TRANSLATION OF THE FRENCH INTERIM FINANCIAL REPORT

JUNE 2011

Hermès International
Partnership limited by shares with share capital of €53,840,400.12 - Commercial and Company Register of Paris no. 572 076 396

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Contents

5 Key figures

9 Half-year review of operations

15 Condensed interim consolidated financial statements

45 Statutory auditors' report on the interim financial information for the first half of 2011

47 Statement by persons responsible for the interim financial report

This document is a free translation into English of the French “Rapport semestriel d'activité”, hereafter referred to as the “Interim Financial Report”. It is not a binding document. In the event of a conflict in interpretation, reference should be made to the French version, which is the authentic text.

Key figures

Key consolidated figures for the first half of 2011

in millions of euros

	30 June 2011	31 Dec. 2010	30 June 2010
Revenue	1,305.5	2,400.8	1,074.7
Recurring operating income	418.1	668.2	304.5
Operating income	418.1	668.2	304.5
Net income after minorities	290.9	421.7	194.6
Operating cash flows	328.9	571.5	241.3
Capital expenditure and investments (excluding financial investments)	84.3	153.8	50.7
Shareholders' equity(1)	2,217.9	2,150.3	1,901.4
Net cash position	872.8	828.5	355.0
Restated net cash(2)	939.3	950.1	594.4
Number of employees	8,729	8,366	8,173

(1) Equity excluding non-controlling interests.
(2) Restated net cash includes non-liquid financial investments and borrowings.

Half-year review of operations

10 Highlights
10 First-half sales
12 First-half results
12 Investments
12 Financial position
13 Events occurring after 30 June 2011
13 Outlook for the second half
13 Risks and uncertainties
13 Related-party transactions

HIGHLIGHTS

Consolidated revenue in the first half of 2011 totalled €1,305.5 million, a rise of 22% at current exchange rates (21% at constant exchange rates). The excellent performance registered during the first three months of the year persisted throughout the second quarter.

During the second quarter, sales remained strong both for the Group's own stores (up 23% at constant exchange rates) and in the wholesale segment (up 19% at constant exchange rates).

On 3 May 2011, by common agreement with the designer Jean-Paul Gaultier, Hermès sold its entire 45% interest in the Gaulme group to the Spanish group Puig. The proceeds from disposal of this investment (€16.5 million) and from repayment of loans to the company (€14.0 million) generated a €29.5 million gross gain on disposal.

There were no significant events that produced a material impact on the Hermès Group's business and results during the period.

The Hermès Group bought back 324,627 of its own shares for €61.7 million (not including shares traded under the liquidity contract) during the first half of 2011, in order to cover grants of shares to employees.

FIRST-HALF SALES

(AT CONSTANT EXCHANGE RATES, UNLESS OTHERWISE INDICATED)

Growth momentum was robust across all geographic regions, driven by the USA and China. In Japan, sales were stable, in spite of the catastrophic events in March. The distribution network continued to expand with the opening of four new branches, including the acquisition of two concessions in Moscow.

Sales expanded significantly in France (up 21%), propelled by the success of the new store on rue de Sèvres in Paris opened in late 2010, and in the rest of Europe (up 20%).
Growth was exceptionally high in the Americas (up 34%) and in non-Japan Asia (up 30%).
All business sectors delivered handsome performances, underpinned by ongoing innovation and creativity.

In Silks & Textiles, sales moved up 29%, buoyed by the sector's lavish collections and persistently high advertising and marketing expenditure. In Leather Goods & Saddlery, sales advanced by 15% under the impetus of small leather goods and leather bags.

In Perfumes, sales momentum remained strong, following the launch of *Un Jardin sur le Toit* during the first quarter, with growth of 18%.
Ready-to-wear and Fashion Accessories registered a 31% jump owing to the success of the spring-summer ready-to-wear collections and to fashion accessories.

Lastly, in Watches (up 30%), Jewellery, (up 30%) and Tableware (up 25%), sales staged an impressive rebound. At Milan's furniture fair, the Group unveiled a new range of contemporary furnishings that will be widely distributed.

in millions of euros

	30 June 2011	30 June 2010	Reported change	Change at constant exchange rates
Silk and textiles	151.0	117.3	28.8%	29.0%
Leather Goods and Saddlery (1)	630.1	547.7	15.0%	14.5%
Ready-to-Wear and Fashion Accessories (2)	260.9	201.0	29.8%	30.5%
Other Hermès Sectors (3)	44.1	34.9	26.1%	25.6%
Sales through Hermès exclusive network	**1,086.1**	**901.0**	**20.5%**	**20.4%**
Perfumes	78.8	67.0	17.6%	17.6%
Watches	59.3	45.5	30.3%	30.0%
Tableware	23.9	19.1	25.0%	25.1%
Distribution via specialised outlets	**161.9**	**131.6**	**23.1%**	**23.0%**
Miscellaneous (4)	57.5	42.1	36.6%	35.7%
TOTAL	**1,305.5**	**1,074.7**	**21.5%**	**21.3%**

