



**HALF-YEAR REVIEW OF OPERATIONS
JUNE 2012**

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This document is a free translation into English of the "Rapport semestriel d'activité", 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.

Key figures

Key consolidated figures for the first half of 2012

	in millions of euros		
	30 June 2012	31 Dec. 2011	30 June 2011
Revenue	1,591.4	2,841.2	1,305.5
Recurring operating income	510.9	885.2	418.1
Operating income	510.9	885.2	418.1
Net income attributable to owners of the parent	335.1	594.3	290.9
Operating cash flows	392.5	722.8	328.9
Investments (excluding financial investments)	68.8	214.4	84.3
Shareholders' equity ⁽¹⁾	1,932.1	2,312.8	2,217.9
Net cash position	463.7	1,038.3	872.8
Restated net cash ⁽²⁾	459.0	1,044.2	939.3
Number of employees	9,526	9,081	8,729

(1) Corresponds to equity excluding non-controlling interests.

(2) Includes non-liquid financial investments and borrowings.

Half-year review of operations

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HIGHLIGHTS

The group's consolidated sales for the first half of 2012 totalled €1,591.4 million, up by 21.9% at current exchange rates (15.4% at constant exchange rates). The excellent performance registered during the first quarter persisted throughout the second. In the second quarter, sales grew by 21.9% at current exchange rates. Despite a particularly high comparison basis, sales were sustained both in the group's stores and in the wholesale activities.

On 15 May 2012, the Executive Management allocated 820,280 free shares, in compliance with the authorisations granted by the combined general Meeting of the shareholders on 30 May 2011.

There were no significant events that materially impacted Hermès Group's business and results during the period.

During the first half of 2012, the Hermès Group bought back 89,582 treasury shares for €21.0 million (excluding shares traded under the liquidity contract).

FIRST-HALF SALES

(AT CONSTANT EXCHANGE RATES, UNLESS OTHERWISE INDICATED)

In the first half of 2012, all geographical area contributed to the growth in business:

- Non-Japan Asia (+25%, led by China, Singapore and Hong Kong) and Japan (+3%);
- France (+10%) and the rest of Europe (+21%);
- the Americas (+9%), despite an exceptional basis of comparison in 2011 (+34%).

All business sectors are developing thanks to the excellence of the know-how and to the incessantly renewed creativity.

Sales of the Leather Goods and Saddlery division, in which investment in production capacity is continuing, are still rising (+10%).

The Clothing and Accessories division has registered strong growth (+21%) due to the success of the spring-summer ready-to-wear collections and fashion accessories.

The Silk and Textiles sector, with 15% growth, is benefiting from the richness of its collections.

Perfumes are continuing to forge ahead due to the success of *Terre d'Hermès* and the launching of new perfume *Voyage d'Hermès* in the first quarter of the year (+13%).

Watches benefitted from the continuous investment in know-how and showed strong growth (+23%).

Other sectors (Jewellery and Art of Living) had a quite remarkable first half of the year (+50%).

in millions of euros

	30 June 2012	30 June 2011	Evolutions published	Evolutions at constant exchange rates
France	255.8	232.2	10.2%	10.1%
Rest of Europe	306.4	249.3	22.9%	21.2%
Total Europe	562.2	481.5	16.8%	15.9%
Japan	246.9	215.2	14.7%	3.2%
Rest of Asia	506.8	375.6	34.9%	24.6%
Total Asia	753.7	590.9	27.6%	16.8%
Americas	248.8	212.2	17.3%	9.4%
Rest of the world	26.6	20.9	27.0%	26.6%
TOTAL	1,591.4	1,305.5	21.9%	15.4%

in millions of euros

	30 June 2012	30 June 2011	Evolutions published	Evolutions at constant exchange rates
Leather Goods and Saddlery ⁽¹⁾	739.5	630.1	17.4%	10.3%
Ready-to-Wear and Fashion Accessories ⁽²⁾	334.7	260.9	28.3%	21.1%
Silk and textiles	182.9	151.0	21.1%	14.6%
Other Hermès Sectors ⁽³⁾	69.5	44.1	57.6%	49.9%
Perfumes	89.5	78.8	13.7%	12.7%
Watches	77.8	59.3	31.2%	22.8%
Tableware	28.0	23.9	17.5%	14.1%
Other ⁽⁴⁾	69.4	57.5	20.7%	18.3%
TOTAL	1,591.4	1,305.5	21.9 %	15.4%

(1) Leather Goods and Saddlery includes bags, saddlery and riding gear, diaries and small leather goods.

(2) Ready-to-Wear and Fashion Accessories includes ready-to-wear, men and women, belts, jewellery accessories, gloves, hats and Hermès shoes.

(3) Other Hermès Sectors includes Jewellery and Art of Living products.

(4) Other products include John Lobb shoes as well as production activities realized for third parties (textile printing, perfumes, tanning etc.).

FIRST-HALF RESULTS

The gross margin rate reached 68.7%, close to the level reached in the first half of 2011.

Selling, marketing and administrative expenses amounted to €516.2 million in the first six months of 2012 compared with €435.4 million in the same year-ago period. They included €69.0 million of advertising and marketing expenses.

Other income and expense came to €66.2 million. This includes €48.1 million in depreciation charges, which increased due to the sustained investments and particularly to the number of new store openings and branch renovations over the past two years.

Operating income has increased by 22.2% to reach €510.9 million compared to €418.1 million in the first half of 2011. The operational profitability reached 32.1% of sales.

The financial result, that includes the financial income from cash investments as well as the exchange rate results, amounted to an expense of (€6.7 million) versus proceeds of €17.3 million in the first half of 2011. It notably included a gross capital gain of €29.5 million generated from the disposal of equity interest in the Jean-Paul Gaultier group.

Non-controlling interests totalled €5.3 million, compared with €4.4 million in the first half of 2011. After income tax expense of €164.1 million and net income from affiliated companies (proceeds of €0.4 million), the Group's consolidated net income came to €335.1 million compared with €290.9 million in the first half of 2011, 15.2% increase.

INVESTMENTS

During the first half of 2012, operating investments amounted to €63.4 million.

Hermès continued to expand its distribution network, with four branches opened or renovated.

	in millions of euros		
	30 June 2012	31 Dec. 2011	30 June 2011
Operating investments	63.4	185.2	56.8
Investments in financial assets	5.5	29.2	27.5
<i>Subtotal</i> (excluding financial investments)	68.8	214.4	84.3
Financial investments ⁽¹⁾	1.3	19.6	22.1
Total investments	70.2	234.0	106.4

(1) Financial investments are investments that do not meet the criteria for classification as cash equivalents, primarily because their maturity at inception is more than 3 months.

FINANCIAL POSITION

With an increase of 19.3%, the operating cash flow (€392.5 million) served to finance the working capital requirements (€182.7 million), all operating and financial investments (€68.8 million), and the share buybacks (€19.4 million, including transactions carried out within the framework of the liquidity contract).

After payment of the ordinary dividend (€208.1 million) and the distribution of an exceptional dividend (€520.5 million), the cash position was equal to €463.7 million as at 30 June 2012, versus €1,038.3 million at the end of 2011. Restated net cash (including non-current financial invest-

ments and borrowings) totalled €459.0 million as at 30 June 2012, compared with €1,044.2 million as at 31 December 2011.

Thanks to the improved earnings and after the dividends' distributions, the shareholders equity was equal to €1,932.1 million as at 30 June 2012, versus €2,312.8 million as at 31 December 2011.

SUBSEQUENT EVENTS

No significant event incurred as of 30 August 2012, date on which Executive Management approved the financial statements.

OUTLOOK FOR THE SECOND HALF

As a result of uncertainties related to the economic environment and the evolution of exchange rates, it is difficult to make forecasts for 2012.

