HALF-YEAR REVIEW OF OPERATIONS

JUNE 2010

I. HALF-YEAR REVIEW OF OPERATIONS

Highlights

Hermès products are sold through two separate distribution channels that delivered contrasting results in the first half of 2010: the company-owned stores; and the concessionaires and specialised distribution networks, which mainly sell perfumes, watches and tableware (wholesalers).

Hermès group sales rose to €1,074.7 million in the first half, an increase of 20% at constant exchange rates. Including the favourable currency impact, sales growth was 22.8%.

Appreciation in the Japanese yen, the US dollar and currencies indexed to the dollar against the euro generative a positive impact of €25 million on sales and on operating income in the first half of 2010. There were no significant events that produced a material impact on the Hermès group's business and results during the period.

The group did not buy back any of its own shares during the first half of 2010, other than shares traded under the liquidity contract.

First-half sales
(at constant exchange rates, unless otherwise indicated)

Hermès continued to expand it distribution network. It opened four new branches, including the first Hermès store dedicated to men on Madison Avenue in New York inaugurated at the beginning of the year, two in China and one in Japan. It also took over two concessions in Japan.

Sales growth was particularly robust for the group's own stores (up 25% at constant exchange rates), with most Hermès sectors delivering a sharp increase. Wholesale revenues, which in 2009 were adversely affected by distributors' inventory drawdowns, primarily in watches and perfumes, resumed on an uptrend.

In Europe, sales were driven up by 17% owing to excellent momentum in the retail segment across the entire region. In the Americas, the rebound that began in the fourth quarter of 2009 continued throughout the first six months of 2010, with a rise of 26% over the period. In Japan, sales edged down 2% while in the rest of Asia, they continued on a strong uptrend, with growth of 45%.

Silks & Textiles delivered a handsome performance. Sales advanced by 17%, underpinned by the success of the new women's silk collections, which were expanded to include exceptional new products in cashmere and silk. Leather Goods and Saddlery remained on a very high growth trend (23%), fuelled by small leather accessories and leather bags, while Ready-to-Wear and Fashion Accessories registered an 18% rise, owing primarily to the success of fashion accessories.

In Perfumes (up 25%), sales were boosted by the successful launch of *Voyage d'Hermès* during the month of March and by persistently strong demand for *Terre d'Hermès*.

After a difficult year in 2009, Watches registered a 33% surge while Tableware sales improved appreciably (up 8%).

(in millions of euros)	30 June 2010	30 June 2009	Reported change	Change at constant exchange rates
Silk and textiles	117.3	98.4	19.2%	16.6%
Leather Goods and Saddlery [1]	547.7	433.8	26.3%	22.6%
Ready-to-Wear and Fashion Accessories [2]	201.0	166.2	21.0%	18.3%
Other Hermès Sectors [3]	34.9	34.6	0.9%	(1.0)%
Sales through Hermès exclusive network	**901.0**	**733.0**	**22.9%**	**19.7%**
Perfumes	67.0	53.3	25.7%	25.2%
Watches	45.5	33.5	35.8%	33.1%
Tableware	19.1	17.5	8.8%	7.6%
Distribution via specialised outlets	**131.6**	**104.3**	**26.1%**	**24.8%**
Other[4]	42.1	37.6	12.0%	11.0%
TOTAL	**1,074.7**	**874.9**	**22.8%**	**20.0%**

1) Leather Goods and Saddlery includes bags and luggage, saddlery, diaries and small leather goods
2) Ready to Wear and Fashion Accessories includes men's and women's clothing, belts, jewellery accessories, gloves, hats and Hermès shoes.
3) Other Hermès Sectors include Jewellery and Art of Living products.
4) "Miscellaneous" products include John Lobb shoes and products manufactured for brands outside the group (textile printing, perfumes, tanning etc.).

(in millions of euros)	30 June 2010	30 June 2009	Reported change	Change at constant exchange rates
France	192.3	168.9	13.8%	13.8%
Rest of Europe	205.1	169.1	21.3%	19.9%
Total - Europe	**397.3**	**338.0**	**17.6%**	**16.9%**
Japan	203.7	198.0	2.9%	(1.7)%
Rest of Asia-Pacific	291.4	193.3	50.8%	45.0%
Total - Asia	**495.2**	**391.2**	**26.6%**	**21.4%**
Americas	165.7	129.7	27.7%	25.9%
Other[1]	16.5	16.0	3.2%	2.9%
TOTAL	**1,074.7**	**874.9**	**22.8%**	**20.0%**

1) Including sales to airlines.

First-half results

The gross margin advanced by 2.8% percentage points year-on-year to 66.4% in the first half of 2010, owing to the favourable currency impact and to enhanced use of production capacity.

Selling, marketing and administrative expenses amounted to €369.8 million in the first six months of 2010 compared with €315.7 million in the same year-ago period. They included €52.5 million of advertising and marketing expenses.

Other income and expense came to €39.7 million. The increase in net expense, which includes €38.5 million of depreciation and amortisation charges, was due to significantly higher investments, with a large number of newly opened and renovated branches over the past two years.

Operating income advanced by 52.4% to €304.5 million from €199.8 million in the first half of 2009. The operating margin was 28.3% compared with 22.8% at 30 June 2009.

Net financial income was €(3.9) million compared with €(4.4) million in the six months to 30 June 2009.
Non-controlling interests' share of net income was €5.2 million against €2.8 million in the first half of 2009.

After income tax expense of €99.1 million euros and net income of affiliated companies of €(1.6), the group's consolidated net income came to €194.6 million in the first half of 2010 compared with 125.4 million in the first half of 2009, a rise of 55.2%. At constant exchange rates, net income moved up 41.9%.

Earnings per share were 55.1% higher than in the first half of 2009.

Operating cash flows advanced by 42.4% in the first six months of 2010, to €241.3 million from €169.5 million in the same year-ago period.

Investments

Hermès continued to make substantial investments during the first half of 2010. These came to €50.7 million over the period and were entirely financed from cash flows.

The distribution network continued to expand, with ten branches opened or renovated during the period.

(in millions of euros)	30 June 2010	30 June 2009
Investments in operating assets	50.7	43.1
Investments in acquisitions	-	9.0
Financial investments (1)	181.7	30.0
Total investments	**232.4**	**82.1**

1) Financial investments are investments that do not meet the criteria for classification as cash equivalents, primarily because they mature in more than 3 months.

Financial position

Operating cash flows (€241.3 million) were used to finance all investments in operating assets (€50.7 million) and dividends (€115.1 million).

After the change in operating working capital requirement and in financial investments maturing in more than 3 months, cash amounted to €355.0 million at 30 June 2010 compared with €507.6 million at the end of 2009.

Restated net cash (after factoring in financial investments and borrowings) totalled €594.4 million at 30 June 2010, compared with €576.4 million at 31 December 2009.

Shareholders' equity was reinforced by earnings generated over the period. Equity attributable to owners of the parent amounted to €1,901.4 million as at 30 June 2010 compared with €1,789.9 million as at 31 December 2009.

Events occurring after 30 June 2010

No other significant event has occurred since 30 June 2010.

Outlook for the second half

The rate of growth registered in the first six months cannot be extrapolated to the second half owing to a higher basis of comparison. The sales growth target for the year could be around 12% at constant exchange rates. This target does not take into account economic factors that could significantly alter the business environment.

Over the full the year, the underlying operating margin is expected to be at least one percentage point higher than in 2009, depending on currency trends.

