**2008 REGISTRATION DOCUMENT FILED
WITH THE AUTORITÉ DES MARCHÉS FINANCIERS**

In accordance with Article 212-13 of the AMF General Regulation, this shelf-registration document, which contains the annual financial report and comprises Volume 1 and Volume 2 of the Annual Report, was filed with the AMF on 9 April 2009. This document may be used in support of a financial transaction only if it is supplemented by an offering circular approved by the AMF.

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

2009 ANNUAL REPORT

2009 ANNUAL REPORT
OTHER INFORMATION CONTAINED IN THE SHELF-REGISTRATION DOCUMENT
CONSOLIDATED FINANCIAL STATEMENTS AND PARENT COMPANY FINANCIAL STATEMENTS

VOLUME 2

Hermès International
Partnership limited by shares with share capital of €53,840,400.12 - Commercial and Company Register of Paris no. 572 076 396
Registered office: 24, rue du Faubourg Saint Honoré 75008 Paris - Tel.: + 33 (0)1 40 17 49 20 - Fax: +33 (0)1 40 17 49 21 - Legal filing: 2nd quarter 2010 - ISBN 978-2-35102-047-0

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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 the Group's trademarks, designs, models, and patents;
– to maintain a documentation centre accessible to the subsidiaries;
– to ascertain that the style and image of each brand name is consistent throughout the world and, for this purpose, to design and orchestrate advertising campaigns, actions and publications to support the various business activities;
– to provide guidance in design activities and to ensure that the Hermès spirit is consistently applied in each business sector.

Hermès International derives its funds from:
– dividends received from subsidiaries;
– royalties from trademarks, licensed exclusively to Group subsidiaries, to wit, Hermès Sellier, Comptoir Nouveau de la Parfumerie, Compagnie des Arts de la Table, La Montre Hermès and Hermès Intérieur & Design (amounts received in 2009 are presented on page 214).

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 93 subsidiaries and sub-subsidiaries. A simplified organisational chart appears in Volume 1, pages 24 and 25.

Legal form

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

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

Limited partners (shareholders)

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

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

Active Partner

Since 1 April 2006, Émile Hermès SARL has been the sole Active Partner of Hermès International.
The Active Partner:
– has the authority to appoint or revoke the powers of any Executive Chairman, after receiving 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 consolidated net worth of the Hermès Group, as 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, financial, real estate, 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 Manager 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 spouse, born Julie Hollande, and
• their spouses, but only as beneficial owners of the shares; and
– each partner of Émile Hermès SARL must have or arrange to deposit shares in the present Company in the corporate accounts of Émile Hermès SARL in order to be a partner of this Company.
The Active Partner, Émile Hermès SARL, has transferred its business know-how to the Company,

in consideration for its share of the profits in the Company, which amounts to 0.67% of distributable profits and is payable to the Active Partner on a priority basis (before dividends are paid to the limited partners).

Executive Management

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

Supervisory Board

The Company is governed by a Supervisory Board, which currently comprises nine members who are appointed for a term of three years. The members are selected from among shareholders who are not Active Partners, legal representatives of an Active Partner, or an Executive Chairman.
The Supervisory Board exercises ongoing control over the Company's management.
For this purpose, it has the same powers as the Statutory Auditors and receives the same documents as the said, at the same time. In addition, the Executive Management must submit a detailed report to the Supervisory Board on the Company's operations at least once a year.
The Supervisory Board submits to the Active Partner for consideration its recommendation:
– on the appointment or revocation 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 earnings appropriation 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 decision on the following matters:
– strategic options;
– consolidated operating and investment budgets; and
– proposals to the General Meeting on the distribution of share premiums, reserves and retained earnings.
Each year, the Supervisory Board presents to the annual Ordinary General Meeting of Shareholders a report in which it comments on the Company's management and draws attention to any inconsistencies or inaccuracies identified in the financial statements for the year.
The functions exercised by the Supervisory Board do not entail any interference with the Executive Management, or any liability arising from the

Management's actions or from the results of such actions.

Joint Council

The Executive Management of Hermès International or the Chairman of the Supervisory Board of Hermès International shall convene a joint council meeting of the Management Board of Émile Hermès SARL and the Supervisory Board of Hermès International whenever they deem it appropriate.
The Joint Council is an institution designed to enable broad collaborative efforts between the Active Partner's Management Board, an internal body with a need to know the main aspects of Hermès International's management, and the Supervisory Board, which is appointed by shareholders.
The Joint Council has knowledge of all matters that it addresses or that are submitted thereto by the party who convened the conference, but does not, in the decision-making process, have the right to act as a substitute for those bodies to which such powers are ascribed by law or by the Articles of Association of Hermès International or of Émile Hermès SARL. The Joint Council of the Management Board and Supervisory Board does not in itself have decision-making powers as such. It acts exclusively as a collaborative body. At their discretion, the Management Board and Supervisory Board of Hermès International 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 made public on the Second Marché of the Paris Stock Market on 3 June 1993. It has been listed on the Eurolist by Euronext (Compartment A) since 2005.

OVERVIEW OF ÉMILE HERMÈS SARL

Legal form

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

Corporate purpose

The sole purpose of Émile Hermès SARL is:
– to serve as Active Partner and, if applicable, as Executive Manager 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 asset 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 spouse, born Julie Hollande; and
– their spouses, but only as beneficial owners of the shares.
In the light of the Company's purpose, no person shall be a partner if, for each share he owns in the Company, he does not have on deposit in the corporate accounts:
– a number of non-dismembered Hermès International shares undivided and free from any bond or commitment to third parties equal to 9,000 (nine thousand); or
– the beneficial or legal ownership of a number of Hermès International shares undivided and free from any bond or commitment to third parties equal to 18,000 (eighteen thousand).

Executive Manager

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

Management Board

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

Date created – Commercial and company register – Registered office

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

Share capital – Total assets – Net income

The authorised share capital is €343,840 and the share capital under the Articles of Association was €104,976 as at 31 December 2009.
It is divided into 6,561 shares with a par value of €16 each. As at 31 December 2009, Émile Hermès SARL had total assets of €13,044,473, including net income for the year of €2,033,609.

Corporate governance

Corporate governance – 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 Executive Management

In accordance with the applicable regulations and with the recommendations issued by the Autorité des Marchés Financiers, we hereby submit our report on the corporate governance principles applied by the Company, on the conditions for preparation and organisation of the Supervisory Board's work and on the internal control procedures instituted by the Executive Management.

Corporate governance code

• Corporate governance principles applied

At its meeting on 21 January 2009, the Supervisory Board officially adopted the December 2008 AFEP/MEDEF recommendations, 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 not adopted and explanations

Termination of employment contract upon appointment to a corporate office

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

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

Severance pay

The Company has agreed to pay Mr Patrick Thomas an amount equal to 24 months' compensation in the event that his appointment as Executive Chairman is terminated (decision of the Supervisory Board on 19 March 2008, approved by the Combined General Meeting on 3 June 2008), subject to meeting certain performance criteria as set out on page 50 of the Management Report.

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

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

– from a decision taken by the Company.

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

Given the decisions adopted at its meeting of 18 March 2009 set out above, and the payment conditions defined thereby, the Supervisory Board, acting on the recommendation of the Compensation Committee, found that there was no call for it to reconsider its deferred compensation commitment to Mr Patrick Thomas owing to the length of his service within the Group.

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

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

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

Proportion of independent members on the Audit Committee

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

At its meeting on 24 March 2010, the Supervisory Board determined that 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. Hence, at the Annual General Meeting on 7 June 2010 (see explanation on page 206), the Board will propose the appointment of an independent director to the Supervisory Board to sit on the Audit Committee, for the purpose of attaining this proportion.

• Corporate governance measures adopted in 2009 and 2010

The Chairman of the Supervisory Board appointed a first working group, consisting of the Chairman of the Audit Committee, the Head of Audit and Risks and the Head of Corporate law/Securities law, to carry out an assessment of the Company's corporate governance practices and to formulate recommendations.

The results of this work were submitted to the Supervisory Board at its meeting on 21 January 2009.

After its analysis, the working group found that after gradually implementing good corporate governance practices over the past several years, Hermès International complied with AFEP/MEDEF Code requirements, and that it had done so since it filed its first shelf-registration document.

The working group recommended that the Supervisory Board supplement existing procedures at Hermès International by updating certain practices or more formally documenting such practices.

At the beginning of 2009, the Chairman of the Supervisory Board created a second working group consisting of the Chairman of the Compensation and Appointments Committee, the Group Human Resources Director and the Head of Corporate law/Securities law, to recommend changes to be made to the Executive Chairmen's compensation agreements to bring them into compliance with the new recommendations.

Consequently, the Supervisory Board adopted a number of decisions and requested the working groups to monitor their implementation in 2009.

At its meeting on 18 March 2009, the Supervisory Board decided:

– to assign to the Compensation Committee the role of Appointments Committee, and to rename the Committee accordingly;

– to adopt Rules of Procedure for the Supervisory Board (see page 38);

– to develop formal criteria for qualifying a director as "independent" and to identify Supervisory Board members who meet these criteria;

– to appoint Audit Committee members who have special expertise in finance or accounting;
– that the number of share purchase options granted to an Executive Chairman would be capped at 10% of the aggregate number of options granted and that they could not exceed 20% of that Executive Chairman's total compensation;
– that in the event that an Executive Chairman is the beneficiary of a stock option or bonus share plan, the Compensation Committee will ensure that:

- the Company meets one or more of the conditions stipulated in Articles L. 225-186-1 and L. 225-197-6 of the Code de Commerce,
- the plan would be subject to meeting performance criteria.

The General Meeting of 2 June 2009 amended Article 18-2 of the Articles of Association to ensure that one-third of the Supervisory Board members will stand for re-election each year.

On 15 December 2009, the Supervisory Board received a summary of the self-assessment of the Board's performance carried out by the Audit Committee.

On 20 January 2010, the Supervisory Board decided to expand the duties and responsibilities of the Compensation and Appointments Committee to include issues related to corporate governance and renamed the Committee accordingly.

As such, this Committee has new responsibilities, which are described on page 23.

On 24 March 2010, the Supervisory Board adopted the Rules of Procedure for the Audit Committee and for the Compensation, Appointments and Governance Committee.

Conditions governing the preparation and organisation of the Supervisory Board's work

• Composition of the Supervisory Board

The Supervisory Board comprises nine members: Mr Jérôme Guerrand, Chairman; Mr Maurice de Kervénoaël and Mr Ernest-Antoine Seillière, Vice-Chairmen; Mr Charles-Éric Bauer, Mr Matthieu Dumas, Ms Julie Guerrand, Mr Renaud Momméja, Mr Robert Peugeot and Mr Guillaume de Seynes, members.

Mrs Nathalie Besombes, who is in charge of Corporate Law/Securities Law within the Legal Department, serves as secretary of the Board under the Chairman's supervision.

• Criteria for qualifying a Supervisory Board member as an "independent"

At its meeting on 18 March 2009, the Supervisory Board formally adopted the following criteria for qualifying members as "independent directors":
– they may not be a partner or member of the Management Board of Émile Hermès SARL, Active Partner;
– they must comply with the criteria set out in Article 8.4 of the December 2008 AFEP/MEDEF Code of Corporate Governance, except the criterion pertaining to length of service, which has not been adopted (see explanation on page 18).

The Board then examined the situation of each of its members in the light of the aforesaid criteria, on a case-by-case basis, and found that three directors qualified as "independent": Messrs Maurice de Kervénoaël, Robert Peugeot and Ernest-Antoine Seillière.

The Board determined that independent directors should make up one-third of the Supervisory

Board and duly noted that the Board's current composition reflected this proportion.

• **Operation of the Supervisory Board**

The Supervisory Board Rules of Procedure have been applicable since 18 March 2009. The most recent version thereof was approved by the Supervisory Board on 24 March 2010 and is reproduced in full on pages 38 to 41 hereof.

The Rules of Procedure stipulate that members of the Supervisory Board must own 200 shares in the Company.

On 15 December 2009, the Supervisory Board duly noted that all incumbent members of the Board met this criterion.

On 20 January 2010, the Supervisory Board duly noted that each member's 200 shares had been duly registered.

Since 2009, meeting notices have been sent exclusively by electronic mail with an acknowledgement of receipt.

This practice, which was approved by all Supervisory Board members, expedites the delivery of documents.

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 appended to the meeting notice.

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

During 2009, the Supervisory Board met four times. Supervisory Board members diligently attended nearly all meetings. As shown in the table below, the average attendance rate was 94%.

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.

Persons who are not Board members, in particular members of the Executive Committee and 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.

Minutes are drawn up at the end of each meeting and sent out by e-mail to all Board members, who are invited to comment. Any comments are

Attendance at Supervisory Board meetings in 2009

Board member	Attendance	Applicable number of meetings	Individual attendance rate
Mr Jérôme Guerrand	4	4	100%
Mr Maurice de Kervénoaël	4	4	100%
Mr Ernest-Antoine Seillière	3	4	75%
Mr Charles-Éric Bauer	4	4	100%
Mr Matthieu Dumas	4	4	100%
Ms Julie Guerrand	4	4	100%
Mr Renaud Momméja	4	4	100%
Mr Robert Peugeot	3	4	75%
Mr Guillaume de Seynes	4	4	100%
Average			**94%**

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

• Role of the Supervisory Board

The primary role of the Supervisory Board of a société en commandite par actions (partnership limited by shares) is to maintain ongoing control over the Company's management in accordance with the law and with the Articles of Association. In this respect, the Supervisory Board is respon_ sible 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 2009 in a report presented to the Annual General Meeting called to approve the financial statements (page 209).

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.

• Assessment of the Supervisory Board

In 2009 for the first time, the Board carried out a self-assessment by means of a questionnaire.

A vast majority of the responses gave the Board high marks for its operation: 90% ranked it "very good" or "good". Improvements are expected in a limited number of areas.

The Compensation, Appointments and Governance Committee, which is now responsible for the Board's annual performance assessment, will develop proposed changes in certain Board practices in 2010.

• 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. There is a ceiling on such reimbursements based on the place of residence (see Rules of Procedure, page 41).

• Directors' fees and compensation

At its meeting of 20 January 2010, the Supervisory Board apportioned directors' fees and compensation of €266,000 out of the aggregate amount of €282,000 in respect of 2009 approved by a resolution adopted by the shareholders at the Ordinary General Meeting of 2 June 2009.

The amount paid to individual members in respect of 2008 and 2009 are set out in the Management Report, on pages 55 et 56.

The new principles for apportioning directors' fees are set out in the Supervisory Board Rules of Procedure on page 40.

• Special committees

As of this date, 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 the Compensation and Appointments Committee on 18 March 2009 and the Compensation, Appointments and Governance Committee on 20 January 2010.

These committees operate under the collective and exclusive responsibility of the Supervisory Board. Their duty is to review and prepare certain Board deliberations and to submit their opinions, proposals and recommendations to the Board.

Compensation, Appointments and Governance Committee

This Committee consists of the following members:

– Mr Ernest-Antoine Seillière, Chairman;
– Mr Matthieu Dumas, member;
– Mr Robert Peugeot, member.

The Committee's duties and responsibilities are:

– with respect to compensation:
  - to receive information and make recommendations on the terms and conditions of compensation paid to Executive Committee members;
  - to receive information and draw up recommendations from the Board to the Executive Management on the terms and conditions of allotment of any share purchase options and bonus shares granted to Executive Committee members;
  - to draw up proposals and recommendations on the aggregate amount of directors' fees and other compensation and benefits granted to members of the Supervisory Board and of its special committees, and on the apportionment thereof, primarily on the basis of Board members' attendance at meetings;
  - to review proposals for stock option plans and bonus share distributions to employees and to draw up recommendations thereon for submission to the Executive Management;
  - to review proposals for stock option plans and bonus share distributions to senior executives in order to enable the Supervisory Board to determine the aggregate or individual number of options or shares allotted, and the terms and conditions of allotment;
  - to assist the Supervisory Board in determining the performance conditions and criteria to be met by the Executive Chairmen in order to receive stock options and/or supplemental pension benefits;
  - to ascertain that the compensation of the Executive Chairmen and other commitments thereto comply with the provisions of the Articles of Association and the decisions taken by the Active Partner;

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

– with respect to corporate governance:
  - to recommend revisions to corporate governance rules, as needed;
  - periodically to ascertain that independent Supervisory Board members meet the criteria

pertaining to independence and objectiveness set out in the Supervisory Board Rules of Procedure;
- to review the composition of the special committees;
- to oversee the annual Supervisory Board performance assessment;
- to ascertain that the management bodies apply the Supervisory Board Rules of Procedure and the recommendations of the AFEP/MEDEF corporate governance code in their operations.

The Compensation and Appointments Committee met twice during 2009. Nearly all members attended both meetings (the average attendance rate was 83%).

In 2009, the Compensation and Appointments Committee reviewed the following matters and issued recommendations thereon:

– 2009 compensation, 2008 bonuses and 2009 target bonuses for Executive Committee members;

– 2009 compensation for the Executive Chairmen;

– review of performance criteria applicable to the share purchase option plan of 2 January 2008;

– review of the situation of Mr Patrick Thomas, Co-Executive Chairman.

Audit committee

The Audit Committee is composed of the following members:

– Mr Maurice de Kervénoaël, Chairman;

– Mr Charles-Éric Bauer, member;

– Ms Julie Guerrand, member;

– Mr Renaud Momméja, member;

– Mr Robert Peugeot, member.

At its meeting of 18 March 2009, the Supervisory Board:

– identified those Audit Committee members who qualify as "independent" directors, i.e. Mr Maurice de Kervénoaël and Mr Robert Peugeot;

– found that all Audit Committee members have special expertise in finance or accounting;

– expanded the duties and responsibilities of the Audit Committee to bring them into line with the provisions of Article L 823-19 of the Code de Commerce, arising from the Order of 8 December 2008 transposing the Eighth European Directive.

The missions of the Audit Committee are:

– to review and comment on the Company's parent company and consolidated financial statements prior to approval by the Executive Management;

– to ascertain that the accounting methods applied are relevant and consistent;

– to verify that internal data collection and control procedures guarantee the quality of information provided;

– to review the work programme and results of internal and external audit assignments;

– to carry out special tasks entrusted to it by the Supervisory Board;

– to monitor the effectiveness of the internal control and risk management systems and the statutory audit of the parent company financial statements and, if applicable, of the consolidated financial statements by the Statutory Auditors;

– to ascertain compliance with the rules guaranteeing the independence and objectiveness of the Statutory Auditors;

– to participate in the Statutory Auditor selection process.

The Audit Committee met twice during 2009. All members attended both meetings (the average attendance rate was 100%).

In 2009, the Audit Committee addressed the following matters:

– review of financial statements:
- parent company and consolidated financial statements for the year ended 31 December 2008;

- consolidated financial statements for the six months ended 30 June 2009;
- off-balance sheet commitments as at 31 December 2008;
- Statutory Auditors' Report on the consolidated financial statements;

– internal control systems review:
- existing procedures, particularly with respect to cash and investment management;
- internal control work carried out pursuant to the Financial Security Act;
- findings of the main internal audits;

– review of risk management systems:
- risk mapping;
- IT system risks, including those pertaining to the Pégase project (new supply chain project);
- the flu pandemic action plan;

– 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 internal control and risk management systems implemented by two Group subsidiaries;

– special missions:
- self-assessment of the Audit Committee's performance;
- management of Supervisory Board self-assessment project.

Compensation of Committee members

Members of the special committees receive €5,000 per year and the chairmen of those committees receive €10,000 per year.

Operation of the Board Committees

The rules applying to the composition, duties and responsibilities and operating procedures for each Board Committee are set out in Rules of Procedure proposed by the said Committee and approved by the Supervisory Board.
Each committee meets when convened by its Chairman in writing or orally, at any place indicated in the notice of meeting.
The deliberations of each committee meeting are recorded in minutes, which are entered in a special register.

• 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 72).

• Participation in general meetings of shareholders

The terms and conditions for participating in general meetings are set out in Volume 1 (page 105).

Internal control and risk management procedures instituted by the Executive Management

Pursuant to Article L225-68 of the Code de Commerce, below is the report on the internal control procedures that the Executive Management has instituted within the Company, using the "Reference Framework" as supplemented by the "Application Guide" developed by the market advisory group and published by the AMF (Autorité des Marchés Financiers) in 2007.
The presentation of this report has been revised to comply with the Executive Order of 8 December 2008 transposing the Eighth European Directive (No. 2006/43/EC), pertaining to the Audit

Committee and the statutory audit of published accounts, and by the DDAC Act of 3 July 2008 extending the scope of the Chairman's report on internal control procedures to encompass risk management procedures instituted by the Company. The presentation of this report will be subject to further revision after the AMF "working group", created in September 2009 to draft a guidebook on audit committees and to issue recommendations for adapting the reference framework, has published its findings.

• Overview: Risk management and internal control

Risk management and internal control are complementary systems for maintaining control over the company's operations Their common objective is to mitigate the occurrence of adverse unforeseen events, thereby better ensuring that objectives can be met and safeguarding the Company's assets. By giving operational staff information on potential threats and on the company's ability to control these threats, they enable management to deploy a business strategy that is both ambitious and cautious.

– Risk management systems focus mainly on major risks. They include systems for identifying and prioritising risks, such as risk maps, and for handling the main risks at the appropriate operating level in order to reduce the company's exposure, for instance by strengthening internal control procedures.

– Internal control systems rely on ongoing, recurring actions that are integrated into the company's operating processes. They apply to each function and to all processes, including those associated with the production of financial and accounting information. As described below, they are organised around tools (procedures, information systems, etc.) and components that are more organisational in nature. A sound internal control system focuses its efforts on the major issues and therefore borrows from the risk management system.

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.

Additionally, risk management and internal control give senior management consistently greater control over operations in their respective scopes:

– by enhancing the quality (reliability and timeliness) of information that flows up and down the line within the organisation;

– by increasing the effectiveness of decision-making processes (foresight and responsiveness);

– by fostering accountability among all parties involved, regardless of their hierarchical status in the organisation, by circulating and appropriating the necessary information, competencies and indicators.

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, as the probability that this will occur is also dependent on factors that are beyond the Company's control. Every system has inherent limitations. These are due to a large variety of factors, including unforeseen external circumstances, poor judgement in decision-making, or human failure or mistakes.

• Risk management at Hermès International: definitions and objectives

Hermès International defines risk as "an event that hinders the Company's ability to achieve its objectives (and to apply its strategy) and to protect its employees, and that jeopardises the value of its assets (tangible or intangible) over time.

Management has assigned the following objectives to the Group's risk management system:

– to help control activities and contribute to the effectiveness of operations on an ongoing basis;
– to protect its employees;
– to safeguard everything that constitutes an asset for the Group, whether tangible (property inventory, cash) or intangible (reputation);
– to help achieve the Company's objectives, to render decision-making more secure and to ensure the proper operation of processes;
– to comply with the laws and regulations applicable to the Group's businesses and to abide by the corporate code of conduct;
– to enable senior management to take informed risks, to an extent deemed acceptable for the organisation.

• Risk management system

Senior management has ultimate responsibility for guaranteeing the effectiveness of the risk management system and its adequacy with the Group's strategy objectives. The system comprises three core components.

An organisational framework

The Audit and Risk Management Department is in charge of coordinating risk management actions. It works closely with the operating divisions (business lines and subsidiaries) and functional departments, including Insurance and Human Resources.

The risk management policy defined by the Group is underpinned by clearly identified bodies that work together within the organisation. The main ones are:

– the governance bodies (the Supervisory Board and more specifically, its special committees, i.e. the Audit Committee and the Compensation, Appointments and Governance Committee, as described below);
– the Group's Executive Management, which oversees operations (the Executive Committee with the support of the Audit and Risk Management Department, which is responsible for managing the overall system, as described below);
– senior executives, the major functional and operating departments, and members of the Management Committees of the Group's various entities, which serve as the main conduits for applying the system to operations; they are the main beneficiaries of the system and also key contributors to its proper operation;
– operational staff reporting to the above parties, which have as much involvement in the system's operation as possible.

In 2009, the Group adopted a formal code of conduct and circulated it to further strengthen its "risk management" culture.

A process that follows good market practices

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

Risk mapping began in 2004 and has continued in the following years. Twelve risk maps were drawn up between 2007 and 2009 for various business sectors, distribution subsidiaries and functions. A synopsis of work on risk mapping was drawn up and reviewed with the Executive Committee in June 2008 and appropriate action plans were implemented at Group level.

Some 180 senior managers from the Group have participated in this process to date, thereby enhancing awareness of risk management issues at Hermès. Following this work, operational action plans were launched whenever this was deemed appropriate.

In 2009, the main subsidiaries for which risk maps were drawn up in previous years worked with the Audit and Risk Management Department to analyse improvements to their ongoing action plans.

Decisions on how to handle a given risk are made by analysing the benefits versus the cost of measures to be adopted to mitigate the risk and their potential for preventing the occurrence and/or consequences of the risk, in order to avoid incurring unnecessary costs.

Hermès International has also deployed specific processes to monitor certain risks through special committees or working groups. These committees meet on a regular basis (usually, once a month). For instance, special committees assigned to property risk and treasury risk meet to analyse the main risks identified internally or through third-party audits and ascertain that existing control systems comply with Group procedures. Other working groups set up in previous years also continued to work on various contingency plans, including “flu pandemic”, “crisis management” and “business continuity” plans. These surveys of the main identifiable risks serve as a basis for internal control procedures and activities.

In addition to efforts to identify and monitor major risks, during the year, the Group initiated significant work to bring major risks under control. It developed a contingency plan to mitigate the potential impact of an A flu pandemic, which was partially rolled out in the alert stage; It continued to draw up, test and formally document business continuity plans and to set up information system recovery plans for IT system migrations during the year. It also made further progress in the area of crisis management, through in-house training and reviews of communication-related issues.

Other than for Group-wide issues such as crisis-management and centralised insurance management, implementation of risk-mitigation action plans falls under the responsibility of the relevant entities, business lines or functions.

Ongoing system oversight

The Audit and Risk Management Department is responsible for day-to-day oversight of the risk management system. It manages the risk mapping process and effective monitors the progress of the resulting action plans in the relevant entities on a regular basis.

The special committees monitor the risk areas mentioned above on a regular basis and the Audit and Risk Management Department may revise its work schedule to factor in any new risks identified during the year, either through benchmarking or through alerts issued by the Group departments.

The Audit and Risk Management Department reports to the Executive Committee and to the Audit Committee on these issues at least twice each year.

• Hermès International's internal control system

The internal control system is designed by the Company and implemented under its responsibility. Its objectives are to ensure:

– compliance with laws and regulations;

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

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

– the reliability of financial information.

In general, the internal control system enables the Company to maintain control over its businesses, to enhance the efficiency of its operations and to optimise the use of its resources. By helping to prevent and control the risk that the Company will not meet its stated targets, internal control plays an important role in the conduct and oversight of Hermès International's different businesses.

However, no internal control system can guarantee that the Company will meet its targets or that it will eliminate all risks.

Hermès International strives to apply an effective internal control system within all of its subsidiaries.

• A strong internal control environment

While Hermès has attained the stature of an international group, it has also retained its human dimension. The Company is dedicated to a culture and spirit of craftsmanship and seeks to cultivate an extensive set of 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 products but also to 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.

An effective 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 a multi-local 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 local entities, whose managers report to the Group's International Affairs Department, thereby ensuring consistency in operations and providing a means of control. The business sectors are organised based on a clearly defined allocation of duties and responsibilities.

Through its network of over 50 human resources managers, 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. It oversees the Management Control and Consolidation Department, the holding company's Finance Department, the Tax Department, the Treasury Management Department and the Financial Transactions Department.

The Financial Control Department monitors and verifies financial information, both actual and projected, reported by the subsidiaries. Its main role is to ensure that the subsidiaries' financial management is consistent with Executive Management's goals. Throughout the year, it works closely with the subsidiaries' Managing Directors and Finance Directors of anticipate their needs and provide support.

The Management Control and Consolidation Department is responsible for tracking the Group's profitability in the short and medium term and for preparing financial information in compliance with applicable standards.

Within the Group's Supervisory Board, two special committees play a more specific role in the internal control system:

– the Audit Committee (see following paragraph);
– the Compensation, Appointments and Governance Committee.

Audit Committee

The Audit Committee was created in 2005. Pursuant to the recommendations contained in the Executive Order of 8 December 2008 (see above), the Audit Committee, "acting under the exclusive and collective responsibility of the Board members, is responsible for ensuring controls over:

– the financial information preparation process;
– the effectiveness of the internal control and risk management systems;
– the statutory audit of the parent company financial statements and of the consolidated financial statements;
– the independence of the statutory auditors and the conditions for renewing their appointment.

As stated earlier in this report, Hermès is waiting for the market advisory group commissioned by the AMF to publish its findings on the precise definition of the mission to monitor the effectiveness of the internal control and risk management system.

At this time, in monitoring the preparation and control of accounting and financial information and in reporting thereon, the Audit Committee is responsible for ensuring that the existing risk identification and assessment process encompasses:

– identified risks with an impact on accounting;
– risks identified by the Executive Management and that may potentially have an impact on the accounts;
– any other risk that has not been mapped but that may be identified during the monitoring process.

As part of its responsibility to monitor the effectiveness of the risk management and internal control systems defined in Article 42 §b of the Eighth Directive, the Audit Committee monitors the effectiveness of internal audits, that is, those conducted by the Audit and Risk Management Department. The Committee is informed by the Head of the Audit and Risk Management Department, issues its opinion on the organisation of that department and receives half-yearly summaries on the Department's work.

Furthermore, the chairman of the Audit Committee Chairman meets with the Head of the Audit and Risk Management Department several times per year and participates in conducting audits within the subsidiaries.

High-quality information systems

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

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

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

Formally documented operating procedures

Hermès International and its subsidiaries have several manuals of procedure applying to the major categories of business sectors, activities and regions.

The Group has initiated a project to centralise procedures in order to keep the number of reference sources to a minimum and to facilitate updating those sources. All Group procedures, which are traditionally managed by Hermès International, are now available on a common intranet site, which will gradually integrate all procedure databases. This site already contains the main procedures covering the company's operating functions, including purchasing, sales, treasury, inventories, fixed assets, human resources, information systems, as well as the store internal control procedures for the distribution subsidiaries, which cover sales, account collections, inventory management and store security. Highly formalised procedures are also applied to the logistics function, and one of the major logistics centres has obtained ISO 9001 certification. Lastly, most Group subsidiaries, with the approval of Hermès International, have drafted procedures pertinent to their specific activities or local situations.

The Financial Manual contains all rules to be followed for financial reporting. It describes all accounting, financial and internal control procedures. It also contains detailed instructions on bookkeeping and recordkeeping requirements. The Group Chart of Accounts, drawn up in accordance with International Financial Reporting Standards (IFRS), also sets outs the rules for financial recordkeeping. Moreover, the Group Finance Department periodically issues instructions that are sent to the subsidiaries for the year-end account closing and at other times on any topic related to financial information.

The Investment Project Management Manual describes the applicable rules within the Group. A 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 DPEI issues recommendations and summarises them. Depending on the scale of the projects, the Executive Management reviews the summary recommendations and takes the ultimate decision on whether or not to approve the project.

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

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

– a currency procedure approved by the Group's Supervisory Board for hedging currency risk, which describes all authorised financial instruments and sets limits on their use by members of the Hermès International Treasury Management Department);

– a foreign exchange agreement with each relevant subsidiary, which provides a framework for the relationships between Hermès International 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 that sets out the criteria for investing the Group's cash and limits on its use by members of the Hermès International Treasury Management Department.

• Stringent internal control management procedures

Targeted risk analysis

Hermès is committed to safeguarding its assets and is actively engaged in risk management. Volume 1 of the annual report describes the main risk factors to which the Group is exposed.

Hermès has instituted a variety of systematic or specific processes to identify and analyse its main risks. This work, which falls under the responsibility of operations staff, is coordinated by the Audit and Risk Management Department.

Hermès has instituted two types of systematic processes: mapping of major risks and self-assessment of internal control items.

Risk mapping principles and procedures are described in detail earlier in this report.

Internal control activities carried out by operations managers

One of the responsibilities of the operations managers is to institute stringent control systems. Hermès International takes an extremely prudent approach in this area and requires its staff to carry out detailed controls and to apply stringent procedures.

The Group's Executive Management analyses the accounts of the subsidiaries on a regular basis and meets with the senior executives of the main subsidiaries to obtain status reports, to assess risks and to define any corrective measures required to achieve the stated goals.

Self-assessment of internal control items is based on specific procedures and is underpinned by a self-assessment system, using questionnaires to be completed by the subsidiaries. This system 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. Since 2004, the subsidiaries have completed about a dozen self-assessments, and a number of these have been audited.

Since 2006, the self-assessment process, which is part of the work required under the Financial Security Act, has been conducted through a questionnaire containing approximately one hundred items based on the AMF "reference framework".

In 2009, twenty Group entities completed the questionnaire.

Responses are analysed by the Audit and Risk Management Department and action plans are drawn up as needed.

In the interests of enhancing and achieving greater consistency in exchanges of information on internal control at all levels of the organisation, Hermès International has instituted an internal control self-assessment tool known as CHIC (Check your Hermès Internal Controls), which is available on the intranet and is managed by the Audit and Risk Management Department. This tool is also a vector for circulating procedures and disseminating good practices and is therefore an important component for sound internal control. It has been used to manage:

– the self-assessment questionnaire for the AMF "reference framework" under the Financial Security Act;

– internal control self-assessment questionnaires for the stores, for the European and American subsidiaries. The program will be deployed in the Asia region starting in 2010 and is scheduled to be completed in 2011.

Other operations-related questionnaires are also in the pipeline.

Continuous monitoring

While operations managers have primary responsibility for the risk analysis processes described above, staff who are involved in operations also participate in the process. These independent observers contribute to formulating an objective assessment not only of risks but also of internal control systems. The special committees mentioned above also play a role in oversight and control.

The Audit and Risk Management Department, which is responsible for ascertaining that operations managers comply with the internal control rules defined by Hermès International, also coordinates the work of a team comprising over ten auditors (in France, New York, Hong Kong, Shanghai and Tokyo). This staffing is consistent with good practice observed in France. Hermès International auditors apply the four principles laid down by the IFACI (French Audit and Internal Control Institute) Code of Conduct: integrity, objectivity, confidentiality and expertise. The Department reports to the Group's Executive Committee, which guarantees its independence, namely from operations, and has unlimited authority to review any matter at its discretion. The Head of Audit and Risk Management attends Audit Committee meetings and meets with its Chairman on a regular basis.

Auditors work on the basis of an audit plan approved by the Executive Management, which is drawn up yearly and may be adjusted every six months if required. The Audit and Risk Management Department conducts different types of audits: general internal control audits, security audits (designed primarily to assess internal controls applied to cash and inventory management), organisational audits and special assignments carried out at the Executive Management's request.

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. The audit reports are sent to the managers of the audited subsidiaries or departments and to the Group's general management or Executive Management.

Specialised audits (mainly IT system, labour and environmental audits) are also conducted from time to time by the Company's different functional departments, with the help of third-party consultants specialised in those areas, when necessary.

In 2009, the Group's internal auditors divided their time between internal audits of risk analysis actions (risk mapping) and projects designed to enhance the internal control system. Most of their audits focused on distribution activities.

These audits and projects were carried out in all regions where the Group is active. The Audit and Risk Management Department also participated in Group risk management (see above). In 2009, because of the alerts on the risks of a flu pandemic, special attention was paid to business continuity plans across the Group.

The Audit and Risk Management Department prepares an annual report that is circulated to members of the Executive Committee and to the Audit Committee.

Lastly, as part of the account certification process, the external auditors perform an independent audit of accounting and financial processes and of financial statement preparation procedures.

Their findings are a source of valuable information that the organisation can draw on to adjust its internal control systems if needed. The external auditors also periodically review one or more aspects of the internal control system within the Group's main entities in order to adjust their audit work on the accounts. They also validate certain aspects of the system and submit recommendations on internal control to Hermès International.

• Information on the 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. Its goal is to ensure stringent financial oversight of the Company's business activities. It encompasses all processes involved in producing and reporting accounting and financial information. It is based on an overall system that comprises an appropriate and effective information system organisation and a set of oversight, monitoring and control policies and procedures. The internal control system applicable to accounting and financial information is also designed 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 when such information is used to prepare published accounting and financial information;

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

Oversight of the accounting and financial organisation

Procedures for oversight of the accounting and financial organisation have been instituted to ensure that Company accounting and financial policy is properly applied, to manage resources and to handle certain requirements, so as to meet the Executive Management's goals. The Hermès Group 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, comprising the Executive Chairmen and the Executive Committee, which consists of six Managing Directors, each of whom has well-defined areas of responsibility. As part of the year-end financial statement review and approval process, for which it is responsible, 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, and details on the composition of earnings and on the presentation of the statement of financial position and the notes to the financial statements. It analyses the subsidiaries' accounts on a regular basis and meets with their senior executives from time to time, particularly during the budget preparation and account closing periods. Lastly, it reviews the findings of the statutory auditors;

– The Supervisory Board, which exercises ongoing control over the Company's management. By consulting the Executive Management, the Board can verify that oversight and control systems are adequate to ensure that the financial information published by the Company is reliable. The Audit Committee is responsible for ensuring that controls are carried out on: the financial information preparation process, the effectiveness of the internal control and risk management systems, the statutory audit of the parent company and consolidated financial statements, and the independence of the Statutory Auditors and the terms of renewal of their appointments;

– 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;

– Within the Group Finance Department, the Management Control and Consolidation Department and Financial Control Department, which also carry out many controls designed 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.

The overall reporting and consolidation process is reviewed on an annual basis for all the subsidiaries. This annual review looks at any problems that have been encountered and identifies areas that could be improved.

The review report is submitted to the Managing Director in charge of Finance and Administration.

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 at the reporting dates and from time to time on any matter related to financial information;

– 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 numerous controls at different levels, which are designed to ensure the reliability of financial information. Reliability in preparation of the consolidated accounts is ensured by the use of an integrated software system across the entire Group for both financial management and financial reporting. Moreover, at each year-end closing date, the managing directors and finance Directors of each subsidiary are required to provide a letter of affirmation in which they guarantee the reliability of financial information and internal control.

As the parties responsible for internal and financial control of the parent company and the main entity within the Group, the Finance Departments of Hermès International and Hermès Sellier analysed their control of financial and accounting information based on the "Application Guide" associated with the "Reference Framework" published by the AMF, using a questionnaire containing over 200 questions.

The Audit and Risk Management Department also plays a key role in internal control of accounting and financial information. It conducts audits of different subsidiaries to assess the quality of their internal control system and to issue recommendations to help operations managers improve the effectiveness and reliability of their internal controls.

• Due diligence carried out in preparing this report

The Chairman of the Supervisory Board has drawn the information contained in this report primarily from the following sources:

– meetings with the Executive Management held on a regular basis;

– interviews with the Chairman of the Audit Committee, which is responsible for monitoring preparation of this report, and with the Statutory Auditors;
– exchanges of information with the Head of the Audit and Risk Management Department;
– internal documents, issued by the chief operating and financial officers, detailing their responsibilities in the area of internal control, in particular with respect to the accounts, on which these officers report at the appropriate level; and
– more generally, his knowledge of his company.

• A process of continuous improvement

Hermès has initiated a process designed to enhance and update its internal control system, as it has in most other areas of its operations.

In 2010, its work in this area will focus primarily on:
– drawing up new risk maps for entities that have not undergone this procedure for at least three years;
– continuing work on the major risks to which the Group is exposed (action plans and crisis management);
– auditing of subsidiaries and industrial processes;
– continuing deployment of CHIC Boutique questionnaires in the Asia region;
– developing new questionnaires pertaining to internal control, particularly in the area of treasury management; and
– automating the audit recommendation follow-up procedure.

The Chairman of the Supervisory Board

Supervisory Board Rules of Procedure

(Version: 24 March 2010)

PURPOSE

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

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

TITLE I – SUPERVISORY BOARD

A - Composition of the Board

Article 1 - *Ownership by Board members of a minimum number of shares in the Company*

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 objectivity 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 Emile Hermès SARL, Active Partner;

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

• Procedure for qualifying members as "independent directors"

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

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

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

• Proportion of independent members on the Board

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

Article 3 - *Code of conduct of Board members and of their permanent representatives*

• Compliance with professional secrecy and confidentiality undertakings

Board members are required to keep fully confidential all information that has not been publicly disclosed and to take the necessary measures to protect the confidentiality of the documents they receive.

• Involvement – attendance

Board members are expected to dedicate the time and attention needed to fulfil their duties.

They are expected to diligently attend and to participate in all meetings of the Board and of the Board Committees on which they, as well as all general meetings of shareholders.

• Loyalty and good faith

In carrying out their duties and responsibilities, Board members shall act loyally and in good faith and shall not do anything that may be detrimental to the Company's interests, and they shall act in good faith in all circumstances.

• Compliance with laws and regulations

Board members shall familiarise themselves with the summaries prepared, presented and updated by the Legal Department on regulations governing:

– the use or disclosure of privileged information (insider trading);

– share ownership threshold disclosures;

– disclosure requirements applicable to senior executives.

They shall comply with all such laws and regulations.

• Conflict of interests

Board members must disclose to the Board any conflict of interest situation, whether existing or potential, and must abstain from voting on decisions involving any such situation.

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.

C - Assessment of the Board by its members

The Board periodically carries out assessments of its performance covering its areas of responsibility and its commitment, by using an assessment matrix.
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.

TITLE II – SPECIAL COMMITTEES OF THE SUPERVISORY BOARD

The Board may create special Board committees, to which it appoints members and the chairman. These committees operate under the collective and exclusive responsibility of the Supervisory Board. Their duty is to review and prepare certain Board deliberations and to submit their opinions, proposals and recommendations to the Board.
As of this date, 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 the Compensation and Appointments Committee on 18 March 2009 and the 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.

TITLE III – COMMON PROVISIONS

Article 1 – *Compensation and directors' fees payable to Board and Board Committee members*
The principles for allotting directors' fees and other compensation adopted by the Board are as follows:
– €100,000 fixed component for the Supervisory Board Chairman's compensation, with no variable component since he is required to chair all meetings;
– €15,000 for the fixed component and €1,000 for the variable component per meeting, up to a maximum of five meetings per year, for each Vice-Chairman of the Supervisory Board;
– €15,000 for the fixed component and €1,000 for the variable component per meeting, up to a maximum of five meetings per year, for other Supervisory Board members;
– €20,000 for the fixed component and no variable component for the Chairmen of the Audit Committee and the Compensation, Appointments and Governance Committee;
– €10,000 for the fixed component and no variable component for the other members of the Audit

Committee and of the Compensation, Appointments and Governance Committee;

– If a member is appointed during the year, the outgoing member and his successor will share the fixed component and the variable component will be allotted based on each member's 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 reimbursements for 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.

There is a ceiling on such reimbursements and they may not exceed the following amounts per Board meeting:

LOCATION OF PRINCIPAL RESIDENCE	CEILING
Europe (including France)	€1,200
North Africa and Middle East	€2,300
Americas	€4,500
Asia-Pacific	€4,500

These reimbursements apply only to meetings of the Board and Board committees, and do not apply to General Meetings of shareholders in any circumstance.

The corporate governance principles established by the Company are described in the Report from the Chairman of the Supervisory Board, on pages 18 to 37.

COMPOSITION AND OPERATION OF THE ADMINISTRATIVE, EXECUTIVE AND SUPERVISORY BODIES

The composition of the management bodies appears in Volume 1, pages 10 to 13 of the Annual Report. Their operation is described on pages 10 to 14 and 21.

Changes during the year

No change occurred in the composition of the administrative, management, and supervisory bodies during 2009.

INFORMATION ON CORPORATE EXECUTIVE OFFICERS AND SUPERVISORY BOARD MEMBERS

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

Executive Chairmen

Mr Patrick Thomas, a French national, age 63 in 2010, is not related to the Hermès family. He served as Managing Director of Hermès International from 1989 until 1997. He is a graduate of École Supérieure de Commerce de Paris (ESCP). He was Chairman of the Lancaster Group from 1997 until 2000 and Chairman and Chief Executive Officer of William Grant & Sons of the UK from 2000 until 2003. He returned to the Hermès Group on 15 July 2003 as Managing Director of Hermès International and was appointed Executive Chairman on 15 September 2004 for an open-ended term of office.
As at 31 December 2009, he held full legal title to 3,503 Hermès International shares.

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

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

Active Partner

Émile Hermès SARL is a *société à responsabilité limitée à capital variable* (limited company with variable capital). Its partners are the direct descendants of Émile-Maurice Hermès and his spouse. Émile Hermès SARL's Executive Manager is Mr Bertrand Puech, a grandson of Émile Hermès. The company is governed by a Management Board. Émile Hermès SARL's primary corporate purpose is to serve as Active Partner of Hermès International.
The Company's *modus operandi* is described on pages 13-14.
Émile Hermès SARL has been an active partner of Hermès International since 27 December 1990. Émile Hermès SARL was appointed Co-Executive Chairman on that date and held that office until 31 December 1994. Émile Hermès SARL was again appointed Co-Executive Chairman of Hermès International on 1 April 2006 for an open-ended term.
As at 31 December 2009, Émile Hermès SARL held full legal title to 128,000 Hermès International shares.
It does not now hold nor has it in the past held any offices in any other company.

Summary information on corporate executive officers and Supervisory Board members

Last name	Date of birth	Age in 2010	Office	Date first appointed	Term of office	Years in office in 2010
Patrick Thomas	16/06/1947	63	Executive Chairman	15/09/2004	Open-ended	6
Émile Hermès SARL			Executive Chairman	01/04/2006 (and 1990-1994)	Open-ended	
Jérôme Guerrand	15/10/1944	66	Chairman of the Supervisory Board	27/12/1990	2011 AGM	20
Maurice de Kervénoaël	28/09/1936	74	Vice-Chairman of the Supervisory Board	02/06/2005	2011 AGM	5
			Supervisory Board member	03/06/2003 (et de 1995 à 2001)	2011 AGM	7
			Audit Committee Chairman	26/01/2005	2011 AGM	5
Ernest-Antoine Seillière	20/12/1937	73	Vice-Chairman of the Supervisory Board	02/06/2005	2011 AGM	5
			Supervisory Board member	31/05/1995	2011 AGM	15
			Chairman, Compensation, Appointments and Governance Committee	26/01/2005	2011 AGM	5
Charles-Éric Bauer	09/01/1964	46	Supervisory Board member	03/06/2008	2011 AGM	2
			Audit Committee member	26/01/2005	2011 AGM	5
Matthieu Dumas	06/12/1972	38	Supervisory Board member	03/06/2008	2011 AGM	2
			Member, Compensation, Appointments and Governance Committee	03/06/2008	2011 AGM	2
Julie Guerrand	26/02/1975	35	Supervisory Board member	02/06/2005	2011 AGM	5
			Audit Committee Member	26/01/2005	2011 AGM	5
Renaud Momméja	20/03/1962	48	Supervisory Board member	02/06/2005	2011 AGM	5
			Audit Committee Member	03/06/2008	2011 AGM	2
Robert Peugeot	25/04/1950	60	Supervisory Board member	24/01/2007	2011 AGM	3
			Member, Compensation, Appointments and Governance Committee	03/06/2008	2011 AGM	2
			Audit Committee Member	03/06/2008	2011 AGM	2
Guillaume de Seynes	14/10/1957	53	Supervisory Board member	03/06/2008	2011 AGM	2

Supervisory Board

M. Jérôme Guerrand, who will turn 66 in 2010, is a French national and a direct descendant of Mr Émile-Maurice Hermès. He has served as Chairman of the Supervisory Board since 27 December 1990.
Mr Guerrand trained as an attorney and was a senior executive in the banking industry for over 25 years.
As at 31 December 2009, he held full legal title to 107,096 Hermès International shares.
His term of office as Member of the Supervisory Board will expire at the end of the Annual General Meeting convened to approve the financial statements for 2010.

M. Maurice de Kervénoaël, a French national who will be 74 in 2010, is not related to the Hermès family. He has been a Member of the Supervisory Board since 3 June 2003 and previously held that office from 1995 until 2001. He was appointed Vice-Chairman of the Supervisory Board on 2 June 2005.

Mr de Kervénoaël has also served as Chairman of the Audit Committee since its inception on 26 January 2005.

He is a graduate of École des Hautes Études Commerciales (HEC).

He is currently the Executive Manager of MDK Consulting., Chairman of the Supervisory Board of Champagnes Laurent-Perrier and Director of Holding Reinier (Groupe Onet).

