



HALF-YEAR REVIEW OF OPERATIONS

JUNE 2013

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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 data for the first half of 2013

	in millions of euros		
	30 June 2013	31 Dec. 12	30 June 2012
Revenue	1,767.2	3,484.1	1,591.4
Recurring operating income	584.1	1,118.6	510.9
Operating income	584.1	1,118.6	510.9
Net income attributable to owners of the parent	381.7	739.9	335.1
Operating cash flows	476.2	884.8	392.5
Investments (excluding financial investments)	74.9	370.0	68.8
Shareholders' equity ⁽¹⁾	2,447.1	2,344.4	1,932.1
Net cash position	595.9	686.1	463.7
Restated net cash ⁽²⁾	646.7	721.0	459.0
Number of employees	10,604	10,118	9,526

(1) Equity excluding non-controlling interests.

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

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Half-year review of operations

HIGHLIGHTS

The group's consolidated revenue in the first half of 2013 totalled €1,767.2 million, a rise of 14.4% at constant exchange rates.

Taking into account the negative impact of currency fluctuations, chiefly due to a weakening of the yen, growth was 11.0%.

In the second quarter, sales in group-owned shops were robust (up 16.7% at constant exchange rates), and wholesale sales maintained sustained growth (up 12.9% at constant exchange rates).

As of end of June, currency fluctuations were unfavourable and had produced a negative impact of €53.4 million on revenue.

Hermès International did not buy back any of its own shares during the first half of 2013, other than shares traded under the liquidity contract.

FIRST HALF SALES

(AT CONSTANT EXCHANGE RATES,
UNLESS OTHERWISE INDICATED)

In the first half of 2013, growth was balanced in all regions of the world:

- non-Japan Asia (+17%) maintained its momentum. Despite a less positive environment, the Chinese market continued to display great vitality;
- Japan (+8%) confirmed the turnaround observed in the first quarter, and came back on track to sound growth;

– France (+13%) and the rest of Europe (+14%) posted remarkable performances in a difficult economic environment;

– the Americas (+17%) had an excellent half-year. Demand for Hermès items remains strong, impelled by great creativity. The expansion of the growth relays bore fruit, while the advancement of bag sales remains constrained by production capacities. Leatherwork and Saddlery (+10%) is continuing its investment in production capacities, with the expansion of the two factories opened in 2012 in Isère and Charente, and with the plan to create two new facilities devoted to artisanal activities in the Franche-Comté region.

Ready-to-wear and Fashion Accessories, flush with the success of the latest ready-to-wear collections and fashion accessories, registered strong growth (+21%).

The Silk and Textiles sector, with 13% growth is benefiting from the great variety of its collections. Perfumes (+20%) remained on an uptrend. The new female perfume *Jour d'Hermès* was warmly received and *Terre d'Hermès* continued its growth. The Watch sector (-1%) was affected by the general downturn in the watch industry and the high basis for comparison of the previous year.

Other sectors (Jewellery and Art of Living) continued to show their great potential for expansion (+40%).

in millions of euros

	First half of 2013	First half of 2012	Evolutions published	Evolutions at constant exchange rates
France	289.2	255.8	13.0%	13.0%
Europe (excl. France)	346.9	306.4	13.2%	14.3%
Total Europe	636.1	562.2	13.1%	13.7%
Japan	221.4	246.9	(10.3)%	8.0%
Asia-Pacific (excl. Japan)	591.2	506.8	16.6%	16.9%
Total Asia	812.6	753.7	7.8%	14.0%
Americas	286.1	248.8	15.0%	16.5%
Other	32.4	26.6	22.1%	22.3%
Total	1,767.2	1,591.4	11.0%	14.4%

in millions of euros

	First half of 2013	First half of 2012	Evolutions published	Evolutions at constant exchange rates
Leathergoods and Saddlery ⁽¹⁾	779.9	739.5	5.5%	9.9%
Ready-to-wear and Fashion accessories ⁽²⁾	395.6	334.7	18.2%	20.8%
Silk and textiles	201.7	182.9	10.3%	12.9%
Other Hermès Sectors ⁽³⁾	94.7	69.5	36.3%	39.6%
Perfumes	106.7	89.4	19.3%	19.9%
Watches	74.9	77.8	(3.7)%	(1.0)%
Tableware	28.9	28.0	3.1%	5.2%
Other products ⁽⁴⁾	84.7	69.5	21.9%	24.2%
Total	1,767.2	1,591.4	11.0%	14.4%

(1) "Leathergoods and Saddlery" include bags and luggage, horse riding, memory holders and small leather items.

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

(3) Other Hermès Sectors include Jewellery and Art of Living department.

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

FIRST HALF RESULTS

The gross margin rate reached 68.6%, close to the level reached in the first half of 2012.

Selling, marketing and administrative expenses amounted to €569.8 million in the first six months of 2013 compared with €516.2 million in the same year-ago period. They included €89.7 million of advertising and marketing expenses.

Other income and expense came to €59.3 million. This includes €52.9 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 years.

Operating profit has increased by 14.3% to reach €584.1 million compared to €510.9 million in the first half of 2012. The operating margin reached 33.1% of sales.

The financial result, which includes the financial income from cash investments as well as the exchange rate results, amounted to an expense of -€8.2 million compared with proceeds of -€6.7 million in the first half of 2012.

Non-controlling interests totalled €5.0 million, compared with €5.3 million in the first half of 2012. After income tax expense of €191.1 million and net income from affiliated companies (proceeds of €1.9 million), the group's consolidated net profit came to €381.7 million compared with €335.1 million in the first half of 2012, 13.9% increase.

INVESTMENTS

During the first half of 2013, operating investments amounted to €94.9 million.

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

	in millions of euros		
	30 June 2013	31 Dec. 2012	30 June 2012
Operating investments	74.3	263.1	63.4
Investments in financial assets	0.6	106.9	5.5
<i>Subtotal (excluding financial investments)</i>	<i>74.9</i>	<i>370.0</i>	<i>68.8</i>
Financial investments ⁽¹⁾	20.0	27.7	1.3
Total investments	94.9	397.7	70.2

(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 21.3%, the operating cash flow (€476.2 million) served to finance the working capital requirements (€155.0 million) and all operating and financial investments (€74.9 million). Hermès International did not buy back any of its own shares during the first half of 2013, other than shares traded under the liquidity contract.