Hermès will continue to follow its long-term strategy of maintaining control over its know-how and distribution network. In 2010, Hermès will continue to invest in expanding its distribution network and plans to open and renovate some twenty branches. It will inaugurate a new store on rue de Sèvres in Paris at the end of the year.

During 2010 – the year of "Tales to be told" – Hermès' sales growth will continue to be driven by its ambitious, alluring creative designs and by the vitality of its craftsmanship. This momentum will be sustained by rallying the distribution network's efforts to showcase our lavish collections and to highlight customer service – our strongest advantage in maintaining growth.

Risks and uncertainties

The Hermès group's results are exposed to the risks and uncertainties described in the 2009 registration document. The assessment of these risks did not change during the first half of 2010 and no new risk had been identified as of the publication date of this report. The main risk remains exposure to currency fluctuations.

Related-party transactions

During the first half of 2010, no unusual transactions were entered into other than those described in the 2009 registration document.

II. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME FOR THE SIX MONTHS TO 30 JUNE 2010

in millions of euros	*Note*	30 June 2010	31 Dec. 2009	30 June 2009
Revenue	*4*	**1,074.7**	**1,914.3**	**874.9**
Cost of sales		(360.7)	(701.7)	(318.8)
Gross profit		**714.0**	**1,212.6**	**556.2**
Selling, marketing and administrative expenses	*5*	(369.8)	(660.6)	(315.7)
Other income and expense	*6*	(39.7)	(89.1)	(40.7)
Recurring operating income	*4*	**304.5**	**462.9**	**199.8**
Other non-recurring income and expense		-	-	-
Operating income		**304.5**	**462.9**	**199.8**
Net financial income	*7*	(3.9)	(12.7)	(4.4)
Income before tax		**300.6**	**450.2**	**195.4**
Income tax expense	*8*	(99.1)	(148.2)	(64.5)
Net income from associates	*15*	(1.6)	(6.5)	(2.7)
CONSOLIDATED NET INCOME		**199.8**	**295.4**	**128.2**
Net income attributable to non-controlling interests	*21*	(5.2)	(6.7)	(2.8)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	*4*	**194.6**	**288.8**	**125.4**
Earnings per share (in euros)	*9*	1.85	2.75	1.19
Diluted earnings per share (in euros)	*9*	1.85	2.74	1.19

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

in millions of euros	*Note*	30/06/10	31 Dec. 2009	30 June 2009
Consolidated net income		**199.8**	**295.4**	**128.2**
Actuarial gains and losses	*20.4*	(5.8)	(9.9)	0.3
Foreign currency adjustments	*20.4*	80.8	(5.5)	(11.0)
Derivatives included in equity	*20.4*	(73.8)	37.3	31.0
Gain/(loss) on sale of treasury shares	*20.4*	0.6	(0.3)	(0.3)
Income tax effect	*20.4*	26.1	(8.7)	(10.1)
Comprehensive income		**227.8**	**308.4**	**138.0**
- Attributable to owners of the parent		219.9	301.6	135.4
- Attributable to non-controlling interests		7.9	6.8	2.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

in millions of euros	*Note*	30 June 2010	31 Dec. 2009	30 June 2009
Non-current assets		**1,454.9**	**1,175.6**	**1,024.6**
Goodwill	*10*	37.4	34.8	34.6
Intangible assets	*11*	65.4	61.2	55.5
Property, plant & equipment	*12*	754.3	685.1	660.1
Investment property	*13*	94.2	95.3	10.0

Financial investments	*14*	277.7	118.6	88.5
Investments in associates	*15*	14.7	15.0	15.0
Loans and deposits	*16*	24.8	21.0	19.6
Deferred tax assets	*8.2*	186.2	143.1	141.1
Other non-current assets	*18*	0.3	1.6	0.3
Current assets		**1,177.4**	**1,264.9**	**1,202.9**
Inventories and work in progress	*17*	517.5	485.8	544.7
Trade and other receivables	*18*	135.5	132.3	107.2
Current tax receivables	*18*	4.5	3.5	7.5
Other receivables	*18*	65.6	55.6	71.7
Financial instruments at fair value		64.7	58.2	62.2
Cash and cash equivalents	*19*	389.5	529.5	409.6
TOTAL ASSETS		**2,632.3**	**2,440.5**	**2,227.4**

Equity		**1,919.9**	**1,803.9**	**1,635.3**
Share capital	*20*	53.8	53.8	53.8
Share premium		49.6	49.6	49.6
Treasury shares	*20*	(31.7)	(32.5)	(31.5)
Reserves		1,627.8	1,451.6	1,455.1
Foreign currency adjustments	*20.3*	46.7	(31.4)	(36.6)
Derivatives included in equity	*20.2*	(39.4)	10.0	5.8
Net income attributable to owners of the parent	*4*	194.6	288.8	125.4
Non-controlling interests	*21*	18.4	14.0	13.7
Non-current liabilities		**117.3**	**115.4**	**103.2**
Borrowings and debt		19.5	19.4	21.1
Provisions	*22*	7.3	7.5	3.4
Post-employment and other employee benefit obligations	*24*	58.6	54.6	50.4
Deferred tax liabilities	*8.2*	11.8	10.0	10.5
Other non-current liabilities	*25*	20.1	23.9	17.8
Current liabilities		**595.1**	**521.2**	**488.9**
Borrowings and debt		43.3	45.4	80.2
Provisions	*22*	14.4	13.8	9.4
Post-employment and other employee benefit obligations	*24*	3.1	4.2	3.0
Trade and other payables	*25*	164.1	198.3	149.7
Financial instruments at fair value		117.0	36.8	43.8
Current tax liabilities	*25*	54.2	39.4	34.1
Other current liabilities	*25*	199.0	183.3	168.6
TOTAL EQUITY AND LIABILITIES		**2,632.3**	**2,440.5**	**2,227.4**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in millions of euros	Share capital	Share premium	Treasury shares	Reserves and net income attributable to owners of the parent	Derivatives	Foreign currency adjustments	Actuarial gains and losses	**Shareholders' equity**	Non-controlling interests	**Equity**	**Number of shares outstanding**
Note	*20*		*20*		*20*	*20*	*24*		*21*		*20*
As at 31 December 2008	**53.8**	**48.6**	**(36.8)**	**1,574.7**	**(15.1)**	**(25.7)**	**(11.1)**	**1,588.5**	**14.0**	**1,602.5**	**105,550,012**
Net income attributable to owners of the parent	-	-	-	288.8	-	-	-	288.8	6.7	295.4	-
Other comprehensive income	-	-	-	(0.2)	25.1	(5.6)	(6.5)	12.8	0.1	12.9	-
Sub-total	-	-	-	***288.6***	***25.1***	***(5.6)***	***(6.5)***	***301.6***	***6.8***	***308.4***	-
Change in share capital and share premium	-	1.0	-	-	-	-	-	1.0	-	1.0	19,400
Purchase or sale of treasury shares	-	-	4.3	-	-	-	-	4.3	-	4.3	-
Share-based payment	-	-	-	4.9	-	-	-	4.9	-	4.9	-
Dividends paid	-	-	-	(109.9)	-	-	-	(109.9)	(6.3)	(116.2)	-
Other	-	-	-	(0.3)	-	-	-	(0.3)	(0.6)	(0.8)	-
As at 31 December 2009	**53.8**	**49.6**	**(32.5)**	**1,757.9**	**10.0**	**(31.4)**	**(17.6)**	**1,789.9**	**14.0**	**1,803.9**	**105,569,412**
Net income attributable to owners of the parent	-	-	-	194.6	-	-	-	194.6	5.2	199.8	-
Other comprehensive income	-	-	-	0.4	(49.5)	78.1	(3.8)	25.3	2.7	28.0	-
Sub-total	-	-	-	***195.0***	***(49.5)***	***78.1***	***(3.8)***	***219.9***	***7.9***	***227.8***	-
Change in share capital and share premium	-	-	-	-	-	-	-	-	-	-	-
Purchase or sale of treasury shares	-	-	0.8	-	-	-	-	0.8	-	0.8	-
Share-based payment	-	-	-	2.8	-	-	-	2.8	-	2.8	-
Dividends paid	-	-	-	(112.1)	-	-	-	(112.1)	(3.1)	(115.1)	-
Other	-	-	-	-	-	-	-	-	(0.4)	(0.4)	-
As at 30 June 2010	**53.8**	**49.6**	**(31.7)**	**1,843.7**	**(39.4)**	**46.7**	**(21.4)**	**1,901.4**	**18.4**	**1,919.9**	**105,569,412**

