HALF-YEAR REVIEW OF OPERATIONS

JUNE 2015

Hermès International
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This document is a free translation into English of the "Rapport semestriel d'activité", originally prepared in French, and has no other value than an informative one. Should there be any difference between the French and the English version, only the French language version shall be deemed authentic and considered as expressing the exact information published by Hermès.

Key figures

Key consolidated figures for the first half of 2015

in millions of euros

	First half of 2015	Fiscal year 2014	First half of 2014
Revenue	2,299.4	4,118.6	1,906.9
Operating income	748.2	1,299.3	621.4
Net income attributable to owners of the parent	482.5	858.8	412.5
Operating cash flows	573.9	1,048.7	499.1
Investments (excluding financial investments)	101.4	322.2	130.3
Shareholders equity (1)	3,227.8	3,449.0	2,970.7
Net cash position	951.9	1,421.6	945.8
Restated net cash (2)	1,018.3	1,493.6	1,016.6
Number of employees	11,857	11,718	11,326

(1) Corresponds to equity excluding non-controlling interests.
(2) The restated net cash includes non-liquid financial investments, as defined by the IAS 39 standard, and borrowings.

Half-year review of operations

HALF-YEAR HIGHLIGHTS

The group's consolidated net turnover in the first half of 2015 reached €2,299 million, an increase of 21% at current exchange rates. Excluding consideration of the positive currency impact, the growth amounts to 9%.

In the second quarter, the growth was sustained (+22% at current exchange rates and +10% at constant exchange rates).

At the end of June, the evolution of the exchange rates was favourable, resulting in a positive impact on the turnover of €224 million.

FIRST-HALF SALES

(AT CONSTANT EXCHANGE RATES, UNLESS OTHERWISE INDICATED)

In the first semester, the turnover increased in all regions of the world:

– Japan (+20%) generated an excellent performance over the first six months of the year, thanks to its selective distribution network;

– Asia excluding Japan (+7%) is maintaining its dynamism, despite the difficult context in Hong Kong and Macau;

– In America (+10%), where the enlarged and renovated Seattle store reopened in June, the development potential has been confirmed;

– Europe (+7%) generated a good performance in the Group's stores.

The growth of Leather Goods and Saddlery (+14%) was remarkable. Its development was supported by the ramp-up of the production capacities of the two new sites that opened in Charente and in Isère in June, as well as by the construction project for two new production units in Franche-Comté.

The Ready-to-wear and Accessories division (+8%) benefited from the success of its latest collections, notably in fashion accessories.

The Silk & Textiles business line (+5%) continues to enhance its offer of exceptional products, while growing within a more difficult context in Greater China.

Perfumes, that in the first half of 2014 benefited from the launches of *Jour d'Hermès absolu* and *Terre d'Hermès eau très fraiche*, improved by +4%.

Watches (-1%) declined slightly within a general environment of a downturn in the watchmaking industry. During the watchmaking trade fair in Basel, the business line presented its new model *Slim d'Hermès*, which received a very warm welcome.

The other Hermès business lines (+12%), including Jewellery, Art of Living and Hermès Tableware, are continuing their development and confirming themselves as springboards for growth, despite a particularly high comparison basis.

in millions of euros

	First half of 2015	First half of 2014	Evolutions published	Evolutions at constant exchange rates
France	328.3	307.9	6.6%	6.6%
Europe (excluding France)	406.7	370.8	9.7%	7.0%
Total Europe	**735.1**	**678.6**	**8.3%**	**6.8%**
Japan	279.7	220.8	26.6%	20.5%
Asia-Pacific (excluding Japan)	842.2	662.3	27.2%	6.9%
Total Asia	**1,121.9**	**883.1**	**27.0%**	**10.3%**
Americas	403.8	306.7	31.7%	10.3%
Other	38.7	38.4	0.5%	0.0%
TOTAL	**2,299.4**	**1,906.9**	**20.6%**	**8.8%**

in millions of euros

	First half of 2015	First half of 2014	Evolutions published	Evolutions at constant exchange rates
Leather Goods and Saddlery (1)	1,067.4	840.7	27.0%	13.6%
Ready-to-wear and Fashion accessories (2)	534.1	440.6	21.2%	8.1%
Silk and Textiles	250.6	216.0	16.0%	4.6%
Other Hermès sectors (3)	154.9	124.5	24.4%	11.8%
Perfumes	120.3	114.6	5.0%	3.6%
Watches	75.0	67.2	11.5%	(0.9%)
Other (4)	97.1	103.3	(6.0%)	(9.7%)
TOTAL	**2,299.4**	**1,906.9**	**20.6%**	**8.8%**

(1) Leather Goods and Saddlery includes bags, saddlery and riding gear, document-holders and small leather items.
(2) "Ready-to-wear and Fashion accessories" includes ready-to-wear, men and women, belts, jewellery accessories, gloves, hats and Hermès shoes.
(3) The "Other Hermès business lines" include Jewellery and Hermès home products (Hermès Art of Living and Tableware).
(4) The "Other products" include the production activities carried out on behalf of non-group brands (textile printing, perfumes, tanning, etc.), as well as the John Lobb, Saint-Louis, Puiforcat and Shang Xia products.

FIRST-HALF RESULTS

The gross margin rate reached 66.5%, versus 68.1% in the first half of 2014, due to the negative impact of foreign currency exchange.

Selling, marketing and administrative expenses amounted to €693.9 million compared with €612.3 million at the end of June 2014, notably including €97.1 million of advertising and marketing expenses (compared with 93.4 million for the first half of 2014).

Other income and expense came to €86.7 million. This includes €69.5 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 income grew 20% to €748.2 million compared to €621.4 million in the first half of 2014.

Despite the dilutive impact of currency fluctuations, operational profitability remained high at 32.5% of sales, close to the level reached at the end of June 2014 (32.6% of sales).

The financial result, which includes the financial income from cash investments as well as the exchange rate result, amounted to an expense of -€24.7 million compared with -€7.8 million in the first half of 2014. This deterioration is explained by the unfavourable impact of the fair value adjustment of hedging instruments.

Non-controlling interests totalled €2.2 million, compared with €3.0 million in the first half of 2014.

After an income tax expense of €248 million and net income from associates (proceeds of €9.2 million), the Group's consolidated net income amounted to €482.5 million compared with €412.5 million in the first half of 2014, a 17% increase.

INVESTMENTS

During the first half of 2015, operating and financial investments amounted to 101.4 million.

The development of the distribution network continued with the opening or renovation of 10 or so branches.

in millions of euros

	First half of 2015	2014 financial year	First half of 2014
Operating investments	100.4	278.9	91.4
Investments in financial assets	1.0	43.3	38.9
Investments subtotal (excluding financial investments)	*101.4*	*322.2*	*130.3*
Financial investments (1)	0.5	2.5	0.8
Total investments	**102.0**	**324.8**	**131.1**

(1) Financial investments correspond to the 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

The operating cash flow (€573.9 million) permitted to finance operating and financial investments (€101.4 million), working capital needs (€108.0 million), and payment of the ordinary dividend (€308.0 million). In the first semester, Hermès International bought back 6,652 shares for €2.2 million, outside of transactions as part of the liquidity contract.