After payment of the ordinary dividend (€260.3 million), the cash position was equal to €595.9 million as at 30 June 2013, versus €686.1 million at the end of 2012.

Restated net cash (including non-current financial investments and borrowings) totalled €646.7 million

as at 30 June 2013, compared with €721.0 million as at 31 December 2012.

Thanks to the improved earnings and after the dividends' distributions, the shareholders equity was equal to €2,447.1 million as at 30 June 2013, versus €2,344.4 million as at 31 December 2012.

SUBSEQUENT EVENTS

No significant event incurred as of 29 August 2013, date on which Executive Management approved the financial statements.

OUTLOOK FOR THE SECOND HALF

In the light of sales achieved in the first half of the year, consolidated sales figure at constant exchange rates could slightly exceed the mid-term growth target of 10%. Depending on currency fluctuations, recurring operating margin, expressed as a percentage of the sales, could be close to the all-time high reached in 2012.

Hermès will continue to follow its long term strategy based on creativity, maintaining control over its know-how, expanding its distribution network, strengthening its production capacity and securing its supply sources.

With its new theme of the year, "A sporting life!", Hermès is resolutely focusing on energy and optimism in 2013. Since its origins, the House has been tapping the sports universe to feed its passion for movement, casual elegance and excellence. For Hermès, sport rises above obsession with performance; it is above all spirit, style and pleasure, and its light shines upon our collections as never before.

RISKS AND UNCERTAINTIES

The Hermès group's results are exposed to the risks and uncertainties described in the 2012 registration document. The assessment of these risks did not change during the first half of 2013 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 2013, the relationships between the Hermès group and its affiliated companies were comparable to the relationships that existed in 2012. More specifically, no transaction unusual in its nature or amount was carried out during the period.

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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 2013

in millions of euros

	First half of 2013	Fiscal year 2012	First half of 2012
Revenue (Note 4)	1,767.2	3,484.1	1,591.4
Cost of sales	(554.0)	(1,110.8)	(498.0)
Gross profit	1,213.2	2,373.3	1,093.4
Selling, marketing and administrative expenses (Note 5)	(569.8)	(1,130.8)	(516.2)
Other income and expense (Note 6)	(59.3)	(123.8)	(66.2)
Recurring operating income (Note 4)	584.1	1,118.6	510.9
Other non-recurring income and expense	–	–	–
Operating income	584.1	1,118.6	510.9
Net financial income (Note 7)	(8.2)	(18.6)	(6.7)
Pre-tax income	575.8	1,100.0	504.2
Income tax expense (Note 8)	(191.1)	(349.1)	(164.1)
Net income from associates (Note 15)	1.9	(0.4)	0.4
CONSOLIDATED NET INCOME	386.6	750.5	340.5
Net income attributable to non-controlling interests (Note 21)	(5.0)	(10.6)	(5.3)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT (NOTE 4)	381.7	739.9	335.1
Earnings per share (in euros) (Note 9)	3.67	7.11	3.22
Diluted earnings per share (in euros) (Note 9)	3.64	7.07	3.20

Consolidated statement of other comprehensive income for the first half of 2013

in millions of euros

	First half of 2013	Fiscal year 2012	First half of 2012
Consolidated net income	386.6	750.5	340.5
Variation of translation differences (Note 20.4)	(32.5)	(20.8)	11.0
Cash flow hedging ⁽¹⁾	(3.8)	55.1	9.1
– fair value variation	12.6	26.0	(20.0)
– recycling through profit or loss	(16.4)	29.1	29.1
Assets available for sale ⁽¹⁾	–	–	–
– fair value variation	–	–	–
– recycling through profit or loss	–	–	–
Gains and losses recorded in equity and transferable through profit or loss	(36.3)	34.3	20.1
Capital gains or losses on disposals of treasury shares ⁽¹⁾ (Note 20.4)	0.4	0.8	1.0
Commitments to the personnel: value change linked to actuarial gains and losses ⁽¹⁾ (Note 20.4)	–	(19.5)	–
Gains and losses recorded in equity and not transferable through profit or loss	0.4	(18.7)	1.0
Comprehensive income	350.7	766.1	361.5
– attributable to owners of the parent	345.9	755.3	355.7
– attributable to non-controlling interests	4.8	10.8	5.8

(1) Net of tax.

Consolidated statement of financial position as at 30 June 2013

ASSET

	in millions of euros		
	30 June 2013	31 Dec. 2012	30 June 2012
Non-current assets	1,622.5	1,603.0	1,427.5
<i>Goodwill (Note 10)</i>	76.7	79.3	42.3
Intangible assets (Note 11)	102.8	101.6	96.0
Property, plant & equipment (Note 12)	998.7	1,007.5	888.8
Investment property (Note 13)	93.3	98.3	100.7
Financial assets (Note 14)	48.0	28.5	24.3
Investments in associates (Note 15)	26.3	25.8	13.8
Loans and deposits (Note 16)	41.3	42.9	36.9
Deferred tax assets (Note 8.2)	234.4	217.8	223.8
Other non-current assets (Note 18)	1.2	1.3	1.0
Current assets	1,939.7	1,802.8	1,537.9
Inventories and work-in-progress (Note 17)	815.6	726.9	660.5
Trade and other receivables (Note 18)	183.2	207.1	196.4
Current tax receivables (Note 18)	1.9	0.8	7.5
Other current assets (Note 18)	102.6	116.6	118.2
Derivative financial instruments (Note 22)	48.8	54.4	20.1
Cash and cash equivalents (Note 19)	787.5	697.0	535.1
TOTAL ASSET	3,562.2	3,405.8	2,965.4

