



JUNE 2021

HALF-YEAR FINANCIAL REPORT

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HALF-YEAR FINANCIAL REPORT JUNE 2021

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In the event of a conflict in interpretation, reference should be made to the French version, which is the authentic text.*

1. KEY FIGURES

1

KEY CONSOLIDATED DATA FOR THE FIRST HALF OF 2021

<i>In millions of euros</i>	H1 2021	2020 Financial year	H1 2020	H1 2019
Revenue	4,235	6,389	2,488	3,284
Growth at current exchange rates vs. n-1	70.2%	(7.2)%	(24.2)%	15.1%
Growth at constant exchange rates vs. n-1 ¹	76.7%	(6.0)%	(24.9)%	12.0%
Recurring operating income ²	1,722	1,981	535	1,144
In % of revenue	40.7%	31.0%	21.5%	34.8%
Operating income	1,722	2,073	535	1,144
In % of revenue	40.7%	32.4%	21.5%	34.8%
Net income attributable to owners of the parent	1,174	1,385	335	754
In % of revenue	27.7%	21.7%	13.5%	23.0%
Operating cash flows	1,487	1,993	634	971
Operating investments	214	448	162	170
Adjusted free cash flow ³	1,236	995	27	618
Equity attributable to owners of the parent	8,024	7,380	6,340	5,763
Net cash position ⁴	5,326	4,717	3,742	3,532
Restated net cash position ⁵	5,521	4,904	3,922	3,740
Workforce (number of employees)	16,966	16,600	15,698	14,751

- (1) Growth at constant exchange rates is calculated by applying, for each currency, the average exchange rates of the previous period to the revenue for the period.
- (2) Recurring operating income is one of the main performance indicators monitored by the Group's management. It corresponds to operating income excluding non-recurring items having a significant impact that may affect understanding of the Group's economic performance.
- (3) Adjusted free cash flow is the sum of cash flows related to operating activities, less operating investments and the repayment of lease liabilities recognised in accordance with IFRS 16 (aggregates in the consolidated statement of cash flows).
- (4) Net cash position includes cash and cash equivalents presented under balance sheet assets, less bank overdrafts which appear under short-term borrowings and financial liabilities on the liabilities side. Net cash position does not include lease liabilities recognised in accordance with IFRS 16.
- (5) The restated net cash position corresponds to net cash position plus cash investments that do not meet the IFRS criteria for cash equivalents due in particular to their original maturity of more than three months, less borrowings and financial liabilities.

2. HALF-YEAR BUSINESS REPORT

2.1 HALF-YEAR HIGHLIGHTS

The Group's consolidated revenue amounted to €4,235 million in the first half of 2021, up 77% at constant exchange rates and 70% at current exchange rates compared to 2020. This increase is up 33% at constant exchange rates compared to 2019, both in the first and second quarters. Recurring operating income amounted to €1,722 million (41% of sales) at the end of June. Net income - Group share reached €1,174 million (28% of sales).

The sales increase in the second quarter (+127% at constant exchange rates and +119% at current exchange rates) reflected the strong sales momentum, in the continuity of the first quarter.

Axel Dumas, Executive Chairman of Hermès, said: "The results for the first half of the year have been exceptional in nature. But this performance also reflects the momentum and resilience of our model, which puts people, the source of creativity and innovation, as well as the requirement for absolute quality, at its core. These are the key factors of our artisanal approach and the desirability of our objects. We are equipped to cope with uncertainties while remaining faithful to our values."

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2.2 FIRST-HALF ACTIVITY

SALES BY GEOGRAPHICAL AREA AT THE END OF JUNE

(at constant exchange rates, unless otherwise indicated)

In millions of euros	H1 2021	H1 2020	Change vs. 2020		Change vs. 2019
			Published	At constant exchange rates	At constant exchange rates
France	341	252	35%	35%	(16)%
Europe (excl. France)	522	349	50%	52%	(3)%
Total Europe	863	601	44%	45%	(8)%
Japan	469	322	46%	59%	22%
Asia-Pacific (excl. Japan)	2,153	1,184	82%	87%	70%
Total Asia	2,622	1,506	74%	81%	59%
Americas	668	337	98%	115%	25%
Other	82	44	86%	87%	28%
TOTAL	4,235	2,488	70%	77%	33%

On the first half 2021, thanks to the continuation of the first quarter trends, all the geographical areas confirmed their strong growth with an acceleration in America and recovery in Europe. Sales in the Group's stores increased by 81% at constant exchange rates compared to last year, and by 41% compared to 2019. The network continued to develop with store openings and extensions, and with growing online sales worldwide. Wholesale activities bounced back (+46%) but remained penalised particularly by travel retail.

Sales in Asia excluding Japan (+87% and +70% over two years) benefitted from a strong dynamic throughout the area. They were driven by the strong performance in Greater China and by the acceleration in sales in Singapore and in Thailand, despite new restrictions in some countries in the second quarter. A store opened in Macau in April, and the *China World* store in Beijing and the store in Brisbane in Australia reopened after renovation and extension. The first *HermèsFit* event playing with Hermès fashion accessories took place in Chengdu in China in June.

Japan (+59% and +22% over two years) achieved an outstanding performance thanks to the loyalty of local customers, despite new measures introduced as a result of the health state of emergency. The new Omotesando store in Tokyo confirmed its success after opening in February.

Americas (+115% and +25% over two years) accelerated in the second quarter (+35% compared to the same period in 2019), despite local

constraints. The store in Troy, near Detroit, opened in June, in an area rich of history.

Europe excluding France (+52% and -3% over two years) and France (+35% and -16% over two years) are still penalised by restrictions in certain countries and the reduced tourist flows, although partly offset by the loyalty of local customers and growth in online sales. After being renovated and extended, the store in Zurich reopened in May, in a listed building at the heart of the city cultural and financial district.

SALES BY MÉTIER AT THE END OF JUNE

(at constant exchange rates, unless otherwise indicated)

In millions of euros	H1 2021	H1 2020	Change vs. 2020		Change vs. 2019	
			Published	At constant exchange rates	At constant exchange rates	At constant exchange rates
Leather Goods & Saddlery ¹	1,999	1,280	56%	63%	25%	
Ready-to-Wear and Accessories ²	1,025	537	91%	98%	40%	
Silk and Textiles	274	165	66%	72%	6%	
Other Hermès sectors ³	462	239	93%	100%	92%	
Perfume & Beauty	184	113	63%	65%	17%	
Watches	159	74	114%	121%	80%	
Other products ⁴	132	79	66%	69%	17%	
TOTAL	4,235	2,488	70%	77%	33%	

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

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

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

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

At the end of June 2021, all the business lines confirmed their growth, with a remarkable increase in the Ready-to-Wear and Accessories division, Watches and Other Hermès sectors (Jewellery and Homeware).

Sales in the Leather Goods & Saddlery division (+63% and +25% over two years) performed well, after being driven by the significant deliveries made at the end of 2020. Demand is sustained, both for the re-invented classics and new models such as the *Hermès Della Cavalleria* bag, which combines leather and metalware around the equestrian universe. The Montereau workshop (Seine-et-Marne) was inaugurated in June. The increase in production capacities continues, with the Guyenne workshop (Gironde) opening scheduled in September, the Louviers site (Eure) for 2022, the new site in Ardennes for 2023 and the second production site in Auvergne for 2024. Hermès continues to strengthen its local presence in France and to create jobs.

The Ready-to-Wear and Accessories *métier* (+98% and +40% over two years) pursued its dynamic growth, thanks to the success of the ready-to-wear and fashion accessories collections. The women's and men's ready-to-wear collections were unveiled both online and in person respectively in March at the *Garde républicaine* and in June at the *Mobilier national* in Paris.

The Silk and Textiles *métier* (+72% and +6% over two years) posted strong growth thanks to the diversity of the creations, materials and formats which are very successful with our customers. A new innovative printing line has been inaugurated as part of the development of the site near Lyon.

Perfume and Beauty (+65% and +17% over two years) posted growth, thanks to the success of the new men's perfume *H24*. A year after the launch of *Rouge Hermès*, the Beauty range has continued its development with the launch of *Rose Hermès*, a collection of blush and natural, refillable and sustainable lip enhancers.