However, given the sales generated in the first half of the year, the annual increase objective for the consolidated turnover at constant exchange rates could be around 12%. The recurring operating margin, expressed as a percentage of sales, should be somewhere between the 2010 figure and the all-time high reached in 2011.

In the second half of the year, Hermès will continue its strategy based on developing its distribution network, strengthening its production capacities and securing its supplies.

The theme for 2012, "Le temps devant soi" (The Gift of Time), highlights the excellence of our leather craftsmen, the exactness of our watchmakers, the virtuosity of our engravers, and the passion for quality of all of our artisans and creators. Without time, nothing lasting or beautiful could be created.

RISKS AND UNCERTAINTIES

The Hermès Group's results are exposed to the risks and uncertainties described in the 2011 Registration Document. The assessment of these risks did not change during the first half of 2012 and no new risk had been identified as of the date of publication of this report. The main risk remains exposure to currency fluctuations.

RELATED-PARTY TRANSACTIONS

During the first half 2012, the relationships between the Hermès Group and its affiliated companies were comparable to the relationships that existed in 2011. More specifically, no transaction unusual in its nature or amount was carried out during the period.

CHANGE IN CORPORATE GOVERNANCE

In order to totally comply with the AFEP/MEDEF corporate governance code, Mr. Patrick Thomas decided, on 16 July 2012, to immediately waive his employment contract that had been suspended as of right since September 2004, at the time of his appointment as the Chairman of Hermès International. Of course, he remains the Chairman of Hermès International.

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NOTE: the values shown in the tables are generally expressed in millions of euros. In certain cases, the effects of rounding up/down can lead to a slight discrepancy on the level of the totals or variations.

Consolidated statement of income for the first half of 2012

in millions of euros

	First half of 2012	Fiscal year 2011	First half of 2011
Revenue (Note 4)	1,591.4	2,841.2	1,305.5
Cost of sales	(498.0)	(886.4)	(404.4)
Gross profit	1,093.4	1,954.8	901.1
Selling, marketing and administrative expenses (Note 5)	(516.2)	(945.7)	(435.4)
Other income and expense (Note 6)	(66.2)	(123.9)	(47.6)
Recurring operating income (Note 4)	510.9	885.2	418.1
Other non-recurring income and expense	–	–	–
Operating income	510.9	885.2	418.1
Net financial income (Note 7)	(6.7)	12.4	17.3
Pre-tax income	504.2	897.7	435.4
Income tax expense (Note 8)	(164.1)	(289.8)	(134.8)
Net income from associates (Note 15)	0.4	(4.5)	(5.3)
CONSOLIDATED NET INCOME	340.5	603.4	295.3
Net income attributable to non-controlling interests (Note 21)	(5.3)	(9.2)	(4.4)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 4)	335.1	594.3	290.9
Earnings per share (in euros) (Note 9)	3.22	5.68	2.77
Diluted earnings per share (in euros) (Note 9)	3.20	5.66	2.76

Consolidated statement of other comprehensive income

in millions of euros

	First half of 2012	Fiscal year 2011	First half of 2011
Consolidated net income	340.5	603.4	295.3
Actuarial gains and losses (Note 20.4)	–	(3.0)	(0.7)
Foreign currency adjustments (Note 20.4)	11.0	24.4	(35.2)
Derivatives included in equity (Note 20.4)	14.2	(35.4)	36.6
Gain/(loss) on sale of treasury shares (Note 20.4)	1.5	(11.4)	1.1
Income tax relating to components of other comprehensive income (Note 20.4)	(5.6)	12.5	(13.2)
Comprehensive income	361.5	590.5	284.0
attributable to owners of the parent	355.7	581.3	280.5
attributable to non-controlling interests	5.8	9.2	3.5

Consolidated statement of financial position as at 30 June 2012

ASSET

	in millions of euros		
	30 June 2012	31 Dec. 2011	30 June 2011
Non-current assets	1,427.5	1,377.1	1,284.6
Goodwill (Note 10)	42.3	38.7	35.8
Intangible assets (Note 11)	96.0	96.7	97.1
Property, plant & equipment (Note 12)	888.8	869.4	762.2
Investment property (Note 13)	100.7	98.8	93.1
Financial assets (Note 14)	24.3	29.8	87.2
Investments in associates (Note 15)	13.8	12.9	9.9
Loans and deposits (Note 16)	36.9	35.0	24.9
Deferred tax assets (Note 8.2)	223.8	194.2	173.0
Other non-current assets (Note 18)	1.0	1.7	1.5
Current assets	1,537.9	1,871.3	1,688.8
Inventories and work-in-progress (Note 18)	660.5	534.5	512.5
Trade and other receivables (Note 18)	196.4	175.7	145.6
Current tax receivables (Note 18)	7.5	0.8	0.7
Other current assets (Note 18)	118.2	94.4	84.9
Fair value of financial instruments (Note 22)	20.1	17.7	48.0
Cash and cash equivalents (Note 19)	535.1	1,048.2	897.1
TOTAL ASSETS	2,965.4	3,248.4	2,973.4

EQUITY AND LIABILITIES

in millions of euros

	30 June 2012	31 Dec. 2011	30 June 2011
Equity	1,944.2	2,325.5	2,230.3
Share capital (Note 20)	53.8	53.8	53.8
Share premium	49.6	49.6	49.6
Treasury shares (Note 20)	(313.4)	(304.1)	(92.8)
Reserves	1,749.2	1,881.2	1,890.2
Foreign currency adjustments (Note 20.2)	77.6	67.1	8.4
Derivatives included in equity (Note 20.2)	(20.0)	(29.1)	17.7
Net income attributable to owners of the parent (Note 4)	335.1	594.3	290.9
Non-controlling interests (Note 21)	12.2	12.7	12.4
Non-current liabilities	160.0	147.6	137.0
Borrowings and debt	18.8	18.4	18.1
Provisions (Note 23)	16.2	14.5	7.7
Post-employment and other employee benefit obligations (Note 25)	65.4	60.8	59.7
Deferred tax liabilities (Note 8.2)	17.4	17.5	17.4
Other non-current liabilities (Note 26)	42.2	36.4	34.1
Current liabilities	861.2	775.3	606.1
Borrowings and debt	93.6	20.5	32.2
Provisions (Note 23)	32.5	28.8	25.8
Post-employment and other employee benefit obligations (Note 25)	6.2	6.2	6.1
Trade and other payables (Note 26)	246.3	299.7	206.8
Fair value of financial instruments (Note 22)	51.9	58.3	15.5
Current tax liabilities (Note 26)	121.6	89.9	93.0
Other current liabilities (Note 26)	309.3	271.9	226.8
TOTAL EQUITY AND LIABILITIES	2,965.4	3,248.4	2,973.4