As at 31 December 2009, he held full legal title to 203 Hermès International shares.

His term of office as Member of the Supervisory Board will expire at the end of the Annual General Meeting convened to approve the financial statements for 2010.

M. Ernest-Antoine Seillière, a French national, age 73 in 2010, is not related to the Hermès family and is deemed to be an independent director based on the criteria adopted by the Company. He has been Vice-Chairman of the Supervisory Board since 2 June 2005 and a member of the Supervisory Board since 31 May 1995. He is also Chairman of the Compensation Committee (now the Compensation, Appointments and Governance Committee) since its inception on 26 January 2005.

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

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

As at 31 December 2009, he held full legal title to 230 Hermès International shares.

His term of office as Member of the Supervisory Board will expire at the end of the Annual General Meeting convened to approve the financial statements for 2010.

M. Charles-Éric Bauer, a French national, age 46 in 2010, is a direct descendant of Mr Émile-Maurice Hermès. He has been a Member of the Supervisory Board since 3 June 2008. Mr Bauer has also served as member of the Audit Committee since its inception on 26 January 2005.

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

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

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

At 31 December 2009, he held full legal title to 96,048 Hermès International shares and was the reversionary owner of 300,000 shares.

His term of office as Member of the Supervisory Board will expire at the end of the Annual General Meeting convened to approve the financial statements for 2010.

M. Matthieu Dumas, age 38 in 2010, is a direct descendant of Mr Émile-Maurice Hermès. He has been a member of the Supervisory Board and of Compensation, Appointments and Governance Committee since 3 June 2008.

He holds a Master of Law degree from Université Paris II-Assas and a Master of Management degree majoring in strategic marketing, development and corporate communication from the Institut Supérieur de Gestion.

From 2001 to 2003, he served as Head of Promotion and Partnerships at Cuisine TV (Canal+ Group), then as Marketing and Business Development from 2003 to 2006. In 2008, he was appointed Head of Brands at 13e Rue, NBC Universal Group.

He holds full legal title to 213 Hermès International shares.
His term of office as Member of the Supervisory Board will expire at the end of the Annual General Meeting convened to approve the financial statements for 2010.

M^{lle} Julie Guerrand, a French national, age 35 in 2010, is a direct descendant of Mr Émile-Maurice Hermès. She has been a Member of the Supervisory Board since 2 June 2005. Ms Guerrand has also served as member of the Audit Committee since its inception on 26 January 2005.
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. Since March 2007, she has been Director of Equity Investments at Paris Orléans, a holding company listed on Euronext and controlled by the Rothschild family.
As at 31 December 2009, she held full legal title to 14,100 Hermès International shares.
Her term of office as Member of the Supervisory Board will expire at the end of the Annual General Meeting convened to approve the financial statements for 2010.

Mr Renaud Momméja, 48 in 2010, is a direct descendant of Mr Émile-Maurice Hermès. He has been a member of the Supervisory Board since 2 June 2005. He has also served as Audit Committee Member since 3 June 2008.
He is a graduate of École Supérieure Libre des Sciences Commerciales Appliquées (ESLSCA).
He served as Marketing Director at Carat Local Agence Conseil Media, then as Director of Carat Sud-Ouest and lastly, as Associate Director of Marand Momméja Associés Marketing Consultants. He is currently Executive Manager of SARL Tolazi, a corporate organisation and strategy consulting firm.
As at 31 December 2009, he held full legal title to 121,139 Hermès International shares and was the reversionary owner of 65,610 shares.
His term of office as Member of the Supervisory Board will expire at the end of the Annual General Meeting convened to approve the financial statements for 2010.

Mr Robert Peugeot, a French national, age 60 in 2010, 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.
He holds degrees from École Centrale de Paris and from the graduate business school INSEAD (Institut Européen d'Administration des Affaires).
From 1998 until January 2007, he held various positions within the PSA Peugeot Citroën Group, where he served as member of the Executive Committee and was in charge of innovation and quality. He has been a Supervisory Board member of Peugeot SA since February 2007 and Chairman of the Strategic Committee since December 2009. He has also served as a Director of Faurecia since February 2007.
He has been a Director of société Foncière, Financière et de Participations – FFP since 1979 and has served as its Chairman and CEO since 2002. FFP is the largest shareholder of Peugeot S.A. and has developed a diversified portfolio of equity holdings. In this capacity, Mr Peugeot sits on the Board of Directors or Supervisory Board of the following

companies: IDI Emerging Markets, Sanef, Zodiac and Holding Reinier, DKSH in Switzerland and FCC in Spain.
He is also an independent director of Imerys SA and of Sofina (Belgium).
As at 31 December 2009, he held full legal title to 200 Hermès International shares.
His term of office as Member of the Supervisory Board will expire at the end of the Annual General Meeting convened to approve the financial statements for 2010.

Mr Guillaume de Seynes, a French national, age 53 in 2010, is a direct descendant of Mr Émile-Maurice Hermès. He has been a Member of the Supervisory Board since 3 June 2008.
He holds a Master of Law degree and is a graduate of ESSEC.
From 1999 to 2004, he was Managing Director, La Montre Hermès. From 2004 to 2006, he served as Managing Director, Hermès Sellier business sectors.
Mr de Seynes is Deputy Managing Director at Hermes International and has been a member of the Group's Executive Committee since April 2006.
As at 31 December 2009, he held full legal title to 200 Hermès International shares.
His term of office as Member of the Supervisory Board will expire at the end of the Annual General Meeting convened to approve the financial statements for 2010.

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

A list of all offices and positions held by each corporate executive officer and Supervisory Board member over the past five years is provided in the annexes to the Management Report on pages 61 to 69.

STATEMENTS BY CORPORATE EXECUTIVE OFFICERS AND SUPERVISORY BOARD MEMBERS

According to the statements made by the corporate officers and directors:
– 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

The Company did not enter into any transactions with its corporate executive officers or Supervisory Board members, other than ordinary transactions conducted on an arm's length basis. Neither did the Company grant any loans or guarantees to

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

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

Transaction date	Name and office held	Description of transaction	Type of instrument	Unit price	Transaction amount
5 January 2009	Édouard Guerrand, Member of the Management Board of Émile Hermès SARL	Sale	Shares	€102.50	€256,250.00
23 February 2009	Jakyval, legal entity related to Jérôme Guerrand, Chairman of the Supervisory Board	Purchase (sale with repurchase agreement)	Shares	€70.55	€2,469,250.00
27 February 2009	Pierre-Alexis Dumas, Executive Committee Member	Sale	Other financial instruments	€1.7514	€199,659.60
20 March 2009	Jakyval, legal entity related to Jérôme Guerrand, Chairman of the Supervisory Board	Exchange	Shares	€74.66	€355,809,401.08
20 March 2009	Julie Guerrand, Supervisory Board member	Exchange	Shares	€74.66	€38,965,800.60
7 April 2009	Jérôme Guerrand, Chairman of the Supervisory Board	Sale	Shares	€86.45	€27,540,549.40
7 April 2009	Jakyval, legal entity related to Jérôme Guerrand, Chairman of the Supervisory Board	Acquisition	Shares	€86.45	€27,540,549.40
22 April 2009	Édouard Guerrand, Management Board member	Sale	Shares	€92.97	€371,880
24 April 2009	Jérôme Guerrand, Chairman of the Supervisory Board	Other (sale of call)	Other financial instruments	€6.50	€130,000.00
30 April 2009	Jakyval, legal entity related to Jérôme Guerrand, Chairman of the Supervisory Board	Exchange	Shares	€102.24	€26,582,400.00
30 April 2009	Jérôme Guerrand, Chairman of the Supervisory Board	Exchange	Shares	€102.24	€26,582,400.00
4 May 2009.	Jakyval, legal entity, related to Jérôme Guerrand, Chairman of the Supervisory Board	Exercise of option to buy back shares sold under repurchase agreement of 23 February 2009	Shares	€70.55	€2,469,250.00
8 September 2009	Guillaume de Seynes, Deputy Managing Director, Supervisory Board member	Purchase	Shares	€99.12	€16,850.40
11 September 2009	Ernest-Antoine Seillière, Vice-Chairman of the Supervisory Board	Purchase	Shares	€101.10	€20,461.82
25 November 2009	Robert Peugeot, Supervisory Board member	Purchase	Shares	€95.98	€18,236.20

No other corporate executive officer (Executive Chairman or Supervisory Board member of Hermès International reported any trades in Hermès International shares in 2009.

No other member of senior management (Executive Committee member) of Hermès International reported any trades in Hermès International shares in 2009.

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

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

As of 31 December 2009, 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 votes	%	Number of shares	%	Number of votes	%
Share capital as at 31/12/2009	**105,569,412**	**100.00%**	**167,721,622**	**100.00%**	**105,569,412**	**100.00%**	**167,721,622**	**100.00%**
Executive Management								
Émile Hermès SARL	128,000	0.12%	203,000	0.12%	128,000	0.12%	203,000	0.12%
Patrick Thomas	3,503	0.00%	3,503	0.00%	3,503	0.00%	3,503	0.00%
Supervisory Board members								
Matthieu Dumas	213	0.00%	216	0.00%	213	0.00%	216	0.00%
Jérôme Guerrand	107,096	0.10%	214,192	0.13%	107,096	0.10%	214,192	0.13%
Julie Guerrand	14,100	0.01%	28,200	0.02%	14,100	0.01%	28,200	0.02%
Charles-Éric Bauer	96,048	0.09%	192,078	0.11%	396,048	0.38%	792,078	0.47%
Maurice de Kervénoaël	203	0.00%	206	0.00%	203	0.00%	206	0.00%
Renaud Momméja	121,139	0.10%	226,143	0.13%	186,749	0.16%	357,363	0.20%
Robert Peugeot	200	0.00%	200	0.00%	200	0.00%	200	0.00%
Ernest-Antoine Seillière	230	0.00%	260	0.00%	230	0.00%	260	0.00%
Guillaume de Seynes	200	0.00%	230	0.00%	200	0.00%	230	0.00%
Executive Committee (excluding the Executive Chairmen and Supervisory Board members)								
Patrick Albaladejo	–	0.00%	–	0.00%	–	0.00%	–	0.00%
Beatriz González-Cristóbal Poyó [2]	–	0.00%	–	0.00%	–	0.00%	–	0.00%
Pierre-Alexis Dumas	114,000	0.11%	114,000	0.07%	2,636,700	2.50%	5,159,400	3.08%
Mireille Maury	–	0.00%	–	0.00%	–	0.00%	–	0.00%
Mineaki Saito	7,200	0.01%	7,200	0.00%	7,200	0.01%	7,200	0.00%

(1) The method of allocating voting rights is described on page 72.
(2) Executive Committee Member since 1 February 2009.

the corporate executive officers or Supervisory Board members.

No corporate executive officer or Supervisory Board member has reported any conflict of interest between the Company's interests and his or her own personal interests.

No corporate executive officer or Supervisory Board member is bound to the Company or any of its subsidiaries by any service contract providing that he or she would receive benefits.

COMPENSATION AND BENEFITS PAID TO CORPORATE EXECUTIVE OFFICERS

The tables cited and presented on pages 54 to 60 have been numbered by reference to the AMF's recommendation of 22 December 2008 on information on executive compensation to be disclosed in shelf-registration documents, except Tables 11 and 12, which were numbered by the Company.

The Executive Chairmen, the Active Partner and the members of the Supervisory Board are shareholders and as such, they received a dividend of €1.03 per share in 2009.

Executive Chairmen

• Compensation and benefits in kind

Each Executive Chairman has the right to receive certain compensation under Article 17 of the Articles of Association, and may also receive additional compensation, the maximum amount of which is determined by the Ordinary General Meeting with the unanimous approval of the active partners.

The gross annual compensation of each Executive Chairman provided by the Articles of Association is capped at 0.20% of the Company's consolidated income before tax in the previous financial year.

Within the ceiling set forth herein, which amounts to €910,758 for 2009, the Management Board of the Active Partner Émile Hermès SARL determines the effective amount of the annual compensation pursuant to the Articles of Association payable to each Executive Chairman.

The Ordinary General Meeting of 31 May 2001 decided to allocate to each Executive Chairman gross annual compensation in addition to their compensation pursuant to the Articles of Association, subject to a ceiling of €457,347.05. This ceiling is indexed each year, but it can only be adjusted upwards. Since 1 January 2002, this amount has been indexed to growth in the Company's consolidated revenue for the previous financial year at constant exchange rates and on the same scope of consolidation, by comparison with revenue for the next to last financial year. Within the limits of the ceiling defined above, which for 2009 was €877,037, the Management Board of Émile Hermès SARL, Active Partner, sets the effective amount of the annual additional compensation payable to each Executive Chairman.

Both the compensation provided by the Articles of Association and the additional compensation are in the nature of "variable" salaries, since the calculation methods provided merely constitute ceilings subject to which the Active Partner is free to set the actual compensation of the Executive Chairmen as it sees fit.

Thus, Executive Chairmen are not guaranteed any minimum compensation.

In order to make it easier to understand the manner of calculation of the compensation of the Executive Chairmen, the Company has always described their additional compensation, before indexation, as "fixed compensation", by analogy with market practices.

Mr Patrick Thomas proposed that the increase in the compensation of Executive Chairmen for 2009 be limited to 4%, and the Management Board of Émile Hermès SARL adopted this proposal at its meeting on 17 March 2009. In 2009, each Executive Chairman therefore actually received compensation pursuant to the Articles of Association of €893,124, and additional remuneration of €796,260.

Mr Patrick Thomas further proposed that the increase in the Executive Chairmen's compensation for 2010 be limited to 1.6%, and the Management Board of Émile Hermès SARL adopted this proposal at its meeting on 23 March 2010. In 2010, each Executive Chairman will therefore actually receive compensation pursuant to the Articles of Association of €887,338, and additional remuneration of €829,256 (not including benefits in kind).

A breakdown of effective compensation paid to the Executive Chairmen set by the Management Board of Émile Hermès SARL for the last two years is provided in Tableau 2 on page 54.

Each year, the Compensation, Appointments and Governance Committee the Supervisory Board of Hermès International is responsible for ascertaining that compensation paid to the Executive

Chairmen complies with the provisions of the Articles of Association and the decisions made by the Active Partner.

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

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

• Pension plan

Mr Patrick Thomas is eligible for the top-up pension scheme for senior management that was instituted in 1991.

Under this scheme, an annual pension is paid which is calculated on the basis of years of service and annual compensation. The payments amount to a percentage of compensation for each year of service.

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

The total amount accrued to reserves for this purpose is shown in Note 29 of the Consolidated Financial Statements on page 169.

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

• Deferred compensation obligations

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

This commitment is subject to his meeting the following performance conditions, so that the conditions governing his departure are in keeping with the Company's situation: he must meet projected targets (sales and operating profit growth targets measured at constant exchange rates) in at least four of the previous five years, with no deterioration in the Hermès brand image.

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

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

– from a decision taken by the Company.

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

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

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

This paragraph only concerns Mr Patrick Thomas, a natural person, in his capacity as Executive Chairman.

No options to subscribe for or to purchase shares were granted to Mr Patrick Thomas in 2009.

As at 31 December 2009, he held no options to subscribe for new shares and held 41,000 options to purchase existing shares of Hermès International.

Mr Patrick Thomas did not exercise any options to subscribe for new shares or to purchase existing shares of Hermès International in 2009.

Pursuant to Article L225-185, paragraph4 of the Code de Commerce, at its meeting on 23 January 2008, the Supervisory Board decided that Mr Patrick Thomas could sell no more than 50% of shares in the Company obtained from the exercise of stock options before the end of his term of office as Executive Chairman.

The Supervisory Board confirmed this restriction at its meeting on 20 January 2010.

No performance shares were allocated to Mr Patrick Thomas in 2009.

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

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

Active partner

Under the terms of Article L 26 of the articles of association, the Company pays 0.67% of the distributable profits to the active partners. The amounts paid in respect of 2008 and 2009 are shown in the table below.

Compensation of the Active Partner	Distribution of profits in respect of the previous year	
	2009	2008
Émile Hermès SARL	€1,725,135.11	€1,318,513.41

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

• Compensation

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

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

Since 2008, the rules for the allotment of directors' fees include a variable component based on attendance at meetings.

The Supervisory Board adopted the following rules for the allotment of Directors' fees and compensation in respect of 2009:

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

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

– €12,000 for the fixed component and €1,000 for the variable component per meeting, up to a maximum of five meetings per year, for other Supervisory Board members;
– €10,000 for the fixed component and no variable component for the Chairmen of the Audit Committee and the Compensation, Appointments and Governance Committee;
– €5,000 for the fixed component and no variable component for the other members of the Audit Committee and the Compensation, Appointments and Governance Committee;
– if a member is appointed during the year, the outgoing member and his successor will share the fixed component and the variable component will be allotted based on their attendance at meetings;
– members of Hermès International's Executive Committee do not receive any directors' fees.

The total amount of directors' fees and compensation paid to the Supervisory Board members was set at €282,000 by the Ordinary General Meeting of 2 June 2009.

On 20 January 2010, the Supervisory Board allotted the total annual amount of directors' fees and compensation approved by the General Meeting based on the rules set out above and paid out an amount of €266,000.

A proposal to increase total directors' fees and compensation to €400,000 is submitted to the General Meeting see page 207).

Table 3 on page 55 shows compensation and benefits of all kinds due and/or paid to the corporate executive officers in respect of their office by Hermès International and the companies under its control.

Mr Guillaume de Seynes was covered by an employment agreement in respect of his office as Deputy Managing Director before he was appointed Supervisory Board member. He continues to be covered by this employment agreement and, in this respect, receives compensation that is not tied to the corporate office he holds in the Company.

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

No options to subscribe for or to purchase shares were allotted to Supervisory Board members during 2009, nor were any such options exercised by those persons.

No bonus shares were granted to any Supervisory Board member during 2009.

OPTIONS TO SUBSCRIBE FOR AND/OR TO PURCHASE SHARES AS AT 31 DECEMBER 2009

The shareholders authorised Executive Management:
– to grant options to subscribe for new shares and/or options to purchase existing shares, at the Extraordinary General Meeting of 25 May 1998;
– to grant options to subscribe for new shares and/or options to purchase existing shares to certain employees and corporate executive officers of Hermès International and of affiliated companies, at the Extraordinary General Meetings of 3 June 2003, 6 June 2006 and 2 June 2009.

The Executive Management did not allot any stock options in 2009.

During the year ended 31 December 2009, options were exercised entitling the holders to subscribe for 19,400 shares with a par value of €0.51 each, resulting in a capital increase of €9,894. The Executive Management formally noted this increase in its decisions of 6 July 2009.

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

– the number of shares to which all outstanding stock options entitle the holder 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 2009 and reflecting these adjustments is shown in Table 8 on page 57.

As at 31 December 2009, there were no outstanding options to subscribe for shares liable to give rise to a capital increase.

Table 9 on page 59 shows the 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.

BONUS SHARE DISTRIBUTIONS

In accordance with Article L 225-197-4 of the Code de Commerce, we hereby report to you on bonus shares granted during 2009.

The Executive Management has been authorised to allot bonus shares, on one or more occasions, to some or all employees and/or senior executives of the Company or companies affiliated therewith, by granting existing shares in the Company for no consideration:

– by the Extraordinary General Meeting of 6 June 2006 (tenth resolution);

– by the Extraordinary General Meeting of 5 June 2007 (fifteenth resolution);

– by the Extraordinary General Meeting of 2 June 2009 (fifteenth resolution)

The total number of shares allotted for no consideration 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.

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 and 2 June 2009 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 in 2009.

Information on the terms and conditions applying to bonus share plans appears in Table 11 on page 60.

Information on bonus shares granted to the ten non-executive employees who received the largest number of shares appears in Table 12 en page 60.

Bonus share distributions do not dilute the share capital because they consist exclusively of existing shares in the Company. Their value as of the allotment date and in accordance with the method used to recognise them in the consolidated financial statements is shown in Note 30.3 to the Consolidated Financial Statements on page 170).

TABLES DRAWN UP BY REFERENCE TO THE AMF'S RECOMMENDATION OF 22 DECEMBER 2008 ON INFORMATION REGARDING EXECUTIVE COMPENSATION TO BE DISCLOSED IN SHELF-REGISTRATION DOCUMENTS

Table 1

Summary of compensation, stock options and shares granted to each Executive Chairman	2009	2008
Mr Patrick Thomas		
Compensation due in respect of the year (detailed in Table 2)	€1,689,384	€1,624,405
Value of stock options granted during the year (detailed in Table 4)	n/a	€262,683
Value of performance shares granted during the year (detailed in Table 6)	n/a	n/a
Total	**€1,689,384**	**€1,887,088**
Émile Hermès SARL		
Compensation due in respect of the year (detailed in Table 2)	€1,689,384	€1,624,405
Value of stock options granted during the year (detailed in Table 4)	n/a	n/a
Value of performance shares granted during the year (detailed in Table 6)	n/a	n/a
Total	**€1,689,384**	**€1,624,405**

n/a: not applicable.

Table 2

Gross annual compensation paid to the Executive Chairmen	2009			2008		
	Ceilings set by the Articles of Association or by the shareholders	Amounts due (or granted) by the Management Board (1)	Amounts paid	Ceilings set by the Articles of Association or by the shareholders	Amounts due (or granted) by the Management Board (1)	Amounts paid
Mr Patrick Thomas						
Variable compensation provided by the Articles of Association	€910,758	€893,124	€893,124	€875,186	€858,774	€858,774
Additional compensation	€877,037	€796,260	€796,260	€807,808	€765,631	€765,631
Fixed component	*€807,808*	*€765,631*	*€765,631*	*€729,172*	*€729,172*	*€729,172*
Component indexed to revenue growth	*€69,229*	*€30,609*	*€30,629*	*€78,636*	*€36,459*	*€36,459*
Exceptional compensation	–	–	–	–	–	–
Directors' fees	n/a	n/a	n/a	n/a	n/a	n/a
Benefits in kind	n/a	n/a	€3,924	n/a	n/a	€3,388
Émile Hermès SARL						
Variable compensation provided by the Articles of Association	€910,758	€893,124	€893,124	€875,186	€858,774	€858,774
Additional compensation	€877,037	€796,260	€796,260	€807,808	€765,631	€765,631
Fixed component	*€807,808*	*€765,631*	*€765,631*	*€729,172*	*€729,172*	*€729,172*
Component indexed to revenue growth	*€69,229*	*€30,609*	*€30,629*	*€78,636*	*€36,459*	*€36,459*
Exceptional compensation	–	–	–	–	–	–
Directors' fees	n/a	n/a	n/a	n/a	n/a	n/a
Benefits in kind	n/a	n/a	n/a	n/a	n/a	n/a

(1) Management Board decision of 17 March 2009.
(2) Management Board decision of 18 March 2008.
n/a: not applicable.

Table 3

Directors' fees and other compensation received by Hermès International Supervisory Board members Directors' fees received by non-executive corporate officers of companies controlled by Hermès International	Amounts paid in 2010 in respect of 2009	Amounts paid in 2009 in respect of 2008	Amounts paid in 2008 in respect of 2008
Total amount of Directors' fees and compensation approved by the shareholders of Hermès International	€282,000	242,000 €	–
Total amount of Directors' fees and compensation actually paid by Hermès International	€266,000	€234,000	–
Mr Jérôme Guerrand			
Compensation as Chairman of the Supervisory Board	€100,000	€60,000	–
Directors' fees - Hermès International	–	–	–
Directors' fees - Hermès Sellier	€5,000	–	€10,000
Directors' fees - Comptoir Nouveau de la Parfumerie	€10,000	–	€10,000
Mr Maurice de Kervénoaël			
Compensation as Audit Committee Chairman	€10,000	€10,000	–
Directors' fees - Hermès International			
- fixed component	*€15,000*	*€15,000*	–
- variable component based on attendance	*€4,000*	*€5,000*	–
Directors' fees - Comptoir Nouveau de la Parfumerie	€10,000	–	€10,000
Mr Ernest-Antoine Seillière			
Compensation as Chairman of the Compensation, Appointments and Governance Committee	€10,000	€10,000	–
Directors' fees - Hermès International			
- fixed component	*€15,000*	*€15,000*	–
- variable component based on attendance	*3,000 €*(1)	*€4,000*	–
Mr Charles-Éric Bauer			
Compensation as Audit Committee Member	€5,000	€5,000	–
Directors' fees - Hermès International			
- fixed component	*€12,000*	*€6,000*	–
- variable component based on attendance	*€4,000*	*€3,000*	–
Directors' fees - Hermès Sellier	–	–	€5,000
Mr Matthieu Dumas			
Compensation as member of the Compensation, Appointments and Governance Committee	€5,000	€2,500	–
Directors' fees - Hermès International			
- fixed component	*€12,000*	*€6,000*	–
- variable component based on attendance	*€4,000*	*€3,000*	–
Ms Julie Guerrand			
Compensation as Audit Committee Member	€5,000	€5,000	–
Directors' fees - Hermès International			
- fixed component	*€12,000*	*€12,000*	–
- variable component based on attendance	*€4,000*	*€5,000*	–
Mr Renaud Momméja			
Compensation as Audit Committee Member	€5,000	€2,500	–
Directors' fees - Hermès International			
- fixed component	*€12,000*	*€12,000*	–
- variable component based on attendance	*€4,000*	*€4,000*	–
Directors' fees - Comptoir Nouveau de la Parfumerie	€10,000	–	€10,000

(1) Including €1,000 paid in 2009.

Table 3 (continued)

Directors' fees and other compensation received by Hermès International Supervisory Board members Directors' fees received by non-executive corporate officers of companies controlled by Hermès International	Amounts paid in 2010 in respect of 2009	Amounts paid in 2009 in respect of 2008	Amounts paid in 2008 in respect of 2008
Mr Robert Peugeot			
Compensation as Audit Committee Member	€5,000	€2,500	–
Compensation as member of the Compensation, Appointments and Governance Committee	€5,000	€2,500	–
Directors' fees - Hermès International			
- fixed component	*€12,000*	*€12,000*	–
- variable component based on attendance	*€3,000*(1)	*€3,000*	–
Mr Guillaume de Seynes			
Directors' fees - Hermès International	–	–	–

(1) Including €1,000 paid in 2009.

Table 4

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

n/a: not applicable.

Table 5

Options to subscribe for or to purchase shares exercised by the Executive Chairmen of Hermès International during the year			
Name of corporate executive officer	Plan no. and date	Number of options exercised during the year	Exercise price
Mr Patrick Thomas	n/a	–	n/a
Total	**n/a**	**–**	**n/a**

n/a: not applicable.

Table 6

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

n/a: not applicable.

Table 7

Number of performance shares that became available during the year			
Name of corporate executive officer	Plan no. and date	Number of shares that became available during the year	Acquisition criteria
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				
General Meeting of 25/05/1998 - Options to subscribe for or to purchase shares	Plan No. 1	Plan No. 2	Plan No. 3	Plan No. 4
Date of Executive Management decision	Expired	04/03/2002[1]	15/10/2002[1]	15/10/2002[1]
Total number of shares that may be subscribed or purchased		160,500	60,000	30,000
Number of shares that may be subscribed or purchased by Executive Chairmen and Supervisory Board members		–	–	–
Mr Patrick Thomas		–	–	–
Mr Guillaume de Seynes		n/a	n/a	n/a
Options exercisable as of		04/03/2004	15/10/2002	15/10/2003[2] 15/10/2004[2]
Expiry date		03/03/2009	14/10/2009	14/10/2009
Subscription or purchase price		€52.09	€41.59	€41.59
Terms for exercising options (if plan comprises several tranches)		n/a	n/a	n/a
Aggregate number of shares subscribed at 28/02/2010		156,000	60,000	30,000
Aggregate number of options cancelled or forfeited		4,500	–	–
Number of options outstanding at year-end		–	–	–

(1) Options to subscribe for shares.
(2) For half of the options.
n/a: non applicable.

Table 8 (continued)

General meeting of 03/06/2003 – Options to purchase shares	Plan No. 5	Plan No. 6
Date of Executive Management decision	04/07/2003	15/12/2004
Total number of shares that may be purchased	42,000	84,000
Number of shares that may be purchased by Executive Chairmen and Supervisory Board members in office on option grant date	–	*30,000*
Mr Patrick Thomas	–	30,000
Mr Guillaume de Seynes	n/a	n/a
Options exercisable as of	04/07/2005	16/12/2004
Expiry date	03/07/2010	15/12/2011
Purchase price	€40.40	€44.43
Terms for exercising options (if plan comprises several tranches)	n/a	n/a
Aggregate number of shares purchased as of 28/02/2010	42,000	54,000
Aggregate number of options cancelled or forfeited	–	–
Share purchase options outstanding at year-end	–	30,000
General Meeting of 06/06/2006 – Options to purchase shares	Plan n° 7	
Date of Executive Management decision	02/01/2008	
Total number of shares that may be purchased	244,420	
Number of shares that may be purchased by Executive Chairmen and Supervisory Board members in office on option grant date	*14,300*	
Mr Patrick Thomas	11,000	
Mr Guillaume de Seynes	3,300	
Options exercisable as of	03/01/2012	
Expiry date	02/01/2015	
Purchase price	€82.40	
Terms for exercising options (if plan comprises several tranches)	n/a	
Aggregate number of shares purchased as of 28/02/2010	–	
Aggregate number of options cancelled or forfeited	11,550	
Share purchase options outstanding at year-end	232,870	
General meeting of 02/06/2009 – Options to purchase shares	No plan established in 2009	

n/a: not applicable.

Table 9

<table>
<tr><th>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.</th><th>Total number of options allotted/ number of shares purchased or subscribed for</th><th>Weighted average price</th><th>Plan No. 1</th><th>Plan No. 2</th><th>Plan No. 3</th><th>Plan No. 4</th><th>Plan No. 5</th><th>Plan No. 6</th><th>Plan No. 7</th></tr>
<tr><td>Options granted during the year to the ten employees of the issuer and any company included in the issuer's scope of consolidation who received the largest number of options (aggregate information)</td><td>–</td><td>–</td><td rowspan="2">Expired</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td>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)</td><td>84,400</td><td>€45,427</td><td>19,400</td><td>–</td><td>–</td><td>15,000</td><td>54,000</td><td>–</td></tr>
</table>

Table 10

Senior executives (natural persons)	Employment agreement (suspended)	Supplementary pension scheme	Compensation or benefits due or liable to be due in connection with termination or change in function	Compensation in connection with a non-competition clause
Mr Patrick Thomas, Executive Chairman Term began: 15/09/2004 Term ends: indefinite	Yes	Yes	Yes	No

Table 11

Information on bonus share distribution plans in effect as at 1 January 2009							
Date of Executive Management decision	Total number of shares allotted	Shares allotted to senior executives (1)	Number of senior executives (1) concerned	Ownership transfer date of shares allotted	Date from which shares may be sold	Number of shares vested as at 31/12/2009	Number of shares forfeited as at 31/12/2009
General Meeting of 06/06/2006 – Bonus shares							
Nil							
General Meeting of 05/06/2007 – Bonus shares							
30/11/2007	170,025	150	6	02/12/2011	03/12/2013 (2) 02/12/2011 (3)	–	15,625
General Meeting of 02/06/2009 – Bonus shares							
Nil							

(1) For purposes of Table 11, "senior executives" include the Executive Chairmen, members of the Supervisory Board and members of the Executive Committee of the issuing company as of the grant date.
(2) Beneficiaries employed by the Company and its French subsidiaries.
(3) Beneficiaries employed by the Company's foreign subsidiaries.

Table 12

Number of bonus shares granted to the ten non-executive employees who received the largest number of shares	Total number of shares granted	Date of plan
Shares granted during the year to the ten employees of the issuer and any company included in the issuer's scope of consolidation who received the largest number of shares (aggregate information)	None	n/a

n/a: not applicable.

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

Offices and positions held by the corporate executive officers and Supervisory Board members at any time during the past five years

Patrick Thomas
Date of birth: 16 June 1947

Offices and positions held during 2009

Company name		Country	Office
Hermès International	H ◆	France	Executive Chairman
Ateliers A.S.	H	France	Permanent Representative of Sport Soie, Director
Boissy Mexico	H	Mexico	Acting Director
Boissy Retail	H	Singapore	Director
Boissy Singapore Pte Ltd	H	Singapore	Director
Castille Investissements	H	France	Director
Compagnie des Cristalleries de Saint-Louis	H	France	Permanent Representative of Hermès International, Director
Compagnie Hermès de Participations	H	France	Permanent Representative of Hermès International, Chairman
Créations Métaphores	H	France	Permanent Representative of Hermès International, Director
Full More Group	H	Hong Kong	Chairman and Director
Full More Trading (Shanghai)	H	China	Executive Manager
Gaulme		France	Vice-Chairman and Supervisory Board member
Héraklion	H	France	Permanent Representative of Hermès International, Member of the Management Board
Hercia	H	France	Permanent Representative of Hermès International, Chairman
Herlee	H	Hong Kong	Chairman and Director
Hermès (China)	H	Chine	Chairman and Director
Hermès Australia	H	Australia	Director
Hermès Benelux Scandinavie	H	Belgium	Director
Hermès Canada	H	Canada	Chairman and Director
Hermès de Paris (Mexico)	H	Mexico	Acting Director
Hermès do Brasil	H	Brazil	Member of the Consultative Committee
Hermès GB Limited	H	United Kingdom	Chairman and Director
Hermès Greater China, devenue Hermès Asia Pacific	H	Hong Kong	Chairman and Director
Hermès Grèce	H	Greece	Director
Hermès Iberica	H	Spain	Director
Hermès Immobilier Genève	H	Switzerland	Chairman and Director
Hermès India Retail & Distributors Private Ltd	H	India	Director
Hermès Italie	H	Italy	Chairman of the Board and Director
Hermès Japon	H	Japan	Director
Hermès Korea	H	South Korea	Chairman and Legal Representative
Hermès Korea Travel Retail	H	South Korea	Chairman and Legal Representative
Hermès Monte-Carlo	H	Principality of Monaco	Permanent Representative of Hermès Sellier, Deputy Director Permanent Representative of Hermès International, Deputy Chairman
Hermès of Hawaï	H	USA	Chairman of the Board and Director
Hermès of Paris	H	USA	Chairman of the Board and Director
Hermès Prague	H	Czech Republic	Supervisory Board member

H Hermès Group company ◆ Listed company

Offices and positions held by the corporate executive officers and Supervisory Board members at any time during the past five years

Company name		Country	Office
Hermès Retail (Malaysia)	H	Malaysia	Chairman and Director
Hermès Sellier	H	France	Permanent Representative of Hermès International, Chairman and Managing Director, Hermès Leather Goods-Saddlery division
Hermès Singapore (Retail)	H	Singapore	Director
Hermès South East Asia	H	Singapore	Director
Hermtex	H	USA	Chairman of the Board and Director
Holding Textile Hermès	H	France	Chairman
Immauger	H	France	Permanent Representative of Hermès International, Executive Manager
Isamyol 10, devenue Grafton Immobilier	H	France	Permanent Representative of Hermès International, Chairman
Isamyol 11	H	France	Permanent Representative of Hermès International, Chairman
Isamyol 12	H	France	Permanent Representative of Hermès International, Chairman
Isamyol 16	H	France	Permanent Representative of Hermès International, Chairman
Isamyol 17	H	France	Permanent Representative of Hermès International, Chairman
Isamyol 18	H	France	Permanent Representative of Hermès International, Chairman
John Lobb	H	France	Permanent Representative of Hermès International, Director
John Lobb Japan	H	Japan	Director
La Montre Hermès	H	Switzerland	Director
Leica Camera AG	◆	Germany	Supervisory Board member
Massilly Holding		France	Vice-Chairman and Supervisory Board member
Motsch George V	H	France	Permanent Representative of Hermès International, Chairman
Rémy Cointreau		France	Director
Saint-Honoré (Bangkok)	H	Thailand	Director
SAS Ateliers Nontron	H	France	Permanent Representative of Hermès International, Chairman
SC Honossy	H	France	Permanent Representative of Hermès International, Executive Manager
SCI Auger-Hoche	H	France	Permanent Representative of Hermès International, Executive Manager
SCI Boissy les Mûriers	H	France	Permanent Representative of Hermès International, Executive Manager
SCI Boissy Nontron	H	France	Permanent Representative of Hermès International, Executive Manager
SCI Édouard VII	H	France	Permanent Representative of Hermès International, Executive Manager
SCI Les Capucines	H	France	Permanent Representative of Hermès International, Executive Manager
Sipryl Informatique (GIE)		France	Director
Sport Soie	H	France	Permanent Representative of Holding Textile Hermès, Chairman

Offices and positions held by the corporate executive officers and Supervisory Board members at any time during the past five years

Company name		Country	Office
Banque Neuflize OBC		France	Supervisory Board member
Hermès Holding US	H	USA	Chairman (Chairman and CEO)
Hermès Interactif	H	France	Corporate officer
Hermès Intérieur & Design	H	France	Permanent Representative of Hermès International, Chairman
Hermès International	H ◆	France	Managing Director
Hermès Monte-Carlo	H	Principality of Monaco	Permanent Representative of Sport Soie, Director
Hermès Voyageur	H	France	Permanent Representative of Hermès International, Chairman

H Hermès Group company ◆ Listed company

Company name		Country	Office
Isamyol 9	H	France	Permanent Representative of Hermès International, Chairman
John Lobb (Hong Kong) Limited	H	Hong Kong	Director
Saint-Honoré Chile	H	Chile	Acting Director
SCI Florian Mongolfier	H	France	Executive Manager
Sport Soie	H	France	Permanent Representative of Holding Textile Hermès, Director

Bertrand Puech

Date of birth: 18 February 1936

Offices and positions held during 2009

Company name		Country	Office
Hermès International	H ◆	France	Permanent Representative of Émile Hermès SARL, Executive Manager
Compagnie Hermès de Participations	H	France	Management Board member
Émile Hermès SARL		France	Executive Manager and Member of the Management Board
Hermès of Paris	H	USA	Director
HPF		France	Executive Manager
Isamyol 11	H	France	Corporate officer
Isamyol 12	H	France	Corporate officer
John Lobb	H	France	Director
Théodule		France	Executive Manager

Offices and positions held by the corporate executive officers and Supervisory Board members at any time during the past five years

Company name		Country	Office
Ateliers A.S.	H	France	Permanent Representative of Sport Soie, Director
Auger Hoche	H	France	Executive Manager
Boissy Mexico	H	Mexico	Acting Director
Briand Villiers I		France	Executive Manager
Hercia	H	France	Corporate officer
Hermès de Paris (Mexico)	H	Mexico	Alternate Director
Hermès Sellier	H	France	Member of the Management Board
Holding Textile Hermès	H	France	Member of the Management Board
Isamyol 10, devenue Grafton Immobilier	H	France	Corporate officer
Jakyval		Luxembourg	Director
Motsch George V	H	France	Executive Manager
SIEGL	H	France	Permanent Representative of Sport Soie, Director
Sifah		France	Executive Manager
Société Nontronnaise de Confection	H	France	Chairman of the Board and Managing Director
28-30-32, rue du Faubourg-Saint-Honoré		France	Chairman

H Hermès Group company ◆ Listed company

Offices and positions held by the corporate executive officers and Supervisory Board members at any time during the past five years

Jérôme Guerrand
Date of birth: 15 October 1944

Offices and positions held during 2009

Company name		Country	Office
Hermès International	H ◆	France	Chairman of the Supervisory Board
Antonino		France	Executive Manager
Comptoir Nouveau de la Parfumerie	H	France	Vice-Chairman and Supervisory Board member
Hermès Sellier	H	France	Member of the Management Board
Jakyval		Luxembourg	Director
J.L. & Co	H	United Kingdom	Director
Société civile immobilière du 74, rue du Faubourg-Saint-Antoine		France	Co-Executive Manager

Offices and positions held by the corporate executive officers and Supervisory Board members at any time during the past five years

Company name		Country	Office
Hermès Sellier	H	France	Director
Morethanhotels Limited		United Kingdom	Director

Maurice de Kervénoaël
Né le 28 septembre 1936

Offices and positions held during 2009

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

Offices and positions held by the corporate executive officers and Supervisory Board members at any time during the past five years

Company name		Country	Office
Charles Riley Consultants International		France	Director
Comptoir Nouveau de la Parfumerie	H	France	Chairman of the Supervisory Board
Irus		France	Chairman of the Supervisory Board
Onet		France	Supervisory Board member
Petit Bateau		France	Chairman
SIA Groupe SA		France	Chairman and Supervisory Board member

H Hermès Group company ◆ Listed company

Ernest-Antoine Seillière
Date of birth: 20 December 1937

Offices and positions held during 2009

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

Offices and positions held by the corporate executive officers and Supervisory Board members at any time during the past five years

Company name		Country	Office
Bureau Veritas	◆	France	Permanent Representative of Oranje Nassau Groep BV, Supervisory Board member
Capgemini	◆	France	Director, Vice-Chairman of the Board
Editis Holding		France	Supervisory Board member
Legrand Holding, devenue Legrand	◆	France	Chairman of the Board
Wendel Investissement, devenue Wendel	◆	France	Chairman of the Board and Managing Director
Lumina Parent		Luxembourg	Chairman of the Board
Oranje Nassau Groep BV		Netherlands	Chairman of the Supervisory Board
Société Lorraine de Participations Sidérurgiques fusion-absorption par Wendel-Participations		France	Chairman of the Board and Managing Director
Trader Classified Media		Netherlands	Chairman of the Supervisory Board

Charles-Éric Bauer
Date of birth: 9 January 1964

Offices and positions held during 2009

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

Offices and positions held by the corporate executive officers and Supervisory Board members at any time during the past five years

Company name		Country	Office
Hermès Sellier	H	France	Member of the Management Board

H Hermès Group company ◆ Listed company

Offices and positions held by the corporate executive officers and Supervisory Board members at any time during the past five years

Matthieu Dumas
Date of birth: 6 December 1972

Offices and positions held during 2009

Company name		Country	Office
Hermès International	H ◆	France	Supervisory Board member and member of the Compensation and Appointments Committee
Eaque		France	Executive Manager

Offices and positions held by the corporate executive officers and Supervisory Board members at any time during the past five years

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

Julie Guerrand
Date of birth: 26 February 1975

Offices and positions held during 2009

Company name		Country	Office
Hermès International	H ◆	France	Supervisory Board member, Audit Committee member
Antonino		France	Executive Manager
Jakyval		Luxembourg	Director
Jerocaro		France	Executive Manager
La Mazarine-SCIFAH		France	Executive Manager
Paris Orléans	◆	France	Director of Equity Investments
SCI Apremont		France	Executive Manager
SCI Briand Villiers I		France	Executive Manager
SCI Briand Villiers II		France	Executive Manager
SCI Petit Musc		France	Executive Manager
SCTI		France	Executive Manager
Société Immobilière du Dragon		France	Executive Manager
Val d'Isère Carojero		France	Executive Manager

Offices and positions held by the corporate executive officers and Supervisory Board members at any time during the past five years

Company name	Country	Office
Rothschild & Cie	France	Deputy Director

H Hermès Group company ◆ Listed company

Renaud Momméja

Date of birth: 20 March 1962

Offices and positions held during 2009

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

Offices and positions held by the corporate executive officers and Supervisory Board members at any time during the past five years

Company name	Country	Office
Cabinet de conseil Marketing Marand Momméja Associés	France	Associate Director
Catapult Asset Management	United Kingdom	Director
Newsweb	France	Permanent Representative of Altizo, Supervisory Board member
Société civile du Château Fourcas Hosten	France	Executive Manager and Partner

H Hermès Group company ◆ Listed company

Offices and positions held by the corporate executive officers and Supervisory Board members at any time during the past five years

Robert Peugeot
Date of birth: 25 April 1950

Offices and positions held during 2009

Company name		Country	Office
Hermès International	H ◆	France	Supervisory Board member, Audit Committee member, member of the Compensation, Appointments and Governance Committee
Alpine Holding		Austria	Director
B-1998, SL		Spain	Director
SCI CHP Gestion		France	Executive Manager
DKSH		Switzerland	Director
Établissements Peugeot Frères		France	Director
Faurecia		France	Director
FCC Construccion, SA		Spain	Director
Financière Guiraud SAS		France	Legal Representative of Société Foncière, Financière et de Participations – FFP, Chairman, Financière Guiraud SAS
Fomentos de Construcciones y Contratas, SA		Spain	Director
Holding Reinier		France	Director
IDI-EM		Luxembourg	Supervisory Board member
Imerys	◆	France	Director
Immeubles et Participations de l'Est		France	Director
LFPF – La Française de Participations Financières		France	Director
PSA Peugeot Citroën (Peugeot SA)	◆	France	Supervisory Board member
SCI Rodom		France	Executive Manager
Sanef		France	Director
Simante S.L.		Spain	Chairman and CEO
Société Foncière, Financière et de Participations – FFP	◆	France	Chairman and CEO
SOFINA		Belgique	Director
WRG – Waste Recycling Group Ltd		United Kingdom	Director
Zodiac		France	Permanent Representative of Société Foncière, Financière et de Participations – FFP, Supervisory Board member

Offices and positions held by the corporate executive officers and Supervisory Board members at any time during the past five years

Company name	Country	Office
Aviva France	France	Supervisory Board member
Aviva Participations	France	Director
GIE de recherche et d'études PSA Renault	France	Director
Citroën Danemark A/S	Denmark	Director
Citroën Deutschland Aktiengesellschaft	Germany	Supervisory Board member
Citroën UK Ltd	United Kingdom	Director
Groupe Taittinger	France	Supervisory Board member
Institut français du pétrole	France	Director
Peugeot Automobile UK Ltd	United Kingdom	Director
Société du Louvre – Groupe du Louvre	France	Director

H Hermès Group company ◆ Listed company

Guillaume de Seynes

Date of birth: 14 October 1957

Offices and positions held during 2009

Company name		Country	Office
Hermès international	H ◆	France	Supervisory Board member, Deputy Managing Director, non-executive corporate officer
Boissy Mexico	H	Mexico	Acting Director
Clerc Thierry Créations	H	Switzerland	Executive Manager
Exocuirs	H	Switzerland	Director and Chairman of the Board
Financière Saint-Honoré	H	Switzerland	Director
Gaulme		France	Supervisory Board member
Gordon Choisy	H	France	Chairman
Hermès de Paris (Mexico)	H	Mexico	Alternate Director
Hermès Grèce	H	Greece	Director
Hermès Japon	H	Japan	Director
Hermès Sellier	H	France	Managing Director, Hermès Homme and Hermès Bijouterie sectors
Hermès Voyageur	H	France	Chairman
Hermès of Paris	H	USA	Director
JL & Co	H	United Kingdom	Chairman of the Board and Director
John Lobb	H	France	Chairman of the Board and Director
John Lobb Japan	H	Japan	Director
La Montre Hermès	H	Switzerland	Chairman of the Board and Director
La Montre Hermès Pacific Ltd	H	Hong Kong	Chairman of the Board and Director
La Montre Hermès (Shanghai) Trading & Commercial	H	China	Director and Legal Representative
Louisiane Spa	H	Italy	Chairman of the Board and Director
Michel Rettili Srl	H	Italy	Chairman of the Board and Director
Mi-Colline		France	Executive Manager
Reptile Tannery of Louisiana	H	USA	Director
SC Guise		France	Executive Manager
SCI Guise Immobilier		France	Executive Manager
Soficuir International, devenue Hermès Cuirs Précieux	H	France	Chairman
Tanneries des Cuirs d'Indochine et de Madagascar		France	Chairman
Vaucher Manufacture Fleurier		Switzerland	Vice-Chairman of the Board of Directors and Director

Offices and positions held by the corporate executive officers and Supervisory Board members at any time during the past five years

Company name		Country	Office
Hermès Sellier	H	France	Managing Director, Hermès Femme Division
M. Maison & Cie	H	France	Chairman
Soficuir International	H	France	Chairman of the Board and Director

H Hermès Group company ◆ Listed company

Information on the share capital and on the shareholders

SHARE CAPITAL

	Amount	Number of shares	Par value
As at 01/01/2009	€53,830,506.12	105,550,012	€0.51
As at 31/12/2009	€53,840,400.12	105,569,412	€0.51
As at AGM date	€53,840,400.12	105,569,412	€0.51

All shares are fully paid.