The Watches *métier* (+121% and +80% over two years) confirmed its excellent performance, reflecting the technical watch-making expertise and creativity of the collections, with the success of the new men's watch *Hermès H08*, featuring a geometrical and sporty design.

The Other Hermès sectors (+100% and +92% over two years) confirmed their momentum, thanks to Homeware and Jewellery. The new jewellery collection named *Kellymorphose*, inspired by the *Kelly* bag which becomes a new jewellery signature, was unveiled at the Faubourg Saint-Honoré store in Paris.

2.3 COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

2.3.1 INCOME STATEMENT

<i>In millions of euros</i>	H1 2021	H1 2020	H1 2019
Revenue	4,235	2,488	3,284
Cost of sales	(1,207)	(871)	(1,029)
Gross margin	3,028	1,617	2,255
Sales and administrative expenses	(935)	(769)	(842)
Other income and expenses	(371)	(314)	(269)
Recurring operating income	1,722	535	1,144
Other non-recurring income and expenses	-	-	-
Operating income	1,722	535	1,144
Net financial income	(47)	(43)	(16)
Net income before tax	1,675	491	1,128
Income tax	(511)	(161)	(383)
Net income from associates	13	3	13
CONSOLIDATED NET INCOME	1,177	334	757
Non-controlling interests	(3)	1	(3)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	1,174	335	754
Basic earnings per share (<i>in euros</i>)	11.22	3.21	7.24
Diluted earnings per share (<i>in euros</i>)	11.19	3.20	7.19

After a first half of 2020 marked by the closure of stores and production sites during which the Group maintained the jobs and salaries of its employees worldwide, the first half of 2021 benefited from the strong rebound in sales.

The Group's consolidated revenue amounted to €4,235 million in the period, an increase of 77% at constant exchange rates and 70% at current exchange rates. This increase was 33% at constant rates over two years.

The gross margin was 71%, up 6 points compared with the first half of 2020. This increase was due in particular to excellent inventory sell-through rates, an improvement in productivity and an accretive foreign exchange effect. At the end of June 2019, the gross margin rate was 69%.

Sales and administrative expenses represented €935 million, compared with €769 million in the first half of 2020 and €842 million in the first half of 2019. They included €145 million in communication expenditure (compared with €107 million in the previous half-year), an amount close to that of the first half of 2019.

Other income and expenses amounted to €371 million (compared with €314 million in the previous half-year and €269 million in the first half of 2019). They include depreciation and amortisation of €244 million (€232 million in the first half of 2020 and €193 million in the first half of

2019), half of which relates to property, plant and equipment and intangible assets and the other half to right-of-use assets. The steady increase in depreciation and amortisation reflects the continued investments in the extension and renovation of the distribution network, digital and information systems. Other expenses also include €65 million related to free share plans.

Recurring operating income totalled €1,722 million, compared with €535 million in the first half of 2020 and €1,144 million in the same period of 2019. Operating margin amounted to 41%, compared with 22% in the first half of 2020 and 35% in the first half of 2019.

Net financial income, which includes in particular interest on lease liabilities, financial income from cash investments and the expense relating to foreign exchange hedges, represented a net expense of €47 million.

The estimated tax rate for 2021 stood at 30.5%.

After taking into account income from associates (income of €13 million) and non-controlling interests (expense of €3 million), consolidated net income attributable to owners of the parent amounted to €1,174 million, compared to €335 million at the end of June 2020 and €754 million at the end of June 2019.

2.3.2 CASH FLOWS AND INVESTMENTS

<i>In millions of euros</i>	H1 2021	H1 2020	H1 2019
Operating cash flows	1,487	634	971
Change in working capital requirements	65	(325)	(88)
Change in net cash position related to operating activities	1,552	310	883
Operating investments	(214)	(162)	(170)
Repayment of lease liabilities	(102)	(120)	(95)
Adjusted free cash flow ¹	1,236	27	618
Investments in financial assets	(0)	(9)	(1)
Dividends paid	(489)	(490)	(486)
Treasury share buybacks net of disposals (excluding liquidity contract)	(162)	(123)	(33)
Other movements	33	(46)	27
CHANGE IN RESTATED NET CASH POSITION ¹	617	(640)	125
Restated net cash position at the end of the period	5,521	3,922	3,740
Restated net cash position at the beginning of the period	4,904	4,562	3,615

(1) Alternative performance indicators defined and reconciled in Note 3 to the consolidated financial statements.

Operating cash flows totalled €1,487 million, compared with €634 million at end-June 2020 and €971 million at end-June 2019. The €65 million improvement in the change in working capital requirements in the first half of 2021 contrasts sharply with the deterioration of €325 million in the first half of 2020, marked in particular by the rise in inventories in the context of the health crisis.

Operating investments amounted to €214 million in the first half of 2021, compared with €162 million and €170 million in 2020 and 2019 respectively, in line with the continuation of the Group's strategic projects.

After deducting €102 million in repayments of lease liabilities recognised in accordance with IFRS 16, adjusted free cash flow reached €1,236 million, compared with €27 million in the first half of 2020 and €618 million in the first half of 2019.

After payment of the ordinary dividend (€476 million) and share buybacks (€162 million), the restated net cash position increased by €617 million to reach €5,521 million, compared with €4,904 million at 31 December 2020.

2.3.3 FINANCIAL POSITION

The Hermès Group's consolidated balance sheet at 30 June 2021 totalled €11,885 million, compared with €11,051 million at the end of 2020. This progression is mainly the result of the increase in cash.

Thanks to the half-year result, equity attributable to owners of the parent increased to €8,024 million at 30 June 2021, compared to €7,380 million at the end of 2020, thus reinforcing the Group's solid financial structure.

2.4 OUTLOOK

For 2021, the impacts of the Covid-19 pandemic remain difficult to assess. Our highly integrated craftsmanship model and balanced distribution network, as well as the creativity of our collections and our customers' loyalty give us confidence in the future.

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

Thanks to its unique business model, Hermès is pursuing its long-term development strategy based on creativity, maintaining control over *savoir-faire* and singular communication.

2.5 RISKS AND UNCERTAINTIES

The Hermès Group's results are exposed to the risks and uncertainties set out in the 2020 universal registration document. The assessment of

these risks has not changed during the first half of 2021 and no new risks have been identified at the date of publication of this report.

2.6 RELATED-PARTY TRANSACTIONS

Information on the main related-party transactions relating to the six months to 30 June 2021 is provided in Note 31 to the condensed consolidated financial statements for the first half of 2021.

3. CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021

3.1 CONSOLIDATED INCOME STATEMENT

<i>In millions of euros</i>	Notes	H1 2021	2020 Financial year	H1 2020
Revenue	4 and 5	4,235.1	6,389.4	2,488.0
Cost of sales	6	(1,207.2)	(2,013.3)	(870.7)
Gross margin		3,027.9	4,376.2	1,617.3
Sales and administrative expenses	7	(935.0)	(1,698.5)	(768.5)
Other income and expenses	8	(371.1)	(696.2)	(314.2)
Recurring operating income	5	1,721.7	1,981.4	534.7
Other non-recurring income and expenses		-	91.1	-
Operating income		1,721.7	2,072.5	534.7
Net financial income	9	(47.0)	(86.1)	(43.4)
Net income before tax		1,674.7	1,986.4	491.3
Income tax	10	(510.8)	(613.0)	(160.7)
Net income from associates	18	12.9	16.1	3.0
CONSOLIDATED NET INCOME		1,176.8	1,389.6	333.6
Non-controlling interests	24	(3.3)	(4.1)	1.4
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT		1,173.6	1,385.4	335.0
Basic earnings per share (<i>in euros</i>)	11	11.22	13.27	3.21
Diluted earnings per share (<i>in euros</i>)	11	11.19	13.21	3.20

N.B. The values shown in the tables are generally expressed in millions of euros. In certain cases, the effects of rounding up/down can lead to a slight discrepancy in the totals or changes.