Consolidated statements of changes in equity

	Share capital (Note 20)	Share premium	Treasury shares (Note 20)
As at 31 December 2010	53.8	49.6	(33.0)
Net income attributable to owners of the parent	-	-	-
Other comprehensive income	-	-	-
<i>Sub-total</i>	-	-	-
Change in share capital and share premium	-	-	-
Purchase or sale of treasury shares	-	-	(271.1)
Share-based payment	-	-	-
Dividends paid	-	-	-
Other	-	-	-
As at 31 December 2011	53.8	49.6	(304.1)
Net income attributable to owners of the parent	-	-	-
Other comprehensive income	-	-	-
<i>Sub-total</i>	-	-	-
Change in share capital and share premium	-	-	-
Purchase or sale of treasury shares	-	-	(9.2)
Share-based payment	-	-	-
Dividends paid	-	-	-
Other	-	-	-
As at 30 June 2012	53.8	49.6	(313.4)
	Share capital (Note 20)	Share premium	Treasury shares (Note 20)
As at 31 December 2010	53.8	49.6	(33.0)
Net income attributable to owners of the parent	-	-	-
Other comprehensive income	-	-	-
<i>Sub-total</i>	-	-	-
Change in share capital and share premium	-	-	-
Purchase or sale of treasury shares	-	-	(59.8)
Share-based payment	-	-	-
Dividends paid	-	-	-
Other	-	-	-
As at 30 June 2011	53.8	49.6	(92.8)

in millions of euros

Reserves and net income attributable to owners of the parent	Derivatives (Note 20.2)	Foreign currency adjustments (Note 20.3)	Actuarial gains and losses (Note 25)	Shareholders' equity	Non-controlling interests (Note 21)	Equity	Number of shares outstanding (Note 20)
2,066.4	(5.9)	42.7	(23.4)	2,150.3	12.9	2,163.2	105,569,412
594.3	–	–	–	594.3	9.2	603.4	–
(12.1)	(23.2)	24.4	(2.0)	(12.9)	–	(12.9)	–
582.1	(23.2)	24.4	(2.0)	581.3	9.2	590.5	–
–	–	–	–	–	–	–	–
–	–	–	–	(271.1)	–	(271.1)	–
11.7	–	–	–	11.7	–	11.7	–
(160.0)	–	–	–	(160.0)	(7.3)	(167.3)	–
0.6	–	–	–	0.6	(1.9)	(1.4)	–
2,500.8	(29.1)	67.1	(25.3)	2,312.8	12.7	2,325.5	105,569,412
335.1	–	–	–	335.1	5.3	340.5	–
0.9	9.1	10.5	–	20.6	0.5	21.0	–
336.1	9.1	10.5	–	355.7	5.8	361.5	–
–	–	–	–	–	–	–	–
–	–	–	–	(9.2)	–	(9.2)	–
8.1	–	–	–	8.1	–	8.1	–
(731.8)	–	–	–	(731.8)	(6.7)	(738.5)	–
(3.5)	–	–	–	(3.5)	0.3	(3.2)	–
2,109.7	(20.0)	77.6	(25.3)	1,932.1	12.2	1,944.2	105,569,412
Reserves and net income attributable to owners of the parent	Derivatives (Note 20.2)	Foreign currency adjustments (Note 20.3)	Actuarial gains and losses (Note 25)	Shareholders' equity	Non-controlling interests (Note 21)	Equity	Number of shares outstanding (Note 20)
2,066.4	(5.9)	42.7	(23.4)	2,150.3	12.9	2,163.2	105,569,412
290.9	–	–	–	290.9	4.4	295.3	–
0.8	23.6	(34.3)	(0.4)	(10.4)	(0.9)	(11.3)	–
291.7	23.6	(34.3)	(0.4)	280.5	3.5	284.0	–
–	–	–	–	–	–	–	–
–	–	–	–	(59.8)	–	(59.8)	–
6.2	–	–	–	6.2	–	6.2	–
(160.0)	–	–	–	(160.0)	(3.6)	(163.7)	–
0.7	–	–	–	0.7	(0.4)	0.3	–
2,205.0	17.7	8.4	(23.8)	2,217.9	12.4	2,230.3	105,569,412

Consolidated statement of cash flows for the six months to 30 June 2012

in millions of euros

	First half of 2012	Fiscal year 2011	First half of 2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income attributable to owners of the parent (Note 4)	335.1	594.3	290.9
Depreciation and amortisation (Notes 11 to 13)	55.0	111.1	50.1
Impairment losses (Notes 11 and 12)	0.8	2.1	0.8
Marked-to-market value of derivatives	7.8	1.5	(0.9)
Currency gains/(losses) on fair value adjustments	(16.6)	1.3	9.0
Change in provisions	9.5	7.3	4.4
Net income from associates (Note 15)	0.4	4.5	5.3
Net income attributable to non-controlling interests (Note 21)	5.3	9.2	4.4
Capital gains/(losses) on disposals	0.6	(28.7)	(29.8)
Deferred tax	(13.3)	8.7	(11.5)
Accrued expenses and income related to share-based payments (Note 27.2)	8.1	11.7	6.2
Other	(0.4)	-	0.1
Operating cash flows	392.5	722.8	328.9
Cost of net debt	6.7	2.3	1.8
Current tax expense	197.5	287.1	150.5
Operating cash flows before cost of debt and current tax expense	596.7	1,012.2	481.1
Change in working capital	(182.7)	2.7	(56.8)
Cost of net debt	(6.7)	(2.3)	(1.8)
Income tax paid	(174.7)	(276.7)	(130.5)
Net cash from operating activities	232.6	735.9	291.9
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchase of intangible assets (Note 11)	(7.6)	(20.7)	(6.1)
Purchase of property, plant and equipment (Notes 12 and 13)	(55.7)	(164.5)	(50.7)
Investments in associates	(5.5)	(29.2)	(27.5)
Purchase of other financial assets (Note 14.1)	(1.3)	(19.6)	(22.1)
Amounts payable relating to fixed assets	(14.5)	0.6	(16.2)
Proceeds from sales of operating assets	-	0.2	0.1
Proceeds from sales of other financial assets (Note 14.1)	5.7	165.6	110.3
Net cash used in investing activities	(78.9)	(67.6)	(12.2)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Dividends paid (Note 20.1)	(738.5)	(167.3)	(163.7)
Purchase of treasury shares	(9.2)	(284.6)	(59.8)
Borrowings	19.5	40.0	6.1
Reimbursements of borrowings	(11.6)	(39.8)	(6.0)
Net cash used in financing activities	(739.8)	(451.8)	(223.3)
Effect of changes in the scope of consolidation (Note 19)	0.1	0.1	0.1
Effect of foreign currency exchange on intragroup transactions	7.4	(7.6)	(1.6)
Effect of foreign currency exchange (Note 19)	4.0	0.8	(10.4)
CHANGE IN NET CASH POSITION (Note 19)	(574.6)	209.8	44.3
Net cash position at beginning of period (Note 19)	1,038.3	828.5	828.5
Net cash position at end of period (Note 19)	463.7	1,038.3	872.8
CHANGE IN NET CASH POSITION (Note 19)	(574.6)	209.8	44.3

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Notes to the consolidated financial statements for the first half of 2012

The interim consolidated financial statements as presented were approved by the Executive Management on 30 August 2012 after review by the Audit Committee at its meeting of 29 August 2012.

NOTE 1 - ACCOUNTING POLICIES AND PRINCIPLES

The condensed interim consolidated financial statements of the Hermès Group have been prepared in accordance with IAS 34 - *Interim Financial Reporting*, as endorsed by the European Union, and the selected explanatory notes. The selected explanatory notes do not contain all information contained in annual financial statements. Accordingly, they should be read in conjunction with the consolidated financial statements for the year ended 31 December 2011.

The accounting principles and calculation methods used to prepare these condensed interim financial statements are the same as those used to prepare the consolidated financial statements for the year ended 31 December 2011 and described therein, with the exception of the estimated tax charge for the first half, which is measured in accordance with IAS 34.

The standards adopted by the European Union may be consulted at www.eur-lex.europa.eu.

Note 1.1 - Mandatory standards and interpretations

The amendment to IFRS 7 related to the information to provide in the event of a change in the valuation method of financial assets, applicable as at 1 January 2012, did not impact the consolidated financial statements.

Note 1.2 - Non-mandatory standards and interpretations as at 1 January 2012

The Group did not opt for early application of those standards and interpretations that are not mandatory as of 30 June 2012. These standards and interpretations should not have a material impact on the measurement of financial data.