After payment of the exceptional dividend (€522.0 million), net cash position amounted to €951.9 million as at 30 June 2015, versus €1,421.6 million at the end of 2014.

Restated net cash (including non-current financial investments and borrowings) totalled €1,018.3 million as at 30 June 2015, compared with €1,493.6 million as at 31 December 2014.

After the distribution of the ordinary and extraordinary dividends, shareholders' equity reached €3,227.8 million as at 30 June 2015 (Group share) versus €3,449.0 million on 31 December 2014.

SUBSEQUENT EVENTS

No significant event incurred as of 27 August 2015, date on which Executive Management approved the financial statements.

2015 OUTLOOKS

Thanks to the success of its unique company model, Hermès will continue its long-term development strategy based on creativity, control of know-how and safeguarding its procurements.

Despite economic, geopolitical and monetary uncertainties around the world, the group is maintaining its medium-term objective of increasing the turnover at constant rates in the area of 8%. For 2015, operational profitability should be lower than 2014 (31.5%) owing to the negative impact of currency fluctuations.

True to its Parisian roots, Hermès invites us to look at 2015 through the eyes of a loafer. A loafer is capable of heading off the beaten track and looking at the world with eyes wide-open and savour a chance encounter, the joy of discovery, and even the benefits of a little break.

RISKS AND UNCERTAINTIES

The Hermès Group's results are exposed to the risks and uncertainties described in the 2014 Registration Document. The assessment of these risks did not change during the first half of 2015 and no new risk had been identified as of the date of publication of this report. The main risks remain the exposure to currency fluctuations, and the changing economic situation in certain areas of the world.

RELATED-PARTY TRANSACTIONS

During the first half of 2015, the relationships between the Hermès Group and its related parties were comparable to the relationships that existed in 2014. More specifically, no transaction unusual in its nature or amount was carried out during the period.

Condensed interim consolidated financial statements

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 2015

in millions of euros

	First half of 2015	2014 financial year	First half of 2014
Revenue (Note 4)	**2,299.4**	**4,118.6**	**1,906.9**
Cost of sales (Note 5)	(770.6)	(1,365.6)	(608.5)
Gross profit	**1,528.8**	**2,753.0**	**1,298.4**
Selling, marketing and administrative expenses (Note 6)	(693.9)	(1,291.7)	(612.3)
Other income and expenses (Note 7)	(86.7)	(162.0)	(64.7)
Recurring operating income (Note 4)	**748.2**	**1,299.3**	**621.4**
Other non-recurring income and expense	-	-	-
Operating income	**748.2**	**1,299.3**	**621.4**
Net financial result (Note 8)	(24.7)	(24.7)	(7.8)
Pre-tax income	**723.5**	**1,274.6**	**613.6**
Income tax expense (Note 9)	(248.0)	(423.7)	(203.7)
Net income from associates (Note 16)	9.2	12.4	5.6
CONSOLIDATED NET INCOME	**484.7**	**863.3**	**415.5**
Net income attributable to non-controlling interests (Note 22)	(2.2)	(4.5)	(3.0)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 4)	**482.5**	**858.8**	**412.5**
Net earnings per share (in euros) (Note 10)	4.62	8.24	3.96
Diluted net earnings per share (in euros) (Note 10)	4.59	8.19	3.94

Consolidated statement of other comprehensive income for the first half of 2015

in millions of euros

	First half of 2015	2014 financial year	First half of 2014
Consolidated net income	**484.7**	**863.3**	**415.5**
Variation of translation differences (Note 21.4)	120.7	82.1	22.5
Cash flow hedging (1) (Note 21.4)	(0.7)	(44.0)	(20.8)
- fair value variation	*(14.2)*	*(13.5)*	*9.7*
- recycling through profit or loss	*13.5*	*(30.5)*	*(30.5)*
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	*119.9*	*38.1*	*1.7*
Other items (1) (Note 21.4)	–	–	–
Commitments to the personnel: value change linked to actuarial gains and losses (1) (Note 21.4)	–	(19.9)	–
Gains and losses recorded in equity and not transferable through profit or loss	–	*(19.9)*	–
Comprehensive income	**604.6**	**881.5**	**417.1**
attributable to owners of the parent	600.6	876.0	413.6
attributable to non-controlling interests	4.0	5.5	3.6

(1) Net of taxes.

Consolidated statement of financial position as at 30 june 2015

ASSETS

in millions of euros

	30 June 2015	31 Dec. 2014	30 June 2014
Non-current assets	**2,098.2**	**1,976.6**	**1,790.9**
Goodwill (Note 11)	37.2	37.4	53.3
Intangible assets (Note 12)	119.8	117.5	119.0
Property, plant and equipment (Note 13)	1,245.6	1,181.5	1,047.5
Investment property (Note 14)	104.5	97.5	96.4
Financial assets (Note 15)	61.3	61.0	59.5
Investments in associates (Note 16)	103.6	91.3	79.0
Loans and deposits (Note 17)	48.9	43.5	42.4
Deferred tax assets (Note 9.2)	368.5	335.8	277.0
Other non-current assets (Note 19)	8.9	11.3	17.0
Current assets	**2,450.5**	**2,791.7**	**2,245.3**
Inventories and work-in-progress (Note 18)	1,006.4	912.0	905.3
Trade and other receivables (Note 19)	262.9	249.3	208.2
Current tax receivables (Note 19)	19.8	8.7	1.6
Other current assets (Note 19)	141.2	140.7	123.5
Derivative financial instruments (Note 23)	51.9	39.4	36.1
Cash and cash equivalents (Note 20)	968.2	1,441.6	970.6
TOTAL ASSETS	**4,548.7**	**4,768.2**	**4,036.2**

EQUITY AND LIABILITIES

in millions of euros

	30 June 2015	31 Dec. 2014	30 June 2014
Equity	**3,235.2**	**3,458.5**	**2,985.5**
Share capital (Note 21)	53.8	53.8	53.8
Share premium	49.6	49.6	49.6
Treasury shares (Note 21)	(270.1)	(266.9)	(266.7)
Reserves	2,758.1	2,719.5	2,723.3
Foreign currency adjustments (Note 21.2)	168.1	47.7	(11.5)
Financial instruments (Note 21.3)	(14.2)	(13.5)	9.7
Net income attributable to owners of the parent (Note 4)	482.5	858.8	412.5
Non-controlling interests (Note 22)	7.4	9.5	14.8
Non-current liabilities	**267.9**	**265.8**	**225.3**
Borrowings and debt	20.5	19.5	15.9
Provisions (Note 24)	2.6	2.7	14.5
Post-employment and other employee benefit obligations (Note 26)	133.4	123.8	89.5
Deferred tax liabilities (Note 9.2)	30.7	31.2	28.2
Other non-current liabilities (Note 27)	80.7	88.6	77.1
Current liabilities	**1,045.5**	**1,043.9**	**825.4**
Borrowings and debt	22.3	21.8	24.8
Provisions (Note 24)	38.6	36.9	26.5
Post-employment and other employee benefit obligations (Note 26)	5.1	5.1	5.3
Trade and other payables (Note 27)	351.1	398.6	303.5
Derivative financial instruments (Note 23)	88.9	73.1	19.0
Current tax liabilities (Note 27)	116.6	121.4	102.6
Other current liabilities (Note 27)	423.0	387.0	343.8
TOTAL EQUITY AND LIABILITIES	**4,548.7**	**4,768.2**	**4,036.2**