3.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In millions of euros</i>	Notes	H1 2021	2020 Financial year	H1 2020
Consolidated net income		1,176.8	1,389.6	333.6
Changes in foreign currency adjustments ¹	23.4	34.8	(103.0)	(22.9)
Hedges of future cash flows in foreign currencies ^{1 2}	23.4	(43.9)	54.7	19.2
♦ <i>change in fair value</i>		(18.5)	36.3	(11.6)
♦ <i>recycling through profit or loss</i>		(25.4)	18.3	30.8
Assets at fair value ²	23.4	87.2	-	-
Employee benefit obligations: change in value linked to actuarial gains and losses ²	23.4	-	(1.8)	-
Net comprehensive income		1,255.0	1,339.4	329.9
♦ <i>attributable to owners of the parent</i>		1,251.6	1,337.2	332.9
♦ <i>attributable to non-controlling interests</i>		3.4	2.2	(3.0)

(1) Transferable through profit or loss.

(2) Net of tax.

3.3 CONSOLIDATED BALANCE SHEET

ASSETS

<i>In millions of euros</i>	Notes	30/06/2021	31/12/2020	30/06/2020
Goodwill	12	41.8	42.4	19.2
Intangible assets	13	236.4	221.3	194.5
Right-of-use assets	14.1	1,405.4	1,446.1	1,346.3
Property, plant and equipment	15	1,664.5	1,646.1	1,553.4
Investment property	16	75.2	73.3	72.2
Financial assets	17	431.2	367.7	351.9
Investments in associates	18	49.4	48.8	79.1
Loans and deposits	19	56.5	55.9	58.2
Deferred tax assets	10.2	539.1	475.2	528.6
Other non-current assets	21	23.0	23.9	6.3
Non-current assets		4,522.5	4,400.8	4,209.7
Inventories and work-in-progress	20	1,393.7	1,289.4	1,275.4
Trade and other receivables	21	297.7	249.7	192.1
Current tax receivables	21	11.5	63.5	43.5
Other assets	21	228.0	193.1	193.2
Financial derivatives	25	79.8	121.4	69.4
Cash and cash equivalents	3, 22.1	5,351.6	4,732.7	3,750.3
Current assets		7,362.3	6,649.7	5,523.8
TOTAL ASSETS		11,884.8	11,050.5	9,733.5

LIABILITIES

<i>In millions of euros</i>	Notes	30/06/2021	31/12/2020	30/06/2020
Share capital	23	53.8	53.8	53.8
Share premium		49.6	49.6	49.6
Treasury shares	23	(552.1)	(463.7)	(464.7)
Reserves		7,077.5	6,211.9	6,179.0
Foreign currency adjustments	23.2	72.3	37.6	117.3
Revaluation adjustments	23.3	148.8	105.5	70.0
Net income attributable to owners of the parent		1,173.6	1,385.4	335.0
Equity attributable to owners of the parent		8,023.5	7,380.1	6,340.1
Non-controlling interests	24	10.4	10.9	0.4
Equity		8,034.0	7,391.0	6,340.5
Borrowings and financial liabilities due in more than one year		18.0	18.4	29.5
Lease liabilities due in more than one year	14.2	1,405.4	1,447.5	1,300.2
Non-current provisions	26	21.1	21.7	31.2
Post-employment and other employee benefit obligations due in more than one year	28	284.2	275.2	279.6
Deferred tax liabilities	10.2	16.5	21.9	22.5
Other non-current liabilities	29	36.0	36.2	30.2
Non-current liabilities		1,781.2	1,820.9	1,693.2
Borrowings and financial liabilities due in less than one year	3	25.4	24.5	16.3
Lease liabilities due in less than one year	14.2	226.7	195.6	206.1
Current provisions	26	107.9	99.9	85.1
Post-employment and other employee benefit obligations due in less than one year	28	28.3	28.3	18.2
Trade and other payables	29	383.2	448.2	333.1
Financial derivatives	25	67.0	29.3	41.9
Tax liabilities	29	310.9	217.8	264.9
Other current liabilities	29	920.1	794.9	734.1
Current liabilities		2,069.6	1,838.6	1,699.8
TOTAL EQUITY AND LIABILITIES		11,884.8	11,050.5	9,733.5

3.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In millions of euros	Number of shares	Share capital	Share premium	Treasury shares	Consolidated reserves and net income attributable to owners of the parent	Actuarial gains and losses	Foreign currency adjustments	Revaluation adjustments		Equity attributable to owners of the parent	Non-controlling interests	Equity
								Financial investments	Hedges of future cash flows in foreign currencies			
Notes	23	23		23		23.4	23.2	23.3	23.3		24	23
As at 31 December 2019	105,569,412	53.8	49.6	(508.8)	6,917.0	(133.0)	138.7	100.3	(49.5)	6,568.1	7.8	6,575.9
Net income for the first half of 2020	-	-	-	-	335.0	-	-	-	-	335.0	(1.4)	333.6
Other comprehensive income for the first half of 2020	-	-	-	-	-	-	(21.3)	-	19.2	(2.2)	(1.6)	(3.8)
Comprehensive income for the first half of 2020	-	-	-	-	335.0	-	(21.3)	-	19.2	332.9	(3.0)	329.9
Change in share capital and share premiums	-	-	-	-	-	-	-	-	-	-	-	-
Purchase or sale of treasury shares	-	-	-	44.0	(166.6)	-	-	-	-	(122.6)	-	(122.6)
Share-based payments	-	-	-	-	46.8	-	-	-	-	46.8	-	46.8
Dividends paid	-	-	-	-	(485.1)	-	-	-	-	(485.1)	(4.4)	(489.5)
Other	-	-	-	-	0.0	-	-	-	-	0.0	0.0	0.0
AS AT 30 JUNE 2020	105,569,412	53.8	49.6	(464.7)	6,647.1	(133.0)	117.3	100.3	(30.3)	6,340.1	0.4	6,340.5
Net income for the second half of 2020	-	-	-	-	1,050.4	-	-	-	-	1,050.4	5.5	1,055.9
Other comprehensive income for the second half of 2020	-	-	-	-	-	(1.8)	(79.8)	-	35.5	(46.1)	(0.2)	(46.3)
Comprehensive income for the second half of 2020	-	-	-	-	1,050.4	(1.8)	(79.8)	-	35.5	1,004.3	5.3	1,009.6
Change in share capital and share premiums	-	-	-	-	-	-	-	-	-	-	-	-
Purchase or sale of treasury shares	-	-	-	1.1	0.2	-	-	-	-	1.3	-	1.3
Share-based payments	-	-	-	-	32.2	-	-	-	-	32.2	-	32.2
Dividends paid	-	-	-	-	-	-	-	-	-	-	(0.1)	(0.1)
Other	-	-	-	-	2.2	-	-	-	-	2.2	5.2	7.4
At 31 December 2020	105,569,412	53.8	49.6	(463.7)	7,732.1	(134.8)	37.6	100.3	5.2	7,380.1	10.9	7,391.0
Net income for the first half of 2021	-	-	-	-	1,173.6	-	-	-	-	1,173.6	3.3	1,176.8
Other comprehensive income for the first half of 2021	-	-	-	-	-	-	34.7	87.2	(43.9)	78.1	0.1	78.2
Comprehensive income for the first half of 2021	-	-	-	-	1,173.6	-	34.7	87.2	(43.9)	1,251.6	3.4	1,255.0
Change in share capital and share premiums	-	-	-	-	-	-	-	-	-	-	-	-
Purchase or sale of treasury shares	-	-	-	(88.4)	(69.5)	-	-	-	-	(157.9)	-	(157.9)
Share-based payments	-	-	-	-	31.9	-	-	-	-	31.9	-	31.9
Dividends paid	-	-	-	-	(485.0)	-	-	-	-	(485.0)	(3.8)	(488.8)
Other	-	-	-	-	2.7	-	-	-	-	2.7	-	2.7
AS AT 30 JUNE 2021	105,569,412	53.8	49.6	(552.1)	8,385.8	(134.8)	72.3	187.6	(38.7)	8,023.5	10.4	8,034.0