VOTING RIGHTS

As of 28 February 2010, there were 168,028,339 voting rights outstanding.
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. These reports are published on its website (www.hermes-international.com).
Each share gives the holder the right to cast at least one vote at general meetings of shareholders, with the exception of shares held in treasury by the Company, which have no voting rights.
Ownership of certain shares is split between a beneficial owner and a legal owner. In accordance with the Articles of Association, voting rights attached to the shares are exercised by the legal owners at all general meetings (ordinary, extraordinary or special meetings), save for decisions regarding the appropriation of net income, in which case the beneficial owner exercises the voting rights.
Furthermore, double voting rights are allocated to:
– any fully-paid registered share which has been duly recorded on the books in the name of the same shareholder for a period of at least four years from the date of the first general meeting following the fourth anniversary of the date when the share was registered on the books; and
– any registered share allotted for no consideration to a shareholder, in the event of a capital increase effected by capitalisation of sums in the share premium, reserve or retained earnings accounts, in proportion to any existing shares which carry double voting rights.
Double voting rights are automatically eliminated under the conditions stipulated by law.
Failure to disclose attainment of certain ownership thresholds as provided by law or by the Articles of Association may disqualify the shares for voting purposes (please refer to Article 11 of the Articles of Association on page 229).

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 231);
– 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.

Lastly, the Executive Management has a grant of authority to carry out capital increases.

CHANGES IN THE SHARE CAPITAL OVER THE PAST THREE YEARS

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

Date	Transaction	Share capital after transaction	Number of shares after transaction	Par value	Share premium	Number of shares issued [I]/ cancelled [C].
08/01/2007	Capital increase of €32,895 for options exercised by employees between 1 July 2006 and 31 December 2006	€54,506,155.14	106,874,814	€0.51	€51.58 €41.08	4,500 [E] 60,000 [E]
09/07/2007	Capital increase of €14,586 for options exercised by employees between 1 January 2007 and 30 June 2007	€54,520,741.14	106,903,414	€0.51	€51.58 €41.08	13,600 [E] 15,000 [E]
13/07/2007	Capital decrease of €423,147 from cancellation of treasury shares	€54,097,594.14	106,073,714	€0.51		829,700 [A]
07/01/2008	Capital increase of €7,905 for options exercised by employees between 1 July 2007 and 31 December 2007	€54,105,499.14	106,089,214	€0.51	€51.58 €41.08	500 [E] 15,000 [E]
07/07/2008	Capital increase of €18,360 for options exercised by employees between 1 January 2008 and 30 June 2008	€54,123,859.14	106,125,214	€0.51	€51.58 €44.27	15,000 [E] 21,000 [E]
09/12/2008	Capital decrease of 326,758.02 from cancellation of treasury shares	€53,797,101.12	105,484,512	€0.51		640,702 [A]
12/01/2009	Capital increase of €33,405 for options exercised by employees between 1 July 2008 and 31 December 2008	€53,830,506.12	105,550,012	€0.51	€51.58	65,500 [E]
06/07/2009	Capital increase of €9,894 for options exercised by employees between 1 January 2009 and 30 June 2009	€53,840,400.12	105,569,412	€0.51	€51.58	19,400 [E]

There has been no other change in the share capital since 6 July 2009.

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

In accordance with the provisions of Article L 225-100, paragraph 7 of the Code de Commerce, the table below summarises the delegations of authority and powers granted to the Executive Management by the General Meeting of shareholders to increase the share capital. It shows all authorisations currently in effect; any authorisations used during 2009; and new authorisations to be submitted to the shareholders at the General Meeting of 7 June 2010..

Existing authorisations and authorisations proposed to the Combined General Meeting of 2 June 2009	Date of AGM *Resolution No.*	Term of authorisation *Expires*(1)	Characteristics	Used during 2009
Issues made by capitalisation of reserves				
Capital increase effected by capitalisation of reserves, earnings or share premiums	5 June 2007 *Eleventh*	26 months *2 June 2009*	Nominal ceiling: €5,450,000(2)	None
Capital increase effected by capitalisation of reserves, earnings or share premiums	2 June 2009 *Tenth*	26 months *2 August 2011*	Nominal ceiling: 20% of share capital(3)	–
Issues with pre-emptive subscription rights				
All securities granting rights to equity	5 June 2007 *Twelfth*	26 months *2 June 2009*	Nominal ceiling: €5,450,000(2)	None
All securities granting rights to equity	2 June 2009 *Eleventh*	26 months *2 August 2011*	Nominal ceiling: 20% of share capital(3)	None
Issues of share warrants during times of public offerings	3 June 2008 *Twentieth*	18 months *3 December 2009*	Maximum of €110m Maximum of 2 warrants per share	None
Issues without pre-emptive rights				
All securities granting rights to equity	5 June 2007 *Thirteenth*	26 months *2 June 2009*	Nominal ceiling: €5,450,000(2) (4)	None
All securities granting rights to equity	2 June 2009 *Twelfth*	26 months *2 August 2011*	Nominal ceiling: 20% of share capital(3) (5)	None
Employee rights issue	3 June 2008 *Twenty-first*	26 months *2 June 2009*	Ceiling: 1% of total number of shares	None
Employee rights issue	2 June 2009 *Thirteenth*	26 months *2 August 2011*	Ceiling: 1% of total number of shares	–
Share buyback programme				
Share buyback	3 June 2008 *Seventeenth*	18 months *2 June 2009*	Ceiling: 10% of share capital Maximum purchase price: €200 Maximum amount of funds committed: €650m	See page 80
Share buyback	2 June 2009 *Seventh*	18 months *2 December 2010*	Ceiling: 10% of share capital Maximum purchase price: €200 Maximum amount of funds committed: €750m	See page 80
Share buyback	7 June 2010 *Eighth*	18 months *7 December 2011*	Ceiling: 10% of share capital Maximum purchase price: €200 Maximum amount of funds committed: €850m	–
Cancellation of shares bought	3 June 2008 *Nineteenth*	24 months *2 June 2009*	Ceiling: 10% of share capital	See page 80
Cancellation of shares bought	2 June 2009 *Ninth*	24 months *2 June 2011*	Ceiling: 10% of share capital	See page 80
Cancellation of shares bought	7 June 2010 *Tenth*	24 months *7 June 2012*	Ceiling: 10% of share capital	–
Bonus issues and options to purchase existing shares				
Bonus share issue reserved for employees and corporate executive officers	5 June 2007 *Fifteenth*	38 months *2 June 2009*	Ceiling: 2% of share capital(6)	See page 80
Bonus share issue reserved for employees and corporate executive officers	2 June 2009 *Fifteenth*	38 months *2 August 2012*	Ceiling: 2% of share capital(6)	See page 80
Options to purchase existing shares	6 June 2006 *Ninth*	38 months *2 June 2009*	Ceiling: 2% of total number of shares(6) but no less than 725,335 shares	See page 80
Options to purchase existing shares	2 June 2009 *Fourteenth*	38 months *2 August 2012*	Ceiling: 2% of total number of shares(6)	See page 80
Share subscription options				
Recognition of capital increases resulting from the exercise of options to purchase new shares	25 May 1998 *Sixth*	Until plan expiry date		See page 80

(1) The expiration dates take into account authorisations that cancelled and superseded authorisations granted for similar purposes, for the remainder of the term of the initial authorisation. (2) Combined ceiling: €5,450,000. (3) Combined ceiling: 20% of share capital. (4) Terms and conditions for setting price described in Volume 2 of the 2006 registration document on page 46. (5) Terms and conditions for setting price described in Volume 2 of the 2008 registration document on page 201. (6) Combined ceiling: 2% of share capital.

APPROXIMATE NUMBER OF SHAREHOLDERS

Based on the number of registered shares on the books and on information received from Euroclear, there were approximately 15,000 shareholders as at December 31, 2009.

EMPLOYEE OWNERSHIP OF SHARE CAPITAL

Registered shares held by employees of the Group (excluding corporate executive officers and Supervisory Board members) represented 0.15% of the share capital as at 31 December 2009.
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.

SHARE OWNERSHIP THRESHOLD DISCLOSURES

• *AMF Notice 209C0471.* On 20 March 2009, Mr Jérôme Guerrand moved below the 5% voting rights threshold. He reported that, as of that date, he owned directly and indirectly, through Jakyval, a company that he controls, 5,486,332 shares, representing 5,814,330 voting rights (applicable to the resolution on appropriation of net income), i.e. 5.20% of the share capital and 3.50% of the voting rights. Mr Jérôme Guerrand attained this threshold after he transferred 4,765,730 of his Hermès International shares to Jakyval, thereby losing double voting rights on those shares.
• *AMF Notice 209C0670.* On 30 April 2009, Jakyval, a *société anonyme* established under the laws of Luxembourg, moved above the 5% threshold for voting rights held by an individual shareholder. It reported that, as of that date, it held 5,344,332 shares, and a like number of voting rights, that is, 5.06 % of the share capital and 3.22% of the voting rights. This threshold was attained following the transfer of 260,000 Hermès International shares held by Mr Jérôme Guerrand to Jakyval, resulting in the loss of double voting rights on those shares after the transfer.
• *AMF Notice 209C0711.* On 7 May 2009, Mr Jérôme Guerrand moved below the 5% ownership threshold. He reported that he individually owned 107,000 shares (0.1% of the total) and held 214,000 voting rights (13% of the total) as of that date. He attained this threshold following a donation-partition of the shares in Jakyval effected by Mr Jérôme Guerrand to his children.

PLEDGING OF SHARES

Duly registered shares are not encumbered by any material pledges.

SHARES HELD IN TREASURY

As at 31 December 2009, Hermès International's long-term investments included 422,000 of the Company's own shares acquired under the share buyback programme presented on page 80.

DIVIDEND POLICY

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

included in the historical financial information is shown on page 206.

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.

MAIN SHAREHOLDERS AS AT 31 DECEMBER 2009

To the Company's knowledge, no shareholders other than those listed in the table on the following page directly or indirectly hold 5% or more of the share capital or voting rights.

SAS SDH, SAS POLLUX & CONSORTS, SC FLÈCHES, SAS FALAISES, SC AXAM and SA JAKYVAL are owned exclusively by descendants of Mr Émile-Maurice Hermès, from different branches of the family.

To the Company's knowledge, none of the partners in these companies indirectly holds 5% or more of the share capital or voting rights in Hermès International.

The ownership interests of corporate executive officers, senior executives and Supervisory Board members are listed on page 48.

No material change in ownership of the share capital has taken place over the past three years.

To the Company's knowledge, no material change in ownership occurred between 31 December 2009 and the date on which this registration document was filed with the AMF.

OWNERSHIP OF SHARE CAPITAL AS AT 31 DECEMBER 2009

To the Company's knowledge, no material change in ownership occurred between 31 December 2009 and the date on which this registration document was filed with the AMF.

Main shareholders and share ownership as at 31 December 2009

	Shares held by legal owners and beneficial owners[1] (Ordinary General Meeting convened to approve appropriation of net income)											
	As at 31 December 2009				As at 31 December 2008				As at 31 December 2007			
	Number of shares	%	Voting rights	%	Number of shares	%	Voting rights	%	Number of shares	%	Voting rights	%
SAS SDH	9,548,996	9.05	19,073,836	11.37	9,548,996	9.05	19,073,836	11.20	9,605,836	9.05	19,130,676	11.18
SAS POLLUX & CONSORTS	6,602,525	6.25	12,164,450	7.25	6,602,525	6.26	12,164,450	7.14	6,596,525	6.22	12,158,450	7.11
SC FLÈCHES	5,869,213	5.56	11,394,195	6.79	5,869,213	5.56	10,703,775	6.28	5,852,220	5.52	10,686,782	6.25
SAS FALAISES	5,567,610	5.27	11,135,220	6.64	5,567,610	5.27	11,135,220	6.54	5,567,610	5.25	11,135,220	6.51
SC AXAM	5,559,480	5.27	11,118,960	6.63	5,559,480	5.27	11,118,960	6.53	5,559,480	5.24	10,817,460	6.32
Mr Jérôme GUERRAND	Ownership interest less than 5 %				5,451,302	5.16	10,545,000	6.19	5,461,302	5.15	10,922,604	6.39
SA JAKYVAL	5,344,332	5.06	5,344,332	3.19	Ownership interest less than 5 %							
Mr Jean-Louis DUMAS	5,137,342	4.87	10,274,684	6.13	5,077,342	4.81	10,154,684	5.96	5,077,342	4.79	10,154,684	5.94
Total held by shareholders each holding more than 5% of the share capital or voting rights	**43,629,498**	**41.33**	**80,505,677**	**48.00**	**43,676,468**	**41.38**	**84,895,925**	**49.85**	**43,720,315**	**41.21**	**85,005,876**	**49.69**
Shares held in treasury by Hermès International	422,000	0.40	–	–	502,000	0.48	–	–	473,000	0.44	–	–
Other shareholders	61,517,914	58.27	87,215,945	52.00	61,371,544	58.14	85,417,236	50.15	61,895,899	58.35	86,049,500	50.31
Total number of shares and voting rights	**105,569,412**	**100.00**	**167,721,622**	**100.00**	**105,550,012**	**100.00**	**170,313,161**	**100.00**	**106,089,214**	**100.00**	**171,055,376**	**100.00**

	Shares held by legal owners and by reversionary owners[1] (votes at other general meetings)											
	As at 31 December 2009				As at 31 December 2008				As at 31 December 2007			
	Number of shares	%	Voting rights	%	Number of shares	%	Voting rights	%	Number of shares	%	Voting rights	%
SAS SDH	9,548,996	9.05	19,073,836	11.37	9,548,996	9.05	19,073,836	11.20	9,605,836	9.05	19,130,676	11.18
SAS POLLUX & CONSORTS	6,602,525	6.25	12,164,450	7.25	6,602,525	6.26	12,164,450	7.14	6,596,525	6.22	12,158,450	7.11
SC FLÈCHES	5,869,213	5.56	11,394,195	6.79	5,869,213	5.56	10,703,775	6.28	5,852,220	5.52	10,686,782	6.25
SAS FALAISES	5,567,610	5.27	11,135,220	6.64	5,567,610	5.27	11,135,220	6.54	5,567,610	5.25	11,135,220	6.51
SC AXAM	5,559,480	5.27	11,118,960	6.63	5,559,480	5.27	11,118,960	6.53	5,559,480	5.24	10,817,460	6.32
SA JAKYVAL	5,344,332	5.06	5,344,332	3.19	–	–	–	–	–	–	–	–
Total held by shareholders each holding more than 5% of the share capital or voting rights	**38,492,156**	**36.46**	**70,230,993**	**38.69**	**33,147,824**	**31.40**	**64,196,241**	**37.69**	**33,181,671**	**31.28**	**63,928,588**	**37.37**
Shares held in treasury by Hermès International	422,000	0.40	–	–	502,000	0.48	–	–	473,000	0.44	–	–
Other shareholders	66,655,256	63.14	97,490,629	58.13	71,900,188	68.12	106,116,920	62.31	72,434,543	68.28	107,126,788	62.63
Total number of shares and voting rights	**105,569,412**	**100.00**	**167,721,622**	**100.00**	**105,550,012**	**100.00**	**170,313,161**	**100.00**	**106,089,214**	**100.00**	**171,055,376**	**100.00**

To the Company's knowledge, the combined total number of shares held by the Hermès family represents approximately 73% of the share capital.
(1) The method of allocating voting rights is described on page 72.

SHAREHOLDERS' AGREEMENTS

To the Company's knowledge, there are no shareholders' agreements other than those covered by the Dutreil law.

	Dutreil ISF wealth tax agreement I	Dutreil ISF wealth tax agreement II	Dutreil ISF wealth tax agreement III	Dutreil Transmission agreement III	Dutreil Transmission agreement IV
Governed by	CGI - Article 885 I bis	CGI - Article 885 I bis	CGI - Article 885 I bis	CGI - Article 787 B	CGI - Article 787 B
Date of signature:	2 February 2004	26 March 2004	29 March 2004	22 December 2008	2 May 2009
Term of parties' commitment	Six years from the registration date (i.e. from 4 February 2004)	Six years from the registration date (i.e. from 30 March 2004)	Six years from the registration date (i.e. from 30 March 2004)	Two years from the registration date (i.e. from 22 February 2008)	Two years from the registration date (i.e. from 5 February 2009)
Contractual term of agreement	Six years from the registration date	Six years from the registration date	Six years from the registration date	Six years from the registration date	Six years from the registration date
Renewal terms	Tacitly renewable for further one-year periods	Tacitly renewable for further one-year periods	Tacitly renewable for further one-year periods	(Extended by individual agreements with the beneficiaries)	(Extended by individual agreements with the beneficiaries)
Percentage of share capital covered by agreement as of signature date	39.02%	50.03%	33.09%	32.14%	26.22%
Signatory parties with 'senior executive' status (1)	*As of the date of signature of the agreement:* – Jean-Louis Dumas, Managing Partner – Émile Hermès SARL, Active Partner – Jérôme Guerrand, Chairman of the Supervisory Board *As of this date:* – Émile Hermès SARL, Managing Partner – Jérôme Guerrand, Chairman of the Supervisory Board	*As of the date of signature of the agreement:* – Jean-Louis Dumas, Managing Partner – Émile Hermès SARL, Active Partner – Jérôme Guerrand, Chairman of the Supervisory Board *As of this date:* – Émile Hermès SARL, Managing Partner – Jérôme Guerrand, Chairman of the Supervisory Board	*As of the date of signature of the agreement:* – Jean-Louis Dumas, Managing Partner – Émile Hermès SARL, Active Partner – Jérôme Guerrand, Chairman of the Supervisory Board *As of this date:* – Émile Hermès SARL, Managing Partner – Jérôme Guerrand, Chairman of the Supervisory Board	*As of the date of signature of the agreement:* – Bertrand Puech, Executive Manager, Émile Hermès SARL, Active Partner – Émile Hermès SARL, Active Partner – Patrick Thomas, Executive Chairman – Jérôme Guerrand, Chairman of the Supervisory Board	*As of the date of signature of the agreement:* – Émile Hermès SARL, Active Partner – Jérôme Guerrand, Chairman of the Supervisory Board
Name of signatory parties who are immediate family members of senior executives (2)	All signatory parties	All signatory parties	All signatory parties	All signatory parties	All signatory parties
Name of signatory parties who owned 5% or more of the share capital and/or of the voting rights in the Company as at 31 December 2009	Mr Jean-Louis Dumas SC AXAM SAS FALAISES SAS POLLUX & Consorts SAS SDH SC FLÈCHES	Mr Jean-Louis Dumas SC AXAM SAS FALAISES SAS POLLUX & Consorts SAS SDH SC FLÈCHES	Mr Jean-Louis Dumas SC AXAM SAS FALAISES SAS POLLUX & Consorts SAS SDH SC FLÈCHES	SAS POLLUX & Consorts SAS SDH SAS FALAISES	SAS POLLUX & Consorts SA JAKYVAL SAS SDH SAS FALAISES

(1) Within the meaning of Article L 621-18-2-a. (2) Within the meaning of Articles L 621-18-2 c and R 621-43-1 of the Code Monétaire et Financier.

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 2009, pursuant to the authorisations granted by the shareholders at the General Meetings indicated below:

Programme authorised by AGM of	3 June 2008 (effective since 3 June 2009)	2 June 2009 (effective until 2 June 2009)
Date of Executive Management decision	20 March 2008	18 March 2009
Maximum total number of shares	10% of the share capital	10% of the share capital
Maximum authorised	€650m	€750m
Maximum purchase price	€200	€200

During the year ended 31 December 2009, 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 01/01/2009 to 02/06/2009	From 03/06/2009 to 31/12/2009	Total
Not covered by liquidity contract			
Number of shares registered in the Company's name as at 31/12/2008	441,000	–	441,000
Number of shares bought	–	–	–
Reason for purchase	–	–	–
Average selling price	–	–	–
Number of shares sold	69,000	–	69,000
Average selling price	€42.17	–	€42.17
Net transaction costs, excluding VAT	–	–	–
Number of cancelled shares	–	–	–
Average price of cancelled shares	–	–	–
Number of shares registered in the Company's name as at 31/12/2009	372,000	–	372,000
Number of shares:			
– Allotted to share purchase shares	250,000	–	250,000
– Bonus issue	122,000	–	122,000
– Cancelled	–	–	–
Net value at purchase cost	€27,680,799	–	€27,680,799
Net value at closing price	€34,711,320	–	€34,711,320
Par value	€189,720	–	€189,720
Percentage of share capital involved	0.35%	–	0.35%
Covered by liquidity contract			
Number of shares registered in the Company's name as at 31/12/2008	61,000	–	61,000
Funds allocated (liquidity account)	€10,000,000	€10,000,000	€10,000,000
Number of shares bought	148,249	105,776	254,025
Average selling price	€83.68	€97.30	€89.35
Number of shares sold	161,249	103,776	265,025
Average selling price	€83.99	€97.84	€89.41
Number of shares registered in the Company's name as at 31/12/2009	48,000	2,000	50,000
Net value at purchase cost	€4,645,733	€188,929	€4,834,662
Net value at closing price	€4,478,880	€186,620	€4,665,500
Par value	€24,480	€1,020	€25,500
Percentage of share capital involved	0.05%	0.00%	0.05%

A report on any such trading since 1 January 2010 will be submitted to you at the Annual General Meeting called in 2011 to approve the financial statements for the year ending 31 December 2010.

The Executive Management

Share price trend over the past five years*

2005

Month	Closing price (in euros)			Monthly average daily trading volume
	High	Low	Average	
January	51.43	47.03	48.55	81,159
February	54.93	49.33	52.70	108,264
March	54.97	50.53	53.38	108,234
April	52.43	48.57	50.72	98,094
May	53.17	48.67	51.42	96,750
June	56.33	52.10	54.91	202,503
July	57.73	52.37	56.13	82,503
August	57.50	52.10	54.46	139,662
September	66.13	57.73	61.86	225,249
October	65.93	59.47	62.31	147,309
November	66.63	61.70	63.97	207,168
December	71.63	64.73	68.55	125,403

2006

Month	Closing price (in euros)			Monthly average daily trading volume
	High	Low	Average	
January	72.53	68.50	71.37	73,667
February	71.67	67.60	69.48	105,079
March	72.60	69.03	70.68	103,066
April	70.33	65.50	67.85	204,279
May	67.83	59.40	64.15	164,192
June	69.55	63.03	65.61	256,481
July	69.20	63.25	65.88	140,515
August	67.50	61.85	64.26	77,675
September	74.20	63.80	68.30	92,834
October	87.45	70.95	75.93	222,109
November	89.30	81.00	83.73	320,382
December	97.00	81.60	88.94	218,568

2007

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

2008

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

2009

Month	Closing price (in euros)			Monthly average daily trading volume
	High	Low	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

* Figures adjusted to reflect three-for-one stock split on 10 June 2006.

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

INFORMATION ON THE PARENT COMPANY FINANCIAL STATEMENTS

The parent company financial statements as presented were approved by the Executive Management on 23 March 2010 and will be submitted to the shareholders for approval at the Annual General Meeting of 7 June 2010. The parent company financial statements were also reviewed by the Audit Committee at its meeting of 22 March 2010.

Revenue

Revenue amounted to €67.0 million in 2009, a dip of 8% on the €72.4 million registered in 2008.
The Company's revenue consist of sales of services that are billed 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 179 to 181.
The parent company financial statements are drawn up in accordance with the provisions of French laws and regulations and with generally accepted accounting principles.
In 2008, the Company retrospectively applied CRC Regulation 2008-15 of 4 December 2008 on the accounting treatment of options to purchase or to subscribe for shares and of bonus share distributions to employees.
The application of this regulation resulted in a €9.7 million adjustment to equity as at 1 January 2008, representing the deduction of the portion of the cost of the 2007 bonus share issue for years subsequent to 2007, for which a provision had been accrued as at 31 December 2007. The cost of the plan is now spread over the benefit vesting period, that is, over four years as from December 2007. The expense recognised in this respect amounted to €3.1 million in 2009 compared with €2.6 million in 2008.
As at 31 December 2009, total assets amounted to €1,348.4 million compared with €1,207.8 million as at 31 December 2008. The statement of income shows net income of €243.2 million, compared with €257.5 million in 2008.
As at 31 December 2009, Hermès International's share capital amounted to €53,840,400.12 consisting of 105,569,412 shares with a par value of €0.51 each.

INFORMATION ON ACCOUNTS PAYABLE

Pursuant to Article L 441-6-1 of the French Commercial Code and of Decree No. 2008-1492 of 30 December 2008, a breakdown of trade accounts payable by due date is presented below. Under the law, this requirement became effective as of 1 January 2009. Hence, this information is not presented for 2008.

As at 31 December 2009 (in millions of euros)	Group	Non-group	Total
Trade payables	**2.0**	**14.0**	**16.0**
Total past due	**0.7**	**1.7**	**2.4**
– less than 30 days	0.2	0.8	1.0
– 30 to 90 days	0.2	0.6	0.8
– over 90 days	0.3	0.3	0.6
Total coming due	**1.3**	**12.3**	**13.6**
– within 30 days	1.3	12.3	13.6
– within 30 to 60 days	–	–	–

INFORMATION ON SUBSIDIARIES AND ASSOCIATES

A list of companies whose registered office is located in French territory and in which the Company owns a material interest, whether directly or indirectly, is provided in the notes to the consolidated financial statements (Note 32, page 172).

During 2009, Hermès International participated in several capital transactions involving its direct and indirect subsidiaries.

• *Acquisition of Erbé Maroquinier, followed by dissolution without liquidation of that company.* On 27 July 2009, Hermès Sellier acquired 100% of the share capital of Erbe Maroquinier. On 16 November 2009, Erbe Maroquinier was dissolved, and all of its assets and liabilities were transferred to Hermès Sellier effective as of 1 January 2010.

• *Creation of Hermès Istanbul.* To promote expansion of the Group's operations in Turkey, a distribution subsidiary was created in Istanbul on 19 March 2009. This company is wholly-owned by Hermès International and Hermès Sellier.

• *Creation of Hermès Middle East South Asia.* This company was created on 16 July 2009 for the purpose of promoting and developing Hermès' business operations in the Middle East and in Southern Asia. Hermès International owns 100% of the company.

• *Creation of Saint Honoré Consulting.* Saint Honoré Consulting, a marketing consulting firm, was created on 1 September 2009. The company is wholly-owned by Hermès Middle East South Asia.

• *Creation of a John Lobb corporate entity* in Taiwan on 1 September 2009 to operate a retail store.

• *Dissolution and liquidation of Hermès Korea Travel Retail.* The company was wound up effective as of 13 October 2009.

• *Merger of Héraklion with and into SCI Auger Hoche.* The merger was completed effective as of 1 January 2009 to simplify the building permit application process for the real estate project to expand the Pantin workshops and offices by combining all parcels into one company.

• *Capital transactions:*

– injection of capital into Hermès (China) to finance the development of stores in China;

– recapitalisation of Maroquinerie de Belley;

– recapitalisation of Maroquinerie de Sayat;

– recapitalisation of Hermès Intérieur & Design.

• *Isamyol 10: change in company name and capital increase.* Isamyol 10 was renamed Grafton Immobilier and its share capital was increased to enable it to purchase a building in London.

• *Soficuir International SA: change in company name and in corporate form to a* société par actions simplifiée. Soficuir International SA was renamed Hermès Cuirs Précieux and was converted into a société par actions simplifiée.

• *H.W.: Change in company name and in ownership structure – Investment in Wally Yachts S.A.* H.W., a company created in July 2008, was renamed WHY S.A.M. In March 2009, the Hermès Group acquired 10% of Wally Yachts, the shareholder in the WHY S.A.M. joint venture. In February 2010, owing to the complexity of engineering studies and the required expertise in ship design, it became apparent that the project needed to be run by one decision-maker. Hermès naturally turned over the project to Wally Yachts S.A. and sold its entire equity interest in Wally Yachts S.A. and WHY S.A.M.

Property and Insurance

Property

The Group owns its original registered office at 24, rue du Faubourg Saint-Honoré and 19-21, rue Boissy d'Anglas in Paris (75008). This facility houses the flagship Faubourg store, which partially renovated and expanded in 2007, and administrative offices. Since 2007, the Group has also occupied office space near its registered office, on rue de la Ville-l'Évêque, Paris (75008), which it rents from third parties under commercial lease agreements. The employees of Hermès International have been relocated to two locations: Faubourg Saint-Honoré and rue de la Ville-l'Évêque. The Group occupies some 22,000 square metres of office space in Paris.

It also owns two logistics centres, one in Bobigny, in the Paris area (approximately 21,000 square metres), the other in Nontron.

The Group also has a substantial base in Pantin, where Ateliers Hermès set up its facility in 1992, as well as office and warehouse space in adjacent or nearby buildings. The Group owns most of these sites. These operations cover a floor area of nearly 30,000 square metres, organised into different business sectors such as leather goods, ready-to-wear, or silversmithing and jewellery.

In August 2009, the Group completed a project to combine its three existing workshops in Nontron into a new leather goods production facility with a floor area of approximately 4,300 square metres. The building, which includes leather workshops and a logistics area, was designed with a view to limiting its environmental impact. The building's visual impact was minimised by integrating it into the natural slope of the land, solar panels were installed to heat water for washroom use and rainwater runoff is handled on site via filtration basins.

In 2009, renovation work at the Maroquinerie de Belley site was also completed. Lastly, in September 2009, the Group acquired a property complex on Bond Street in London.

Hermès products are available worldwide through a network of 304 exclusive stores. A detailed list of these appears in Volume 1, pages 69 to 73, of the Annual Report. Of the 304 Hermès exclusive retail outlets throughout the world, 180 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 some of its stores, including those in Paris, Ginza in Tokyo, Dosan Park in Seoul, The Galleria in Hong Kong and in Geneva, Switzerland. The branches are located in the following regions: 68 in Europe (including 14 in France), 33 in the Americas (including 24 in the US), 73 in Asia (including 25 in Japan), and 6 in Oceania. In 2009, the distribution network was expanded by the addition of 18 Hermès exclusive retail outlets throughout the world, including 14 branches. The Group owns 28 of the 34 production units it operates, including three tanneries acquired in 2007 following the purchase of the Soficuir group. These production facilities are located in 26 regions, including 22 in France, 1 in Great Britain, 1 in Italy, 1 in Switzerland and 1 in the United States (please refer to page 94 for a detailed list).

Insurance

As in previous years, the Hermès Group's policy in this area is to transfer any exposure that is liable to produce a material impact on profits to the insurance market. These insurance programmes are placed with leading insurance companies, via several of the top ten brokers in France.

The main international insurance programmes cover:

1) Property damage and operating losses that may affect our production sites, logistics centres, distribution centres or administrative offices, in France and in other countries.
The two-year policy underwritten by FM Global was renewed for two additional years, under the same terms and conditions, with the exception of 21 sites for which the deductible for flood insurance was lowered. This insurance coverage is supplemented by a prevention/engineering programme: prevention inspections were carried out at 33 distribution sites and 20 production sites in 2009. Implementation of the main recommendations issued is monitored through a formal system.

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

3) Transportation of our products between our production sites and to our distribution network.
A two-year policy was secured from Allianz Global Corporate & Specialty.

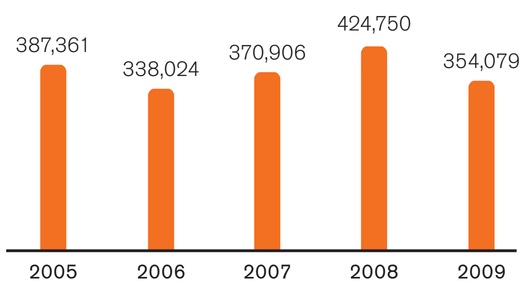
No major claims were filed under these policies, other than a claim for damage due to a fire at a subcontractor's facility. The Hermès Group was reimbursed for all damages incurred under the terms of its direct damage and operating loss cover.

The aggregate cost of our insurance policies amounts to approximately 0.20% of total revenue.

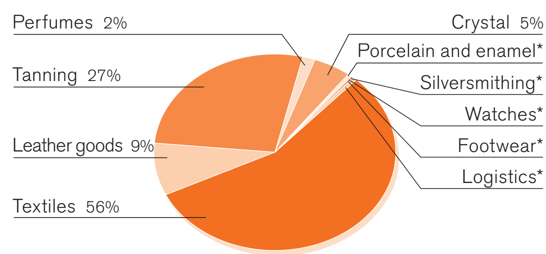
NRE Annexes: Environmental information

Natural resources consumption

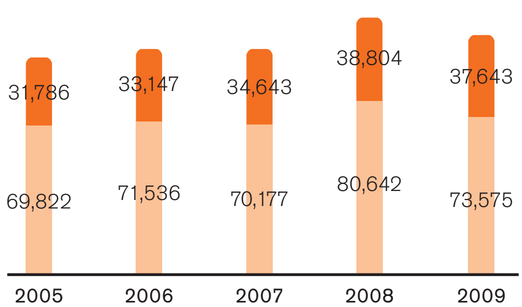
• **Water consumption evolution** (1)
(in m^3)



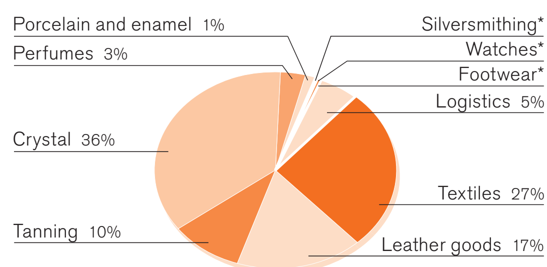
• **2009 analysis of water consumption by sector** (in m^3)



▪ **Energy consumption evolution** (1)
(in MWh)



▪ **2009 analysis of energy consumption by sector** (in MWh)



(1) Including Hermès Cuir Précieux which was fully consolidated as from 2008.

* Each of these sectors accounts for less than 1% of the group's total consumption.

Production sites

The Hermès Group controls 33 production units on 26 sites (22 of them in France, 1 in Great Britain, 1 in Italy, 1 in Switzerland and 1 in the USA), and a logistics centre in Bobigny (France).

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

LEATHER GOODS

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

An Environment, Health and Safety (EHS) and Sustainable Development Director was named in April 2009, in charge of EHS activities and projects linked to sustainable development within the sector. She works in coordination with the EHS officers at each site.

The division's four facilities based in the greater Paris area account for the bulk of its water and energy consumption. Higher energy consumption at La Pyramide in Pantin, which is the main facility of the Leather Goods division in the greater Paris area, is due to the fact that the site houses other Group spaces such administrative offices, two cafeterias, and a reception space where most House events are held.

In 2009, work began on a complete overhaul of Maroquinerie de Saint-Antoine to reduce its environmental impact. Maroquinerie de Belley was also completely renovated during the year. The old Nontron facilities closed in July 2009, and in September, employees moved to a new manufacturing facility built to HQE environmental quality standards. The new site includes a number of technical innovations such as a wood-fired furnace, photothermal solar panels, a green roof and Jardins Filtrants® water gardens, which naturally purify domestic wastewater and runoff from the site's car parks.

• Figures

The figures below represent the aggregate consumption of the twelve production facilities.

	2005	2006	2007	2008	2009
Water (m^3)	35,000	29,100	30,905	23,346	30,202
Electricity (MWh)	8,459	9,239	10,607	11,063	11,297
Gas (MWh)	6,675	7,758	7,755	9,130	7,410
Fuel oil (MWh)	1,360	1,752	1,382	1,037	953
OIW (t)	544	685	684	670	640
HIW (t)	15	18	15	21	29

• Water

Water consumption by the Leather Goods division is limited to domestic uses and air conditioning systems. Since 2008, all sites have been equipped with water-based cleaning tables to wash production tools, eliminating all use of water for industrial purposes.

In 2009, water consumption jumped by 29% year-on-year, returning to the levels measured in 2007. The rise was caused by the following:

– Pantin-Pyramide: the cool summer of 2008 meant there was little need for air conditioning, and water consumption dropped by 29% as a result, while hot weather in the summer of 2009 required the air conditioning to run at full capacity during the whole season;

– Maroquinerie des Ardennes: a leak identified at the facility towards the end of 2009 was responsible for an estimated 2,000 cubic metres of excess consumption over the year;

– La Maroquinerie Nontronnaise: filling the fire protection water tank required approximately 500 cubic metres of municipal water; however, in coming years, filling this tank will have no impact on water consumption, as it will be topped up using well water from a spring on the site.

• Energy

In 2009, total energy consumption (electricity, gas and fuel oil) dropped by 7% year-on-year, from 21,230 MWh to 19,660 MWh.

Electricity

Electricity is used for production tools (cutting machines, leather marking machines, work station lighting) as well as to light work areas, in some water heaters and to run the air conditioning and cooling units.

A sharp rise in energy consumption between 2004 and 2007 was due mainly to increasing production capacity (through new construction or extensions to existing sites). Electricity consumption has remained relatively stable since 2007, edging up by 2% in 2009 compared with the previous year.

Consumption increases were due to the following:

– Pierre-Bénite: the facility's new digital cutting machines pushed up consumption by 2%;

– Pantin-Pyramide: the facility is used to host House events, which in 2009 required 5% more electricity than the year before;

– Maroquinerie de Saint-Antoine: major renovations to the facility initiated in 2009 boosted consumption by 85%;

– La Maroquinerie Nontronnaise: consumption was 179% higher, as the new facility is much larger than the old one and requires far more lighting.

These increases were offset by conservation measures at other facilities, thereby holding the division's overall electricity consumption relatively stable:

– Maroquinerie des Ardennes: the replacement of insulation joints on certain structural elements, along with optimised use of air conditioners, cut consumption by 13% in 2009;

– La Manufacture de Seloncourt: the facility lowered its consumption by 3% by replacing part of its lighting system with energy-efficient units and by raising staff awareness of the importance of conservation.

Fossil fuels

The 8% drop in fuel oil consumption is attributable to the replacement of the furnace at Maroquinerie de Belley with a new gas-fired unit, and to the fact that the tank at CIA in Pantin was only partially refilled.

Gas is used only for heating, not in the production process. In 2009, gas use plummeted by 19%, owing in part to continued efforts to rein in consumption over the year. Furnace settings were adjusted to optimise the heating cycle at the Pierre-Bénite, Ardennes and Sayat facilities, cutting their gas consumption by 45%, 28% and 18%, respectively.

Efforts to further decrease fossil fuel consumption continued, and their effects should start to flow through in 2010. These include:

– renovations to the Belley facility, including improvements in building insulation;

– the installation of a wood-fired furnace at La Maroquinerie Nontronnaise in the autumn;

– the installation of photothermal solar panels to heat water for domestic use at La Maroquinerie Nontronnaise.

Additionally, energy diagnostics and infrared thermography were performed at facilities with the highest energy consumption in 2009 in order to identify possible areas for improvement. These will be included in a three-year plan budgeted for 2010-2013.

• **Waste**

Water-based glues are now used almost universally at all production facilities, which has eliminated solvent waste, a source of HIW. Water-based cleaning tables for washing brushes and glue containers have been installed in most facilities. Wastewater from the cleaning tables is treated by the cleaning-table supplier in compliance with regulations. As a result, paint brushes and containers are now reusable. An increase in HIW volume over the year is attributable to campaigns carried out at certain facilities to encourage the disposal of expired or used products. Leather scrap, which accounts for the bulk of the division's OIW, is partially recycled. The reduction in OIW volume is for the most part attributable to a programme the Pierre-Bénite facility set up with the logistics centre to recover pallets used to transport hides. This initiative slashed the amount of wood scrap produced by the facility's cutting department by 46%.

• Bilan Carbone®

The Bilan Carbone® carbon audit is a way of identifying activities that produce greenhouse gases, measuring their emissions and calculating their Carbon Dioxide Equivalent in tonnes.
The first Bilan Carbone® audit was carried out at the Pierre-Bénite manufacturing unit at the end of 2006, and audits continued at other facilities over 2007 and 2008. Carbon emissions have now been calculated for the entire division. Initial findings from the audits point to a number of areas for improvement, ranging from logistics and transport of incoming materials to employee transportation and the heating and cooling systems used within the division's different facilities.

• Health and safety

A number of workplace health and safety measures were put in place over 2008 and 2009. They included:
– ergonomics: new equipment has been installed in workshops (leather ironing and embossing presses, saddle clamps, assist devices for leather creasing tools, etc.). At Aix-les-Bains, Pierre-Bénite and Pantin, daily warm-up exercise sessions were held for artisans, with the aid of an outside consultant. Workstations were analysed regularly by an ergonomist in order to identify areas for improvement. In all sites, workshop foremen and craftsmen are trained in the principles of ergonomic motion;
– safety: the use of a shared systematic risk analysis tool throughout the Leather Goods division has contributed to successive improvements to the *Document unique* (single document evaluating workplace risk required by French law in all workplaces);
– orientation: in 2009 a welcome and orientation booklet for new employees was published for the Bogny-sur-Meuse, Sayat and Pantin facilities;
– good practices: the network of EHS Officers expedites the exchange and implementation of good practices. In 2009, efforts focused on supplier and subcontractor management and chemical risk management.
This combination of measures has helped to reduce the risk of industrial accidents.
Between 2008 and 2009, the number of accidents at the Pantin-Pyramide site decreased by 30%, and by 42% when measured in workdays lost to work-related injuries.

TANNERY

Since 2007, the Tannery division's scope has grown from a single site (Gordon-Choisy, France) to include three new facilities, with the assimilation of T.C.I.M. (Vivoin, France), Michel Rettili (Cuneo, Italy) and Reptile Tannery of Louisiana (Lafayette, USA). Today, these four tanneries form Hermès Cuir Précieux (HCP). EHS policy is overseen by three dedicated officers and by the division's Plant Managers.

• Figures

	2008	2009
Water (m^3)	117,971	95,809
Electricity (MWh)	3,445	3,260
Gas (MWh)	7,093	7,567

• Water

The Tannery division accounts for a quarter of Group aggregate water consumption and taking steps to conserve water was a major priority for the teams working in each facility:

– Gordon-Choisy cut back its overall water consumption by 30% between 2006 and 2009. This improvement is attributable to enhanced employee awareness of the need to conserve water, to changes in processes that use running water and to the installation of more efficient equipment (new tanning drums). These efforts continued in 2009 with the installation of new equipment at the end of the year ("side stream tanning drums" and a modernised furnace system);

– T.C.I.M. slashed water consumption by 33% year-on-year, continuing the approach it initiated in 2007 with modernised equipment and updated rinsing, tanning, re-tanning, and dyeing processes;

–Water use dropped by 7% year-on-year at Michel Rettili and by 13% at RTL.

All four sites comply with regulatory requirements on the treatment of effluent from the tanning process. To this end, a nanofiltration system was added to the existing water treatment station at T.C.I.M. The system reduced COD (chemical oxygen demand) levels by an average of two-thirds between 2006 and 2009. At Gordon-Choisy, aluminium sulphate has been replaced by aluminium polychloride in the effluent treatment process, thereby significantly reducing the level of sulphate emissions.

• Energy

At T.C.I.M., RTL and Michel Rettili, major renovation work was initiated in 2007 to enhance energy efficiency, including re-roofing, insulated suspended ceilings, removing fuel oil furnaces, installing more efficient lighting in workshops and close monitoring of energy use. Gordon-Choisy has pursued similar measures, doing away with its fuel oil furnace in 2006 and progressively improving insulation in various workshops. The facility is investing in a new furnace and in new techniques for heating process water and for drying leather.

• Waste

In recent years, all tanning facilities have pursued a policy of waste reduction. High OIW volumes logged over the past three years were due to extensive renovations and refurbishment of buildings and equipment.

• Bilan Carbone®

All facilities in the division underwent a Bilan Carbone® carbon audit in order to calculate the division's carbon footprint. Once carbon emissions for the whole of Hermès Cuir Précieux had been assessed, improvement measures were identified and undertaken.

• Health and safety

All four facilities have undertaken numerous measures to improve workplace health and safety and to reduce the risk of accidents. In 2009:

– chemical risk management was reinforced with regular product inspections and the institution of a screening procedure for new products entering the facility. Storage methods were also improved, with the installation of fireproof cabinets for flammable products, *inter alia*;

– personnel at the Gordon-Choisy facility received

training in chemical and biological risk, storage and shipping procedures and causal trees, along with an orientation booklet that reviewed and supplemented this information;
– at Michel Rettili, improvements were made to the fire safety system for the protection of persons and property;
– At RTL, the electrical system was replaced to reduce electrical risk.

PERFUMES

In 2009, Le Vaudreuil focused its environmental expenditures on renovating air-conditioning systems in at-risk spaces to include heat recovery equipment, and on preventing major hazards with a thermal protection boundary wall. A two-person team oversees EHS activities, and reports to the Plant Manager.

• Figures

	2005	2006	2007	2008	2009
Water (m^3)	9,964	6,251	5,426	5,644	5,777
Electricity (MWh)	1,051	1,206	1,422	1,422	1,430
Gas (MWh)	2,258	2,372	2,246	2,376	2,332
Fuel oil (MWh)	0.8	0.8	0.8	0.8	0.8
OIW (t)	363	426	375	361	341
HIW (t)	31	46	46	59	79

• Water

Water consumption at Le Vaudreuil has remained stable over the past three years, and was 40% lower than in 2005. A non-Group company leases a part of the facility and is responsible for a significant portion of total water consumption.
To prevent accidental water pollution, the entire facility was progressively placed on retention tanks, a project that has now been completed. The system allows the main sections of the facility to be isolated from one another, prevents accidental spillage into the surrounding environment and provides flood protection.

• Energy

A centralised platform was installed to monitor the main sources of energy and gas consumption. The consumption log kept over 2009 allows the division to closely track deviations and to verify improvements linked to energy-saving expenditures.

• Air

In 2009, the level of VOCs (volatile organic compounds) released into the atmosphere was measured at 0.80%. The recommended maximum for the perfume industry is 5%. VOC emissions mainly consist of ethanol, which is not bio-cumulative, disperses rapidly, biodegrades easily and poses no measurable threat to flora and fauna.
Work to improve workshop ventilation continued in 2009 with the installation of a ventilation system in the small leather goods workshops.

• Waste

At Le Vaudreuil, efforts continued to increase the volume of waste recycled. In 2009, a glass recycling campaign succeeded in shifting 5% of waste volume from reclamation to recycling. Now, 49% of the facility's waste is reclaimed and 51% is recycled. For the first time this year, obsolete components were disposed of through recycling programmes.

• Bilan Carbone®

A Bilan Carbone® audit was conducted at the Le Vaudreuil facility. Based on its findings, improvement measures were identified and undertaken.

• Health and safety

Spending on the health and safety programme over the past three years continues to yield improvements in this area. An assessment of the 2007 EHS procedural training programme was carried out in the first half of 2009 to ensure that all personnel had learned and retained safety rules.

To intensify focus on risk prevention, an internal audit was conducted to evaluate occupational risks and behaviours. A volunteer team of internal auditors was assembled from different departments to foster an enhanced risk prevention culture throughout the facility. The CHSCT (*comité d'hygiène, de sécurité et des conditions de travail*, the health, safety and working conditions committee) was fully involved in these initiatives. Together, these measures have achieved impressive results at the facility: in two years, the accident rate has plummeted from 32% to 5%, and the accident severity rate has dropped from 0.17% to 0.05%.

TEXTILES

Each of the nine sites in the Textiles division applies EHS policy through a programme set up at the beginning of each year by a sector-wide coordinator, with support from the Technical Director and the EHS Officer at Ateliers A.S. EHS-related expenditures came to €0.7 million in 2009.

• Figures

	2005	2006	2007	2008	2009
Water (m^3)	263,000	235,000	260,000	241,000	198,775
Electricity (MWh)	9,282	9,887	9,678	10,075	9,266
Gas (MWh)	22,448	22,111	21,897	22,254	20,443
OIW (t)	308	346	469	306	239
HIW (t)	279	260	334	387	409

• Water

The Textiles division still accounts for most of the Group's water consumption (56% in 2009). Reducing water consumption at its production facilities is therefore a major environmental priority for the division and for the Group as a whole. The water conservation programme has reduced water consumption in the Textiles division by 36% since 2004, and by 50% since 2002. Now the division's goal is to cut water consumption by 50% from its 2007 level.

Over the past five years, Ateliers A.S. has undertaken multiple initiatives to reduce water use. In 2009, the installation of a water recycling system was completed on the washing lines for printing frames and scrapers. A water recycling system for the facility's wastewater mains was also tested.

SIEGL continued its efforts to scale back water consumption, in particular through weekly preventive maintenance for frame washing machines. At the end of 2009 the machine used to wash fabric – which accounted for nearly half the facility's total water consumption –– was replaced by a more efficient machine, and this is expected to produce a notable impact in 2010. A water-recycling programme was also put in place. Currently, 10% of the facility's water is being recycled; the goal is to progressively increase this percentage.

Établissements Marcel Gandit installed a new scouring line and a new frame developing line at the beginning of 2009, reducing water consumption by 30% per square metre of frame. The use of silver halide film was halved, which also helped decrease water consumption in this sector.