NOTE 2 - ANALYSIS OF THE MAIN CHANGES IN THE SCOPE OF CONSOLIDATION

At the end of April 2012, Hermès acquired 100% of a Swiss watch-face maker, Nateber, the group's historical

provider. This stake was fully consolidated as from May 2012.

NOTE 3 - SEASONAL NATURE OF BUSINESS

On the whole, the Group's business is broken down fairly evenly over the entire year. In 2011, the Group generated 46% of its sales in the first half and 54% in the second.

However, sales in the second half are highly dependent on business activity during the year-end holiday season.

NOTE 4 - SEGMENT INFORMATION

4.1 - Information by operating segment

The activity of the Hermès Group is monitored by the main operational decision-maker (the “Executive Committee”) by geographical area and by business sector.

Given the Group’s current structure, organised into geographical area placed under the responsibility of

operational managers in charge of applying the strategy defined by the Executive Committee, the Group has determined that the geographical area constitute the operating segments in accordance with the fundamental principle of IFRS 8.

Information by business segment is provided below:

in millions of euros

First half of 2012	France	Rest of Europe	Japan	Rest of Asia-Pacific	Americas	Rest of the World ⁽¹⁾	Holding	Total
Revenue	255.8	306.4	246.9	506.8	248.8	26.6	-	1,591.4
Selling, marketing and administrative expenses	(85.3)	(86.5)	(89.4)	(130.4)	(73.9)	(7.9)	(43.0)	(516.2)
Depreciation and amortisation	(4.5)	(10.6)	(5.9)	(13.4)	(8.1)	(0.4)	(5.1)	(48.1)
Operating provisions	(5.6)	(1.3)	(1.7)	(1.4)	(0.1)	(1.7)	(3.5)	(15.5)
Impairment losses	(0.8)	(0.1)	-	-	-	-	-	(0.9)
Operating income	68.7	89.4	89.0	220.2	87.8	4.7	(48.8)	510.9
<i>Operating margin by segment</i>	<i>26.9%</i>	<i>29.2%</i>	<i>36.0%</i>	<i>43.4%</i>	<i>35.3%</i>	<i>17.8%</i>		<i>32.1%</i>
Other non-recurring income and expense							-	-
Net financial income							(6.7)	(6.7)
Net income from associates							0.4	0.4
Income tax expense							(164.1)	(164.1)
Net income attributable to non-controlling interests							(5.3)	(5.3)
Net income attributable to owners of the parent	68.7	89.4	89.0	220.2	87.8	4.7	(224.6)	335.1

(1) Includes sales in the Middle East and in Africa.

in millions of euros

Fiscal year 2011	France	Rest of Europe	Japan	Rest of Asia-Pacific	Americas	Rest of the World ⁽¹⁾	Holding	Total
Revenue	494.9	559.7	471.6	808.0	464.2	42.8	-	2,841.2
Selling, marketing and administrative expenses	(159.7)	(169.6)	(181.7)	(223.3)	(152.8)	(18.4)	(40.3)	(945.7)
Depreciation and amortisation	(9.1)	(24.9)	(12.3)	(24.5)	(15.8)	(0.6)	(9.4)	(96.6)
Operating provisions	(6.8)	(1.9)	(6.4)	(2.4)	(1.1)	(4.0)	(4.7)	(27.3)
Impairment losses	(1.6)	(0.3)	(0.2)	-	-	-	-	(2.1)
Operating income	139.0	147.7	163.6	336.5	148.7	0.6	(50.9)	885.2
<i>Operating margin by segment</i>	<i>28.1%</i>	<i>26.4%</i>	<i>34.7%</i>	<i>41.6%</i>	<i>32.0%</i>	<i>1.3%</i>		<i>31.2%</i>
Other non-recurring income and expense							-	-
Net financial income							12.4	12.4
Net income from associates							(4.5)	(4.5)
Income tax expense							(289.8)	(289.8)
Net income attributable to non-controlling interests							(9.2)	(9.2)
Net income attributable to owners of the parent	139.0	147.7	163.6	336.5	148.7	0.6	(341.8)	594.3

(1) Includes sales in the Middle East and in Africa.

in millions of euros

First half of 2011	France	Rest of Europe	Japan	Rest of Asia-Pacific	Americas	Rest of the World ⁽¹⁾	Holding	Total
Revenue	232.2	249.3	215.2	375.6	212.2	20.9	-	1,305.5
Selling, marketing and administrative expenses	(80.0)	(73.1)	(77.9)	(99.7)	(68.9)	(6.1)	(29.8)	(435.4)
Depreciation and amortisation	(4.7)	(8.4)	(6.0)	(11.6)	(7.1)	(0.2)	(4.9)	(42.8)
Operating provisions	(1.4)	0.2	(1.3)	(0.6)	(0.5)	0.1	(2.3)	(6.0)
Impairment losses	(0.6)	(0.1)	-	-	-	-	-	(0.7)
Operating income	56.0	76.2	80.0	166.5	73.8	6.1	(40.5)	418.1
<i>Operating margin by segment</i>	<i>24.1%</i>	<i>30.6%</i>	<i>37.2%</i>	<i>44.3%</i>	<i>34.8%</i>	<i>29.2%</i>		<i>32.0%</i>
Other non-recurring income and expense							-	-
Net financial income							17.3	17.3
Net income from associates							(5.3)	(5.3)
Income tax expense							(134.8)	(134.8)
Net income attributable to non-controlling interests							(4.4)	(4.4)
Net income attributable to owners of the parent	56.0	76.2	80.0	166.5	73.8	6.1	(167.7)	290.9

(1) Includes sales in the Middle East and in Africa.

4.2 - Information by geographical area

The breakdown of non-current assets by geographical area is the following:

	in millions of euros		
	30 June 2012	31 Dec. 2011	30 June 2011
France	578.5	553.4	486.4
Rest of Europe	179.7	171.5	165.1
Japan	219.8	228.1	194.3
Rest of Asia-Pacific	139.1	134.0	117.5
Americas	70.2	69.7	63.3
Rest of the world	–	–	–
Non-current assets ⁽¹⁾	1,187.2	1,156.7	1,026.6

(1) Non-current assets other than financial instruments and deferred tax assets.

NOTE 5 - SELLING, MARKETING AND ADMINISTRATIVE EXPENSES

	in millions of euros		
	First half of 2012	Fiscal year 2011	First half of 2011
Advertising and marketing expenses	(69.0)	(148.2)	(55.6)
Other selling and administrative expenses	(447.2)	(797.5)	(379.9)
Total	(516.2)	(945.7)	(435.4)

NOTE 6 - OTHER INCOME AND EXPENSE

	in millions of euros		
	First half of 2012	Fiscal year 2011	First half of 2011
Depreciation and amortisation (Note 4)	(48.1)	(96.6)	(42.8)
Net change in recurring provisions	(9.8)	(13.7)	(0.7)
Cost of defined-benefit plans (Note 25.1)	(5.7)	(13.6)	(5.3)
Impairment losses (Note 4)	(0.8)	(2.1)	(0.8)
Other income/(expense)	(1.9)	2.1	1.9
Total	(66.2)	(123.9)	(47.6)

Total depreciation and amortisation of tangible and intangible assets included in operating expenses (other income and expense and cost of sales) amounted

to €55.0 million in the first half of 2012 compared with €50.1 million last year

Notes to the consolidated financial statements for the first half of 2012

NOTE 7 - NET FINANCIAL INCOME

in millions of euros

	First half of 2012	Fiscal year 2011	First half of 2011
Income from cash and cash equivalents	7.9	10.9	6.4
Cost of gross debt	(0.6)	(0.4)	–
– of which: income from hedging instruments	–	0.3	0.2
Cost of net debt	7.3	10.6	6.4
Other financial income and expense ⁽¹⁾	(14.0)	1.9	11.0
– of which: ineffective portion of cash flow hedges (Note 22)	(14.0)	(11.3)	(5.5)
Total	(6.7)	12.4	17.3

(1) Including the €29.5 million in 2011 related to the gross capital gain from the disposal of the stake in Gaulme.

