



**HERMÈS**  
HALF-YEAR FINANCIAL REPORT JUNE 2017

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# HALF-YEAR FINANCIAL REPORT JUNE 2017

*This document is a free translation into English of the original French "Rapport financier semestriel". It is not a binding document. In the event of a conflict in interpretation, reference should be made to the French version, which is the authentic text.*



# KEY FIGURES

## KEY CONSOLIDATED DATA FOR THE FIRST HALF OF 2017

<i>In millions of euros</i>	<b>H1 2017</b>	<b>2016</b>	<b>H1 2016</b>
Revenue	2,713.1	5,202.2	2,440.4
Recurring operating income	931.3	1,696.5	826.8
Net income attributable to owners of the parent	605.2	1,100.3	545.4
Operating cash flows	794.2	1,438.7	699.4
Investments (excluding financial investments)	105.2	285.4	107.6
Equity attributable to owners of the parent <sup>1</sup>	4,564.5	4,382.6	3,863.3
Net cash position	2,434.3	2,319.8	1,513.4
Restated net cash position <sup>2</sup>	2,530.4	2,345.3	1,625.4
Workforce (number of employees)	13,059	12,834	12,510

(1) Equity excluding non-controlling interests.

(2) Net cash includes non-liquid financial investments, within the meaning of IAS 39, and borrowings.



# HALF-YEAR BUSINESS REPORT

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## HALF-YEAR HIGHLIGHTS

The Group's consolidated revenue amounted to €2,713 million in the first half of 2017, up 11% at current exchange rates and up 10% at constant exchange rates. Operating income up 13% amounted to €931 million,

(34.3% of sales) and profit reached €605 million, up 11%. Currency fluctuations were favourable in the six months to end-June, representing a positive impact of €35 million on revenue.

## FIRST-HALF REVENUE

(At constant exchange rates unless otherwise indicated)

During the first six months 2017, revenue rose in all the geographical areas worldwide:

- ◆ Asia excluding Japan (+14%) pursued its great progress, driven particularly by continental China, which gained from positive momentum;
- ◆ Japan (+3%) achieved robust growth, despite the strengthening of the Yen;
- ◆ America (+9%) developed in a contrasting environment, and with a particularly high comparison basis in the second quarter;
- ◆ Europe (+7%) performed very well, and particularly benefitted from store openings and extensions in Rome in October, and London and Munich in March. France in particular posted a good increase in Group stores.

The performance in the first half confirmed the positive momentum of the Ready-to-wear and Accessories and the Silk and Textiles business lines.

Growth in Leather Goods and Saddlery (+12%) was sustained thanks to the success of the collections and the diversity of models. The development was supported by the sustained pace of production and the

increase in capacities at the three new sites in Charente, Isère and Franche-Comté. In June, the Group opened two new production sites, the Maroquinerie de Normandie and the Ganterie-Marroquinerie in Saint-Junien.

The Ready-to-wear and Accessories division (+10%) performed well, driven by the success of the ready-to-wear collections as well as jewellery accessories and shoes.

The Silk and Textiles business line (+6%) pursued its positive momentum, with sustained demand and creative diversity.

The Perfumes division (+8%), which gained from the launches of *Galop d'Hermès*, *Eau de néroli doré* and *Eau de rhubarbe écarlate* in the second quarter 2016, posted an increase.

The Watches business line (-1%), penalised by a still challenging market, showed a slight upturn in the second quarter.

Other Hermès business lines (+13%) which encompass Jewellery, Art of Living and Hermès Table Arts, continued their development.

<i>In millions of euros</i>	H1 2017	H1 2016	Reported change	Change at constant exchange rates
France	360.7	352.3	2.4%	2.4%
Europe (excl. France)	475.5	433.8	9.6%	10.7%
<b>Total Europe</b>	<b>836.2</b>	<b>786.1</b>	<b>6.4%</b>	<b>7.0%</b>
Japan	348.7	329.8	5.7%	3.4%
Asia-Pacific (excl. Japan)	998.5	856.1	16.6%	14.3%
<b>Total Asia</b>	<b>1,347.2</b>	<b>1,185.9</b>	<b>13.6%</b>	<b>11.2%</b>
Americas	482.4	431.6	11.8%	8.8%
Other	47.2	36.7	28.6%	28.6%
<b>TOTAL</b>	<b>2,713.1</b>	<b>2,440.4</b>	<b>11.2%</b>	<b>9.7%</b>



<i>In millions of euros</i>	<b>H1 2017</b>	<b>H1 2016</b>	<b>Reported change</b>	<b>Change at constant exchange rates</b>
Leather Goods and Saddlery <sup>1</sup>	1,404.0	1,231.2	14.0%	12.2%
Ready-to-wear and Accessories <sup>2</sup>	579.2	517.5	11.9%	10.4%
Silk and Textiles	246.3	230.3	7.0%	5.8%
Other Hermès sectors <sup>3</sup>	172.3	150.6	14.4%	13.0%
Perfumes	134.4	124.6	7.9%	7.7%
Watches	75.0	74.6	0.5%	(1.2)%
Other products <sup>4</sup>	101.9	111.8	(8.9)%	(8.7)%
<b>TOTAL</b>	<b>2,713.1</b>	<b>2,440.4</b>	<b>11.2%</b>	<b>9.7%</b>

(1) The "Leather Goods and Saddlery" business line includes bags, riding, diaries and small leather goods.

(2) The "Ready-to-wear and Accessories" business line includes Hermès Ready-to-wear for men and women, belts, costume jewellery, gloves, hats and shoes.

(3) The "Other Hermès business lines" include Jewellery and Hermès home products (Art of Living and Hermès Tableware).

(4) The "Other products" include the production activities carried out on behalf of non-group brands (textile printing, tanning, etc.), as well as the John Lobb, Saint-Louis, Puiforcat and Shang Xia products.

## FIRST-HALF RESULTS TREND

The gross margin was 70.1%, an increase of 1.7 points compared with the first half of 2016, attributable chiefly to the favourable impact of foreign exchange hedges contracted in the first months of the year.

Selling, marketing and administrative expenses, which represented €807.1 million, compared with €724.2 million at the end of June 2016, included in particular €119.6 million in communication expenditure (compared with €99.6 million in the previous half-year).

Other income and expenses came to €164,8 million. This figure includes €82.8 million in depreciation and amortisation charges, the increase of which resulted from the rapid pace of investment in the development and renovation of the distribution network. This item also includes a €38.7 million expense relating to free share plans (compared with €21.1 million in the first half of 2016).

Recurring operating income rose 13% to €931.3 million, compared to €826.8 million in the first half of 2016. The operating margin represented 34.3% of revenue, up from 33.9% at the end of June 2016.

Net financial income, notably financial income from cash management investments and foreign exchange gains and losses, represented an expense of €9.8 million, compared with an expense of €20.3 million in the first half of 2016.

Net income attributable to non-controlling interests totalled €1.4 million, compared with €1.7 million at the end of June 2016.

After taking into account a tax expense of €322.5 million and income from associates (€7.6 million), consolidated net income attributable to owners of the parent amounted to €605.2 million, compared with €545.4 million in the first half of 2016, an increase of 11%.

## INVESTMENTS

Operating investments amounted to €104.8 million in the first half of 2017.

<i>In millions of euros</i>	<b>H1 2017</b>	<b>2016</b>	<b>H1 2016</b>
Operating investments	104.8	262.1	107.6
Investments in financial assets	0.4	23.3	-
<b>Subtotal – Investments (excluding financial investments)</b>	<b>105.2</b>	<b>285.4</b>	<b>107.6</b>
Financial investments <sup>1</sup>	84.4	13.0	86.8
<b>TOTAL INVESTMENTS</b>	<b>189.6</b>	<b>298.4</b>	<b>194.4</b>

(1) *Financial investments correspond to investments that do not meet the cash equivalent criteria, notably as a result of their original maturity of more than three months.*

## FINANCIAL POSITION

Operating cash flows reached €794,2 million, up by 13,5%. It enabled the Group to finance all capital expenditure (€104.8 million), the change in working capital requirements (€40.5 million) and the distribution of the ordinary dividend (€392.0 million). During the first six months, Hermès International redeemed 24,687 shares for €10.4 million, outside transactions completed within the framework of the liquidity contract.

