagnie Régionale des Commissaires aux Comptes de Paris.

28, avenue Hoche

75008 Paris

Independent member of Crowe Horwath International

Represented by Mr Christophe Bonte

First appointed at Annual General Meeting of 31 May 1999.

Term of appointment expires at the Annual General Meeting convened to approve the 2016 accounts.

ALTERNATE AUDITORS

Mr Étienne Boris

63, rue de Villiers

92200 Neuilly-sur-Seine

First appointed at Annual General Meeting of 30 May 2011.

Term of appointment expires at the Annual General Meeting convened to approve the 2016 accounts.

Mrs Dominique Mahias

41, avenue de Friedland

75008 Paris

First appointed at Annual General Meeting of 5 June 2007.

Term of appointment expires at the Annual General Meeting convened to approve the 2016 accounts.

The Principal Statutory Auditors and alternate Auditors serve for a term of six years.

If a Statutory Auditor is appointed to fill a vacancy left by the resignation of a Statutory Auditor or other reason, he is appointed for the remainder of his predecessor's term.

Information incorporated by reference

Pursuant to Article 28 of EC Regulation 809-2004 of 29 April 2004, this self-registration document incorporates by reference the following information, to which the reader is invited to refer:

- in respect of the year ended 31 December 2011: consolidated financial statements, parent company financial statements and Statutory Auditors' reports thereon, presented in the Self-Registration document filed with the AMF on 12 April 2012 under reference number D12-0331, on pages 133-191, 193-217, 232 and 233, respectively;
- in respect of the year ended 31 December 2012: consolidated financial statements, parent company

financial statements and Statutory Auditors' reports thereon, presented in the Shelf-Registration document filed with the AMF on 16 April 2013 under reference number D13-0363, on pages 149-208, 211-239, 254 and 255, respectively.

All other information incorporated into this self-registration document in addition to the information described above has been replaced or updated by the information contained herein.

Copies of this Self-Registration document are available as described in Volume 1, page 105, under the section entitled "Shareholder's Guide".

Cross-reference table

The following table cross-references this document with the main headings required under Regulation EC 809/2004 enacting the terms of the European Parliament's "Prospectus" directive (2003/71/EC). Items that are not applicable to Hermès International are marked "n/a".

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2	308	1.2. Declaration by persons responsible for the registration document
		2. STATUTORY AUDITORS
2	309	2.1. Name and address of the Company's auditors
2	309	2.2. Names of auditors that have resigned, been removed or not been reappointed during the period covered
1	20-23, 28-29	3. SELECTED FINANCIAL INFORMATION
1	94-95, 99-102	
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2	196-205	
		5. INFORMATION ABOUT THE ISSUER
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2	11	5.1.1. Legal and commercial name of the Company
2	11	5.1.2. Place of registration and registration number of the Company
2	11, 298	5.1.3. Date of incorporation and length of life of the Company
2	8, 11, 298	5.1.4. Domicile and legal form of the Company, legislation under which the Company operates, country of incorporation, address and telephone number of its registered office
1	15-19, 28-29	5.1.5. Important events in the development of the Company's business
1	94	5.2. Investments
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		6.1. Principal activities
1	31-56	6.1.1. Nature of the Company's operations and its principal activities
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1	59-69	6.2. Principal markets
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1	91-92	6.4. Binding agreements
1	91	6.5. Basis for any statements made by the Company regarding its competitive position
		7. ORGANISATIONAL STRUCTURE
1	24	7.1. Brief description of the Group
2	8-13	
2	218-220	7.2. List of subsidiaries
		8. PROPERTY, PLANTS AND EQUIPMENT
2	120, 190-191	8.1. Information regarding any existing or planned material tangible fixed assets
1	78-83	8.2. Description of any environmental issues that may affect utilisation of tangible fixed assets
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		10. CAPITAL RESOURCES AND CASH-FLOWS
1	94-95	10.1. Information concerning the Company's short-term and long-term capital resources
2	170, 193-194	10.2. Explanation of the sources and amounts of the Company's cash flows
2	200-205	10.3. Information on borrowing requirements and funding structure
	n/a	10.4. Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect, the Company's operations
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1	90	11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES
		12. TREND INFORMATION
1	97	12.1. Most significant trends since the end of the last financial year to the date of the registration document
1	97	12.2. Known trends or uncertainties that are reasonably likely to have a material effect on the Company's prospects
1	97	13. PROFIT FORECASTS OR ESTIMATES
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		15. REMUNERATION AND BENEFITS
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2	215	15.2. Total amounts set aside or accrued to provide pension, retirement or similar benefits
		16. BOARD PRACTICES
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2	77	16.2. Information about members of the company's administrative and management bodies
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		18. MAIN SHAREHOLDERS
2	106	18.1. Shareholders owning more than 5% of the share capital and voting rights
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Reconciliation with Management Report

