

HERMÈS

SHAREHOLDER'S GLOSSARY

Active Partners

See *Partnership Limited by Shares*

Afep-Medef Code

Corporate governance code of publicly-traded companies established by the *Association française des entreprises privées* (Afep) and the *Mouvement des entreprises de France* (Medef). This code compiles and puts into perspective all the principles of efficient running and transparency of publicly-traded companies.

Articles of Association

The Articles of Association are a deed of incorporation of a company which define its characteristics and the rules governing its operation. An amendment of the by-laws requires the agreement of all the active partners and a vote by an extraordinary general meeting.

Autorité des marchés financiers (French financial markets regulator)

Financial markets authority regulating French financial market players and products. The authority regulates, authorises, monitors and, when necessary, audits, investigates and imposes sanctions. It also ensures that investors are correctly informed and offers investor assistance, where necessary, via its mediation procedure.

The *Autorité des marchés financiers* (AMF) is an independent public authority responsible for:

- protection of savings invested in financial products,
- investor information,
- proper financial market operation.

"Epargne Info Service" is available to answer your questions about savings products, the stock market or the AMF's role on +33 (0)1 53 45 62 00 (price of a local call) or <http://www.amf-france.org/Epargne-Info-Service>

Bearer Share

When shares are in bearer form (the most common), the custodian is a financial intermediary (bank or stock market firm). This intermediary is the only entity to know the individual shareholder's identity, so the issuing company does not know the name of the holders of these shares.

Buyback

After consulting its shareholders at a general meeting and obtaining their consent, a company may purchase its own shares, on the stock market, within the limit of 10% of its capital. Shares thus purchased may then be held, sold, transferred or cancelled.

Capital gain

The profit made on the sale or disposal of a security. It is equal to the positive difference between the sale price and the purchase or subscription price.

Capital increase

Operation conducted to increase the company's equity capital. A capital increase is either done by increasing the par value of existing shares, or by creating new shares proceeding from subscriptions in cash, contributions in kind or profits, reserves or issue of share premiums incorporated into the capital. Capital increases may be carried out with or without subscription rights. They may enable new shareholders to hold a part of the company's capital. They must be previously approved by an extraordinary general meeting.

Congress

Whenever it considers it necessary, the management of Hermès International or the Chairman of the Supervisory Board of Hermès International calls a Congress between the Management Board of Émile Hermès Sarl and the Supervisory Board of Hermès International.

The Congress is an institution designed to enable extensive consultation between the Management Board of the Active Partner, an internal body needing to have knowledge of the main aspects of Hermès International's management, and the Supervisory Board, an emanation of the shareholders.

The Congress hears all questions that are submitted to it by the person calling it or which it decides to examine, without however being able to make decisions in place of the bodies to which such powers are granted by law or the by-laws of the company and those of Émile Hermès Sarl.

The Congress of the Management Board and the Supervisory Board does not, itself, have any decision-making powers. It acts solely as a consultation body. If they so wish, at a Congress meeting, the Management Board and the Supervisory Board may make any decision or give any opinion within their sphere of competence.

Consensus

This is the mean value of forecasts made by analysts.

Corporate/company capital

Portion of equity capital contributed by shareholders when the company is established or upon a subsequent capital increase.

Corporate governance

Corporate governance:

- covers certain principles of efficient operation and transparency to improve a company's management and meet demands from investors and the public,
- concerns all the responsibilities, processes and practices designed to define the company's general management and strategic actions, to ensure that risks are correctly managed and that goals are achieved,
- covers all the different bodies (Supervisory Council and its specialised committees, Executive Committee, etc.) put in place to oversee the management of a publicly-traded company.

Currency effects

Currency effects recorded in the income statement during a year reflect fluctuations in the average foreign exchange rate between the Euro and another currency in which subsidiaries in the group's scope of consolidation do business.

Dividends

Portion of the company's profits, retained earnings or reserves that the general meeting, on a recommendation by the Supervisory Board, decides to distribute to the shareholders. The dividend represents the share earnings, and its amount varies each year depending on the company's results and the policy it adopts.