Net cash position amounted to €2,434.3 million at 30 June 2017, compared with €2,319.8 million at the end of 2016. Restated net cash (after taking into account non-liquid financial investments exceeding three months and borrowings) amounted to €2,530.4 million at 30 June 2017, compared with €2,345.3 million at 31 December 2016.

Following the payment of the ordinary dividend, shareholders' equity (Group share) amounted to €4,564.5 million at 30 June 2017, compared with €4,382.6 million at 31 December 2016.

## SUBSEQUENT EVENTS

No significant event occurred between 30 June 2017 and 13 September 2017, date on which the Executive Management approved the condensed consolidated interim financial statements.

## OUTLOOK

In the medium term, despite growing economic, geopolitical and monetary uncertainties around the world, the Group confirms an ambitious goal for revenue growth at constant exchange rates.

The performance of the results at the end of June, benefiting from the non-recurring impact of foreign exchange hedging from the year 2016, can not be extrapolated over the full year 2017.

In 2017, Hermès is celebrating the theme “*Le sens de l’objet*” (the meaning of objects). By the wealth of its creations and its fundamental style, Hermès accompanies men and women in their everyday lives. And this ambition is what gives our objects meaning.

Thanks to its unique business model, Hermès is pursuing its long-term development strategy based on creativity, maintaining control over know-how and original communication.

## RISKS AND UNCERTAINTIES

The Hermès Group’s results are exposed to the risks and uncertainties set out in the 2016 registration document. The assessment of these risks did not change during the first half of 2017, and no new risks had

been identified at the date of publication of this report. The main risks are exposure to currency fluctuations and changing economic conditions in some parts of the world.

## RELATED-PARTY TRANSACTIONS

Relations between the Hermès Group and related companies during the first half of 2017 were comparable with those of 2016. In particular, no unusual transaction, by its nature or amount, was carried out during the period.



# CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2017

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*N.B.: 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 changes.*

## CONSOLIDATED STATEMENT OF INCOME

<i>In millions of euros</i>	Notes	<b>H1 2017</b>	<b>2016</b>	<b>H1 2016</b>
<b>Revenue</b>	4	<b>2,713.1</b>	<b>5,202.2</b>	<b>2,440.4</b>
Cost of sales	5	(809.9)	(1,681.9)	(770.3)
<b>Gross margin</b>		<b>1,903.2</b>	<b>3,520.3</b>	<b>1,670.1</b>
Selling, marketing and administrative expenses	6	(807.1)	(1,545.3)	(724.2)
Other income and expenses	7	(164.8)	(278.5)	(119.1)
<b>Recurring operating income</b>	4	<b>931.3</b>	<b>1,696.5</b>	<b>826.8</b>
Other non-recurring income and expenses		-	-	-
<b>Operating income</b>		<b>931.3</b>	<b>1,696.5</b>	<b>826.8</b>
Net financial income	8	(9.8)	(47.8)	(20.3)
<b>Net income before tax</b>		<b>921.5</b>	<b>1,648.8</b>	<b>806.5</b>
Income tax	9	(322.5)	(555.5)	(267.8)
Net income from associates	16	7.6	10.9	8.4
<b>CONSOLIDATED NET INCOME</b>		<b>606.5</b>	<b>1,104.2</b>	<b>547.1</b>
Net income attributable to non-controlling interests	22	(1.4)	(3.9)	(1.7)
<b>NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		<b>605.2</b>	<b>1,100.3</b>	<b>545.4</b>
Earnings per share <i>in euros</i>	10	5.79	10.53	5.22
Diluted earnings per share <i>in euros</i>	10	5.75	10.47	5.20

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

<i>In millions of euros</i>	Notes	H1 2017	2016	H1 2016
<b>Consolidated net income</b>		<b>606.5</b>	<b>1,104.2</b>	<b>547.1</b>
Changes in foreign currency adjustments	21.4	(84.6)	(2.3)	(16.5)
Cash flow hedges <sup>1</sup>	21.4	47.6	(19.4)	(16.0)
♦ <i>change in fair value</i>		44.8	2.8	(38.2)
♦ <i>recycling through profit or loss</i>		2.8	(22.2)	22.2
Available-for-sale financial assets <sup>1</sup>		-	-	-
♦ <i>change in fair value</i>		-	-	-
♦ <i>recycling through profit or loss</i>		-	-	-
<b>Gains and losses recognised in equity and transferable through profit or loss</b>		<b>(37.1)</b>	<b>(21.6)</b>	<b>(32.5)</b>
Other items <sup>1</sup>	21.4	-	-	-
Employee benefit obligations: change in value linked to actuarial gains and losses <sup>1</sup>	21.4	-	(11.3)	-
<b>Gains and losses recognised in equity and not transferable through profit or loss</b>		<b>-</b>	<b>(11.3)</b>	<b>-</b>
<b>Net comprehensive income</b>		<b>569.5</b>	<b>1,071.2</b>	<b>514.6</b>
♦ attributable to owners of the parent		567.7	1,067.5	512.9
♦ attributable to non-controlling interests		1.8	3.7	1.7

(1) Net of tax.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### ASSETS

<i>In millions of euros</i>	Notes	30/06/2017	31/12/2016	30/06/2016
<b>Non-current assets</b>		<b>2,220.8</b>	<b>2,185.8</b>	<b>2,181.3</b>
Goodwill	11	35.9	36.6	40.0
Intangible assets	12	125.0	122.1	126.4
Property, plant and equipment	13	1,282.4	1,334.6	1,297.0
Investment property	14	83.6	85.8	88.7
Financial assets	15	99.7	31.9	106.0
Investments in associates	16	89.7	87.3	84.9
Loans and deposits	17	46.9	47.5	53.8
Deferred tax assets	9.2	424.7	430.4	381.8
Other non-current assets	19	33.0	9.5	2.8
<b>Current assets</b>		<b>3,940.0</b>	<b>3,812.9</b>	<b>3,066.3</b>
Inventories and work-in-progress	18	930.9	915.1	993.6
Trade and other receivables	19	257.1	307.2	263.6
Current tax receivables	19	37.0	22.7	23.4
Other assets	19	172.1	198.4	196.9
Financial derivatives	23	100.6	40.5	60.9
Cash and cash equivalents	20	2,442.3	2,328.9	1,527.9
<b>TOTAL ASSETS</b>		<b>6,160.8</b>	<b>5,998.7</b>	<b>5,247.6</b>