• Wastewater

The wastewater quality improvement programmed continued to focus on:

– continued efforts to find substitutes for certain chemicals;

– recovery of chemicals before tools and fabrics are washed;

– reduction of chemical product consumption;

– improvements to the wastewater treatment system.
To supplement these measures, photoengraver Établissements Marcel Gandit initiated a project to analyse wastewater and map the wastewater elimination system. The system was subsequently redone, with improved separation of rainwater and wastewater drains. A record drawing of the system was also completed.
Ateliers A.S. upgraded the machine it uses to store and recover stripping products, which reduced the overall volume of chemicals used, and thus the volume of these products released into the wastewater system. Colour and product recovery also helped limit pollution concentration in water through reduced water consumption. Pollution, expressed in kilograms of COD per day, dropped by 14%.
Wastewater pollution at the SIEGL facility, expressed in kilograms per day, dropped by 38% in 2009, in large part due to a €0.8 million expenditure to improve the wastewater treatment system, which included improvements to the existing aeration tank and the installation of a membrane bioreactor that both treats and recycles water.

• Energy

The Textile division is the Group's second-largest energy consumer, and accounts for 27% of the Group's aggregate consumption. In 2008, energy diagnostics were carried out in at Ateliers A.S. and Sport Soie in order to obtain a better grasp of production and heating systems and to identify potential areas for improvement. The Textile division's total gas and electricity consumption dropped by 8% between 2008 and 2009.
The Ateliers A.S. facility replaced a cooling unit with one that used less power, cutting electricity consumption by 8% and gas consumption by 7%.
The air conditioning system at Sport Soie was renovated to bring air recirculation rates to code and to improve fresh air handling, which reduced electricity consumption.
At Bucol, heat settings were adjusted, the compressor was changed and the reclaimed heat is now used for the inventory storage area. These measures reduced electricity consumption by 4%.
The buildings at Établissements Marcel Gandit were re-roofed and are now better insulated. The cooling unit was also shut down. These two measures cut the facility's electricity consumption by 10%.
Aerator and agitator function was optimised at SIEGL, which lowered electricity consumption and improved the nitrification and denitrification process. All employees were encouraged to take steps to conserve energy. As a result, electricity and gas consumption declined by 8% in 2009.

• Waste

The Textiles division's goal is to continually improve waste management and its removal to certified waste treatment facilities. It should be noted, however, that measures to reduce wastewater pollution have increased the volume of HIW, which rose by 6%. This was due mainly to a significant increase in the volume of colour and stripping residues recovered. OIW levels dropped by 22% in 2009. This seemingly precipitous drop was mainly due to high volumes of scrap metal recovered from building projects and frame "de-engraving" in previous years. Throughout the division, personnel were educated on environmental issues through visits, meetings, poster campaigns and relevant signage. In particular, SIEGL has used the French SD21000 sustainable development standard as a reference and created four working groups to address internal communication and external accessibility, sustainable marketing, responsible purchasing and energy and greenhouse gas emissions.

• Bilan Carbone®

A Bilan Carbone® audit was carried out at SIEGL, and a working group was created to discuss ways to reduce gas and electricity consumption. The other sites in the division will undergo Bilan Carbone® audits in early 2010.

• Health and safety

Personnel were made aware of EHS-related issues through site visits, meetings (mainly with Works Council members), regular poster campaigns and appropriate signage. Training sessions were held regularly, particularly for electrical risk, appropriate storage and shipping techniques and managing chemicals.
In 2009, multiple measures were taken in coordination with site CHSCT committees:
– procedures were updated (storage, access to confined spaces, chemical management, etc.);
– ergonomic studies of workstations were carried out and improvements undertaken (installation of fabric inspection machines, better work area lighting, etc.);
–safety precautions for production machines were tightened and workplace data and specification sheets were created;
–fire detection and safety were continually improved (fire escapes, additional smoke detectors, etc.);
–workshop audits were carried out regularly by multidisciplinary teams, and followed up by action plans. All of these measures helped reduce accident frequency and severity for the entire Textiles division.

CRYSTAL

At Compagnie des Cristalleries de Saint-Louis, two people are responsible for EHS-related issues: an Environmental/New Construction Manager and a Health and Safety Officer.
Since 2007, €0.6 million has been invested in a series of projects to improve environmental performance and workplace health and safety at the facility.

• Figures

	2005	2006	2007	2008	2009
Water (m^3)	18,548	21,553	35,425	30,010	17,558
Electricity (MWh)	7,510	7,928	8,107	8,400	8,118
Gas (MWh)	33,337	33,300	33,962	35,089	31,799
Fuel oil (MWh)	n/a	n/a	82	92	101
OIW (t)	148	136	113	84	84
HIW (t)	1,084	1,714	1,279	1,106	1,228
Of which recycled/ reclaimed (t)	767	1,434	971	818	1,052

n/a: not available

• Water

The significant progress made in water consumption from 2005 to 2007 is not readily apparent, owing to major changes in the scope of operations (new production lines that produced items requiring technical cleaning) and measurement (mains water consumption was added starting in 2007). The division's scope has not changed since 2007, and water consumption has been more than halved since then.
Excluding changes in scope, concerted conservation efforts proved highly effective in reducing water consumption over the last three years. Water use was carefully managed through weekly meter readings, mobilising and educating staff and rapid repairs of equipment and leaks.

• **Energy**

Energy consumption rose in 2008 due to a change in fusion temperature in the furnace and to the overhaul of the burner port. This increase was offset in 2009 by equipment renovations and by adjusting production systems to actual production volumes.

• **Waste**

Cullet has been recycled and re-used in the fusion process since 2008, when a rigorous cullet sorting system was put in place and cullet storage conditions were improved to avoid mixing. These measures helped limit the volume of waste requiring specialised treatment. Used crucibles and contaminated and loaded glass batch made up a portion of HIW, which was removed to a specialised disposal facility.

OIW has dropped by 26% since 2007, following the adoption of waste separation at the source, which encourages re-use as well as recycling.

• **Effluent and atmospheric emissions**

Expenditures related to effluent and atmospheric emissions aim to ensure that various technical variables are monitored and to limit impact on nature. Significant progress has been made in these areas over the past two years.

All industrial wastewater is collected at a single point. It passes through a settling tank and is then treated in specialised filtration gardens before being released into the natural environment. The quality of water released into the environment is measured daily.

A 30-cubic-metre settling tank was installed in 2006. It buffers effluent release and accidental peaks as well as increasing holding time before wastewater flows into the filtration garden. Suspended particulate matter in the form of sludge is eliminated through a specialised treatment facility. An additional purification system was added in the form of Jardins Filtrants®, wastewater filtration gardens designed by Phytorestore. The filtration gardens, which can purify up to 84 cubic metres of water per day, have been operational since the first half of 2009. The project was co-sponsored by Compagnie des Cristalleries de Saint-Louis (technical aspects) and by the Association Saint-Louis Cristal et Lumière en Pays de Bitche (landscaping). An audit by a regional regulatory body (DREAL, *Direction Régionale de l'Environnement, de l'Aménagement et du Logement*) in August 2009 confirmed the effectiveness of this installation, particularly in terms of the resulting effluent load. Thanks to these two purification systems, the volume of pollutants released into the natural environment was reduced by a factor of three between 2008 and 2009, and heavy metal volumes were slashed by a factor of nine over the same period. Making the new filtration garden a visible, attractive part of the landscape was another goal of this project. The natural waste treatment station and its surrounding gardens, the first of their kind worldwide in the crystal and glassmaking sector, may be open to the public as soon as spring 2010.

The facility's ammonia-processing centre (a workshop that clarifies ammonia-rich water from the rinsing stage of the chemical etching process) was extensively modernised and certified by CRAM (a consulting firm specialised in energy efficient solutions) in October 2009. Waste from the processing centre is treated in a specialised facility.

The chemical etching and polishing workshop was brought back up to code in 2007. Tempering processes, scrubbing towers, electrical distribution systems, vacuums and safety devices were all replaced. These expenditures helped decrease acid levels in water vapour emitted by the facility, and the facility now consumes fewer chemical reagents than it did previously for the same production

output. Water from the chemical polishing and etching processes is slaked with lime and filtered before it is released into the settling tank. Sludge is removed to an approved discharge site. Atmospheric emissions are specifically monitored in the acid polishing and etching workshop.
Overall atmospheric emissions are also measured regularly and these measurements confirm that emissions comply with regulatory requirements.

• Bilan Carbone®

A Bilan Carbone® audit was carried out in 2009, and areas for improvement were identified based on its results.

• REACH

When REACH regulations went into effect, crystal was pre-registered as a substance of variable composition as a precaution, in close collaboration with the Fédération des Cristalleries et Verreries à la Main et Mixtes. In 2009, work began in cooperation with the Fédération to provide a technical basis for including crystal in the glass family, which would exempt it from registration requirements.

• Health and safety

A number of measures were taken in 2008 and 2009 to decrease the frequency and severity of workplace accidents at the facility:
– the Document unique (single document evaluating workplace risk required by French law in all workplaces) was completely rewritten;
– work areas were modernised (including the ammonia processing centre), obsolete equipment was removed, work tools were improved (profile knives for felt polishing wheels, protective gratings for disc grinders in the cutting workshop, equipment hoods, modernisation of forklift fleet, installation of hoists, etc.);
– investments were made for fire detection and prevention (smoke detectors and emergency call terminals, sirens, flame retardant blankets, regular fire drills [three in 2009], etc.);
– workstation ergonomics were assessed and improvements made (a selection station was set up for large items, the jar filling workstation was upgraded, the B3 oven workstation where large items are manually cut was improved, glassmakers' cullet cases were upgraded);
– staff training programmes were pursued: in addition to chemical risk mitigation and electrical safety clearance programmes in 2008, a number of training programmes were added in 2009, to cover fire (31 people), workplace first aid and lifesaving techniques (23 people attended review sessions; 14 new trainees), handling liquid gas and promoting workplace health and safety (training sessions by the CRAM firm for the management team);
– regular audits in all departments were carried out by a multidisciplinary team, which identified areas for improvement and will follow up with specific action plans.

SILVERSMITHING

An EHS Officer works with the head of production to oversee environment, health and safety for the production workshop.

• Figures

	2005	2006	2007	2008	2009
Water (m^3)	706	792	719	698	696
Electricity (MWh)	179	187	164	173	173
Gas (MWh)	17.4	18.3	18.3	18.8	17.9

- **Energy**

Puiforcat's energy consumption in 2009 was commensurate with its production level and was approximately the same as in 2008.

- **Pollutant releases**

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

- **Bilan carbone®**

A Bilan Carbone® audit was conducted in the Puiforcat workshop, and an action plan based on its findings will be created in 2010.

- **Health and safety**

Over the past two years, the following measures have been taken to improve workplace health and safety:
– machine safety was improved and work stations were overhauled (emergency footbrakes were installed on polishing and buffing machines, etc.);
– work areas were modernised;
– emergency stairwells were installed;
– staff training was held (proper motions and posture, workplace first aid and lifesaving techniques, fire and electrical safety clearance).
All these measures improved workshop safety conditions. Over the past two years, no workdays have lost to work-related injuries.

PORCELAIN AND ENAMEL

The main activities at the Nontron site are the decoration of blank porcelain and the production of enamelled bracelets. An EHS Officer who reports to the Facility Manager was appointed in 2009.

- **Figures**

	2005	2006	2007	2008	2009
Water (m^3)	1,280	1,010	875	2,136	803
Electricity (MWh)	732	801	833	918	846
Gas (MWh)	487	447	538	530	478
Fuel oil (MWh)	56	73	62	74	55
OIW (t)	74	88	90	91	75
HIW (t)	n/a	0.6	0.3	1.0	1.7

n/a: not available.

- **Water**

Water consumption in 2009 was the lowest recorded since 2005, despite the fact that enamelling is now performed in the workshops and requires water in the production process, particularly for jar mill cleaning and water washes in the enamel kilns. The spike in water consumption logged in 2008 was due to a leak in the water system. A sludge treatment facility for the enamelling department is under construction and will be operational by 2010.

- **Energy**

Total energy consumption (electricity, gas and fuel oil) dropped by 9% year-on-year. Most of the facility's energy consumption is due to increased enamel production and to leaving the kiln on standby. Gas is used exclusively for heating purposes.

- **Waste**

The systematic recovery of soiled packaging and cloths for reprocessing accounts for the significant rise in HIW volumes.

• **Bilan carbone®**

A Bilan Carbone® audit was carried out in 2009, and an action plan will be rolled out in 2010.

• **Health and safety**

The facility has launched a training programme with a special focus on ergonomics (proper motions and posture) and chemicals handling.

A number of improvements to workplace health and safety have been made, including:

– creation of a screening sheet for entering products;

– installation of a safety shower in the enamel workshop;

– implementation of a training program for new employees;

– a procedural review of the safety and prevention plan for non-Group companies.

WATCHES

The Biel production facility was built in 1999 for watch assembly. It complies with Switzerland's environmental and workplace health and safety standards at the local, canton and federal levels. In October 2006, a leather watchband production unit was added to the Biel facility. An EHS Committee meets monthly and performs inspection tours. All employees are made aware of EHS issues through team meetings or individual training sessions.

• **Figures**

	2005	2006	2007	2008	2009
Water (m^3)	602	742	746	607	1,012
Electricity (MWh)	301	323	350	343	337
Unreclaimed OIW (t)	6	12	13	20	20
Reclaimed OIW (m^3)	55	60	65	70	101
HIW (kg)	15	20	20	20	20

• **Water**

Increased water consumption from 2008 to 2009 was mainly attributable the expansion of the sprinkler system in 2009, and to landscaping done around the facility. Water consumption was monitored on a monthly basis.

• **Energy**

Despite an increase in the number of employees and the addition of the new watchband-manufacturing unit, which requires a considerable amount of electricity, energy consumption rose by only 12% between 2005 and 2009. This relative stability was made possible through rigorous management of the facility's ventilation system and through improvements to the heating system that increased its energy efficiency. Energy consumption was also monitored on a monthly basis.

• **Waste**

Reclamation of OIW primarily involves paper, cardboard items and leather scrap, whose volume has increased in proportion to production activity. Non-reclaimed waste is categorised as household waste, and its volume has increased in proportion to staff size, though it stabilised in 2009 compared with the previous year.

The 20 kilograms of HIW corresponds to used watch batteries, which are collected and dispatched to a specialised treatment facility.

• **Bilan Carbone®**

A Bilan Carbone® audit was carried out in the Watches division in 2009, and its results will be used to create an action plan to reduce the division's carbon footprint.

• **Health and safety**

Chemicals are inventoried regularly and stored in special fireproof cabinets. Data sheets for product safety have been updated.

Accident prevention and safety equipment has been installed in numerous locations, such as railings on the loading dock, a safety line on the roof, protective barriers and noise alarms in low-traffic zones.

A risk analysis of production equipment was performed, subsequent to which protective devices were installed and training was held. These measures were supplemented with training programmes and specific procedures for dangerous work performed at the facility.

La Montre Hermès declared no accidents to SUVA, the competent Swiss authority, in 2009.

FOOTWEAR

In 2009, the production managers at John Lobb-Northampton and John Lobb-Paris were put in charge of EHS-related issues.

• **Figures**

The figures below reflect consumption by the John Lobb production facility in Northampton.

	2005	2006	2007	2008	2009
Water (m^3)	742	520	459	809	861
Electricity (MWh)	234	233	227	237	219
Gas (MWh)	255	257	226	206	213

Water consumption is confined to domestic uses at Northampton, and gas consumption to heating. Neither is used in production, so consumption is not directly linked to production levels. Higher water consumption (a 6% rise year-on-year) was due mainly to testing of the sprinkler system.

Energy consumption has declined significantly over the past few years:

– gas consumption dropped by 16% between 2005 and 2009;

– electricity consumption edged down by 7% between 2008 and 2009.

• **Waste**

The facility has signed a contract with the Northampton Borough Council for the collection, removal and treatment of waste. Electrical waste, sharp objects and paper are sorted in the workshops and disposed of separately; appropriate signage has been posted to this end.

• **Bilan Carbone®**

A Bilan Carbone® audit was carried out this year for the Footwear business line. Action plans were defined based on its findings, and certain measures will be deployed starting in 2010.

• **Health and safety**

In 2009, the Northampton facility adopted a new Health and Safety Policy, as required by UK regulations. New measures were undertaken in 2009 to make production equipment safer. The facility and its sensitive equipment (ventilation and production equipment) are now audited on a regular basis. An outside firm also audited the facility in 2009. Chemicals used in the manufacturing process are now inventoried regularly and stored in special fireproof cabinets. Product safety data sheets were updated and staff received training on how to handle these products. All staff are regularly trained and educated in EHS-related issues.

John Lobb-Paris relocated to a new facility in 2009, and used the move as an opportunity to make certain equipment safer (ventilation systems, machines used in the manufacturing process, chemical storage). Personnel attended multiple training sessions throughout the year (workplace first aid and lifesaving techniques, electrical risk).

LOGISTICS

The head of the logistics centre is directly responsible for EHS-related issues and activities at the facility.

	2005	2006	2007	2008	2009
Water (m^3)	16,000	2,800	2,900	2,529	2,586
Electricity (MWh)	3,487	2,751	2,653	2,728	2,694
Gas (MWh)	2,834	3,648	2,987	3,945	3,316
OIW (t)	231	306	316	250	170
Of which recycled/ reclaimed (t)	150	242	155	83	124

• Water

Water consumption dropped by 8% between 2006 and 2009 despite an increase in logistics-related activity at the facility. Exceptionally high consumption in 2005 was caused by a leak in the underground water mains.

• Energy

The following actions slashed electricity consumption by 23% between 2005 and 2009:

– night-time security lighting at the warehouses was fitted with motion sensors;

– existing lighting fixtures were replaced by low-energy or more efficient devices as upkeep was performed on the building.

Better insulation and improved management of the heating system saved gas, and consumption dropped by 16% year-on-year. For example, 64 openings (door and window frames) were replaced on the administrative building's exterior, and temperature settings are now monitored.

• Waste

The adoption of handling equipment, such as wheeled carts and reusable bins for transport between the Leather Goods division and the logistics centre diminished OIW volume considerably. At the same time, the volume of recycled and reclaimed OIW grew thanks to increased sorting and better-organised waste collection.

• Bilan Carbone®

A Bilan Carbone® audit for upstream distribution was carried out.

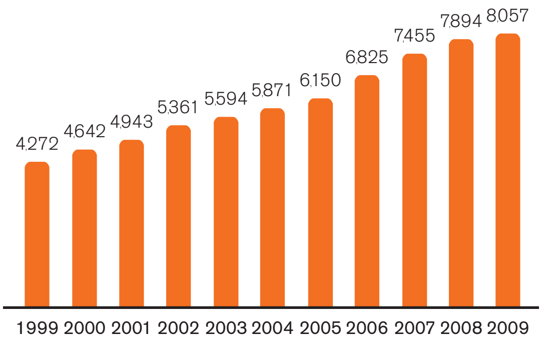
• Health and safety

A number of measures have been taken to make work zones and equipment safer, and personnel received education and training in 2009. Workplace accidents dropped by 46% year-on-year. A dedicated team was appointed in 2009 to analyse accidents and implement corrective and preventive measures.

NRE Annexes: Human Resources

GROUP HEADCOUNT

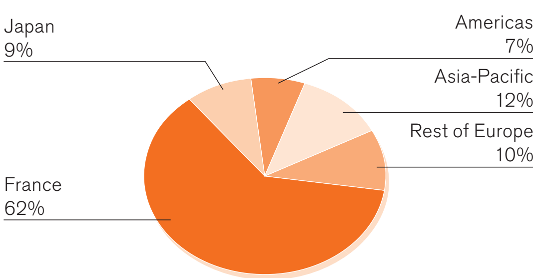
As of 31 December 2009, Hermès had a total of 8,057 employees. During the year, it created 163 new jobs, primarily in sales.
Over the past ten years, the group's workforce has nearly doubled.



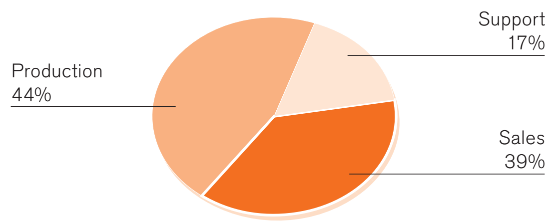
WORKFORCE BY REGION

	Number of permanent, active, paid employees*	Change 2009/2008
France	5,024	ns
Rest of Europe	825	+ 5%
Americas	522	+ 1%
Asia-Pacific	968	+ 14%
Japan	718	– 2%
Group workforce	**8,057**	**+ 2%**

* Open-ended agreements and fixed-term contracts with a term of more than nine months.
ns: not significant.



WORKFORCE BY JOB CATEGORY



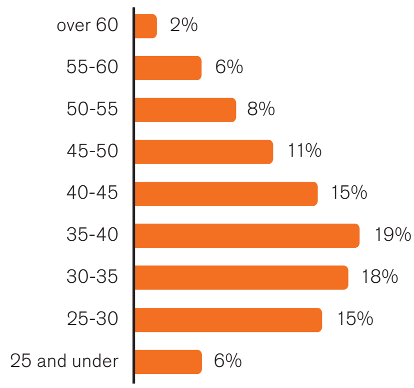
Sales staff includes:
– all people in direct contact with customers in stores, such as sales personnel, cashiers, hostesses, store security staff, etc.;
– all people who work in specialised distribution networks (perfumes, watches, etc.), airlines, and all individuals who work with intermediaries, sales representatives, export managers, etc.;
– 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 indirect contact with finished goods; that is, employees who work in production without taking part in the actual process of physical production.

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

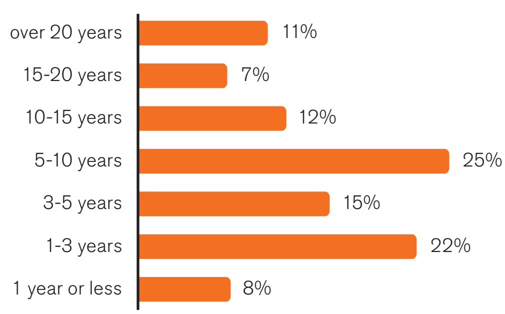
WORKFORCE BY AGE GROUP

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



WORKFORCE BY LENGTH OF SERVICE

The average length of service is nine years and nearly 45% of staff members have been with the group for less than five years.



NEW EMPLOYEES

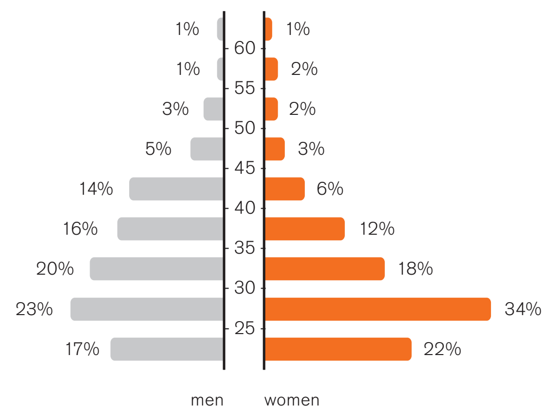
In 2009, 163 new jobs were created, of which 145 were covered by open-ended contracts. The majority of these new hires were in sales, to reinforce and extend sales teams for new store openings in 2009.

The workforce expanded most significantly outside of France, primarily in the Asia-Pacific region and principally in China, where several new branches were added to the distribution network.

By job category, net job creation within the group in 2009 was as follows:

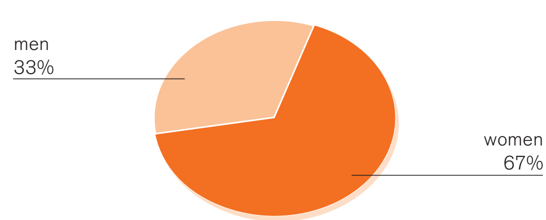
Sales	+ 6%
Production	+ 1%
Support	– 2%
Group workforce	**+ 2%**

The average age of women who joined the group in 2009 was 31; men's was 34.



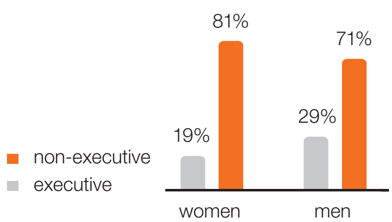
GENDER EQUALITY

The majority of the group's workforce (67%) is made up of women, who are represented at all levels of the group's hierarchy, in all sectors and in all employee representative bodies.

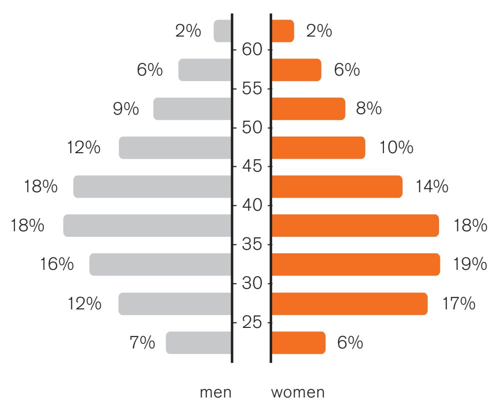


Analysis of workforce by gender and job category

	Women	Men
Sales	42%	34%
Production	42%	48%
Support	16%	18%



Age distribution for men and women was as follows:



EMPLOYMENT OF DISABLED PERSONS

The number of officially disabled persons employed by Hermès rose over last year, and in 2009, these represented 2.5% of France's workforce, i.e. 122 people.

Group entities are growing increasingly sensitive to the issue of employing disabled persons and are working in partnership with specialised organisations such as ADAPEI (local organisations of friends and parents of disabled children).

COMPENSATION AND TRAINING

The group's aggregate payroll amounted to €299 million in 2009 compared with €286 million in 2008, plus €107 million of payroll taxes and employer contributions, €30 million in incentive schemes and profit sharing and €1 million for employee support activities.

The rise in payroll costs (adjusted for currency impact) reflects increases in both headcount and salaries in all regions.

Hermès is committed to rewarding employee performance at the collective and individual levels, and the increase in variable compensation at both levels reflects this commitment.

Compensations are determined primarily by employee qualifications and local job market factors. The group's remuneration policy is based on rewarding employee initiative and skills development while ensuring internal and external fairness.

In addition, the Hermès group has set up for several years, an active training policy for its personnel.

EMPLOYEE SUPPORT ACTIVITIES

The total amount paid to works councils for employee support activities rose by 8% in 2009:

(€M)	2007	2008	2009
Employee support activities	1.1	1.2	1.3

INCENTIVE SCHEMES AND PROFIT SHARING

(€M)	Incentive schemes	Profit sharing
2004	5.5	10.5
2005	6.1	11.0
2006	7.5	12.3
2007	7.9	14.7
2008	10.4	16.8
2009	11.8	17.7

Consolidated financial statements

Consolidated statement of income for the year ended 31 December 2009

in millions of euros

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

Consolidated statement of other comprehensive income

in millions of euros

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

Consolidated statement of financial position as at 31 December 2009

ASSETS

in millions of euros

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

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

EQUITY AND LIABILITIES

Before appropriation

in millions of euros

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

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

Consolidated statement of changes in equity as at 31 December 2009

Before appropriation

	Share capital (Note 20)	Share premium	Treasury shares (Note 20)
As at 1 January 2008 - restated	**54.1**	**43.5**	**(33.8)**
Net income attributable to owners of the parent	–	–	–
Other comprehensive income	–	–	–
Sub-total	–	–	–
Change in share capital and share premium	–	5.1	–
Purchase or sale of treasury shares	–	–	(50.9)
Cancellation of treasury shares	(0.3)	–	48.0
Share-based payment	–	–	–
Dividends paid	–	–	–
Other	–	–	–
As at 31 December 2008 - restated	**53.8**	**48.6**	**(36.8)**
Net income attributable to owners of the parent	–	–	–
Other comprehensive income	–	–	–
Sub-total	–	–	–
Change in share capital and share premium	–	1.0	–
Purchase or sale of treasury shares	–	–	4.3
Share-based payment	–	–	–
Dividends paid	–	–	–
Other	–	–	–
As at 31 December 2009	**53.8**	**49.6**	**(32.5)**

in millions of euros

Reserves and net income attributable to owners of the parent	Derivatives (Note 20)	Foreign currency adjustments (Note 20)	Actuarial gains and losses (Note 25)	Shareholders' equity	Non-controlling interests (Note 21)	Equity	Number of shares outstanding (Note 9)
1,433.9	**17.0**	**(45.2)**	**(9.7)**	**1,459.8**	**12.7**	**1,472.5**	**106,089,214**
290.2	–	–	–	290.2	5.0	295.3	–
1.0	(32.1)	19.5	(1.4)	(13.0)	(0.9)	(13.9)	–
291.2	*(32.1)*	*19.5*	*(1.4)*	*277.2*	*4.1*	*281.3*	–
–	–	–	–	5.1	–	5.1	101,500
–	–	–	–	(50.9)	–	(50.9)	–
(47.7)	–	–	–	–	–	–	(640,702)
4.1	–	–	–	4.1	–	4.1	–
(106.2)	–	–	–	(106.2)	(4.8)	(111.0)	–
(0.7)	–	–	–	(0.7)	1.9	1.2	–
1,574.7	**(15.1)**	**(25.7)**	**(11.1)**	**1,588.5**	**14.0**	**1,602.5**	**105,550,012**
288.8	–	–	–	288.8	6.7	295.4	–
(0.2)	25.1	(5.6)	(6.5)	12.8	0.1	12.9	–
288.6	*25.1*	*(5.6)*	*(6.5)*	*301.6*	*6.8*	*308.4*	–
–	–	–	–	1.0	–	1.0	19,400
–	–	–	–	4.3	–	4.3	–
4.9	–	–	–	4.9	–	4.9	–
(109.9)	–	–	–	(109.9)	(6.3)	(116.2)	–
(0.3)	–	–	–	(0.3)	(0.6)	(0.8)	–
1,757.9	**10.0**	**(31.4)**	**(17.6)**	**1,789.9**	**14.0**	**1,803.9**	**105,569,412**

Consolidated statement of cash flows as at 31 December 2009

Before appropriation — in millions of euros

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

Notes to the consolidated financial statements

Hermès International is a *société en commandite par actions* (partnership limited by shares) established under French law. It is listed on the Eurolist (Compartment A) and governed by all laws applicable to commercial companies in France. Its registered office is located at 24, rue du Faubourg-Saint-Honoré, 75008 Paris (France). Hermès International will be dissolved automatically on 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 1.1). 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 24 March 2010 and will be submitted to the shareholders for approval at the Annual General Meeting on 7 June 2010. The consolidated financial statements for 2009 were also reviewed by the Audit Committee at its meeting on 22 March 2010.

NOTE 1 - ACCOUNTING POLICIES AND PRINCIPLES

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 2009. 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.

Since the 31 December 2008 year-end, the Group has applied for the first time the "Improvements to IFRSs", in accordance with Regulation EC 70/2009, which contains 35 amendments to international accounting standards. One part of these amendments relates to presentation, recognition or measurement changes and the other part relates to terminology or editorial changes.

The application of Revised IAS 1 - *Presentation of Financial Statements* produced an impact on the presentation of net income and other comprehensive income (see Note 20.3).

The application of the amendments to IAS 38 - *Intangible Assets* on the treatment of expenditures for samples at the point of sale, advertising and promotional activities or catalogues produced an impact on the consolidated financial statements for the year ended 31 December 2009. As from 1 January 2009, all such expenses, previously recognised in the statement of financial position, are directly recorded in the statement of income. Pursuant to this standard, shareholders' equity was reduced by €2.4 million as at 31 December 2008 and by €2.6 million as at 31 December 2007. Inventories, other current assets and deferred taxes were also restated, as described in Notes 17, 18 and 8, respectively.

Furthermore, the Group applied IFRS 8 - *Operating Segments* for the first time. This standard is applicable for financial years commencing on or after 1 January 2009, in accordance with Regulation EC 1126/2008, and relates to publication of segment reporting information based on internal reports reviewed by management to assess the Group's performance. The business sectors that meet the criteria of the new standard are the same as those previously defined under IAS 14 - *Segment Information*. Hence, the application of IFRS 8 did not produce an impact on the Group's financial position. The information is provided in Note 3.

Lastly, the Group applied the amendments to IFRS 7 - *Financial Instruments: Disclosures*, which requires the entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The information is provided in Note 22.4.1.

The following standards and interpretations, whose application is mandatory as from 31 December 2009, did not produce an impact on the consolidated financial statements:

- IAS 23 - *Borrowing Costs*;
- Amendments to IAS 32 and IAS 1 – *Puttable Financial Instruments and Obligations Arising on Liquidation*;
- Amendments to IFRS 1 and IAS 27 - *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*;
- IFRS 2 - *Vesting Conditions and Cancellations*;
- IFRIC 13 - *Customer Loyalty Programmes*; and
- IFRIC 14 *IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*.

The Group did not anticipate the application of standards and interpretations that are not mandatory as of 31 December 2009, and more specifically:

- IAS 27 - *Consolidated and Separate Financial Statements*;
- IAS 39 - *Eligible Hedged Items*;
- IFRS 3 - *Business Combinations*;
- IFRIC 12 - *Service Concession Arrangements*;
- IFRIC 15 - *Agreements for the Construction of Real Estate*;
- IFRIC 16 - *Hedges of a Net Investment in a Foreign Operation*;
- IFRIC 17 - *Distributions of Non-cash Assets to Owners*; and
- IFRIC 18 - *Transfers of Assets from Customers*.

These standards and interpretations should not produce an impact on the measurement of financial data.

1.1 - 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.

1.1.1. Exclusive control

Exclusive control is presumed to exist when the Group holds more than 50% of the voting rights. Nevertheless, it can be considered that a company is under exclusive control when less than 50% is held, provided that the Group holds the power to govern a company's financial and operational policies in order to derive benefits from its business activities.

The financial statements of companies under exclusive control are fully consolidated. Under the full consolidation method, assets, liabilities, income and expenses are combined in full on a line-by-line basis. Equity and net income attributable to non-controlling interests are identified separately under "Non-controlling interests" in the consolidated statement of financial position and the consolidated statement of income.

1.1.2. Joint control

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

1.1.3. 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%, are accounted for using the equity method.

1.1.4. 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.

1.2 - Conversion of foreign-currency items

1.2.1 - Foreign-currency transactions

Foreign-currency transactions are recorded on initial recognition in euros, by using the applicable exchange rate at the date of the transaction (historical rate). Monetary assets and liabilities denominated in foreign currencies are converted using the closing exchange rate. Foreign currency adjustments are recognised in income or expenses. Non-monetary assets and liabilities denominated in foreign currencies are converted using the exchange rate at the transaction date.

1.2.2 - Conversion of foreign companies' financial statements

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

- statements of financial position items are converted at the year-end exchange rate for each currency;
- statements of income items are converted at the average annual exchange rate for each currency;
- statements 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.

1.3 - Eliminations of intragroup transactions

The income statement effect 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.

1.4 - 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.

1.5 - First-time consolidation and goodwill

In accordance with IFRS 3 - *Business Combinations*, business combinations are accounted for using the purchase method. When a company under exclusive control is consolidated for the first time, the assets, liabilities and contingent liabilities of the acquired company are measured at fair value, in accordance with IFRS rules. This valuation is carried out within no more than one year, in the currency of the acquired entity.

The resulting valuation adjustments are recognised under the related assets and liabilities, including the share attributable to non-controlling interests, and not just the share of net assets acquired. The residual difference, which is the difference between the acquisition cost and the share of net assets measured at fair value, is recognised under goodwill.

The valuation of identifiable intangible assets recognised upon first-time consolidation is based mainly on the work of independent experts, taking into account sector-specific criteria that enable such valuations to be subsequently monitored.

In accordance with IFRS 3, goodwill is not amortised. Goodwill is reviewed annually, when the budget is drawn up, to ensure that the residual net value does not exceed the recoverable amount in respect of the expected return on the investment in the related subsidiary (determined on the basis of discounted future cash flows).

Goodwill of associates is recognised under "Investments in associates". When impairment criteria as defined by IAS 36 - *Impairment of Assets* indicate that these investments may be impaired, the amount of such impairment is determined in accordance with the rules defined by IAS 36.

Goodwill impairment is not reversible.

1.6 - 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.

1.6.1 - Intangible assets

Intangible assets, valued at amortised historical cost, consist primarily of:

◆ leasehold rights;

◆ patents, models and brands other than internally generated brands; and

◆ computer software.

Leasehold rights are generally deemed to be fixed assets with an indefinite life if their residual value at the end of the lease term is positive. In this case, they are subject to impairment testing to ensure that their net carrying amount is higher than their probable realisable value.

Other intangible assets are amortised on a straight-line basis over periods ranging from one to 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.

1.6.2. Property, plant and equipment

Property, plant and equipment are recorded at historical acquisition cost, less accumulated depreciation and recognised impairment losses, and they are depreciated, generally using the straight-line method, over the following average estimated useful lives:

◆ buildings: 30 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 fittings);

◆ machinery, plant and equipment: 10 to 20 years;

◆ others: 3 to 10 years maximum.

The different components of an asset are recorded as separate items when their estimated lives, and therefore the periods over which they are depreciated, differ significantly. Where an asset is made up of components with different useful lives, these components are recorded as separate items under "Property, plant & equipment".

Gains or losses on disposals of assets represent the difference between the sale proceeds and the net carrying amount of the divested asset, and are included in "Other operating income and expense".

1.6.3. Finance lease agreements

Property acquired under finance lease agreements is capitalised when the lease effectively transfers to the Group 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.

1.6.4. 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.

1.7 - 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.

1.7.1. Model

In determining the recoverable amount of intangible assets, assets to which independent cash flows cannot be directly allocated are grouped within a cash-generating unit (CGU) to which they are attached. The recoverable amount of the CGU is measured using the discounted cash flow (DCF) method, applying the following principles:

- cash flow (after tax) figures are derived from a medium-term (five-year) business plan developed by the relevant entity;
- the discount rate is determined based on WACC for the Group (7.62% in 2009) adjusted for local inflation and any country risks;
- the recoverable amount is calculated as the sum of cash flows generated each year and the terminal value, which is determined based on normative cash flows by applying a zero growth rate to infinity.

The Hermès Group has defined the following CGUs:

- sales units (branches), which are treated independently from one another;
- businesses centred on production or distribution of one type of product, such as Perfumes, Watches or Tableware;
- separate production activities (Leather Goods production, Silk Products production);
- associates;
- goodwill;
- investment property.

1.8 - 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.

1.8.1. Classification of financial assets and liabilities and valuation methods

A. Financial assets and liabilities stated at fair value with changes in fair value recorded in the statement of income

These financial assets and liabilities are classified as such at the inception of the transaction for the following reasons:

- they were bought with the intention of reselling them in the near future;
- they are derivatives that do not qualify as hedging instruments (trading derivatives); or
- the Group has elected to classify them in this category as allowed by IAS 39.

These assets are initially recognised at acquisition cost excluding incidental acquisition expenses. For each closing period, they are measured at fair value. Changes in fair value are recorded in the statement of income under “Other financial income and expense”.

Dividends and interest received on these assets are also recognised in the statement of income under “Other financial income and expense”.

B. Held-to-maturity financial assets

This category covers fixed-term financial assets, bought with the intention and ability of holding them until maturity.

These items are recognised at amortised cost. Interest is calculated at the effective interest rate and recorded in the statement of income under “Other financial income and expense”.

C. Loans and financial receivables

Loans and financial receivables are valued and recognised at amortised cost less any provision for impairment.

Interest is calculated at the effective interest rate and recorded in the statement of income under “Other financial income and expense”.

D. Available-for-sale financial assets

Available-for-sale financial assets include non-consolidated investments and investment securities. For each closing period, they are stated at fair value.

Unrealised gains or losses on available-for-sale financial assets are recorded under shareholders’ equity in “Derivatives included in equity”. For instruments quoted in an active market, the fair value is the market value. If the fair value cannot be reliably estimated by other generally accepted valuation methods such as discounted future cash flows, these instruments are valued at acquisition cost less accumulated impairment.

For available-for-sale financial assets represented by debt securities, interest is calculated at the effective interest rate and credited to the statement of income under “Other financial income and expense”.

E. Financial debts

Financial debts are recorded at amortised cost, with separate reporting of embedded derivatives where applicable.

Interest is calculated at the effective interest rate and recorded in the statement of income under “Gross cost of debt” over the duration of the financial debt.

F. Derivative financial instruments

Scope

The scope of derivative financial instruments applied by the Group corresponds to the principles set out in IAS 39 - *Financial Instruments: Recognition and Measurement*. According to Group rules, consolidated subsidiaries may not take any speculative financial positions.

In compliance with IAS 39, the Group analyses all its contracts, of both a financial and non-financial nature, to identify the existence of any “embedded” derivatives. Any component of a contract that affects the cash flows of a given contract in the same way as a stand-alone derivative corresponds to the definition of an embedded derivative.

If they meet the conditions set out by IAS 39, embedded derivatives are accounted for separately from the “host” contract at the inception date.

Measurement and recognition

Derivatives are initially recorded at fair value, based on quoted prices and market data available from external sources. The Group may also base its valuation on internal models recognised by market participants and including data directly derived from the above mentioned observable data.

Changes in the fair value of these derivatives are recorded in the statement of income, unless they are classified as cash flow hedges, as described below. Changes in the fair value of such hedging instruments are recorded directly in shareholders' equity, under "Derivatives included in equity", excluding the ineffective portion of the hedge, which is recorded in the statement of income under "Other financial income and expense". The ineffective portion of the hedge corresponds to the changes in the fair value of the hedging instrument in excess of changes in the fair value of the hedged item. When the hedged cash flows materialise, the amounts previously recognised in equity are transferred to the statement of income in the same way as for the hedged item.

Only derivative instruments external to the Group qualify for hedge accounting, and gains or losses on internal derivatives are eliminated in the consolidated financial statements. However, in a cash flow hedging relationship initiated via derivatives internal to the Group, hedge accounting is applied if it can be demonstrated that the internal derivatives will be matched with similar transactions external to the Group.

Derivatives classified as hedges

The Group uses derivatives to hedge its foreign exchange risks.

The Group applies the criteria defined by IAS 39 - *Financial Instruments: Recognition and Measurement* in classifying derivatives as hedges:

1) the instrument must hedge changes in fair value or cash flows attributable to the risk hedged, and the effectiveness of the hedge (i.e. the degree to which changes in the value of the hedging instrument offset changes in the value of the hedged item or future transaction) must be between 80% and 125%;

2) in cash flow hedges, the future transaction being hedged must be highly probable;

3) reliable measurement of the effectiveness of the hedge must be possible;

4) the hedge must be supported by appropriate documentation from its inception.

The Group classifies hedges in the following categories:

a) *Fair value hedges*. These instruments hedge the exposure to changes in the fair value of an asset or liability recorded in the statement of financial position, or a firm commitment to purchase or sell an asset. Changes in the fair value of the hedged item attributable to the hedged component of that item are recorded in the statement of income and offset by corresponding variations in the fair value of the hedging instrument. Only the ineffective portion of the hedge has an impact on income.

b) *Cash flow hedges*. These instruments hedge highly probable future transactions from the variability in cash flows generated by the hedged transaction by offsetting the latter by changes in the value of the hedging instrument.

G. Cash and cash equivalents

Cash and cash equivalents comprise liquid assets and short-term investments, usually maturing within three months or less of the acquisition date, and with negligible risk of fluctuation in value. Investments in listed shares, investments for a term of over three months that are not redeemable before the maturity date and bank accounts covered by restrictions (frozen accounts) other than restrictions due to country- or sector-specific regulations (e.g. currency controls) are not included in cash in the statement of cash flows. Bank overdrafts that are deemed to be financing arrangements are also excluded from the cash position.

Shares in funds held for the short term and classified as "Cash equivalents" are recorded at fair value, with changes in fair value recorded in equity.

1.8.2. 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.

1.8.3. Classification of valuation techniques used for financial instruments

In accordance with IFRS 7 - *Financial Instruments: Disclosures*, assets and liabilities recognised at fair value are measured as follows:

- *Level 1*: Quoted prices in an active market. When available, quoted prices in an active market are the preferred valuation technique for determining market value;
- *Level 2*: Internal model using observable inputs based on internal valuation techniques. These techniques rely on standard mathematical calculation methods based on observable market data, such as term prices and yield curves. Most market-traded derivative financial instruments are measured using models customarily used by market operators to value such financial instruments;
- *Level 3*: Internal model based on non-observable inputs. The fair value of the carrying amounts used is a reasonable estimate of market value. This method applies mainly to non-current financial assets.

In 2009, the valuation techniques used to mesure the fair value of financial assets and liabilities were not changed.

1.9 - 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.

1.10 - 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.

1.11 - Revenue and trade receivables

Revenue consists of sales of purchased goods, sales of goods and services produced by the Group's main business operations, and income from royalty, licences and operating subsidies.

Revenue is recognised:

- when the major risks and benefits incident to ownership of goods are transferred to the buyer;
- when the amount of revenue can be measured reliably;
- when any volume or trade discounts and other benefits on sales are deducted from revenues (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.

1.1.1. 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.

1.12 - Other non-recurring income and expense

"Non-recurring operating income and expense" relate 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. It does not include impairment losses on fixed assets inasmuch as these items occur on a recurring basis.

1.13 - 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 business sectors that meet the criteria of the new standard are the same as those previously defined under IAS 14 - *Segment Information*.

1.13.1 - Information by business segment

The Hermès Group's business comprises two main segments: distribution through Hermès exclusive network and distribution via specialised outlets. These two main business segments have separate strategies and structures and are exposed to different risks and rates of return. Sales from these two segments accounts for more than 90% of the Group's revenue, and the business activities that are not classified into one of these segments are not materially significant when taken individually.

Distribution through Hermès exclusive network encompasses the following business lines:

- Silk and Textiles;
- Leather Goods and Saddlery, which include bags and luggage, saddlery and horse riding gears, diaries and small leather goods;
- Ready-to-wear and Fashion Accessories, which include men and women's clothing, belts, jewellery accessories, gloves, hats and Hermès shoes;
- Other Hermès sectors, which include jewellery and Art of Living products.

Distribution via specialised outlets comprises the following business lines:

- Perfumes;
- Watches;
- Tableware.

"Other" products not included in these two sectors include John Lobb shoes and products manufactured for brands outside the Group (textile printing, perfumes, tanning, etc.).

1.13.2. Information by geographical segment

The definition of geographical segments is based, *inter alia*, on proximity of business operations, relationships between operations in different geographical areas, underlying currency risks, and management responsibilities and the Group's structure.

1.14 - Commitments to buy out non-controlling interests

The Group has given the non-controlling shareholders of certain subsidiaries a commitment to buy out their shares.

The Group recognises these commitments as follows:

- the amount of the commitment as of the closing date is recorded under "Non-current liabilities";
- the corresponding non-controlling interests are reclassified in the above-mentioned line item.

Any difference between the amount of the commitment and the reclassified non-controlling interests is recorded under "Goodwill", the value of which varies commensurately with the value of the commitment. This method of recognition has no impact on the method of presenting non-controlling interests in the statement of income.

The adoption of the amendments to IFRS 3 - *Business Combinations* will not change the accounting method for these past commitments. Pursuant to this standard, applicable as from 1 January 2010, only business combinations with an acquisition date later than 1 July 2009 are concerned.

1.15 - 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.

1.16 - Post-employment and other employee benefit obligations

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

For basic post-employment and other defined-contribution plans, the Group recognises contributions to be paid as expenses when they are due and when no provision was booked in this respect, as the Group has no obligations other than the contributions paid.

For defined-benefit plans, the Group's obligations are calculated annually by an independent actuary using the projected credit unit method. This calculation is based on actuarial assumptions and takes into account the employee's expected future length of service, future salary and life expectancy, as well as staff turnover.

The present value of the obligation is calculated by applying an appropriate discount rate for each country where the obligations are located. It is recognised on a pro-rata basis to employee years of service.

When benefits are partly funded in advance by external funds (insurance companies, foundations or other entities), the assets held are measured at fair value.

The expense recognised in the statement of income is the sum of:

- the past service cost, which constitutes the increase in obligations arising from the vesting of one additional year of rights; and
- the interest cost, which reflects the increase in the present value of the obligations during the period.

The Hermès Group has applied the SoRIE amendment to IAS 19 - *Employee Benefits*, on the method of recognising actuarial gains and losses on post-employment benefits. All such gains and losses are now recorded under equity over the period in which they are recognised.