in millions of euros	Share capital	Share premium	Treasury shares	Reserves and net income attributable to owners of the parent	Derivatives	Foreign currency adjustments	Actuarial gains and losses	**Shareholders' equity**	Non-controlling interests	**Equity**	**Number of shares outstanding**
Note	*20*		*20*		*20*	*20*	*24*		*21*		
As at 31 December 2008	**53.8**	**48.6**	**(36.8)**	**1,574.7**	**(15.1)**	**(25.7)**	**(11.1)**	**1,588.5**	**14.0**	**1,602.5**	**105,550,012**
Net income attributable to owners of the parent	-	-	-	125.4	-	-	-	125.4	2.8	128.2	-
Income and expenses recognised directly in equity	-	-	-	(0.2)	20.9	(10.9)	0.2	10.0	(0.1)	9.8	-
Sub-total	***-***	***-***	***-***	***125.2***	***20.9***	***(10.9)***	***0.2***	***135.4***	***2.6***	***138.0***	-
Change in share capital and share premium	-	1.0	-	-	-	-	-	1.0	-	1.0	19,400
Purchase or sale of treasury shares	-	-	5.3	-	-	-	-	5.3	-	5.3	-
Share-based payment	-	-	-	2.1	-	-	-	2.1	-	2.1	-
Dividends paid	-	-	-	(110.4)	-	-	-	(110.4)	(3.0)	(113.4)	-
Other	-	-	-	(0.2)	-	-	-	(0.2)	0.1	(0.1)	-
As at 30 June 2009	**53.8**	**49.6**	**(31.5)**	**1,591.3**	**5.8**	**(36.6)**	**(10.9)**	**1,621.6**	**13.7**	**1,635.3**	**105,569,412**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2010

in millions of euros	*Note*	30 June 2010	31 Dec. 2009	30 June 2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income attributable to owners of the parent	*4*	194.6	288.8	125.4
Depreciation and amortisation		44.9	81.7	39.7
Impairment losses	*11 and 12*	1.4	2.8	1.3
Marked-to-market value of derivatives		4.7	3.9	2.8
Currency gains/(losses) on fair value adjustments		(16.6)	2.1	(0.7)
Change in provisions		(7.1)	7.4	(2.6)
Net income from associates	*15*	1.6	6.5	2.7
Non-controlling interests	*21*	5.2	6.7	2.8
Capital gains/(losses) on disposals		1.1	2.0	(0.1)
Deferred tax		8.6	(5.7)	(4.0)
Accrued expenses and income related to share-based payments		2.8	4.9	2.1
Other		0.1	0.2	-
Operating cash flows		**241.3**	**401.1**	**169.5**
Cost of net debt		3.1	4.2	3.9
Current tax expense		96.3	161.2	77.4
Operating cash flows before cost of debt and current tax expense		**340.7**	**566.5**	**250.7**
Change in working capital		(34.3)	59.2	(50.9)
Cost of net debt		(3.1)	(4.2)	(3.9)
Income tax paid		(89.4)	(164.0)	(89.1)
Net cash from operating activities		**213.9**	**457.5**	**106.8**
CASH FLOWS USED IN INVESTING ACTIVITIES				
Purchase of intangible assets	*11*	(7.8)	(19.2)	(7.1)
Purchase of property, plant and equipment	*12*	(42.9)	(178.5)	(36.1)
Investments in associates	*14.1*	-	(9.5)	(8.2)
Purchase of other financial assets	*14.1*	(181.7)	(69.8)	(30.8)
Amounts payable relating to fixed assets		(15.4)	(1.7)	(14.6)
Proceeds from sales of operating assets		0.2	0.8	0.3
Proceeds from disposals of consolidated securities		25.7	-	-
Net cash used in investing activities		**(221.9)**	**(277.9)**	**(96.4)**
CASH FLOWS USED IN FINANCING ACTIVITIES				
Dividends paid	*20*	(115.1)	(116.2)	(113.4)
Purchases of treasury shares		0.8	4.3	5.3
Borrowings		0.3	9.1	8.2
Reimbursements of borrowings		(20.5)	(25.7)	(21.9)
Other increases/(decreases) in equity		-	1.0	1.0
Net cash used in financing activities		**(134.5)**	**(127.5)**	**(120.8)**
Effect of changes in the scope of consolidation	*19*	(0.2)	0.9	-
Effect of foreign currency exchange on intragroup transactions		(25.3)	6.7	16.7
Effect of foreign currency exchange	*19*	15.5	(2.6)	(3.0)
CHANGE IN NET CASH POSITION	***19***	**(152.6)**	**57.1**	**(96.7)**
Net cash position at beginning of period	*19*	507.6	450.5	450.5
Net cash position at end of period	*19*	355.0	507.6	353.8
CHANGE IN NET CASH POSITION	***19***	**(152.6)**	**57.1**	**(96.7)**

NOTE 1. ACCOUNTING POLICIES

The Hermès group's condensed interim consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting,* as endorsed by the European Union, and the selected explanatory notes. The selected explanatory notes do not contain all information contained in the annual financial statements. Accordingly, they should be read in conjunction with the consolidated financial statements for the year ended 31 December 2009.

The accounting principles and calculation methods used to prepare these condensed interim financial statements are the same as those used to prepare the consolidated financial statements for the year ended 31 December 2009 and described therein, with the exception of estimated tax expense for the first half, which is measured in accordance with IAS 34.

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

The standards, amendments and interpretations that are mandatory for financial years commencing on or after 1 January 2010 are as follows:

- IFRS 3 (revised) - *Business Combinations*;
- IAS 27 (revised) - *Consolidated and Separate Financial Statements*;
- Amendment to IAS 39 - *Exposures Qualifying for Hedge Accounting*;
- Amendment to IAS 32 - *Classification of Rights Issues* (applicable to annual periods commencing on or after 1 February 2010) ;
- Amendment to IFRS 2 - *Group Cash-settled Share-based Payment*;
- IFRIC 12 – *Service Concession Arrangements*;
- IFRIC 15 – *Agreements for the Construction of Real Estate;*
- IFRIC 16 - *Hedges of a Net Investment in a Foreign Operation;*
- IFRIC 18 – *Transfers of Assets from Customers;*
- Amendment to IFRS 5 (published in May 2008) for Annual Improvements to IFRS concerning partial disposal of an interest in a subsidiary
- IFRIC 17 – *Distributions of Non-cash Assets to Owners*;
- amendment to IAS 17 - *Classification of Leases on Land*.