EQUITY AND LIABILITIES

in millions of euros

	30 June 2013	31 Dec. 2012	30 June 2012
Equity	2,461.4	2,358.3	1,944.2
Share capital (Note 20)	53.8	53.8	53.8
Share premium	49.6	49.6	49.6
Treasury shares (Note 20)	(312.4)	(313.3)	(313.4)
Reserves	2,238.5	1,742.2	1,749.2
Foreign currency adjustments (Note 20.3)	13.7	46.0	77.6
Financial instruments included in equity (Note 20.2)	22.2	26.0	(20.0)
Net income attributable to owners of the parent (Note 4)	381.7	739.9	335.1
Non-controlling interests (Note 21)	14.3	13.9	12.2
Non-current liabilities	183.0	183.6	160.0
Borrowings and debt	25.1	23.7	18.8
Provisions (Note 23)	15.7	16.4	16.2
Post-employment and other employee benefit obligations (Note 25)	68.2	66.5	65.4
Deferred tax liabilities (Note 8.2)	24.1	23.0	17.4
Other non-current liabilities (Note 26)	49.9	54.0	42.2
Current liabilities	917.7	863.9	861.2
Borrowings and debt (Note 19)	196.0	14.7	93.6
Provisions (Note 23)	30.5	33.2	32.5
Post-employment and other employee benefit obligations (Note 25)	3.7	3.7	6.2
Trade and other payables (Note 26)	271.3	345.5	246.3
Derivative financial instruments (Note 22)	13.9	19.3	51.9
Current tax liabilities (Note 26)	100.2	124.1	121.6
Other current liabilities (Note 26)	302.1	323.4	309.3
TOTAL EQUITY AND LIABILITIES	3,562.2	3,405.8	2,965.4

Consolidated statements of changes in equity as at 30 June 2013

	Share capital (Note 20)	Share premium	Treasury shares (Note 20)
As at 31 December 2011	53.8	49.6	(304.1)
Net income attributable to owners of the parent	-	-	-
Other comprehensive income	-	-	-
<i>Sub-total</i>	-	-	-
Change in share capital and share premium	-	-	-
Purchase or sale of treasury shares	-	-	(9.1)
Share-based payment	-	-	-
Dividends paid	-	-	-
Other	-	-	-
As at 31 December 2012	53.8	49.6	(313.3)
Net income attributable to owners of the parent	-	-	-
Other comprehensive income	-	-	-
<i>Sub-total</i>	-	-	-
Change in share capital and share premium	-	-	-
Purchase or sale of treasury shares	-	-	0.9
Share-based payment	-	-	-
Dividends paid	-	-	-
Other	-	-	-
As at 30 June 2013	53.8	49.6	(312.4)

	Share capital (Note 20)	Share premium	Treasury shares (Note 20)
As at 31 December 2011	53.8	49.6	(304.1)
Net income attributable to owners of the parent	-	-	-
Other comprehensive income	-	-	-
<i>Sub-total</i>	-	-	-
Change in share capital and share premium	-	-	-
Purchase or sale of treasury shares	-	-	(9.2)
Share-based payment	-	-	-
Dividends paid	-	-	-
Other	-	-	-
As at 30 June 2013	53.8	49.6	(313.4)

in millions of euros

Reserves and net income attributable to owners of the parent	Financial Instruments (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)
2,500.8	(29.1)	67.1	(25.3)	2,312.8	12.7	2,325.5	105,569,412
739.9	–	–	–	739.9	10.6	750.5	–
0.8	55.1	(21.0)	(19.5)	15.4	0.2	15.6	–
740.7	55.1	(21.0)	(19.5)	755.3	10.8	766.1	–
–	–	–	–	–	–	–	–
–	–	–	–	(9.1)	–	(9.1)	–
28.4	–	–	–	28.4	–	28.4	–
(731.8)	–	–	–	(731.8)	(10.5)	(742.3)	–
(11.1)	–	–	–	(11.1)	0.8	(10.3)	–
2,527.0	26.0	46.0	(44.8)	2,344.4	13.9	2,358.2	105,569,412
381.7	–	–	–	381.7	5.0	386.6	–
0.4	(3.8)	(32.4)	–	(35.8)	(0.1)	(35.9)	–
382.1	(3.8)	(32.4)	–	345.9	4.8	350.7	–
–	–	–	–	–	–	–	–
–	–	–	–	0.9	–	0.9	–
20.2	–	–	–	20.2	–	20.2	–
(263.9)	–	–	–	(263.9)	(7.2)	(271.1)	–
(0.3)	–	–	–	(0.3)	2.7	2.4	–
2,665.0	22.2	13.7	(44.8)	2,447.1	14.3	2,461.4	105,569,412

Reserves and net income attributable to owners of the parent	Financial Instruments (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)
2,500.8	(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