(1) "Leather Goods and Saddlery" includes bags, saddlery and riding gear, diaries and small leather goods.
(2) "Ready-to-Wear and Fashion Accessories" includes men and women's clothing, belts, jewellery accessories, gloves, hats and Hermès shoes.
(3) "Other Hermès Sectors" includes 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 2011	30 June 2010	Reported change	Change at constant exchange rates
France	232.2	192.3	20.8%	20.8%
Rest of Europe	249.3	205.1	21.6%	19.6%
Total - Europe	**481.5**	**397.3**	**21.2%**	**20.2%**
Japan	215.2	203.7	5.7%	0.1%
Rest of Asia-Pacific	375.6	291.4	28.9%	30.2%
Total - Asia	**590.9**	**495.2**	**19.3%**	**17.8%**
Americas	212.2	165.7	28.1%	33.9%
Other (1)	20.9	16.5	26.5%	26.1%
TOTAL	**1,305.5**	**1,074.7**	**21.5%**	**21.3%**

(1) Including sales to airlines.

FIRST-HALF RESULTS

The gross margin advanced by 2.6 points year-on-year to 69.0% in the first half of 2011, owing to the favourable currency impact and to strong sales growth generated by the Group's own stores.

Selling, marketing and administrative expenses amounted to €435.4 million in the first six months of 2011 compared with €369.8 million in the same year-ago period. They included €55.6 million of advertising and marketing expenses.

Other income and expense came to €47.6 million. This item mainly includes €42.8 million in depreciation charges, which increased due to the rapid pace of new store openings and branch renovations over the past two years.

Operating income expanded by 37.3% to €418.1 million euros from €304.5 million in the first half of 2010. The operating margin widened by 3.7 percentage points to 32.0% from 28.3% in the first half of 2010. Net financial income was €17.3 million compared with €(3.9) million in the six months to 30 June 2010. This item mainly includes the €29.5 million gross gain on the disposal from our investment in the Jean-Paul Gaultier group, which was partly offset by charges to financial provisions. Net financial income also includes income from invested cash and foreign exchange gains and losses.

Non-controlling interests totalled €4.4 million, compared with €5.2 million in the first half of 2010. After income tax expense of €134.8 million euros and net income of affiliated companies (a charge of €5.3 million), the Group's consolidated net income came to €290.9 million in the first six months of 2011 compared with €194.6 million in the first half of 2010, a rise of 49.5%.

INVESTMENTS

During the first half of 2011, investments in operating assets amounted to €56.8 million.
Hermès continued to expand its distribution network, with four branches opened or renovated.

in millions of euros

	30 June 2011	31 Dec. 2010
Investments in operating assets	56.8	138.2
Investments in financial assets (1)	27.5	15.5
Financial investments (2)	22.1	62.5
Total investments	**106.4**	**216.3**

(1) Investments in financial assets comprise the purchase of concessions and the acquisition of a minority stake.
(2) Financial investments are investments that do not meet the criteria for classification as cash equivalents, primarily because their maturity at inception is more than 3 months.

FINANCIAL POSITION

Operating cash flows rose by 36.3% to €328.9 million and fully covered total investments (€106.4 million), dividends (€163.7 million) and purchases of treasury shares (€59.8 million not including shares traded under the liquidity contract).

After the change in operating working capital requirement and in financial investments maturing in more than 3 months, cash amounted to €872.8 million as at 30 June 2011 compared with €828.5 million as at 31 December 2010. Restated net cash (including non-current financial investments and borrowings) totalled €939.3 million as at 30 December 2011, compared with €950.1 million as at 31 December 2010.
Equity moved higher to the rise in earnings. Shareholders' equity increased to €2,217.9

million as at 30 June 2011 from €2,150.3 million as at 31 December 2010.

EVENTS OCCURRING AFTER 30 JUNE 2011

During the third quarter, the Group has bought back treasury shares in order to cover grants of shares to employees. Since 1 July 2011, the Group has bought back 787,604 shares for a total of €180.4 million.

OUTLOOK FOR THE SECOND HALF

Given the excellent, better-than-expected performance in the second quarter, the Group confirmed the target it announced in July. It expects consolidated revenue growth over the full year at constant exchange rates to be in the 12%-14% range and the current operating margin to be about the same as the record-high achieved in 2010.
Hermès will not deviate from its long-term strategy of maintaining control over its know-how and distribution network. In 2011, Hermès will continue to invest in expanding its distribution network and plans to open more than ten branches. The theme for 2011, "Hermès, Contemporary Artisan", focuses on the excellence and authenticity of the expertise in craftsmanship that is the foundation on which the house has built its success over time, and that will continue to underpin it in the future.