Consolidated statements of changes in equity as at 30 June 2015

	Share capital (Note 21)	Shares premium	Treasury shares (Note 21)
As at 31 December 2013	**53.8**	**49.6**	**(313.9)**
Net income attributable to owners of the parent	–	–	–
Other comprehensive income	–	–	–
Sub-total	–	–	–
Change in share capital and share premium	–	–	–
Purchase or sale of treasury shares	–	–	47.0
Share-based payment	–	–	–
Dividends paid	–	–	–
Other	–	–	–
As at 31 December 2014	**53.8**	**49.6**	**(266.9)**
Net income attributable to owners of the parent	–	–	–
Other comprehensive income	–	–	–
Sub-total	–	–	–
Change in share capital and share premium	–	–	–
Purchase or sale of treasury shares	–	–	(3.2)
Share-based payment	–	–	–
Dividends paid	–	–	–
Other	–	–	–
As at 30 June 2015	**53.8**	**49.6**	**(270.1)**

	Share capital (Note 21)	Shares premium	Treasury shares (Note 21)
As at 31 December 2013	**53.8**	**49.6**	**(313.9)**
Net income attributable to owners of the parent	–	–	–
Other comprehensive income	–	–	–
Sub-total	–	–	–
Change in share capital and share premium	–	–	–
Purchase or sale of treasury shares	–	–	47.2
Share-based payment	–	–	–
Dividends paid	–	–	–
Other	–	–	–
As at 30 June 2014	**53.8**	**49.6**	**(266.7)**

in millions of euros

Consolidated reserves and net income – owners of the parent	Foreign currency adjustments (Note 21.2)	Financial instruments (Note 21.3)	Actuarial gains & losses (Note 21.4)	Shareholders' equity – Group share	Non-controlling interests (Note 22)	Equity	Number of shares (Note 21)
3,092.1	**(33.5)**	**30.5**	**(53.1)**	**2,825.6**	**15.6**	**2,841.2**	**105,569,412**
858.8	–	–	–	858.8	4.5	863.3	–
0.0	81.1	(44.0)	(19.9)	17.2	1.0	18.2	–
858.8	*81.1*	*(44.0)*	*(19.9)*	*876.0*	*5.5*	*881.5*	–
–	–	–	–	–	–	–	–
(50.5)	–	–	–	(3.5)	–	(3.5)	–
38.8	–	–	–	38.8	–	38.8	–
(285.1)	–	–	–	(285.1)	(9.8)	(294.9)	–
(2.6)	0.1	–	(0.3)	(2.8)	(1.7)	(4.5)	–
3,651.5	**47.7**	**(13.5)**	**(73.3)**	**3,449.0**	**9.5**	**3,458.5**	**105,569,412**
482.5	–	–	–	482.5	2.2	484.7	–
–	118.8	(0.7)	–	118.1	1.9	119.9	–
482.5	*118.8*	*(0.7)*	–	*600.6*	*4.0*	*604.7*	–
–	–	–	–	0.0	–	–	–
0.4	–	–	–	(2.8)	–	(2.8)	–
17.7	–	–	–	17.7	–	17.7	–
(833.9)	–	–	–	(833.9)	(6.4)	(840.4)	–
(4.5)	1.6	–	–	(2.9)	0.2	(2.5)	–
3,313.9	**168.1**	**(14.2)**	**(73.3)**	**3,227.8**	**7.4**	**3,235.2**	**105,569,412**

Consolidated reserves and net income – owners of the parent	Foreign currency adjustments (Note 21.2)	Financial instruments (Note 21.3)	Actuarial gains & losses (Note 21.4)	Shareholders' equity – Group share	Non-controlling interests (Note 22)	Equity	Number of shares (Note 21)
3,092.1	**(33.5)**	**30.5**	**(53.1)**	**2,825.6**	**15.6**	**2,841.2**	**105,569,412**
412.5	–	–	–	412.5	3.0	415.5	–
–	21.9	(20.8)	–	1.1	0.6	1.7	–
412.5	*21.9*	*(20.8)*	–	*413.6*	*3.6*	*417.1*	–
–	–	–	–	*0.0*	–	–	–
(50.5)	–	–	–	(3.2)	–	(3.2)	–
20.9	–	–	–	20.9	–	20.9	–
(285.1)	–	–	–	(285.1)	(6.0)	(291.1)	–
(1.1)	–	–	–	*(1.1)*	1.7	0.6	–
3,188.9	**(11.5)**	**9.7**	**(53.1)**	**2,970.7**	**14.8**	**2,985.5**	**105,569,412**

