HERMÈS

2012 ANNUAL REPORT
EXTRACTS FROM THE SHELF-REGISTRATION DOCUMENT

The page numbers referenced hereinafter refer to Volume 2 of the 2012 annual report.

We invite you to approve all of the resolutions proposed to you, which are presented below.

I – ORDINARY BUSINESS

Approval of the financial statements and discharge of Executive Management

In the first, second and third resolutions, we ask that you duly note the amount of expenses and charges covered by Article 39-4 of the *Code Général des Impôts*, which totalled €179,148; that you approve the parent company financial statements and consolidated financial statements for the year ended 31 December 2012 as they have been presented to you; and that you grant final discharge to the Executive Management for its management of the Company for the said financial year.

Appropriation of net income – Dividend distribution

In the 4th resolution, we submit to you for approval the appropriation of net income for the year, in the amount of €542,857,816.42. Of this amount, €259,308 is to be appropriated to the reserve for purchasing original works of art and, pursuant to the articles of association, €3,637,147.37 is to be distributed to the Active Partner.
The Supervisory Board recommends that you fix the dividend at €2.50 per share. This represents an increase of 25% in the dividend relative to the previous year.
In accordance with Article 243 bis of the *Code Général des Impôts*, this dividend entitles shareholders who are natural persons and liable for income tax in France to a 40% tax allowance, as provided by Article 158-3 of the *Code Général des Impôts*.
After the interim dividend of €1.50 per share paid on 1 March 2013, the remainder of the dividend for the year, which amounts to €1.00 per share, will be detached from the shares on 6 June 2013 and be payable in cash on 11 June 2013 based on closing positions on the evening of 10 June 2013. As Hermès International is not entitled to receive dividends for shares held in treasury, the corresponding sums will be transferred to retained earnings on the date the dividend becomes payable.
The gross dividend per share paid in respect of each of the three previous financial years is as follows:

In euros

Financial year	2009	2010	2011
Ordinary dividend	1.05	1.50	2.00
Exceptional dividend	–	–	5.00
Amount eligible for tax allowance pursuant to Article 158-3 of the *Code General des Impôts*	40 %	40 %	40 %

We note that the five-year summary of the Company's financial data required under Article R225-102 of the *Code de Commerce* is presented on page 239.

Related-party agreements and commitments

In the 5th resolution, we ask that you formally note the related-party agreements and commitments covered by Articles L 226-10 and L 225-38 to L 225-40 of the *Code de Commerce*, which are described in the Statutory Auditors' special report on pages 256 to 259.
The new agreements, the only ones submitted for a vote by the meeting, involve:
– the granting by Hermès International of sureties and guarantees to certain of its subsidiaries;
– the signing or modification of a brand licence granted by Hermès International to certain of its subsidiaries;

– the modification of the services provided by the Hermès International departments to the active partner;
– the acquisition by Hermès International of brands previously exploited by one of its subsidiaries.

Re-election of Supervisory Board members

The terms of office of four Supervisory Board members (Mrs Julie Guerrand and Mrs Florence Woerth as well as Mr Charles-Éric Bauer and Mr Ernest-Antoine Seillière) will be coming to an end at the closing of the present meeting. Mr Ernest- Antoine Seillière does not wish to put forward his name again.

In the 6th, 7th and 8th resolutions, the Active Partner proposes that you renew the terms of office of three of the four Supervisory Board members that are coming to an end, for the statutory term of three years:
– Mrs Julie Guerrand;
– Mrs Florence Woerth;
– Mr Charles-Éric Bauer.

Information on the persons whose re-election is submitted to your approval is provided on page 249.

Appointment of new Supervisory Board member

In the 9th resolution, the Active Partner proposes that you appoint Mrs Dominique Senequier as Supervisory Board member for the statutory term of three years to replace Mr Ernest-Antoine Seillière who did not wish to put forward his name once again. This term of office will therefore expire at the end of the General Meeting called in 2016 in order to vote on the financial statements for the financial year ending on 31 December 2015. The information regarding the person whose appointment is submitted for your approval can be found on pages 249 and 250.