3.5 CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In millions of euros</i>	Notes	H1 2021	2020 Financial year	H1 2020
CASH FLOWS RELATED TO OPERATING ACTIVITIES				
Net income attributable to owners of the parent		1,173.6	1,385.4	335.0
Depreciation and amortisation of fixed assets	13, 15, 16	148.2	271.0	128.4
Depreciation of right-of-use assets	14.1	120.3	243.2	125.6
Impairment losses	13, 15, 16	41.1	54.3	5.2
Mark-to-Market financial instruments		(0.6)	0.6	0.0
Foreign exchange gains/(losses) on fair value adjustments		(11.8)	29.7	16.2
Change in provisions		16.6	26.3	(3.8)
Net income from associates	18	(12.9)	(16.1)	(3.0)
Net income attributable to non-controlling interests	24	3.3	4.1	(1.4)
Capital gains or losses on disposals and impact of changes in scope of consolidation		1.0	(89.9)	0.4
Deferred tax expense		(13.8)	5.4	(14.9)
Accrued expenses and income related to share-based payments		31.9	79.0	46.8
Dividend income		(9.9)	(0.1)	(0.1)
Other		(0.2)	(0.3)	(0.1)
Operating cash flows		1,486.7	1,992.7	634.3
Change in working capital requirements	22.2	65.0	(350.3)	(324.8)
Change in net cash position related to operating activities (A)		1,551.7	1,642.4	309.5
CASH FLOWS RELATED TO INVESTING ACTIVITIES				
Operating investments	13, 15	(214.4)	(448.4)	(162.2)
Acquisitions of consolidated shares	2	(0.0)	(71.6)	(4.3)
Acquisitions of other financial assets	17	(4.4)	(36.1)	(4.3)
Disposals of operating assets	13, 15	2.5	0.2	0.0
Disposals of consolidated shares and impact of losses of control	2	-	81.4	-
Disposals of other financial assets	17	3.4	10.0	10.2
Change in payables and receivables related to investing activities	21, 29	(30.0)	10.8	(39.4)
Dividends received		25.6	21.4	5.5
Change in net cash position related to investing activities (B)		(217.3)	(432.2)	(194.4)
CASH FLOWS RELATED TO FINANCING ACTIVITIES				
Dividends paid		(488.8)	(489.6)	(489.5)
Repayment of lease liabilities	14.2	(101.8)	(198.7)	(120.1)
Treasury share buybacks net of disposals		(158.5)	(122.1)	(123.1)
Borrowing subscriptions		-	8.2	2.0
Repayment of borrowings		(7.9)	(7.9)	(0.2)
Change in net cash position related to financing activities (C)		(756.9)	(810.2)	(730.9)
Foreign currency translation adjustment (D)		32.0	(54.6)	(13.9)
CHANGE IN NET CASH POSITION (A) + (B) + (C) + (D)	22.1	609.5	345.3	(629.8)
Net cash position at the beginning of the period	22.1	4,716.9	4,371.6	4,371.6
Net cash position at the end of the period	22.1	5,326.4	4,716.9	3,741.8
CHANGE IN NET CASH POSITION	22.1	609.5	345.3	(629.8)

3.6 NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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The condensed interim consolidated financial statements as presented were approved by the Executive Management on 29 July 2021 after review by the Audit and Risk Committee at its meeting of 28 July 2021.

NOTE 1 ACCOUNTING PRINCIPLES AND POLICIES

The Hermès Group's condensed interim consolidated financial statements were prepared in accordance with IAS 34 *Interim financial reporting* as adopted by the European Union. The accompanying notes do not contain all of the information required for the full annual financial statements. They should therefore be read in conjunction with the consolidated financial statements for 2020.

The accounting policies and calculation methods used to prepare these condensed interim financial statements are the same as those used to prepare the financial statements for the year ended 31 December 2020 and described therein, with the exception of the estimated income tax expense for the first half and employee benefits, which are measured separately (Note 1.1).

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

1.1 Special features of the preparation of interim financial statements

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

Barring a specific event, the post-employment benefit obligation is not subject to an actuarial valuation in the first half. The expense recognised for the first half-year is one-half of the net expense calculated for 2021 as a whole, based on the data and actuarial assumptions used as at 31 December 2020.

1.2 Change in accounting standards

1.1.1 IAS 19: PERIOD OF ATTRIBUTION OF SERVICE COST

The IAS Board has validated the April 2021 IFRIC decision relating to IAS 19, which proposes to modify the calculation of the obligations

relating to certain defined-benefit plans. The new calculation methodology consists in no longer spreading the acquisition of rights over the entire career of the employee/beneficiary in the plan, but over the period necessary to obtain the capped rights prior to retirement age. The impacts are currently being analysed by the Hermès Group.

1.1.2 BENCHMARK INTEREST RATE REFORM

As part of the second phase of the benchmark interest rate reform, the IASB published amendments to IFRS 9 and IFRS 7 standards relating to financial instruments, applicable from 1 January 2021. Their application in the Group's financial statements has no impact, as interest rate risk is not subject to the implementation of hedging instruments by the Group at 30 June 2021.

NOTE 2 CHANGES IN THE SCOPE OF CONSOLIDATION

No change in the scope of consolidation occurred during the first half of 2021.

NOTE 3 ALTERNATIVE PERFORMANCE MEASURES

This Note aims to present the main Alternative Performance Measures ("APM") followed by the Group management, and their reconciliation, where appropriate, with the aggregates of the IFRS consolidated financial statements.

3.1 Revenue growth at constant exchange rates

- Revenue growth at constant exchange rates: calculated by applying, for each currency, the average exchange rates of the previous period to the revenue for the period.

	H1 2021 at current rates	H1 2021 at constant rates	H1 2020	Change at current exchange rates	Change at constant exchange rates	Currency effect
Revenue						
In millions of euros	4,235.1	4,395.6	2,488.0	1,747.1	1,907.6	(160.4)
Change in %				70.2%	76.7%	(6.4)%

3.2 Recurring operating income

- Recurring operating income: operating income exclusive of non-recurring items with a significant impact that may affect understanding of the Group's economic performance.

3.3 Net cash position and restated net cash position

- Net cash position: includes cash and cash equivalents presented under balance sheet assets, less bank overdrafts which appear under short-term borrowings and financial liabilities on the liabilities side. Net cash position does not include lease liabilities recognised in accordance with IFRS 16.
- Restated net cash position: corresponds to net cash position plus cash investments that do not meet the IFRS criteria for cash equivalents due in particular to their original maturity of more than three months, less borrowings and financial liabilities.

Borrowings and financial liabilities on the balance sheet break down as follows:

In millions of euros	H1 2021	2020 Financial year	H1 2020
Bank overdrafts	25.3	16.4	8.5
Other financial liabilities	0.5	8.3	8.7
Commitments to buy out minority interests	17.5	18.2	28.7
BORROWINGS AND FINANCIAL LIABILITIES ON THE BALANCE SHEET	43.3	42.9	45.8

The reconciliation of the net cash position and restated net cash position indicators with the consolidated balance sheet is presented below:

In millions of euros	H1 2021	2020 Financial year	H1 2020
Cash and cash equivalents	5,351.6	4,732.7	3,750.3
Restatement of Mark-to-Market on liquidities	-	0.6	0.0
Bank overdrafts	(25.3)	(16.4)	(8.5)
NET CASH POSITION	5,326.4	4,716.9	3,741.8
Cash investments with maturity at outset of over 3 months	195.0	195.0	180.0
Financial liabilities ⁽¹⁾	(0.5)	(8.3)	0.0
RESTATED NET CASH POSITION	5,520.9	4,903.5	3,921.8

(1) Financial liabilities are restated for net cash position from financial year 2020. The amount of financial liabilities in the first six months of 2020 was €8.7 million.

3.4 Adjusted free cash flow

For management purposes, the Hermès Group sees all lease payments as items affecting operating activities. IFRS 16 considers fixed lease payments as the sum of the repayment of the principal portion of the lease liability and the payment of financial interest. Consequently, the Group follows the following APM:

- Adjusted free cash flow: corresponds to the cash flows related to operating activities, less operating investments and the repayment of lease liabilities recognised in accordance with IFRS 16 (aggregates in the consolidated statement of cash flows).

The reconciliation of this indicator with the Group's statement of consolidated cash flows presented in section 3.5 is as follows:

<i>In millions of euros</i>	H1 2021	2020 Financial year	H1 2020
Operating cash flows	1,486.7	1,992.7	634.3
+ Change in working capital requirements	65.0	(350.3)	(324.8)
- Operating investments	(214.4)	(448.4)	(162.2)
- Repayment of lease liabilities	(101.8)	(198.7)	(120.1)
ADJUSTED FREE CASH FLOW	1,235.6	995.3	27.2

NOTE 4 SEASONAL NATURE OF THE BUSINESS

The Group's activity has historically been balanced across the year. In 2019, 48% of the Group's revenue was accordingly generated during the first half of the year and 52% during the second half.