Consolidated statement of cash flows for the first half of 2015

in millions of euros

	First half of 2015	2014 financial year	First half of 2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income attributable to owners of the parent (Note 4)	482.5	858.8	412.5
Depreciation and amortisation (Notes 12, 13 et 14)	82.9	145.9	68.3
Impairment losses (Notes 11, 12 et 13)	5.0	22.7	3.6
Marked-to-market value of financial instruments	(1.0)	1.4	2.4
Currency gains/(losses) on fair value adjustments	(18.0)	(20.4)	(11.1)
Change in provisions	7.2	9.6	4.8
Net income from associates (Note 16)	(9.2)	(12.4)	(5.6)
Net income attributable to non-controlling interests (Note 22)	2.2	4.5	3.0
Capital gains/(losses) on disposals	0.2	(1.0)	(1.0)
Deferred tax	4.6	1.1	1.4
Accrued expenses and income related to share-based payments (Note 28)	17.7	38.5	20.9
Other	(0.1)	0.0	(0.1)
Operating cash flows	**573.9**	**1,048.7**	**499.1**
Dividend income	(0.8)	(1.7)	(0.7)
Financial expenses and interest income	(0.4)	0.5	(3.1)
Current tax expense	265.9	460.4	220.3
Operating cash flow before financial interest, dividends and taxes	**838.7**	**1,508.0**	**715.5**
Change in working capital	(108.0)	(105.1)	(156.9)
Financial expenses and interest income	0.4	(0.5)	3.1
Income tax paid	(287.7)	(435.6)	(205.9)
Net cash from operating activities	**443.3**	**966.8**	**355.8**
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchase of intangible assets (Note 12)	(16.0)	(34.2)	(19.5)
Purchase of property, plant and equipment (Notes 13 et 14)	(84.4)	(244.7)	(71.9)
Investments in associates	(1.0)	(43.3)	(38.9)
Purchase of other financial assets (Note 15)	(0.5)	(2.5)	(0.8)
Amounts payable relating to fixed assets	(20.0)	8.2	(20.3)
Proceeds from sales of operating assets	0.7	1.2	1.9
Proceeds from sales of other financial assets (Note 15)	–	0.2	–
Dividends received	0.3	0.4	0.2
Net cash used in investing activities	**(120.9)**	**(314.8)**	**(149.2)**
CASH FLOWS USED IN FINANCING ACTIVITIES			
Dividends paid	(840.4)	(294.9)	(291.1)
Purchase of treasury shares	(3.2)	(3.5)	(3.4)
Borrowings	6.5	0.0	–
Reimbursements of borrowings	(0.6)	(1.5)	(0.5)
Other increases/(decreases) in equity	–	0.0	(0.0)
Net cash used in financing activities	**(837.7)**	**(299.9)**	**(295.0)**
Change in the scope of consolidation (Note 20)	0.0	0.0	0.0
Effect of foreign currency exchange on intragroup transactions	0.3	17.4	6.7
Effect of foreign currency exchange (Note 20)	45.2	30.0	5.5
CHANGE IN NET CASH POSITION	**(469.7)**	**399.6**	**(76.2)**
Net cash position at the beginning of period (Note 20)	1,421.6	1,022.0	1,022.0
Net cash position at end of period (Note 20)	951.9	1,421.6	945.8
CHANGE IN NET CASH POSITION (Note 20)	**(469.7)**	**399.6**	**(76.2)**

Notes to the condensed consolidated financial statements for the first half of 2015

The condensed interim consolidated financial statements as presented were approved by the Executive management on 27 August 2015 after review by the audit Committee at its meeting of 25 August 2015.

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. 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 2014.

The accounting principles 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 2014 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 2015 (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 financial years beginning as of 1 January 2015 are the following:

– the amendments resulting from the IFRS annual improvements, 2011-2013 cycle, published in December 2013;

– the IFRIC interpretation 21 Levies.

These texts had no significant impact on the Group's consolidated financial statements.

The Group has opted for early application, on 31 December 2014, of the amendments to IAS 19 – Defined benefit plans, contributions from personnel members. This text had no significant impact on the Group's consolidated financial statements.

1.2. - Non-mandatory standards and interpretations as at 1 January 2015

The Group has not opted for the early application of the amendments resulting from the IFRS annual improvements, 2010-2012 cycle.

Moreover, the Group is monitoring the following standards, that have not yet been adopted by the European Union.

– the standard IFRS 9 Financial instruments establishes the recognition and financial information principles with regard to financial assets and financial liabilities. These principles will replace the ones currently contained in the standard IAS 39 Financial instruments;

– the standard IFRS 15 Revenue from Contracts with Customers that will replace the standard IAS 18 Revenue;

– amendments to IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortisation;

– amendments to IFRS 10 and IAS 28 Sale or contribution of assets to an investor and an associated enterprise or a joint venture;

– amendments to IFRS 11 Recognition of acquisitions of interests in joint ventures.

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

The half-yearly tax expense is calculated on the basis of a weighted average annual income tax rate.

In the absence of a particular event or significant variation of the actuarial assumptions during the half-year, the obligation relative to post-employment benefits is not the subject of a half-yearly actuarial assessment. The posted half-yearly expense corresponds with half of the expense calculated for the year 2015, on the basis of the data and actuarial assumptions used on 31 December 2014.

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

No significant equity investment was carried out in the first half of 2015.

NOTE 3 - SEASONAL NATURE OF THE BUSINESS

The group's overall activity remains balanced over the course of the year (in 2014, 46% of the group's turnover was generated during the first half of the year, and 54% during the second). However, second half sales are strongly related to the commercial activities during the year-end holidays.

NOTE 4 - SEGMENT INFORMATION

4.1 - Information by operating segment

The following elements are presented after eliminations and restatements:

in millions of euros

First half of 2015	France	Europe (excl. France)	Japan	Asia-Pacific (excl. Japan)	Americas	Others	Holding	Total
Revenue	**328.3**	**406.7**	**279.7**	**842.2**	**403.8**	**38.7**	**–**	**2,299.4**
Selling, marketing and administrative expenses	(97.9)	(119.7)	(96.6)	(204.8)	(123.3)	(9.3)	(42.4)	(693.9)
Depreciation and amortisation	(10.1)	(12.6)	(5.9)	(22.5)	(12.4)	(0.5)	(5.5)	(69.5)
Operating provisions	(2.4)	(2.0)	(1.2)	(0.7)	(0.6)	(0.0)	(6.1)	(13.0)
Impairment losses	(1.1)	(2.1)	–	(0.6)	–	–	–	(3.8)
Other income / (expenses)	(0.6)	(0.2)	(0.5)	0.2	0.7	0.0	(0.1)	(0.4)
Operating income	**110.6**	**107.0**	**100.6**	**342.5**	**131.6**	**10.0**	**(54.2)**	**748.2**
Operating margin by segment	*33.7%*	*26.3%*	*36.0%*	*40.7%*	*32.6%*	*25.8%*		*32.5%*
Net financial result	–	–	–	–	–	–	(24.7)	(24.7)
Net income from associates	–	–	–	–	–	–	9.2	9.2
Income tax expense	–	–	–	–	–	–	(248.0)	(248.0)
Net income attributable to non-controlling interests	–	–	–	–	–	–	(2.2)	(2.2)
Net income	**110.6**	**107.0**	**100.6**	**342.5**	**131.6**	**10.0**	**(319.8)**	**482.5**

in millions of euros

2014 financial year	France	Europe (excl. France)	Japan	Asia-Pacific (excl. Japan)	Americas	Others	Holding	Total
Revenue	**643.9**	**799.8**	**484.4**	**1,405.0**	**711.1**	**74.5**	**–**	**4,118.6**
Selling, marketing and administrative expenses	(168.0)	(242.9)	(179.4)	(364.4)	(234.2)	(25.2)	(77.4)	(1,291.7)
Depreciation and amortisation	(16.8)	(22.0)	(10.8)	(34.4)	(23.6)	(0.8)	(9.9)	(118.4)
Operating provisions	(6.2)	(3.9)	(7.4)	(3.2)	(2.6)	4.3	(5.5)	(24.4)
Impairment losses	(5.0)	(2.8)	0.0	(0.7)	–	–	(1.0)	(9.4)
Other income / (expenses)	(0.2)	3.6	(0.1)	(13.6)	0.7	(0.1)	(0.1)	(9.8)
Operating income	**219.0**	**218.8**	**149.3**	**567.4**	**221.5**	**17.4**	**(94.0)**	**1,299.3**
Operating margin by segment	*34.0%*	*27.4%*	*30.8%*	*40.4%*	*31.2%*	*23.4%*		*31.5%*
Other non-recurring income and expense							–	–
Net financial result							(24.7)	(24.7)
Net income from associates							12.4	12.4
Income tax expense							(423.7)	(423.7)
Net income attributable to non-controlling interests							(4.5)	(4.5)
Net income	**219.0**	**218.8**	**149.3**	**567.4**	**221.5**	**17.4**	**(534.5)**	**858.8**