These standards, amendments and interpretations were not applicable to the group or had no material impact on its consolidated financial statements. In particular, since IAS 27 (Revised) and IFRS 3 (Revised) are applied prospectively, goodwill recognised as at December 31, 2009 in relation to purchase commitments for minority interests was maintained as an asset in the statement of financial position, with the change in the value of those commitments, net of minority interests, continuing to be recorded as goodwill.

The interim consolidated financial statements as presented were approved by the Executive Management on 30 August 2010 after review by the Audit Committee at its meeting of 27 August 2010.

NOTE 2. ANALYSIS OF MAIN PERIMETER EFFECTS

The main changes in the scope of consolidation during the first half of 2010 were the following:

	Interest		Method	
	30 June 2010	**31 Dec. 2009**	**30 June 2010**	**31 Dec. 2009**
Removals				
Erbé Maroquinier	-	99.77%	-	Full
WHY S.A.M.	-	55.00%	-	EA
Other changes in ownership interest				
Créations Métaphores	100.00%	80.00%	Full	Full
Créations Métaphores Inc.	100.00%	80.00%	Full	Full

Universal transfer of assets from Erbé Maroquinier to Hermès Sellier
To simplify the existing structure, Erbé Maroquinier transferred all of its assets and liabilities to its sole shareholder, Hermès Sellier, on 12 January 2010.
This transaction did not produce any impact on the group's consolidated financial statements.

Disposal of Hermès International's equity investment in WHY S.A.M.
H.W., renamed WHY S.A.M., was created in July 2008. In March 2009, the Hermès group acquired 10% of Wally Yachts S.A., the shareholder in the WHY S.A.M. joint venture. Hermès naturally turned over the project to Wally Yachts S.A. and sold its entire equity interest in Wally Yachts S.A. and WHY S.A.M.
The disposal was completed in February 2010. The impact on the group's consolidated financial statements in 2010 is not material.

Increase of ownership interest in Créations Métaphores and Créations Métaphores Inc.
Effective as of 1 January 2010, Hermès International exercised it option to buy 87,292 shares of Création Métaphores for €1, thereby increasing the group's ownership percentage to 100%. As Créations Métaphores Inc. is wholly-owned by Créations Métaphores, the ownership percentage in that company also increased to 100%.
This transaction did not produce any impact on the group's consolidated financial statements.

NOTE 3. SEASONAL NATURE OF BUSINESS

The group's overall business is balanced over the full year: In 2009, it generated 46% of its sales in the first half and 54% in the second. However, sales in the second half are highly dependent on business activity during the year-end holiday season.

NOTE 4. SEGMENT INFORMATION

NOTE 4.1. INFORMATION BY BUSINESS SECTOR

The Hermès group's business comprises two main segments: distribution through the Hermès exclusive network and distribution via specialist outlets. These two main business segments have separate strategies and structures and are exposed to different risks and rates of return.

Distribution through the Hermès exclusive network encompasses the following business lines:
- Silk and textiles;
- Leather Goods and Saddlery, which includes bags and luggage, saddlery, diaries and small leather goods;
- Ready-to-wear and Fashion Accessories, which includes men's and women's clothing, belts, jewellery accessories, gloves, hats and Hermès shoes);
- Other Hermès sectors, which include Jewellery and Art of Living products.

Distribution via specialised outlets comprises the following business lines:
- Perfumes;
- Watches;
- Tableware.

"Miscellaneous" products not included in these two sectors include John Lobb shoes and products manufactured for brands outside the group (textile printing, perfumes, tanning etc.).

	30 June 2010			
in millions of euros	Hermès network	Specialised distribution networks	Other	TOTAL
Revenue	**901.0**	**131.6**	**42.1**	**1,074.7**
Selling, marketing and administrative expenses	(288.8)	(39.9)	(41.2)	(369.8)
Depreciation and amortisation	(24.5)	(5.8)	(8.2)	(38.5)
Operating provisions	(3.3)	(0.8)	5.6	1.5
Impairment losses	-	(1.4)	-	(1.4)
Operating income	**312.8**	**26.3**	**(34.6)**	**304.5**
Operating margin by segment	*34.7%*	*20.0%*		***28.3%***
Net financial income			(3.9)	(3.9)
Net income from associates			(1.6)	(1.6)
Income tax expense			(99.1)	(99.1)
Non-controlling interests			(5.2)	(5.2)
Net income	**312.8**	**26.3**	**(144.5)**	**194.6**

	30 June 2009			
in millions of euros	Hermès network	Specialised distribution networks	Other	TOTAL
Revenue	**733.0**	**104.3**	**37.6**	**874.9**
Selling, marketing and administrative expenses	(244.4)	(34.7)	(36.7)	(315.7)
Depreciation and amortisation	(22.0)	(5.3)	(7.4)	(34.7)
Operating provisions	**(2.4)**	**(1.5)**	**(1.9)**	**(5.8)**
Impairment losses	-	(0.6)	(0.8)	(1.3)
Operating income	**223.2**	**17.7**	**(41.1)**	**199.8**
Operating margin by segment	*30.4%*	*17.0%*		*22.8%*
Net financial income			(4.4)	(4.4)
Net income from associates			(2.7)	(2.7)
Income tax expense			**(64.5)**	**(64.5)**
Non-controlling interests			(2.8)	(2.8)
Net income	**223.2**	**17.7**	**(115.5)**	**125.4**

NOTE 4.2. INFORMATION BY REGION

in millions of euros	30 June 2010 France	Rest of Europe	Japan	Rest of Asia-Pacific region	Americas	Other[1]	Holding company	TOTAL
Revenue	**192.3**	**205.1**	**203.7**	**291.4**	**165.7**	**16.5**	**-**	**1,074.7**
Selling, marketing and administrative expenses	(62.7)	(64.2)	(73.6)	(76.6)	(58.4)	(4.7)	(29.7)	(369.8)
Depreciation and amortisation	(3.7)	(7.5)	(5.9)	(9.2)	(6.8)	(0.2)	(5.2)	(38.5)
Operating provisions	(1.9)	(0.5)	(0.4)	(1.8)	(0.2)	-	6.3	1.5
Impairment losses	(1.4)	(0.2)	0.2	-	-	-	-	(1.4)
Operating income	**44.7**	**50.4**	**70.9**	**113.9**	**48.3**	**3.3**	**(27.0)**	**304.5**
Operating margin by segment	*23.3%*	*24.6%*	*34.8%*	*39.1%*	*29.2%*	*19.9%*		*28.3%*
Net financial income							(3.9)	(3.9)
Net income from associates							(1.6)	(1.6)
Income tax expense							(99.1)	(99.1)
Net income attributable to non-controlling interests							(5.2)	(5.2)
Net income	**44.7**	**50.4**	**70.9**	**113.9**	**48.3**	**3.3**	**(136.9)**	**194.6**

I. Including sales to airlines.

in millions of euros	30 June 2009 France	Rest of Europe	Japan	Rest of Asia-Pacific region	Americas	Other[1]	Holding company	TOTAL
Revenue	**168.9**	**169.1**	**198.0**	**193.3**	**129.7**	**16.0**	**-**	**874.9**
Selling, marketing and administrative expenses	(53.7)	(53.6)	(71.5)	(55.4)	(50.7)	(5.3)	(25.5)	(315.7)
Depreciation and amortisation	(3.4)	(6.7)	(6.1)	(7.8)	(6.1)	(0.2)	(4.3)	(34.7)
Operating provisions	(1.1)	(0.9)	(1.6)	(0.8)	0.2	(0.1)	(1.4)	(5.8)
Impairment losses	(1.1)	(0.2)	-	-	-	-	-	(1.3)
Operating income	**42.0**	**35.8**	**56.4**	**68.5**	**28.0**	**2.0**	**(33.0)**	**199.8**
Operating margin by segment	*24.9%*	*21.2%*	*28.5%*	*35.5%*	*21.5%*	*12.6%*		*22.8%*
Net financial income							(4.4)	(4.4)
Net income from associates							(2.7)	(2.7)
Income tax expense							(64.5)	(64.5)
Net income attributable to non-controlling interests							(2.8)	(2.8)
Net income	**42.0**	**35.8**	**56.4**	**68.5**	**28.0**	**2.0**	**(107.4)**	**125.4**

1) Including sales to airlines.