Given the health crisis, seasonality was more marked in 2020, during which 39% of the Group's revenue was generated in the first half of the year and 61% in the second half.

NOTE 5 SEGMENT INFORMATION

The information below is shown after consolidation adjustments and eliminations.

<i>In millions of euros</i>	H1 2021						
	France	Europe (excluding France)	Japan	Asia-Pacific (excluding Japan)	Americas	Other	Holding
Revenue	341.2	521.9	469.0	2,153.0	667.9	82.3	-
Recurring operating income	98.7	126.2	193.9	1,107.9	262.7	26.8	(94.4)
<i>Recurring operating profitability</i>	28.9%	24.2%	41.3%	51.5%	39.3%	32.6%	-
Other non-recurring income and expenses	-	-	-	-	-	-	-
Operating income	98.7	126.2	193.9	1,107.9	262.7	26.8	(94.4)
Operating investments	92.7	21.2	9.9	43.5	27.5	-	19.5
Non-current assets ¹	811.1	459.7	240.2	775.1	701.7	31.5	964.2

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

<i>In millions of euros</i>	H1 2020						
	France	Europe (excluding France)	Japan	Asia-Pacific (excluding Japan)	Americas	Other	Holding
Revenue	252.2	348.9	322.2	1,183.7	336.8	44.1	-
Recurring operating income	39.4	16.4	80.2	474.8	2.9	8.4	(87.4)
<i>Recurring operating profitability</i>	15.6%	4.7%	24.9%	40.1%	0.8%	19.1%	-
Other non-recurring income and expenses	-	-	-	-	-	-	-
Operating income	39.4	16.4	80.2	474.8	2.9	8.4	(87.4)
Operating investments	88.2	10.6	2.9	27.5	21.9	-	11.1
Non-current assets ¹	1,045.0	520.9	241.7	632.5	700.1	32.2	171.2

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

NOTE 6 COST OF SALES

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

NOTE 7 SALES AND ADMINISTRATIVE EXPENSES

In millions of euros	H1 2021	2020 Financial year	H1 2020
Communication	(145.1)	(278.7)	(106.7)
Other sales and administrative expenses	(789.9)	1,419.8	(661.8)
TOTAL	(935.0)	(1,698.5)	(768.5)

NOTE 8 OTHER INCOME AND EXPENSES

In millions of euros	Notes	H1 2021	2020 Financial year	H1 2020
Depreciation and amortisation of fixed assets		(124.6)	(226.9)	(108.0)
Amortisation of right-of-use assets		(119.1)	(240.8)	(124.4)
Depreciation and amortisation		(243.7)	(467.7)	(232.3)
Net change in provisions		(10.6)	(15.6)	4.8
Cost of pension plans and other long-term benefits	28	(12.1)	(17.6)	(10.1)
Sub-total		(22.7)	(33.2)	(5.3)
Impairment losses		(41.1)	(54.3)	(5.2)
Expenses linked to free share allocation plans and similar expenses	32	(64.9)	(117.8)	(66.7)
Other expenses ¹		(14.3)	(75.8)	(27.8)
Other products		15.6	52.5	23.3
Sub-total		(104.7)	(195.4)	(76.5)
TOTAL		(371.1)	(696.2)	(314.2)

(1) This item includes a donation of €20 million to AP-HP (the Parisian public hospital system) in the first half of 2020.

Total depreciation and amortisation of fixed assets included in operating expenses ("Other income and expenses" and "Cost of sales") amounted to €148.2 million in the first half of 2021, compared with €128.4 million as at 30 June 2020.

Total amortisation of rights-of-use included in operating expenses ("Other income and expenses" and "Cost of sales") amounted to €120.3 million in 2021, compared with €125.6 million as at 30 June 2020.

NOTE 9 NET FINANCIAL INCOME

In millions of euros	H1 2021	2020 Financial year	H1 2020
Income from cash and cash equivalents	9.0	10.6	6.0
Cost of gross borrowing cost	(1.4)	(3.6)	(3.5)
♦ of which net income/(loss) on interest and exchange rate hedging instruments	0.4	(2.4)	(2.6)
Net borrowing cost	7.6	7.0	2.4
Interest expense on lease liabilities	(15.8)	(28.7)	(17.9)
Other financial income and expenses	(38.8)	(64.4)	(27.9)
♦ of which ineffective portion of cash flow hedges	(47.9)	(61.7)	(28.7)
TOTAL	(47.0)	(86.1)	(43.4)

The ineffective portion of cash flow hedges includes negative €1.2 million in over-hedging in the first half of 2021, compared with €4.4 million in over-hedging in the first half of 2020. The impact of the effective portion of the hedges recorded in equity is shown in Note 23.3.

NOTE 10 INCOME TAX**10.1 Tax rate**

The Group's estimated tax rate in 2021 is 30.5% (30.9% in 2020), based on a projected tax rate in France of 28.41% in 2021 and 25.83% in 2022.

10.2 Deferred taxes

The net change in deferred tax assets and liabilities breaks down as follows:

<i>In millions of euros</i>	H1 2021	2020 Financial year	H1 2020
Deferred tax assets at 1 January	475.2	510.8	510.8
Deferred tax liabilities at 1 January	21.9	24.6	24.6
Net deferred tax assets at 1 January	453.3	486.2	486.2
Impact on the income statement	22.9	5.1	33.8
Scope impact	-	(1.1)	-
Impact of exchange rate movements	4.1	(15.5)	(2.5)
Equity impact ¹	42.3	(21.4)	(11.4)
NET DEFERRED TAX ASSETS AT THE END OF THE PERIOD	522.6	453.3	506.1
Balance of deferred tax assets at the end of the period	539.1	475.2	528.6
Balance of deferred tax liabilities at the end of the period	16.5	21.9	22.5

(1) The equity impact primarily involves the deferred tax change resulting from revaluations recorded in equity (investments and financial investments and hedging of future cash flows). These changes had no impact on net income for the half-year (see Note 23.4).

NOTE 11 EARNINGS PER SHARE

The calculation and reconciliation of basic earnings per share and diluted earnings per share is as follows:

	H1 2021	2020 Financial year	H1 2020
Numerator (in millions of euros)			
Net profit attributable to owners of the parent	1,173.6	1,385.4	335.0
Denominator (in number of shares)			
Average number of shares outstanding during the period	105,569,412	105,569,412	105,569,412
Average number of treasury shares during the period	(966,749)	(1,138,640)	(1,308,816)
Average number of shares before dilution	104,602,664	104,430,772	104,260,596
Earnings per share (in euros)	11.22	13.27	3.21
Dilutive effect of free share plans	307,366	457,739	369,168
Average number of shares after dilution	104,910,029	104,888,511	104,629,763
Diluted earnings per share (in euros)	11.19	13.21	3.20
Average share price over the period	€1,006.29	€729.42	€681.13

NOTE 12 GOODWILL

<i>In millions of euros</i>	30/06/2020	31/12/2020	Increases	Decreases	Exchange rate impact	Other	30/06/2021
Goodwill	144.4	168.6	-	-	(0.9)	-	167.7
TOTAL GROSS VALUES	144.4	168.6	-	-	(0.9)	-	167.7
Amortisation recognised before 1 January 2004	32.7	30.8	-	-	(0.3)	-	30.4
Impairment losses	92.6	95.4	-	-	0.0	-	95.5
TOTAL AMORTISATION AND IMPAIRMENT	125.3	126.2	-	-	(0.3)	-	125.9
TOTAL NET VALUES	19.2	42.4	-	-	(0.6)	-	41.8

NOTE 13 INTANGIBLE ASSETS

<i>In millions of euros</i>	30/06/2020	31/12/2020	Increases ¹	Decreases	Exchange rate impact	Other	30/06/2021
Concessions, patents, licences and software	389.6	451.2	37.7	(2.2)	(0.3)	17.9	504.2
Other intangible assets	135.4	134.1	2.5	(0.6)	0.2	2.7	139.0
Fixed assets under construction	38.6	36.8	15.5	-	(0.1)	(19.2)	33.1
TOTAL GROSS VALUES	563.7	622.1	55.7	(2.9)	(0.2)	1.4	676.3
Amortisation of concessions, patents, licences and software	243.3	276.2	37.1	(2.2)	(0.4)	0.4	311.0
Amortisation of other intangible assets	105.0	101.8	3.0	(0.6)	0.4	8.1	112.6
Impairment losses	20.9	22.9	2.0	-	0.1	(8.7)	16.2
TOTAL AMORTISATION AND IMPAIRMENT	369.2	400.8	42.1	(2.9)	0.1	(0.3)	439.9
TOTAL NET VALUES	194.5	221.3	13.6	(0.0)	(0.2)	1.7	236.4

(1) Investments mainly concern the acquisition, implementation and/or development of software and ERP.