NOTE 8 - INCOME TAX EXPENSE

8.1 - Income tax expense

In accordance with IAS 34, the interim income tax expense is calculated based on an estimated average

annual rate. The tax rate expected for 2012 is 32.5%, compared with 32.3% as at 31 December 2011.

8.2 - Deferred tax

in millions of euros

	First half of 2012	Fiscal year 2011	First half of 2011
Deferred tax assets as at 1 January	194.2	178.1	178.1
Deferred tax liabilities as at 1 January	17.5	12.1	12.1
Net deferred tax assets as at 1 January	176.7	165.9	165.9
Impact on the statement of income	33.4	(2.7)	15.6
Impact on the scope of consolidation	(0.7)	(6.1)	(6.1)
Impact of foreign currency movements	2.1	6.3	(7.0)
Other ⁽¹⁾	(5.1)	13.2	(12.9)
Net deferred tax assets as at end of period	206.4	176.7	155.5
Deferred tax assets as at end of period	223.8	194.2	173.0
Deferred tax liabilities as at end of period	17.4	17.5	17.4

(1) Other items relate to deferred taxes resulting from changes in the portion of revaluation of financial instruments recorded under equity (transferable portion) and in actuarial gains and losses on employee benefit obligations. These changes had no impact on net income for the year.

As at 30 June 2012, deferred taxes mainly related to the following adjustments:

in millions of euros

	First half of 2012
Internal margins on inventories and impairment on inventories	138.4
Employee obligations	37.0
Derivatives instruments	10.8
Impairment losses	5.0
Stock option plans	1.1
Restricted provisions	(21.3)
Other	35.4
Total	206.4

NOTE 9 - EARNINGS PER SHARE

Earnings per share is calculated on the basis of the weighted average number of shares outstanding during the fiscal year.

The weighted average number of shares outstanding during the fiscal year as well as those from previous fiscal years is adjusted, if relevant, for operations involving free share allotments and the reduction of the share's face value occurring during the fiscal year, as well as for treasury shares.

Diluted earnings per share is restated for the shares that are to be created as part of the share subscription plans decided upon by Executive Management.

In accordance with the definitions set out in Note 1.20 in the 2011 Registration Document, the calculation and reconciliation of basic earnings per share and diluted earnings per share is as follows:

	First half of 2012	Fiscal year 2011	First half of 2011
Numerator (in millions of euros)			
Basic net income	335.1	594.3	290.9
Adjustments	-	-	-
Diluted net income	335.1	594.3	290.9
Denominator (in number of shares)			
Weighted average number of ordinary shares	104,078,261	104,556,945	105,110,749
Basic earnings per share	3.22	5.68	2.77
Weighted average number of ordinary shares under option	62,887	130,388	123,961
Weighted average number of shares under free share allotment plans	544,031	284,942	342,405
Weighted average number of diluted ordinary shares	104,685,179	104,972,275	105,577,114
Diluted earnings per share	3.20	5.66	2.76
Annual average price per share	€259.78	€200.12	€161.94

Notes to the consolidated financial statements for the first half of 2012

NOTE 10 - GOODWILL

	in millions of euros						
	30 June 2011	31 Dec. 2011	Increases	Decreases	Currency impact	Other	30 June 2012
Goodwill	73.1	80.0	3.5	–	0.4	–	83.9
Total gross value	73.1	80.0	3.5	–	0.4	–	83.9
Amortisation booked before 1 January 2004	35.6	39.5	–	–	0.3	–	39.8
Impairment losses	1.7	1.8	–	–	–	–	1.8
Total amortisation and impairment losses	37.3	41.3	–	–	0.3	–	41.6
Total net value	35.8	38.7	3.5	–	0.1	–	42.3

As at 30 June 2012, the largest components of the net value of goodwill were €19.7 million for Hermès Japon and €14.2 million for Hermès Cuir Précieux.

It is noted that no goodwill with an indefinite life is allocated to several CGUs.

NOTE 11 - INTANGIBLE ASSETS

	in millions of euros						
	30 June 2011	31 Dec. 2011	Increases	Decreases	Currency impact	Other	30 June 2012
Leasehold rights	59.3	63.0	1.0	(0.9)	0.3	–	63.3
Concessions, patents, licences and software	32.1	38.6	1.4	(0.8)	0.2	0.3	39.6
Other intangible assets	102.5	112.9	3.0	(0.3)	0.2	1.8	117.7
Work in progress	7.5	2.5	2.3	–	–	(2.0)	2.8
Total gross value	201.4	217.0	7.6	(2.1)	0.6	0.1	223.3
Amortisation of leasehold rights	24.8	32.2	1.3	(0.9)	0.1	–	32.7
Amortisation of concessions, patents, licences and software	24.0	26.4	1.6	(0.8)	0.1	–	27.2
Amortisation of other intangible assets	54.5	60.6	5.8	(0.2)	0.1	–	66.2
Impairment losses	1.0	1.1	–	–	–	–	1.1
Total amortisation and impairment losses	104.3	120.3	8.7	(2.0)	0.3	–	127.3
Total net value	97.1	96.7	(1.1)	–	0.4	0.1	96.0

Investments made related mainly to setting up integrated management software applications for several subsidiaries.

NOTE 12 - PROPERTY, PLANT & EQUIPMENT

in millions of euros

	30 June 2011	31 Dec. 2011	Increases	Decreases	Currency impact	Other	30 June 2012
Land	151.6	171.7	1.7	–	0.7	–	174.1
Buildings	442.5	470.8	5.7	(0.4)	3.2	2.5	481.9
Machinery, plant and equipment	157.0	170.4	3.3	(0.2)	0.8	2.3	176.5
Store fixtures and furnishings	262.8	307.5	6.9	(0.2)	8.1	3.9	326.3
Other tangible assets	327.2	349.0	5.5	(6.5)	1.0	7.9	356.7
Work in progress	63.7	92.8	33.1	–	0.3	(13.8)	112.4
Total gross value	1,404.7	1,562.2	56.2	(7.4)	14.2	2.7	1,627.9
Depreciation of buildings	167.3	181.7	9.6	(0.2)	0.8	(0.6)	191.3
Depreciation of machinery, plant and equipment	108.6	114.4	6.0	(0.2)	0.5	(0.1)	120.6
Depreciation of store fixtures and furnishings	158.2	177.5	15.6	(0.2)	5.1	–	198.0
Depreciation of other tangible assets	192.1	202.7	15.0	(5.7)	0.6	–	212.7
Impairment losses	16.2	16.4	0.8	(0.8)	0.1	–	16.5
Total depreciation and impairment losses	642.5	692.8	46.9	(7.1)	7.1	(0.7)	739.1
Total net value	762.2	869.4	9.3	(0.3)	7.0	3.4	888.8

Investments made during the first half of 2012 mainly related to the opening and renovation of stores and capital expenditure to expand production capacity. No item of property, plant or equipment has been

pledged as debt collateral. Furthermore, the amount of such assets in temporary use is not material when compared with the total value of property, plant and equipment.