NOTE 5. SELLING, MARKETING AND ADMINISTRATIVE EXPENSES

in millions of euros	30 June 2010	31 Dec. 2009	30 June 2009
Advertising and marketing	(52.5)	(91.4)	(40.2)
Other selling, marketing and administrative expenses	(317.4)	(569.2)	(275.6)
TOTAL	**(369.8)**	**(660.6)**	**(315.7)**

NOTE 6. OTHER INCOME AND EXPENSE

in millions of euros	*Note*	30 June 2010	31 Dec. 2009	30 June 2009
Depreciation and amortisation	*4*	(38.5)	(70.7)	(34.7)
Net change in recurring provisions		(1.5)	(10.3)	(1.5)
Cost of defined-benefit plans	*24*	(4.8)	(7.8)	(4.3)
Impairment losses	*4*	(1.4)	(2.8)	(1.3)
Other income/(expense)		6.5	2.5	1.2
TOTAL		**(39.7)**	**(89.1)**	**(40.7)**

NOTE 7. NET FINANCIAL INCOME

in millions of euros	30 June 2010	31 Dec. 2009	30 June 2009
Income from cash and cash equivalents	2.0	5.3	3.4
Gross cost of debt	**(0.3)**	**0.3**	**0.4**
- of which: income from hedging instruments	*0.2*	*1.5*	*1.1*
Net cost of debt	**1.7**	**5.6**	**3.8**
Other financial income and expenses	(5.7)	(18.3)	(8.2)
- of which: ineffective portion of cash flow hedges	*(4.8)*	*(9.5)*	*(7.5)*
TOTAL	**(3.9)**	**(12.7)**	**(4.4)**

NOTE 8. INCOME TAX EXPENSE

NOTE 8.1. INCOME TAX

In accordance with IAS 34, the tax charge for the first half is calculated based on an estimated average annual rate. The group estimates that its tax rate will be 33.0% in 2010 compared with 32.9% during the year ended 31 December 2009.

NOTE 8.2. DEFERRED TAX

in millions of euros	30 June 2010	31 Dec. 2009	30 June 2009
Deferred tax assets as at 1 January	143.1	141.2	141.2
Deferred tax liabilities as at 1 January	10.0	9.6	9.6
Net deferred tax assets as at 1 January	**133.1**	**131.6**	**131.6**
Impact on statement of income	(2.8)	13.0	12.9
Impact of foreign currency movements	17.8	(2.8)	(3.6)
Other(1)	26.3	(8.7)	(10.2)
Net deferred tax assets at end of period	**174.4**	**133.1**	**130.6**
Deferred tax assets as at end of period	186.2	143.1	141.1
Deferred tax liabilities at end of period	11.8	10.0	10.5

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

As at 30 June 2010, deferred taxes mainly related to the following adjustments:

in millions of euros	30 June 2010
Internal margins on inventories and provisions for inventories	110.0
Employee obligations	28.1
Derivatives	17.0
Impairment losses	5.4
Stock option plans	1.7
Restricted provisions	(14.6)
Other	26.8
TOTAL	**174.4**

NOTE 9. EARNINGS PER SHARE

	30 June 2010	31 Dec. 2009	30 June 2009
Numerator (in millions of euros)			
Basic net income	194.6	288.8	125.4
Adjustments	-	-	-
Diluted net income	194.6	288.8	125.4
Denominator (number of shares)			
Weighted average number of ordinary shares	**105,152,919**	**105,128,870**	**105,109,662**
Basic earnings per share	**1.85**	**2.75**	**1.19**
Weighted average number of ordinary shares under option	486,934	202,483	220,567
Weighted average number of shares that would have been issued at fair value	(339,397)	(120,129)	(112,231)
Weighted average number of diluted ordinary shares	**105,300,456**	**105,211,224**	**105,217,997**
Diluted earnings per share	**1.85**	**2.74**	**1.19**
Annual average price per share	101.77 €	92.91 €	86.39 €
Average exercise price for shares under option	70.94 €	55.12 €	43.96 €

NOTE 10. GOODWILL

in millions of euros	30/06/09	31 Dec. 2009	Increases	Decreases	Currency impact	Other	30 June 2010
Goodwill	67.8	68.2	-	(0.4)	8.7	-	76.5
TOTAL GROSS AMOUNT	67.8	68.2	-	(0.4)	8.7	-	76.5
Amortisation booked before 1 January 2004	33.0	33.2	-	-	5.0	-	38.2
Impairment losses	0.2	0.2	0.7	-	-	-	0.9
TOTAL DEPRECIATION AND IMPAIRMENT LOSSES	33.2	33.4	0.7	-	5.0	-	39.1
TOTAL NET VALUE	34.6	34.8	(0.7)	(0.4)	3.7	-	37.4

NOTE 11. INTANGIBLE ASSETS

in millions of euros	30 June 2009	31 Dec. 2009	Increases	Decreases	Currency impact	Other	30 June 2010
Leasehold rights	46.2	48.0	0.9	(0.3)	1.1	-	49.7
Concessions, patents, licences and software	23.7	24.8	0.7	(1.5)	1.6	0.7	26.2
Other intangible assets	47.1	59.4	0.7	(0.1)	1.4	0.4	61.9
Work in progress (1)	13.6	10.9	5.6	-	0.3	(0.9)	15.9
TOTAL GROSS AMOUNT	**130.7**	**143.2**	**7.8**	**(1.9)**	**4.5**	**0.2**	**153.7**
Amortisation of leasehold rights	20.1	21.8	0.8	-	0.3	-	22.9
Amortisation of concessions, patents, licences and software	20.2	21.2	1.0	(1.5)	1.4	-	22.1
Amortisation of other intangible assets	34.0	37.4	3.4	(0.1)	1.0	-	41.7
Impairment losses	0.8	1.6	-	-	-	-	1.6
TOTAL DEPRECIATION AND IMPAIRMENT LOSSES	**75.2**	**82.0**	**5.2**	**(1.6)**	**2.7**	**-**	**88.3**
TOTAL NET VALUE	**55.5**	**61.2**	**2.7**	**(0.3)**	**1.8**	**0.2**	**65.4**

1) Investments made during the period related mainly to setting up integrated management software applications for several subsidiaries.