Certain other post-employment benefits, such as life insurance and health insurance benefits (primarily in Japan), or long-term benefits such as long-service awards (bonuses paid to employees, mainly in France, based on length of service), are also covered by provisions, which are determined using an actuarial calculation that is comparable to that used to calculate provisions for post-employment benefit obligations.

1.17 - 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.

1.17.1. 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 rate for the subsequent year where known. Previous deferred tax is revalued using the same rate (liability method).

The main categories of deferred tax apply to restatements of internal profits on inventories, provisions for inventories and timing differences.

If a recovery risk arises on some or all of a deferred tax asset, a provision for impairment is recorded.

Deferred tax is also recognised on unrealised gains on investments in associates. In accordance with IAS 12 - *Income Taxes*, these gains represent the difference between the consolidated value of these investments and their tax value. They are taxed at the reduced rate of 1.7%. This reduced rate has been adopted based on the following factors:

◆ the Hermès Group does not intend to sell these investments in the medium term;

◆ no dividend distributions from these investments are expected in the medium term.

Foreign currency differences arising from the conversion of deferred taxes are recognised in the statement of income in deferred tax income or expense.

1.17.2. 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 statement of income in the year in which they arise.

1.18 - 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 accounts in foreign companies.

1.19 - 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 average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares bought back or issued during the period multiplied by a time-weighting factor.

Diluted earnings per share is adjusted for the effects of all dilutive potential ordinary shares which 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.

1.20 - Share subscriptions options and share purchase options

Share subscriptions options and share purchase options granted to employees are recognised as expenses at fair value, with a corresponding increase in equity over the vesting period.

The fair value of stock options is determined using a binomial model, which takes into account the attributes of the plan (exercise price, exercise period), market data at the time of allotment (risk-free rate, share price, volatility, expected dividends) and assumptions on the beneficiaries' behaviour.

Only the plans granted after 7 November 2002 under which options were not vested as of 1 January 2005 are recognised in accordance with IFRS 2 - *Share-based Payment*.

1.21 - Use of estimates

The preparation of the consolidated financial statements under IFRS sometimes requires the Group to make estimates in valuing assets and liabilities and income and expenses recognised during the year. The Group bases these estimates on comparative historical data and on a variety of assumptions, which it deems to be the most reasonable and probable under the circumstances. Accounting principles that require the use of assessments and estimates are also described in the relevant notes.

Furthermore, IAS 1 - *Presentation of Financial Statements* requires that the main assumptions and sources of uncertainty underlying such estimates be described, whenever there is a significant risk that the estimated amounts of assets and liabilities will be materially adjusted during the following period. In this case, the notes include information which, by its nature or scope, helps users of the financial statements to understand the judgments management has made, including but not limited to:

◆ the nature of the assumption or estimate;

◆ the sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation;

◆ the expected resolution of any uncertainty and the range of reasonably possible outcomes within the next financial year; and

◆ an explanation of any changes made to past assumptions if the uncertainty remains unresolved.

The main items that require the use of assessments and estimates are as follows:

1.21.1 - 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 1.6.

1.21.2 - 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 1.7. 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.

1.21.3 - 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 1.15.

1.21.4 - 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 1.16.

1.21.5 - Deferred tax

Deferred tax assets and liabilities are recognised in accordance with the principles described in Note 1.17. 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.

1.22 - Subsequent events

No significant event has occurred since the 31 December 2009 closing.

The dividend that was proposed after the closing date but before the publication date of the financial statements is €1.05 per share.

NOTE 2 - CHANGES IN THE SCOPE OF CONSOLIDATION

	Interest		Method	
	2009	**2008**	**2009**	**2008**
Additions				
Erbé Maroquinier	99.77%	–	Full	–
Grafton Immobilier	100.00%	–	Full	–
Hermès Istanbul	100.00%	–	Full	–
Hermès Middle East South Asia	100.00%	–	Full	–
Saint-Honoré Consulting	100.00%	–	Full	–
Removals				
Héraklion	–	100.00%	–	Full
Hermès Korea Travel Retail	–	100.00%	–	Full

The main changes in the scope of consolidation during 2009 were the following:

Acquisition of Erbé Maroquinier

On 1 July 2009, the Group acquired 100% of the share capital of SAS Erbé Maroquinier, which specialises in the production of leather goods. As of the acquisition date, Hermès Sellier had acquired all 5,000 shares that made up the share capital, thereby obtaining 100% of the voting rights.

The shares were sold to the Hermès Group for €1.3 million, it being noted that acquisition costs were immaterial. As of the acquisition date, the assets and liabilities integrated in the Hermès Group's consolidated financial statements amounted to €1.3 million and mainly consisted of cash.

In accordance with IFRS 3 - *Business Combinations*, this take-over was recognised using the acquisition method. As a result, the assets and liabilities of the acquired company were measured at fair value, in accordance with IFRS rules and with the valuation principles applicable within the Hermès Group. This valuation may be adjusted within a maximum of one year as from the acquisition date.

As there was no difference between the cost of the business combination and the value of the assets and liabilities acquired, no goodwill was recognised.

Addition of Grafton Immobilier to the scope of consolidation

A dedicated entity was set up (by changing the corporate name and corporate purpose of a *société par actions simplifiées*, Isamyol 10) for the purpose of purchasing a building in London. The company's share capital is made up of 5,174,500 shares, all of them owned by Hermès International.

Creation of Hermès Istanbul

To promote development of the Group's business operations in Turkey, an entity dedicated to furthering this purpose was created in the first half of 2009. Its share capital consists of 260,000 shares, of which 99.99% is owned by Hermès International (i.e. 259,999 shares) and 0.01%, is owned by Hermès Sellier (i.e. 1 share).

Creation of Hermès Middle East South Asia

In July 2009, a new entity was created for the purpose of promoting and developing Hermès' business operations in the Middle East and in Southern Asia. The company's share capital is made up of 2,100 shares and is wholly-owned by Hermès International.

Creation of Saint-Honoré Consulting

After establishing its first base in India in 2008, the Group created in September 2009 a firm specialised in consulting on marketing, image, distribution network and sourcing to promote the development of retail operations in India. Its share capital is made up of 10,000 shares and it is wholly-owned by Hermès Middle East South Asia.

Merger of Héraklion with and into SCI Auger Hoche

As part of an internal restructuring plan to rationalise and simplify the organisation and due to their complementary purposes within the project to expand Hermès workshops, Héraklion transferred all of its assets and liabilities to SCI Auger Hoche as of 1 January 2009. This transaction had no impact on the Group's consolidated financial statements.

Liquidation of Hermès Korea Travel Retail
On 13 October 2009, Hermès Korea Travel Retail went into voluntary liquidation. This had no impact on the Group's consolidated financial statements, as all of the company's assets had been fully impaired over the previous years.

NOTE 3 - SEGMENT INFORMATION

The information below is shown after consolidation adjustments and eliminations (see Note 1.13).

3.1 - Information by business sector

in millions of euros

2009	Hermès network	Specialised networks	Other	Total
Revenue	**1,600.9**	**242.2**	**71.2**	**1,914.3**
Selling, marketing and administrative expenses	(516.3)	(69.5)	(74.9)	(660.6)
Depreciation and amortisation	(44.3)	(11.2)	(15.2)	(70.7)
Operating provisions	(11.3)	(3.2)	(3.5)	(18.1)
Impairment losses	–	(0.9)	(1.9)	(2.8)
Operating income	**507.1**	**44.1**	**(88.3)**	**462.9**
Operating margin by segment	*31.7%*	*18.2%*		*24.2 %*
Net financial income			(12.7)	(12.7)
Net income from associates			(6.5)	(6.5)
Income tax expense			(148.2)	(148.2)
Net income attributable to non-controlling interests			(6.7)	(6.7)
Net income attributable to owners of the parent	**507.1**	**44.1**	**(262.5)**	**288.8**

in millions of euros

2008	Hermès network	Specialised networks	Other	Total
Revenue	**1,388.1**	**267.4**	**109.1**	**1,764.6**
Selling, marketing and administrative expenses	(461.4)	(78.7)	(72.0)	(612.2)
Depreciation and amortisation	(39.2)	(11.4)	(13.8)	(64.5)
Operating provisions	(7.2)	(2.9)	(4.6)	(14.8)
Impairment losses	–	(0.8)	(0.9)	(1.7)
Operating income	**454.3**	**60.1**	**(65.2)**	**449.2**
Operating margin by segment	*32.7%*	*22.5%*		*25.5%*
Net financial income			17.6	17.6
Net income from associates			(11.4)	(11.4)
Income tax expense			(160.1)	(160.1)
Net income attributable to non-controlling interests			(5.0)	(5.0)
Net income attributable to owners of the parent	**454.3**	**60.1**	**(224.1)**	**290.2**

3.2 - Information by geographical area

in millions of euros

2009	France	Rest of Europe	Japan	Rest of Asia-Pacific	Americas	Other (1)	Holding company	Total
Revenue	**370.1**	**385.4**	**408.4**	**422.6**	**293.7**	**34.1**	**–**	**1,914.3**
Selling, marketing and administrative expenses	(114.7)	(113.9)	(139.8)	(122.8)	(102.9)	(10.2)	(56.3)	(660.6)
Depreciation and amortisation	(7.3)	(13.5)	(12.0)	(16.1)	(11.8)	(0.4)	(9.5)	(70.7)
Operating provisions	(2.1)	(5.0)	(4.5)	(3.1)	(0.6)	(0.4)	(2.4)	(18.1)
Impairment losses	(2.1)	(0.6)	(0.1)	–	–	–	–	(2.8)
Operating income	**95.2**	**94.8**	**122.6**	**144.4**	**73.6**	**4.9**	**(72.5)**	**462.9**
Operating margin by segment	*25.7%*	*24.6%*	*30.0%*	*34.2%*	*25.1%*	*14.3%*		*24.2 %*
Net financial income							(12.7)	(12.7)
Net income from associates							(6.5)	(6.5)
Income tax expense							(148.2)	(148.2)
Net income attributable to non-controlling interests							(6.7)	(6.7)
Net income attributable to owners of the parent	**95.2**	**94.8**	**122.6**	**144.4**	**73.6**	**4.9**	**(246.7)**	**288.8**

(1) Including sales to airlines, in the Middle East and in Africa.

in millions of euros

2008	France	Rest of Europe	Japan	Rest of Asia-Pacific	Americas	Other (1)	Holding company	Total
Revenue	**359.3**	**383.1**	**392.9**	**320.5**	**264.6**	**44.2**	**–**	**1,764.6**
Selling, marketing and administrative expenses	(110.6)	(110.3)	(134.5)	(96.9)	(97.3)	(10.9)	(51.7)	(612.2)
Depreciation and amortisation	(6.6)	(13.5)	(11.5)	(12.8)	(10.3)	(0.4)	(9.4)	(64.5)
Operating provisions	(2.6)	(1.5)	(5.1)	(2.2)	(1.0)	(0.7)	(1.7)	(14.8)
Impairment losses	(0.8)	(0.9)	–	–	–	–	–	(1.7)
Operating income	**95.7**	**90.3**	**135.5**	**113.4**	**73.5**	**6.5**	**(65.7)**	**449.2**
Operating margin by segment	*26.6%*	*23.6%*	*34.5%*	*35.4%*	*27.8%*	*14.7%*		*25.5 %*
Net financial income							17.6	17.6
Net income from associates							(11.4)	(11.4)
Income tax expense							(160.1)	(160.1)
Net income attributable to non-controlling interests							(5.0)	(5.0)
Net income attributable to owners of the parent	**95.7**	**90.3**	**135.5**	**113.4**	**73.5**	**6.5**	**(224.6)**	**290.2**

(1) Including sales to airlines, in the Middle East and in Africa.

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

	2009 (1)	2008
Advertising and marketing expenses	(91.4)	(97.8)
Other selling and administrative expenses	(569.2)	(514.4)
Total	**(660.6)**	**(612.2)**

(1) On a comparable basis (after reclassification of certain expenses), advertising and marketing expenses amounted to €94.8 million while other selling and administrative expenses amounted €565.8 million.

NOTE 6 - OTHER INCOME AND EXPENSE

in millions of euros

	2009	2008
Depreciation and amortisation (Note 3)	(70.7)	(64.5)
Net change in recurring provisions	(10.3)	(7.0)
Cost of defined-benefit plans (Note 25.3.5)	(7.8)	(7.8)
Impairment losses (Note 3)	(2.8)	(1.7)
Other income/(expense)	2.5	2.2
Total	**(89.1)**	**(78.8)**

Total depreciation and amortisation of tangible and intangible assets included in operating expenses (other income and expenses and cost of sales) amounted to €81.7 million in 2009 compared with €74.5 million in 2008.

NOTE 7 - NET FINANCIAL INCOME

in millions of euros

	2009	2008
Income from cash and cash equivalents	5.3	14.9
Gross cost of debt	0.3	3.9
– of which: income from hedging instruments	*1.5*	*4.6*
Net cost of debt	**5.6**	**18.8**
Other financial income and expenses	(18.3)	(1.1)
– of which: ineffective portion of cash flow hedges (Note 22.2.4)	*(9.5)*	*0.4*
Total	**(12.7)**	**17.6**

NOTE 8 - INCOME TAX EXPENSE

8.1 - Breakdown of income tax expense

in millions of euros

	2009	2008
Current tax	(161.2)	(163.7)
Deferred tax	13.0	3.6
Total	**(148.2)**	**(160.1)**

8.2 - Rationalisation of income tax expense

The effective tax rate at 31 December 2009 was 32.9% compared with 34.3% at 31 December 2008.

The difference between the theoretical tax and the actual tax for 2009 is explained as follows:

in millions of euros

	2009	2008
Net income attributable to owners of the parent	288.8	290.2
Net income from associates	(6.5)	(11.4)
Net income attributable to non-controlling interests	(6.7)	(5.0)
Income tax expense	**(148.2)**	**(160.1)**
Pre-tax income	450.2	466.8
Effective tax rate	32.9%	34.3%
Current tax rate in France	34.4%	34.4%
Theoretical tax charge	(154.9)	(160.6)
Reconciliation items		
– differences relating to foreign tax (primarily the tax rate)	10.5	5.6
– permanent timing differences and transactions taxed at a reduced rate	(3.9)	(5.1)
Total	**(148.2)**	**(160.1)**

8.3 - Deferred tax

Deferred tax is recognised on all differences between values for tax purposes and values for accounting purposes using the liability method. Discounting is not applied to deferred tax. The net change in deferred tax assets and liabilities is broken down as follows:

in millions of euros

	2009	2008
Deferred tax assets as at 1 January [1]	141.2	109.7
Deferred tax liabilities as at 1 January	9.6	8.1
Net deferred tax assets as at 1 January [1]	**131.6**	**101.6**
Impact on the statement of income	13.0	3.6
Impact on the scope of consolidation	–	–
Impact of foreign currency movements	(2.8)	11.1
Other [2]	(8.7)	15.2
Deferred tax assets as at 31 December	143.1	141.2
Deferred tax liabilities as at 31 December	10.0	9.6
Net deferred tax assets as at 31 December	**133.1**	**131.6**

(1) The published information has been restated to take into account the impact from the adoption of the amendments to IAS 38 - *Intangible Assets* (€1.4 million as at 1 January 2008 and €1.2 million as at 31 December 2008) (see Note 1).
(2) Other items relate to deferred taxes resulting from changes in the portion of revaluation of financial instruments recorded under equity (transferable portion) and on actuarial gains and losses on employee benefit obligations. These changes had no impact on net income for the year (see Note 20.3).

As at 31 December 2009, deferred taxes mainly related to the following adjustments:

in millions of euros

	2009
Internal margins on inventories and impairment on inventories	91.4
Employee obligations	26.6
Impairment losses	4.9
Stock option plans	1.4
Restricted provisions	(13.4)
Other	22.2
Total	**133.1**

As at 31 December 2009, tax loss carry-forwards and other temporary differences that did not give rise to the recognition of deferred tax assets represented potential tax savings of €4.9 million.

NOTE 9 - EARNINGS PER SHARE

Earnings per share is calculated on the basis of the weighted average number of shares outstanding during the year.
The weighted average number of shares outstanding during the year and those of previous years are adjusted to take into account, if any, of bonus issues and stock splits occurring during the year, and of shares held in treasury.

Diluted earnings per share is adjusted to reflect shares to be issued in connection with stock option plans implemented by the Executive Management.
In accordance with the definitions set out in Note 1.19, the calculation and reconciliation of basic earnings per share and diluted earnings per share is as follows:

	2009	2008
Numerator (in millions of euros)		
Basic net income	288.8	290.2
Adjustments	–	–
Diluted net income	288.8	290.2
Denominator (in number of shares)		
Weighted average number of ordinary shares	**105,128,870**	**105,074,019**
Basic earnings per share	**2.75**	**2.76**
Weighted average number of ordinary shares under option	202,483	346,508
Weighted average number of shares that would have been issued at fair value	(120,129)	(246,283)
Weighted average number of diluted ordinary shares	**105,211,224**	**105,174,244**
Diluted earnings per share	**2.74**	**2.76**
Annual average price per share	€92.91	€92.11
Average exercise price for shares under option	€55.12	€65.47

NOTE 10 - GOODWILL

in millions of euros

	31/12/2008	Increases	Decreases	Currency impact	Other	31/12/2009
Goodwill	70.2	–	–	(2.0)	–	68.2
Total gross value	**70.2**	**–**	**–**	**(2.0)**	**–**	**68.2**
Amortisation booked before 1 January 2004	34.3	–	–	(1.1)	–	33.2
Impairment losses	0.2	–	–	–	–	0.2
Total amortisation and impairment losses	**34.5**	**–**	**–**	**(1.1)**	**–**	**33.4**
Total net value	**35.7**	**–**	**–**	**(0.9)**	**–**	**34.8**

As at 31 December 2009, the largest components of the net value of goodwill were €14.9 million for Hermès Japon and €14.6 million for Hermès Cuirs Précieux.

It is noted that the cash generating units (CGUs) on which impairment losses have been recognised are not individually material when compared with the Group's overall business. Furthermore, no goodwill with an indefinite life is allocated to several CGUs.

NOTE 11 - INTANGIBLE ASSETS

in millions of euros

	31/12/2008	Increases	Decreases	Currency impact	Other	31/12/2009
Leasehold rights	44.4	3.5	–	0.1	–	48.0
Concessions, patents, licences and software (1)	23.3	1.5	–	(0.3)	0.3	24.8
Other intangible assets (1)	45.8	5.1	–	(0.2)	8.8	59.4
Work in progress (1)	10.9	9.2	–	–	(9.2)	10.9
Total gross value	**124.4**	**19.2**	**–**	**(0.3)**	**–**	**143.2**
Amortisation of leasehold rights	19.5	2.3	–	0.1	–	21.8
Amortisation of concessions, patents, licences and software	19.4	2.1	–	(0.2)	–	21.2
Amortisation of other intangible assets	31.5	6.2	–	(0.2)	(0.1)	37.4
Impairment losses (2)	0.8	0.8	–	–	–	1.6
Total amortisation and impairment losses	**71.1**	**11.3**	**–**	**(0.3)**	**(0.1)**	**82.0**
Total net value	**53.2**	**7.9**	**–**	**–**	**0.1**	**61.2**

(1) Investments made during the year mainly related to the setting up of integrated management software applications for several subsidiaries.
(2) Impairment losses relate to production operations and stores deemed not to be sufficiently profitable according to the criteria set out in IAS 36 - *Impairment of Assets*.

NOTE 12 - PROPERTY, PLANT & EQUIPMENT

in millions of euros

	31/12/2008	Increases (1)	Decreases	Currency impact	Other	31/12/2009
Land	139.7	0.5	–	(5.2)	–	135.0
Buildings (2)	380.5	3.6	(2.9)	(2.0)	17.0	396.2
Machinery, plant and equipment	132.3	8.9	(4.5)	0.6	4.0	141.3
Other tangible assets	466.7	53.8	(9.7)	(3.7)	10.8	517.9
Work in progress	29.0	25.7	(0.8)	(0.1)	(29.9)	24.0
Total gross value	**1,148.3**	**92.5**	**(17.9)**	**(10.4)**	**2.0**	**1,214.4**
Depreciation of buildings	119.3	16.6	(1.4)	(1.8)	–	132.9
Depreciation of machinery, plant and equipment	88.0	9.8	(4.3)	0.1	–	93.7
Depreciation of other tangible assets	253.3	44.5	(8.5)	(2.0)	(0.3)	286.9
Impairment losses (3)	15.5	2.1	(1.8)	0.1	–	15.8
Total depreciation and impairment losses	**476.1**	**73.0**	**(15.9)**	**(3.6)**	**(0.3)**	**529.3**
Total net value	**672.1**	**19.5**	**(2.0)**	**(6.8)**	**2.3**	**685.1**

(1) Investments made during the year related mainly to the opening and renovation of stores and capital expenditure to expand production capacity.
(2) "Buildings" includes a building in Milan held under a finance lease, with a gross value of €1.1 million. The building is depreciated over 15 years, commencing on 18 July 2007. As at 31 December 2009, the amount of the debt incurred to finance this building was €1.0 million, at an annual interest rate of 5.4%.
(3) Impairment losses relate to production operations and stores deemed not to be sufficiently profitable according to the criteria set out in IAS 36 - *Impairment of Assets*. It is noted that the cash generating units on which impairment losses have been recognised are not individually material when compared with the Group's overall business.

No item of property, plant or equipment has been pledged as debt collateral. Furthermore, the amount of these assets in temporary use is not material when compared with the total value of property, plant & equipment.

NOTE 13 - INVESTMENT PROPERTY

in millions of euros

	31/12/2008	Increases(1)	Decreases	Currency impact	Other	31/12/2009
Land	3.2	25.8	–	–	–	29.0
Buildings	7.9	60.2	–	–	–	68.2
Total gross value	**11.1**	**86.0**	**–**	**–**	**–**	**97.2**
Depreciation	1.0	0.9	–	–	–	1.9
Total net value	**10.1**	**85.1**	**–**	**–**	**–**	**95.3**

(1) In 2009, the Group acquired a building at 167 New Bond Street in London.

It is noted that neither the Group nor its subsidiaries are bound by any contractual obligation to buy, build or develop any investment property, existing or otherwise.
Moreover, the costs incurred for the upkeep, maintenance and improvement of investment assets are not material, nor, to the best of our knowledge at this time, likely to change materially over the next several years.
Rental income from investment property amounted to €1.1 million in 2009.

As at 31 December 2009, the estimated fair value of investment property was over €96 million. This estimate is based on valuation work carried out by independent experts at appropriate intervals. The valuations are mainly based on real estate transactions for comparable properties and on indicators established by recognised organisations or professionals.

NOTE 14 - FINANCIAL ASSETS

14.1 - Available-for-sale securities

in millions of euros

	31/12/2008	Increases	Decreases	Currency impact	Other	31/12/2009
Forward investments and accrued interest (1)	24.3	70.7	–	–	0.3	95.4
Liquidity contract	6.9	(0.2)	–	–	–	6.7
Other financial assets (2) (4)	6.5	2.5	(1.9)	(0.2)	–	6.9
Other non-consolidated investments (3) (4)	1.2	8.2	(0.7)	–	–	8.6
Total gross value	**38.9**	**81.2**	**(2.6)**	**(0.2)**	**0.3**	**117.7**
Impairment (4)	0.8	12.4	(0.7)	–	–	12.5
Total	**38.1**	**68.9**	**(1.9)**	**(0.2)**	**0.3**	**105.1**

(1) Forward investments are investments whose sensitivity and maturity require their classification as financial assets pursuant to IFRS.
(2) As at 31 December 2009, other financial assets included €2.3 million in life insurance in Japan *inter alia*.
(3) Other available-for-sale non-consolidated investments do not include any listed securities.
(4) Other financial assets and other non-consolidated investments include investments of €12.4 million in WHY S.A.M. and Wally Yachts S.A., which were been fully impaired as of the closing date.

14.2 - Held-to-maturity securities

in millions of euros

	31/12/2008	Increases	Decreases	Currency impact	Other	31/12/2009
Gaulme convertible bonds and accrued interest	8.2	0.1	(0.2)	–	–	8.1
Vaucher participating loan	3.4	2.0	–	–	–	5.4
Total gross value	**11.6**	**2.1**	**(0.2)**	**–**	**–**	**13.5**
Impairment	–	0.1	–	–	–	0.1
Total	**11.6**	**2.0**	**(0.2)**	**–**	**–**	**13.4**

NOTE 15 - INVESTMENTS IN ASSOCIATES

15.1 - Value of investments in associates

in millions of euros

	31/12/2009	31/12/2008
Vaucher Manufacture Fleurier	6.1	7.2
Groupe Perrin	7.4	7.2
Leica Camera Japan Co	1.4	1.3
Gaulme	–	–
WHY S.A.M.	–	–
Maroquinerie Thierry	0.1	–
Total	**15.0**	**15.7**

These entities all have a 31 December financial year-end.

15.2 - Change in investments in associates

in millions of euros

	2009	2008
Investments in associates as at 1 January	**15.7**	**21.8**
Impairment	–	(11.4)
Impact of changes in the scope of consolidation	–	4.3
Net income from associates	(6.5)	–
Dividends paid	(0.1)	(0.1)
Change in foreign exchange rates	(0.1)	1.2
Other (1)	6.0	–
Investments in associates as at 31 December	**15.0**	**15.7**

(1) Reclassification of the share of negative equity.

15.3 - Information on associates

in millions of euros

2009	% interest	Market capitalisation	Revenue	Net income	Fixed assets	Equity	Total assets
Gaulme	45.00%	n/a	23.4	(3.5)	27.2	13.7	41.8
Groupe Perrin	39.52%	n/a	20.5	0.5	10.6	19.4	29.4
Leica Camera Japan Co	49.00%	n/a	8.4	0.3	1.5	2.8	7.5
Maroquinerie Thierry (1)	43.82%	n/a	2.5	–	0.4	0.5	1.1
WHY S.A.M.	50.00%	n/a	–	(4.4)	–	(4.4)	1.0

n/a: not applicable.
(1) Information as of 30 September.

in millions of euros

2008	% interest	Market capitalisation	Revenue	Net income	Fixed assets	Equity	Total assets
Gaulme	45.00%	n/a	28.8	0.1	27.7	17.2	44.5
Groupe Perrin	39.52%	n/a	26.2	1.7	10.9	19.1	31.8
Leica Camera Japan Co	49.00%	n/a	7.2	0.1	1.4	2.6	8.8
Maroquinerie Thierry [(1)]	43.82%	n/a	2.4	0.1	0.4	0.4	1.0

n/a: not applicable.
(1) Information as of 30 September.

NOTE 16 - LOANS AND DEPOSITS

in millions of euros

	31/12/2008	Increases	Decreases	Currency impact	Other	31/12/2009
Loans and deposits [(1)]	21.1	3.5	(1.0)	(0.6)	(0.1)	23.0
Impairment	1.3	0.6	–	–	–	2.0
Total	**19.8**	**2.9**	**(1.0)**	**(0.6)**	**(0.1)**	**21.0**

(1) Security deposits amounted to €18.9 million as at 31 December 2009, compared with €17.1 million as at 31 December 2008.

NOTE 17 - INVENTORIES AND WORK IN PROGRESS

in millions of euros

	31/12/2009			31/12/2008		
	Gross	Impairment	Net	Gross [(1)]	Impairment	Net
Purchased items, semi-finished and finished goods	459.7	141.9	317.7	456.7	124.4	332.2
Raw materials and work in progress	223.2	55.2	168.1	232.9	43.6	189.4
Total	**682.9**	**197.1**	**485.8**	**689.6**	**168.0**	**521.6**

(1) The published information on "Raw materials and work in progress" has been restated to take into account the negative impact from the adoption of the amendments to IAS 38 - *Intangible Assets* (€2.1 million as at 1 January 2008 and €2.0 million as at 31 December 2008) (see Note 1).

The net inventory impairment charge amounted to €31.0 million in 2009 compared with €8.9 million in 2008.

No inventories were pledged as debt collateral.

NOTE 18 - TRADE AND OTHER RECEIVABLES

in millions of euros

	31/12/2009			31/12/2008
	Gross	Impairment	Net	Net
Trade and other receivables	137.5	5.2	132.3	153.4
Of which: – amount not yet due	*94.4*	*0.7*	*93.7*	*129.5*
– amount payable (1)	*43.1*	*4.5*	*38.6*	*23.9*
Current tax receivables	3.5	–	3.5	5.0
Other current assets (2)	55.8	0.2	55.6	65.9
Other non-current assets	1.6	–	1.6	1.6
Total	**198.4**	**5.4**	**193.0**	**225.9**

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

in millions of euros

	31/12/2009	31/12/2008
Less than 3 months	37.8	21.5
Between 3 and 6 months	3.9	4.9
Between 6 months and 12 months	(3.2)	(2.5)

(2) The published information has been restated to take into account the negative impacts from the adoption of the amendments to IAS 38 - *Intangible Assets* (€1.9 million as at 1 January 2008 and €1.6 million as at 31 December 2008) (see Note 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 less than 4% of the gross value in 2009, compared with 3% in 2008. 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

	31/12/2008	Cash flows	Currency impact	Impact on the scope of consolidation	Other	31/12/2009
Cash and cash equivalents	119.8	30.1	(2.4)	0.9	0.2	148.7
Marketable securities (1)	365.6	15.2	(0.2)	–	–	380.7
Sub-total	*485.4*	*45.4*	*(2.6)*	*0.9*	*0.2*	*529.4*
Bank overdrafts and current accounts in debit	(34.9)	13.2	–	–	–	(21.8)
Net cash position	**450.5**	**58.6**	**(2.6)**	**0.9**	**0.2**	**507.6**

(1) Mainly comprising investments in the euro money market.

All cash and cash equivalents mature in less than three months and have a sensitivity of less than 0.5%.

Gains and losses realised over the year and recognised in the statement of income amounted to €3.0 million in 2009 compared with €5.5 million in 2008. There were no unrealised gains or losses as at 31 December 2009.

19.2 - Change in working capital

in millions of euros

	31/12/2008	Change in working capital	Other cash flows	Currency impact	Impact from revaluation of financial and hedging instruments	Other	31/12/2009
Inventories and work in progress [1]	521.6	(32.1)	–	(3.6)	–	–	485.8
Trade and other receivables	153.4	(20.3)	–	(1.7)	0.5	0.4	132.3
Other current assets [1]	65.9	(9.7)	–	(0.5)	–	(0.1)	55.6
Other non-current assets	1.6	0.1	–	–	–	(0.1)	1.6
Available-for-sale securities (excluding liquidity contract and forward investments)	7.7	0.6	8.2	(0.2)	–	(0.7)	15.5
Accrued interest on investments	–	0.7	–	–	–	–	0.7
Held-to-maturity securities	11.6	1.8	–	–	–	–	13.4
Loans and deposits	21.1	2.5	–	(0.6)	–	(0.1)	23.0
Deferred tax assets with a cash impact	90.8	7.4	–	(2.0)	–	0.1	96.3
Trade payables (excluding amounts payable relating to fixed assets)	(185.0)	9.9	–	1.0	(0.1)	–	(174.3)
Other liabilities and miscellaneous items (excluding current tax expense)	(187.9)	(18.1)	–	1.4	(2.3)	(2.1)	(209.1)
Net change in the fair value of derivatives	(8.4)	(1.9)	–	–	33.0	(1.3)	21.4
Change in working capital	**492.2**	**(59.2)**	**8.2**	**(6.2)**	**31.2**	**(3.8)**	**462.4**

(1) Following the adoption of the amendments to IAS 38 - *Intangible Assets*, “Inventories and work in progress “ and “Other current assets” have been restated (see Notes 17 and 18 for further information).

NOTE 20 - SHAREHOLDERS’ EQUITY

As at 31 December 2009, Hermès International’s share capital consisted of 105,569,412 fully-paid shares with a par value of €0.51 each. 422,000 of these shares are treasury shares.

In 2009, the only change in share capital was a capital increase of €10 K, i.e. an increase of 19,400 shares with a par value of €0.51, due to the exercise of stock options set aside for the Hermès Group employees.

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 1.8 and 1.16.

The Group’s objectives, policies and procedures in the area of capital management are in keeping with sound management principles designed to ensure that operations are well-balanced financially and to minimise the use of debt. As its surplus cash position gives it some flexibility, the Group does not use prudential ratios such as “return on equity” in its capital management. In 2009, 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 2009 is analysed below:

in millions of euros

	2009	2008
Change in foreign currency adjustments		
South Korean won	4.8	(15.2)
Australian dollar	1.3	(1.4)
Pound sterling	0.9	(4.9)
Swiss franc	0.6	8.1
Singapore dollar	(0.2)	1.6
Chinese yuan	(0.4)	–
Hong Kong dollar	(1.9)	3.1
US dollar	(4.4)	6.1
Japanese yen	(5.6)	28.9
Other currencies	(0.8)	(6.8)
Total	**(5.6)**	**19.5**

20.2 - Derivatives included in equity

In 2009, changes in derivatives were broken down as follows (after tax):

in millions of euros

	2009	2008
Balance as at 1 January	**(15.1)**	**17.0**
Amount transferred to equity during the year for derivatives	14.4	(15.9)
Amount transferred to equity during the year for financial investments	0.7	(1.1)
Adjustments in the value of derivatives at closing	10.4	(14.4)
Fair value adjustments of marked-to-market financial investments	(0.4)	(0.7)
Balance as at 31 December	**10.0**	**(15.1)**

20.3 - Other comprehensive income

In 2009, other comprehensive income was broken down as follows:

in millions of euros

	Gross impact	Income tax relating to components of other comprehensive income	Net impact
Actuarial gains and losses (Note 25.3.4)	(9.9)	3.4	(6.5)
Foreign currency adjustments (Notes 20.1 and 21)	(5.5)	–	(5.5)
Derivatives included in equity (Note 20.2)	37.3	(12.2)	25.1
Gain/(loss) on sale of treasury shares	(0.3)	0.1	(0.2)
Balance as at 31 December 2009	**21.6**	**(8.7)**	**12.9**

in millions of euros

	Gross impact	Income tax relating to components of other comprehensive income	Net impact
Actuarial gains and losses (Note 25.3.4)	(2.1)	0.7	(1.4)
Foreign currency adjustments (Notes 20.1 and 21)	18.6	–	18.6
Derivatives included in equity (Note 20.2)	(47.1)	15.0	(32.1)
Gain/(loss) on sale of treasury shares	1.6	(0.6)	1.0
Balance as at 31 December 2008	**(29.1)**	**15.2**	**(13.9)**

NOTE 21 - NON-CONTROLLING INTERESTS

in millions of euros

	2009	2008
Balance as at 1 January	**14.0**	**12.7**
Net income attributable to non-controlling interests	6.7	5.0
Dividends paid to non-controlling interests	(6.3)	(4.8)
Exchange rate adjustment on foreign entities	0.1	(0.9)
Other changes	(0.6)	1.9
Balance as at 31 December	**14.0**	**14.0**

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 an FBF agreement on trading in forward financial instruments, and it is not exposed to any material counterparty risk. In addition, counterparty risks on financial transactions are monitored on an ongoing basis by Hermès International's Treasury Management Department. Lastly, the Group has no exposure to any material risk of dependence on a single counterparty.

22.2 - Currency risk

Most of the Group's currency exposure comes from sales denominated in foreign currencies. It hedges this exposure in order to minimise the impact of currency fluctuations on the Group's profits.

The Group's currency exposure management policy is based on the following principles:

– the manufacturing subsidiaries invoice the distribution subsidiaries in their local currency, which automatically concentrates the currency risk on the manufacturing subsidiaries;

– the Group's net currency exposure is systematically hedged by Hermès International according to annual budgets, based on highly probable future operating cash flows, through firm foreign exchange transactions and/or optional ones eligible for hedge accounting;

– no speculative transactions are authorised;

– all other non-operating transactions are hedged against currency risk as soon as the commitment is firm and definitive.

These management rules have been validated by the Executive Committee and have also been endorsed by the Supervisory Board.

An integrated software package is used for the administrative management of these transactions and to monitor the back office in real time. In addition, Hermès International's Internal Audit Department ascertains compliance with these rules.

Within this set of rules, management's decisions are validated by the Executive Committee, via a Treasury Security Committee that meets on a regular basis.

The Group's currency exposure is annually hedged 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 a result, its net income has little exposure to currency fluctuations.

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.

22.2.1 - Net currency positions

in millions of euros

Currency	Amount receivable/ (payable)	Future cash flows	Net position before hedging	Off-balance sheet position (1)	Net position after hedging	Hedging ratio
As at 31 December 2009						
US dollar	40.2	143.8	184.0	(165.0)	18.9	90%
Hong Kong dollar	12.6	67.9	80.5	(73.2)	7.3	91%
Singapore dollar	7.1	62.0	69.1	(64.2)	5.0	93%
Euro (2)	(0.8)	(28.5)	(29.4)	32.2	2.9	110%
Australian dollar	0.9	0.4	1.3	1.0	2.3	- 78%
Canadian dollar	1.9	9.5	11.4	(10.8)	0.7	94%
New Turkish lira	0.6	1.3	1.9	(1.3)	0.6	70%
Thai baht	0.9	6.1	7.0	(6.6)	0.4	94%
United Arab Emirates dirham	0.1	(0.5)	(0.5)	0.9	0.4	191%
Czech koruna	0.6	1.3	1.9	(1.6)	0.3	86%
South Korean won	(0.1)	(3.3)	(3.4)	3.3	(0.1)	98%
Mexican peso	1.1	3.7	4.8	(4.9)	(0.1)	103%
Swiss franc	14.5	18.6	33.1	(33.8)	(0.7)	102%
Pound sterling	2.6	27.9	30.5	(31.8)	(1.3)	104%
Japanese yen	139.4	136.0	275.3	(278.6)	(3.2)	101%
Total	**221.6**	**446.2**	**667.8**	**(634.4)**	**33.4**	**95%**
As at 31 December 2008						
US dollar	24.8	161.6	186.4	(180.6)	5.9	97%
Euro (2)	3.8	(24.3)	(20.5)	23.4	2.9	114%
Australian dollar	1.8	(6.0)	(4.2)	5.4	1.1	127%
Canadian dollar	1.3	8.0	9.4	(8.7)	0.7	93%
Pound sterling	4.7	21.6	26.3	(25.9)	0.4	98%
Czech koruna	0.9	1.1	2.0	(1.8)	0.2	89%
Thai baht	0.8	5.5	6.4	(6.2)	0.2	97%
United Arab Emirates dirham	0.1	(0.4)	(0.3)	0.4	0.1	120%
South Korean won	-	(3.6)	(3.6)	3.7	0.1	103%
Taiwan dollar	-	-	-	-	-	90%
Mexican peso	-	2.6	2.6	(2.6)	-	100%
Singapore dollar	6.5	92.2	98.7	(101.9)	(3.1)	103%
Swiss franc	27.5	21.1	48.6	(51.8)	(3.3)	107%
Hong Kong dollar	18.7	52.9	71.6	(75.2)	(3.6)	105%
Japanese yen	168.9	185.6	354.4	(394.1)	(39.7)	111%
Total	**259.9**	**518.0**	**777.9**	**(815.8)**	**(38.0)**	**105%**

(1) Sale/(purchase). (2) Euro currency risk for subsidiaries that use 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 1% rise in the currencies to which the Group is exposed as of the closing date would lead to a €4.1 million increase in equity (before tax) in the fair value reserve. A 1% fall would lead to a €4.3 million decrease (before tax).

Moreover, a 1% rise in the currencies to which the Group is exposed as of the closing date would lead to a €0.5 million increase in net income. An equivalent fall would lead to a €0.6 million decrease.

22.2.3 - Analysis of currency contracts

in millions of euros

Contracts	Nominal amount of off-balance sheet position (gross) (1)	Nominal amount of off-balance sheet position (net) (2)	Market value of contracts as at 31/12/2009 (3)			
			Future cash flow hedge	Fair value hedge	Unallocated	Total
Options purchased						
US dollar	43.8	43.1	2.5	–	–	2.5
Japanese yen	40.2	40.2	2.4	–	–	2.4
Singapore dollar	22.6	22.6	0.6	–	–	0.6
Hong Kong dollar	22.0	22.0	1.1	–	–	1.1
Pound sterling	9.1	9.1	0.3	–	–	0.3
Euro	1.7	0.8	–	–	–	–
Chinese yuan	0.4	–	–	–	–	–
Australian dollar	(2.5)	(2.5)	0.2	–	–	0.2
	137.2	**135.3**	**7.2**	**–**	**–**	**7.2**
Forward currency contracts (4)						
US dollar	98.0	99.1	6.6	–	–	6.6
Japanese yen	95.9	95.9	4.9	–	–	4.9
Hong Kong dollar	43.3	43.8	2.1	(0.1)	–	2.0
Singapore dollar	39.4	39.4	(1.7)	–	–	(1.7)
Other	25.7	24.5	(1.0)	0.4	(0.3)	(0.9)
	302.2	**302.6**	**10.9**	**0.3**	**(0.3)**	**10.9**
Treasury swaps (4)						
Japanese yen	142.5	138.9	–	3.2	–	3.2
US dollar	23.2	20.9	–	(0.2)	–	(0.2)
Hong Kong dollar	8.0	7.5	–	(0.1)	–	(0.1)
Singapore dollar	2.1	2.0	–	–	–	–
Other	19.4	20.2	–	(0.1)	–	(0.1)
	195.4	**189.5**	**–**	**2.9**	**–**	**2.9**
Put options sold						
Chinese yuan	(0.4)	–	–	–	–	–
	(0.4)	**–**	**–**	**–**	**–**	**–**
Total	**634.4**	**627.4**	**18.1**	**3.2**	**(0.3)**	**20.9**

(1) Nominal amount of all off-balance sheet instruments. (2) Nominal amount of derivatives allocated to hedge foreign exchange risks. (3) Gain/(loss). (4) Sale/(purchase).

in millions of euros

Contracts	Nominal amount of off-balance sheet position (gross) (1)	Nominal amount of off-balance sheet position (net) (2)	Market value of contracts as at 31/12/2008 (3)			
			Future cash flow hedge	Fair value hedge	Unallocated	Total
Put options purchased						
US dollar	190.7	76.2	3.7	–	3.0	6.7
Japanese yen	136.0	74.6	2.1	–	0.2	2.3
Singapore dollar	47.2	42.4	1.1	–	0.1	1.2
Hong Kong dollar	46.8	5.9	0.2	–	0.7	1.0
Swiss franc	1.7	1.7	–	–	–	–
	422.4	**200.8**	**7.1**	**–**	**4.1**	**11.1**
Forward currency contracts (4)						
Japanese yen	111.2	111.2	(19.4)	–	–	(19.4)
US dollar	82.2	82.2	0.2	–	–	0.2
Singapore dollar	49.8	49.8	(0.5)	–	–	(0.5)
Hong Kong dollar	47.0	47.0	(2.5)	–	–	(2.5)
Other	23.9	23.9	3.1	–	–	3.1
	314.1	**314.1**	**(19.1)**	**–**	**–**	**(19.1)**
Treasury swaps (4)						
Japanese yen	170.6	170.6	–	0.1	1.9	2.0
US dollar	17.4	17.4	–	0.6	(0.1)	0.5
Hong Kong dollar	15.1	15.1	–	(0.4)	–	(0.4)
Singapore dollar	4.9	4.9	–	(0.1)	–	(0.1)
Other	38.5	38.5	–	(0.1)	(0.9)	(1.1)
	246.5	**246.5**	**–**	**–**	**0.9**	**0.9**
Put options sold						
Japanese yen	(23.8)	–	–	–	(0.1)	(0.1)
Hong Kong dollar	(33.6)	–	–	–	(0.6)	(0.6)
US dollar	(109.7)	–	–	–	(2.9)	(2.9)
	(167.1)	**–**	**–**	**–**	**(3.5)**	**(3.5)**
Total	**815.8**	**761.4**	**(12.0)**	**–**	**1.5**	**(10.5)**

(1) Nominal amount of all off-balance sheet instruments. (2) Nominal amount of derivatives allocated to hedge foreign exchange risks. (3) Gain/(loss). (4) Sale/(purchase).

Reconciliation with statement of financial position items

in millions of euros

	31/12/2009	31/12/2008
Fair value of financial instruments – assets	58.2	94.8
Fair value of financial instruments – liabilities	(36.8)	(105.3)
Net financial instruments position	**21.4**	**(10.5)**
Equity derivatives	(0.5)	–
Net currency position	**20.9**	**(10.5)**

22.2.4 - Ineffective portion of cash flow hedges

The ineffective portion of cash flow hedges recorded in net income was -€9.5 million (including +€2.9 million from over-hedging) compared with +€0.4 million in 2008 (see Note 7). The impact of the effective portion of the hedges recorded in equity is shown in Note 20.2.

22.3 - Interest rate and liquidity risks

The Hermès Group's policy is to maintain a positive treasury position and to have cash available in order to be able to finance its growth strategy independently.

The Group's treasury surpluses and needs are directly managed or overseen by Hermès International's Treasury Management Department, in accordance with a

conservative policy designed to avoid the risk of capital loss and to maintain a satisfactory liquidity position.
Cash surpluses are invested mainly in money-market mutual funds and cash equivalents with a sensitivity of less than 0.5% and a recommended investment period is less than three months. These investments are carried at their fair value.
From time to time, the Group uses financial instruments such as swaps and interest rate derivatives to hedge part of its payables and receivables against interest rate fluctuations.
It applies the same risk monitoring and management procedures as for currency transactions.
Interest rate risks are presented only for net cash items, as no interest rate risk has been identified on other financial assets and liabilities.

As at 31 December 2009 — in millions of euros

	< 1 year	1 to 5 years	> 5 years	Total	Variable rate	Fixed rate
Financial assets	**529.5**	**–**	**–**	**529.5**	**529.5**	**–**
Euro	414.3	–	–	414.3	414.3	–
Chinese yuan	23.7	–	–	23.7	23.7	–
US dollar	18.2	–	–	18.2	18.2	–
Swiss franc	16.3	–	–	16.3	16.3	–
Other	57.0	–	–	57.0	57.0	–
Financial liabilities (1)	**45.4**	**12.3**	**1.0**	**58.7**	**40.7**	**18.0**
Euro	8.4	0.7	1.0	10.0	8.7	1.3
Japanese yen (2)	7.6	10.9	–	18.5	3.3	15.2
Chinese yuan (3)	14.8	–	–	14.8	14.8	–
Other	14.6	0.8	–	15.4	13.9	1.4
Net cash before hedging	**484.1**	**(12.3)**	**(1.0)**	**470.8**	**488.7**	**(18.0)**
Net cash after hedging	**484.1**	**(12.3)**	**(1.0)**	**470.8**	**488.7**	**(18.0)**

(1) Excluding commitments to buy out non-controlling interests (€6.1 million as at 31 December 2009).
(2) Mainly consists of long-term amortisable fixed-rate loans contracted by Hermès Japon to finance the purchase of the land and construction of the Ginza store in Tokyo. These loans are guaranteed by Hermès International but are not covered by any real collateral or by any specific covenants.
(3) Mainly consists of short-term loans contracted to finance capital expenditure and work on the Shanghai House of Hermès. These loans are guaranteed by Hermès International but are not covered by any real collateral or by any specific covenants.

in millions of euros

	< 1 year	1 to 5 years	> 5 years	Total	Variable rate	Fixed rate
Financial assets	**529.5**	**–**	**–**	**529.5**	**529.5**	**–**
Cash and cash equivalents	529.5	–	–	529.5	529.5	–
Financial liabilities (1)	**45.4**	**12.3**	**1.0**	**58.7**	**40.7**	**18.0**
Medium- & long-term debt	–	12.3	1.0	13.3	0.6	12.7
Bank overdrafts and short-term debt	43.5	–	–	43.5	38.2	5.3
Current accounts in debit	1.9	–	–	1.9	1.9	–
Net cash before hedging	**484.1**	**(12.3)**	**(1.0)**	**470.8**	**488.7**	**(18.0)**
Net cash after hedging	**484.1**	**(12.3)**	**(1.0)**	**470.8**	**488.7**	**(18.0)**

(1) Excluding commitments to buy out non-controlling interests (€6.1 million as at 31 December 2009).