Consolidated statement of cash flows for the first half of 2013

in millions of euros

	First half of 2013	Fiscal year 2012	First half of 2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income attributable to owners of the parent (Note 4)	381.7	739.9	335.1
Depreciation and amortisation (Notes 11 to 12)	62.6	117.1	55.0
Impairment losses (Notes 11 and 12)	0.8	28.0	0.8
Marked-to-market value of financial instruments	3.4	1.4	7.8
Currency gains/(losses) on fair value adjustments	9.8	1.4	(16.6)
Change in provisions	(0.1)	(20.2)	9.5
Net income from associates (Note 15)	(1.9)	0.4	0.4
Net income attributable to non-controlling interests (Note 21)	5.0	10.6	5.3
Capital gains/(losses) on disposals	0.1	1.4	0.6
Deferred tax	(5.4)	(23.2)	(13.3)
Accrued expenses and incomes related to share-based payments (Note 27)	20.2	28.4	8.1
Other	0.1	(0.4)	(0.4)
Operating cash flows	476.2	884.8	392.5
Cost of net debt	8.2	16.2	6.7
Current tax expense	209.5	398.1	197.5
Operating cash flows before cost of debt and current tax expense	694.0	1,299.1	596.7
Change in working capital	(155.0)	(152.3)	(182.7)
Cost of net debt	(8.2)	(16.2)	(6.7)
Income tax paid	(230.0)	(359.3)	(174.7)
Net cash from operating activities	300.7	771.2	232.6
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchase of intangible assets (Note 11)	(9.5)	(22.7)	(7.6)
Purchase of property, plant and equipment (Notes 12 and 13)	(64.7)	(240.3)	(55.7)
Investments in associates	(0.6)	(106.9)	(5.5)
Purchase of other financial assets (Note 14.1)	(20.0)	(27.7)	(1.3)
Amounts payable relating to fixed assets	(21.8)	13.0	(14.5)
Proceeds from sales of operating assets	0.8	-	-
Proceeds from sales of other financial assets (Note 14.1)	0.6	25.8	5.7
Net cash used in investing activities	(115.3)	(358.9)	(78.9)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Dividends paid (Note 20.1)	(271.1)	(742.3)	(738.5)
Net purchase of treasury shares	0.9	(9.1)	(9.2)
Borrowings	1.9	34.3	19.5
Reimbursements of borrowings	(4.7)	(45.5)	(11.6)
Other equity rises/(reductions)	0.6	0.1	-
Net cash used in financing activities	(272.5)	(762.6)	(739.8)
Effect of changes in the scope of consolidation (Note 19)	0.2	(0.1)	0.1
Effect of foreign currency exchange on intragroup transactions	(0.6)	3.0	7.4
Effect of foreign currency exchange (Note 19)	(2.8)	(4.8)	4.0
CHANGE IN NET CASH POSITION (Note 19)	(90.2)	(352.2)	(574.6)
Net cash position at beginning of period (Note 19)	686.1	1,038.3	1,038.3
Net cash position at end of period (Note 19)	595.9	686.1	463.7
CHANGE IN NET CASH POSITION (Note 19)	(90.2)	(352.2)	(574.6)

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Notes to the consolidated financial statements for the first half of 2013

The interim consolidated financial statements as presented were approved by the Executive Management on 29 August 2013 after review by the Audit Committee at its meeting of 28 August 2013.

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 2012.

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 2012 and described therein, with the exception of the estimated tax charge for the first half, and the personnel benefits, which are assessed separately (Note 1.3), and with the exception of the standards and interpretations applicable for the group as of 1 January 2013 (listed in Note 1.1). The standards adopted by the European Union may be consulted at www.eur-lex.europa.eu.

1.1. - Mandatory standards and interpretations

The applicable texts that must be applied to fiscal years beginning as of 1 January 2013 are the following:

- IAS 1 amendment on the gains and losses recognised in equity and their separate presentation, depending on whether or not they are transferable to the profit and loss statement in the future;

- the IFRS 13 standard, that defines fair value in the information to be provided on the methods used to assess the fair value when it is used. The application of this text had no significant impact on the group's consolidated financial statements.

- the amendments to the IAS 19 standard relative to personnel benefits. The group has applied this standard since the fiscal year that ended on 31 December 2012.

1.2. - Non-mandatory standards and interpretations as at 1 January 2013

The group did not opt for early application of those standards and interpretations that are not mandatory as of 30 June 2013.

These standards and interpretations should not have a material impact on the measurement of financial data.

1.3. - Particularities specific to the preparation of the interim financial statements

In compliance with the IAS 34 standard, the half-yearly tax expense is calculated on the basis of an estimated annual average rate.

In the absence of a particular event or significant variation of the actuarial hypotheses during the half-year, the expense relative to post-employment benefits is not the subject of an actuarial assessment. The posted half-yearly expense corresponds with half of the net expense calculated for fiscal 2013, on the basis of the data and actuarial hypotheses used on 31 December 2012.

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

No significant equity investment was carried out in the first half of 2013.

NOTE 3 - SEASONAL NATURE OF BUSINESS

The group's overall activity remains balanced over the course of the year: in 2012, 46% of the group's turnover was generated during the first half of the year, and 54%

during the second. However, in the second half sales are strongly related to the commercial activities during the year-end holidays.

NOTE 4 - SEGMENT INFORMATION

4.1 - Information by operating segments

The activity of the Hermès group is monitored by the main operational decision-maker (the "Executive Committee") by geographical areas and by business sectors.

Given the group's current structure, organised into geographical areas 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 areas constitute the operating segments in accordance with the fundamental principle of IFRS 8.

Information by operating segments is provided below:

in millions of euros

First half of 2013	France	Rest of Europe	Japan	Rest of Asia-Pacific	Americas	Other	Holding	Total
Revenue	289.2	346.9	221.4	591.2	286.1	32.4	–	1,767.2
Selling, marketing and administrative expenses	(90.3)	(101.7)	(83.8)	(157.6)	(90.2)	(8.6)	(37.7)	(569.8)
Depreciation and amortisation	(5.0)	(11.5)	(5.0)	(16.5)	(9.2)	(0.3)	(5.5)	(52.9)
Operating provisions	1.0	(1.5)	(1.4)	(1.7)	(0.7)	–	(1.0)	(5.4)
Impairment losses	(0.8)	–	–	–	–	–	–	(0.8)
Operating income	102.8	96.8	84.0	234.1	95.3	8.3	(37.2)	584.1
<i>Operating margin by segments</i>	35.5%	27.9%	37.9%	39.6%	33.3%	25.7%		33.1%
Net financial income							(8.2)	(8.2)
Net income from associates							1.9	1.9
Income tax expense							(191.1)	(191.1)
Net income attributable to non-controlling interests							(5.0)	(5.0)
Net income attributable to owners of the parent	102.8	96.8	84.0	234.1	95.3	8.3	(239.6)	381.7