in millions of euros

First half of 2014	France	Europe (excl. France)	Japan	Asia-Pacific (excl. Japan)	Americas	Others	Holding	Total
Revenue	**307.9**	**370.8**	**220.8**	**662.3**	**306.7**	**38.4**	**–**	**1,906.9**
Selling, marketing and administrative expenses	(92.9)	(112.5)	(81.4)	(177.5)	(104.4)	(9.5)	(34.1)	(612.3)
Depreciation and amortisation	(8.3)	(10.9)	(5.2)	(16.8)	(10.5)	(0.4)	(4.8)	(57.0)
Operating provisions	(2.3)	(2.2)	(1.2)	(1.1)	0.9	(0.1)	(1.8)	(7.8)
Impairment losses	(2.1)	(1.5)	–	–	–	–	–	(3.6)
Other income / (expenses)	0.2	2.4	0.1	0.4	0.6	–	0.0	3.7
Operating income	**99.9**	**99.6**	**81.9**	**275.0**	**94.7**	**11.1**	**(40.7)**	**621.4**
Operating margin by segment	*32.4%*	*26.9%*	*37.1%*	*41.5%*	*30.9%*	*28.9%*		*32.6%*
Net financial result	–	–	–	–	–	–	(7.8)	(7.8)
Net income from associates	–	–	–	–	–	–	5.6	5.6
Income tax expense	–	–	–	–	–	–	(203.7)	(203.7)
Net income attributable to non-controlling interests	–	–	–	–	–	–	(3.0)	(3.0)
Net income	**99.9**	**99.6**	**81.9**	**275.0**	**94.7**	**11.1**	**(249.6)**	**412.5**

4.2 - Information by geographical area

The breakdown of non-current assets[1] by geographical area is the following:

in millions of euros

	30 June 2015	31 Dec. 2014	30 June 2014
France	796.8	784.6	728.9
Europe (excl. France)	190.4	176.4	175.8
Japan	158.1	150.9	157.6
Asia-Pacific (excl. Japan)	282.6	271.4	267.3
Americas	189.2	155.7	125.3
Rest of the world	51.5	40.9	–
Non-current assets	**1,668.6**	**1,580.0**	**1,455.0**

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

NOTE 5 - COST OF SALES

Stock depreciations, losses on stocks and the share of depreciations included in the production cost of products sold are part of the cost of sales.

NOTE 6 - SELLING, MARKETING AND ADMINISTRATIVE EXPENSES

in millions of euros

	First half of 2015	2014 financial year	First half of 2014
Advertising and marketing expenses	(97.1)	(207.4)	(93.4)
Other selling and administrative expenses	(596.8)	(1,084.3)	(518.9)
TOTAL	**(693.9)**	**(1,291.7)**	**(612.3)**

NOTE 7 - OTHER INCOME AND EXPENSES

in millions of euros

	First half of 2015	2014 financial year	First half of 2014
Depreciation (Note 4)	(69.5)	(118.4)	(57.0)
Net change in recurring provisions	(4.5)	(11.0)	(1.4)
Cost of defined benefit plans (Note 26.1)	(8.5)	(13.4)	(6.4)
Sub-total	*(13.0)*	*(24.4)*	*(7.8)*
Reversible impairment losses (Note 4)	(3.8)	(9.4)	(3.6)
Other expense (including impairment of goodwill)	(3.3)	(13.0)	(1.6)
Other income	3.0	3.2	5.4
Sub-total	*(4.2)*	*(19.2)*	*0.1*
TOTAL	**(86.7)**	**(162.0)**	**(64.7)**

Total depreciation of tangible and intangible assets included in operating expenses (Other income and expense and Cost of sales) amounted to €82.9 million in the first half of 2015 compared with €68.3 million at the end of June 2014.

NOTE 8 - NET FINANCIAL RESULT

in millions of euros

	First half of 2015	2014 financial year	First half of 2014
Income from cash and cash equivalents	3.8	6.7	2.8
Cost of gross debt	(0.5)	(0.4)	(0.3)
– of which: income from hedging instruments	*0.2*	*0.2*	–
Cost of net debt	**3.3**	**6.3**	**2.5**
Other financial income and expenses	(28.0)	(31.1)	(10.3)
– of which: ineffective portion of cash flow hedges	*(26.6)*	*(33.2)*	*(10.4)*
TOTAL	**(24.7)**	**(24.7)**	**(7.8)**

NOTE 9 - TAXES

9.1 - Income tax rate

The tax rate expected for 2015 is 34.3% (33.2% for the first half of 2014 and for the 2014 financial year). This tax rate includes the effect of the 3% tax on the distribution of dividends for €25 million, versus €8 million in 2014.

9.2 - Deferred tax

in millions of euros

	First half of 2015	2014 financial year	First half of 2014
Deferred tax assets as at 1 January	335.8	242.5	242.5
Deferred tax liabilities as at 1 January	31.3	25.7	25.7
Net deferred tax assets as at 1 January	**304.4**	**216.8**	**216.8**
Impact on the statement of income	17.9	36.6	16.6
Impact on the scope of consolidation	–	(0.2)	(0.1)
Impact of foreign currency movements	14.2	13.5	2.7
Other (1)	1.2	37.7	12.8
Net deferred tax assets at period end	**337.8**	**304.4**	**248.8**
Balance of deferred tax assets at period end	368.5	335.8	277.0
Balance of deferred tax liabilities at period end	30.7	31.3	28.2

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

Deferred taxes mainly related to the following adjustments:

in millions of euros

	First half of 2015	2014 financial year	First half of 2014
Internal margins on inventories and impairment on inventories	228.5	198.9	171.1
Employee obligations	54.1	51.5	60.2
Derivative instruments	13.4	16.6	2.9
Impairment losses	8.4	7.9	6.2
Restricted provisions	(40.3)	(40.5)	(35.8)
Other	73.6	70.0	44.2
TOTAL	**337.8**	**304.4**	**248.8**

NOTE 10 - NET EARNINGS PER SHARE

In accordance with the definitions set out in Note 1.20 of the 2014 Registration Document, the calculation and reconciliation of basic earnings per share and diluted earnings per share is as follows:

	First half of 2015	2014 financial year	First half of 2014
Numerator (in millions of euros)			
Basic net income	482.5	858.8	412.5
Adjustments	-	-	-
Diluted net income	482.5	858.8	412.5
Denominator (in number of shares)			
Weighted average number of ordinary shares	**104,398,607**	**104,267,723**	**104,154,160**
Basic earnings per share	**4.62**	**8.24**	**3.96**
Weighted average number of shares under option	-	-	30,353
Weighted average number of shares under free share allotment plans	671,619	555,618	492,294
Weighted average number of diluted ordinary shares	**105,070,227**	**104,823,341**	**104,676,807**
Diluted earnings per share	**4.59**	**8.19**	**3.94**
Annual average price per share	317.90 €	252.40 €	245.97 €

The dilutive effect on the calculation of the net earnings per share of the allocation of free shares is not significant.