## LIABILITIES

Before allocation

<i>In millions of euros</i>	Notes	30/06/2017	31/12/2016	30/06/2016
<b>Equity</b>		<b>4,570.2</b>	<b>4,384.8</b>	<b>3,867.3</b>
Share capital		53.8	53.8	53.8
Share premium		49.6	49.6	49.6
Treasury shares		(277.5)	(287.8)	(231.7)
Reserves		4,004.7	3,300.5	3,291.0
Foreign currency adjustments	21.2	78.3	163.3	149.0
Financial instruments attributable to equity	21.3	50.4	2.8	6.2
Net income attributable to owners of the parent		605.2	1,100.3	545.4
Non-controlling interests	22	5.7	2.2	4.0
<b>Non current liabilities</b>		<b>362.3</b>	<b>323.8</b>	<b>281.5</b>
Borrowings and financial liabilities		22.3	20.8	16.3
Provisions	24	3.2	3.5	2.6
Post-employment and other employee benefit obligations		191.3	183.4	167.5
Deferred tax liabilities	9.2	48.7	49.0	32.1
Other non-current liabilities	27	96.9	67.3	62.9
<b>Current liabilities</b>		<b>1,228.2</b>	<b>1,290.0</b>	<b>1,098.9</b>
Borrowings and financial liabilities		17.6	20.2	21.1
Provisions	24	132.9	94.7	60.9
Post-employment and other employee benefit obligations		5.6	5.6	4.8
Trade and other payables	27	381.1	463.7	374.1
Financial derivatives	23	25.7	53.8	68.5
Current tax liabilities	27	148.1	128.3	133.0
Other current liabilities	27	517.1	523.8	436.3
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>6,160.8</b>	<b>5,998.7</b>	<b>5,247.6</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>In millions of euros</i>	Share capital	Share premium	Treasury shares	Consolidated reserves and net income attributable to owners of the parent
Notes				
<b>As at 1 January 2016</b>	<b>53.8</b>	<b>49.6</b>	<b>(271.8)</b>	<b>3,805.4</b>
Net income for the first half of 2016	-	-	-	545.4
Other comprehensive income for the first half of 2016	-	-	-	-
<b>Comprehensive income for the first half of 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>545.4</b>
Change in share capital and share premium	-	-	-	-
Purchase or sale of treasury shares	-	-	40.2	(92.8)
Share-based payments	-	-	-	20.5
Dividends paid	-	-	-	(356.0)
Other	-	-	-	(3.7)
<b>AS AT 30 JUNE 2016</b>	<b>53.8</b>	<b>49.6</b>	<b>(231.7)</b>	<b>3,918.9</b>
Net income for the second half of 2016	-	-	-	554.9
Other comprehensive income for the second half of 2016	-	-	-	-
<b>Comprehensive income for the second half of 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>554.9</b>
Change in share capital and share premium	-	-	-	-
Purchase or sale of treasury shares	-	-	(56.1)	0.4
Share-based payments	-	-	-	33.3
Dividends paid	-	-	-	0.0
Other	-	-	-	(12.8)
<b>As at 31 December 2016</b>	<b>53.8</b>	<b>49.6</b>	<b>(287.8)</b>	<b>4,494.6</b>
Net income for the first half of 2017	-	-	-	605.2
Other comprehensive income for the first half of 2017	-	-	-	-
<b>Comprehensive income for the first half of 2017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>605.2</b>
Change in share capital and share premium	-	-	-	-
Purchase or sale of treasury shares	-	-	10.2	(21.8)
Share-based payments	-	-	-	32.3
Dividends paid	-	-	-	(399.3)
Other	-	-	-	(7.2)
<b>AS AT 30 JUNE 2017</b>	<b>53.8</b>	<b>49.6</b>	<b>(277.5)</b>	<b>4,703.8</b>

Financial instruments	Foreign currency adjustments	Actuarial gains and losses	Equity attributable to owners of the parent	Non-controlling interests	Equity	Number of shares
21.3	21.2	21.4		22		21
<b>22.2</b>	<b>165.3</b>	<b>(82.5)</b>	<b>3,742.0</b>	<b>6.7</b>	<b>3,748.7</b>	<b>105,569,412</b>
-	-	-	545.4	1.7	547.1	-
(16.0)	(16.5)	-	(32.5)	(0.0)	(32.5)	-
<b>(16.0)</b>	<b>(16.5)</b>	<b>-</b>	<b>512.9</b>	<b>1.7</b>	<b>514.6</b>	<b>-</b>
-	-	-	0.0	-	-	-
-	-	-	(52.6)	-	(52.6)	-
-	-	-	20.5	-	20.5	-
-	-	-	(356.0)	(3.5)	(359.6)	-
-	0.1	-	(3.6)	(0.8)	(4.3)	-
<b>6.2</b>	<b>149.0</b>	<b>(82.5)</b>	<b>3,863.3</b>	<b>4.0</b>	<b>3,867.3</b>	<b>105,569,412</b>
-	-	-	554.9	2.2	557.0	-
(3.4)	14.4	(11.3)	(0.3)	(0.2)	(0.4)	-
<b>(3.4)</b>	<b>14.4</b>	<b>(11.3)</b>	<b>554.6</b>	<b>2.0</b>	<b>556.6</b>	<b>-</b>
-	-	-	0.0	-	-	-
-	-	-	(55.7)	-	(55.7)	-
-	-	-	33.3	-	33.3	-
-	-	-	0.0	(0.5)	(0.5)	-
-	(0.1)	-	(12.9)	(3.3)	(16.2)	-
<b>2.8</b>	<b>163.3</b>	<b>(93.8)</b>	<b>4,382.6</b>	<b>2.2</b>	<b>4,384.8</b>	<b>105,569,412</b>
-	-	-	605.2	1.4	606.5	-
47.6	(85.0)	-	(37.4)	0.5	(37.0)	-
<b>47.6</b>	<b>(85.0)</b>	<b>-</b>	<b>567.7</b>	<b>1.8</b>	<b>569.5</b>	<b>-</b>
-	-	-	0.0	-	-	-
-	-	-	(11.5)	-	(11.5)	-
-	-	-	32.3	-	32.3	-
-	-	-	(399.3)	(2.6)	(401.9)	-
-	-	-	(7.2)	4.3	(2.9)	-
<b>50.4</b>	<b>78.3</b>	<b>(93.8)</b>	<b>4,564.5</b>	<b>5.7</b>	<b>4,570.2</b>	<b>105,569,412</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In millions of euros</i>	Notes	H1 2017	2016	H1 2016
<b>CASH FLOWS RELATED TO OPERATING ACTIVITIES</b>				
Net income attributable to owners of the parent		605.2	1,100.3	545.4
Depreciation and amortisation	12, 13, 14	100.3	201.8	92.0
Impairment losses	11, 12, 13	16.7	30.3	15.1
Mark-to-Market financial instruments		0.6	7.2	0.5
Foreign exchange gains/(losses) on fair value adjustments		13.7	30.4	44.1
Change in provisions		49.0	70.1	10.9
Net income from associates	16	(7.6)	(10.9)	(8.4)
Net income attributable to non-controlling interests	22	1.4	3.9	1.7
Capital gains/(losses) on disposals		(0.9)	(18.8)	(1.9)
Deferred tax expense		(16.4)	(29.3)	(20.3)
Accrued expenses and income related to share-based payments	28	32.3	53.8	20.5
Other		(0.1)	(0.1)	(0.1)
<b>Operating cash flows</b>		<b>794.2</b>	<b>1,438.7</b>	<b>699.4</b>
Dividend income		(18.0)	(11.6)	(11.5)
Interest income and expenses		(4.2)	(3.4)	(9.2)
Current tax expense		353.2	612.5	295.3
<b>Operating cash flows before financial interest, dividends and taxes</b>		<b>1,125.2</b>	<b>2,036.2</b>	<b>974.1</b>
Change in working capital requirements related to the activity		(27.1)	22.5	(142.7)
Interest income and expenses		4.2	3.4	9.2
Income tax paid		(366.6)	(588.2)	(270.5)
<b>Change in net cash related to operating activities</b>		<b>735.7</b>	<b>1,473.9</b>	<b>570.1</b>
<b>CASH FLOWS RELATED TO INVESTMENT ACTIVITIES</b>				
Purchase of intangible assets	12	(21.2)	(46.9)	(23.0)
Purchase of property, plant and equipment	13 and 14	(83.7)	(215.2)	(84.5)
Investments in subsidiaries and associates		(0.4)	(23.3)	-
Purchase of other financial assets	15	(84.4)	(13.0)	(86.8)
Amounts payable to fixed asset suppliers		(7.8)	2.8	(17.5)
Proceeds from sale of operating assets		3.5	18.1	0.1
Proceeds from sale of investments in subsidiaries and associates		-	9.5	9.1
Proceeds from sale of other financial assets	15	11.4	22.8	22.8
Dividends received		21.6	25.7	14.9
<b>Change in net cash related to investing activities</b>		<b>(160.8)</b>	<b>(219.6)</b>	<b>(164.9)</b>
<b>CASH FLOWS RELATED TO FINANCING ACTIVITIES</b>				
Dividends paid		(401.9)	(360.1)	(359.6)
Treasury share buybacks net of disposals		(11.9)	(108.8)	(52.7)
Proceeds from borrowings		1.1	3.6	-
Repayment of borrowings		(3.1)	(5.8)	(6.4)
Other increases/(decreases) in equity		-	(0.0)	-
<b>Change in net cash related to financing activities</b>		<b>(415.7)</b>	<b>(471.2)</b>	<b>(418.6)</b>
Change in scope		0.0	(0.0)	(0.0)
Change in foreign currency translation adjustment on intra-group transactions		(6.2)	(27.6)	(31.1)
Foreign currency translation adjustment	20	(38.5)	(6.9)	(13.3)
<b>CHANGE IN NET CASH POSITION</b>		<b>114.5</b>	<b>748.6</b>	<b>(57.8)</b>
Net cash position at the beginning of the period	20	2,319.8	1,571.2	1,571.2
Net cash position at the end of the period	20	2,434.3	2,319.8	1,513.4
<b>CHANGE IN NET CASH POSITION</b>	<b>20</b>	<b>114.5</b>	<b>748.6</b>	<b>(57.8)</b>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### DETAILED SUMMARY