Double voting right

The double voting right departs from the legal principle that the number of votes attaching to shares must be proportional to the share of capital they represent (principle of "one share one vote). A double voting right is granted:

- to any Hermès International registered share fully paid up for which evidence can be furnished of a book entry held in the name of a given shareholder for at least four years. It is effective as of the first meeting held after the fourth anniversary of the date of the said book entry; and

- to any Hermès International registered share allocated as a bonus share to a shareholder, in the event of a capital increase by incorporation of amounts entered in issue premium, reserve or retained earnings accounts, based on old shares carrying a double voting right.

The double voting right automatically ceases to exist in the conditions stipulated by law.

Effects of changes of scope

Effects of changes of scope occurring during a given year reflect acquisitions, disposals and changes in the group's scope of consolidation.

Extraordinary dividend

This is a dividend of an exceptionally high amount compared to the dividend ordinarily paid and which is not therefore recurrent. It may complete or replace the ordinary dividend.

Financial intermediary

A professional (stock market company, bank or online broker) who acts as an intermediary between instructing parties (buyers, sellers) and the market.

Floating stock

Fraction of a company's capital held by the public.

General Meeting

The General Meeting is a decision-making body comprising all the shareholders (limited partners).

Except for the appointment and dismissal of members of the Supervisory Board, the appointment and dismissal of statutory auditors, the allocation of profits for the year and the approval of agreements subject to authorisation, no decision may be validly made by the general meetings unless it is approved by the active partners at the latest by the end of the meeting that voted on the decision in question.

Hermès family group

The Hermès family group consists of the partners of Émile Hermès Sarl, their spouses, children and grandchildren, and their direct and indirect holding companies of Hermès International and Émile Hermès Sarl. The right to be a partner in Émile Hermès Sarl is reserved for the descendants of Mr. Émile-Maurice Hermès and his wife, and their spouses, but solely as beneficial holders of shares.

Interim Dividend

Advance payment of a fraction of the future dividend.

Institutional investors

Financial institutions (pension funds, insurance companies, banks, sovereign funds, etc.) investing money in securities.

ISIN Code

In June 2003, France decided to drop the French system known as the Sicovam code, to adopt the international standard called the ISIN (International Securities Identification Numbers). ISIN codification is based on the principle of a unique internal code per security. It is an alphanumeric code consisting of 12 characters (the first two letters identify the country in which the security was issued; the five figures of the former Sicovam code are re-used). The ISIN of Hermès International is FR 0000052292 RMS.

Limited Partners *See Partnership Limited by Shares*

Liquidity

For a given security, this corresponds to the ratio between the volume of shares traded on the market and the number of shares comprising the floating stock. A security or a market is said to be "liquid" when buy or sell transactions can be completed without causing any excessive variations compared to the last trading price.

Management's declaration (upon disposal of securities)

A statement that the management or any other person who holds, within the issuer, the power to make management decisions concerning its development and strategy, and who has access to inside information, as well as persons closely linked to them, are required to make to the AMF when they buy or sell company shares. This declaration, which must be made within five trading days of the transaction in question, contains, *inter alia*, the number of shares bought or sold and the unit price and amount of the transaction.

Management Report

Information document required by the French Commercial Code (*Code de commerce*) whereby the corporate officers and management bodies of a company report to the governing body on their management over the past year, and provide all significant information about the issuer and its future prospects. It is prepared by the same bodies as the ones that approve the annual financial statements. Companies preparing consolidated financial statements must also provide information about the management of the group. This document is included in the registration document.

Managing Director

The role of the Managing Director consists in running the group and acting in the general interests of the company, within the limits of its corporate object and in compliance with the powers granted by law to the Supervisory Board and general meetings of shareholders.

Market capitalisation

This is the market value of a company at a given time. It is calculated by multiplying the stock market price by the number of shares comprising the capital.

Net income/(loss)

A company's net income is the balance between all of its income and all of its expenses over a given period. It reflects what the company has earned or lost through its business activities over that period.

Net profit

Positive income statement (P+L) balance.

Net profit/earnings per share

This is a calculation done for stock market analysis obtained by dividing the company's net profit by the number of shares comprising the capital.

Operating income

The difference between the turnover and the costs incurred to manufacture, distribute and sell products as well as depreciation on the company's investments. It is an indicator of the company's capacity to secure the margin it needs for its operation and development.