NOTE 13 - INVESTMENT PROPERTY

in millions of euros

	30 June 2011	31 Dec. 2011	Increases	Decreases	Currency impact	Other	30 June 2012
Land	29.2	32.6	–	–	2.3	–	34.9
Buildings	69.1	73.0	–	–	1.0	–	74.0
Total gross value	98.4	105.6	–	–	3.3	–	108.9
Depreciation	5.3	6.8	1.1	–	0.3	–	8.2
Total net value	93.1	98.8	(1.1)	–	3.0	–	100.7

It is stipulated that the group and its subsidiaries are not bound by any contractual obligation to buy, build or

develop investment properties, existing or not. Moreover, the costs incurred for the upkeep,

Notes to the consolidated financial statements for the first half of 2012

maintenance and improvement of the investment assets are not significant nor likely, as far as we know, to change materially in the coming fiscal years.

Rental income from investment property amounted to €2.2 million for the first half of 2012.

NOTE 14 - FINANCIAL ASSETS

14.1 - Available-for-sale securities

in millions of euros

	30 June 2011	31 Dec. 2011	Increases	Decreases	Effet taux de change	Other	30 June 2012
Forward investments and accrued interest ⁽¹⁾	73.2	20.5	2.3	(0.4)	-	-	22.4
Liquidity contract	11.9	5.7	-	(5.7)	-	-	-
Other financial assets ⁽²⁾	6.3	6.3	0.1	(0.4)	-	-	6.0
Other non-consolidated investments ⁽³⁾	0.4	0.2	-	-	-	-	0.2
Total gross value	91.7	32.8	2.3	(6.5)	-	-	28.6
Impairment	4.5	4.4	1.5	(0.1)	-	-	5.8
Total	87.2	28.3	0.9	(6.4)	-	-	22.9

(1) The financial investments correspond to investments that do not meet the cash equivalent criteria notably as a result of their original maturity of more than 3 months.

(2) As at 30 June 2012, other financial assets included €1.1 million in life insurance in Japan, *inter alia*.

(3) Other available-for-sale non-consolidated investments do not include any listed securities.

14.2 - Held-to-maturity securities

in millions of euros

	30 June 2011	31 Dec. 2011	Increases	Decreases	Effet taux de change	Other	30 June 2012
Convertible/participating loans	6.6	8.1	-	-	0.1	(6.6)	1.5
Impairment	6.6	6.6	-	-	0.1	(6.6)	-
Total	-	1.5	-	-	-	-	1.5

NOTE 15 - INVESTMENTS IN ASSOCIATES

15.1 - Value of investments in associates

in millions of euros

	30 June 2012	31 Dec. 2011	30 June 2011
Vaucher Manufacture Fleurier	–	–	(0.1)
Groupe Perrin	8.5	7.7	7.6
Leica Camera Japan Co	3.2	3.2	2.2
Joseph Erard Holding	1.8	1.8	–
Maroquinerie Thierry	0.3	0.3	0.2
Total	13.8	12.9	9.9

15.2 - Change in investments in associates

in millions of euros

	30 June 2012	31 Dec. 2011	30 June 2011
Balance as at 1 January	12.9	14.3	14.3
Impairment	–	–	(3.5)
Impact of changes in the scope of consolidation	0.6	2.9	1.2
Net income from associates	0.4	(4.5)	(1.8)
Dividends paid	(0.1)	(0.1)	(0.1)
Change in foreign exchange rates	–	0.3	(0.2)
Other	–	–	–
Balance as at 31 December	13.8	12.9	9.9

NOTE 16 - LOANS AND DEPOSITS

in millions of euros

	30 June 2011	31 Dec. 2011	Increases	Decreases	Currency impact	Other	30 June 2012
Loans and deposits ⁽¹⁾	27.6	37.4	6.5	(4.5)	0.1	–	39.5
Impairment	2.6	2.4	–	–	–	0.1	2.5
Total	24.9	35.0	6.5	(4.5)	0.1	(0.1)	36.9

(1) As at 30 June 2012, security deposits amounted to €31.6 million, compared with €33.7 million as at 31 December 2011.

Notes to the consolidated financial statements for the first half of 2012

NOTE 17 - INVENTORIES AND WORK-IN-PROGRESS

in millions of euros

	30 June 2012			31 Dec. 2011	30 June 2011
	Gross	Impairment	Net	Net	Net
Retail, semi-finished and finished goods	579.2	186.3	392.9	302.0	316.2
Raw materials and work in progress	346.7	79.1	267.6	232.5	196.3
Total	925.9	265.4	660.5	534.5	512.5
Net expense / proceeds from the impairment of retail, intermediate and finished products	-	(7.7)	-	(4.8)	5.8
Net expense / proceeds from the impairment of raw materials and work in progress	-	1.9	-	(8.3)	(4.2)

No inventories were pledged as debt collateral.

NOTE 18 - TRADE AND OTHER RECEIVABLES

in millions of euros

	30 June 2012			31 Dec. 2011	30 June 2011
	Gross	Impairment	Net	Net	Net
Trade and other receivables	202.2	5.8	196.4	175.7	145.6
<i>Of which: – amount not yet due</i>	<i>168.0</i>	<i>0.4</i>	<i>167.7</i>	<i>149.7</i>	<i>112.0</i>
<i> amount payable ⁽¹⁾</i>	<i>34.2</i>	<i>5.4</i>	<i>28.7</i>	<i>26.0</i>	<i>33.6</i>
Current tax receivables	7.5	-	7.5	0.8	0.7
Other current assets	118.6	0.3	118.2	94.4	84.9
Other non-current assets	1.0	-	1.0	1.7	1.5
Total	329.3	6.1	323.2	272.6	232.7

(1) The amount of trade and other receivables payable is broken down as follows:

in millions of euros

	30 June 2012			31 Dec. 2011	30 June 2011
	Gross	Impairment	Net	Net	Net
Less than 3 months	26.8	1.3	25.5	25.2	36.1
Between 3 and 6 months	2.8	0.3	2.5	0.7	(0.3)
Between 6 months and 12 months	4.5	3.8	0.7	0.1	(2.3)

Except for other non-current assets, all accounts receivable are due within one year. There were no significant payment deferrals that would justify the discounting of receivables.

The Group's policy is to recommend securing accounts receivable insurance cover, inasmuch as local conditions

permit it. Consequently, the risk of non-recovery is low, as evidenced by accounts receivable impairment, which amounted to approximately 3% of the gross value on the 30 June 2012, as in 2011. There is no significant concentration of credit risk.

NOTE 19 - CASH AND CASH EQUIVALENTS

in millions of euros

	30 June 2011	31 Dec. 2011	Cash flows	Currency impact	Impact on the scope of consoli- dation	Other ⁽¹⁾	30 June 2012
Cash and cash equivalents	147.7	157.3	74.8	1.8	0.3	(0.3)	233.8
Marketable securities ⁽²⁾	749.7	890.9	(592.7)	2.8	–	–	301.0
<i>Sub-total</i>	<i>897.3</i>	<i>1,048.2</i>	<i>(517.9)</i>	<i>4.6</i>	<i>0.3</i>	<i>(0.3)</i>	<i>534.8</i>
Bank overdrafts and current accounts in debit	(24.5)	(9.9)	(61.0)	–	(0.2)	–	(71.2)
Net cash position	872.8	1,038.3	(578.9)	4.6	0.1	(0.3)	463.7

(1) Corresponds to the mark-to-market on cash and cash equivalents.

(2) Mainly comprising investments in the euro money market.

All of the cash and cash equivalents have a maturity of less than 3 months and a sensitivity of less than 0.5%.

NOTE 20 - SHAREHOLDERS' EQUITY

As at 30 June 2012, Hermès International's share capital consisted of 105,569,412 fully-paid shares with a par value of €0.51 each. 1,472,182 of these shares are treasury shares.

There was no change in the company's share capital during the first half of 2012.

It is specified that no shares are reserved for issuance under put options or agreements to sell shares.