NOTE 12. PROPERTY, PLANT & EQUIPMENT

in millions of euros	30 June 2009	31 Dec. 2009	Increases	Decreases	Currency impact	Other	30 June 2010
Land	133.2	135.0	1.9	-	24.0	-	160.9
Buildings	374.9	396.2	0.7	(1.9)	32.8	(1.6)	426.2
Machinery, plant and equipment	137.9	141.3	3.1	(0.3)	2.8	1.3	148.3
Other property, plant and equipment	486.0	517.9	16.1	(5.7)	43.7	5.8	577.8
Work in progress	33.9	24.0	21.0	(0.1)	0.7	(5.7)	40.0
TOTAL GROSS AMOUNT	**1,165.8**	**1,214.4**	**42.9**	**(8.0)**	**103.9**	**(0.1)**	**1,353.1**
Depreciation of buildings	125.0	132.9	8.7	(1.6)	11.0	(0.5)	150.4
Depreciation of machinery, plant and equipment	91.7	93.7	4.8	(0.2)	1.6	-	99.9
Depreciation of other property, plant and equipment	272.2	286.9	25.0	(4.4)	23.8	(0.2)	331.1
Impairment losses	16.9	15.8	1.4	(0.7)	0.8	-	17.4
TOTAL DEPRECIATION AND IMPAIRMENT LOSSES	**505.7**	**529.3**	**39.9**	**(6.9)**	**37.2**	**(0.7)**	**598.8**
TOTAL NET VALUE	**660.1**	**685.1**	**3.0**	**(1.0)**	**66.7**	**0.6**	**754.3**

Investments during the first half of 2010 related mainly to the opening and renovation of stores and capital expenditure to expand production capacity.

NOTE 13. INVESTMENT PROPERTY

in millions of euros	30 June 2009	31 Dec. 2009	Increases	Decreases	Currency impact	Other	30 June 2010
Land	3.2	29.0	-	-	-	-	29.0
Buildings	7.9	68.2	-	-	-	-	68.2
TOTAL GROSS AMOUNT	**11.1**	**97.2**	**-**	**-**	**-**	**-**	**97.2**
Depreciation and amortisation	1.1	1.9	1.1	-	-	-	3.0

TOTAL NET VALUE	10.0	95.3	(1.1)	-	-	-	94.2

NOTE 14. FINANCIAL ASSETS

NOTE 14.1. AVAILABLE-FOR-SALE SECURITIES

in millions of euros	30 June 2009	31 Dec. 2009	Increases	Decreases	Currency impact	Other	30 June 2010
Forward investments and accrued interest [1]	54.5	95.4	180.4	(25.0)	-	0.5	251.3
Liquidity contract	7.7	6.7	2.0	-	-	-	8.7
Other financial assets	6.1	6.9	0.2	-	0.6	-	7.7
Other non-consolidated investments [2]	9.3	8.6	-	(8.2)	-	-	0.5
TOTAL GROSS VALUE	**77.7**	**117.7**	**182.6**	**(33.2)**	**0.6**	**0.5**	**268.2**
Impairment	2.5	12.5	0.1	(8.2)	-	-	4.5
TOTAL	**75.2**	**105.1**	**182.5**	**(25.0)**	**0.6**	**0.5**	**263.7**

1) Forward investments are investments that do not meet the criteria for classification as cash equivalents, primarily because they mature in more than 3 months.
2) Other non-consolidated investments available for sale do not include any listed securities.

NOTE 14.2. HELD-TO-MATURITY SECURITIES

in millions of euros	30 June 2009	31 Dec. 2009	Increases	Decreases	Currency impact	Other	30 June 2010
Gaulme convertible bonds and accrued interest	8.0	8.1	-	(0.1)	-	-	8.0
Gaulme convertible shareholders' advance	-	-	1.2	-	-	-	1.2
Vaucher participating loan	5.2	5.4	-	-	0.6	-	6.0
TOTAL GROSS AMOUNT	**13.2**	**13.5**	**1.2**	**(0.1)**	**0.6**	**-**	**15.3**
Impairment	-	0.1	1.2	-	-	-	1.3
TOTAL	**13.2**	**13.4**	**-**	**(0.1)**	**0.6**	**-**	**14.0**

NOTE 15. INVESTMENTS IN ASSOCIATES

NOTE 15.1. VALUE OF INVESTMENTS IN ASSOCIATES

in millions of euros	30 June 2010	31 Dec. 2009	30 June 2009
Vaucher Manufacture Fleurier	5.3	6.1	6.6
Groupe Perrin	7.4	7.4	7.1
Leica Camera Japan Co	1.9	1.4	1.2
Gaulme	-	-	-
Maroquinerie Thierry	0.1	0.1	0.1
TOTAL	**14.7**	**15.0**	**15.0**

NOTE 15.2. CHANGE IN INVESTMENTS IN ASSOCIATES

in millions of euros	30 June 2010	31 Dec. 2009	30 June 2009
Investments in associates as at 1 January	**15.0**	**15.7**	**15.7**
Impairment	-	-	-
Impact of changes in the scope of consolidation	-	-	-
Net income from associates	(1.6)	(6.5)	(2.7)
Dividends paid	-	(0.1)	-
Change in foreign exchange rates	0.9	(0.1)	(0.3)
Other[1]	0.4	6.0	2.4
Investments in associates as at 30 June	**14.7**	**15.0**	**15.0**

1) Reclassification of share of negative equity.

NOTE 16. LOANS AND DEPOSITS

in millions of euros	30 June 2009	31 Dec. 2009	Increases	Decreases	Currency impact	Other	30 June 2010
Loans and deposits [1]	21.4	23.0	1.9	(0.5)	3.0	-	27.3
Impairment	1.8	2.0	0.5	-	0.1	-	2.6
TOTAL	**19.6**	**21.0**	**1.4**	**(0.5)**	**2.8**	**-**	**24.8**

1) Security deposits amounted to €23.1 million as at 30 June 2010, compared with €18.9 million as at 31 December 2009.

NOTE 17. INVENTORIES AND WORK IN PROGRESS

	30 June 2010			31 Dec. 2009	30 June 2009
in millions of euros	Gross	Impairment	Net	Net	Net
Purchased items, semi-finished and finished goods	509.0	166.3	342.8	317.7	357.4
Raw materials and work in progress	239.2	64.5	174.8	168.1	187.3
TOTAL	**748.3**	**230.7**	**517.5**	**485.8**	**544.7**
Net inventory impairment charge		**(18.6)**		**(31.0)**	**(21.4)**

NOTE 18. TRADE AND OTHER RECEIVABLES

	30 June 2010			31 Dec. 2009	30 June 2009
in millions of euros	Gross	Impairment	Net	Net	Net
Trade and other receivables	140.7	5.2	135.5	132.3	107.2
Current tax receivables	4.5	-	4.5	3.5	7.5
Other receivables	65.8	0.2	65.6	55.6	71.7
Other non-current assets	0.3	-	0.3	1.6	0.3
TOTAL	**211.3**	**5.4**	**205.9**	**193.0**	**186.7**

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

The group's policy is to recommend securing accounts receivable insurance cover, inasmuch as local conditions so permit. Consequently, the risk of non-recovery is low, as evidenced by accounts receivable impairment, which amounted to less than 4% of the gross amount at 30 June 2010, the same as at 31 December 2009. There is no significant concentration of credit risk.