Supervisory board fees and remunerations

In the 10th resolution, you are asked to set the amount of the directors' fees and compensation of the Supervisory board at €480,000 in order to account for the appointment of a new Supervisory board member in 2012 and in anticipation of the desired evolution of the Board's composition as presented in the Chairman's report on page 16. The distribution principles adopted by the Supervisory board, recalled in the rules of procedure shown on page 37, would remain unchanged. This amount would be valid for each financial year beginning as the 1 January 2013, and remain in effect until decided otherwise.

Grant of authority to the Executive Management - Share buyback programme

In the 11th resolution, you are asked to renew the authorisation granted to the Executive Management to trade in the Company's own shares, under the conditions stipulated therein, more specifically:
– purchases and sales of shares representing up to 10% of the share capital would be authorised;
– the maximum purchase price (excluding costs) would be €400 per share. The maximum amount of funds to be committed would be €800 million, in accordance with Article L 225-210 of the *Code de Commerce*. This authorisation would be valid for eighteen months from the date of the General Meeting.

II – EXTRAORDINARY BUSINESS

Grants of authority to the Executive Management - Cancellation of shares

In the 13th resolution, you are asked to renew the authorisation granted to the Executive Management to cancel some or all of the shares purchased by the Company on the stock market under the

share buyback programme, on one or more occasions, up to a maximum of 10% of the share capital. This authorisation would enable the Company to cancel shares issued to cover stock options that are no longer exercisable or that have expired.
This authorisation would be valid for twenty-four months from the date of the General Meeting.

Executive Management authorisations – Capital increases (general case)

In the 14th, 15th and 16th resolutions, you are asked to renew a certain number of resolutions intended to provide the Executive Management with a series of authorisations that will allow it, as relevant, to carry out various financial operations resulting in an increase of your company's capital, with or without a pre-emptive subscription right. As authorised by law, these resolutions are intended to provide the Executive Management with the flexibility needed to act in the best interests of your company, under the control of the company's Supervisory board and of the Management board of the Émile Hermès SARL company, the active partner. The diversity of financial products and the rapid evolution of the markets make it necessary to have the greatest possible flexibility in order to choose the issue provisions that are most favourable for the company and its shareholders, in order to be able to quickly carry out operations on the basis of opportunities that may present themselves.
As such, in all circumstances, both in France and abroad, the Executive Management will be able to carry out the issue of company shares and of marketable securities of any type that would provide access, immediately and/or in the future, to company shares, within the limit of the ceiling defined below. In compliance with article L 233-32 of the *Code du commerce*, these authorisations will be suspended during any public offering period, except if they are part of the normal conduct of the company's business, and if their implementation is not likely to result in the failure of the offering.
The amount of the increases of the issued capital likely to be performed immediately and/or in the future cannot exceed 20% of the issued capital on the meeting date (individual ceiling for the 14th resolution and common ceiling for the 15th, 16th and 17th resolutions); where applicable, this ceiling will be increased by the nominal amount of the additional shares having to be issued in order to maintain, pursuant to the law, the rights of the holders of marketable securities providing rights to these shares. Similarly, the nominal amounts of the debt instruments that could be issued pursuant to the aforesaid authorisation cannot be greater than 20% of the issued capital. These issues can include either the continuation of the shareholders' pre-emptive subscription right (15th resolution), or the cancellation of the shareholders' pre-emptive subscription right (16th resolution). You are asked to cancel the pre-emptive subscription right in order to make it possible, by accelerating the investment process involving these issues, to increase the chances of their successful completion. We nevertheless inform you that in all cases of issues without a pre-emptive right:
– the Executive Management can provide the shareholders with a priority for subscription for the shares;
– the sum obtained or that will be obtained by the company for each of the shares that will be issued, after taking into account, for the issue of stand-alone warrants, the issue price of the said warrants, will in any event be at least equal to the weighted average of the share prices during the last three Stock market sessions preceding the start of the issue of the marketable securities, possibly decreased by a maximum discount of 5% in compliance with the applicable regulations. You

are also asked to renew the usual authorisation that allows the company to increase the capital through capitalisation of the reserves (14th resolution).

Executive Management authorisations – Capital increase in favour of members of a company savings plan with cancellation of the pre-emptive subscription right

In the 17th resolution, we ask you to delegate to the Executive Management all powers to carry out, under the control of the company's Supervisory board and of the Management board of the Émile Hermès SARL company, active partner, a capital increase reserved for the employees and corporate officers under the conditions indicated in article L 225-180 of the *Code du commerce*, provided that these employees are members of a company or group savings plan. The maximum number of ordinary shares that can be issued pursuant to the present authorisation cannot exceed 1% of the number of the company's ordinary shares at the time of the decision to proceed with the capital increase.