For management purposes, the Hermès Group uses the notion of "shareholders' equity" as shown in the consolidated statement of changes in equity. More specifically, shareholders' equity includes the part of financial

instruments that has been transferred to equity as well as actuarial gains and losses, as defined in Notes 1.9 and 1.17 of the 2011 Registration Document.

The Group's objectives, policies and procedures in the area of capital management are in keeping with sound management principles designed to ensure that operations are well-balanced financially and to minimise the use of debt. As its surplus cash position gives it some flexibility, the Group does not use prudential ratios such as "return on equity" in its capital management. Since last year, the Group made no change in its capital management policy and objectives.

20.1 - Dividends

During the first half of 2012, an ordinary dividend of €2.00 per share as well as an exceptional dividend of €5.00 per share, representing a total distribution

of €728.6 million, were paid after approval by the shareholders at the Annual General Meeting of 29 May 2012 convened to approve the annual financial statements for the year ended 31 December 2011.

Notes to the consolidated financial statements for the first half of 2012

20.2 - Derivatives included in equity

During the first half of 2012, changes in derivatives were broken down as follows (after tax):

	in millions of euros		
	30 June 2012	31 Dec. 2011	30 June 2011
Balance as at 1 January	(29.1)	(5.9)	(5.9)
Amount transferred to equity during the period for derivatives	29.1	6.4	6.4
Amount transferred to equity during the period for financial investments	–	(0.5)	(0.5)
Adjustments in the value of derivatives at closing	(20.0)	(29.1)	17.7
Fair value adjustments of marked-to-market financial investments	–	–	–
Balance as at end of period	(20.0)	(29.1)	17.7

20.3 - Foreign currency adjustments

The change in foreign currency adjustments during the first half of 2012 is analysed below:

	in millions of euros		
	30 June 2012	31 Dec. 2011	30 June 2011
Change in foreign currency adjustments			
Pound sterling	3.9	3.4	(5.2)
Chinese yuan	2.1	6.9	(2.7)
Singapore dollar	1.7	0.6	(1.8)
US dollar	1.6	2.8	(6.5)
Japanese yen	1.4	10.9	(6.9)
Hong Kong dollar	1.3	(0.1)	(5.8)
Swiss franc	0.6	2.5	4.4
Other currencies	(1.9)	(2.6)	(10.0)
Total	10.5	24.4	(34.3)

20.4 - Other comprehensive income

In the first half of 2012, other comprehensive income was broken down as follows:

	Gross impact	Income tax relating to components of other comprehensive income	Net impact
in millions of euros			
Actuarial gains and losses (Note 25.3)	–	–	–
Foreign currency adjustments (Notes 20.3 and 21)	11.0	–	11.0
Derivatives included in equity (Note 20.2)	14.2	(5.1)	9.1
Gain/(loss) on sale of treasury shares	1.5	(0.5)	0.9
Balance as at 30 June 2012	26.7	(5.6)	21.0
Actuarial gains and losses (Note 25.3)	(3.0)	1.0	(2.0)
Foreign currency adjustments (Notes 20.3 and 21)	24.4	–	24.4
Derivatives included in equity (Note 20.2)	(35.4)	12.2	(23.2)
Gain/(loss) on sale of treasury shares	(11.4)	(0.8)	(12.1)
Balance as at 31 December 2011	(25.4)	12.5	(12.9)
Actuarial gains and losses (Note 25.3)	(0.7)	0.2	(0.4)
Foreign currency adjustments (Notes 20.3 and 21)	(35.2)	–	(35.2)
Derivatives included in equity (Note 20.2)	36.6	(13.0)	23.6
Gain/(loss) on sale of treasury shares	1.1	(0.4)	0.8
Balance as at 30 June 2011	1.9	(13.2)	(11.3)

NOTE 21 - NON-CONTROLLING INTERESTS

	in millions of euros		
	30 June 2012	31 Dec. 2011	30 June 2011
Balance as at 1 January	12.7	12.9	12.9
Net income attributable to non-controlling interests	5.3	9.2	4.4
Dividends paid to non-controlling interests	(6.7)	(7.3)	(3.6)
Exchange rate adjustment on foreign entities	0.5	–	(0.9)
Other changes	0.3	(1.9)	(0.5)
Balance as at end of period	12.2	12.7	12.4

Notes to the consolidated financial statements for the first half of 2012

NOTE 22 - EXPOSURE TO MARKET RISKS

The Hermès Group's results are exposed to the risks and uncertainties described in the 2011 Registration Document. The assessment of these risks did not change during the first half of 2012 and no new risk had been identified as of the date of publication of this

report. The main risk remains exposure to currency fluctuations. The Group's currency exposure management policy is based on the management principles described in the 2011 Registration Document.

The net financial instruments position on the balance sheet is shown below:

in millions of euros

	30 June 2012	31 Dec. 2011	30 June 2011
Fair value of financial instruments – assets	20.1	17.7	48.0
Fair value of financial instruments - liabilities	(51.9)	(58.3)	(15.5)
Net financial instruments position	(31.8)	(40.6)	32.5

The ineffective portion of cash flow hedges recorded in net income was -€14.0 million (including +€0.2 million from over-hedging), compared with -€11.3 million (including +€1.5 million from over-hedging) in 2011

and -€5.5 million (including +€0.1 million from over-hedging) as at 30 June 2011 (see Note 7). The impact of the effective portion of the hedges recorded in equity is shown in Note 20.2.

NOTE 23 - PROVISIONS

in millions of euros

	30 June 2011	31 Dec. 2011	Accruals	Reversals	Currency impact	Other and reclassifications	30 June 2012
Current provisions	25.8	28.8	8.1	(4.8)	0.3	-	32.5
Non-current provisions	7.7	14.5	2.2	(0.5)	-	-	16.2
Total	33.5	43.3	10.3	(5.3)	0.3	-	48.7

As at 30 June 2012, the provisions involve provisions for returns (€17.5 million) as well as other risks resulting from past events that are undetermined in terms of their amount or due date (€31.2 million).

NOTE 24 - EMPLOYEES

The geographical breakdown of the total number of employees is as follows:

	30 June 2012	31 Dec. 2011	30 June 2011
France	5,720	5,442	5,274
Rest of Europe	1,064	968	934
Rest of the world	2,742	2,671	2,521
Total	9,526	9,081	8,729

By category, the breakdown is as follows:

	30 June 2012	31 Dec. 2011	30 June 2011
Production	4,091	3,796	3,678
Sales	3,817	3,754	3,596
Other (design, marketing, administration)	1,618	1,531	1,455
Total	9,526	9,081	8,729

Total personnel costs amounted to €359.5 million in the first half of 2012 compared with €297.7 million last year.

NOTE 25 - POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFIT OBLIGATIONS

Hermès Group employees are entitled to post-employment benefits awarded either through defined contribution plans or through defined benefit plans. Under defined contribution plans, regular payments are made to outside organisations, which are responsible for administrative and their financial management. Under defined benefit plans, the employer assumes an

obligation vis-à-vis its employees. If these plans are not entirely funded in advance, a provision is recorded. A description of these plans as well as the main assumptions used to assess pension benefit obligations are presented in Note 25 of the consolidated financial statements, on pages 167 et seq. of the 2011 Registration Document.