NOTE 19. CASH AND CASH EQUIVALENTS

NOTE 19.1. CHANGE IN NET CASH POSITION

in millions of euros	30 June 2009	31 Dec. 2009	Cash flow	Currency impact	Impact of changes in the scope of consolidation	Other	30 June 2010
Cash and cash equivalents	115.8	148.7	(37.0)	13.7	-	0.3	125.5
Marketable securities (1)	293.8	380.7	(119.9)	3.3	-	-	264.1
Sub-total	*409.6*	*529.4*	*(156.9)*	*16.9*	-	*0.3*	*389.7*
Bank overdrafts and current accounts in debit	(55.9)	(21.8)	(11.2)	(1.5)	(0.2)	-	(34.7)
Net cash position	**353.8**	**507.6**	**(168.1)**	**15.5**	**(0.2)**	**0.3**	**355.0**

1) Mainly comprising investments in the euro money market

The majority of marketable securities consists of investments in the euro money market. All cash and equivalents mature in less than three months and have a sensitivity of less than 0.5 %.

NOTE 20. SHAREHOLDERS' EQUITY

As at 30 June 2010, Hermès International's share capital consisted of 105,569,412 fully-paid shares with a par value of €0.51 each. 409,775 of these shares are treasury shares.

There was no change in the company's share capital during the first half of 2010.

It is specified that no shares are reserved for issuance under stock option or sale contracts.

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.

The group's objectives, policies and procedures in the area of capital management are in keeping with the 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. In the first half of 2010, the group made no changes in its capital management policy and objectives.

NOTE 20.1. DIVIDENDS

During the first half of 2010, a dividend of €1.05 par share, representing a total distribution of €112 million, was paid after approval by the shareholders at the Annual General Meeting of 7 June 2010 convened to approve the annual financial statements for the year ended 31 December 2009.

NOTE 20.2. DERIVATIVES INCLUDED IN EQUITY

In the first half of 2010, changes in derivatives were broken down as follows (after tax):

in millions of euros	30 June 2010	31 Dec. 2009	30 June 2009
Balance as at 1 January	**10.0**	**(15.1)**	**(15.1)**
Amount transferred to equity during the year for derivatives	(10.4)	14.4	14.4
Amount transferred to equity during the year for financial investments	0.4	0.7	0.7
Adjustments in the value of derivatives at closing	(39.5)	10.4	6.3
Fair value adjustments of marked-to-market financial investments	0.1	(0.4)	(0.5)
Balance as at 30 June	**(39.4)**	**10.0**	**5.8**

NOTE 20.3. FOREIGN CURRENCY ADJUSTMENTS

The change in foreign currency adjustments in the first half of 2010 is broken down as follows:

in millions of euros	30 June 2010	31 Dec. 2009	30 June 2009
Balance as at 1 January	**(31.4)**	**(25.7)**	**(25.7)**
Japanese yen	21.6	(5.6)	(7.3)
US dollar	19.1	(4.4)	(2.1)
Hong Kong dollar	11.0	(1.9)	(1.7)
Swiss franc	10.5	0.6	(2.9)
Singapore dollar	7.0	(0.2)	(1.4)
Chinese yuan	3.6	(0.4)	-
Pound sterling	1.5	0.9	1.5
Australian dollar	0.6	1.3	0.8
South Korean won	(1.3)	4.8	1.5
Other currencies	4.4	(0.8)	0.8
Balance as at 30 June	**46.7**	**(31.4)**	**(36.6)**

NOTE 20.4. OTHER COMPREHENSIVE INCOME

In the first half of 2010, other comprehensive income is broken down as follows:

in millions of euros	*Note*	Gross impact	Income tax effect	Net impact
Actuarial gains and losses	*24*	(5.8)	2.0	(3.8)
Foreign currency adjustments	*20.3 and 21*	80.8	-	80.8
Derivatives included in equity	*20.2*	(73.8)	24.3	(49.5)
Gain/(loss) on sale of treasury shares		0.6	(0.2)	0.4
Balance as at 30 June 2010		**1.9**	**26.1**	**28.0**

in millions of euros	*Note*	Gross impact	Income tax effect	Net impact
Actuarial gains and losses	*24*	(9.9)	3.4	(6.5)
Foreign currency adjustments	*20.3 and*	(5.5)	-	(5.5)

	21			
Derivatives included in equity	*20.2*	37.3	(12.2)	25.1
Gain/(loss) on sale of treasury shares		(0.3)	0.1	(0.2)
Balance as at 31 December 2009		**21.6**	**(8.7)**	**12.9**

in millions of euros	***Note***	**Gross impact**	**Income tax effect**	**Net impact**
Actuarial gains and losses	*24*	0.3	(0.1)	0.2
Foreign currency adjustments	*20.3 and 21*	(11.0)	-	(11.0)
Derivatives included in equity	*20.2*	31.0	(10.1)	20.9
Gain/(loss) on sale of treasury shares		(0.3)	0.1	(0.2)
Balance as at 30 June 2009		**20.0**	**(10.1)**	**9.8**

NOTE 21. NON-CONTROLLING INTERESTS

in millions of euros	**30 June 2010**	**31 Dec. 2009**	**30 June 2009**
Balance as at 1 January	**14.0**	**14.0**	**14.0**
Net income attributable to non-controlling interests	5.2	6.7	2.8
Dividends paid to non-controlling interests	(3.1)	(6.3)	(3.0)
Exchange rate adjustment on foreign entities	2.7	0.1	(0.1)
Other changes	(0.4)	(0.6)	0.1
Balance at 30 June	**18.4**	**14.0**	**13.7**

NOTE 22. PROVISIONS

in millions of euros	**30 June 2009**	**31 Dec. 2009**	**Charges**	**Reversals[1]**	**Currency impact**	**Other and reclassifications**	**30 June 2010**
Current provisions	9.4	13.8	3.9	(5.7)	1.1	1.3	14.4
Non-current provisions	3.4	7.5	0.7	(1.3)	0.1	0.2	7.3
TOTAL	**12.8**	**21.3**	**4.6**	**(7.0)**	**1.2**	**1.5**	**21.6**

1) Including €4.1 million reversed and used and €2.9 million reversed and unused.

NOTE 23. EMPLOYEES

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

	30 June 2010	**31 Dec. 2009**	**30 June 2009**
France	5,029	5,024	5,029
Rest of Europe	825	825	817
Rest of the world	2,319	2,208	2,142
TOTAL	**8,173**	**8,057**	**7,988**

By category, the breakdown is as follows:

	30 June 2010	**31 Dec. 2009**	**30 June 2009**
Production	3,543	3,561	3,593
Sales	3,272	3,172	3,070

Other (design, marketing, administration)	1,358	1,324	1,325
TOTAL	**8,173**	**8,057**	**7,988**

Total personnel costs amounted to €259.1 million in the first half of 2010.

NOTE 24. POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFIT OBLIGATIONS

Hermès group employees are eligible for post-employment benefits under defined-contribution or defined-benefit plans. Under defined-contribution plans, regular payments are made to outside organisations, which are responsible for administrative and financial management of the plans. Under-defined benefit plans, the employer assumes an obligation vis-à-vis its employees. If these plans are not entirely funded in advance, a provision is recorded.

A description of these plans and of the main assumptions used to assess pension benefit obligations appears in Note 25 of the consolidated financial statements, on pages 161 *et seq.* of the 2009 registration document.