Grants of authority to the Executive Management - Share purchase options

In the 18th resolution, we ask that you renew the authorisation to Executive Management to grant options to purchase shares to employees and corporate officers of the Company and its subsidiaries, so as to continue the Group's policy of giving employees a stake in the Group's growth.

The total number of options that may be granted and that have not yet been exercised and the total number of free shares granted under the terms of the 19th resolution shall not represent more than 2% of the total number of ordinary shares description of proposed resolutions outstanding on the date on which the options to purchase shares would be granted, not including those options granted under the terms of previous authorisations.

The purchase price of the shares would be fixed by the Executive Management within the limitations and in accordance with the terms and conditions stipulated by law.

Given currently applicable regulations, the purchase price will be equal to 100% of the average of opening share prices during the twenty trading days preceding the day on which the options would be granted, without being less than 80% of the average purchase price of the shares held by the company, notably acquired through the share buyback programme. This price would not be subject to change during the exercise period of the options unless the Company were to enter into the financial transactions covered by Article L 225-181 of the *Code de Commerce*. In this case, the Executive Management would adjust the number of shares and the price in accordance with the applicable statutory provisions.

The options would be exercisable within a maximum term of seven years from the option grant date.

In accordance with the statutory provisions, in the event of a grant of share purchase options to an Executive Chairman, the Company would ensure that it would either:

– also grant such options to all of the Company's employees and to at least 90% of the employees of its French subsidiaries; or

– distribute free shares to the aforesaid employees; or

– enhance the terms of employee incentive and/ or profit-sharing schemes of the Company and its subsidiaries (or institute such schemes, where applicable).

Furthermore, in accordance with the AFEP/ MEDEF Code of Corporate Governance applied by the Company, any options granted to the Executive Management would be contingent upon meeting performance criteria defined at the time of the grant.

This authorisation would be valid for thirty-eight months from the date of the General Meeting.

Grants of authority to the Executive Management - Free share distribution

In the 19th resolution, we ask that you renew the authorisation to the Executive Management to grant ordinary shares in the Company for no consideration.

The total number of shares granted for no consideration and the total number of share purchase options granted pursuant to the 18th resolution and not yet exercised shall not represent more than 2% of the total number of ordinary shares outstanding on the free share allotment date, not including those options granted under the terms of previous authorisations.

The vesting period for the shares granted shall not be less than two years, plus a holding period by the beneficiaries of no less than two years, except in the special cases set out in the resolution.

As in the case of options to purchase shares, in accordance with the new statutory provisions, in the event of a free share distribution to the Executive Management, the Company would either:

– grant free shares to all of the Company's employees and to at least 90% of the employees of its French subsidiaries;

– grant options to purchase shares to the aforesaid employees; or

– enhance the terms of employee incentive and/or profit-sharing schemes of the Company and its subsidiaries (or institute such schemes, where applicable).

Furthermore, in accordance with the AFEP/MEDEF Code of Corporate Governance applied by the Company, any free shares granted to the Executive Management would be contingent upon meeting performance criteria defined at the time of the grant.

This authorisation would be valid for thirty-eight months from the date of the General Meeting.

Modification of the articles of association to allow the temporary appointment, by the active partner, of a third manager

In the 20th resolution, we ask you to modify article 15.1 of the articles of association in order to allow the active partner to temporarily appoint a third manager. Indeed, as announced during the Combined General Meeting on 29 May 2012, the active partner of Hermès International will, in June 2013, appoint Mr Axel Dumas as co-manager of Hermès International alongside Mr Patrick Thomas. This triple management is only intended to prepare the succession of Mr Patrick Thomas and is not intended to last; for this reason, it will only be a temporary measure.

Mr Axel Dumas, 43 years of age, is a sixth-generation member of the Hermès family and current general manager of operations for Hermès International.

With the transition implemented, Mr Patrick Thomas will decide on his departure date.

The appointment of a third manager does not modify article 17 of the articles of association, which states that "if there are more than two managers, the sum of the gross annual statutory compensation of all of the managers cannot be more than 0.40% of the company's consolidated pre-tax earnings from the previous financial year".