NOTE 11 - GOODWILL

in millions of euros

	30 June 2014	31 Dec. 2014	Increases	Decreases	Currency impact	Others	30 June 2015
Goodwill	127.0	127.0	–	–	4.4	–	131.4
Total gross value	**127.0**	**127.0**	**–**	**–**	**4.4**	**–**	**131.4**
Depreciation booked before 1 january 2004	28.7	28.9		–	1.7		30.6
Impairment losses	45.0	60.7	1.2	–	1.7	–	63.5
Total depreciation and impairment losses	**73.8**	**89.6**	**1.2**	**–**	**3.4**	**–**	**94.2**
Total net value	**53.3**	**37.4**	**(1.2)**	**–**	**1.0**	**–**	**37.2**

On 30 June 2015, the net value of the goodwill was equal to €37.2 million, primarily relating to the CGUs of the distribution entities (€27.9 million) and the group's various production CGUs (€9.3 million). Within the CGUs of the distribution entities, the main goodwill is that of Hermès Japan, which stands at €14.5 million.

NOTE 12 - INTANGIBLE ASSETS

in millions of euros

	30 June 2014	31 Dec. 2014	Increases (1)	Decreases	Currency impact	Others	30 June 2015
Leasehold rights	68.1	68.8	0.3	–	2.5	–	71.6
Concessions, patents, licences and software	46.8	49.2	1.1	(0.3)	2.0	(2.1)	49.9
Other intangible assets	147.4	141.2	4.3	(1.7)	2.2	6.9	152.9
Fixed assets under construction	15.6	12.5	10.3	–	(0.0)	(7.7)	15.0
Total gross value	**277.9**	**271.7**	**16.0**	**(2.0)**	**6.7**	**(2.9)**	**289.4**
Depreciation of leasehold rights	37.2	36.8	1.7	–	1.4	–	39.9
Depreciation of concessions, patents, licences and software	32.0	33.0	2.2	(0.3)	1.3	0.1	36.3
Depreciation of other intangible assets	88.6	82.3	9.2	(1.7)	1.5	(0.0)	91.3
Impairment losses (1)	1.1	2.0	0.1	(0.1)	(0.0)	0.1	2.1
Total depreciation and impairment losses	**158.9**	**154.1**	**13.2**	**(2.1)**	**4.3**	**0.1**	**169.7**
Total net value	**119.0**	**117.5**	**2.8**	**0.1**	**2.4**	**(3.0)**	**119.8**

(1) The impairment losses relate to the production operations and stores deemed not to be sufficiently profitable.

The completed investments mainly related to setting up integrated management software applications within certain of our subsidiaries.

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

in millions of euros

	30 June 2014	31 Dec. 2014	Increases (1)	Decreases	Currency impact	Others	30 June 2015
Lands	147.8	153.3	0.1	(0.0)	7.5	(0.5)	160.4
Buildings	640.3	719.6	5.6	(2.4)	28.2	15.7	766.8
Machinery, plant and equipment	230.3	257.3	8.5	(9.7)	4.2	8.5	268.8
Store fixtures and furnishings	381.1	484.6	27.2	(0.4)	37.3	1.2	549.8
Other tangible assets	384.3	397.7	9.5	(5.3)	5.0	8.4	415.2
Fixed assets under construction	128.3	75.6	33.5	-	2.3	(32.5)	78.9
Total gross value	**1,912.0**	**2,088.1**	**84.4**	**(17.8)**	**84.5**	**0.7**	**2,240.0**
Depreciation of buildings	216.8	226.7	16.3	(2.3)	8.1	(0.3)	248.4
Depreciation of machinery, plant and equipment	149.9	153.5	9.8	(9.3)	2.2	0.6	156.8
Depreciation of store fixtures and furnishings	239.4	268.7	24.6	(0.5)	19.7	(1.3)	311.3
Depreciation of other tangible assets	236.6	231.9	18.9	(4.9)	2.6	(0.5)	247.9
Impairment losses (2)	21.8	25.9	3.7	(0.9)	1.2	–	30.0
Total depreciation and impairment losses	**864.5**	**906.6**	**73.4**	**(17.9)**	**33.8**	**(1.5)**	**994.4**
Total net value	**1,047.5**	**1,181.5**	**11.0**	**0.1**	**50.7**	**2.2**	**1,245.6**

(1) Investments made during the first half of 2015 mainly related to the opening and renovation of stores and capital expenditure to expand production capacity.
(2) The impairment losses relate to the production operations and stores deemed not to be sufficiently profitable. It is noted that the cash generating units on which the impairment losses have been recongized are not individually material in view of the group's total activity.

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

in millions of euros

	30 June 2014	31 Dec. 2014	Increases	Decreases	Currency impact	Others	30 June 2015
Lands	32.8	33.5	–	–	2.9	–	36.3
Buildings	76.7	78.7	–	–	6.7	–	85.4
Total gross value	**109.5**	**112.2**	**–**	**–**	**9.6**	**–**	**121.8**
Depreciation	13.1	14.7	1.1	–	1.5	–	17.3
Total net value	**96.4**	**97.5**	**(1.1)**	**–**	**8.1**	**–**	**104.5**

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 financial years.
Rental income from investment property amounted to €2.5 million for the first half of 2015.

NOTE 15 - FINANCIAL ASSETS

in millions of euros

	30 June 2014	31 Dec. 2014	Increases	Decreases	Currency impact	Others	30 June 2015
Investments in financial assets and accrued interest [1]	51.9	52.1	0.1	(0.2)	–	–	52.0
Liquidity contract	8.4	10.2	0.4	–	–	–	10.7
Other financial assets	0.5	0.0	–	(0.0)	0.0	–	0.0
Other non-consolidated investments [2]	0.2	0.3	–	–	–	–	0.3
Total gross value	**61.1**	**62.6**	**0.6**	**(0.2)**	**0.0**	**–**	**63.0**
Impairments	1.6	1.6	0.1	–	–	–	1.7
Total net value	**59.5**	**61.0**	**0.5**	**(0.2)**	**0.0**	**–**	**61.3**

(1) Financial investments correspond with investments that do not meet the criteria for classification as cash equivalents, primarily because their maturity at inception is more than 3 months.
(2) Other available-for-sale non-consolidated investments do not include any listed securities.