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The condensed interim consolidated financial statements as presented were approved by the Executive Management on 13 September 2017 after review by the Audit Committee at its meeting of 6 September 2017.

## NOTE 1 ACCOUNTING PRINCIPLES AND POLICIES

The Hermès Group's condensed interim consolidated financial statements were prepared in accordance with IAS 34 *Interim financial reporting* as adopted by the European Union. The accompanying notes do not contain all of the information required for the complete annual financial statements. They should therefore be read in conjunction with the consolidated financial statements for 2016.

The accounting policies and calculation methods used to prepare these condensed interim financial statements are the same as those used to prepare the financial statements for the year ended 31 December 2016 and described therein, with the exception of the estimated tax expense for the first half and employee benefits, which are assessed separately (Note 1.3).

The standards adopted by the European Union may be consulted at [www.eur-lex.europa.eu](http://www.eur-lex.europa.eu).

### 1.1 Standards, amendments and interpretations mandatory in 2017

No new standards liable to have a material impact on the Group's financial statements came into force in 2017.

Group's activities, the implementation of this standard will have only a very limited impact on the consolidated financial statements;

- ◆ IFRS 16 *Leases*, applicable in 2019. In view of the Group's retail activity, the application of this standard is expected to have a significant impact. This impact is currently being analysed.

### 1.2 Standards, amendments and interpretations applicable from 1 January 2017

The Group monitors changes to standards that were not yet applicable as of 30 June 2017, notably:

- ◆ IFRS 9 *Financial instruments* lays down principles governing recognition and disclosures in relation to financial assets and liabilities. These principles, applicable for periods beginning on or after 1 January 2018, will replace those currently set out in IAS 39 *Financial instruments*. The effects of applying this standard are currently being analysed and quantified;
- ◆ IFRS 15 *Revenue from contracts with customers*, which will replace IAS 18 *Revenue*, applicable in 2018. In view of the nature of the

### 1.3 Special features of the preparation of interim financial statements

The half-yearly tax expense corresponds to half of the expense calculated for the full year.

Barring a specific event during the period, the post-employment benefit obligation is not subject to an actuarial valuation in the first half. The post-employment benefit expense for the first half of 2017 is one-half of the net expense calculated for 2017 as a whole, based on the data and actuarial assumptions used as at 31 December 2016.

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

The Group did not make any significant acquisitions or disposals during the first half of 2017.

## NOTE 3 SEASONAL NATURE OF THE BUSINESS

The Group's overall activity is evenly balanced over the year as a whole (in 2016, 47% of the Group's revenue was generated during the first

half, and 53% during the second). However, second-half sales are heavily reliant on trading during the year-end festive season.

## NOTE 4 SEGMENT INFORMATION

### INFORMATION BY OPERATING SEGMENT

The following information is presented after eliminations and adjustments:

In millions of euros	01/06/2017							Total
	France	Europe (excl. France)	Japan	Asia-Pacific (excl. Japan)	Americas	Other	Holding	
Revenue	360.7	475.5	348.7	998.5	482.4	47.2	-	2,713.1
Operating income	116.5	143.6	130.2	458.4	157.5	7.5	(82.4)	931.2
Operating profitability by segment	32.3%	30.2%	37.3%	45.9%	32.6%	-	-	34.3%
Operating investments	47.3	15.8	1.0	18.9	17.2	-	4.6	104.8
Non-current assets <sup>1</sup>	793.1	187.7	171.3	275.1	228.0	32.9	35.5	1,723.7

In millions of euros	01/06/2016							Total
	France	Europe (excl. France)	Japan	Asia-Pacific (excl. Japan)	Americas	Other	Holding	
Revenue	352.3	433.8	329.8	856.1	431.6	36.7	-	2,440.4
Operating income	112.8	113.3	129.7	380.4	139.6	8.2	(57.2)	826.8
Operating profitability by segment	32.0%	26.1%	39.3%	44.4%	32.3%	-	-	33.9%
Operating investments	56.0	12.0	0.7	21.9	12.5	-	4.4	107.6
Non-current assets <sup>1</sup>	761.9	181.7	183.7	281.6	204.8	38.3	42.0	1,694.0

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

## NOTE 5 COST OF SALES

Cost of sales mainly comprises purchases, the cost of labour for production, the portion of depreciation that is allocated to the production cost, impairment of inventories, losses on inventories and variable selling expenses.

## NOTE 6 SELLING, MARKETING AND ADMINISTRATIVE EXPENSES

In millions of euros	H1 2017	2016	H1 2016
Communication	(119.6)	(242.3)	(99.6)
Other selling, marketing and administrative expenses	(687.5)	(1,303.0)	(624.7)
<b>TOTAL</b>	<b>(807.1)</b>	<b>(1,545.3)</b>	<b>(724.2)</b>

## NOTE 7 OTHER INCOME AND EXPENSES

<i>In millions of euros</i>	Notes	H1 2017	2016	H1 2016
Amortisation		(82.8)	(168.1)	(77.0)
Net change in recurring provisions		(12.5)	(23.2)	(4.8)
Cost of defined-benefit plans	26	(10.6)	(16.6)	(9.9)
<b>Sub-total</b>		<b>(23.2)</b>	<b>(39.8)</b>	<b>(14.6)</b>
Impairment losses (including impairment of goodwill)		(16.7)	(30.3)	(15.1)
Expenses relating to free share plans and related taxes	28	(38.7)	(60.6)	(21.1)
Other expenses		(18.5)	(12.9)	(3.0)
Other income		15.1	33.1	11.8
<b>Sub-total</b>		<b>(58.8)</b>	<b>(70.6)</b>	<b>(27.4)</b>
<b>TOTAL</b>		<b>(164.8)</b>	<b>(278.5)</b>	<b>(119.1)</b>

Total depreciation and amortisation of property, plant and equipment and intangible assets included in operating expenses (“Other income and expenses” and “Cost of sales”) amounted to €100.3 million in the first half of 2017, compared with €92.0 million in same period in 2016.