NOTE 14 LEASES

14.1 Right-of-use assets

The breakdown of right-of-use assets by nature of the underlying asset is as follows:

<i>In millions of euros</i>	30/06/2020 Net	31/12/2020 Net	Gross	Amortisation and impairment	30/06/2021 Net
Stores	1,129.1	1,230.7	1,952.6	(748.3)	1,204.3
Offices and other	217.2	215.4	366.4	(165.4)	201.0
TOTAL	1,346.3	1,446.1	2,319.0	(913.6)	1,405.4

The change in right-of-use assets during the period is as follows:

<i>In millions of euros</i>	Stores	Offices and other	Total
Gross amount at 1 January	1,914.8	361.0	2,275.8
Implementation of new leases and revisions	40.1	17.9	58.0
Expiry and early termination of leases	(48.4)	(14.5)	(62.9)
Exchange rate impact	45.8	1.6	47.4
Other movements and reclassifications	0.3	0.4	0.7
GROSS AMOUNT AT THE END OF THE PERIOD	1,952.6	366.4	2,319.0

<i>In millions of euros</i>	Stores	Offices and other	Total
Amortisation and impairment losses at 1 January	(684.1)	(145.5)	(829.7)
Amortisation and impairment	(93.9)	(29.8)	(123.7)
Expiry and early termination of leases	46.9	10.7	57.6
Exchange rate impact	(17.2)	(0.7)	(17.9)
Other movements and reclassifications	-	(0.1)	(0.1)
AMORTISATION AND IMPAIRMENT LOSSES AT END OF PERIOD	(748.3)	(165.4)	(913.6)

14.2 Lease liabilities

<i>In millions of euros</i>	30/06/2020	31/12/2020	30/06/2021
TOTAL LEASE LIABILITIES	1,506.2	1,643.1	1,632.1

The change in liabilities over the half-year is analysed below:

<i>In millions of euros</i>	
Lease liabilities at 1 January	1,643.1
Implementation of new leases and revisions	58.0
Expiry and early termination of leases	(2.5)
Repayments	(101.8)
Exchange rate impact	36.5
Other movements and reclassifications	(1.2)
LEASE LIABILITIES AT END OF PERIOD	1,632.1

At the end of June 2021, rents relating to uncapitalised leases correspond to rents with variable payments in the amount of €180.9 million for the first half of 2021 (compared with €96.2 million in the first half of 2020) and exempted rents (rents on assets with a low

unit value or on leases with a term of less than 12 months) in the amount of €3.8 million (compared with €1.8 million in the first half of 2020).

Financial expenses relating to lease liabilities are presented in Note 9.

NOTE 15 PROPERTY, PLANT AND EQUIPMENT

<i>In millions of euros</i>	30/06/2020	31/12/2020	Increases ¹	Decreases	Exchange rate impact	Other	30/06/2021
Land	164.8	171.6	0.6	-	(3.8)	(0.0)	168.4
Buildings	958.8	1,011.0	14.6	(3.0)	(2.5)	18.4	1,038.6
Industrial machinery, plant and equipment	378.9	424.3	6.6	(6.1)	1.4	22.3	448.6
Store fixtures and furnishings	1,018.8	1,044.2	30.4	(29.2)	20.1	53.1	1,118.6
Other property, plant and equipment assets	420.1	443.3	11.2	(3.8)	1.1	11.2	463.0
Fixed assets under construction	181.3	175.6	95.2	(0.1)	1.6	(105.6)	166.7
TOTAL GROSS VALUES	3,122.7	3,270.1	158.6	(42.2)	17.9	(0.7)	3,403.8
Depreciation of buildings	391.6	395.3	20.9	(0.7)	(2.4)	0.9	414.0
Depreciation of machinery, plant, and equipment assets	228.0	257.1	15.9	(5.6)	0.7	2.7	270.7
Depreciation of store fixtures and furnishings	573.4	574.5	51.0	(29.1)	10.5	1.4	608.3
Depreciation of other property, plant and equipment	266.3	278.3	19.1	(3.7)	1.0	(2.3)	292.5
Impairment losses ²	109.9	118.7	36.5	(0.7)	0.7	(1.3)	153.8
TOTAL AMORTISATION AND IMPAIRMENT	1,569.3	1,623.9	143.4	(39.9)	10.5	1.4	1,739.3
TOTAL NET VALUES	1,553.4	1,646.1	15.2	(2.3)	7.5	(2.0)	1,664.5

(1) Investments made during the first half of 2021 mainly include the opening and renovation of stores and capital expenditure to expand production capacity.

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

No item of property, plant or equipment were pledged as collateral to secure financial liabilities. Furthermore, the amount of property, plant and equipment assets in temporary use is not material when compared with their total value.

NOTE 16 INVESTMENT PROPERTY

<i>In millions of euros</i>	30/06/2020	31/12/2020	Increases	Decreases	Exchange rate impact	Other	30/06/2021
Land	28.9	29.3	-	-	1.3	-	30.6
Buildings	68.4	71.6	-	-	2.9	-	74.5
TOTAL GROSS VALUES	97.2	100.8	-	-	4.2	-	105.0
Depreciation	25.0	27.5	1.1	-	1.2	-	29.8
TOTAL NET VALUES	72.2	73.3	(1.1)	-	3.0	-	75.2

It is stipulated that the Group and its subsidiaries are not bound by any contractual obligation to buy, build or develop investment properties, existing or not. Moreover, the costs incurred for the upkeep, maintenance and improvement of the investment assets are neither significant nor likely, as far as we know, to change materially in the coming financial years.

Net rental income from investment property amounted to €3.7 million in the first half of 2021 (compared with €4.2 million in the first half of 2020).

NOTE 17 FINANCIAL ASSETS

<i>In millions of euros</i>	30/06/2020	31/12/2020	Increases	Decreases	Exchange rate impact	Other ¹	30/06/2021
Financial investments and accrued interest	323.9	338.9	0.0	(0.0)	-	59.6	398.4
Liquidity contract	11.8	14.0	4.3	-	-	-	18.3
Other financial assets	49.2	63.5	0.5	(1.0)	(0.1)	0.1	63.0
TOTAL GROSS VALUES	384.8	416.3	4.9	(1.0)	(0.1)	59.6	479.7
Impairment	32.9	48.6	-	-	(0.1)	-	48.5
TOTAL NET VALUES	351.9	367.7	4.9	(1.0)	0.0	59.6	431.2

(1) Changes in the value of financial assets at fair value through equity are recorded in "Revaluation adjustments" in equity.

NOTE 18 INVESTMENTS IN ASSOCIATES

<i>In millions of euros</i>	H1 2021	2020 Financial year	H1 2020
Balance as at 1 January	48.8	79.3	79.3
Impact of changes in scope of consolidation ¹	-	(28.7)	-
Net income from associates	12.9	16.1	3.0
Dividends paid	(15.7)	(21.4)	(5.4)
Exchange rate impact	0.5	(2.3)	(1.2)
Other ²	2.9	5.8	3.3
BALANCE AT END OF PERIOD	49.4	48.8	79.1

(1) Hermès' stake in J3L has been fully consolidated since July 2020.

(2) Includes the reclassification to "Provisions" of the share in the losses of equity-accounted associates, when this exceeds the carrying amount of the investments concerned.