NOTE 16 - INVESTMENTS IN ASSOCIATES

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

in millions of euros

	30 June 2015	31 Dec. 2014	30 June 2014
Balance as at 1 January	**91.3**	**44.5**	**44.5**
Impact of changes in the scope of consolidation	0.2	31.1	27.9
Net income from associates	9.2	12.4	5.6
Dividends paid	(0.3)	(0.2)	(0.2)
Change in foreign exchange rates	3.3	3.5	1.1
Other	-	(0.1)	(0.0)
Balance at period end	**103.6**	**91.3**	**79.0**

NOTE 17 - LOANS AND DEPOSITS

in millions of euros

	30 June 2014	31 Dec. 2014	Increases	Decreases	Currency impact	Others	30 June 2015
Loans and deposits [1]	44.6	47.8	6.3	(2.3)	2.4	–	54.1
Impairments	2.3	4.3	0.4	–	0.6	–	5.2
TOTAL	**42.4**	**43.5**	**5.9**	**(2.3)**	**1.8**	**–**	**48.9**

(1) As at 30 June 2015, security deposits amounted to €33 million compared with €27.3 million as at 31 December 2014.

NOTE 18 - INVENTORIES AND WORK-IN-PROGRESS

in millions of euros

	30 June 2015			31 Dec. 2014	30 June 2014
	Brut	**Dépréciation**	**Net**	**Net**	**Net**
Retail, semi-finished and finished goods	980.7	373.2	607.5	538.6	533.4
Raw materials and work in progress	550.4	151.5	398.9	373.4	372.0
TOTAL	**1,531.0**	**524.6**	**1,006.4**	**912.0**	**905.3**
Net income / expense from the impairment of retail, intermediate and finished products	–	(50.6)	–	(59.6)	(41.1)
Net income/ expense from the impairment of raw materials and work in progress	–	(9.3)	–	(23.6)	(1.1)

It is stipulated that no inventories were pledged as debt collateral

NOTE 19 - TRADE AND OTHER RECEIVABLES

in millions of euros

	30 June 2015			31 Dec. 2014	30 June 2014
	Gross	**Impairment**	**Net**	**Net**	**Net**
Trade and other receivables	268.0	5.1	262.9	249.3	208.2
Of which: – amount not yet due	*221.0*	*0.2*	*220.8*	*207.0*	*129.7*
– amount payable (1)	*47.1*	*5.0*	*42.1*	*42.3*	*78.5*
Current tax receivables	19.8	–	19.8	8.7	1.6
Other current assets	141.6	0.4	141.2	140.7	123.5
Other non-current assets	8.9	–	8.9	11.3	17.0
Total	**438.3**	**5.5**	**432.8**	**409.9**	**350.3**

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

in millions of euros

	30 June 2015			31 Dec. 2014	30 June 2014
	Gross	**Impairment**	**Net**	**Net**	**Net**
Less than 3 months	39.0	0.6	38.4	35.8	69.2
Between 3 and 6 months	2.7	0.5	2.1	4.1	3.6
More than 6 months	5.4	3.8	1.6	2.5	5.7

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

The risk of non-recovery is low, as evidenced by accounts receivable impairment level, which amounted to less than 2% of the gross value on 30 June 2015 (compared with 2% at the end of 2014). There is no significant concentration of credit risk.

NOTE 20 - CASH AND CASH EQUIVALENTS

in millions of euros

	30 June 2014	**31 Dec. 2014**	**Cash flows**	**Currency impact**	**Impact on the scope of conso-lidation**	**Other (1)**	**30 June 2015**
Cash and cash equivalents	201.2	423.1	18.5	29.1	0.0	(1.0)	469.8
Marketable securities (2)	769.4	1,020.2	(537.7)	16.6	–	–	499.1
Sub-total	*970.6*	*1,443.3*	*(519.2)*	*45.8*	*0.0*	*(1.0)*	*968.9*
Bank overdrafts and current accounts in debit	(24.8)	(21.7)	5.2	(0.5)	–	–	(17.0)
Net cash position	**945.8**	**1,421.6**	**(514.0)**	**45.2**	**0.0**	**(1.0)**	**951.9**

(1) Corresponds with 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 21 - SHAREHOLDERS EQUITY

As at 30 June 2015, Hermès International's share capital consisted of 105,569,412 fully-paid shares with a par value of €0.51 each. 1,175,106 of these shares are treasury shares.
There was no change in the company's share capital during the first half of 2015.
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 2014 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.

21.1 - Dividends

During the first half of 2015, an ordinary dividend of €2.95 per share as well as an exceptional dividend of €5, representing a total distribution of €830 million, were paid after approval by the shareholders at the General meeting of 2 June 2015 convened to approve the annual financial statements for the year ended 31 December 2014.

21.2 - Foreign currency adjustments

The change in foreign currency adjustments during the first half of 2015 is analysed below:

in millions of euros

	30 June 2015	31 Dec. 2014	30 June 2014
Balance as at 1 January	**47.7**	**(33.5)**	**(33.5)**
Japanese yen	14.0	(2.0)	6.3
US dollar	27.4	33.2	2.0
Chinese yuan	5.8	5.9	(2.3)
Australian dollar	0.1	0.8	1.6
Pound sterling	7.4	4.5	5.9
Macao pataca	4.9	6.1	0.2
Swiss franc	23.8	1.5	1.2
Singapore dollar	11.0	20.0	5.2
Hong Kong dollar	11.5	14.1	2.2
UAE dirham	8.6	0.9	–
Other currencies	5.7	(3.8)	(0.3)
Balance at period end	**168.1**	**47.7**	**(11.5)**

21.3 - Financial instruments

During the first half of 2015, changes in derivatives and financial investments were broken down as follows (after tax):

in millions of euros

	30 June 2015	31 Dec. 2014	30 June 2014
Balance as at 1 January	**(13.5)**	**30.5**	**30.5**
Amount transferred to equity during the period for derivatives	17.5	(32.3)	(32.3)
Amount transferred to equity during the period for financial investments	0.0	0.0	0.0
Adjustments in the value of derivatives at closing	(23.7)	(17.5)	10.5
Other deferred losses/gains on exchange in the comprehensive income	5.5	5.8	1.0
Balance at period end	**(14.2)**	**(13.5)**	**9.7**

21.4 - Other comprehensive income

In the first half of 2015, other comprehensive income was broken down as follows:

in millions of euros

	Gross impact	Tax effect	Net impact
Actuarial gains & losses (Note 26.3)	–	–	–
Foreign currency adjustments (Notes 21.2 and 22)	120.7		120.7
Financial instruments (Note 21.3)	(1.5)	0.8	(0.7)
Other items	–	–	–
Balance as at 30 June 2015	**119.1**	**0.8**	**119.9**
Actuarial gains & losses (Note 26.3)	(30.1)	10.2	(19.9)
Foreign currency adjustments (Notes 21.2 and 22)	82.1	–	82.1
Financial instruments (Note 21.3)	(71.4)	27.4	(44.0)
Other items	–	–	–
Balance as at 31 December 2014	**(19.4)**	**37.6**	**18.2**
Actuarial gains & losses (Note 26.3)	–	–	–
Foreign currency adjustments (Notes 21.2 and 22)	22.5	–	22.5
Financial instruments (Note 21.3)	(33.6)	12.8	(20.8)
Other items	–	–	–
Balance as at 30 June 2014	**(11.1)**	**12.8**	**1.7**