25.1 - Cost of defined benefit plans recognised in the statement of income

The total expense recognised in respect of defined benefit plans is broken down as follows:

	Defined benefit pension plans	Other defined benefit plans	30 June 2012	31 Dec. 2011	30 June 2011
Service cost	4.4	0.2	4.7	8.1	4.2
Interest cost	1.8	0.1	1.9	3.7	1.9
Expected return on plan assets	(0.9)	–	(0.9)	(1.5)	(0.8)
(Gains)/loss resulting from change in plan	–	–	–	–	–
Unrecognised past service cost	0.1	–	0.1	2.8	0.1
Net actuarial (gains)/losses recognised during the year	–	–	–	0.5	–
Other	–	–	–	–	(0.1)
Cost of defined-benefit plans	5.5	0.3	5.8	13.6	5.3

25.2 - Change in obligations recognised in statement of financial position

The change in defined benefit pension obligations is broken down as follows:

in millions of euros

	Defined benefit pension plans	Other defined benefit plans	30 June 2012	31 Dec. 2011	30 June 2011
Provisions as at 1 January	62.5	4.6	67.1	62.5	62.5
Foreign currency adjustments	0.1	–	0.1	2.3	(1.3)
Pension expense	5.5	0.3	5.8	13.6	5.3
Benefits/contributions paid	(1.0)	–	(1.0)	(14.7)	(1.4)
Actuarial gains and losses / Limits on plan assets	–	–	–	2.7	0.7
Changes in the scope of consolidation	–	–	–	–	–
Adjustment to opening equity	–	–	–	–	–
Other	(0.3)	(0.1)	(0.4)	0.6	–
Provisions at end of period	66.8	4.9	71.6	67.1	65.8

25.3 - Changes in actuarial gains and losses recognised in equity

During the first half of 2012, changes in actuarial gains and losses (before tax) were broken down as follows:

in millions of euros

Actuarial gains and losses recognised in equity as at 31 December 2010	35.7
Experience gains and losses	2.2
Impact of changes in assumptions	(1.5)
Impact of limits on plan assets	–
Actuarial gains and losses recognised in equity as at 30 June 2011	36.4
Actuarial gains and losses recognised in equity as at 31 December 2011	38.8
Experience gains and losses	–
Impact of changes in assumptions	–
Impact of limits on plan assets	–
Other actuarial gains and losses	–
Actuarial gains and losses recognised in equity as at 30 June 2012	38.8

The discount rate used to measure obligations in France was maintained at 4.5%, the same as at 31 December 2011.

NOTE 26 - TRADE PAYABLES AND OTHER LIABILITIES

	in millions of euros		
	30 June 2012	31 Dec. 2011	30 June 2011
Suppliers	230.0	269.0	193.2
Amounts payable relating to fixed assets	16.3	30.7	13.6
Trade and other payables	246.3	299.7	206.8
Current tax liabilities	121.6	89.9	93.0
Other current liabilities	309.3	271.9	226.8
Other non-current liabilities	42.2	36.4	34.1
Trade payables and other liabilities	719.3	697.9	560.6

NOTE 27 - SHARE-BASED PAYMENTS

27.1 - New plans of the period

Effective on 15 May 2012, the Executive Management awarded 515,280 free shares to 8,588 salaried employees, in accordance with the authorisations granted by the Annual General Meeting of 30 May 2011. The vesting period under this plan is split in thirds over 4/5/6 years for French residents (plus a lock-up period of two years) and 6/7/8 years for residents of other countries. The shares will be allotted only to those beneficiaries who are still employed by the Group at the end of this period. The main features of the plan are as follows:

- Share price on award date: €264;
- Fair value per share: between €236.3 and €230.6 for French residents and between €246.4 and €240.8 for residents of other countries. A dividend rate of 1.15% per year was applied;
- The fair value of the shares includes a non-transferability discount of €15.84 per share;
- Discounted average turnover rate over the benefit vesting period: between 18.5% and 26.5% for French residents and between 26.5% and 33.7% for residents of other countries.

The IFRS expense (excluding employer's tax) for the first half of 2012 with respect to this plan amounted to €2.1 million.

Effective on 15 May 2012, the Executive Management instituted a selective free share plan and awarded 305,000 free shares, in accordance with the authorisations granted by the Annual General Meeting of 30 May 2011. The vesting period under this plan is four years for French residents (plus a lock-up period of two years) and six years for residents of other countries. The shares will be allotted only to those beneficiaries who are still employed by the Group at the end of this period and for corporate officers, only if certain criteria are met, based primarily on the Group's performance in 2012 and 2013. For the calculation of the first half expense, it has been considered that the performance criteria were met in 2012 and 2013. The main features of the plan are as follows:

- Share price on award date: €264;
- Fair value per share: €236.3 for French residents and €246.4 for residents of other countries. A dividend rate of 1.15% per year was applied;
- The fair value of the shares includes a non-transferability discount of €15.84 per share;
- Discounted average turnover rate over the benefit vesting period: 3.9% for French residents and 5.9% for residents of other countries.

The IFRS expense (excluding employer's tax) for the first half of 2012 with respect to this plan amounted to €2.0 million.

Notes to the consolidated financial statements for the first half of 2012

27.2 - Expense for the period

		in millions of euros	
	First half of 2012	Fiscal year 2011	First half of 2011
Free share allotment plans	8.1	10.2	5.5
Share purchase option plans	-	1.5	0.7
Expense as at end of period	8.1	11.7	6.2

NOTE 28 - UNRECOGNISED COMMITMENTS

There was no material change in the Group's unrecognised commitments during the first half.

NOTE 29 - RELATED-PARTY TRANSACTIONS

During the first half of 2012, the Hermès Group and affiliated companies maintained relationships comparable to those that existed in 2011. More specifically, no

transaction unusual in its nature or amount was carried out during the period.

NOTE 30 - SUBSEQUENT EVENTS

No significant event incurred as of 30 August 2012, date on which Executive Management approved the financial statements.

**Statutory auditors' report on the interim
financial information for the first half of 2012**

This is a free translation into English of the Statutory Auditors' review 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 compliance with the assignment entrusted to us by your Annual General Meeting and pursuant to article L.451-1-2 III of the Code Monétaire and Financier:

- ◆ we carried out a partial audit of the condensed interim consolidated financial statements of Hermès International for the six months from 1 January to 30 June 2012, as appended to this report;
- ◆ we reviewed the information provided in the first-half management report.

These condensed interim consolidated financial statements have been prepared under the Executive Management's responsibility. Our role is to express an opinion on these financial statements, based on our partial audit.

1. Opinion on the consolidated financial statements

We have conducted our partial audit in accordance with professional standards applicable in France. A partial audit is mainly confined to obtaining information from the senior managers responsible for financial and accounting matters, and to conducting analyses.

An audit of this type does not include performing all the examinations required for a full audit in accordance with the professional auditing standards applicable in France. It therefore does not provide the same assurance that all material items that might have been identified under a full audit have been identified.

Based on our partial audit, we have identified no material misstatements that raise questions over the consistency of the condensed interim consolidated financial statements with standard IAS 34 – an International Financial Reporting Standard (IFRS) as endorsed by the European Union pertaining to interim financial information.

2. Specific procedures

We have also verified the information given in the group management report containing comments on the condensed interim consolidated financial statements on which we conducted our partial audit. We have no matters to report as to its fair presentation and consistency with the condensed interim consolidated financial statements.

Paris and Neuilly-sur-Seine, 30 August 2012

The Statutory Auditors

Didier Kling & Associés
Christophe Bonte

PricewaterhouseCoopers Audit
Christine Bouvry

**Statement by persons responsible
for the interim financial report**

To the best of our knowledge, the condensed financial statements for the first six months of 2012 have been prepared in accordance with the applicable accounting standards and give a fair view of the assets, liabilities and financial position and results of the Company and all the undertakings included in the consolidation, and that the review of operations

for the first half presents a fair view of significant events that occurred during the first six months of the year, of their impact on the financial statements, of the main related-party transactions, as well as a description of the main risks and uncertainties for the last six months of the year.

Paris, 30 August 2012
The Executive Management

Patrick Thomas

Henri-Louis Bauer
Representing Émile Hermès SARL

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