Notes to the consolidated financial statements for the first half of 2013

in millions of euros

Fiscal year 2012	France	Rest of Europe	Japan	Rest of Asia-Pacific	Americas	Other	Holding	Total
Revenue	555.5	661.8	545.0	1.100.3	568.9	52.6	-	3,484.1
Selling, marketing and administrative expenses	(178.8)	(191.3)	(201.6)	(290.4)	(175.6)	(18.2)	(75.0)	(1,130.8)
Depreciation and amortisation	(11.6)	(22.1)	(11.6)	(28.0)	(17.1)	(0.6)	(10.2)	(101.3)
Operating provisions	(6.5)	(2.2)	(1.2)	(2.5)	(1.4)	(5.4)	(6.9)	(26.0)
Impairment losses	(2.8)	(0.2)	-	-	-	-	-	(3.0)
Operating income	155.6	188.7	201.3	456.9	181.1	3.2	(68.2)	1,118.6
<i>Operating margin by segments</i>	28.0%	28.5%	36.9%	41.5%	31.8%	6.1%		32.1%
Net financial income							(18.6)	(18.6)
Net income from associates							(0.4)	(0.4)
Income tax expense							(349.1)	(349.1)
Net income attributable to non-controlling interests							(10.6)	(10.6)
Net income attributable to owners of the parent	155.6	188.7	201.3	456.9	181.1	3.2	(446.9)	739.9

in millions of euros

First half of 2012	France	Rest of Europe	Japan	Rest of Asia-Pacific	Americas	Other	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 segments</i>	26.9%	29.2%	36.0%	43.4%	35.3%	17.8%		32.1%
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

4.2 - Information by geographical areas

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

	in millions of euros		
	30 June 2013	31 Dec. 2012	30 June 2012
France	648.5	641.8	578.5
Rest of Europe	173.2	172.7	179.7
Japan	167.3	192.5	219.8
Rest of Asia-Pacific	215.0	217.8	139.1
Americas	135.7	132.1	70.2
Rest of the world	–	–	–
Non-current assets ⁽¹⁾	1,339.8	1,356.9	1,187.2

(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 2013	Fiscal year 2012	First half of 2012
Advertising and marketing expenses	(89.7)	(181.9)	(69.0)
Other selling and administrative expenses	(480.1)	(948.9)	(447.2)
Total	(569.8)	(1,130.8)	(516.2)

NOTE 6 - OTHER INCOME AND EXPENSE

	in millions of euros		
	First half of 2013	Fiscal year 2012	First half of 2012
Depreciation and amortisation (Note 4)	(52.9)	(101.3)	(48.1)
Net change in recurring provisions	0.3	(16.0)	(9.8)
Cost of defined-benefit plans (Note 25.1)	(5.7)	(10.0)	(5.7)
<i>Sub-total</i>	<i>(5.4)</i>	<i>(26.0)</i>	<i>(15.5)</i>
Impairment losses of property, plant and equipment (Note 4)	(0.8)	(3.0)	(0.8)
Other expense	(1.3)	(28.6)	(2.7)
Other income	1.0	35.1	0.8
<i>Sub-total</i>	<i>(1.0)</i>	<i>3.5</i>	<i>(2.7)</i>
Total	(59.3)	(123.8)	(66.2)

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

€62.5 million in the first half of 2013 compared with €55.0 million last year.

Notes to the consolidated financial statements for the first half of 2013

NOTE 7 - NET FINANCIAL INCOME

	in millions of euros		
	First half of 2013	Fiscal year 2012	First half of 2012
Income from cash and cash equivalents	3.1	11.3	7.9
Cost of gross debt	(0.5)	(1.5)	(0.6)
– of which: income from hedging instruments	(0.3)	(0.4)	–
Cost of net debt	2.5	9.8	7.3
Other financial income and expense	(10.8)	(28.4)	(14.0)
– of which: ineffective portion of cash flow hedges (Note 22)	(11.1)	(21.5)	(14.0)
Total	(8.2)	(18.6)	(6.7)

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 2013 is 33.2% (32.5% for the first semester of 2012 and 31.7% for the fiscal year 2012).

For €7.9 million, this tax rate includes the effect of the 3% tax on the distribution of dividends resulting from the second amending finance law for 2012.

8.2 - Deferred tax

	in millions of euros		
	30 June 2013	31 Dec. 2012	30 June 2012
Deferred tax assets as at 1 January	217.8	194.2	194.2
Deferred tax liabilities as at 1 January	23.0	17.5	17.5
Net deferred tax assets as at 1 January	194.8	176.7	176.7
Impact on the statement of income	18.4	49.0	33.4
Impact on the scope of consolidation	(0.5)	(4.3)	(0.7)
Impact of foreign currency movements	(5.3)	(7.1)	2.1
Other ⁽¹⁾	2.9	(19.5)	(5.1)
Net deferred tax assets as at end of period	210.3	194.8	206.4
Deferred tax assets as at end of period	234.4	217.8	223.8
Deferred tax liabilities as at end of period	24.1	23.0	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 on the period.

Deferred taxes mainly related to the following adjustments:

in millions of euros

	30 June 2013	31 Dec. 2012	30 June 2012
Internal margins on inventories and impairment on inventories	144.5	133.0	138.4
Employee obligations	54.7	54.9	37.0
Derivatives instruments	(3.4)	(8.0)	10.8
Impairment losses	5.4	5.4	5.0
Stock option plans	–	–	1.1
Restricted provisions	(28.7)	(28.4)	(21.3)
Other	37.7	37.8	35.4
Total	210.3	194.8	206.4

NOTE 9 - EARNINGS PER SHARE

Earnings per share are 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 2012 registration document, the calculation and reconciliation of basic earnings per share and diluted earnings per share is as follows:

	First half of 2013	Fiscal year 2012	First half of 2012
Numerator (in millions of euros)			
Basic net income	381.7	739.9	335.1
Adjustments	–	–	–
Diluted net income	381.7	739.9	335.1
Denominator (in number of shares)			
Weighted average number of ordinary shares	104,112,250	104,087,228	104,078,261
Basic earnings per share	3.67	7.11	3.22
Weighted average number of ordinary shares under option	42,571	55,585	62,887
Weighted average number of shares under free share allotment plans	651,813	541,470	544,031
Weighted average number of diluted ordinary shares	104,806,634	104,684,282	104,685,179
Diluted earnings per share	3.64	7.07	3.20
Annual average price per share for the period	€254.12	€241.85	€259.78

The dilutive effect on the calculation of the net profit per share of the allocation of free shares or stock-option is not significant.