NOTE 19 LOANS AND DEPOSITS

<i>In millions of euros</i>	30/06/2020	31/12/2020	Increases	Decreases	Exchange rate impact	Other	30/06/2021
Loans and deposits ¹	79.2	79.6	4.7	(2.6)	0.6	0.8	83.0
Impairment	21.0	23.6	-	-	(0.1)	3.0	26.5
TOTAL	58.2	55.9	4.7	(2.6)	0.7	(2.2)	56.5

(1) Security deposits amounted to €54.9 million as at 30 June 2021, compared with €54.3 million as at 31 December 2020.

NOTE 20 INVENTORIES AND WORK-IN-PROGRESS

	30/06/2021			31/12/2020	30/06/2020
<i>In millions of euros</i>	Gross	Impairment	Net	Net	Net
Retail, intermediate and finished goods	1,434.7	518.8	916.0	837.5	823.8
Raw materials and work-in-progress	784.4	306.7	477.7	451.9	451.6
TOTAL	2,219.1	825.5	1,393.7	1,289.4	1,275.4
Net impairment gain/(loss) on retail, intermediate and finished goods inventories	-	3.6	-	-	(10.6)
Net impairment gain/(loss) on impairment of raw materials and work in progress	-	(9.6)	-	-	(12.4)

No inventories were pledged as collateral to secure financial liabilities.

NOTE 21 TRADE RECEIVABLES AND OTHER ASSETS

	30/06/2021			31/12/2020	30/06/2020
<i>In millions of euros</i>	Gross	Impairment	Net	Net	Net
Trade and other receivables	302.2	(4.4)	297.7	249.7	192.1
of which: ♦ not yet due	202.6	-	202.6	136.4	154.9
♦ due ¹	99.5	(4.4)	95.1	113.3	37.2
Current tax receivables	11.5	-	11.5	63.5	43.5
Other assets	228.7	(0.7)	228.0	193.1	193.2
Other non-current assets	23.3	(0.3)	23.0	23.9	6.3
TOTAL	565.6	(5.4)	560.2	530.2	435.1

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

	30/06/2021			31/12/2020	30/06/2020
	Gross	Impairment	Net	Net	Net
Under 3 months	85.1	0.5	84.7	105.6	26.4
Between 3 and 6 months	2.1	0.4	1.7	2.6	9.2
Over 6 months	12.3	3.6	8.7	5.2	1.6
TOTAL	99.5	4.4	95.1	113.3	37.2

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

The Group's policy is to recommend that insurance be taken out covering accounts receivable inasmuch as local conditions permit. Consequently,

the expected risk of non-recovery is low, as evidenced by the level of impairment of trade receivables, which amounted to 1.5% of the gross value as at 30 June 2021 (2.4% at end of 2020). There is no significant concentration of credit risk.

Customer risk was not significantly affected by the health crisis.

NOTE 22 CASH AND CASH EQUIVALENTS

22.1 Change in net cash position

The reconciliation between the cash and cash equivalents presented on the balance sheet and the net cash position appearing in the statement of cash flows is as follows:

<i>In millions of euros</i>	30/06/2020	31/12/2020	Cash flows	Exchange rate impact	Scope impact	30/06/2021
Liquidities	1,004.2	1,312.8	(158.3)	4.3	-	1,158.7
Marketable securities ¹	2,746.0	3,419.8	742.4	30.6	-	4,192.8
Cash and cash equivalents on the balance sheet	3,750.3	4,732.7	584.1	34.8	-	5,351.6
Restatement of Mark-to-Market on liquidities	0.0	0.6	(0.6)	-	-	-
Bank overdrafts	(8.5)	(16.4)	(8.8)	(0.0)	-	(25.3)
NET CASH POSITION FROM THE STATEMENT OF CASH FLOWS	3,741.8	4,716.9	574.7	34.8	-	5,326.4

(1) Primarily invested in money market UCITS, term accounts, term deposits and other cash equivalents maturing in less than three months.

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

Cash and cash equivalents are available for the Group's needs without any particular restrictions.

22.2 Change in working capital requirements

<i>In millions of euros</i>	30/06/2021	31/12/2020	30/06/2020
Net inventories and work-in-progress	(92.6)	(157.9)	(146.8)
Trade and other receivables	(29.0)	38.4	108.7
Trade and other payables	(37.3)	(23.7)	(106.1)
Other receivables and payables	224.0	(207.1)	(180.7)
TOTAL	65.0	(350.3)	(324.8)

NOTE 23 EQUITY

At 30 June 2021, Hermès International's share capital consisted of 105,569,412 fully paid-up shares with a par value of €0.51 each, of which 925,769 treasury shares.

During the first half of 2021, the following treasury share movements occurred:

- ♦ buyback of 142,131 actions for €161.9 million, excluding movements under the liquidity contract;
- ♦ sale of 4,319 shares as part of the liquidity contract;
- ♦ delivery of 178,836 free shares awarded to Hermès Group employees.

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

For management purposes, the Hermès Group uses the notion of "equity attributable to owners of the parent" as shown in the consolidated statement of changes in equity. More specifically, equity includes the revaluation of financial instruments and actuarial gains and losses, as defined in Notes 1.11 and 1.19 of the 2020 universal registration document.

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

23.1 Dividends

The General Meeting of 4 May 2021, called to approve the financial statements for the year ended 31 December 2020, approved payment of an ordinary dividend of €4.55 per share for the financial year, i.e. an identical distribution to that of the previous year.

Taking into account the interim cash dividend of €1.50 per share paid on 4 March 2021, a balance of €3.05 was paid in cash on 10 May 2021.

The total amount of the ordinary dividend paid was accordingly €476 million.

23.2 Foreign currency adjustments

The breakdown of changes in foreign currency adjustments in the financial year is as follows:

<i>In millions of euros</i>	30/06/2021	31/12/2020	30/06/2020
Balance as at 1 January	37.6	138.7	138.7
US dollar	25.8	(66.8)	2.8
Hong Kong dollar	8.0	1.7	(7.8)
Pound sterling	1.4	(3.5)	(10.5)
Japanese yen	(9.1)	(6.5)	4.5
Singapore dollar	1.2	(13.7)	(7.4)
Chinese yuan	10.9	(11.1)	(2.6)
Swiss franc	(1.8)	1.3	2.3
Macao pataca	1.2	(3.4)	1.2
Russian rouble	0.9	(3.1)	(1.6)
Other currencies	(3.6)	4.1	(2.2)
BALANCE AT END OF PERIOD	72.3	37.6	117.3

23.3 Revaluation adjustments

Movements in derivatives (future cash flow hedges in foreign currencies) and financial investments in the first half of 2021 break down as follows (after tax):

<i>In millions of euros</i>	H1 2021	2020 Financial year	H1 2020
Balance as at 1 January	105.5	50.9	50.9
Amount transferred to equity in the year in respect of derivatives	(38.2)	34.8	35.0
Revaluation of derivatives	(18.5)	36.3	(11.6)
Revaluation of financial investments	87.2	-	-
Other deferred foreign exchange gains/(losses) recognised in comprehensive income	12.9	(16.5)	(4.3)
BALANCE AT END OF PERIOD	148.9	105.5	70.0

23.4 Income and expenses recognised in comprehensive income

Income and expenses recognised directly in equity during the first half of 2021 are as follows:

<i>In millions of euros</i>	Notes	Gross impact	Tax impact	Net impact
Actuarial gains and losses	28	-	-	-
Foreign currency adjustments	23.2	34.8	-	34.8
Revaluation adjustments	23.3	3.8	39.6	43.3
BALANCE AS AT 30 JUNE 2021				78.2

<i>In millions of euros</i>	Notes	Gross impact	Tax impact	Net impact
Actuarial gains and losses	28	(2.3)	0.5	(1.8)
Foreign currency adjustments	23.2	(103.0)	-	(103.0)
Revaluation adjustments	23.3	76.5	(21.9)	54.7
Balance as at 31 December 2020				(50.1)

<i>In millions of euros</i>	Notes	Gross impact	Tax impact	Net impact
Actuarial gains and losses	28	-	-	-
Foreign currency adjustments	23.2	(22.9)	-	(22.9)
Revaluation adjustments	23.3	30.6	(11.4)	19.2
Balance as at 30 June 2020				(3.8)

NOTE 24 NON-CONTROLLING INTERESTS

In millions of euros	30/06/2021	31/12/2020	30/06/2020
Balance as at 1 January	10.9	7.8	7.8
Net income attributable to non-controlling interests	3.3	4.1	(1.4)
Dividends paid to non-controlling interests	(3.8)	(4.5)	(4.4)
Foreign currency translation adjustments on foreign entities	0.1	(1.9)	(1.6)
Other changes	0.0	5.4	0.0
BALANCE AT END OF PERIOD	10.4	10.9	0.4

NOTE 25 EXPOSURE TO MARKET RISKS

The Hermès Group's results are exposed to the risks and uncertainties set out in the 2020 universal registration document. The assessment of these risks did not change during the first half of 2021 and no new risks

have been identified at the date of publication of this report. The Group's foreign exchange policy is based on the management principles described in the 2020 universal registration document.