## NOTE 8 NET FINANCIAL INCOME

<i>In millions of euros</i>	Note	H1 2017	2016	H1 2016
Income from cash and cash equivalents		3.6	5.6	2.7
Cost of gross financial debt		0.6	(1.5)	(0.7)
♦ of which net income/(loss) on hedging instruments		1.6	0.6	0.1
<b>Cost of net financial debt</b>		<b>4.2</b>	<b>4.2</b>	<b>2.0</b>
Other financial income and expenses		(14.0)	(51.9)	(22.3)
♦ of which ineffective portion of cash flow hedges	23	(31.5)	(52.7)	(32.1)
<b>TOTAL</b>		<b>(9.8)</b>	<b>(47.8)</b>	<b>(20.3)</b>



## NOTE 9 TAXES

### 9.1 Tax rate

The tax rate expected in 2017 is 35% (33.7% in financial year 2016).

### 9.2 Deferred tax

<i>In millions of euros</i>	<b>H1 2017</b>	<b>2016</b>	<b>H1 2016</b>
Deferred tax assets at 1 January	430.4	360.3	360.3
Deferred tax liabilities at 1 January	49.0	50.7	50.7
<b>Net deferred tax assets at 1 January</b>	<b>381.4</b>	<b>309.6</b>	<b>309.6</b>
Impact on statement of profit or loss	30.7	57.0	27.5
Impact on scope of consolidation	-	-	-
Impact of exchange rate movements	(11.3)	4.1	4.3
Others <sup>1</sup>	(24.7)	10.7	8.2
<b>NET DEFERRED TAX ASSETS AT THE END OF THE PERIOD</b>	<b>376.0</b>	<b>381.4</b>	<b>349.7</b>
Balance of deferred tax assets at the end of the period	424.7	430.4	381.8
Balance of deferred tax liabilities at the end of the period	48.7	49.0	32.1

(1) Other items relate to deferred taxes resulting from changes in the portion of the revaluation of financial instruments recorded in equity (recyclable portion). These changes had no impact on net income for the period (see Note 21.4).

Deferred taxes mainly related to the following adjustments:

<i>In millions of euros</i>	<b>H1 2017</b>	<b>2016</b>	<b>H1 2016</b>
Internal margins on inventories and provisions for inventories	271.6	263.0	248.9
Employee benefits	64.5	63.1	63.2
Derivatives	(10.7)	12.1	13.4
Impairment losses	22.5	17.1	14.3
Regulated provisions	(40.9)	(40.8)	(44.1)
Other	69.0	66.9	54.0
<b>TOTAL</b>	<b>376.0</b>	<b>381.4</b>	<b>349.7</b>

## NOTE 10 NET EARNINGS PER SHARE

In accordance with the definitions set out in Note 1.20 of the 2016 registration document, the calculation and reconciliation of basic earnings per share and diluted earnings per share is as follows:

	H1 2017	2016	H1 2016
<b>Numerator</b> <i>in millions of euros</i>			
Net income attributable to owners of the parent	605.2	1,100.3	545.4
Adjustments	-	-	-
Net income attributable to owners of the parent	605.2	1,100.3	545.4
<b>Denominator</b> <i>in number of shares</i>			
<b>Weighted average number of ordinary shares</b>	<b>104,505,864</b>	<b>104,518,900</b>	<b>104,498,788</b>
<b>Basic earnings per share</b>	<b>5.79</b>	<b>10.53</b>	<b>5.22</b>
Dilutive effect of stock option plans	-	-	-
Dilutive effect of free share plans	677,456	600,449	442,024
<b>Weighted average number of diluted ordinary shares</b>	<b>105,183,320</b>	<b>105,119,349</b>	<b>104,940,812</b>
<b>Diluted earnings per share</b>	<b>5.75</b>	<b>10.47</b>	<b>5.20</b>
Average share price	€427.9	€345.5	€314.5

## NOTE 11 GOODWILL

<i>In millions of euros</i>	30/06/2016	31/12/2016	Increases	Decreases	Exchange rate impact	Other	30/06/2017
Goodwill	147.6	146.1	-	-	(2.8)	-	143.2
<b>TOTAL GROSS VALUES</b>	<b>147.6</b>	<b>146.1</b>	<b>-</b>	<b>-</b>	<b>(2.8)</b>	<b>-</b>	<b>143.2</b>
Amortisation before 1 January 2004	33.9	32.9	-	-	(1.6)	-	31.4
Impairment losses	73.8	76.5	-	-	(0.6)	-	75.9
<b>TOTAL AMORTISATION AND IMPAIRMENT</b>	<b>107.6</b>	<b>109.5</b>	<b>-</b>	<b>-</b>	<b>(2.2)</b>	<b>-</b>	<b>107.3</b>
<b>TOTAL NET VALUES</b>	<b>40.0</b>	<b>36.6</b>	<b>-</b>	<b>-</b>	<b>(0.7)</b>	<b>-</b>	<b>35.9</b>

As at 30 June 2017, the net value of goodwill amounted to €35.9 million, mainly relating to the CGUs of the Distribution entities (€26.6 million) and the Group's production CGUs (€9.3 million).

## NOTE 12 INTANGIBLE ASSETS

<i>In millions of euros</i>	30/06/2016	31/12/2016	Increases <sup>1</sup>	Decreases	Exchange rate impact	Other	30/06/2017
Leasehold rights	70.0	67.2	-	-	(0.7)	-	66.5
Concessions, patents, licences and software	76.9	178.6	11.1	(2.6)	(0.7)	6.6	193.0
Other intangible assets	167.8	85.5	0.5	(0.3)	(1.1)	(0.4)	84.4
Assets under construction	17.9	22.1	9.5	-	(0.1)	(7.1)	24.5
<b>TOTAL GROSS VALUES</b>	<b>332.6</b>	<b>353.5</b>	<b>21.2</b>	<b>(2.9)</b>	<b>(2.5)</b>	<b>(0.8)</b>	<b>368.4</b>
Amortisation of leasehold rights	40.9	41.2	1.2	-	(0.4)	-	42.0
Amortisation of concessions, patents, licences and software	56.6	116.0	11.9	(2.6)	(0.6)	0.2	124.8
Amortisation of other intangible assets	100.4	63.9	3.5	(0.2)	(0.9)	(0.1)	66.1
Impairment losses	8.3	10.3	0.2	(0.0)	0.0	(0.0)	10.4
<b>TOTAL AMORTISATION AND IMPAIRMENT</b>	<b>206.2</b>	<b>231.4</b>	<b>16.8</b>	<b>(2.8)</b>	<b>(1.9)</b>	<b>0.1</b>	<b>243.4</b>
<b>TOTAL NET VALUES</b>	<b>126.4</b>	<b>122.1</b>	<b>4.4</b>	<b>(0.1)</b>	<b>(0.6)</b>	<b>(0.9)</b>	<b>125.0</b>

(1) Investments mainly relate to the acquisition and/or implementation of integrated management software packages in accordance with IAS 38.