Notes to the consolidated financial statements for the first half of 2013

NOTE 10 - GOODWILL

	in millions of euros						
	30 June 2012	31 Dec. 2012	Increases	Decreases	Currency impact	Other	30 June 2013
Goodwill	83.9	142.9	-	-	(4.4)	(0.6)	137.9
Total gross value	83.9	142.9	-	-	(4.4)	(0.6)	137.9
Amortisation booked before 1 January 2004	39.8	36.8	-	-	(2.4)	-	34.4
Impairment losses	1.8	26.8	-	-	-	0.1	26.9
Total amortisation and impairment losses	41.6	63.6	-	-	(2.4)	-	61.3
Total net value	42.3	79.3	-	-	(2.0)	(0.7)	76.7

As at 30 June 2013, the largest components of the net value of goodwill were €15.3 million for Hermès Japon and €34.5 million for Hermès Cuir Précieux.

NOTE 11 - INTANGIBLE ASSETS

	in millions of euros						
	30 June 2012	31 Dec. 2012	Increases	Decreases	Currency impact	Other	30 June 2013
Leasehold rights	63.3	68.3	1.5	-	(0.6)	0.1	69.3
Concessions, patents, licences and software	39.6	40.2	1.1	-	(1.1)	3.3	43.5
Other intangible assets	117.7	126.0	4.3	-	(2.0)	1.5	129.8
Intangible assets under construction	2.8	2.6	2.6	-	-	(1.7)	3.5
Total gross value	223.3	237.1	9.5	-	(3.7)	3.3	246.1
Amortisation of leasehold rights	32.7	35.3	1.3	-	(0.5)	-	36.1
Amortisation of concessions, patents, licences and software	27.2	27.7	1.8	-	(0.9)	0.7	29.3
Amortisation of other intangible assets	66.2	71.3	6.4	-	(1.2)	0.1	76.6
Impairment losses	1.1	1.2	0.1	-	-	-	1.3
Total amortisation and impairment losses	127.3	135.5	9.6	-	(2.6)	0.8	143.4
Total net value	96.0	101.6	(0.1)	-	(1.2)	2.5	102.8

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 2012	31 Dec. 2012	Increases	Decreases	Currency impact	Other	30 June 2013
Land	174.1	166.7	–	–	(14.6)	0.1	152.2
Buildings	481.9	547.1	6.2	(3.9)	(16.8)	11.7	544.3
Machinery, plant and equipment	176.5	192.4	4.6	(1.2)	(1.6)	10.5	204.6
Store fixtures and furnishings	326.3	327.5	8.8	(5.8)	(3.7)	19.0	345.8
Other tangible assets	356.7	360.4	9.6	(2.6)	(1.0)	(7.2)	359.2
Fixed assets under construction	112.4	156.7	35.5	(0.1)	–	(21.0)	171.2
Total gross value	1,627.9	1,750.9	64.7	(13.6)	(37.6)	12.9	1,777.3
Depreciation of buildings	191.3	190.1	13.0	(3.5)	(8.3)	3.8	195.0
Depreciation of machinery, plant and equipment	120.6	122.5	7.1	(1.1)	(0.9)	7.1	134.7
Depreciation of store fixtures and furnishings	198.0	196.3	17.0	(5.8)	(2.4)	11.7	216.8
Depreciation of other tangible assets	212.7	217.2	15.5	(2.2)	(0.7)	(14.4)	215.2
Impairment losses	16.5	17.4	0.6	(0.7)	(0.2)	–	17.0
Total depreciation and impairment losses	739.1	743.4	53.1	(13.4)	(12.7)	8.2	778.6
Total net value	888.8	1,007.5	11.6	(0.2)	(25.0)	4.8	998.7

Investments made during the first half of 2013 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 2012	31 Dec. 2012	Increases	Decreases	Currency impact	Other	30 June 2013
Land	34.9	34.2	–	–	(1.3)	(2.0)	30.9
Buildings	74.0	73.4	–	–	(3.0)	2.0	72.4
Total gross value	108.9	107.6	–	–	(4.2)	–	103.4
Depreciation	8.2	9.2	1.1	–	(0.3)	–	10.1
Total net value	100.7	98.3	(1.1)	–	(4.0)	–	93.3

It is stipulated that the group and its subsidiaries are not bound by any contractual obligation to buy, build or develop investment properties, existing or not. Moreover, the costs incurred for the upkeep, maintenance and improvement of the investment assets are

not significant nor likely, as far as we know, to change materially in the coming fiscal years.

Rental income from investment property amounted to €2.4 million for the first half of 2013.

NOTE 14 - FINANCIAL ASSETS

14.1 - Available-for-sale securities

in millions of euros

	30 June 2012	31 Dec. 2012	Increases	Decreases	Currency impact	Other	30 June 2013
Forward investments and accrued interest ⁽¹⁾	22.4	20.4	20.1	-	-	-	40.5
Liquidity contract	-	8.1	-	(0.6)	-	-	7.4
Other financial assets ⁽²⁾	6.0	5.6	-	(0.3)	(0.1)	0.3	5.5
Other non-consolidated investments ⁽³⁾	0.2	0.3	-	-	-	-	0.3
Total gross value	28.6	34.3	20.1	(0.9)	(0.1)	0.3	53.7
Impairment	5.8	5.7	0.1	(0.1)	-	-	5.7
Total	22.9	28.5	20.0	(0.8)	(0.1)	0.3	48.0

(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 2013, other financial assets included €0.5 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 2012	31 Dec. 2012	Increases	Decreases	Currency impact	Other	30 June 2013
Convertible/participating loans	1.5	1.5	-	-	-	(1.5)	-
Impairment	-	1.5	-	-	-	(1.5)	-
Total	1.5	-	-	-	-	-	-

NOTE 15 - INVESTMENTS IN ASSOCIATES

The change in investments in associates is broken down as follows:

	in millions of euros		
	30 June 2013	31 Dec. 2012	30 June 2012
Balance as at 1 January	25.8	12.9	12.9
Impact of changes in the scope of consolidation	0.1	13.9	0.6
Net income from associates	1.9	(0.4)	0.4
Dividends paid	(0.2)	(0.2)	(0.1)
Change in foreign exchange rates	(1.4)	(0.4)	–
Other	–	–	–
Balance as at 31 December	26.3	25.8	13.8

NOTE 16 - LOANS AND DEPOSITS

	in millions of euros						
	30 June 2012	31 Dec. 2012	Increases	Decreases	Currency impact	Other	30 June 2013
Loans and deposits ⁽¹⁾	39.5	45.4	1.2	(1.9)	(0.9)	0.1	43.8
Impairment	2.5	2.5	–	–	–	–	2.5
Total	36.9	42.9	1.2	(1.9)	(0.9)	0.1	41.3

(1) As at 30 June 2013, security deposits amounted to €23.4 million, the same as at 31 December 2012.