NOTE 22 - NON-CONTROLLING INTERESTS

in millions of euros

	30 June 2015	31 Dec. 2014	30 June 2014
Balance as at 1 January	**9.5**	**15.6**	**15.6**
Net income attributable to non-controlling interests	2.2	4.5	3.0
Dividends paid to non-controlling interests	(6.4)	(9.8)	(6.0)
Exchange rate adjustment on foreign entities	1.9	1.0	0.6
Other changes	0.2	(1.7)	1.7
Balance at period end	**7.4**	**9.5**	**14.8**

NOTE 23 - EXPOSURE TO MARKET RISKS

The Hermès Group's results are exposed to the risks and uncertainties described in the 2014 Registration Document. The assessment of these risks did not change during the first half of 2015 and no new risk had been identified as of the date of publication of this report. The main risks remain the exposure to currency fluctuations, and the economic situation in certain areas of the world.
The group's currency exposure management policy is based on the management principles described in the 2014 registration document.
The net financial instruments position on the balance sheet is shown below:

in millions of euros

	30 June 2015	31 Dec. 2014	30 June 2014
Derivative financial instrument assets	51.9	39.4	36.1
Derivative financial instrument liabilities	(88.9)	(73.1)	(19.0)
Net position at period end	**(37.0)**	**(33.7)**	**17.1**

The ineffective portion of cash flow hedges recorded in net income was -€26.6 million (including -€4.1 million from overhedging), compared with -€33.2 million (including +€1.1 million from overhedging) as at 31 December 2014 and -€10.4 million (including +€0.5 million from overhedging) as at 30 June 2014 (see Note 8).

The impact of the effective portion of the hedges recorded in equity is shown in Note 21.
On 30 June 2015, the valuation methods used for financial instruments remain unchanged compared to 31 December 2014, as described on page 198 of the 2014 Registration Document.

NOTE 24 - PROVISIONS

in millions of euros

	30 juin 2014	31 déc. 2014	Accruals	Reversals (1)	Currency impact	Other and reclassification	30 June 2015
Current provisions	26.5	36.9	5.8	(6.3)	1.4	0.8	38.6
Non-current provisions	14.5	2.7	1.2	(1.0)	0.2	(0.5)	2.6
TOTAL	**41.0**	**39.6**	**7.0**	**(7.3)**	**1.6**	**0.3**	**41.2**

(1) Including €4.4 million used and €2.9 million unused.

As at 30 June 2015, the provisions involve provisions for returns (€13.5 million) as well as other risks concerning legal, financial and tax matters not specified in terms of their amount or due date (€27.7 million). No other class of provision is individually significant.

NOTE 25 - EMPLOYEE

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

	30 June 2015	31 Dec. 2014	30 June 2014
France	7,164	7,051	6,864
Europe (excl. France)	1,288	1,257	1,250
Rest of the world	3,405	3,410	3,212
TOTAL	**11,857**	**11,718**	**11,326**

Total personnel costs amounted to €484 million in the first half of 2015 compared with €450 million in the first half of 2014.

NOTE 26 - POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFIT OBLIGATIONS

Hermès group employees are eligible for post-employment benefits awarded either through defined contribution plans or through defined benefit plans. 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 202 et seq. of the 2014 registration document.

26.1 - 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 2015	Fiscal year 2014	First half of 2014
Service cost	7.1	0.5	7.5	10.8	5.4
Interest cost	0.8	0.1	0.9	3.3	0.9
Financial income on assets	–	–	–	(1.4)	–
(Gains)/loss resulting from change in plan	–	–	–	0.0	–
Change in the scope of consolidation	–	–	–	(0.0)	–
Net actuarial (gains)/losses recognised during the period	–	–	–	1.0	–
Administrative expenses	0.1	–	0.1	0.2	0.1
Cost of defined benefit plans	**8.0**	**0.5**	**8.5**	**13.9**	**6.4**

26.2 - 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	First half of 2015	Fiscal year 2014	First half of 2014
Provisions as at 1 January	**120.7**	**8.2**	**128.9**	**88.5**	**88.5**
Foreign currency adjustments	2.4	0.2	2.6	0.2	1.1
Pension expense	8.0	0.5	8.5	13.9	6.4
Benefits/contributions paid	(1.5)	–	(1.5)	(3.7)	(1.2)
Actuarial gains and losses / Limits on plan assets	–	–	–	30.1	–
Change in the scope of consolidation	–	–	–	–	–
Other	–	–	–	(0.1)	–
Provisions at end of period	**129.5**	**8.9**	**138.4**	**128.9**	**94.8**

NOTE 27 - TRADE PAYABLE AND OTHER LIABILITIES

in millions of euros

	30 June 2015	31 Dec. 2014	30 June 2014
Suppliers	311.8	340.2	275.5
Amounts payable relating to fixed assets	39.3	58.4	28.0
Trade and other payables	**351.1**	**398.6**	**303.5**
Current tax liabilities	116.6	121.4	102.6
Other current liabilities	423.0	387.0	343.8
Other non-current liabilities	80.7	88.6	77.1
Trade payable and other liabilities	**971.5**	**995.6**	**826.9**

NOTE 28 - SHARE-BASED PAYMENTS

In the first half of 2015, the expense related to the plans for the allocation of free shares was equal to €17.7 million, versus €38.5 million at the end of 2014 and €20.9 million in the first half of 2014. No new plan was set up during the first half of 2015.

NOTE 29 - UNRECOGNISED COMMITMENTS

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

NOTE 30 - RELATED-PARTY TRANSACTIONS

During the first half of 2015, the relationships between the Hermès Group and its related parties were comparable to the relationships that existed in 2014. More specifically, no transaction unusual in its nature or amount was carried out during the period.

NOTE 31 - SUBSEQUENT EVENTS

No significant event incurred as of 27 August 2015, date on which Executive Management approved the financial statements

Statutory auditors’ report on the interim financial information for the first half of 2015

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 2015, 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 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 provided in the first half 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, 27 August 2015
The Statutory auditors

Didier Kling & Associés		PricewaterhouseCoopers Audit
Christophe Bonte	Didier Kling	Christine Bouvry

Statement by persons responsible for the interim financial report

To the best of our knowledge, the condensed consolidated financial statements for the past six months 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 remaining six months of the year.

Paris, 27 August 2015
The Executive Management,

Axel Dumas

Henri-Louis Bauer
(representing Emile Hermès SARL)

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