As at 31 December 2008 — in millions of euros

	< 1 year	1 to 5 years	> 5 years	Total	Variable rate	Fixed rate
Financial assets	**485.8**	**–**	**–**	**485.8**	**485.8**	**–**
Euro	401.3	–	–	401.3	401.3	–
Swiss franc	13.4	–	–	13.4	13.4	–
Other	71.1	–	–	71.1	71.1	–
Financial liabilities (1)	**71.0**	**18.3**	**0.6**	**90.0**	**61.4**	**28.6**
Euro	25.8	0.8	0.6	27.1	27.1	–
Japanese yen	5.5	16.2	–	21.8	1.1	20.7
Other	39.7	1.3	–	41.0	33.1	7.9
Net cash before hedging	**414.7**	**(18.3)**	**(0.6)**	**395.8**	**424.4**	**(28.6)**
Net cash after hedging	**414.7**	**(18.3)**	**(0.6)**	**395.8**	**424.4**	**(28.6)**

(1) Excluding commitments to buy out non-controlling interests (€5.5 million as at 31 December 2008).

in millions of euros

	< 1 year	1 to 5 years	> 5 years	Total	Variable rate	Fixed rate
Financial assets	**485.8**	**–**	**–**	**485.8**	**485.8**	**–**
Cash and cash equivalents	485.8	–	–	485.8	485.8	–
Financial liabilities (1)	**71.0**	**18.3**	**0.6**	**90.0**	**61.4**	**28.6**
Medium- & long-term debt	–	18.3	0.6	18.9	2.8	16.1
Bank overdrafts and short-term debt	70.7	–	–	70.7	58.2	12.5
Current accounts in debit	0.3	–	–	0.3	0.3	–
Net cash before hedging	**414.7**	**(18.3)**	**(0.6)**	**395.8**	**424.4**	**(28.6)**
Net cash after hedging	**414.7**	**(18.3)**	**(0.6)**	**395.8**	**424.4**	**(28.6)**

(1) Excluding commitments to buy out non-controlling interests (€5.5 million as at 31 December 2008).

22.3.1 - Equity risk

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

22.3.2 - Sensitivity to changes in interest rates

A uniform 1 percentage point change in interest rates would have had a positive impact of €4.8 million on 2009 consolidated pre-tax income (€4.1 million in 2008).

The market value of marketable securities is equivalent to their carrying amount.

Financial liabilities do not include the debt associated with employee profit-sharing, which is included under “Other liabilities”.

22.4 - Fair value of financial assets and financial liabilities

in millions of euros

2009	Carrying amount	Fair value	Interest rate	Effective interest rate
Financial investments (Note 14.1)	95.4	95.4	–	–
Liquidity contract (Note 14.1)	6.7	6.7	–	–
Other financial assets (Note 14.1)	2.7	2.7	–	–
Other non-consolidated investments (Note 14.1)	0.3	0.3	–	–
Available-for-sale securities (Note 14.1)	**105.1**	**105.1**	**–**	**–**
Gaulme convertible bonds and accrued interest (Note 14.2)	8.1	8.1	0.5%	0.5%
Vaucher participating loan (Note 14.2)	5.4	5.4	–	–
Held-to-maturity securities (Note 14.2)	**13.5**	**13.5**	**–**	**–**
Loans and deposits (Note 16)	**21.0**	**21.0**	**–**	**–**
Cash and cash equivalents (Note 19)	**529.5**	**529.5**	**–**	**–**
Bank overdrafts (Note 22)	19.9	19.9	–	–
Commitments to buy out non-controlling interests (Note 22)	6.1	6.1	–	–
Loan – Japan (Note 22)	16.7	16.7	1.7 %	1.7 %
Loan – China (Note 22)	13.5	13.5	4.6 %	4.6 %
Other loans (Note 22)	6.6	6.6	*	–
Current accounts in debit (Note 22)	1.9	1.9	*	–
Financial liabilities	**64.8**	**64.8**	**–**	**–**

* Interest rates are variable rates.

in millions of euros

2008	Carrying amount	Fair value	Interest rate	Effective interest rate
Financial investments (Note 14.1)	24.3	24.3	*	–
Liquidity contract (Note 14.1)	6.9	6.9	–	–
Other financial assets (Note 14.1)	6.5	6.5	–	–
Other non-consolidated investments (Note 14.1)	0.4	0.4	–	–
Available-for-sale securities (Note 14.1)	**38.1**	**38.1**	**–**	**–**
Gaulme convertible bonds and accrued interest (Note 14.2)	8.2	8.2	3.1%	3.1%
Vaucher participating loan (Note 14.2)	3.4	3.4	–	–
Held-to-maturity securities (Note 14.2)	**11.6**	**11.6**	**–**	**–**
Loans and deposits (Note 16)	**19.8**	**19.8**	**–**	**–**
Cash and cash equivalents (Note 19)	**485.8**	**485.8**	**–**	**–**
Bank overdrafts (Note 22)	34.6	34.6	–	–
Commitments to buy out non-controlling interests (Note 22)	5.5	5.5	–	–
Loan – Japan (Note 22)	20.7	20.7	1.8%	1.8%
Loan – China (Note 22)	16.4	16.4	3.1%	3.1%
Loan – US (Note 22)	7.9	7.9	2.5%	2.5%
Other loans (Note 22)	10.0	10.0	**	–
Current accounts in debit (Note 22)	0.3	0.3	**	–
Financial liabilities	**95.5**	**95.5**	**–**	**–**

* Interest rates are variable rates indexed to 3-month Euribor.
** Interest rates are variable rates.

22.4.1 - Classification of financial assets and liabilities measured at fair value

in millions of euros

	Fair value as at 31 December 2009	Level 1	Level 2	Level 3
Currency options purchased (Note 22.2.3)	7.2	–	7.2	–
Forward currency contracts (Note 22.2.3)	10.9	–	10.9	–
Treasury swaps (Note 22.2.3)	2.9	–	2.9	–
Equity derivatives (Note 22.2.3)	0.5	–	0.5	–
Net financial instruments position (Note 22.2.3)	*21.4*	–	*21.4*	–
Marketable securities (Note 19.1)	380.7	380.7	–	–
Forward investments (Note 14.1)	95.4	95.4	–	–
Held-to-maturity securities (Note 14.2)	13.5	–	–	13.5
Total financial assets/(liabilities) measured at fair value	**511.0**	**476.1**	**21.4**	**13.5**

A definition of each level is provided in Note 1.8.3.

NOTE 23 - PROVISIONS

in millions of euros

	31/12/2008	Accruals	Reversals (1)	Currency impact	Other and reclassifications	31/12/2009
Current provisions	15.0	6.6	(7.7)	(0.2)	0.1	13.8
Non-current provisions	2.8	3.3	(0.4)	–	1.8	7.5
Total	**17.8**	**9.9**	**(8.1)**	**(0.2)**	**1.9**	**21.3**

(1) Including €6.9 million reversed and used and €1.2 million reversed and unused.

NOTE 24 - EMPLOYEES

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

	31/12/2009	31/12/2008
France	5,024	5,004
Rest of Europe	825	789
Rest of the world	2,208	2,101
Total	**8,057**	**7,894**

By category, the breakdown is as follows:

	31/12/2009	31/12/2008
Production	3,561	3,539
Sales	3,172	3,004
Other (design, marketing, administration)	1,324	1,351
Total	**8,057**	**7,894**

Total personnel costs amounted to €483.7 million in 2009, compared with €447.3 million in 2008.

NOTE 25 - POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFIT OBLIGATIONS

25.1 - Description of plans

The Hermès Group employees are eligible for short-term benefits (paid leave, sick leave, profit-sharing), long-term benefits (long-service awards) and post-employment benefits under defined contribution/defined benefit plans (mainly retirement benefits, and supplemental pension schemes).

Post-employment benefits are awarded either through defined contribution plans or through defined benefit plans.

25.1.1 - Defined contribution plans

Under these plans, regular payments are made to outside organisations, which are responsible for their administrative and financial management. These plans release the employer from any subsequent obligation, as the outside organisation takes responsibility for paying amounts due to employees (basic Social Security old-age plan, ARRCO/AGIRC supplemental pension plans, defined-contribution pension funds).

25.1.2 - Defined benefit plans

Under these plans, the employer assumes an obligation vis-à-vis its employees. If these plans are not entirely funded in advance, a provision is recorded.

Post-employment and similar benefit obligations (Defined Benefit Obligations or DBOs) are measured

using the projected credit units method, based on actuarial assumptions that take into consideration specific conditions, primarily macroeconomic conditions, in the different countries in which the Group operates.
Changes in actuarial assumptions and experience effects give rise to actuarial gains or losses, which are recognised in accordance with the SoRIE method. Under this method, all actuarial gains and losses are recorded in equity when recognised.
For the Group, the main defined benefit plans apply mainly to:
– Retirement benefits in France, Italy, Switzerland and Japan. These are calculated based on employee length of service and annual salary upon reaching retirement age. These obligations are partially or entirely externalised depending on the country;
– 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;
– A supplemental pension scheme for executives in France or in other countries.

in millions of euros

	< 1 year	> 1 year	2009	2008	2007	2006	2005
Post-employment and similar benefit obligations	4.2	54.6	58.8	51.9	43.8	40.6	41.1
Total	**4.2**	**54.6**	**58.8**	**51.9**	**43.8**	**40.6**	**41.1**

25.2 - Actuarial assumptions as at 31 december 2009

Actuarial assumptions are reviewed annually. For 2009, the following actuarial assumptions were used:

	France	Italy	Switzerland	Japan	Rest of Asia
Retirement age (in years)	61/65	60/62	63/64	60	55
Increase in salaries	2.0-4.0%	2.0-2.5%	2.2%	2.5%	3.0-5.0%
Increase in Social Security ceiling	2.5%	n/a	n/a	n/a	n/a
Expected rate of return on plan assets	4.5%	n/a	3.0%	n/a	2.3-4.9%
Discount rate	5.0%	5.0%	3.3%	1.8%	1.9-7.7%

n/a: not applicable.

2008 assumptions

	France	Italy	Switzerland	Japan	Rest of Asia
Retirement age (in years)	61/65	60/62	64/65	60	55
Increase in salaries	2.0%-4.0%	2.0%-2.5%	2.2%	2.5%	3.0%-5.0%
Increase in Social Security ceiling	2.5%	n/a	n/a	n/a	n/a
Expected rate of return on plan assets	4.5%	n/a	3.0%	n/a	2.3-4.9%
Discount rate	5.3%	5.3%	3.3%	2.0%	1.9-7.7%

n/a: not applicable.

The discount rates applied are obtained based on corporate bond yields with the same maturity as that of the obligation.

The expected rates of return on plan assets are determined as a function of the composition of the asset portfolios, based on expected returns representative of the risk and track record for each type of asset.

25.3 - Change in provisions recorded in the statement of financial position

in millions of euros

	Defined benefit pension plans	Other defined benefit plans	2009	2008	2007	2006	2005
Provisions at beginning of period	**50.7**	**1.2**	**51.9**	**43.8**	**40.6**	**41.1**	**30.2**
Foreign currency adjustments	(0.8)	–	(0.8)	3.7	(0.6)	(1.3)	–
Pension expense	7.6	0.2	7.8	7.8	7.0	1.6	5.3
Benefits/contributions paid	(10.1)	–	(10.1)	(4.8)	(2.7)	(4.3)	(4.7)
Actuarial gains and losses/Limits on plan assets	9.9	–	9.9	1.8	(1.8)	3.2	9.7
Changes in the scope of consolidation	0.1	–	0.1	–	0.7	–	–
Adjustment to opening equity	–	–	–	0.3	0.5	0.2	0.4
Other	–	–	–	(0.8)	0.1	0.1	0.2
Provisions at end of period	**57.4**	**1.4**	**58.8**	**51.9**	**43.8**	**40.6**	**41.1**

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	2009	2008	2007	2006	2005
Present value of obligations at beginning of period	**71.7**	**1.2**	**72.9**	**56.3**	**53.0**	**55.7**	**49.3**
Foreign currency adjustments	(0.7)	–	(0.7)	4.5	(0.8)	(1.4)	–
Service cost	6.2	0.1	6.3	5.6	5.2	4.9	3.7
Interest cost	3.1	0.1	3.1	2.6	2.0	1.5	1.7
Benefits paid	(6.3)	–	(6.3)	(4.3)	(3.2)	(10.2)	(9.1)
Employee contributions	0.7	–	0.7	0.6	0.3	–	–
Actuarial gains and losses	9.7	–	9.7	2.1	(2.3)	2.8	9.8
Change of plan	–	–	–	–	–	(4.4)	–
Unrecognised past service costs	0.2	–	0.2	0.3	–	1.7	–
Changes in the scope of consolidation	0.1	–	0.1	0.2	1.6	–	–
Other	(1.6)	–	(1.6)	5.0	0.5	2.4	0.3
Present value of obligations at end of period	**83.0**	**1.4**	**84.4**	**72.9**	**56.3**	**53.0**	**55.7**

25.3.2 - Fair value of pension plans

in millions of euros

	2009	2008	2007	2006	2005
Fair value of assets at beginning of period	**19.8**	**11.1**	**10.7**	**14.6**	**19.0**
Employer contributions	9.1	1.5	1.8	2.9	4.2
Employee contributions	0.7	0.6	0.3	–	–
Benefits paid	(5.2)	(1.0)	(2.3)	(8.7)	(8.6)
Expected return on plan assets	0.7	0.6	0.4	0.5	0.4
Financial expenses	–	–	–	(0.1)	(0.2)
Foreign currency adjustments	0.1	0.8	(0.2)	(0.1)	–
Actuarial gains and losses	(0.5)	0.7	(0.1)	(0.1)	–
Changes in the scope of consolidation	–	0.1	0.8	–	–
Other	(0.1)	5.3	(0.3)	1.7	(0.2)
Fair value of assets at end of period	**24.6**	**19.8**	**11.1**	**10.7**	**14.6**

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

in millions of euros

	Defined benefit pension plans	Other defined benefit plans	31/12/2009	31/12/2008	31/12/2007
Present value of funded obligations	61.2	–	61.2	51.2	37.8
Fair value of plan assets	(24.6)	–	(24.6)	(19.8)	(11.1)
Excess of obligations/(assets) in funded plans	**36.6**	**–**	**36.6**	**31.5**	**26.7**
Present value of unfunded obligations	21.8	1.4	23.2	21.7	18.5
Unrecognised past service costs	(1.2)	–	(1.2)	(1.6)	(1.5)
Unrecognised net assets	0.1	–	0.1	0.3	–
Net defined benefit obligations	**57.4**	**1.4**	**58.8**	**51.9**	**43.8**
Breakdown of obligations - assets	–	–	–	–	–
Breakdown of obligations - liabilities	57.4	1.4	58.8	51.9	43.8
Net obligations	**57.4**	**1.4**	**58.8**	**51.9**	**43.8**

25.3.4 - Changes in actuarial gains and losses

in millions of euros

Actuarial gains and losses recognised in equity as at 1 January 2006	**13.5**
Experience gains and losses	2.7
Impact of changes in assumptions	0.2
Other actuarial gains and losses	0.3
Actuarial gains and losses recognised in equity as at 31 December 2006	**16.7**
Experience gains and losses	3.0
Impact of changes in assumptions	(5.0)
Other actuarial gains and losses	0.2
Actuarial gains and losses recognised in equity as at 31 December 2007	**14.9**
Experience gains and losses	1.7
Impact of changes in assumptions	0.5
Impact of limits on plan assets	0.3
Other actuarial gains and losses	(0.4)
Actuarial gains and losses recognised in equity as at 31 December 2008	**17.0**
Experience gains and losses	(0.8)
Impact of changes in assumptions	10.4
Impact of limits on plan assets	(0.2)
Other actuarial gains and losses	0.4
Actuarial gains and losses recognised in equity as at 31 December 2009	**26.9**

25.3.5 - Analysis of expenses recognised in the statement of income

in millions of euros

	Defined benefit pension plans	**Other defined benefit plans**	**2009**	**2008**	**2007**	**2006**	**2005**
Service costs	6.2	0.1	6.3	5.6	5.2	4.9	3.7
Interest costs	3.1	0.1	3.1	2.6	2.1	1.4	1.7
Expected return on plan assets	(0.7)	–	(0.7)	(0.6)	(0.5)	(0.5)	(0.2)
(Gain)/loss resulting from change in plan	–	–	–	–	–	(4.4)	–
Unrecognised past service cost	0.2	–	0.2	0.2	0.2	–	–
Net actuarial (gains)/losses recognised during the year	–	–	–	(0.1)	(0.4)	(0.1)	0.4
Other	(1.1)	–	(1.1)	0.1	0.4	0.3	(0.4)
Cost of defined benefit plans	**7.6**	**0.2**	**7.8**	**7.8**	**7.0**	**1.6**	**5.3**

25.4 - Plan assets

The average breakdown by asset type is as follows:

in millions of euros

	31/12/2009		31/12/2008		31/12/2007	
	Value	Breakdown	Value	Breakdown	Value	Breakdown
Equities	1.8	7%	2.1	11%	1.1	10%
Bonds	17.7	72%	13.4	68%	8.5	77%
Other	5.1	21%	4.3	22%	1.5	13%
Total	**24.6**	**100%**	**19.8**	**100%**	**11.1**	**100%**

25.5 - Information by geographical area

in millions of euros

	31/12/2009		31/12/2008		31/12/2007	
	Value	Breakdown	Value	Breakdown	Value	Breakdown
France	51.7	61%	42.8	59%	37.5	67%
Rest of Europe	14.3	17%	13.8	19%	5.2	9%
Japan	16.4	19%	15.0	21%	12.0	21%
Rest of Asia-Pacific	2.0	3%	1.4	1%	1.6	3%
Present value of obligations	**84.4**	**100%**	**72.9**	**100%**	**56.3**	**100%**
France	11.5	47%	7.6	39%	6.5	59%
Rest of Europe	11.7	47%	11.1	56%	3.4	31%
Rest of Asia-Pacific	1.5	6%	1.1	5%	1.2	10%
Fair value of plan assets	**24.6**	**100%**	**19.8**	**100%**	**11.1**	**100%**
France	0.1	100%	0.1	31%	–	–
Rest of Asia-Pacific	–	–	0.2	69%	–	–
Unrecognised net assets	**0.1**	**100%**	**0.3**	**100%**	**–**	**–**
France	(1.2)	100%	(1.6)	100%	(1.5)	100%
Unrecognised past service cost	**(1.2)**	**100%**	**(1.6)**	**100%**	**(1.5)**	**100%**
France	39.2	67%	33.6	65%	29.6	68%
Rest of Europe	2.6	4%	2.8	5%	1.8	4%
Japan	16.4	28%	15.0	29%	12.0	27%
Rest of Asia-Pacific	0.6	1%	0.5	1%	0.4	1%
Provisions for post-employment and similar benefit obligations	**58.8**	**100%**	**51.9**	**100%**	**43.8**	**100%**

NOTE 26 - TRADE PAYABLES AND OTHER LIABILITIES

in millions of euros

	31/12/2009	31/12/2008
Suppliers	174.3	185.0
Amounts payable relating to fixed assets	24.0	25.7
Trade and other payables	**198.3**	**210.8**
Current tax liabilities	39.4	44.5
Other current liabilities	183.3	165.8
Other non-current liabilities	23.9	21.9
Trade payables and other liabilities	**444.9**	**442.9**

NOTE 27 - OFF-BALANCE SHEET COMMITMENTS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

27.1 - Financial commitments

in millions of euros

	< 1 year	1 to 5 years	> 5 years	31/12/2009	31/12/2008
Bank guarantees given	0.1	0.2	1.0	1.2	1.1
Bank guarantees received	4.0	–	–	4.0	4.0
Repurchases of securities (guarantees given)	1.3	–	1.2	2.5	3.7
Repurchases of securities (guarantees received)	–	6.7	–	6.7	6.7
Irrevocable commitments received to purchase financial assets (put options received)	1.5	6.2	17.6	25.2	33.5
Other commitments	9.1	8.6	–	17.7	18.9
Finance leases	0.1	0.2	0.7	1.0	1.1

As at 31 December 2009, future non-cancellable commitments on lease agreements for all stores operated by the Group worldwide were broken down as follows:

in millions of euros

	< 1 year	1 to 5 years	> 5 years	2009	2008
Minimum payments to be made on rental agreements (1)	55.6	151.0	95.6	**302.2**	275.0

(1) Amounts shown have been discounted at an annual rate of 7.62%.

27.2 - Other off-balance sheet commitments

The Group has no knowledge of any commitments other than those mentioned so far and that would not be reflected in the financial statements for the year ended 31 December 2009. 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 booked when a risk is identified and when its cost can be estimated.

NOTE 28 - RELATED-PARTY TRANSACTIONS

In 2009, transactions with equity-accounted associates were not material relative to the Group's overall business activities.
Relationships with other related parties, within the meaning of IAS 24 - *Related Party Disclosures*, can be summarised as follows:
– RDAI: The architectural firm RDAI was commissioned for a design mission to apply the architectural concept to all Hermès Group stores. Fees paid by the Hermès Group amounted to €6.9 million before tax in 2009 and €5.5 million before tax in 2008;
– Émile Hermès SARL, Active Partner: Émile Hermès SARL is a *société à responsabilité limitée à capital variable* (limited company with variable capital), which partners are direct descendants of Émile-Maurice Hermès and his spouse. The company's Executive Chairman is Mr Bertrand Puech and it is governed by a Management Board. Each year, Hermès International pays the Active Partner a sum equal to 0.67% of distributable profits. Furthermore, Hermès International invoices Émile Hermès SARL for certain expenses incurred. In 2009, the amount invoiced was €0.1 million, compared with €0.2 million in 2008.

Lease agreements with related parties

Address	Lessor	Lessee	Lease type	Duration	Start date	End date	Security deposit
Building located at 28/30/32, rue du Faubourg-Saint-Honoré	SAS 28/30/32 rue du Faubourg-Saint-Honoré	Hermès International	Commercial lease	9 years	01/01/2007	31/12/2015	3 months
Building located at 28/30/32, rue du Faubourg-Saint-Honoré	SAS 28/30/32 rue du Faubourg-Saint-Honoré	Hermès Sellier	Commercial lease	9 years	01/01/2007	31/12/2015	3 months
Building located at 26, rue du Faubourg-Saint-Honoré	SIFAH (SCI)	Hermès Sellier	Commercial lease	9 years	01/01/2005	31/12/2013	3 months
Building located at 26, rue du Faubourg-Saint-Honoré	SIFAH (SCI)	Hermès International	Commercial lease	9 years	01/01/2008	31/12/2016	3 months
Building located at 23, rue Boissy-d'Anglas	SAS 28/30/32 rue du Faubourg-Saint-Honoré	Hermès Sellier	Commercial lease	9 years	01/01/2009	31/12/2017	3 months
Building located at 74, rue du Faubourg-Saint-Antoine	SCI 74 rue du Faubourg-Saint-Antoine	Hermès International	Commercial lease	9 years	01/07/2008	30/06/2017	3 months
4, rue du Pont-Vert 27400 Le Vaudreuil	Briand Villiers I	Comptoir Nouveau de la Parfumerie	Commercial lease	9 years firm	01/07/2005	30/06/2014	3 months

Total lease expenses related to the above listed amounted to €8.1 million in 2009, compared with €6.4 million in 2008.
All related-party transactions described have been effected on arm's length terms, that is, on terms that would apply if the transaction occurred between unrelated parties.

NOTE 29 - EXECUTIVE COMPENSATION

Remuneration paid to Corporate Executive Officers, Executive Managers and Supervisory Board members of the Group in 2009 amounted to €13.1 million, compared with €10.0 million in 2008.

It was broken down as follows for each category of remuneration:

in millions of euros

	2009	2008
Short-term benefits	9.3	7.8
Post-employment benefits	3.3	1.8
Other long-term benefits	0.2	0.2
Share-based payments	0.3	0.2
Total	**13.1**	**10.0**

NOTE 30 - SHARE-BASED PAYMENTS

30.1 - Stock options

	2009		2008	
	Number of options	Value of shares (€m) (1)	Number of options	Value of shares (€m) (1)
Outstanding as at 1 January	**19,400**	**1.0**	**120,900**	**6.1**
– exercisable	*19,400*	*1.0*	*120,900*	*6.1*
Options issued	–	–	–	–
Options exercised	(19,400)	(1.0)	(101,500)	(5.1)
Options cancelled	–	–	–	–
– expired	–	–	–	–
– forfeited	–	–	–	–
Outstanding as at 31 December	**–**	**–**	**19,400**	**1.0**
– exercisable	–	–	*19,400*	*1.0*
Weighted average exercise price	–	–	*€52.09*	–

(1) Weighted average price.

Detailed information on stock options is presented in Table 8 on page 57.

30.2 - Share purchase options

	2009		2008	
	Number of options	Value of shares (€m) (1)	Number of options	Value of shares (€m) (1)
Outstanding as at 1 January	**343,420**	**24.5**	**99,000**	**4.3**
- exercisable	*99,000*	*4.3*	*99,000*	*4.3*
Options issued	–	–	244,420	20.2
Options exercised	(69,000)	(3.0)	–	–
Options cancelled	(11,550)	(0.9)	–	–
- expired	–	–	–	–
- forfeited	*(11,550)*	*(0.9)*	–	–
Outstanding as at 31 December	**262,870**	**20.6**	**343,420**	**24.5**
- exercisable	*30,000*	*1.3*	*99,000*	*4.3*
Weighted average exercise price	*€78.37*	–	*€71.38*	–

(1) Weighted average price.

Detailed information on share purchase options is presented in Table 8 on page 57.

30.3 - Bonus share issues

	2009		2008	
	Number of options	Value of shares (€m) (1)	Number of options	Value of shares (€m) (1)
Outstanding as at 1 January	**164,100**	**13.8**	**170,025**	**14.3**
- exercisable	–	–	–	–
Options issued	–	–	–	–
Options exercised	–	–	–	–
Options cancelled	(9,700)	(0.8)	(5,925)	(0.5)
- expired	–	–	–	–
- forfeited	*(9,700)*	*(0.8)*	*(5,925)*	*(0.5)*
Outstanding as at 31 December	**154,400**	**13.0**	**164,100**	**13.8**
- exercisable	–	–	–	–
Fair value per share	*€84.06*	–	*€84.06*	–

(1) Weighted average price before application of turnover rate at issue.

30.4 - Expense for the year

in millions of euros

	2009	2008
Bonus share distributions	3.3	2.6
Share purchase options	1.6	1.3
Expense for the year	**4.9**	**3.9**

NOTE 31 - INFORMATION ON FEES PAID TO AUDITORS AND ADVISORS

Fees paid to the Statutory Auditors and to members of their networks in 2009 are broken down as follows:

in millions of euros

	Deloitte network				Crowe Horwath, Didier Kling & Associés			
	2009	**Alloc.**	**2008**	**Alloc.**	**2009**	**Alloc.**	**2008**	**Alloc.**
Audit								
Statutory audit	1.4	94%	1.3	93%	0.2	100%	0.2	100 %
– Hermès International (parent company)	*0.3*	*19%*	*0.3*	*20%*	*0.1*	*39%*	*0.1*	*40 %*
– fully-consolidated subsidiaries	*1.1*	*75%*	*1.0*	*73%*	*0.1*	*61%*	*0.1*	*60%*
Other legal and related services	0.1	6%	0.1	7%	–	–	–	–
– Hermès International (parent company)	–	–	–	–	–	–	–	–
– fully-consolidated subsidiaries	*0.1*	*6%*	*0.1*	*7%*	–	–	–	–
Sub-total	*1.5*	*100%*	*1.4*	*100%*	*0.2*	*100%*	*0.2*	*100 %*
Other services								
Legal, tax and corporate matters	–	–	–	–	–	–	–	–
Sub-total	–	–	–	–	–	–	–	–
Total	**1.5**	**100%**	**1.4**	**100%**	**0.2**	**100%**	**0.2**	**100%**

The imbalance between the two audit firms is due to the fact that the Deloitte network is in charge of auditing for nearly all of the Hermès Group's foreign subsidiaries.

NOTE 32 - SCOPE OF CONSOLIDATION

List of companies consolidated as at 31 December 2009

Company name	Registered office	2009 percentage Control	2009 percentage Interest	Method*	Registered no. (France)
Hermès International	24, rue du Faubourg-Saint-Honoré, 75008 Paris	Parent	Parent	Parent	572 076 396
Ateliers A.S.	131, avenue Henri-Barbusse, 69310 Pierre-Bénite (France)	74.90	74.18	Full	954 503 843
Boissy Mexico	Avenida Presidente Mazaryk 422, Local "A" Col Polanco, 11560 Mexico D.F. (Mexico)	51.00	51.00	Full	–
Boissy Retail	One Marina Boulevard, #28-00, Singapore 018989 (Singapore)	100.00	100.00	Full	–
Boissy Singapour	One Marina Boulevard, #28-00, Singapore 018989 (Singapore)	100.00	80.00	EA	–
Castille Investissements	24, rue du Faubourg-Saint-Honoré, 75008 Paris	100.00	100.00	Full	352 565 451
Clerc Thierry Créations	Sur-La-Cluse 17, CH-2300 La Chaux-de-Fonds (Switzerland)	100.00	100.00	Full	–
Compagnie des Arts de la Table	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	380 059 188
Compagnie des Cristalleries de Saint-Louis	Saint-Louis-lès-Bitche, 57620 Lemberg (France)	99.96	99.96	Full	353 438 708
Compagnie Hermès de Participations	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	413 818 147
Comptoir Nouveau de la Parfumerie	23, rue Boissy-d'Anglas, 75008 Paris	99.67	99.67	Full	542 053 285
Créations Métaphores	21, rue Cambon, 75001 Paris	80.00	80.00	Full	602 013 583
Créations Métaphores Inc.	55 East 59th Street, 10022 New York (USA)	100.00	80.00	Full	–
Erbé Maroquinier	135, avenue Henri-Barbusse, chemin des Mûriers, 69310 Pierre-Bénite (France)	100.00	99.77	Full	334 089 299
Établissements Marcel Gandit	51, rue Jean-Jaurès, 38300 Bourgoin-Jallieu (France)	100.00	100.00	Full	583 620 778
Exocuirs	69, rue du Rhône, 1207 Geneva (Switzerland)	100.00	100.00	Full	–
Ex-Pili	25/F Chinachem Leighton Plaza, 29 Leighton Road, Causeway Bay (Hong Kong)	100.00	100.00	Full	–
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)	95.00	95.00	Full	–
Full More (Shanghai) Trading	Room 6F-1, No.137 Julu Road, Luwan District, Shanghai (China)	100.00	95.00	Full	–
Ganterie de Saint-Junien	18, rue Louis-Codet, 87200 Saint-Junien (France)	100.00	100.00	Full	391 581 196
Gaulme	325, rue Saint-Martin, 75003 Paris	45.00	45.00	EA	380 681 833
Gordon-Choisy	33, avenue de Wagram, 75017 Paris	100.00	100.00	Full	662 044 833
Grafton Immobilier	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	440 256 444
Herlee	25/F Chinachem Leighton Plaza, 29 Leighton Road, Causeway Bay (Hong Kong)	90.00	90.00	Full	–
Hermès Argentina	Avenida Alvear 1981, 1129 Buenos Aires (Argentina)	100.00	99.99	Full	–
Hermès Asia Pacific	25/F Chinachem Leighton Plaza, 29 Leighton Road, Causeway Bay (Hong Kong)	100.00	100.00	Full	–
Hermès Australia	Level 11, 70 Castlereagh Street, Sydney NSW 2000 (Australia)	100.00	100.00	Full	–
Hermès Benelux Scandinavie	50, boulevard de Waterloo, 1000 Brussels (Belgium)	100.00	100.00	Full	–

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

Company name	Registered office	2009 percentage Control	Interest	Method*	Registered no. (France)
Hermès Canada	131 Bloor Street West, Toronto, Ontario M5S 1R1 (Canada)	100.00	100.00	Full	–
Hermès (China) Co. Ltd	Room 3010, 3011, Westgate Mall Tower, 1038 Nanjing Xi Road, Shanghai 2000141 (China)	100.00	90.00	Full	–
Hermès Cuirs Précieux	33, avenue de Wagram, 75017 Paris	100.00	100.00	Full	398 142 695
Hermès de Paris (Mexico)	Avenida Presidente Mazaryk 422, Local "A" Col Polanco, 11560 Mexico D.F. (Mexico)	51.00	51.00	Full	–
Hermès GB	1 Bruton Street, London W1J 6TL (United Kingdom)	100.00	100.00	Full	–
Hermès GmbH	Marstallstrasse 8, 80539 Munich (Germany)	100.00	100.00	Full	–
Hermès Grèce	Rue Stadiou 4 and rue Voukourestiou 1, City Link, 10564 Syntagma Athens (Greece)	100.00	100.00	Full	–
Hermès Holding GB	1 Bruton Street, London W1J 6TL (United Kingdom)	100.00	100.00	Full	–
Hermès Iberica	José Ortega y Gasset 12, 28006 Madrid (Spain)	100.00	100.00	Full	–
Hermès Immobilier Genève	C/- Hermès (Suisse) 4, rue de la Tour-de-l'Île, 1204 Geneva (Switzerland)	100.00	100.00	Full	–
Hermès India Retail and Distributors	G/5-9 Shopping Arcade, The Oberoi, Dr Zakir Hussain Marg, 110003 New Delhi (India)	51.01	51.01	Full	–
Hermès Intérieur & Design	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	480 011 527
Hermès Internacional Portugal	Largo do Chiado 9, 1200-108 Lisbon (Portugal)	100.00	100.00	Full	–
Hermès Istanbul	Abdi Ipekçi Cad. No:79 Nisantasi, Sisli, Istanbul (Turkey)	100.00	100.00	Full	–
Hermès Italie	Via Serbelloni 1, 20122 Milan (Italy)	100.00	100.00	Full	–
Hermès Japon	4-3, Ginza 5-Chome, Chuo-ku, Tokyo 104-0061 (Japan)	100.00	100.00	Full	–
Hermès Korea	630-26 Shinsa-Dong Gangnam-gu, Seoul 135-895 (South Korea)	94.59	94.59	Full	–
Hermès Middle East South Asia	One Marina Boulevard, #28-00, Singapore 018989 (Singapore)	100.00	100.00	Full	–
Hermès Monte-Carlo	11-15, avenue de Monte-Carlo, 98000 Monaco	100.00	100.00	Full	–
Hermès of Paris	55 East, 59th Street, 10022 New York (USA)	100.00	100.00	Full	–
Hermès Prague	Parizska 12/120, 11000 Prague (Czech Republic)	100.00	100.00	Full	–
Hermès Retail (Malaysia)	Level 16, Menara TM Asia Life, 189 Jalan Tun Razak, 50400 Kuala Lumpur (Malaysia)	51.00	51.00	Full	–
Hermès Sellier	24, rue du Faubourg-Saint-Honoré, 75008 Paris	99.77	99.77	Full	696 520 410
Hermès Singapore (Retail)	One Marina Boulevard, #28-00, Singapore 018989 (Singapore)	80.00	80.00	Full	–
Hermès Suisse	4, rue de la Tour-de-l'Île, 1204 Geneva (Switzerland)	100.00	100.00	Full	–
Hermès South East Asia	One Marina Boulevard, #28-00, Singapore 018989 (Singapore)	100.00	100.00	Full	–
Hermès Voyageur	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	480 011 535
Holding Textile Hermès	16, chemin des Mûriers, 69310 Pierre-Bénite (France)	100.00	100.00	Full	428 128 318
Immauger	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	377 672 159
J. L. & Co	Westminster Works, Oliver Street, Northampton NN2 7JL (United Kingdom)	100.00	100.00	Full	–
John Lobb	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	582 094 371

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

Company name	Registered office	2009 percentage Control	Interest	Method*	Registered no. (France)
John Lobb Japan	3-1-1 Marunouchi, Chiyoda-Ku, Tokyo 100-0005 (Japan)	100.00	100.00	Full	–
John Lobb (Hong Kong) Ltd	25/F Chinachem Leighton Plaza, 29 Leighton Road, Causeway Bay (Hong Kong)	100.00	100.00	Full	–
La Manufacture de Seloncourt	18, rue de la Côte, 25230 Seloncourt (France)	100.00	100.00	Full	407 836 329
La Maroquinerie Nontronnaise	Avenue Yvon-Delbos, 24300 Nontron (France)	100.00	100.00	Full	403 230 436
La Montre Hermès	Erlenstrasse 31 A, 2555 Brügg (Switzerland)	100.00	100.00	Full	–
La Montre Hermès Pacific Limited	22/F Chinachem Leighton Plaza, 29 Leighton Road, Causeway Bay (Hong Kong)	100.00	100.00	Full	–
La Montre Hermès Shanghai	Room 2609, Westgate Mall, N° 1038, West Nanjing Road, Jing An District, Shanghai (China)	100.00	100.00	Full	–
Leica Camera Japan Co	1-7-1 Yurakucho Chiyoda-ku, Tokyo 100-0006 (Japan)	49.00	49.00	EA	–
Les Tissages Perrin**	9, rue Claude-Terrasse, 38690 Le Grand-Lemps (France)	2.14	40.00	EA	400 135 034
Louisiane Spa	Via Marostica 40, 20135 Milan (Italy)	100.00	100.00	Full	–
Manufacture de Haute Maroquinerie	ZAE Les Combaruches, 825, bd Jean-Jules-Herbert, 73100 Aix-les-Bains (France)	100.00	100.00	Full	409 548 096
Maroquinerie de Belley	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	428 128 425
Maroquinerie de 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 Thierry	ZI Les Bracots, rue des Fougères, 74890 Bons-en-Chablais (France)	43.82	43.82	EA	312 108 368
Michel Rettili Srl	Via Marostica 40, 20135 Milan (Italy)	100.00	100.00	Full	–
Motsch–George V	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	440 252 476
Perrin & Fils	451, chemin du Baraillon, 38690 Le Grand-Lemps (France)	39.52	39.52	EA	573 620 143
RTL Inc.	105, Dorset Street La Fayette, Louisiana 70501 (USA)	100.00	100.00	Full	–
Saint-Honoré (Bangkok)	Room G03/2, The Emporium Shopping Mall, 622 Sukhumvit Road, Klongtoey, Bangkok 10100 (Thailand)	51.00	51.00	Full	–
Saint-Honoré Consulting	C-28 Connaught Place, 110001 New Delhi (India)	100.00	100.00	Full	–
SC Honossy	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	393 178 025
SCI Auger-Hoche	12-22, rue Auger, 93500 Pantin (France)	100.00	100.00	Full	335 161 071
SCI Boissy Les Mûriers	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	351 649 504
SCI Boissy Nontron	23, rue Boissy-d'Anglas, 75008 Paris	100.00	100.00	Full	442 307 021
SCI Les Capucines	ZI les Bracots, 74890 Bons-en-Chablais (France)	60.00	77.53	Full	408 602 050
Société d'Impression sur Étoffes du Grand-Lemps	202, chemin du Violet, 38690 Le Grand-Lemps (France)	100.00	100.00	Full	573 621 224
Société Nontronnaise de Confection	Les Belles Places, 10, rue Jean-Moulin, 24300 Nontron (France)	100.00	100.00	Full	380 041 939
Sport Soie	27, rue Jules-Guesde, 69310 Pierre-Bénite (France)	95.50	95.50	Full	592 028 542
Tanneries des Cuirs d'Indochine et de Madagascar	33, avenue de Wagram, 75017 Paris	100.00	100.00	Full	582 025 755
Vaucher Manufacture Fleurier	Rue de l'Hôpital 33, CH-2114 Fleurier (Switzerland)	21.05	21.05	EA	–
Velours Blafo**	7, rue de Catalogne, 69150 Décines-Charpieu (France)	26.09	26.09	EA	352 497 549
WHY S.A.M.	8, avenue des Ligures, 98000 Monaco	50.00	55.00	EA	–

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

** Company majority-owned by Perrin & Fils, in which the Hermès Group holds a 39.52% controlling interest.

Parent company financial statements

Statement of income for the year ended 31 December 2009

in millions of euros

	2009	2008
Operating revenue	**78.2**	**76.7**
Revenue (Note 2)	67.0	72.4
Other revenue	0.8	0.6
Reversals of provisions and expense reclassifications	10.4	3.7
Operating expenses	**112.8**	**109.3**
Supplies	1.4	1.7
External services	12.6	17.0
Other external services	35.0	36.5
Taxes and duties (other than income tax)	3.7	3.0
Salaries	26.7	23.0
Social security and similar expenses	20.4	12.0
Depreciation, amortisation, provisions and impairment	10.4	11.1
Other expenses	2.7	5.0
OPERATING INCOME/(LOSS)	**(34.6)**	**(32.6)**
Financial income	**308.3**	**341.1**
Income from subsidiaries and associates	290.4	274.6
Other interest and similar income	4.6	18.0
Reversals of provisions and impairment (Note 10)	10.4	39.1
Foreign exchange gains	–	3.9
Net income from disposals of marketable securities	2.9	5.5
Financial expenses	**43.7**	**51.6**
Provisions accrual and impairment (Note 10)	42.5	51.1
Foreign exchange losses	0.8	–
Interest and similar expenses	0.4	0.5
NET FINANCIAL INCOME	**264.6**	**289.5**
RECURRING OPERATING INCOME	**230.0**	**256.9**
Exceptional income (Note 3)	–	4.7
Exceptional expenses (Note 3)	0.7	4.6
NET EXCEPTIONAL INCOME	**(0.7)**	**0.1**
INCOME BEFORE TAX AND EMPLOYEE PROFIT-SHARING	**229.3**	**257.0**
Employee profit-sharing	(2.6)	(2.4)
Income tax expense (Note 4)	16.5	2.9
NET INCOME	**243.2**	**257.5**

Statement of financial position as at 31 December 2009

ASSETS

in millions of euros

	31/12/2009	31/12/2008
NON-CURRENT ASSETS	**531.5**	**378.5**
Intangible assets (Note 5)	**2.3**	**2.0**
Licences, patents and trademarks	0.5	0.1
Other	1.8	1.9
Property, plant & equipment (Note 5)	**18.5**	**19.9**
Land	0.3	0.3
Buildings	–	–
Other	17.8	18.0
Work in progress	0.4	1.6
Financial assets (Note 6)	**510.8**	**356.6**
Investments in subsidiaries and associates	398.3	311.9
Other long-term securities	2.8	2.9
Other financial assets	109.7	41.8
CURRENT ASSETS	**815.7**	**826.2**
Operating receivables (Note 7)	45.2	46.3
Other receivables (Note 7)	379.2	391.0
Marketable securities (Note 8)	365.2	357.3
Derivatives	10.3	15.0
Cash	15.8	16.6
PREPAYMENTS (Note 7)	**1.2**	**3.1**
TOTAL ASSETS	**1,348.4**	**1,207.8**

EQUITY AND LIABILITIES

Before appropriation

in millions of euros

	31/12/2009	31/12/2008
EQUITY	**1,184.1**	**1,049.9**
Share capital (Note 9)	53.8	53.8
Share premium (Note 9)	49.6	48.6
Legal reserve (Note 9)	5.7	5.7
Retained earnings (Note 9)	831.7	684.2
Net income for the year (Note 9)	243.2	257.5
Restricted reserves (Note 10)	0.1	0.1
PROVISIONS FOR CONTINGENCIES AND LOSSES (Note 10)	**33.9**	**26.7**
LIABILITIES	**130.4**	**131.2**
Financial liabilities (Note 11)	24.7	39.9
Derivatives	0.1	2.8
Operating liabilities (Note 11)	35.7	42.1
Other liabilities (Note 11)	69.9	46.4
TOTAL EQUITY AND LIABILITIES	**1,348.4**	**1,207.8**

Statement of changes in equity as at 31 December 2009

in millions of euros

	Share capital (Note 9)	Share premium (Note 9)	Legal reserve and retained earnings (Note 9)	Net income for the year (Note 9)	Restricted provisions (Note 10)	Equity	Number of shares outstanding (Note 9)
Balance as at 31 December 2007 before appropriation of net income	**54.1**	**43.5**	**637.3**	**196.8**	**2.2**	**933.9**	**106,089,214**
Appropriation of 2007 net income	–	–	90.5	(90.5)	–	–	–
Dividends paid in respect of the year	–	–	–	(106.3)	–	(106.3)	–
Change in share capital and share premium	–	5.1	–	–	–	5.1	101,500
Net income for 2008	–	–	–	257.5	–	257.5	–
Cancellation of treasury shares (Note 6)	(0.3)	–	(47.6)	–	–	(47.9)	(640,702)
Other changes during the period (Note 9)	–	–	9.7	–	(2.1)	7.6	–
Balance as at 31 December 2008 before appropriation of net income	**53.8**	**48.6**	**689.8**	**257.5**	**0.1**	**1,049.9**	**105,550,012**
Appropriation of 2008 net income	–	–	147.5	(147.5)	–	–	–
Dividends paid in respect of the year	–	–	–	(110.0)	–	(110.0)	–
Change in share capital and share premium	–	1.0	–	–	–	1.0	19,400
Net income for 2009	–	–	–	243.2	–	243.2	–
Balance as at 31 December 2009 before appropriation of net income	**53.8**	**49.6**	**837.3**	**243.2**	**0.1**	**1,184.1**	**105,569,412**

Statement of cash flows as at 31 December 2009

in millions of euros

	2009	2008
Net income	243.2	257.5
Depreciation and amortisation (Note 5)	3.3	3.2
Change in provisions and impairment	31.9	14.1
Capital gains/(losses) on disposals	0.7	1.9
OPERATING CASH FLOWS	**279.1**	**276.7**
Trade and other receivables	11.9	(23.9)
Trade payables and other liabilities	(7.9)	(1.8)
Change in working capital	**4.0**	**(25.7)**
CASH FLOWS FROM OPERATING ACTIVITIES	**283.1**	**251.0**
Purchase of intangible assets (Note 5)	(1.5)	(1.9)
Purchase of property, plant & equipment (Note 5)	(0.7)	(5.6)
Investments in subsidiaries and associates (Note 6)	(106.9)	(177.5)
Purchase of other financial assets (Note 6)	(70.7)	(2.0)
Disposals	1.3	55.0
Change in receivables and payables relating to fixed assets	(1.6)	11.9
CASH FLOWS USED IN INVESTING ACTIVITIES	**(180.1)**	**(120.1)**
Dividends paid	(110.0)	(106.3)
Increase/(decrease) in equity (Note 9)	1.0	5.1
CASH FLOWS USED IN FINANCING ACTIVITIES	**(109.0)**	**(101.2)**
CHANGE IN NET CASH POSITION	**(6.0)**	**29.7**
Net cash position at beginning of period	658.1	628.4
Net cash position at end of period	652.1	658.1
CHANGE IN NET CASH POSITION	**(6.0)**	**29.7**

Liabilities relating to employee profit-sharing have been reclassified into Other liabilities and the subsidiaries' current accounts have been reclassified into Cash assets or liabilities.

Notes to the financial statements

The financial year covers the 12 months from 1 January through 31 December 2009.

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 a going-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 2008, the company retrospectively applied CRC Regulation 2008-15 of 4 December 2008 on the accounting treatment of share subscription options, share purchase options and bonus share issues to employees. The application of this regulation resulted in a €9.7 million adjustment to equity as at 1 January 2008, representing the cancellation cost of the 2007 bonus share issue allocated to years subsequent to 2007 and for which a provision had been accrued as at 31 December 2007. The cost of the plan is now spread over the benefit vesting period, that is over four years as from December 2007. The expense recognised in this respect amounted to €3.1 million in 2009 compared with €2.6 million in 2008.

1.1 - Intangible assets

Intangible assets mainly include computer software and website development costs, which are amortised on a straight-line basis over one to three years.

1.2 - Property, plant & equipment

Property, plant & 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 booked for the difference.

The balance sheet value is determined based on criteria such as the value of the share held in the 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 recorded where there is a risk of nonrecovery.

1.5 - Marketable securities

The gross value includes the acquisition cost excluding incidental expenses. Marketable securities are valued at the lower of acquisition cost or market value, calculated separately for each category of securities.

In the event that part of a line of securities is sold, proceeds on disposals are calculated using the first-in, first-out method (FIFO).

Treasury shares that are specifically allocated to covering employee stock options are recorded under "Marketable securities".

A provision is accrued in an amount representing the difference between the purchase price of the shares and the option exercise price, if the purchase price is less than the exercise price. An impairment charge is recorded to cover any decline in the market price of the shares; it is based on the difference between the net carrying amount of the shares and the average stock market price for the month immediately preceding the closing date.

1.6 - Treasury management

Income and expense items expressed in foreign currencies are converted into euros at the hedged exchange rate. Payables, receivables, and cash expressed in currencies outside the euro zone are shown on the statement of financial position at the hedged exchange rate or at the closing rate if they are not hedged. In this case, differences arising from the reconversion of payables and receivables at the closing exchange rate are recorded in the statement of financial position under "Foreign currency adjustments". A provision for contingencies is established for unrealised foreign exchange losses. Premiums on foreign currency options are recorded as an expense on the maturity date.