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

In millions of euros	30/06/2021	31/12/2020	30/06/2020
Net financial derivative assets	79.8	121.4	69.4
Net financial derivative liabilities	(67.0)	(29.3)	(41.9)
NET POSITION OF FINANCIAL DERIVATIVES	12.8	92.1	27.5

The ineffective portion of cash flow hedges recorded in profit or loss was negative €47.9 million (of which negative €1.2 million from over-hedging), compared with negative €61.7 million (of which €11.6 million from over-hedging) at 31 December 2020 and negative €28.7 million (of which €4.4 million from over-hedging) at 30 June 2020

(see Note 9). The impact of the effective portion of the hedges recorded in equity is shown in Note 23.3.

The valuation methods used for financial instruments as at 30 June 2021 are identical to those used at 31 December 2020, as described on pages 363-364 of the 2020 universal registration document.

NOTE 26 PROVISIONS

In millions of euros	30/06/2020	31/12/2020	Allocations	Reversals ¹	Exchange rate impact	Others and reclassifications ²	30/06/2021
Current provisions	85.1	99.9	19.8	(12.9)	0.0	1.1	107.9
Non-current provisions	31.2	21.7	0.3	(3.1)	0.3	1.9	21.1
TOTAL	116.3	121.6	20.0	(16.0)	0.3	3.1	129.0

(1) Of which €9.8 million reversed and used.

(2) Corresponds essentially to provisions for restoration costs, established or revised during the financial year in return for right-of-use assets, which are amortised over the term of the leases.

Current provisions concern provisions for risks, disputes and litigation, as well as provisions to cover the share of the negative position of equity-accounted associates (see Note 18).

Non-current provisions mainly include provisions for restoration.

NOTE 27 EMPLOYEES

A geographical breakdown of the workforce is as follows:

	30/06/2021	31/12/2020	30/06/2020
France	10,607	10,383	9,773
Europe (excluding France)	1,919	1,938	1,662
Other geographical areas	4,440	4,279	4,263
TOTAL	16,966	16,600	15,698

Employee expenses totalled €711.6 million in the first half of 2021, compared with €633.0 million in the first half of 2020.

NOTE 28 POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFIT OBLIGATIONS

Hermès Group employees are eligible for post-employment benefits through either defined-contribution plans or defined-benefit plans. A description of these plans together with the main assumptions used to measure pension benefit obligations are presented in Note 28 to the

consolidated financial statements, starting on page 389 of the 2020 universal registration document.

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

<i>In millions of euros</i>	Post-employment plans	Other long-term benefits	H1 2021	2020 Financial year	H1 2020
Provisions as at 1 January	287.9	15.6	303.5	288.2	288.2
Foreign currency adjustments	(2.2)	0.1	(2.1)	(2.3)	0.9
Cost according to the income statement	11.0	1.1	12.1	17.6	10.9
Benefits/contributions paid	(0.5)	(0.4)	(0.9)	(4.2)	(2.1)
Actuarial gains and losses recognised in other comprehensive income	-	-	-	2.3	-
Change in scope	-	-	-	1.9	-
Other	-	-	-	(0.1)	(0.1)
PROVISIONS AT END OF PERIOD	296.2	16.4	312.6	303.5	297.8

The expense on post-employment and similar benefit obligations is composed of:

<i>In millions of euros</i>	Post-employment plans	Other long-term benefits	H1 2021	2020 Financial year	H1 2020
Service cost	10.4	1.0	11.4	18.0	10.1
Interest cost	0.6	0.1	0.6	1.2	0.6
Financial income on assets	(0.0)	-	(0.0)	(0.1)	(0.0)
(Gains)/Losses related to past service costs	-	-	-	(2.0)	-
Net actuarial (gains)/losses recognised in the year	-	-	-	0.4	-
Administrative expenses	0.1	-	0.1	0.2	0.1
EXPENSE ON POST-EMPLOYMENT AND SIMILAR BENEFIT OBLIGATIONS	11.0	1.1	12.1	17.6	10.9

NOTE 29 ACCOUNTS PAYABLE AND OTHER LIABILITIES

The breakdown of trade payable and other liabilities is as follows:

<i>In millions of euros</i>	30/06/2021	31/12/2020	30/06/2020
Accounts payable	336.3	372.5	297.7
Amounts payable to fixed asset suppliers	47.0	75.6	35.4
Trade and other payables	383.2	448.2	333.1
Tax liabilities	310.9	217.8	264.9
Other current liabilities	920.1	794.9	734.1
Other non-current liabilities	36.0	36.2	30.2
ACCOUNTS PAYABLE AND OTHER LIABILITIES	1,650.3	1,497.1	1,362.3

Other current and non-current liabilities mainly consist of tax and social liabilities.

NOTE 30 OFF-BALANCE SHEET COMMITMENTS

There was no material change in off-balance sheet commitments during the half-year.

NOTE 31 RELATED-PARTY TRANSACTIONS

Relations between the Hermès Group and related companies during the first half of 2021 were comparable with those of 2020. Specifically, no unusual transaction, by its nature or amount, was carried out during the period.

NOTE 32 SHARE-BASED PAYMENTS

The total expense incurred in the first half of 2021 for all free share allocation plans (including social security contributions) was €64.9 million, compared with €117.8 million at end-2020 and €66.7 million in the first half of 2020.

No new plans were established in the first half of 2021.

NOTE 33 SUBSEQUENT EVENTS

No significant events have occurred since the closing date at 30 June 2021.

4. STATUTORY AUDITORS' REPORT ON THE HALF-YEAR FINANCIAL INFORMATION

This is a free translation into English of the Statutory Auditors' review report on the half-year financial information issued in French and is provided solely for the convenience of English-speaking readers. This report includes information relating to the specific verification of information given in the Group's half-year management report. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Period from 1 January 2021 to 30 June 2021

To the shareholders,

In compliance with the assignment entrusted to us by your General Meeting and pursuant to Article L. 451-1-2 III of the French Monetary and Financial Code (Code monétaire et financier), we performed:

- ♦ a review of the condensed interim consolidated financial statements of Hermès International for the period from 1 January to 30 June 2021, as attached to this report;
- ♦ a verification of the information presented in the half-year management report.

Due to the global crisis related to the Covid-19 pandemic, the condensed half-year consolidated financial statements of this period have been prepared and reviewed under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of our procedures.

These condensed interim consolidated financial statements are prepared under the responsibility of the Executive Management. Our role is to express a conclusion on these financial statements, based on our limited review.

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1. CONCLUSION ON THE FINANCIAL STATEMENTS

We conducted our review in accordance with professional standards applicable in France.

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the professional standards applicable in France and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, the standard of IFRS as adopted by the European Union applicable to interim financial information.

2. SPECIFIC VERIFICATION

We also verified the information presented in the half-year business report commenting on the condensed interim consolidated financial statements that were the subject of our limited review.

We have no matters to report as to its fair presentation and its consistency with the condensed interim consolidated financial statements.

Neuilly-sur-Seine, 30 July 2021

The Statutory Auditors

Grant Thornton Audit

Vincent Frambourt

PricewaterhouseCoopers Audit

Olivier Auberty

5. STATEMENT BY THE PERSONS RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT

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

Paris, 29 July 2021

Executive Chairmen

Axel Dumas

Émile Hermès SAS
represented by Henri-Louis Bauer, Chairman

Hermès International

Société en commandite par actions (Partnership limited by shares) with share capital of €53,840,400.12

Paris Trade and Company Register no. 572076396

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A Hermès publication

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