RISKS AND UNCERTAINTIES

The Hermès Group's results are exposed to the risks and uncertainties described in the 2010 Registration Document. The assessment of these risks did not change during the first half of 2011 and no new risk had been identified as of the date of publication of this report. The main risk remains exposure to currency fluctuations.

RELATED-PARTY TRANSACTIONS

During the first half 2011, the relationships between the Hermès Group and its affiliated companies were comparable to the relationships that existed in 2010. More specifically, no transaction unusual in its nature or amount was carried out during the period.

Condensed interim consolidated financial statements

17 Consolidated statement of income for the six months to 30 June 2011

17 Consolidated statement of other comprehensive income

18 Consolidated statement of financial position as at 30 June 2011

20 Consolidated statement of changes in equity

22 Consolidated statement of cash flows for the six months to 30 June 2011

23 Notes to the consolidated financial statements for the first half of 2011

Consolidated statement of income for the six months to 30 June 2011

in millions of euros

	30 June 2011	31 Dec. 2010	30 June 2010
Revenue (Note 4)	**1,305.5**	**2,400.8**	**1,074.7**
Cost of sales	(404.4)	(815.0)	(360.7)
Gross profit	**901.1**	**1,585.8**	**714.0**
Selling, marketing and administrative expenses (Note 5)	(435.4)	(802.2)	(369.8)
Other non-recurring income and expense (Note 6)	(47.5)	(115.4)	(39.7)
Recurring operating income (Note 4)	**418.1**	**668.2**	**304.5**
Other non-recurring income and expense	-	-	-
Operating income	**418.1**	**668.2**	**304.5**
Net financial income (Note 7)	17.3	(12.5)	(3.9)
Pre-tax income	**435.4**	**655.7**	**300.6**
Income tax expense (Note 8)	(134.8)	(220.9)	(99.1)
Net income from associates (Note 15)	(5.3)	(3.1)	(1.6)
Consolidated net income	**295.3**	**431.7**	**199.8**
Net income attributable to non-controlling interests (Note 21)	(4.4)	(10.0)	(5.2)
Net income attributable to owners of the parent (Note 4)	**290.9**	**421.7**	**194.6**
Earnings per share (in euros) (Note 9)	2.77	4.01	1.85
Diluted earnings per share (in euros) (Note 9)	2.76	4.00	1.85

Consolidated statement of other comprehensive income

in millions of euros

	30 June 2011	31 Dec. 2010	30 June 2010
Consolidated net income	**295.3**	**431.7**	**199.8**
Actuarial gains and losses (Note 20.4)	(0.7)	(8.9)	(5.8)
Foreign currency adjustments (Note 20.4)	(35.2)	75.8	80.8
Derivatives included in equity (Note 20.4)	36.6	(25.3)	(73.8)
Gain/(loss) on sale of treasury shares (Note 20.4)	1.1	2.0	0.6
Income tax relating to components of other comprehensive income (Note 20.4)	(13.2)	11.8	26.1
Comprehensive income	**284.0**	**487.1**	**227.8**
- attributable to owners of the parent	280.5	475.4	219.9
- attributable to non-controlling interests	3.5	11.8	7.9

Consolidated statement of financial position as at 30 June 2011

ASSETS

in millions of euros

	30 June 2011	31 Dec. 2010	30 June 2010
Non-current assets	**1,284,6**	**1,354.8**	**1,454.9**
Goodwill (Note 10)	35.8	37.2	37.4
Intangible assets (Note 11)	97.1	75.2	65.4
Property, plant & equipment (Note 12)	762.2	774.2	754.3
Investment property (Note 13)	93.1	98.3	94.2
Financial assets (Note 14)	87.2	151.7	277.7
Investments in associates (Note 15)	9.9	14.3	14.7
Loans and deposits (Note 16)	24.9	24.3	24.8
Deferred tax assets (Note 8.3)	173.0	178.1	186.2
Other non-current assets (Note 18)	1.5	1.5	0.3
Current assets	**1,688.8**	**1,563.8**	**1,177.4**
Inventories and work in progress (Note 17)	512.5	468.6	517.5
Trade and other receivables (Note 18)	145.6	159.0	135.5
Current tax receivables (Note 18)	0.7	1.1	4.5
Other current assets (Note 18)	84.9	69.5	65.6
Financial instruments at fair value (Note 22)	48.0	21.7	64.7
Cash and cash equivalents (Note 19)	897.1	843.8	389.5
TOTAL ASSETS	**2,973.4**	**2,918.6**	**2,632.3**