NOTE 24.1. COST OF DEFINED-BENEFIT PLANS RECOGNISED IN THE STATEMENT OF INCOME

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

in million of euros	Defined-benefit pension plans	Other defined-benefit plans	30/06/2010	31/12/09	30/06/09
Benefits paid	3.4	0.1	3.5	6.3	3.1
Financial expenses	1.7	-	1.7	3.1	1.5
Expected return on plan assets	(-0.5)	-	(-0.5)	(-0.7)	(-0.4)
Unrecognised past service costs	0.1	-	0.1	0.2	0.1
Actuarial gains and losses	-	-	-	-	-
Other	-	-	-	(1,1)	-
Cost of defined benefit plans	**4.7**	**0.1**	**4.8**	**7.8**	**4.3**

NOTE 24.2. CHANGE IN PENSION OBLIGATIONS RECOGNISED ON THE BALANCE SHEET

The change in defined-benefit pension obligations recognised on the balance sheet is broken down as follows:

	Defined-benefit pension plans	Other defined-benefit plans	30 June 2010	31 Dec. 2009	30 June 2009
Reserves as at 1 January	**57.4**	**1.4**	**58.8**	**51.9**	**51.9**
Foreign currency adjustments	3.6	-	3.6	(0.8)	(1.0)
Cost recognised in statement of income	4.7	0.1	4.8	7.8	4.3
Benefits/contributions paid	(3.2)	-	(3.2)	(10.1)	(1.3)
Actuarial gains and losses / limits on plan assets	5.8	-	5.8	9.9	(0.3)
Changes in the scope of consolidation	-	-	-	0.1	-
Adjustment to opening equity	-	-	-	-	-
Other [1]	(8.0)	-	(8.0)	-	(0.1)
Provisions at end of period	**60.2**	**1.4**	**61.7**	**58.8**	**53.4**

(1) Primarily includes a retrocession from the pension fund

NOTE 24.3. CHANGES IN ACTUARIAL GAINS AND LOSSES RECOGNISED IN EQUITY

During the first half of 2010, changes in actuarial gains and losses (before tax) were broken down as follows:

in millions of euros

Actuarial gains and losses recognised in equity at 31 December 2007	**14.9**
Experience gains and losses	1.3
Impact of changes in assumptions	-
Other actuarial gains and losses	-
Actuarial gains and losses recognised in equity at 30 June 2008	**16.2**
Actuarial gains and losses recognised in equity as at 31 December 2008	**17.0**
Experience gains and losses	(1.1)
Impact of changes in assumptions	0.9
Other actuarial gains and losses	(0.1)
Actuarial gains and losses recognised in equity at 30 June 2009	**16.7**
Actuarial gains and losses recognised in equity as at 31 December 2009	**26.9**
Experience gains and losses	2.8
Impact of changes in assumptions	2.9
Other actuarial gains and losses	0.1
Actuarial gains and losses recognised in equity at 30 June 2010	**32.7**

Due to the prevailing interest rate trend, the discount rate applied to measure these obligations in France was reduced from 5.0% at 31 December 2009 to 4.5% at 30 June 2010.

NOTE 25. TRADE PAYABLES AND OTHER LIABILITIES

in millions of euros	30 June 2010	31 Dec. 2009	30 June 2009
Suppliers	155.2	174.3	138.6
Amounts payable relating to fixed assets	8.9	24.0	11.1
Trade and other payables	**164.1**	**198.3**	**149.7**
Current tax liabilities	54.2	39.4	34.1
Other current liabilities	199.0	183.3	168.6
Other non-current liabilities	20.1	23.9	17.8
TRADE PAYABLES AND OTHER LIABILITIES	**437.4**	**444.9**	**370.3**

NOTE 26. SHARE-BASED PAYMENTS

NOTE 26.1. NEW PLANS DURING THE YEAR

Effective as of 1 June 2010, the Executive Management awarded 229,860 bonus shares to 7,662 salaried employees, in accordance with the authorisations granted by the Shareholders' Meetings of 3 June 2008 and 2 June 2009. The vesting period under this plan is four years for French residents (plus a lock-up period of two years) and of six years for residents of other countries. The shares will be allotted only to those beneficiaries who are still employed by the group at the end of this period. The main features of the plan are as follows:

- Share price on award date: €107.60;
- Fair value per share : €100.56 for French residents and €100.73 for residents of other countries. A dividend rate of 1.1% per year was applied;
- The fair value of the shares includes a non-transferability discount of €2.40 per share
- Risk-free rate: 2 %
- Discounted average turnover rate over the benefit vesting period: 18.6% for French residents and 26.5% for residents of other countries.

The IFRS charge (excluding employer's tax) in the first half of 2010 with respect to the plan amounted to €0.3 million.

Effective on 1 June 2010, the Executive Management instituted a selective bonus share plan and awarded 188,500 shares thereunder, pursuant to the authorisations granted by the Shareholders' Meetings of 3 June 2008 and 2 June 2009. The vesting period under this plan is four years for French residents (plus a lock-up period of two years) and of six years for residents of other countries. The shares will be allotted only to those beneficiaries who are still employed by the group at the end of this period and only if certain criteria are met, based primarily on the group's performance in 2010 and 2011. The main features of the plan are as follows:

- Share price on award date: €107.60;
- Fair value per share : €100.56 for French residents and €100.73 for residents of other countries. A dividend rate of 1.1% per year was applied;
- The fair value of the shares reflects a liquidity discount of €2.40 per share
- Risk-free rate: 2 %
- Discounted average turnover rate over the benefit vesting period: 5.9% for French residents and 8.7% for residents of other countries.

The IFRS charge (excluding employer's tax) in the first half of 2010 with respect to the plan issue amounted to €0.3 million.

NOTE 26.2. CHARGE DURING THE FIRST HALF

in millions of euros	30 June 2010	31 Dec. 2009	30 June 2009
Bonus share plans	2.1	3.3	1.2
Stock option plans	0.7	1.6	0.9
Charge at end of period	**2.8**	**4.9**	**2.1**

NOTE 27. EVENTS OCCURRING AFTER 30 JUNE 2010

No significant event has occurred since 30 June 2010.

III. STATUTORY AUDITORS' REPORT ON THE INTERIM FINANCIAL INFORMATION FOR THE FIRST HALF OF 2010

To the Shareholders

In compliance with the assignment entrusted to us by your Shareholders’ Meeting and pursuant to articles 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 2010, 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 consolidated financial statements, based on our partial audit.

1. Opinion on the consolidated financial statements

We have conducted our partial audit in accordance with professional standards applicable in France. A partial audit is mainly confined to obtaining information from the senior managers responsible for financial and accounting matters, and to conducting analyses. An audit of this type does not include performing all the examinations required for a full audit in accordance with the professional auditing standards applicable in France. It therefore does not provide the same assurance that all material items that might have been identified under a full audit have been identified.

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

2. Specific procedures

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

Paris and Neuilly-sur-Seine, 30 August 2010

The Statutory Auditors

Didier Kling et Associés	Deloitte & Associés
Didier Kling – Bernard Roussel	David Dupont-Noel

IV. STATEMENT BY PERSONS RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT

We certify that, to the best of our knowledge, the condensed financial statements for the first six months of 2010 have been prepared in accordance with the applicable accounting standards and give a fair view of the assets and liabilities and of the financial position of the group as at 30 June 2010, and of the results of its operations for the six months then ended and that the review of operations for the first half gives a fair view of significant events that occurred during the first six months of the year, of their impact on the financial statements, of the main related-party transactions, as well as a description of the main risks and uncertainties for the last six months of the year.

Paris, 30 August 2010

The Executive Management,

Patrick Thomas / Emile Hermès SARL