Organic growth

Organic growth is the change in an indicator compared to the previous year, excluding effects due to a change of scope, foreign exchange or changes to accounting methods.

Pay-out ratio

Percentage of the net profit paid to shareholders as a dividend.

PER (Price Earning Ratio)

An indicator that measures the ratio between the stock market price and the net earnings per share. Also named earnings multiples, this indicator is used to compare different securities.

Postal vote

A shareholder may vote by postal vote using a form provided or by internet (refer to the corresponding notice of meeting).

Quorum

Minimum percentage of shares present or represented and carrying voting rights, required for a general meeting to validly proceed.

Reference Document

An information document about an issuer containing all the legal, economic and accounting information presenting a company for a given year. While this document is optional, most large publicly-traded companies do draft a registration document.

Registered Share

When shares are registered shares, the custodian is the company itself or an agent appointed by the issuing company to keep its registered share accounts. For Hermès International, this agent is BNP Paribas Securities Services (BP2S). Holders of registered shares are known by name by the issuing company. They may either manage their shares themselves, in which case they are described as "pure" registered shareholders, or appoint an agent of their choosing to manage their account held with the issuing company, in which case they are described as "administered" registered shareholders.

Road show

A series of presentations given in France and abroad by the heads of a company to present its business and results to analysts and investors.

Share

A marketable security issued by a listed (publicly-traded) or unlisted incorporated company, representing the unit value of the company's capital and granting the holder shareholder status. This share carries rights to disclosure of information and the right to vote at general meetings, as well as financial rights (right to dividends, subscription right). A share may be a bearer share or a registered share.

Shareholders' equity

Capital belonging to the shareholders comprising equity subscriptions, profits left in reserves and income for the period.

Shareholding certificate

Document provided by the financial intermediary proving that a holder of bearer shares is a shareholder. This document enables the shareholder to take part in general meetings.

Société en commandite par actions (SCA) (Partnership limited by shares)

A company whose capital is divided into shares comprising one or more active partners having status as merchant and who have unlimited joint and several liability for the company's debts, and limited partners (or shareholders) who are not merchants and are only liable for the company's debts in proportion to their investment.

Supervisory Board

The company has a Supervisory Board (*Conseil de surveillance*), comprising between three and fifteen members (in addition to members representing the staff) who are appointed for term of three years from among shareholders that do not have status as active partner, legal representative of the active partner or manager.

The powers and competence of the Supervisory Board are defined in article 18 of the by-laws.

TPI (titre au porteur identifié) (identified bearer security)

In order to know all or part of its holders of bearer shares at a given time, a publicly-traded company may ask the company Euroclear France to carry out a survey among the financial intermediaries.

Treasury shares

A share that a company holds in its own capital. Treasury shares do not carry any voting rights and do not grant entitlement to dividends.

Turnover/Sales figure/Revenues

The turnover (also called the sales figure/revenues) is the total amount of sales of goods and services made by the company, over a given period, in the normal course of business.

Volatility

Extent of variation of a security, fund, market or index over a given period

Vote by proxy

A shareholder may be represented by any other natural or legal person of his choosing. The proxy and, where applicable, its revocation are prepared in writing and communicated to the company on a form provided for this purpose or by internet (refer to the corresponding notice of meeting).

Voting right

A voting right attached to a share is exercised at the company's general meetings and enables shareholders to take part in the company's principal decisions. A share may carry a single or a double voting right, or no voting right at all, but only shareholders may hold voting rights.

Written question

Any shareholder may ask the Management questions in writing. They must be sent in the manner defined in the notice of meeting (to the company's head office, by recorded delivery letter with acknowledgement of receipt, at the latest by the fourth working day prior to the date of the general meeting) together with a shareholding certificate.

The question will be answered during the meeting or on the company's website in a Question & Answer section. Several questions may be given a common answer when their content is the same.

Yield

Ratio of the dividend to the share price.

This glossary contains the most frequently used terms. The definitions are provided for information only and do not purport to be exhaustive. On no account shall this glossary be interpreted as replacing rules in force (legislation, regulations, by-laws, etc.), or documents and communications issued by the company (notice of meeting, registration document, financial disclosure, etc.).