NOTE 17 - INVENTORIES AND WORK-IN-PROGRESS

	in millions of euros				
	30 June 2013			31 Dec. 2012	30 June 2012
	Gross	Impairment	Net	Net	Net
Retail, semi-finished and finished goods	681.6	227.0	454.6	399.7	392.9
Raw materials and work-in-progress	462.7	101.7	361.0	327.2	267.6
Total	1,144.3	328.7	815.6	726.9	660.5
Net expense/proceeds from the impairment of retail, intermediate and finished products	–	(38.4)	–	(17.6)	(7.7)
Net expense/proceeds from the impairment of raw materials and work-in-progress	–	(10.2)	–	(10.6)	1.9

No inventories were pledged as debt collateral.

Notes to the consolidated financial statements for the first half of 2013

NOTE 18 - TRADE AND OTHER RECEIVABLES

in millions of euros

	30 June 2013			31 Dec. 2012	30 June 2012
	Gross	Impairment	Net	Net	Net
Trade and other receivables	189.3	6.1	183.2	207.1	196.4
Of which: – amount not yet due	161.7	0.3	161.4	183.1	167.7
– amount payable ⁽¹⁾	27.7	5.8	21.9	23.9	28.7
Current tax receivables	1.9	–	1.9	0.8	7.5
Other current assets	102.9	0.3	102.6	116.6	118.2
Other non-current assets	1.2	–	1.2	1.3	1.0
Total	295.3	6.4	288.9	325.8	323.2

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

in millions of euros

	30 June 2013			31 Dec. 2012	30 June 2012
	Gross	Impairment	Net	Net	Net
Less than 3 months	21.3	1.1	20.2	21.7	25.5
Between 3 and 6 months	1.7	0.3	1.4	2.2	2.5
Between 6 months and 12 months	4.6	4.4	0.2	–	0.7

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 2013, as in 2012. There is no significant concentration of credit risk.

NOTE 19 - CASH AND CASH EQUIVALENTS

in millions of euros

	30 June 2012	31 Dec. 2012	Cash flows	Currency impact	Impact on the scope of consolidation	Other ⁽¹⁾	30 June 2013
Cash and cash equivalents	233.8	199.8	133.2	(2.2)	0.3	0.4	331.4
Marketable securities ⁽²⁾	301.0	497.4	(39.5)	(1.2)	–	–	456.8
<i>Sub-total</i>	534.8	697.2	93.7	(3.4)	0.3	0.4	788.2
Bank overdrafts and current accounts in debit	(71.2)	(11.1)	(181.7)	0.5	–	–	(192.3)
Net cash position	463.7	686.1	(88.0)	(2.9)	0.2	0.4	595.9

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

(2) Primarily invested in money market UCITS and cash equivalents with a duration of less than 3 months.

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

NOTE 20 - SHAREHOLDERS' EQUITY

As at 30 June 2013, Hermès International's share capital consisted of 105,569,412 fully-paid shares with a par value of €0.51 each. 1,447,354 of these shares are treasury shares.

There was no change in the company's share capital during the first half of 2013.

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 2012 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 2013, an ordinary dividend of €2.50 per share, representing a total distribution of €260.3 million, were paid after approval by the

shareholders at the Annual General Meeting of 4 June 2013 convened to approve the annual financial statements for the year-ended 31 December 2012.

20.2 - Derivatives included in equity

During the first half of 2013, changes in derivatives were broken down as follows (after tax):

	in millions of euros		
	30 June 2013	31 Dec. 2012	30 June 2012
Balance as at 1 January	26.0	(29.1)	(29.1)
Amount transferred to equity during the period for derivatives	(16.4)	29.1	29.1
Amount transferred to equity during the period for financial investments	–	–	–
Adjustments in the value of derivatives at closing	12.6	26.0	(20.0)
Balance as at end of period	22.2	26.0	(20.0)

Notes to the consolidated financial statements for the first half of 2013

20.3 - Foreign currency adjustments

The change in foreign currency adjustments during the first half of 2013 is analysed below:

	in millions of euros		
	30 June 2013	31 Dec. 2012	30 June 2012
Balance as at 1 January	46.0	67.1	67.1
Japanese yen	(17.4)	(27.3)	1.4
Pound sterling	(6.2)	2.6	3.9
Australian dollar	(4.4)	0.1	0.2
Singapore dollar	(2.8)	2.8	1.7
Swiss franc	(2.7)	1.4	0.6
South Korean won	(2.3)	1.3	(0.5)
US dollar	1.4	(4.1)	1.6
Hong Kong dollar	1.5	2.8	1.3
Chinese yuan	2.2	(1.4)	2.1
Other currencies	(1.5)	0.8	(1.6)
Balance as at end of period	13.7	46.0	77.6

20.4 - Other comprehensive income

In the first half of 2013 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)	-	-	-
Foreign currency adjustments (Notes 20.3 and 21)	(32.5)	-	(32.5)
Financial instruments included in equity (Note 20.2)	(6.3)	2.5	(3.8)
Gain/(loss) on sale of treasury shares	0.6	(0.2)	0.4
Balance as at 30 June 2013	(38.2)	2.3	(35.9)
Actuarial gains and losses (Note 25.3)	(30.5)	11.0	(19.5)
Foreign currency adjustments (Notes 20.3 and 21)	(20.8)	-	(20.8)
Financial instruments included in equity (Note 20.2)	86.6	(31.5)	55.1
Gain/(loss) on sale of treasury shares	1.3	(0.5)	0.8
Balance as at 31 December 2012	36.5	(20.9)	15.6
Actuarial gains and losses (Note 25.3)	-	-	-
Foreign currency adjustments (Notes 20.3 and 21)	11.0	-	11.0
Financial instruments included in equity (Note 20.2)	14.2	(5.1)	9.1
Gain/(loss) on sale of treasury shares	1.5	(0.5)	1.0
Balance as at 30 June 2012	26.7	(5.6)	21.0