## NOTE 13 PROPERTY, PLANT AND EQUIPMENT

<i>In millions of euros</i>	30/06/2016	31/12/2016	Increases <sup>1</sup>	Decreases	Exchange rate impact	Other	30/06/2017
Land	176.9	170.0	-	-	(5.1)	-	164.9
Buildings	809.2	819.3	6.3	(6.6)	(15.3)	28.9	832.6
Industrial machinery, plant and equipment	284.4	299.5	9.1	(4.7)	(1.9)	0.2	302.3
Store fixtures and furnishings	719.4	752.3	17.5	(18.9)	(32.8)	35.5	753.6
Other property, plant and equipment assets	332.2	344.4	10.9	(4.4)	(3.0)	(12.2)	335.7
Assets under construction	72.0	68.7	39.9	-	(1.3)	(54.2)	53.1
<b>TOTAL GROSS VALUES</b>	<b>2,394.0</b>	<b>2,454.2</b>	<b>83.6</b>	<b>(34.6)</b>	<b>(59.4)</b>	<b>(1.7)</b>	<b>2,442.2</b>
Depreciation of buildings	290.1	298.2	16.3	(4.4)	(5.3)	(3.8)	301.0
Depreciation of plant, machinery and equipment	165.2	167.9	11.5	(4.7)	(0.8)	(2.5)	171.6
Depreciation of store fixtures and furnishings	395.8	385.1	38.7	(18.4)	(16.3)	17.2	406.2
Depreciation of other property, plant and equipment	199.3	211.6	16.1	(4.2)	(2.1)	(11.4)	209.8
Impairment losses <sup>2</sup>	46.6	56.9	16.8	(0.3)	(1.7)	(0.5)	71.2
<b>TOTAL AMORTISATION AND IMPAIRMENT</b>	<b>1,097.0</b>	<b>1,119.6</b>	<b>99.4</b>	<b>(32.0)</b>	<b>(26.0)</b>	<b>(1.0)</b>	<b>1,159.8</b>
<b>TOTAL NET VALUES</b>	<b>1,297.0</b>	<b>1,334.6</b>	<b>(15.7)</b>	<b>(2.6)</b>	<b>(33.3)</b>	<b>(0.7)</b>	<b>1,282.4</b>

(1) Investments made during the first half of 2017 mainly include the opening and renovation of stores and capital expenditure to expand production capacity.

(2) Impairment losses include production activities and stores deemed not to be sufficiently profitable. It is noted that the cash generating units on which impairment losses have been recognised are not individually material when compared with the Group's overall business.

No item of property, plant or equipment has been pledged as debt collateral. Furthermore, the amount of such assets in temporary use is not material when compared with the total value of property, plant and equipment.

## NOTE 14 INVESTMENT PROPERTY

<i>In millions of euros</i>	30/06/2016	31/12/2016	Increases	Decreases	Exchange rate impact	Other	30/06/2017
Land	31.6	30.6	-	-	(0.1)	(0.0)	30.5
Buildings	74.8	72.3	-	-	(0.3)	0.5	72.6
<b>TOTAL GROSS VALUES</b>	<b>106.4</b>	<b>103.0</b>	<b>-</b>	<b>-</b>	<b>(0.4)</b>	<b>0.5</b>	<b>103.1</b>
Amortisation	17.6	17.1	1.1	-	1.1	0.2	19.5
<b>TOTAL NET VALUES</b>	<b>88.7</b>	<b>85.8</b>	<b>(1.1)</b>	<b>-</b>	<b>(1.5)</b>	<b>0.3</b>	<b>83.6</b>

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 neither significant nor likely, as far as we know, to change materially in the coming financial years.

Rental income from investment property amounted to €3.1 million in the first half of 2017, compared with €3.4 million in the first half of 2016.

## NOTE 15 FINANCIAL ASSETS

<i>In millions of euros</i>	30/06/2016	31/12/2016	Increases	Decreases	Exchange rate impact	Other	30/06/2017
Financial investments and accrued interest <sup>1</sup>	98.7	28.8	84.4	(10.8)	(4.8)	-	97.6
Liquidity contract	8.9	10.9	-	(0.7)	-	-	10.3
Other non-consolidated investments <sup>2</sup>	0.6	0.6	-	-	-	(0.4)	0.3
<b>TOTAL GROSS VALUES</b>	<b>108.3</b>	<b>40.3</b>	<b>84.4</b>	<b>(11.4)</b>	<b>(4.8)</b>	<b>(0.4)</b>	<b>108.2</b>
Impairments	2.3	8.5	-	-	-	0.0	8.5
<b>TOTAL NET VALUES</b>	<b>106.0</b>	<b>31.9</b>	<b>84.4</b>	<b>(11.4)</b>	<b>(4.8)</b>	<b>(0.4)</b>	<b>99.7</b>

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

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

## NOTE 16 INVESTMENTS IN ASSOCIATES

The change in investments in associates breaks down as follows:

<i>In millions of euros</i>	30/06/2017	31/12/2016	30/06/2016
<b>Balance as at 1 January</b>	<b>87.3</b>	<b>85.4</b>	<b>85.4</b>
Impact of changes in scope of consolidation	-	4.6	(6.3)
Net income from associates	7.6	10.9	8.4
Dividends paid	(3.6)	(14.1)	(3.5)
Exchange rate fluctuations	(1.5)	0.6	0.9
Other	(0.1)	-	-
<b>Balance at end of period</b>	<b>89.7</b>	<b>87.3</b>	<b>84.9</b>

## NOTE 17 LOANS AND DEPOSITS

<i>In millions of euros</i>	30/06/2016	31/12/2016	Increases	Decreases	Exchange rate impact	Other	30/06/2017
Loans and deposits <sup>1</sup>	60.4	62.2	2.9	(1.7)	(2.2)	0.0	61.3
Impairments	6.6	14.7	-	-	(0.2)	-	14.5
<b>TOTAL</b>	<b>53.8</b>	<b>47.5</b>	<b>2.9</b>	<b>(1.7)</b>	<b>(2.0)</b>	<b>0.0</b>	<b>46.9</b>

(1) At 30 June 2017, security deposits amounted to €38.6 million, compared with €39.3 million at 31 December 2016.

## NOTE 18 INVENTORIES AND WORK-IN-PROGRESS

<i>In millions of euros</i>	30/06/2017			31/12/2016	30/06/2016
	Gross	Impairment	Net	Net	Net
Retail, intermediate and finished goods	1,021.5	450.9	570.6	581.5	611.7
Raw materials and work-in-progress	581.4	221.1	360.3	333.6	381.9
<b>TOTAL</b>	<b>1,602.9</b>	<b>672.0</b>	<b>930.9</b>	<b>915.1</b>	<b>993.6</b>
Net income/(expense) from impairment of retail, intermediate and finished goods	-	(16.3)	-	(38.5)	(32.0)
Net income/(expense) from impairment of raw materials and work in progress	-	(7.6)	-	(59.8)	(3.9)

It is stipulated that no inventories have been pledged as collateral to secure borrowings.

## NOTE 19 TRADE AND OTHER RECEIVABLES

In millions of euros	30/06/2017			31/12/2016	30/06/2016
	Gross	Impairment	Net	Net	Net
Trade and other receivables	262.3	5.2	257.1	307.2	263.6
of which: ♦ not yet due	205.4	0.6	204.8	264.5	224.9
♦ due <sup>1</sup>	56.9	4.7	52.3	42.7	38.8
Current tax receivables	37.0	-	37.0	22.7	23.4
Other assets	172.2	0.1	172.1	198.4	196.9
Other non-current assets	33.3	0.3	33.0	9.5	2.8
<b>TOTAL</b>	<b>504.8</b>	<b>5.7</b>	<b>499.2</b>	<b>537.8</b>	<b>486.7</b>

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

	30/06/2017			31/12/2016	30/06/2016
	Gross	Impairment	Net	Net	Net
Under 3 months	41.1	0.5	40.6	35.4	32.0
Between 3 and 6 months	7.6	0.5	7.1	3.1	3.2
Over 6 months	8.3	3.7	4.6	4.2	3.5
<b>TOTAL</b>	<b>56.9</b>	<b>4.7</b>	<b>52.3</b>	<b>42.7</b>	<b>38.8</b>

With the exception of other non-current receivables, all receivables are due within one year. There were no significant payment deferrals that would justify the discounting of receivables.

The risk of non-recovery is low, as evidenced by the amount of impairment of trade receivables, which represents 2% of the gross value as of 30 June 2017 (2% at the end of 2016). There is no significant concentration of credit risk.