(Articles L 225-100 *et seq.*, L 232-I, II and R 225-102)

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1	94-95	Results of the Company's business, of its subsidiaries and of companies under their controls
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1	20-23	Key financial performance indicators
1	28-29	Analysis of changes in revenues, earnings and financial position
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1	7	Progress made or difficulties encountered
1	89-92	Description of main risks and uncertainties to which the Company is exposed
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2	78-79	Trading by senior executives in the Company's shares
1	78-87	Key environmental and human resources indicators
2	123-161	
1	84-87	Human resources information ⁽¹⁾
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2	105	Employee ownership of share capital
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1	89-92	Information on the Company's technological risk prevention policy
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2	111	Information on share buyback programmes
2	98-99	Table summarising grants of authority to carry out capital increases and that are currently in effect
2	251	Five-year summary of the Company's results
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(1) In respect of Article L 225-105 of the *Code de commerce* on the corporate and environmental consequences of the Group's activities and its corporate social commitments to sustainable development.

Reconciliation with Annual Financial Report

(Article 222-3 of the AMF general regulations)

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2	272	Statutory Auditors' report on the financial statements
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2	16-39	Report from the Chairman of the Supervisory Board on the corporate governance principles applied by the Company, on the conditions for preparation and organisation of the Supervisory Board's work and on the internal control and risk management procedures instituted by the Company
2	279	Statutory Auditors' report on the report prepared by the Chairman of the Supervisory Board

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(Article 225-105)

In compliance with the provisions of Article L 225-102-1 of the *Code de commerce*, Hermès International presents, in its management report, the actions undertaken and the orientations adopted by the company in order to consider the social and environmental consequences of its activity and to fulfil its societal commitments relative to sustainable development. The correspondence between the information outlined in this self-registration document and the information required by the regulations (indicated in Article R 225-105-1 of the *Code de commerce*) is presented below. Most of the explanations of a methodological nature are mentioned in the corresponding parts of volumes 1 and 2.

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1	84	New hires and dismissals (<i>France perimeter only for individual dismissals</i>)
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2	157	Wages and their evolution
		Work organisation
2	158-159	Organisation of the working time
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		Social relations
2	159	Organisation of the social dialogue; notably the personnel information, consultation and negotiation procedures (<i>France perimeter</i>)
2	159	Overview of the collective bargaining agreements (<i>France perimeter</i>)
		Health and safety
2	127-150, 159	Occupational health and safety conditions
2	159	Overview of the agreements signed with trade union organisations or personnel representatives regarding occupational health and safety (<i>France perimeter</i>)
2	159	Workplace accidents, notably their frequency and severity, as well as occupational illnesses (<i>France perimeter only, for the number of workplace accidents. No consolidation of the frequency and severity rates given the heterogeneousness of the data</i>)
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		Diversity and equal opportunity/equal treatment
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2	127-150	or certification initiatives relating to the environment
1	79	Employee training and information actions undertaken with regard to environmental protection
2	127-150	
1	78-83	The resources devoted to preventing environmental risks and pollution
2	127-150	
1	81	The amount of the provisions and guarantees relating to the environment, provided that this information would not seriously harm the company in the event of ongoing litigation
		Pollution and waste management
2	127-150	The measures for preventing, reducing or remedying any discharges into the air, water and soil that would seriously affect to the environment
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