In addition, financial instruments are used in connection with the management of the company's treasury investments. Gains and losses on interest rate differentials and any corresponding premiums are recognised on an accrual basis.

1.7 - Income tax expense

Since 1 January 1988, the company has opted for a group tax election under French tax law. Under the terms of an agreement between the parent company and the subsidiaries included in the group tax election, projected and actual tax savings or liabilities generated by the Group are recognised in income (temporary or definite) in the year in which they arise. The tax expense borne by the subsidiaries is the expense they would have incurred if there had been no group tax election.

The main companies included in the group tax election are Hermès International, Castille Investissements, Compagnie des Arts de la Table, Compagnie des Cristalleries de Saint-Louis, Compagnie Hermès de Participations, Comptoir Nouveau de la Parfumerie, Établissements Marcel Gandit, Ganterie de Saint-Junien, Gordon-Choisy, Hermès Cuirs Précieux, Hermès Intérieur & Design, Hermès Sellier, Holding Textile Hermès, Immauger, 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, Motsch George V, SC Honossy, SCI Auger-Hoche, SCI Boissy Les Mûriers, SCI Boissy Nontron, Société d'Impression sur Étoffes du Grand-Lemps, Société Nontronnaise de Confection, Sport Soie and Tanneries des Cuirs d'Indochine et de Madagascar.

1.8 - Post-employment and other employee benefit obligations

For the basic pension and other defined-contribution plans, Hermès International recognises contributions to be paid as expenses when they came due and no provision is accrued in this respect, as the company has no obligation other than the contributions paid.

For defined-benefit plans, Hermès International's obligations are calculated annually by an independent actuary using the projected credit unit method. This method is based on actuarial assumptions and takes into account the employee's probable future length of service, future salary and life expectancy as well as staff turnover. The present value of the obligation is calculated by applying an appropriate discount rate. It is recognised on a basis pro-rated to the employee's years of service.

Benefits are partly funded in advance by external funds (insurance companies). Assets held in this way are measured at fair value.

The expense recognised in the statement of income is the sum of:

- the past service cost, which reflects the increase in obligations arising from the vesting of one additional year of benefits; and
- the interest cost, which reflects the increase in the present value of the obligations during the period.

Accrued actuarial gains and losses are amortised when they exceed 10% of the obligation amount, gross of dedicated investments, or 10% of the market value of these investments at year-end ("corridor" method), starting from the year following the year in which they were initially recognised and continuing over the average residual duration of employment of the employee.

NOTE 2 - REVENUE

in millions of euros

	2009	2008
Sales of services	29.6	34.8
Royalties	37.4	37.6
REVENUE	**67.0**	**72.4**

Sales of services are amounts charged back to subsidiaries for advertising and public relations services, rent, staff provided on secondment, insurance and professional fees.

Royalties are calculated based on the production subsidiaries' revenue.

NOTE 3 - NET EXCEPTIONAL INCOME

in millions of euros

	2009	2008
Exceptional income	**–**	**4.7**
Provisions for foreign investments	–	2.1
Disposals of property, plant & equipment and financial assets	–	2.6
Reserves for accelerated depreciation	–	–
Exceptional expenses	**(0.7)**	**(4.6)**
Disposals of property, plant & equipment and financial assets	(0.7)	(4.6)
Reserves for accelerated depreciation	–	–
NET EXCEPTIONAL INCOME	**(0.7)**	**0.1**

NOTE 4 - INCOME TAX EXPENSE

4.1 - Analysis of income tax expense

in millions of euros

	2009	2008
Pre-tax income	**226.6**	**254.6**
Income before tax and employee profit-sharing	229.3	257.0
Employee profit-sharing	(2.6)	(2.4)
Income tax expense	**16.5**	**2.9**
Tax (parent company only)	6.1	(3.6)
Tax arising from group tax election	10.4	6.5
NET INCOME	**243.2**	**257.5**

Income tax expense takes into account the additional tax contribution of 3.30%.

Hermès International's corporate income tax expense only includes applicable exemptions under the terms of the parent-daughter regime for income from investments in subsidiaries. The income tax credit takes into account the effect of the group tax election arising from tax losses for certain subsidiaries and from offsetting the share of fees and expenses on income from investments in subsidiaries.

4.2 - Increases or decreases in future tax liability

As at 31 December 2009, the future tax liability was reduced by an estimated €8.4 million compared with €6.5 million as at 31 December 2008. These figures are due entirely to expenses that are temporarily non deductible. Increases or decreases in future tax liability take into account the 3.30% social contribution.

NOTE 5 - INTANGIBLE ASSETS AND PROPERTY, PLANT & EQUIPMENT

in millions of euros

	Gross value as at 31/12/2008	Increases	Decreases	Other	Gross value as at 31/12/2009	Depre-ciation and amortisa-tion	Net value as at 31/12/2009
Intangible assets	**8.1**	**1.5**	**–**	**–**	**9.6**	**(7.3)**	**2.3**
Licences, patents and trademarks	0.1	0.2	–	0.2	0.5	–	0.5
Other	8.0	1.3	–	(0.2)	9.1	(7.3)	1.8
Property, plant & equipment	**25.0**	**0.7**	**(0.1)**	**–**	**25.7**	**(7.2)**	**18.5**
Land	0.3	–	–	–	0.3	–	0.3
Buildings	0.5	–	–	–	0.5	(0.5)	–
Other	22.6	0.5	(0.1)	1.5	24.5	(6.7)	17.9
Work in progress	1.6	0.2	–	(1.5)	0.3	–	0.3
INTANGIBLE ASSETS AND PROPERTY, PLANT & EQUIPMENT	**33.1**	**2.2**	**(0.1)**	**–**	**35.3**	**(14.5)**	**20.8**

NOTE 6 - FINANCIAL ASSETS

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

in millions of euros

	Gross value as at 31/12/2008	Purchases/ Subscriptions	Disposals	Gross value as at 31/12/2009	Provisions for impairment (Note 10)	Net value as at 31/12/2009
Investments in subsidiaries and associates	**467.4**	**98.7**	**(0.7)**	**565.5**	**(167.2)**	**398.3**
Grafton Immobilier (1)	–	82.8	–	82.8	(0.2)	82.6
Maroquinerie de Sayat (1)	5.1	4.0	–	9.1	–	9.1
Maroquinerie de Belley (1)	4.2	6.0	–	10.2	(2.8)	7.4
Hermès Istanbul (1)	–	3.0	–	3.0	(0.4)	2.6
Hermès Middle East South Asia (1)	–	0.1	–	0.1	–	0.1
Hermès Intérieur & Design (1)	–	2.8	–	2.8	(2.8)	–
Other (2)	458.1	–	(0.7)	457.5	(161.0)	296.5
Other financial assets	**41.8**	**73.8**	**(1.5)**	**114.0**	**(4.3)**	**109.7**
Financial investments	32.0	70.7	(0.2)	102.5	–	102.5
Treasury shares (liquidity contract) (3)	6.2	–	(1.4)	4.8	–	4.8
Deposits and guarantees	1.5	0.4	–	2.0	–	2.0
Outstanding loans and advances	2.1	2.6	–	4.7	(4.3)	0.4
Other long-term securities	**3.1**	**8.2**	**(0.1)**	**11.2**	**(8.4)**	**2.8**
FINANCIAL ASSETS	**512.3**	**180.7**	**(2.3)**	**690.7**	**(179.9)**	**510.8**

(1) These subsidiaries are wholly-owned by Hermès International.

(2) Other provisions for impairments mainly relate to Castille Investissements, Compagnie Hermès de Participations, John Lobb, Manufacture de Seloncourt, Comptoir Nouveau de la Parfumerie, Hermès Argentine, Maroquinerie de Saint-Antoine, and the shares in SCI Auger Hoche and Hermès Cuirs Précieux.

(3) As at 31 December 2009, Hermès International held 50,000 treasury shares pursuant to a liquidity contract. These shares were valued on the basis of their stock market price when they were purchased, i.e. €96.69 per share.

NOTE 7 - ANALYSIS OF ASSETS BY MATURITY

in millions of euros

	31/12/2009					31/12/2008
	< 1 year	> 1 year and < 5 years	Gross amount	Impairment	Net amount	Net amount
Other financial assets (Note 6)	**29.3**	**84.7**	**114.0**	**(4.3)**	**109.7**	**41.8**
Outstanding loans and advances	4.3	0.4	4.7	(4.3)	0.4	2.1
Other	25.0	84.3	109.3	–	109.3	39.7
Current assets	**424.8**	**–**	**424.8**	**(0.4)**	**424.4**	**437.3**
Trade and other receivables	36.8	–	36.8	(0.4)	36.5	32.3
Other operating receivables	8.8	–	8.8	–	8.8	14.0
Other receivables(1)	379.2	–	379.2	–	379.2	391.0
Prepayments	**1.2**	**–**	**1.2**	**–**	**1.2**	**3.1**
Advertising and marketing fees	1.0	–	1.0	–	1.0	1.0
Rents	–	–	–	–	–	1.9
Other	0.2	–	0.2	–	0.2	0.2
TOTAL	**455.3**	**84.7**	**540.0**	**(4.7)**	**535.4**	**482.2**

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

in millions of euros

	31/12/2009	31/12/2008
Other financial assets		
Within 1 year	29.3	–
Between 1 and 5 years	84.7	41.8
Current assets		
Within 1 year	424.8	437.3
Between 1 and 5 years	–	–
Prepayments		
Within 1 year	1.2	3.1
Between 1 and 5 years	–	–

NOTE 8 - MARKETABLE SECURITIES

in millions of euros

	31/12/2009	31/12/2008
Mutual funds	317.5	251.8
Negotiable debt securities	20.0	75.0
Treasury shares [1]	27.7	30.6
MARKETABLE SECURITIES	**365.2**	**357.3**

(1) Includes 372,000 Hermès International treasury shares acquired under employee stock option or bonus share plans, in addition to the 50,000 other treasury shares held pursuant to a liquidity contract (see Note 6).

NOTE 9 - EQUITY

As at 31 December 2009, 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.

In 2009, the only change in share capital was an increase of 19,400 shares with a par value of €0.51, resulting from the exercise of stock options set aside for employees.

Pursuant to CRC Regulation CRC 2008-15 of 4 December 2008, equity as at 31 December 2008 reflects the cancellation of the provision recognised as at 31 December 2007, in respect of the November 2007 bonus share plan, under which 170,025 shares were issued for employees. This provision amounted to €9.7 million corresponding to the fraction of the benefit for the years subsequent to 2007. Since 2008, the cost of this plan has been spread over the vesting period. It amounted to €3.1 million in 2009 compared with €2.6 million in 2008.

NOTE 10 - PROVISIONS

in millions of euros

	31/12/2008	Accruals	Reversals		31/12/2009
			Provisions used	Provisions unused	
Provisions for impairment	**155.8**	**29.8**	**–**	**(5.2)**	**180.3**
Financial assets (Note 6)	155.7	29.5	–	(5.2)	179.9
Trade and other receivables	0.1	0.3	–	–	0.4
Restricted provisions	**0.1**	**–**	**–**	**–**	**0.1**
Accelerated depreciation	0.1	–	–	–	0.1
Provisions for contingencies and losses	**26.7**	**19.7**	**(7.3)**	**(5.2)**	**33.9**
Provisions for contingencies [1]	8.0	13.0	–	(5.2)	15.9
Provisions for losses [2]	18.6	6.7	(7.3)	–	18.0
TOTAL	**182.5**	**49.5**	**(7.3)**	**(10.4)**	**214.3**

(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 retirement benefits and expenses associated with the supplementary pension scheme for executives and senior managers. These amounts are periodically paid over to pension funds. They also include the cost of the November 2007 bonus share issue plan (see Note 9).

NOTE 11 - ANALYSIS OF LIABILITIES BY MATURITY

in millions of euros

	31/12/2009			31/12/2008
	< 1 year	> 1 year and < 5 years	Net amount	Net amount
Financial liabilities	**18.6**	**6.1**	**24.7**	**39.9**
Bank borrowings (1)	17.5	–	17.5	29.8
Other borrowings and debt (2)	1.1	6.1	7.2	10.1
Operating liabilities	**35.7**	**–**	**35.7**	**42.1**
Trade payables and related accounts (3)	16.0	–	16.0	14.8
Tax and employee-related liabilities (4)	19.7	–	19.7	27.3
Other liabilities	**69.9**	**–**	**69.9**	**46.4**
Amounts payable relating to fixed assets	1.5	–	1.5	3.1
Other	68.4	–	68.4	43.3
TOTAL	**124.2**	**6.1**	**130.3**	**128.4**

(1) Bank current accounts.
(2) Funds held in trust for employees under the statutory employee profit-sharing scheme.
(3) Including €8.2 million in invoices not yet received.
(4) Including €13.2 million in tax and employee-related liabilities payable.

in millions of euros

	31/12/2009	31/12/2008
Financial liabilities		
Within 1 year	18.6	35.0
Between 1 and 5 years	6.1	4.9
Operating liabilities		
Within 1 year	35.7	42.1
Between 1 and 5 years	–	–
Other liabilities		
Within 1 year	69.9	46.4
Between 1 and 5 years	–	–

NOTE 12 - FINANCIAL STATEMENTS ITEMS RELATED TO SUBSIDIARIES AND ASSOCIATES

in millions of euros

	Net amount as at 31/12/2009	Of which subsidiaries and associates	Net amount as at 31/12/2008	Of which subsidiaries and associates
Statement of financial position				
Financial assets (Note 6)	510.8	401.1	356.6	315.1
Operating receivables (Note 7)	45.2	42.0	46.3	42.8
Other receivables (Note 7)	379.2	379.1	391.0	390.7
Trade payables and related accounts (Note 11)	16.0	2.1	14.8	2.2
Tax and employee-related liabilities (Note 11)	19.7	–	27.3	–
Amounts payable relating to fixed assets (Note 11)	1.5	0.1	3.1	0.1
Other liabilities (Note 11)	68.4	67.6	43.3	42.6
Statement of income				
Income from subsidiaries and associates	290.4	290.4	274.6	274.6
Other interest and similar income	4.6	3.2	18.0	9.6

NOTE 13 - EXPOSURE TO MARKET RISKS AND FINANCIAL COMMITMENTS

13.1 - Currency risk

Most of the group's currency exposure comes from sales denominated in foreign currencies. These risks are generally fully hedged, based on highly probable future cash flows, using forward currency sales or options that are eligible for hedge accounting.

13.1.1 - Net currency positions

As at 31/12/2009

in millions of euros

Currency	Amount receivable/ (payable)	Future cash flows	Net position before hedging	Off-balance sheet position (1)	Net position after hedging	Hedging ratio	1% sensitivity
Swiss franc	11.7	1.8	13.6	(11.9)	1.7	88%	–
US dollar	8.4	0.7	9.1	(8.0)	1.2	88%	–
Australian dollar	0.5	0.1	0.6	–	0.6	5%	–
Japanese yen	130.1	2.0	132.1	(131.8)	0.2	100%	–
Czech koruna	0.4	–	0.4	(0.3)	0.1	82%	–
Canadian dollar	–	–	–	–	–	11%	–
Thai baht	–	–	–	–	–	(160)%	–
Hong Kong dollar	(4.7)	0.4	(4.3)	3.8	(0.5)	89%	–
Singapore dollar	0.1	0.4	0.5	(1.4)	(0.9)	280%	–
Pound sterling	(2.3)	0.3	(2.1)	(0.4)	(2.4)	(19)%	–
Total	**144.2**	**5.7**	**149.9**	**(150.0)**	**–**	**100%**	**–**

(1) Sale/(purchase).

As at 31/12/2008

in millions of euros

Currency	Amount receivable/ (payable)	Future cash flows	Net position before hedging	Off-balance sheet position (1)	Net position after hedging	Hedging ratio	1% sensitivity
Czech koruna	0.7	–	0.8	(0.7)	0.1	91%	–
Australian dollar	0.4	–	0.4	(0.4)	–	95%	–
Canadian dollar	–	–	(0.1)	0.1	–	78%	–
Thai baht	–	–	–	–	–	(399)%	–
Pound sterling	(0.3)	(0.2)	(0.5)	0.2	(0.3)	42%	–
Swiss franc	25.9	3.2	29.1	(30.8)	(1.7)	106%	–
US dollar	2.3	(0.5)	1.7	(6.5)	(4.8)	371%	–
Singapore dollar	0.2	0.1	0.4	(5.3)	(4.9)	1,284%	0.1
Hong Kong dollar	(3.4)	(0.1)	(3.4)	(7.7)	(11.1)	(224)%	0.1
Japanese yen	149.6	0.9	150.4	(187.3)	(36.9)	125%	0.4
Total	**175.4**	**3.4**	**178.8**	**(238.4)**	**(59.6)**	**133%**	**0.6**

(1) Sale/(purchase).

13.1.2 - Analysis of currency contracts

As these hedging contracts are negotiated over the counter exclusively with leading banks, the company is not exposed to any significant counterparty risk.

in millions of euros

Contracts	Nominal amount of off-balance sheet position (gross) (1)	Nominal amount of off-balance sheet position (net) (2)	Market value of contracts as at 31/12/2009 (3)			
			Future cash flow hedge	Fair value hedge	Unallocated	Total
Put options purchased						
Chinese yuan	0.4	–	–	–	–	–
Euro	1.7	0.8	–	–	–	–
Pound sterling	9.1	9.1	0.3	–	–	0.3
Hong Kong dollar	22.0	22.0	1.1	–	–	1.1
Singapore dollar	22.6	22.6	0.6	–	–	0.6
Japanese yen	40.2	40.2	2.4	–	–	2.4
US dollar	43.8	43.1	2.6	–	–	2.6
	139.8	**137.8**	**7.0**	**–**	**–**	**7.0**
Forward currency contracts (4)						
Hong Kong dollar	(21.6)	(21.6)	(0.4)	–	–	(0.4)
Singapore dollar	(22.2)	(22.2)	–	–	–	–
Japanese yen	(38.1)	(38.1)	(1.6)	–	–	(1.6)
US dollar	(43.1)	(42.4)	(1.3)	–	–	(1.3)
Other	(7.7)	(7.7)	–	–	(0.3)	(0.3)
	(132.7)	**(132.0)**	**(3.3)**	**–**	**(0.3)**	**(3.6)**
Treasury swaps (4)						
Japanese yen	129.8	130.3	–	3.0	–	3.0
US dollar	7.2	4.1	–	–	–	–
Singapore dollar	0.1	–	–	–	–	–
Hong Kong dollar	(4.2)	(4.1)	–	–	–	–
Other	10.4	10.8	–	0.1	–	0.1
	143.3	**141.1**	**–**	**3.1**	**–**	**3.1**
Put options sold						
Chinese yuan	(0.4)	–	–	–	–	–
	(0.4)	**–**	**–**	**–**	**–**	**–**
Total	**150.0**	**146.9**	**3.7**	**3.1**	**(0.3)**	**6.5**

(1) Nominal amount of all off-balance sheet instruments. (2) Nominal amount of derivatives allocated to hedge foreign exchange risks. (3) Gain/(loss). (4) Sale/(purchase).

in millions of euros

Contracts	Nominal amount of off-balance sheet position (gross) (1)	Nominal amount of off-balance sheet position (net) (2)	Market value of contracts as at 31/12/2008 (3)			
			Future cash flow hedge	Fair value hedge	Unallocated	Total
Put options purchased						
US dollar	190.7	76.2	3.7	–	3.0	6.7
Japanese yen	136.0	74.6	2.1	–	0.2	2.3
Singapore dollar	47.2	42.4	1.1	–	0.1	1.2
Hong Kong dollar	46.8	5.9	0.2	–	0.8	1.0
	420.7	**199.1**	**7.1**	**–**	**4.1**	**11.2**
Forward currency contracts (4)						
Hong Kong dollar	(6.0)	(6.0)	0.2	–	–	0.2
Singapore dollar	(42.2)	(42.2)	0.8	–	–	0.8
Japanese yen	(73.7)	(73.7)	7.7	–	–	7.7
US dollar	(76.8)	(76.8)	0.7	–	–	0.7
Other	3.2	3.2	(0.1)	–	–	(0.1)
	(195.5)	**(195.5)**	**9.3**	**–**	**–**	**9.3**
Treasury swaps (4)						
Japanese yen	148.6	148.6	–	–	1.9	1.9
US dollar	2.2	2.2	–	–	(0.1)	(0.1)
Hong Kong dollar	0.5	0.5	–	–	–	–
Singapore dollar	0.4	0.4	–	–	–	–
Other	28.6	28.6	–	(0.1)	(0.9)	(1.0)
	180.3	**180.3**	**–**	**(0.1)**	**0.9**	**0.8**
Put options sold						
Japanese yen	(23.8)	–	–	–	(0.1)	(0.1)
Hong Kong dollar	(33.6)	–	–	–	(0.6)	(0.6)
Singapore dollar	(109.7)	–	–	–	(2.8)	(2.8)
	(167.1)	**–**	**–**	**–**	**(3.5)**	**(3.5)**
Total	**238.4**	**183.9**	**16.4**	**(0.1)**	**1.5**	**17.8**

(1) Nominal amount of all off-balance sheet instruments. (2) Nominal amount of derivatives allocated to hedge foreign exchange risks. (3) Gain/(loss). (4) Sale/(purchase).

13.2 - Other financial commitments as at 31 december 2009

in millions of euros

	Gross commitments given	Residual commitments given	Commitments received
Bank guarantees (1) (2)	238.4	42.0	4.0
Repurchase of securities	1.2	1.2	17.6
Actuarial (gains)/losses on post-employment benefit obligations	16.7	–	–

(1) Consists of residual balance of loans to be reimbursed or the amount of credit lines/ facilities actually used as at 31 December 2009.
(2) Mainly relates to guarantees given on loans contracted by Hermès International's subsidiaries or on group credit lines/bank facilities. Material guarantees given bear interest at a rate in line with market conditions applied by banks.

Two "umbrella" guarantees have been granted to HSBC and BNP Paribas for maximum principal amounts of €75 million and €100 million respectively to give subsidiaries designated by Hermès International access to an aggregate group bank facility. As at 31 December 2009, the amounts drawn on these credit facilities amounted to €13.5 million and €6.3 million respectively.

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 €47.7 million as at 31 December 2009 compared with €41.6 million as at 31 December 2008.

NOTE 14 - EMPLOYEES

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

	31/12/2009	31/12/2008
Executive/managerial staff	231	220
Support staff	48	28
TOTAL	**279**	**248**

In accordance with CNC (Conseil National de la Comptabilité) Notice No. 2004-F CU, employees had accumulated 18,604 training hours under their individual training rights as at 31 December 2009.

NOTE 15 - POST-EMPLOYMENT BENEFIT OBLIGATIONS

As at 31 December 2009, the value of post-employment benefit obligations amounted to €35.6 million. Amounts due in respect of statutory retirement benefits and supplemental pension schemes have been paid over to an insurance company; the value of the funds is €5.8 million. A provision of €12.1 million has been accrued to cover the remainder of these obligations (see Note 10).

For 2009, the following actuarial assumptions were used:

– retirement age (in years): 61 to 65
– increase in salaries: 3%-4%
– discount rate: 5%
– expected rate of return on plan assets: 4.5%

After applying the "corridor" method, actuarial differences amounted to €16.7 million as at 31 December 2009 compared with €8.4 million as at 31 December 2008. The unrecognised past service cost, connected to a change in the plan made in 2006, amounted to €1.0 million as at 31 December 2009 compared with €1.3 million as at 31 December 2008.

NOTE 16 - EXECUTIVE COMPENSATION

Gross aggregate remuneration paid to corporate executive officers and directors in respect of 2009 amounted to €3.6 million, including €0.3 million in directors' fees.

List of investments in subsidiaries and associates as at 31 December 2009

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES AND OTHER LONG-TERM SECURITIES

in thousands of euros

	Number of shares	Net value
Balance sheet value greater than €100,000		
Compagnie Hermès de Participations	4,200,000	21,530
Comptoir Nouveau de la Parfumerie	753,498	24,500
ERM Warenhandels GmbH	1	1,263
ERM-WHG Warenhandels GmbH	1	1,235
Financière Saint-Honoré	3,000	1,694
Ganterie de Saint-Junien	14,000	457
Gordon-Choisy	95,675	1,663
Grafton Immobilier	5,174,500	82,577
Herlee	43,500,000	4,511
Hermès Argentina	37,747	1,079
Hermes Asia Pacific	314,999,999	43,483
Hermès Australia	6,500,000	4,409
Hermès Benelux Scandinavie	57,974	3,164
Hermès Canada	1,000	1,501
Hermès Cuirs Précieux	232,143	25,254
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	44,184
Hermès India Retail and Distributors	4,813,074	313
Hermès Internacional Portugal	799,200	654
Hermès Istanbul	259,999	2,599
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	310,278	4,788
Hermès South East Asia	1,000,000	2,201
Holding Textile Hermès	767,756	12,652
Immauger	1,375	2,096
La Manufacture de Seloncourt	2,398,536	3,513
La Maroquinerie Nontronnaise	5,000	167
Manufacture de Haute Maroquinerie	430,000	3,111
Maroquinerie de Belley	647,172	7,409
Maroquinerie de Sayat	295,649	9,118
Maroquinerie des Ardennes	284,063	10,527
SC Honossy	210,099	3,203
SCI Auger Hoche	4,569,401	8,411
SCI Boissy Les Mûriers	8,699	1,326
SCI Boissy Nontron	99,999	927
SCI Les Capucines	24,000	366
Balance sheet value below €100,000		**431**
TOTAL		**401,075**

List of subsidiaries and associates as at 31 December 2009

COMPANIES OR GROUPS OF COMPANIES

A – Detailed information on investments in subsidiaries and associates with a gross balance sheet value exceeding 1% of the share capital of Hermès International

		Share capital		Equity	
1. SUBSIDIARIES (AT LEAST 50% OF THE SHARE CAPITAL HELD BY THE COMPANY)		['000]		['000]	
Castille Investissements	Paris	EUR	1,000	EUR	(9,351)
Compagnie Hermès de Participations	Paris	EUR	42,000	EUR	18,364
Comptoir Nouveau de la Parfumerie	Paris	EUR	9,072	EUR	20,879
ERM Warenhandels GmbH	Vienna (Austria)	EUR	35	EUR	35
ERM–WHG Warenhandels GmbH	Vienna (Austria)	EUR	35	EUR	35
Financière Saint–Honoré	Geneva (Switzerland)	CHF	3,000	CHF	23,343
Gordon–Choisy	Paris	EUR	1,531	EUR	9,352
Grafton Immobilier	Paris	EUR	82,792	EUR	82,577
Herlee	Causeway Bay (Hong Kong)	HKD	57,200	HKD	125,709
Hermès Argentina	Buenos Aires (Argentina)	ARS	3,974	ARS	6,409
Hermès Asia Pacific	Causeway Bay (Hong Kong)	HKD	315,000	HKD	821,807
Hermès Australia	Sydney (Australia)	AUD	6,500	AUD	12,108
Hermès Benelux Scandinavie	Brussels (Belgium)	EUR	2,665	EUR	7,620
Hermès Canada	Toronto (Canada)	CAD	2,000	CAD	12,123
Hermès Cuirs Précieux	Paris	EUR	4,500	EUR	9,456
Hermès de Paris (Mexico)	Mexico City (Mexico)	MXN	1,705	MXN	67,755
Hermès GmbH	Munich (Germany)	EUR	7,200	EUR	13,852
Hermès Grèce	Athens (Greece)	EUR	1,700	EUR	2,783
Hermès Holding GB	London (United Kingdom)	GBP	7,360	GBP	9,801
Hermès Iberica	Madrid (Spain)	EUR	4,228	EUR	11,772
Hermès Immobilier Genève	Geneva (Switzerland)	CHF	70,000	CHF	65,552
Hermès India Retail and Distributors	New Delhi (India)	INR	94,355	INR	41,076
Hermès Internacional Portugal	Lisbon (Portugal)	EUR	800	EUR	894
Hermès Intérieur & Design	Paris	EUR	460	EUR	(114)
Hermès Istanbul	Istanbul (Turkey)	TRY	6,500	TRY	5,384
Hermès Italie	Milan (Italy)	EUR	7,786	EUR	22,312
Hermès Japon	Tokyo (Japan)	JPY	220,000	JPY	14,422,158
Hermès Middle East South Asia	Singapore (Singapore)	SGD	210	SGD	513
Hermès of Paris	New York (USA)	USD	11,418	USD	172,240
Hermès Prague	Prague (Czech Republic)	CZK	8,018	CZK	32,057
Hermès Sellier	Paris	EUR	4,976	EUR	189,556
Hermès South East Asia	Singapore (Singapore)	SGD	1,000	SGD	99,017
Holding Textile Hermès	Lyon (France)	EUR	5,758	EUR	15,558
Immauger	Paris	EUR	2,269	EUR	2,677
John Lobb	Paris	EUR	2,100	EUR	(640)
La Manufacture de Seloncourt	Seloncourt (France)	EUR	2,399	EUR	2,989
Manufacture de Haute Maroquinerie	Aix-les Bains (France)	EUR	6,450	EUR	2,210
Maroquinerie de Belley	Paris	EUR	7,766	EUR	7,128
Maroquinerie de Saint–Antoine	Pantin (France)	EUR	679	EUR	(180)
Maroquinerie de Sayat	Pantin (France)	EUR	4,730	EUR	8,573
Maroquinerie des Ardennes	Paris	EUR	4,545	EUR	10,598
SC Honossy	Paris	EUR	3,151	EUR	2,606
SCI Auger-Hoche	Pantin (France)	EUR	6,946	EUR	7,174
SCI Boissy Les Mûriers	Paris	EUR	1,322	EUR	2,519
SCI Boissy Nontron	Paris	EUR	1,000	EUR	(306)
2. ASSOCIATES (10% TO 50% OF THE SHARE CAPITAL HELD BY THE COMPANY)					

B – Aggregate information on other subsidiaries and associates

1. SUBSIDIARIES (not included in A)	
– France (aggregate)	
– Other countries (aggregate)	
2. ASSOCIATES (not included in A)	
– France (aggregate)	
– Other countries (aggregate)	
TOTAL	

Percentage of capital held [%]	Gross value of shares held [€'000]	Net value of shares held [€'000]	Outstanding loans/advances [€'000]	Guarantees given [€'000]	Revenue [€'000]	Net income/(loss) for the year [€'000]	Dividends received during year [€'000]
100.00%	107,303	–	–	–	–	(10,196)	–
100.00%	42,013	21,530	–	–	–	89	–
99.67%	27,146	24,500	–	–	103,431	10,935	13,953
100.00%	1,263	1,263	–	–	244	26	–
100.00%	1,235	1,235	–	–	122	16	–
100.00%	1,694	1,694	–	–	–	10,088	15,641
100.00%	1,663	1,663	–	–	19,229	(1,460)	–
100.00%	82,792	82,577	–	–	–	(209)	–
66.92%	4,511	4,511	–	–	7,460	2,689	–
94.99%	3,760	1,079	–	9	3,193	310	443
100.00%	43,483	43,483	–	–	93,674	37,553	26,668
100.00%	4,409	4,409	–	–	14,274	2,178	3,035
100.00%	3,164	3,164	–	–	23,068	1,168	–
100.00%	1,501	1,501	–	–	17,570	2,732	1,034
100.00%	30,334	25,254	–	–	–	594	2,001
51.00%	1,134	1,134	–	–	5,169	697	–
100.00%	7,218	7,218	–	10	61,676	5,207	7,000
100.00%	1,700	1,700	–	–	5,661	812	700
100.00%	10,535	10,535	–	1,924	–	3,396	5,402
100.00%	4,952	4,952	–	–	24,126	1,062	–
100.00%	44,457	44,184	–	–	–	(1,235)	–
51.01%	822	313	–	–	1,723	(61)	–
99.90%	999	654	400	–	2,771	189	–
100.00%	2,837	–	–	–	1,570	(492)	–
100.00%	2,996	2,599	–	–	636	(516)	–
90.00%	13,196	13,196	–	–	68,662	5,448	1,772
100.00%	13,727	13,727	–	56,323	395,051	43,830	47,725
100.00%	103	103	–	–	–	150	–
100.00%	10,903	10,903	–	2,901	233,006	16,862	221
100.00%	1,090	1,090	–	–	2,299	93	–
99.77%	4,788	4,788	–	–	901,647	157,364	144,279
100.00%	2,201	2,201	–	–	109,507	20,189	17,701
100.00%	12,652	12,652	–	–	7,213	255	–
92.34%	2,096	2,096	–	–	–	99	–
100.00%	8,496	–	–	–	4,922	(1,741)	–
100.00%	11,143	3,513	–	–	9,704	(23)	2,279
100.00%	3,111	3,111	–	–	8,173	(1,025)	–
100.00%	10,165	7,409	–	–	6,886	(505)	–
100.00%	2,597	–	–	–	4,382	(476)	–
100.00%	9,118	9,118	–	–	7,311	(344)	–
100.00%	10,527	10,527	–	–	10,550	833	–
100.00%	3,203	3,203	–	–	–	(59)	–
99.99%	11,242	8,411	–	–	–	83	–
99.99%	1,326	1,326	–	–	–	584	–
100.00%	1,000	927	–	–	–	(12)	–
	9,860	1,553	4,200	150	19,940	247	500
	127	2	–	–	–	6	–
	74	67	–	–	65,714	4,469	10
	–	–	–	–	–	–	–
	576,666	**401,075**	**4,600**	**61,317**			**290,364**

Five-year summary of the company's financial data

	2009	2008	2007	2006	2005
Share capital at year-end					
Share capital (in millions of euros)	53.8	53.8	54.1	54.5	55.6
Number of shares outstanding	105,569,412	105,550,012	106,089,214	106,874,814 (1)	36,333,854

Aggregate results of operations

(in millions of euros)

	2009	2008	2007	2006	2005
Revenue excluding VAT	67.0	72.4	64.9	50.8	47.2
Income before tax, employee profit-sharing, depreciation, amortisation, provisions, and impairment	261.3	276.4	202.6	229.7	200.4
Corporate income tax (income)	(16.5)	(2.9)	(4.4)	(9.2)	(9.2)
Employee profit-sharing (expense)	2.6	2.4	2.1	1.9	1.7
Income after tax, employee profit-sharing, depreciation, amortisation, provisions, and impairment	243.2	257.5	196.8	225.6	223.2
Profits distributed as dividends (including treasury shares)	110.8 (2)	110.0	106.3	103.0	92.3

Earnings per share (in euros)

(in euros)

	2009	2008	2007	2006	2005
Income after tax and employee profit-sharing but before depreciation, amortisation, provisions and impairment	2.61	2.62	1.93	2.22 (1)	5.72
Income after tax, employee profit-sharing, depreciation, amortisation, provisions, and impairment	2.30	2.44	1.86	2.11 (1)	6.14
Net dividend paid per share	1.05 (2)	1.03	1.00	0.95 (1)	2.50

Personnel

	2009	2008	2007	2006	2005
Average number of employees	279	248	214 (3)	216 (3)	197 (3)
Total payroll (in millions of euros)	26.7	23.0	21.5	18.9	17.0
Employee benefits paid during the year (in millions of euros)	20.4	12.0	8.1	9.9	10.1

(1) After three-for-one stock split on 10 June 2006.
(2) Subject to approval by the Combined General Meeting of 7 June 2010.
(3) Permanent staff on the payroll at end of period.

Combined General Meeting of 7 June 2010

Agenda of the Combined General Meeting of 7 June 2010

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 2009 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 2009;
– 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 conditions for preparation and organisation of the Supervisory Board's work and on the internal control and risk management procedures instituted by the Executive Management.

Supervisory Board's report.

Statutory Auditors' Reports:

– on the parent company financial statements;
– on the consolidated financial statements;
– on related-party agreements and commitments;
– Report from the Chairman of the Supervisory Board.

[2] Vote on resolutions relating to ordinary business

First resolution

Approval of the parent company financial statements.

Second resolution

Approval of the consolidated financial statements.

Third resolution

Discharge.

Fourth resolution

Appropriation of net income.

Fifth resolution

Approval of related-party agreements and commitments.

Sixth resolution

Appointment of Mrs Florence Woerth as a new Supervisory Board member

Seventh resolution

Directors' fees and remuneration.

Eighth resolution

Grant of authority to the Executive Management to trade in the Company's shares.

Ninth resolution

Powers.

II – EXTRAORDINARY BUSINESS

[1] Presentation of reports to be submitted to the Extraordinary General Meeting

Management Report:
– on resolutions relating to extraordinary business.

Supervisory Board's report.

Statutory Auditors' Reports:
– on the capital decrease by cancellation of shares purchased (tenth resolution).

[2] Vote on resolutions relating to extraordinary business

Tenth resolution
Authorisation to cancel some or all of the shares purchased by the Company (Article L 225-209).

Eleventh resolution
Amendment to the Articles of Association.

Twelfth resolution
Powers.

We invite you to approve all of the resolutions proposed to you, which are presented below.

I – ORDINARY BUSINESS

Approval of the financial statements and discharge

In the first, second and third resolutions, we ask that you duly note the amount of expenses and charges covered by Article 39-4 of the Code Général des Impôts, which amount to €140,777; that you approve the parent company financial statements and consolidated financial statements for the year ended 31 December 2009 as they have been presented to you; and that you grant final discharge to the Executive Management for its management of the Company for the said financial year.

Appropriation of net income

In the fourth resolution, we submit to you for approval the appropriation of net income for the year, in the amount of €243,209,636.72. Under the terms of the Company's Articles of Association, of this amount, €1,629,504.57 must be distributed to the Active Partner.

The Supervisory Board recommends that you fix the dividend at €1.05 per share. This represents an increase of 1.9% in the dividend relative to the previous year.

In accordance with Article 243 bis of the Code Général des Impôts, this dividend entitles shareholders who are natural persons and liable for income tax in France to a 40% tax allowance, as provided by Article 158-3 of the Code Général des Impôts.

The ex-dividend date would be 8 June 2010.

This dividend would be payable from 11 June 2010.

As Hermès International is not entitled to receive dividends for shares held in treasury, the corresponding sums would 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	2006	2007	2008
Dividend	0.95	1.00	1.03
Amount eligible for tax allowance pursuant to Article 158-3 of the Code Général des Impôts	40%	40%	40%

We note that the five-year summary of the Company's financial data required under Article R 225-102 of the Code de Commerce is presented on page 201.

Related-party agreements and commitments

In the fifth resolution, we ask that you approve the related-party agreements and commitments covered by Articles L 226-10, L 225-38 to L 225-40 of the Code de Commerce, which are described in the Statutory Auditors' Special Report appearing on pages 214 to 217.

A report of the related-party agreements and commitments that were submitted to the Supervisory Board for approval after the end of the financial year will be submitted to you at the Annual General Meeting called in 2011 to approve the financial statements for the year ending 31 December 2010.

Appointment of a new Supervisory Board member

In the sixth resolution, the Active Partner recommends that you appoint Mrs Florence Woerth as Supervisory Board member for the standard

3-year term of office set out in the Articles of Association.

Her term of office would expire at the end of the General Meeting called in 2013 to approve the financial statements for the year ended 31 December 2012.

Information concerning the person whose appointment you have been asked to approve appears on page 208.

Directors' fees and remuneration

In the seventh resolution, we ask that you fix the amount of directors' fees and remuneration for the Supervisory Board at €400,000 to take into account the appointment of a new Supervisory Board member, as recommended, and the new principles for allocating directors' fees adopted by the Supervisory Board, which are set out in the Rules of Procedure on page 40. This amount would apply to each financial year, commencing on 1 January 2010, until such time as a decision to the contrary is adopted.

Grant of authority to the Executive Management – Share buyback programme

In the eighth 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 €200 per share. The maximum amount of funds to be committed would be €850 million, in accordance with Article L 225-210 of the Code de Commerce.

This authorisation would be valid for eighteen months from the date of the General Meeting.

II – EXTRAORDINARY BUSINESS

Grants of authority to the Executive Management - Cancellation of shares

In the tenth resolution, you are asked to renew the authority 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.

Amendments to the Articles of Association

In the eleventh resolution, we ask that you vote to amend 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.

Information concerning the person whose appointment you have been asked to approve

Florence Woerth

Date of birth: 16 August 1956

Education

SFAF (1985)
HEC (1981)
Master of Science in Economics (1979)

Number of Hermès International shares held

0

Offices or positions held within the Hermès Group

None

Positions held during the past five years

November 2007-Present	Clymene, Head of investments and research in charge of financial asset management
February 2006-October 2007	La Compagnie 1818 (private bank of the Caisse d'Épargne Group): Senior Private Banker responsible for management and development of high net worth accounts, in charge of wealth management; later appointed Head of the Wealth Management Department
November 1997-December 2005	Rothschild & Cie Gestion, Managing Partner, Portfolios and Wealth; later appointed Executive Manager in charge of marketing promotion for the private bank and head of ultra high net worth account development; member of the private bank's Executive Committee

Offices held in other companies

Écurie Dam's	Chairman

In accordance with legal and regulatory requirements, we hereby present our report for the year ended 31 December 2009.

We 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 described 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 the 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 2009.

We recommend that you approve the financial statements.

2. Appropriation of net income

We recommend that you approve the proposed appropriation of net income as set out in the resolutions submitted to you for approval, setting the ex-dividend date at 8 June 2010 and the dividend payment date at 11 June 2010 and calling for a net dividend of €1.05 per share.

3. Recommendations and authorisations issued by the Supervisory Board

Related-party agreements and commitments

During the year ended 31 December 2009, the Executive Management informed us of and submitted to us for approval proposed agreements covered by the combined provisions of Articles L 226-10 and L 225-38 through L 225-43 of the Code de Commerce. The Statutory Auditors' Special Report on pages 214 to 217 gives a brief description of agreements and commitments approved during 2009 and previously authorised agreements and commitments that remained in effect during the financial year.

Recommendations, authorisations and other items

In 2009, the Supervisory Board:

– reviewed the 2009 budget and Strategic Guidelines;

– decided on the apportionment of directors' fees and compensation payable to the Board members in respect of 2008;

– took decisions regarding corporate governance, and more specifically:

  ▪ assigned to the Compensation Committee the role of Appointments Committee, determined its new duties and responsibilities and renamed the Committee accordingly;

  ▪ formally documented and adopted Supervisory Board Rules of Procedure, based on the rules of operation clearly set out in the Company's Articles of Association and on existing practices; included in the Rules of Procedure the obligation for Supervisory Board members to own a relatively large number of shares in the Company (200 shares) and set a date for implementing this rule;

  ▪ developed formal criteria for qualifying a director as "independent" and identified

Supervisory Board members who meet these criteria;
- named the Audit Committee members who have special expertise in finance or accounting;
- recommended to Executive Management and to the Active Partner submission to the General Meeting of a proposal to amend Article 18-2 of the Articles of Association to introduce a provision calling for one-third of Supervisory Board members to stand for re-election each year;
- recommended that the Audit Committee and the Compensation and Appointments Committee adopt Rules of Procedure, to be drawn up by these committees;

– formally noted the capital decreases carried out following the cancellation of treasury shares and approved by the Executive Management in 2008;
– reviewed a summary of estimated off-balance sheet commitments at end-2008;
– decided on the proposed appropriation of earnings to be submitted to the Combined General Meeting of 2 June 2009;
– reviewed documents on forecasting and planning;
– reviewed the reports and work performed by the Audit Committee and its self-assessment;
– confirmed the reports and work performed by the Compensation and Appointments Committee;
– issued a favourable opinion on the proposed resolutions submitted to the Combined General Meeting of 2 June 2009 and familiarised itself with the reports drawn up by the Executive Management;
– approved the report from the Chairman of the Supervisory Board on the conditions governing the preparation and organisation of the Supervisory Board's work and on the internal control procedures implemented by the Company;
– approved the wording of the prudential rules applicable by the subsidiaries, together with updated lists of the authorised signatories and banks of Hermès International;
– formally noted the summary statement of services provided by Hermès International to Émile Hermès SARL in 2008 and projections for 2009;
– formally noted the reform in regulations pertaining to ownership threshold disclosures (Executive Order of 30 January 2009);
– confirmed the guarantee given to the lessor of the John Lobb shop premises at 680 Madison Avenue in New York upon renewal of the lease;
– duly noted that the Supervisory Board members had met the requirement to own 200 shares of Hermès International by 31 December 2009;
– formally noted a summary of the assessment of the Board's performance carried out by the Audit Committee.
– duly noted that all members of the Supervisory Board are members of the French Institute of Directors (IFA - Institut Français des Administrateurs);
– set a restriction on the exercise of share purchase options by the Executive Chairmen (see Management Report, page 51) ;
– duly noted proposals for acquisitions, disposals and equity investments;
– duly noted proposed investment projects.

4. Supervision exercised by the Supervisory Board

Stock option plans - Options exercised during 2009

At our meetings of 27 August 2009 and 20 January 2010, we duly noted the increases in the Company's capital effected as a result of the

decision by a number of individuals to exercise their options to subscribe for new shares under the stock option plans approved by the Executive Management pursuant to the authorisation granted by the Extraordinary General Meeting of 25 May 1998.
Information on the number of shares issued during 2009 is provided on page 52 of the Management Report.

5. Appointment of a new Supervisory Board member
We are fully in favour of the proposal submitted to you to appoint Mrs Florence Woerth as a new Supervisory Board member and we lend her our full support.

6. Opinion on the proposed resolutions submitted to the Combined General Meeting of 7 June 2010
We are in favour of all of the proposed resolutions.

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.

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 qualified or not. This information is presented below the opinion on the financial statement 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 also includes information relating to the specific verification of information given in the management report. 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 December 31, 2009, 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 Company's 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 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 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 as at December 31, 2009, 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 of the notes to the financial statements describes the accounting methods and principles applied to determine the value of long-term investments. We have verified the soundness of these accounting methods and, as needed, the consistency of the values in use of participating interests with the values used in preparing the consolidated financial statements and with the related information provided in the notes to the financial statements.

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

We have also performed, in accordance with professional standards applicable in France, the other specific verifications required by law.

We have no matters to report as to the fair presentation and the 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 favor, we have verified its consistency with the financial statements and, where applicable, with the information obtained by your company from companies controlling your Company or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

In accordance with the law, we verified that information concerning the purchase of investments and controlling interests and the identity of shareholders and holders of the voting rights have been properly disclosed in the management report.

Paris and Neuilly-sur-Seine, March 25, 2010
The Statutory Auditors

Didier Kling & Associés
Didier Kling Bernard Roussel

Deloitte & Associés
David Dupont-Noel

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 explanatory paragraphs 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 also includes information relating to the specific verification of information given in the group management report. 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 December 31, 2009, 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 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 as at December 31, 2009 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.

Without qualifying our opinion, we draw your attention to Note 1 "Accounting policies" to the consolidated financial statements, relating to changes in accounting methods and to the presentation of financial statements from January 1, 2009.

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:

Every year the company tests goodwill and assets with an indefinite life for impairment and assesses whether there is any indication of an impairment loss for non-current assets, in accordance with the procedures described in Note 1.7 to the consolidated financial statements. We reviewed the impairment testing methods applied and determined that these estimates were reasonable.

– Note 1.16 to the consolidated financial statements describes the methods used to measure post-employment and other employee benefit obligations. These obligations, in connection with defined benefit plans, have been assessed by independent actuaries. Our work included reviewing the data and assumptions used and ascertaining that the information provided in Note 25 to the consolidated financial statements is appropriate.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verification

Nous avons également procédé, conformément aux As required by law, we have also verified, in accordance with professional standards applicable in France, the information presented in the Group's management report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris and Neuilly-sur-Seine, March 25, 2010
The Statutory Auditors

Didier Kling & Associés
Didier Kling   Bernard Roussel

Deloitte & Associés
David Dupont-Noel

Statutory auditors' special report on regulated agreements and commitments with third parties

This is a free translation into English of the Statutory Auditors' special report on regulated agreements and regulated commitments issued in French and is provided solely for the convenience of English speaking readers. This report on regulated agreements and regulated commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and the report does not apply to those related party agreements described in IAS 24 or other equivalent accounting standards.

In our capacity as Statutory Auditors of Hermès International, we hereby present our report on regulated agreements and commitments with third parties.

I. Agreements and commitments authorised during the year

Pursuant to Article L 226-10 of the French Commercial Code (*Code de commerce*), the following agreements and commitments previously authorised by your Supervisory Board have been brought to our attention.

The terms of our engagement do not require us to identify such agreements and commitments, if any, but to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention, without expressing an opinion on their usefulness and appropriateness.