## NOTE 20 CASH AND CASH EQUIVALENTS

In millions of euros	30/06/2016	31/12/2016	Cash flows	Exchange rate impact	Impact on scope of consolidation	Others <sup>1</sup>	30/06/2017
Cash and cash equivalents	590.8	990.3	64.6	(27.3)	0.0	0.6	1,028.3
Marketable securities <sup>2</sup>	937.1	1,338.0	87.5	(11.2)	-	-	1,414.2
<b>Sub-total</b>	<b>1,527.9</b>	<b>2,328.2</b>	<b>152.0</b>	<b>(38.5)</b>	<b>0.0</b>	<b>0.6</b>	<b>2,442.3</b>
Bank overdrafts and current accounts in debit	(14.5)	(8.4)	0.3	0.0	-	-	(8.1)
<b>NET CASH POSITION</b>	<b>1,513.4</b>	<b>2,319.8</b>	<b>152.4</b>	<b>(38.5)</b>	<b>0.0</b>	<b>0.6</b>	<b>2,434.3</b>

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

(2) Primarily invested in money market UCITS and cash equivalents maturing in less than three months.

All cash and cash equivalents mature in less than three months and have sensitivity of less than 0.5%.

## NOTE 21 EQUITY

As at 30 June 2017, Hermès International's share capital consisted of 105,569,412 fully paid-up shares with a par value of €0.51 each, of which 1,079,660 treasury shares.

During the first half of 2017, the following movements occurred in respect of treasury shares:

- ♦ buyback of 24,687 shares for €10,4 million, excluding movements under the liquidity contract;
- ♦ purchase of 2,200 shares as part of the liquidity contract;
- ♦ delivery of 97,040 bonus shares allotted to Hermès Group employees.

There was no change in the Company's share capital during the first half of 2017.

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 "equity attributable to owners of the parent" as shown in the consolidated statement of changes in equity. More specifically, equity includes the recycled portion of financial instruments and actuarial gains and losses, in accordance with the definitions set out in Notes 1.9 and 1.17 of the 2016 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. During the current year, the Group made no change in its capital management policy and objectives.

### 21.1 Dividends

At the General Meeting of 6 June 2017, held to approve the financial statements for the year ended 31 December 2016, it was decided to pay a dividend of €3.75 per share for the year.

Taking into account the interim dividend of €1.50 per share paid on 24 February 2017, a cash balance of €2.25 was paid on 12 June 2017.

The total dividend payment accordingly amounted to €392 million.

### 21.2 Foreign currency adjustments

The change in foreign currency adjustments during the first half of 2017 breaks down as follows:

<i>In millions of euros</i>	<b>30/06/2017</b>	<b>31/12/2016</b>	<b>30/06/2016</b>
<b>Balance as at 1 January</b>	<b>163.3</b>	<b>165.3</b>	<b>165.3</b>
Yen	(3.9)	9.0	28.8
US dollar	(39.0)	16.0	(7.2)
Yuan	(2.7)	(3.7)	(3.7)
Australian dollar	0.1	0.1	(0.6)
Rouble	(0.6)	3.1	1.7
Pound sterling	(4.9)	(31.5)	(11.6)
Macao pataca	(3.5)	1.9	(1.3)
Swiss franc	(1.8)	1.5	0.2
Singapore dollar	(9.0)	1.4	3.3
Hong Kong dollar	(27.0)	(0.9)	(6.8)
South Korean won	0.6	1.5	(5.7)
Other currencies	6.7	(0.5)	(13.4)
<b>Balance at end of period</b>	<b>78.3</b>	<b>163.3</b>	<b>149.0</b>

## 21.3 Financial instruments

Changes in derivatives and financial investments during the first half of 2017 break down as follows (after tax):

<i>In millions of euros</i>	30/06/2017	31/12/2016	30/06/2016
<b>Balance as at 1 January</b>	<b>2.8</b>	<b>22.2</b>	<b>22.2</b>
Amount transferred to equity in the year in respect of derivatives	6.3	(1.9)	(1.9)
Amount transferred to equity in the year in respect of financial investments	0.0	0.0	0.0
Adjustments in the value of derivatives at the end of the period	48.3	(6.3)	(1.1)
Other deferred foreign exchange gains/(losses) recognised in comprehensive income	(7.0)	(11.1)	(12.9)
<b>Balance at end of period</b>	<b>50.4</b>	<b>2.8</b>	<b>6.2</b>

## 21.4 Income and expenses recognised in comprehensive income

Income and expenses recognised directly in equity during the first half of 2017 are as follows:

<i>In millions of euros</i>	Notes	Gross impact	Tax effect	Net impact
Actuarial gains and losses		-	-	-
Foreign currency adjustments	21.2	(84.6)	-	(84.6)
Financial instruments attributable to equity	21.3	72.3	(24.7)	47.6
Other items		-	-	-
<b>Balance as at 30 June 2017</b>		<b>(12.4)</b>	<b>(24.7)</b>	<b>(37.1)</b>

<i>In millions of euros</i>	Notes	Gross impact	Tax effect	Net impact
Actuarial gains and losses		(14.4)	3.1	(11.3)
Foreign currency adjustments	21.2	(2.3)	-	(2.3)
Financial instruments attributable to equity	21.3	(29.0)	9.7	(19.4)
Other items		-	-	-
<b>Balance as at 31 December 2016</b>		<b>(45.7)</b>	<b>12.7</b>	<b>(32.9)</b>

<i>In millions of euros</i>	Notes	Gross impact	Tax effect	Net impact
Actuarial gains and losses		-	-	-
Foreign currency adjustments	21.2	(16.5)	-	(16.5)
Financial instruments attributable to equity	21.3	(24.3)	8.3	(16.0)
Other items		-	-	-
<b>Balance as at 30 June 2016</b>		<b>(40.7)</b>	<b>8.3</b>	<b>(32.5)</b>

## NOTE 22 NON-CONTROLLING INTERESTS

<i>In millions of euros</i>	30/06/2017	31/12/2016	30/06/2016
<b>Balance as at 1 January</b>	<b>2.2</b>	<b>6.7</b>	<b>6.7</b>
Net income attributable to non-controlling interests	1.4	3.9	1.7
Dividends paid to non-controlling interests	(2.6)	(4.1)	(3.5)
Foreign currency translation adjustments on foreign entities	0.5	(0.2)	(0.0)
Other changes	4.3	(4.2)	(0.8)
<b>Balance at end of period</b>	<b>5.7</b>	<b>2.2</b>	<b>4.0</b>



## NOTE 23 EXPOSURE TO MARKET RISKS

The Hermès Group's results are exposed to the risks and uncertainties set out in the 2016 registration document. The assessment of these risks did not change during the first half of 2017, and no new risks had been identified at the date of publication of this report. The main risks

are exposure to currency fluctuations and changing economic conditions in some parts of the world. The Group's foreign exchange policy is based on the management principles described in the 2016 registration document.

The net position of financial instruments on the balance sheet is as follows:

<i>In millions of euros</i>	30/06/2017	31/12/2016	30/06/2016
Net financial derivative assets	100.6	40.5	60.9
Net financial derivative liabilities	(25.7)	(53.8)	(68.5)
<b>Net position of derivative financial instruments</b>	<b>74.9</b>	<b>(13.2)</b>	<b>(7.6)</b>

The ineffective portion of cash flow hedges recorded in profit or loss is negative €31.5 million (of which -€0.4 million from over-hedging), compared with -€52.7 million (of which -€1.1 million from over-hedging) at 31 December 2016 and -€32.1 million (of which +€0.1 million from over-hedging) at 30 June 2016 (see Note 8). The impact of the effective portion of the hedges recorded in equity is shown in Note 21.

The valuation methods used for financial instruments as at 30 June 2017 are identical to those used at 31 December 2016, as described on page 194 of the 2016 registration document.