NOTE 21 - NON-CONTROLLING INTERESTS

in millions of euros

	30 June 2013	31 Dec. 2012	30 June 2012
Balance as at 1 January	13.9	12.7	12.7
Net income attributable to non-controlling interests	4.9	10.6	5.3
Dividends paid to non-controlling interests	(7.2)	(10.5)	(6.7)
Exchange rate adjustment on foreign entities	(0.1)	0.2	0.5
Other changes	2.7	0.8	0.3
Balance as at end of period	14.3	13.9	12.2

NOTE 22 - EXPOSURE TO MARKET RISKS

The Hermès Group's results are exposed to the risks and uncertainties described in the 2012 registration document. The assessment of these risks did not change during the first half of 2013 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 2012 registration document.

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

in millions of euros

	30 June 2013	31 Dec. 2012	30 June 2012
Derivative financial instrument assets	48.8	54.4	20.1
Derivative financial instrument liabilities	(13.9)	(19.3)	(51.9)
Net position of the derivative financial instruments	34.8	35.1	(31.8)

The ineffective portion of cash flow hedges recorded in net income was -€11.1 million (including -€0.1 million from overhedging), compared with -€21.5 million (including -€0.3 million from overhedging) in 2012 and

-€14.0 million (including +€0.2 million from overhedging) as at 30 June 2012 (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 2012	31 Dec. 2012	Accruals	Reversals ⁽¹⁾	Currency impact	Other and reclassifications	30 June 2013
Current provisions	32.5	33.2	2.5	(6.3)	(0.9)	1.9	30.5
Non-current provisions	16.2	16.4	1.0	(2.0)	-	0.4	15.7
Total	48.7	49.6	3.4	(8.3)	(0.9)	2.4	46.2

(1) Including €4.7 million of consumed reversals and €3.6 million of non-consumed reversals.

As at 30 June 2013, the provisions involve provisions for returns (€16.5 million) as well as other legal, financial or tax risks resulting from past events that are

undetermined in terms of their amount or due date (€29.7 million). No other type of provision is individually significant.

NOTE 24 - EMPLOYEES

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

	30 June 2013	31 Dec. 2012	30 June 2012
France	6,404	6,110	5,720
Rest of Europe	1,218	1,099	1,064
Rest of the world	2,982	2,909	2,742
Total	10,604	10,118	9,526

By category, the breakdown is as follows:

	30 June 2013	31 Dec. 2012	30 June 2012
Production	4,757	4,453	4,091
Sales	4,058	3,970	3,817
Other (design, marketing, administration)	1,789	1,695	1,618
Total	10,604	10,118	9,526

Total personnel costs amounted to €408.0 million in the first half of 2013 compared with €359.5 million in the first half of 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 194 et seq. of the 2012 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:

in millions of euros

	Defined benefit pension plans	Other defined benefit plans	First half of 2013	Fiscal year 2012	First half of 2012
Service cost	4.6	0.2	4.8	8.8	4.7
Interest cost	0.7	0.1	0.8	1.7	1.9
Expected return on plan assets	-	-	-	-	(0.9)
(Gains)/losses resulting from change in plan	-	-	-	-	-
Unrecognised past service cost	0.1	-	0.1	(33.1)	0.1
Net actuarial (gains)/losses recognized during the period	-	-	-	0.8	-
Other	-	-	-	-	-
Cost of defined-benefit plans	5.4	0.3	5.7	(21.9)	5.8

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 2013	31 Dec. 2012	30 June 2012
Provisions as at 1 January	64.4	5.9	70.3	67.1	67.1
Foreign currency adjustments	(3.2)	(0.1)	(3.3)	(3.4)	0.1
Pension expense	5.4	0.3	5.7	(21.9)	5.8
Benefits/contributions paid	(1.0)	–	(1.0)	(3.7)	(1.0)
Actuarial gains and losses/limits on plan assets	–	–	–	30.5	–
Changes in the scope of consolidation	0.3	–	0.3	0.3	–
Adjustment to opening equity	–	–	–	–	–
Other	(0.1)	0.1	–	1.3	(0.4)
Provisions at end of period	65.8	6.2	72.0	70.3	71.6

25.3 - Changes in actuarial gains and losses recognised in equity

During the first half of both 2013 and 2012, no actuarial gain or loss was recorded in equity.

NOTE 26 - TRADE PAYABLES AND OTHER LIABILITIES

	in millions of euros		
	30 June 2013	31 Dec. 2012	30 June 2012
Suppliers	249.7	301.9	230.0
Amounts payable relating to fixed assets	21.6	43.5	16.3
Trade and other payables	271.3	345.5	246.3
Current tax liabilities	100.2	124.1	121.6
Other current liabilities	302.1	323.4	309.3
Other non-current liabilities	49.9	54.0	42.2
Trade payables and other liabilities	723.4	847.0	719.3

NOTE 27 - SHARE-BASED PAYMENTS

In the first half of 2013, the expense related to the plans for the allocation of bonus shares was equal

to €20.2 million, versus €28.4 million in 2012 and €8.1 million at the end of June 2012.

NOTE 28 - UNRECOGNISED COMMITMENTS

There was no material change in the group's unrecognised commitments during the first half of the year.

NOTE 29 - RELATED-PARTY TRANSACTIONS

During the first half of 2013, the Hermès group and affiliated companies maintained relationships comparable to those that existed in 2012. 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 29 August 2013, date on which Executive Management approved the financial statements.

Statutory auditors' report on the interim financial information for the first half of 2013

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 2013, 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, 29 August 2013
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 2013 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, 29 August 2013
The Executive Management

Patrick Thomas

Axel Dumas

Henri-Louis Bauer
representing Émile Hermès SARL

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