It is your responsibility, pursuant to Article R 226-2 of the French Commercial Code (*Code de commerce*), to assess the benefit arising from these agreements and commitments for the purpose of approving them.

We conducted the procedures we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relating to this engagement. Those procedures consisted in verifying the information provided to us with the relevant source documents.

Trademark licence agreements

In September 2006, your Supervisory Board authorised the signature of acts of confirmation of exclusive licence agreements concluded with the following companies:

• Compagnie des Arts de la Table (Supervisory Board meeting held on 27 August 2009)

These acts allowed to:

– confirm that exclusive licences concern both French trademarks and trademarks registered abroad;

– incorporate new trademark registrations which occurred subsequently to contract signature.

Licence fees registered by your Company for these products during year 2009 amount to €454,763 excluding VAT.

• Comptoir Nouveau de la Parfumerie (Supervisory Board meeting held on 27 August 2009)

These acts allowed to:

– confirm that exclusive licences concern both French trademarks and trademarks registered abroad;

– incorporate new trademark registrations which occurred subsequently to contract signature.

Licence fees registered by your Company for these products during year 2009 amount to €4,057,565 excluding VAT.

Persons concerned: Messrs. Jérôme Guerrand, Maurice de Kervénoaël et Renaud Momméja.

• La Montre Hermès (Supervisory Board meeting held on 27 August 2009)

These acts allowed to:

– specify the territorial extent of the licence granted;

– incorporate new trademark registrations which occurred subsequently to contract signature;

– incorporate trademarks registered abroad as they are identified in the appendices of the new licence contract.

Licence fees registered by your Company for these products during year 2009 amount to €2,329,130 excluding VAT.

Persons concerned: Messrs. Patrick Thomas and Guillaume de Seynes.

• Hermès Intérieur & Design (Supervisory Board meeting held on 27 August 2009)

These acts allowed to:

– specify and include both French trademarks and trademarks registered abroad, such as they are identified in the appendices to the new licence contract;

– incorporate products from the Leather division with the authorisation of Hermès Sellier, beneficiary of the exclusive licence for these products.

Licence fees registered by your Company for these products during year 2009 amount to €62,809 excluding VAT.

• Hermès Sellier (Supervisory Board meeting held on 18 March 2009)
These acts allowed to:
– confirm that the exclusive licence include both French trademarks and trademarks registered abroad, such as they are identified in the appendices to the act of confirmation;
– incorporate new trademark registrations which occurred subsequently to contract signature.
Licence fees registered by your Company for these products during year 2009 amount to €30,479,927 excluding VAT.
Persons concerned: Messrs. Patrick Thomas, Jérôme Guerrand and Guillaume de Seynes.

II. Agreements and commitments entered into and authorised in prior years and remaining in effect during the year ended 31 December 2009

In addition, in accordance with the provisions of the French Commercial Code (*Code de commerce*), it has been drawn to our attention that the following agreements and commitments entered into and authorised in prior years remained in effect during the year ended 31 December 2009.

a) Remuneration of the Specialized Committee Members

On 26 January 2005 and 2 June 2005, your Supervisory Board decided to set the annual remuneration of each Committee Chairman of the Audit Committee and the Governance, Nominations and Remuneration Committee at €10,000 and at €5,000 for other members.
Hermès International granted a total of €50,000 to all Committee members as a whole in consideration for the performance of their duties for the year ended 31 December 2009.

b) Service agreement

On 23 March 2005 and 14 September 2005, your Supervisory Board authorised Hermès International to enter into a service agreement with Émile Hermès SARL for the provision of routine legal and financial services. On 11 December 2007, your Supervisory Board authorised the signature of an amendment to this agreement, which added secretarial services.
Hermès International billed €116,279 for services provided under the terms of this agreement during year 2009.

c) Design assignment agreement

Signature of an agreement and its amendment between Hermès International and RDAI to undertake a design assignment for the application of the architectural concept to Hermès stores (Supervisory Board meetings held on 20 March 2003 and 15 September 2004).
For year 2009, Hermès International paid €47,151 (excluding VAT) in fees in connection with this assignment.

d) Commercial lease

Signature of a lease agreement between Hermès International and SIFAH, relating to premises at 28-30-32, rue du Faubourg-Saint-Honoré, which are the subject of an undertaking to assign a commercial lease by SOGEC, and subject to the exercise by SIFAH or any subsidiary that may replace SIFAH of its purchase option, for the purpose of granting to Hermès International:
– a nine-year commercial lease, with compulsory renewal every three years, for which the rent takes into account the rental value of the premises and the payment by Hermès International of the cost of the refurbishment works and part of the compensation for non-renewal of the lease payable to the current occupants;
– the lease is accompanied by a junior preferred purchase option in respect of the real estate assets located at 26-28-30-32, rue du Faubourg-Saint-Honoré belonging to SIFAH or to one of its subsidiaries, or in respect of the shares of SIFAH or of whichever of its subsidiaries is the owner of such real estate assets.
SIFAH was replaced, both for the purchase option and for the implementation of the commercial lease, by its majority-controlled subsidiary, the *société par actions simplifiée* (simplified limited company) "28-30-32 Faubourg Saint-Honoré" (Supervisory Board meeting held on 21 March 2000).
On 16 February 2005, an amendment to this agreement was signed to change the terms of the agreement pertaining to work to be performed at the 28-30-32 Faubourg Saint-Honoré property complex and to assign to Hermès International responsibility for overseeing the design and performance of the work under a representation agreement, and authorised by your Supervisory Board on 26 January 2005 and 23 March

2005. In the amendment to this agreement, Hermès International's share of the projected budget for the work in future years was estimated at €6,000,000.
At 31 December 2009, Hermès International booked €9,058,443 under property, plant and equipment in its accounts for this work.
In 2009, the amount paid in rents amounted to €1,120,079 (excluding VAT).

e) Commercial lease - 26 rue du Faubourg-Saint-Honoré
On 24 January 2007, your Supervisory Board authorised the signature of a commercial lease for premises located at 26, rue du Faubourg Saint-Honoré, 75008 Paris, for use as retail, storage and technical premises, for a fixed term of nine years, retroactively to 1 January 2005, in consideration for an annual rent of €696,000 excluding VAT and charges. This lease was granted by SIFAH to Hermès International and the rent was fixed at market prices following an appraisal carried out by both parties.
In 2009, the amount paid in rents amounted to €858,052 excluding VAT. Tax on offices as well as property tax were back charged for €44,780 excluding VAT.

f) Guarantees given
– "Umbrella" guarantee for a maximum principal amount of €75,000,000 granted to HSBC bank to provide subsidiaries designated by Hermès International with access to an aggregate group bank facility (Supervisory Board meeting held on 26 January 2005).
– Guarantee granted to London & Provincial Shop Centres on behalf of Hermès GB Ltd in connection with the leasing of store premises at 179/180 Sloane Street, London and covering the performance by Hermès GB Ltd of all its obligations as tenant under that lease (Supervisory Board meeting held on 16 February 1988).
– Global authorisation to Executive Management to grant deposits and guarantees during 2009 on behalf of subsidiaries whose share capital is held over 50%, directly of indirectly, by Hermès International, subject to a total maximum amount for all commitments of €10,000,000 and an individual maximum amount for each commitment of €3,000,000. (Supervisory Board meeting held on 9 December 2008).
– Guarantee granted to 693 Madison Avenue Company L.P. on behalf of Hermès of Paris Inc in connection with the leasing of store premises at 691-693-695 Madison Avenue in New York and covering the performance by Hermès of Paris Inc of all its obligations as tenant under that lease (Supervisory Board meeting held on 23 September 1998).
– Guarantee granted to Carlton House Inc on behalf of the subsidiary Hermès of Paris in connection with the leasing of the John Lobb store at 680 Madison Avenue in New York and covering the performance by Hermès of Paris Inc of all its obligations as tenant under that lease (Supervisory Board meeting held on 23 March 1999).
– Guarantee granted on behalf of the Japanese subsidiary Hermès Japon in connection with a loan of an initial amount of JPY 5,000,000,000 from Japan Development Bank repayable at any time up to and including 20 May 2013 (Supervisory Board meeting held on 25 May 1998). A commission of JPY 3,980,041 (€25,423) was billed for the year.
– Guarantee granted on behalf of the Japanese subsidiary Hermès Japon in connection with a loan of an initial amount of JPY 2,500,000,000 from Japan Development Bank repayable at any time up to and including 20 April 2013 (Supervisory Board meeting held on 23 March 1999). A commission of JPY 1,956,667 (€12,499) was billed for the year.
– Guarantee granted to 23 Wall Commercial Owners LLC on behalf of your subsidiary Hermès of Paris Inc. to cover the obligations incurred by Hermès of Paris under the terms of a lease for retail premises located on the ground floor of 15 Broad Street in New York (Supervisory Board meeting held on 25 January 2006).
– Joint and several or first demand guarantee granted on behalf of South Coast Plaza to cover the obligations incurred by JL & Co under a lease for retail premises located in the South Coast Plaza shopping centre in California, USA, for a term of ten years commencing on 1 May 2007.
– Supervisory Board meeting held on 19 March 2008 decided on an indefinite joint and several guarantee granted on behalf of The Streets of Buckhead Development Co to cover the obligations incurred by JL & Co for a proposed lease of retail premises in Atlanta (Georgia, USA) for a ten year term.
– Joint and several guarantee granted on behalf of Mrs 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 term of ten years.

– Guarantee granted to BNP Paribas (China) on behalf of Hermès China in respect of a loan of a principal amount of CNY 65,000,000 (equivalent of €6,609,049 as at 31 December 2009) secured to finance investment and work relating to the Maison Shanghai. (Supervisory Board meeting held on 9 December 2008).

– "Umbrella" commitment of a maximum principal amount of €100,000,000 in favour of BNP Paribas to guarantee subsidiary operating credit lines (Supervisory Board meeting held on 9 December 2008).

None of these guarantees were drawn in 2009.

g) Commitments with a Corporate Executive Officer

– Top-up pension scheme granted to a Corporate Executive Officer

On 13 September 2006, your Supervisory Board authorised an amendment to the rules governing the top-up pension scheme set up in 1991 for the Company's senior executives, including the Chief Executive Officer. The main changes related to the scope of this scheme, its potential beneficiaries, the terms and conditions for awarding benefits, and coverage provided under the plan. Under this scheme, the beneficiary will receive annual payments calculated on years of service and annual remuneration. The payments amount to a percentage of remuneration for each year of service. The beneficiary is also eligible for a reversion scheme, under which the surviving spouse receives 60% of annual remuneration. Like all employees of the Group's French subsidiaries, the Chief Executive Officer, who is a natural person, is also eligible for the supplemental defined-contribution pension plan that was set up in 2006. The maximum annual payment including payments under the mandatory plans and any supplemental plans set up within the Group may not exceed 70% of remuneration, including the fixed and variable components of salary and other compensation paid during the last year of service.

– Introduction of a new general death and disability regime, also covering the Chief Executive Officer

On 1 October 2004, Hermès International introduced a health insurance regime and collective death and disability regime conferring the same rights on the Chief Executive Officer as other company employees. Based on current Social Security texts and certain prevailing practices, this system must be considered optional. Therefore, in order to take account of changes in the legal and regulatory environment since 2003, it was decided to introduce (as defined by the Social Security Department in its Circular dated July 2006) a mandatory regime. This new regime replaced the preceding regime with effect from 1 January 2009, in accordance with case law procedures on changes in practice. This new format in no way amends the guarantees under the two regimes, which remain unchanged (Supervisory Board meeting held on 9 December 2008).

– Commitment to the benefit of Mr. Patrick Thomas, in connection with the termination of his contract as Corporate Executive Officer

On 19 March 2008 your Supervisory Board authorised an amendment between your company and Mr. Patrick Thomas in connection with the termination of his contract as Corporate Executive Officer providing for payment of a compensation amounting to at least 24 months' remuneration, subject to the realization of the following performance conditions: reaching at least four budgets (turnover and operating growth rate measured with constant rates) on the last five years and with no damage to the Hermès brand/corporate image.

Paris and Neuilly-sur-Seine, March 25, 2010

The Statutory Auditors

Didier Kling & Associés		Deloitte & Associés
Didier Kling	Bernard Roussel	David Dupont-Noel

Statutory Auditors’ report on the capital decrease by cancellation of own shares purchased (10th resolution)

This is a free translation into English of the Statutory Auditors’ report on the capital decrease by cancellation of own shares purchased issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In our capacity as statutory auditors of Hermès International, and in accordance with Article L.225-209 of the French Commercial Code (*Code de commerce*) concerning capital decreases by cancellation of own shares purchased, we hereby report to you on our assessment of the reasons for and the terms and conditions of the proposed capital decrease.

We have performed the procedures we deemed necessary pursuant to the professional guidelines set forth by the French Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) with regard to this engagement. These procedures consist in examining the fairness of the reasons for and the terms and conditions of the proposed share capital decrease.

This transaction involves the purchase by the Company of its own shares, up to a maximum of 10% of its share capital, pursuant to the terms and conditions set forth in Article L. 225-209, of the French Commercial Code.

This purchase authorization is subject to the approval of the Annual Ordinary General Meeting (8th resolution) and shall end on the date on which the shareholders shall approve the financial statements for fiscal year 2010, and no later than 18 months from the date of this meeting.

Shareholders are requested to confer all necessary powers on the Executive Management, during a period of 24 months, to cancel, on one or more occasions, the shares purchased by the Company, pursuant to the share purchase authorization, up to a maximum of 10% of the share capital by 24-month period.

We have no comments on the reasons for or the terms and conditions of the proposed share capital decrease, which, you are reminded, may only be performed subject to the prior approval by the shareholders of the resolution on the purchase by the Company of its own shares pursuant to the 8th resolution.

Paris and Neuilly-sur-Seine, March 25, 2010
The Statutory Auditors

Didier Kling & Associés
Didier Kling   Bernard Roussel

Deloitte & Associés
David Dupont-Noel

Statutory auditors' report, prepared in accordance with article L.226-10-1 of the French Commercial Code on the report prepared by the Chairman of the Supervisory Board

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In our capacity as Statutory Auditors of Hermès International, and in accordance with Article L. 226-10-1 of the French Commercial Code, we hereby report to you on the report prepared by the Chairman of the Supervisory Board of your Company in accordance with article L.226-10-1 of the French Commercial Code for the year ended 31 December 2009.

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 our observations on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, and
– to attest that the report sets out the other information required by Article L. 226-10-1 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information
The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures mainly consisted of:
– obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
– obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
– determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Supervisory Board's report, prepared in accordance with Article L. 226-10-1 of the French Commercial Code.

Other information
We attest that the Chairman's report sets out the other information required by Article L. 226-10-1 of the French Commercial Code.

Paris and Neuilly-sur-Seine, March 25, 2010
The Statutory Auditors

Didier Kling & Associés		Deloitte & Associés
Didier Kling	Bernard Roussel	David Dupont-Noel

Resolutions submitted to the combined General Meeting of 7 June 2010

I - ORDINARY BUSINESS

First resolution

Approval of the parent company financial statements

The Ordinary General Meeting, having heard the Executive Management's report on the Company's operations and situation, the Supervisory Board's report and the Statutory Auditors' Report for the year ended 31 December 2009, approves the financial statements, the balance sheet and the notes thereto as presented, as well as the transactions they reflect. The General meeting duly notes that the expenses and charges covered by Article 39-4 of the Code Général des Impôts amounted to 140,777 euros for the year ended 31 December 2009.

Second resolution

Approval of the consolidated financial statements

The Ordinary General Meeting, having heard the Management Report on the Group's operations and situation, the Report of the Supervisory Board and the Statutory Auditors' Report for the year ended 31 December 2009, approves the consolidated financial statements as presented, and showing consolidated net income of 288,750,475 euros.

Third resolution

Discharge

Consequently, the General Meeting gives the Executive Management final discharge for its management of the Company during the year commencing on 1 January 2009 and ending on 31 December 2009.

Fourth resolution

Appropriation of net income

The Ordinary General Meeting notes that net income for the year amounts to 243,209,636.72 euros and retained earnings, to 831,683,783.72 euros, and approves the appropriation of these sums totalling 1,074,893,420.44 euros, as proposed by the Supervisory Board:

- transferred to the legal reserve: none, as the legal reserve amounts to one-tenth of the share capital;
- to the Active Partner, under Article 26 of the Company's Articles of Association: 1,629,504.57 euros;
- to shareholders holding shares existing at 31 December 2009, a dividend of 1.05 euros per share, totalling 110,847,882.60 euros;
- to retained earnings, the balance of: 962,416,033.27 euros;
- total amount appropriated: 1,074,893,420.44 euros.

The General Meeting resolves that:
– the ex-dividend date shall be 8 June 2010;
– the dividend shall be payable on 11 June 2010.

As Hermès International is not entitled to receive dividends for shares held in treasury, the corresponding sums will be transferred to retained earnings on the date the dividend becomes payable.
In accordance with Article 243 bis of the Code Général des Impôts, this dividend entitles shareholders who are natural persons and liable for income tax in France to a 40% tax allowance, as provided by Article 158-3 of the Code Général des Impôts.
In accordance with the provisions of Article 47 of law no. 65-566 of 12 July 1965, the General Meeting duly notes that dividends distributed to the shareholders in respect of the three previous financial years were as follows:

In euros

Financial year	2008	2007	2006
Dividend	1.03	1.00	0.95
Amount eligible for tax allowance pursuant to Article 158-3 of the Code Général des Impôts	40%	40%	40%

Fifth resolution

Approval of related-party agreements and commitments
The Ordinary General Meeting, having heard the Statutory Auditors' Special Report on related-party agreements and commitments covered by the combined provisions of Articles L 226-10 and Articles L 225-38 through L 225-43 of the Code de Commerce, approves the agreements entered into or carried out during the year ended 31 December 2009.

Sixth resolution

Appointment of a new Supervisory Board member
On the recommendation of the Active Partner, the General Meeting elects Mrs Florence Woerth as Supervisory Board member for the standard term of office of three years set out in the Articles of Association:

Madame Florence Woerth.

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 2012.
Mrs Woerth has indicated that she is prepared to accept this appointment and that she is not legally prohibited from doing so in any manner whatsoever.

Seventh resolution

Directors' fees and remuneration
The General Meeting of Shareholders fixes the total amount of directors' fees and remuneration to be allotted to the members of the Supervisory Board and of the Board Committees at €400,000, for each financial year as from 1 January 2010, until such time as a decision to the contrary is adopted.

Eighth resolution

Grant of authority 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 Management Report, the special report on the Company's share buyback programme and the circular describing the programme filed with the Autorité des Marchés Financiers, resolves:

1) To terminate the share buyback programme approved by the Ordinary and Extraordinary General Meeting of 2 June 2009 under the seventh resolution;

2) To adopt the programme described below, and for this purpose:

◆ authorises the Executive Management, with the option further to delegate this authority, in accordance with the provisions of Articles L 225-209 et seq. of the Code de Commerce, to buy shares in the Company, within the legal limit, while ensuring that the Company shall not at any time own more than 10% of its own share capital as of the date of this meeting, it being specified that the number of shares purchased by the Company in view of holding 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;

◆ 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 under a liquidity contract that complies with the AFEI (French Association for Investment Firms) Code of Conduct recognised by the Autorité des Marchés Financiers;

– cancelling the shares, in order to increase the return on equity and earnings per share, and/or to neutralise the dilutive impact for shareholders resulting from capital increases, this purpose being contingent upon adoption of a special resolution to this effect by the Extraordinary General Meeting;

– retaining the shares, in order subsequently to transfer the shares in payment or in exchange for a takeover bid initiated by the Company;

– allotting the shares to employees and authorised corporate Executive Officers of the Company or an affiliated company, by granting options to purchase the Company's shares in accordance with Articles L 225-179 et seq. of the Code de Commerce, or by granting bonus shares 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 a Company share ownership or savings plan;

– delivering the Company's shares for the exercise of rights attached to securities entitling the holders to the allotment of shares in the Company, either by conversion, exercise, redemption or exchange, in accordance with stock market regulations;

◆ Resolves that the purchase price per share shall be no higher than two hundred (200) euros, excluding incidental expenses;

◆ Resolves, however, that the Executive Management may adjust the aforesaid purchase price in the event of: a change in the par value per share; a capital increase by capitalisation of reserves and allotment of bonus shares; 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 allocated to this share buyback programme shall be eight hundred fifty million (850,000,000) euros);

◆ 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 (excluding the sale of puts), at such times as the Executive Management shall deem appropriate, including times of public offerings, within the limits defined by 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;

◆ Grants full powers to the Executive Management, with the option further to delegate such powers:

– to effect all transactions; to determine the terms, conditions and procedures applicable thereto; and

– to place all orders, either on or off market;

– to adjust the purchase price of the shares to take into account the effect of the aforesaid transactions on the value of the shares,

– to enter into all agreements, in particular for purposes of maintaining the stock transfer ledgers,
– to file all necessary reports with the Autorité des Marchés Financiers and any other relevant authority;
– to undertake all necessary formalities;

◆ Resolves that this authorisation is granted for a period expiring at the end of the Annual General Meeting convened to approve the financial statements for the year ended 31 December 2010 or eighteen months at most from the date of this Meeting.

Ninth resolution

Powers

The Ordinary General Meeting confers full powers on any bearer of an extract or copy of these minutes recording its deliberations to carry out all legal publication or other formalities.

II - EXTRAORDINARY BUSINESS

Tenth resolution

Authorisation to cancel some or all of the shares purchased by the Company (Article L 225-209) – General share cancellation programme

The General Meeting, acting under the quorum and majority requirements applicable to extraordinary general meetings, having reviewed the Management Report and the Statutory Auditors' report, and in accordance with Article L 225-209 of the Code de Commerce, hereby authorises the Executive Management to cancel some or all of the shares acquired by the Company: to cover stock options that have expired; in connection with the share buyback programme covered by the eighth 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 Meeting delegates to the Executive Management full powers:
– to allocate the difference between the purchase price and the par value of the shares to whichever reserve account it sees fit, to record the reduction(s) in share capital resulting from the cancellation(s) 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 ninth resolution adopted by the Combined General Meeting of 2 June 2009 and cancels the unused portion of that authorisation.

Eleventh resolution

Amendment to the Articles of Association

The Extraordinary General Meeting, having heard the Executive Management's report and the Supervisory Board's report, resolves to amend Article 24.2 of the Articles of Association as follows:

"24.2 - The right to participate in general meetings is subordinated to registered shares (administered directly by the Company or by an intermediary) 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 mail ballot 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 Civil Code, 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 log-in name and a password.

Any proxies given or votes cast via this electronic means before the General Meeting, and the acknowledgements of receipt sent in response, will be deemed to be irrevocable instructions that are enforceable in every way, it being specified that in the event that shares are sold before the third business day preceding the Meeting, at 12:00 midnight, CET, the Company will void or amend any proxy or voting instructions sent before that date accordingly.

Persons invited by the Executive Management or by the Chairman of the Supervisory Board may also attend general meetings.

The active partners may attend general meetings of shareholders. Active partners that are legal entities are represented by a legal representative or by any person, shareholder or otherwise, designated thereby."

Twelfth resolution

Powers

The Extraordinary General Meeting confers full powers on any bearer of an extract or copy of these minutes recording its deliberations to carry out all legal publication or other formalities.

Additional legal information

Articles of Association of Hermès International (commented)

(updated following the Executive Management decisions of 6 July 2009)

Comments are indicated by a vertical line down the left margin.

1 - LEGAL FORM

The Company is a *société en commandite par actions* (partnership limited by shares) between:

◆ its limited partners, and

◆ its Active Partner, Émile Hermès SARL, with registered offices located at 23 rue Boissy-d'Anglas in Paris (75008).

The Company is governed by the laws and regulations applicable to *sociétés en commandite par actions* and by these Articles of Association.

> The Company was converted into a société en commandite par actions (partnership limited by shares) by a decision of the Extraordinary General Meeting held on 27 December 1990, in order to preserve its identity and culture and thus ensure its sustainability over the long term, in the interests of the Group and all Shareholders.
> The rules governing the operation of a société en commandite par actions are the following:
> – the Active Partner or partners, who carry on the business, are jointly and severally liable for all the Company's debts, for an indefinite period of time;
> – the limited partners (or Shareholders), who contribute capital, are liable in this capacity only up to the amount of their contribution;
> – the same party 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 to sell direct or indirect equity interests in any legal entity engaged in the creation, production and/or sale of quality products and/or services, and, in particular, in companies belonging to the Hermès Group;

◆ to provide guidance to the group it controls, in particular by providing technical assistance services in the legal, financial, corporate, and administrative areas;

◆ to develop, manage and defend all rights it holds to trademarks, patents, designs, models, and other intellectual or industrial property, and in this respect, to acquire, sell or license such rights;

◆ to participate in promoting the products and/or services distributed by the Hermès Group;

◆ to purchase, sell and manage all property and rights needed for the Hermès Group's business operations and/or for asset and cash management purposes; and

◆ more generally, to engage in any business transaction of any kind whatsoever in furtherance of the corporate purpose.

3 - COMPANY NAME

The Company's name is "Hermès International".

4 - REGISTERED OFFICE

The Company's registered office is located at 24 rue du Faubourg-Saint-Honoré, 75008 Paris, France.

It may be transferred:

◆ to any other location in the same département, by a decision of the Executive Management, subject to ratification of such decision at the next Ordinary General Meeting; and

◆ to any other location, by a decision of the Extraordinary General Meeting.

5 - DURATION

The Company will be dissolved automatically on 31 December 2090, unless it is dissolved previously or unless its duration is extended.

6 - SHARE CAPITAL - CONTRIBUTIONS

6.1 - The share capital is **€53,840,400.12** euros.

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 amount of share capital is the result of the Executive decision of 6 July 2009, formally noting the options exercised during the first half of 2009. No stock options were exercised during the first half of 2009. 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 spinoff.

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.

9.2 - The Company may, at any time, in accordance with the applicable laws and regulations, request from the central custodian or any securities clearing organisation information to enable it to identify the owners of securities giving immediate or future rights to vote at General Meetings, as well as the number of securities held by each such owner and any restrictions that may apply to the securities.

> Clearing and settlement of the shares in France are effected by Euroclear.
> Hermès International ordinarily exercises this option once a year, as of 31 December.

10 - TRANSFER OF SHARES

Shares are freely transferable. Transfers are effected under the terms and conditions provided by law.

11 - OWNERSHIP THRESHOLD DISCLOSURES

When the shares are admitted to trading on a regulated market or a financial instruments market that admits trading in shares registered on a securities account with an authorised intermediary under the conditions provided by Article L. 211-4 of the Code Monétaire et Financier, any natural or legal person, acting alone or jointly, coming into possession, in any manner whatsoever, within the meaning of Articles L. 233-7 et seq. of the Code de Commerce, of a number of shares representing 0.5% of the share capital and/or of the voting rights in General Meetings, or any multiple of this percentage, at any time, even after moving beyond any of the legal thresholds covered by Article L. 233-7 et seq. of the Code de Commerce, is required to disclose to the Company the total number of shares it owns by sending a notice by registered post, return receipt requested, to the registered office within five days from the date it has moved beyond one of the aforesaid thresholds.

Such disclosure must also be made, under the same conditions as those provided above, whenever the

percentage of share capital and/or voting rights held falls below one of the aforesaid thresholds.
In the event of failure to comply with the above requirements, the shares exceeding the threshold which is subject to disclosure shall be disqualified from voting. In the event of an adjustment, the corresponding voting rights may be exercised only after expiration of the period stipulated by law and the applicable regulations.
Unless one of the thresholds covered by the aforesaid Article L 233-7 is exceeded, this sanction shall be applied only at the request of one or several Shareholders individually or collectively holding at least 0.5% of the Company's share capital and/or voting rights and duly recorded in the minutes of the General Meeting.

12 - RIGHTS AND OBLIGATIONS ATTACHED TO THE SHARES

12.1 - The shares are indivisible with regard to the Company.
Co-owners of undivided shares must be represented with regard to the Company and at General Meetings by one of them only or by a single representative. In the event of a disagreement, their representative shall be appointed by the Court at the request of the co-owner who takes the initiative to refer this matter to the Court.
12.2 - Each share shall give the holder the right to cast one vote at General Meetings of Shareholders.
However, double voting rights are allocated to:
- any fully-paid registered share which has been duly recorded on the books in the name of the same Shareholder for a period of at least four years from the date of the first General Meeting following the fourth anniversary of the date when the share was registered on the books; and
- any registered share allotted for no consideration to a Shareholder, in the event of a capital increase effected by capitalisation of sums in the share premium, reserve or retained earnings accounts, in proportion to any existing shares which carry double voting rights.

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

> Double voting rights were instituted by the Shareholders at the Extraordinary General Meeting of 27 December 1990.

Voting rights attached to the shares are exercised by the legal owners at all General Meetings (ordinary, extraordinary or special meetings), save for decisions regarding the appropriation of net income, in which case the beneficial owner shall exercise the voting rights.

> This allocation was approved by the Extraordinary General Meeting of 6 June 2006.

12.3 - Each share gives the holder a right of ownership in the Company's assets, its profits, and any winding-up surplus, in proportion to the percentage of ownership it represents.
All shares are of equal par value and are identical in all respects, except with respect to the date on which they are eligible for the dividend.
12.4 - Ownership of a share automatically entails compliance with the Company's Articles of Association and with resolutions duly adopted by the General Meeting of Shareholders.
12.5 - Whenever ownership of a certain number of shares is required in order to exercise any right whatsoever, owners of single shares, or with an insufficient number of shares, may only exercise such rights if they personally arrange to consolidate their shares, or arrange for the purchase or sale of a sufficient number of shares.

13 - DEATH, LEGAL PROHIBITION, PERSONAL BANKRUPTCY, INSOLVENCY, RECEIVERSHIP OR COMPULSORY LIQUIDATION OF A PARTNER

> The Company has two classes of partners:
> – Shareholders, who are "limited partners";
> – Active Partners.
> Since 1 April 2006, there has been only one Active Partner: Émile Hermès SARL.

13.1 - Shareholders
The Company shall not be dissolved in case of the death, legal prohibition or personal bankruptcy of a Shareholder, or due to the initiation of insolvency, receivership or compulsory liquidation proceedings against that Shareholder.
13.2 - Active partner
13.2.1 - In the event that an Active Partner should be prohibited by law from engaging in a business profession, or in the case of personal bankruptcy, or should insolvency, receivership or compulsory liquidation proceedings be initiated against him, such Active Partner

shall automatically lose his status as Active Partner *ipso jure*; the Company shall not be dissolved. Neither shall the Company be dissolved if an Active Partner who is a natural person and who was appointed Executive Chairman ceases to hold this office.

If, as a result of this loss of status, the Company no longer has any Active Partners, an Extraordinary General Meeting of Shareholders must be called forthwith, either to appoint one or more new active partners, or to change the corporate form of the Company. Such change does not entail the creation of a new legal person.

If an Active Partner loses his status as such, he shall have the right to receive his share of the Company's profits, pro rated until the day such status is lost, in full settlement of all amounts due.

13.2.2 - The Company shall not be dissolved in the event of the death of an Active Partner. If, as a result of this death, the Company no longer has any Active Partners, an Extraordinary General Meeting of Shareholders must be called forthwith, either to appoint one or more new Active Partners, or to change the corporate form of the Company. Such change does not entail the creation of a new legal person.

This also applies if the Company has only one Active Partner and if that Active Partner loses his status as such for any reason whatsoever.

The heirs, assigns or the surviving spouse, if any, of the deceased Active Partner shall have the right to receive the deceased Active Partner's share of the Company's profits, pro rated until the day such status is lost, in full settlement of all amounts due.

14 - RESPONSIBILITY AND POWERS OF THE ACTIVE PARTNER

14.1 - Active Partners are jointly and severally liable for all the Company's debts, for an indefinite period of time.

14.2 - Each Active Partner has the power to appoint and revoke the appointment of any Executive Chairman, acting on the Supervisory Board's considered recommendation under the conditions provided in the article entitled "Executive Management".

Acting by unanimous consent, the Active Partners:

◆ on the Supervisory Board's recommendation:

– determine the Group's strategic options,

– determine the Group's consolidated operating and investment budgets; and

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

◆ may formulate recommendations to the Executive Management on all issues of general interest for the Group;

◆ authorise any loans of Hermès International whenever the amount of such loans exceeds 10% of the amount of the consolidated net worth of the Hermès Group, as determined based on the consolidated financial statements drawn up from the latest approved accounts (the "Net Worth");

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

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

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

Åü the legal form of Émile Hermès SARL is that of a *société à responsabilité limitée à capital variable* (limited company with variable capital);

◆ the exclusive purpose of Émile Hermès SARL is:

– to serve as Active Partner and, if applicable, as Executive Chairman of Hermès International;

– potentially to own an equity interest in Hermès International; and

– to carry out all transactions in view of pursuing and accomplishing these activities and to ascertain that any liquid assets it may hold are appropriately managed;

◆ only the following may be partners in the Company:

– descendants of Mr Émile-Maurice Hermès and his wife, born Julie Hollande; and

– their spouses, but only as beneficial owners of the shares; and

◆ each partner of Émile Hermès SARL must have deposited, or arrange to have deposited, shares in the present

Company in the corporate accounts of Émile Hermès SARL in order to be a partner of this Company."

14.4 - Any Active Partner who is a natural person and who has been appointed to the office of Executive Chairman shall automatically lose his status as Active Partner immediately upon termination of his office of Executive Chairman for any reason whatsoever.

14.5 - All decisions of the Active Partners are recorded in minutes, which are entered in a special register.

15 - EXECUTIVE MANAGEMENT

15.1 - The Company is administered by one or two Executive Chairman or Chairmen, who may be but are not required to be Active Partners in the Company. If there are two Executive Chairmen, any provision of these Articles of Association mentioning "the Executive Chairman" shall apply to each Executive Chairman. The Executive Chairmen may act jointly or separately.

The Executive Chairman may be a natural person or a legal person, which may be but is not required to be an Active Partner.

> At this time, the Company is administered by two Executive Chairmen:
> – Mr Patrick Thomas, who was appointed by a resolution approved by the Active Partners, on the considered recommendation of the Supervisory Board, dated 15 September 2004;
> – Émile Hermès SARL, which was appointed by a resolution approved by the Active Partners, on the considered recommendation of the Supervisory Board, dated 14 February 2006 (appointment effective as of 1 April 2006).

15.2 - The Executive Chairmen's term of office is open-ended.

During the Company's lifetime, the power to appoint an Executive Chairman is exclusively reserved for the Active Partners, acting on the Supervisory Board's recommendation. Each Active Partner may act separately in this respect.

15.3 - The appointment of an Executive Chairman is terminated in case of death, disability, legal prohibition, or due to the initiation of insolvency, receivership or compulsory liquidation proceedings against that Executive Chairman; if the appointment is revoked; if the Executive Chairman resigns; or when the Executive Chairman reaches 75 years of age.

The Company shall not be dissolved if an Executive Chairman's appointment is terminated for any reason whatsoever.

An Executive Chairman who wishes to resign must notify the Active Partners and the Supervisory Board thereof at least six months in advance, by registered post, unless each of the Active Partners, after soliciting the opinion of the Supervisory Board, has agreed to reduce this notice period.

An Executive Chairman's appointment can be revoked only by an Active Partner, acting on the Supervisory Board's considered recommendation. In the event that the Supervisory Board recommends against revocation, the Active Partner in question must suspend its decision for a period of at least six months. At the end of this period, if it persists in its wish to revoke the appointment of the Executive Chairman in question, that Active Partner must again solicit the opinion of the Supervisory Board, and once it has obtained a favourable recommendation from the Board, it may revoke the appointment of that Executive Chairman.

16 - POWERS OF THE EXECUTIVE MANAGEMENT

16.1 - Relationships with third parties

Each Executive Chairman is invested with the broadest of powers to act on the Company's behalf, in all circumstances. Each Executive Chairman shall exercise these powers within the scope of the corporate purpose and subject to those powers expressly granted by law to the Supervisory Board and to General Meetings of Shareholders.

16.2 - Relationships among the partners

In relationships among partners, the Executive Management holds the broadest of powers to undertake all management acts, but only if such acts are in the Company's interests and subject to those powers granted to the Active Partners and to the Supervisory Board by these Articles of Association.

16.3 - Delegations of powers

The Executive Chairman may, under his responsibility, delegate all powers as he sees fit and as required for the proper operation of the Company and its group.

He may issue a limited or unlimited blanket delegation of powers to one or more executives of the Company, who then take on the title of Managing Director.

17 - REMUNERATION OF THE EXECUTIVE MANAGEMENT

The Executive Chairman (or, where there is more than one, each Executive Chairman) shall have the right to receive remuneration fixed by the Articles of Association and, potentially, additional remuneration, the maximum amount of which shall be determined by the Ordinary General Meeting, with the approval of the Active Partner or, if there are several Active Partners, with their unanimous approval.

The gross annual remuneration of the Executive Chairman (or, where there is more than one, of each Executive Chairman) for the year shall not be more than 0.20% of the Company's consolidated income before tax for the previous financial year.

However, if there are more than two Executive Chairmen, the combined total gross annual remuneration of all Executive Chairmen shall not be more than 0.40% of the Company's consolidated income before tax for the previous financial year.

Within the maximum amounts set forth herein, the Management Board of the Active Partner Émile Hermès SARL shall determine the effective amount of the annual remuneration of the Executive Chairman (or, where there is more than one, of each Executive Chairman).

> Details on the remuneration of the Executive Chairmen is presented in the Executive Management's Report on corporate governance (pages 48 to 51).

18 - SUPERVISORY BOARD

> The composition of the Supervisory Board is described in the report from the Chairman of the Supervisory Board (page 20).

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

> In their decision of 23 March 2010, the Active Partners increased the number of Supervisory Board members from nine to ten.

Supervisory Board members may be natural persons or legal entities.

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

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

18.2 - Supervisory Board members are appointed or reappointed by the Ordinary General Meeting of Shareholders. The Active Partners may, at any time, propose that one or more new Supervisory Board members be nominated.

Supervisory Board members are appointed for a term of three years. As an exception to this rule, in order to ensure that one-third of the Supervisory Board members will stand for re-election each year, the General Meeting may decide to appoint one or more Board members for one or two years, and who may be designated by drawing lots, as necessary.

> The General Meeting of 2 June 2009 approved a provision calling for one-third of Supervisory Board members to stand for re-election each year.

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

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

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

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

19 - DELIBERATIONS OF THE SUPERVISORY BOARD

> The conditions for preparation and organisation of the Supervisory Board's work are described in the report from the Chairman of the Supervisory Board (page 20).

19.1 - The Supervisory Board elects a Chairman, who is a natural person, and two Vice-Chairmen, from among its members.
It appoints a secretary who may be but is not required to be a Supervisory Board member.
If the Chairman is absent, the older of the two Vice-Chairman acts as Chairman.
19.2 - The Supervisory Board meets when convened by its Chairman or by the Executive Management, whenever required for the Company's best interest but no less than twice per year, at the Company's registered office or at any other place specified in the notice of meeting.
Notices are served by any means providing legally valid proof in business matters, at least seven business days before the meeting. This period of time may be shortened by unanimous consent of the Chairman or a Vice-Chairman of the Supervisory Board, the Active Partners and the Executive Management.
Any member of the Supervisory Board may give a proxy to one of his colleagues to represent him at a Board meeting, by any means providing legally valid proof in business matters. Each member may hold only one proxy during a given meeting. These provisions are applicable to the permanent representative of a legal entity that is a member of the Supervisory Board.
The Supervisory Board is duly convened only if a quorum consisting of at least half of its members is present or represented.
Resolutions are adopted by a majority of the votes of members present or represented. However, the Supervisory Board must approve or reject any proposed new wording of certain clauses of the Articles of Association of Émile Hermès SARL by a three-quarters majority of members present or represented, in accordance with the stipulations of the article entitled "Responsibilities and Powers of the Active Partners".
Supervisory Board members who participate in the meeting by videoconferencing or telecommunications means that enable them to be identified and effectively to participate in the meeting through the use of technology providing for continuous and simultaneous transmission of discussions are deemed to be present for purposes of calculating the quorum and majority, except at Supervisory Board meetings convened for the review and verification of the Annual Report and consolidated and parent company financial statements. The Supervisory Board defines the conditions and procedures for using videoconferencing or other telecommunications means when applicable.
The Executive Management must be convened to Supervisory Board meetings and may attend such meetings, but it does not have the right to participate in the discussion and to vote.
19.3 - The deliberations of the Supervisory Board are recorded in minutes, which are entered in a special initialled register and signed by the Chairman and the secretary.

20 - POWERS OF THE SUPERVISORY BOARD

20.1 - The Supervisory Board exercises ongoing control over the Company's management.
For this purpose, it has the same powers as the Statutory Auditors and receives the same documents as the Statutory Auditors, at the same time as the Statutory Auditors. In addition, the Executive Management must submit a detailed report to the Supervisory Board on the Company's operations at least once a year.
20.2 - The Supervisory Board submits to the Active Partners for their consideration its considered recommendation:
- on the nomination 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 2009 is presented on page 209.

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

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

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

21 - JOINT COUNCIL OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD OF THE ACTIVE PARTNER

21.1 - The Executive Management of the Company or the Chairman of the Company's Supervisory Board shall convene a joint council meeting of the Supervisory Board and of the active partners; for purposes of this council, Émile Hermès SARL is represented by its Management Board.

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

21.2 - The joint council meets at the place indicated in the notice of meeting. It is chaired by the Chairman of the Company's Supervisory Board, or, in his absence, by one of the Vice-Chairmen of the Company's Supervisory Board, or, in their absence, by the oldest Supervisory Board member present. The Executive Chairman or, if the Executive Chairman is a legal entity, its legal representative or representatives, are convened to meetings of the joint council.

21.3 - The joint council has knowledge of all matters that it addresses or that are submitted thereto by the party who convened the conference, but does not, in the decision-making process, have the right to act as a substitute for those bodies to which such powers are ascribed by law or by the Articles of Association of the Company and of the Active Partner that is a legal entity.

At their discretion, the Supervisory Board and Active Partners may make all decisions or issue all recommendations within their jurisdiction in a joint council meeting.

22 - REMUNERATION OF THE SUPERVISORY BOARD

Supervisory Board members may receive, as Director's fees, annual compensation, the amount of which is determined by the Ordinary General Meeting of Shareholders and shall remained unchanged until such time as a new resolution is adopted by the Meeting.

The Board apportions Directors' fees among its members as it sees fit.

23 - STATUTORY AUDITORS

The Company's financial statements are audited by one or more Statutory Auditors, under the terms and conditions provided by law.

24 - GENERAL MEETINGS OF SHAREHOLDERS

24.1 - General meetings are convened under the conditions set by law.

They are held at the registered office or at any other place specified in the notice of meeting.

24.2 - The right to participate in General Meetings is subordinated to registered shares being entered in the Company's register or bearer shares being registered in a securities account opened with an authorised financial intermediary, no later than three business days before the date of the meeting before 12:00 a.m., Paris time.

Shareholders owning bearer shares must obtain an admittance certificate from the authorised financial intermediary evidencing the registration of their shares, which is attached to the postal vote or proxy form.

Shareholders may vote by mail or by proxy; postal vote and proxy forms must be received by the Company no later than three days before the date of the meeting.

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.

> A proposal to amend Article 24.2 of the Articles of Association as set out in the section entitled 'Reasons for proposed resolutions on page 207 has been submitted to the General Meeting for approval.

24.3 - LGeneral 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 - FINANCIAL YEAR

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 Meting, on the Supervisory Board's recommendation

On the Supervisory Board's recommendation, the General Meeting may grant to each Shareholder an option to receive payment for all or part of the dividend or interim dividend in cash or in shares, under the conditions set by law.

On the Supervisory Board's recommendation, the General Meeting may decide to draw from the balance of profits reverting to the Shareholders the sums it deems appropriate to be allocated to Shareholders' retained earnings or to be appropriated to one or more extraordinary, general or special reserve funds, which do not bear interest, and to which the Active Partners as such have no rights.

On the unanimous recommendation of the Active Partners, the reserve fund or funds may, subject to approval by the Ordinary General Meeting, be distributed to the Shareholders or allocated to the partial or total amortisation of the shares. Fully amortised shares shall be replaced by entitlement shares with the same rights as the former shares, with the exception of the right to reimbursement of capital.

The reserve fund or funds may also be incorporated into the share capital.

Dividends are payable at the times and places determined by the Executive Management within a maximum of nine months from the end of the financial year, unless this time period is extended by a court of law.

27 - DISSOLUTION OF THE COMPANY

At the end of the Company's lifetime or in the event of early dissolution, the General Meeting decides on the winding-up procedure and appoints one or several liquidators, whose powers are defined by the Meeting and who carry out their responsibilities in accordance with the applicable laws.

Any liquidation proceeds (*boni de liquidation*) shall be distributed amongst the Shareholders.

Persons Responsible

PERSONS RESPONSIBLE FOR INFORMATION CONTAINED IN THE SHELF-REGISTRATION DOCUMENT

Mr Patrick Thomas, Executive Chairman.

Émile Hermès SARL, 23, rue Boissy-d'Anglas,
75008 Paris, Executive Chairman.

DECLARATION BY PERSONS RESPONSIBLE FOR THE SHELF-REGISTRATION DOCUMENT

To the best of our knowledge, having taken all reasonable measures to ensure that such is the case, we hereby certify that the information contained in this shelf-registration document is in accordance with the facts and contains no omission likely to affect its import.

To the best of our knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a fair view of the assets, liabilities and financial position and profit or loss of the Company and all the undertakings included in the consolidation, and that the Management Report presents a fair view of the development and performance of the Company's business operations, results and financial position and all the undertakings included in the consolidation, as well as a description of the main risks and uncertainties to which they are exposed.

We have received a letter from the Statutory Auditors certifying that they have audited the financial and accounting information provided in this Shelf-Registration Document and that they have read the document in its entirety.

In their report on the consolidated financial statements for the year ended 31 December 2009, the Statutory Auditors have drawn our attention to Note 1 of the Notes to the consolidated financial statements on the changes in accounting method resulting from the standards, amendments and interpretations applied by the Company.

Paris, 12 April 2010
The Executive Management

Patrick Thomas

Bertrand Puech
Representing Émile Hermès SARL

Auditors

STATUTORY AUDITORS

Deloitte & Associés
185, avenue Charles-de-Gaulle
92200 Neuilly-sur-Seine
Represented by Mr M. David Dupont-Noel
First appointed at the Annual General Meeting of 20 December 1982.
Term of appointment expires at the Annual General Meeting convened to approve the 2010 accounts.
Member, Compagnie Régionale des Commissaires aux Comptes de Versailles.

Didier Kling & Associés
41, avenue de Friedland
75008 Paris
Represented by Mr Didier Kling and Mr Bernard Roussel
First appointed at the Annual General Meeting of 31 May 1999.
Term of appointment expires at the Annual General Meeting convened to approve the 2010 accounts.
Member, Compagnie Régionale des Commissaires aux Comptes de Paris.

ALTERNATE AUDITORS

BEAS
7/9, villa Houssay
92524 Neuilly-sur-Seine
First appointed at the Annual General Meeting of 2 June 2005.
Term of appointment expires at the Annual General Meeting convened to approve the 2010 accounts.

Mrs Dominique Mahias
41, avenue de Friedland
75008 Paris
First appointed at the Annual General Meeting of 5 June 2007.
Term of appointment expires at the Annual General Meeting convened to approve the 2010 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 No. 809-2004 of 29 April 2004, this shelf-registration document incorporates by reference the following information, to which the reader is invited to refer:

– for the year ended 31 December 2007: consolidated financial statements, parent company financial statements and Statutory Auditors' Reports thereon, presented in the Shelf-Registration Document filed with the AMF on 14 April 2008 under reference number R08-023, on pages 91-149, 151-173, 185 and 186, respectively.

– for the year ended 31 December 2008: consolidated financial statements, parent company financial statements and Statutory Auditors' Reports thereon, presented in the Shelf-Registration Document filed with the AMF on 9 April 2009 under reference number D09-0218, on pages 109-168, 171-195, 207 and 208, respectively.

All other information incorporated into this shelf-registration document in addition to the information described above has been replaced or updated by the information contained herein. Copies of this Shelf-Registration Document are available as described in Volume 1, page 102, under the section entitled "Shareholder's Guide".

Table de concordance

The following table cross-references this document with the main headings required under EC regulation 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".

Reconciliation with Management Report

(Articles L 225-100 et seq., L 232-I, II. and R 225-102)

Reconciliation with Annual Financial Report

(Article 222-3 of the AMF General Regulation)

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