## NOTE 24 PROVISIONS

<i>In millions of euros</i>	30/06/2016	31/12/2016	Depreciations	Reversals <sup>1</sup>	Exchange rate impact	Other and reclassifications	30/06/2017
Current provisions	60.9	94.7	44.0	(4.8)	(1.0)	-	132.9
Non-current provisions	2.6	3.5	0.6	(0.8)	(0.1)	-	3.2
<b>TOTAL</b>	<b>63.5</b>	<b>98.1</b>	<b>44.6</b>	<b>(5.6)</b>	<b>(1.1)</b>	<b>-</b>	<b>136.1</b>

(1) Of which €3,9 million reversed and used.

The provisions correspond to the estimated consequences to assets of actual or probable risks, litigation and disputes on the Group's activities. Current provisions relate notably to provisions for items returned in the normal course of business. Moreover, the Group's entities in France and internationally may be involved in disputes with tax, social security or customs authorities. Such disputes are the subject of appropriate pro-

visions, the amount of which is revised in line with recommendations received from our advisors, in accordance with the criteria laid down in IAS 37 and IAS 12.

As of 30 June 2017, the Group considers that it is not exposed to risks liable to have a material impact, on an individual basis, on its financial position and profitability.

## NOTE 25 EMPLOYEES

A geographical breakdown of the workforce is as follows:

	30/06/2017	31/12/2016	30/06/2016
France	8,060	7,881	7,683
Europe (excl. France)	1,395	1,351	1,326
Other geographical areas	3,604	3,602	3,501
<b>TOTAL</b>	<b>13,059</b>	<b>12,834</b>	<b>12,510</b>

Personnel expenses totalled €536 million in the first half of 2017, compared with €489 million in the first half of 2016.

## NOTE 26 POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFIT OBLIGATIONS

Hermès Group employees are eligible for post-employment benefits through either defined-contribution plans or defined-benefit plans. A description of these plans as well as the main assumptions used to

measure pension benefit obligations are presented in Note 25 to the consolidated financial statements, starting on page 197 of the 2016 registration document.

<i>In millions of euros</i>	Defined-benefit pension plans	Other defined-benefit plans	H1 2017	2016	H1 2016
<b>Provisions as at 1 January</b>	<b>176.0</b>	<b>13.0</b>	<b>189.0</b>	<b>159.8</b>	<b>159.8</b>
Foreign currency adjustments	(1.8)	(0.2)	(2.0)	2.2	4.5
Cost according to statement of profit or loss	10.8	1.1	11.8	19.1	9.9
Benefits/contributions paid	(1.7)	(0.3)	(1.9)	(4.8)	(1.9)
Actuarial gains and losses/caps on hedging assets	-	-	-	14.4	-
Change in scope	-	-	-	0.2	-
Other	0.0	-	0.0	(1.9)	-
<b>Provisions at end of period</b>	<b>183.4</b>	<b>13.6</b>	<b>196.9</b>	<b>189.0</b>	<b>172.3</b>

The expense recognised in respect of defined-benefit plans was €11.8 million in the first half of 2017, compared with €9.9 million in the first half of 2016.

No changes were made to plans during the first half of the year.

<i>In millions of euros</i>	Defined-benefit pension plans	Other defined-benefit plans	H1 2017	2016	H1 2016
Service costs	9.9	0.9	10.8	15.7	8.6
Interest costs	0.8	0.2	0.9	3.1	1.1
Financial income on assets	-	-	-	(0.8)	-
(Gains)/losses resulting from a plan change	-	-	-	0.3	-
Change in scope	-	-	-	-	-
Net actuarial (gains)/losses recognised in year	-	-	-	0.6	-
Administrative expenses	0.1	-	0.1	0.3	0.1
<b>Cost of defined-benefit plans</b>	<b>10.8</b>	<b>1.1</b>	<b>11.8</b>	<b>19.1</b>	<b>9.9</b>

## NOTE 27 TRADE AND OTHER PAYABLES

<i>In millions of euros</i>	<b>30/06/2017</b>	<b>31/12/2016</b>	<b>30/06/2016</b>
Trade payables	350.0	423.0	353.6
Amounts payable to fixed asset suppliers	31.0	40.6	20.6
<b>Trade and other payables</b>	<b>381.1</b>	<b>463.7</b>	<b>374.1</b>
Current tax liabilities	148.1	128.3	133.0
Other current liabilities	517.1	523.8	436.3
Other non-current liabilities	96.9	67.3	62.9
<b>TRADE PAYABLES AND OTHER LIABILITIES</b>	<b>1,143.2</b>	<b>1,183.0</b>	<b>1,006.4</b>

## NOTE 28 SHARE-BASED PAYMENTS

The total expense incurred in the first half of 2017 for all free share plans (including social security contributions) was €38.7 million, compared with €60.6 million in 2016 and €21.1 million in the first half of 2016.

No new plans were established in the first half of 2017.

## NOTE 29 UNRECOGNISED COMMITMENTS

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

## NOTE 30 RELATED-PARTY TRANSACTIONS

Relations between the Hermès Group and related companies during the first half of 2017 were comparable with those of 2016. In particular, no unusual transaction, by its nature or amount, was carried out during the period.

## NOTE 31 SUBSEQUENT EVENTS

No significant event occurred between 30 June 2017 and 13 September 2017, date on which the Executive Management approved the condensed consolidated interim financial statements.



# STATUTORY AUDITORS' REPORT ON THE INTERIM FINANCIAL INFORMATION

*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 accordance with the assignment entrusted to us by your annual General Meeting and pursuant to Article L. 451-1-2 III of the French Monetary and Financial Code, we performed:

- ◆ a limited review of the interim consolidated financial statements of Hermès International for the period from 1 January to 30 June 2017, as attached to this report;
- ◆ verification of the information given in the interim review of operations.

These condensed interim consolidated financial statements were prepared under the responsibility of the Executive Management. Our role is to express an opinion on these financial statements based on our limited review.

## 1. CONCLUSION ON THE FINANCIAL STATEMENTS

We conducted our review in accordance with professional standards applicable in France. A limited review consists primarily of interviewing the members of management in charge of accounting and financial matters, and implementing analytical procedures. This work is less extensive than that required for an audit carried out in accordance with professional standards applicable in France. As a result, the assurance obtained in a limited review that the financial statements, taken as a whole, are free of material misstatements is a moderate assurance, less than that obtained in an audit.

Our limited review did not bring to light any significant misstatements liable to call into question the compliance of the condensed interim consolidated financial statements with IAS 34 *Interim financial reporting* as adopted by the European Union.

## 2. SPECIFIC VERIFICATION

We also verified the information given in the interim management report commenting on the condensed interim consolidated financial statements that were the subject of our review. We have no matters to report as to its fair presentation and its consistency with the condensed interim consolidated financial statements.

Neuilly-sur-Seine and Paris, 13 September 2017

The Statutory Auditors

PricewaterhouseCoopers Audit  
Olivier Auberty

Didier Kling & Associés  
Didier Kling



# STATEMENT BY THE PERSONS RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT

We hereby certify that, to the best of our knowledge, the condensed interim consolidated financial statements were prepared in accordance with the applicable accounting standards, and give a true and fair view of the assets, financial position and results of the Company and of all companies within its scope of consolidation, and that the half year business report on page 5 presents a fair view of the significant events occurring during the first six months of the year, their impact on the financial statements, the main related-party transactions and a description of the main risks and uncertainties for the remaining six months of the year.

Paris, 13 September 2017

Executive Chairmen

Axel Dumas

Henri-Louis Bauer  
Representative of Émile Hermès SARL

**Hermès International**

*Société en commandite par actions* (partnership limited by shares) with share capital of €53,840,400.12 – Paris Trade and Company Register number 572 076 396

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