EQUITY AND LIABILITIES

in millions of euros

	30 June 2011	31 Dec. 2010	30 June 2010
Equity	**2,230.3**	**2,163.2**	**1,919.9**
Share capital (Note 20)	53.8	53.8	53.8
Share premium	49.6	49.6	49.6
Treasury shares (Note 20)	(92.8)	(33.0)	(31.7)
Reserves	1,890.2	1,621.3	1,627.8
Foreign currency adjustments (Note 20.3)	8.4	42.7	46.7
Derivatives included in equity (Note 20.2)	17.7	(5.9)	(39.4)
Net income attributable to owners of the parent (Note 4)	290.9	421.7	194.6
Non-controlling interests (Note 21)	12.4	12.9	18.4
Non-current liabilities	**137.0**	**130.8**	**117.3**
Borrowings and debt	18.1	17.9	19.5
Provisions (Note 23)	7.7	14.4	7.3
Pension and other employee benefit obligations (Note 25)	59.7	56.3	58.6
Deferred tax liabilities (Note 8.2)	17.4	12.1	11.8
Other non-current liabilities (Note 26)	34.1	30.1	20.1
Current liabilities	**606.1**	**624.6**	**595.1**
Borrowings and debt	32.2	26.0	43.3
Provisions (Note 23)	25.8	31.0	14.4
Pension and other employee benefit obligations (Note 25)	6.1	6.2	3.1
Trade and other payables (Note 26)	206.8	234.6	164.1
Financial instruments at fair value (Note 22)	15.5	30.1	117.0
Current tax liabilities (Note 26)	93.0	76.3	54.2
Other current liabilities (Note 26)	226.8	220.3	199.0
TOTAL EQUITY AND LIABILITIES	**2,973.4**	**2,918.6**	**2,632.3**

Consolidated statement of changes in equity

in millions of euros

	Share capital (Note 20)	Share premium	Treasury shares (Note 20)	Reserves and net income attributable to owners of the parent	Derivatives (Note 20)	Foreign currency adjustments (Note 20)	Actuarial gains and losses (Note 25)	Shareholders' Equity	Non-controlling interests (Note 21)	Equity	Number of shares outstanding (Note 20)
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	-	-	-	421.7	-	-	-	421.7	10.0	431.7	-
Other comprehensive income	-	-	-	1.3	(15.9)	74.1	(5.8)	53.7	1.8	55.5	-
Sub-total	-	-	-	*423.0*	*(15.9)*	*74.1*	*(5.8)*	*475.4*	*11.8*	*487.1*	-
Change in share capital and share premium	-	-	-	-	-	-	-	-	-	-	-
Purchase or sale of treasury shares	-	-	(0.5)	-	-	-	-	(0.5)	-	(0.5)	-
Share-based payment	-	-	v	9.1	-	-	-	9.1	-	9.1	-
Dividends paid	-	-		(112.0)	-	-	-	(112.0)	(7.0)	(119.1)	-
Other	-	-		(11.6)	-	-	-	(11.6)	(5.9)	(17.5)	-
As at 31 December 2010	**53.8**	**49.6**	**(33.0)**	**2,066.4**	**(5.9)**	**42.7**	**(23.4)**	**2,150.3**	**12.9**	**2,163.2**	**105,569,412**
Net income attributable to owners of the parent	-	-	-	290.9	-	-	-	290.9	4.4	295.3	-
Other comprehensive income	-	-	-	0.8	23.6	(34.3)	(0.4)	(10.4)	(0.9)	(11.3)	-
Sub-total	-	-	-	*291.7*	*23.6*	*(34.3)*	*(0.4)*	*280.5*	*3.5*	*284.0*	-
Change in share capital and share premium	-	-	-	-	-	-	-	-	-	-	-
Purchase or sale of treasury shares	-	-	(59.8)	-	-	-	-	(59.8)	-	(59.8)	-
Share-based payment	-	-	-	6.2	-	-	-	6.2	-	6.2	-
Dividends paid	-	-	-	(160.0)	-	-	-	(160.0)	(3.6)	(163.7)	-
Other	-	-	-	0.7	-	-	-	0.7	(0.4)	0.3	-
As at 30 June 2011	**53.8**	**49.6**	**(92.8)**	**2,205.0**	**17.7**	**8.4**	**(23.8)**	**2,217.9**	**12.4**	**2,230.3**	**105,569,412**

	Share capital (Note 20)	Share premium	Treasury shares (Note 20)	Reserves and net income attributable to owners of the parent	Derivatives (Note 20)	Foreign currency adjustments (Note 20)	Actuarial gains and losses (Note 25)	Shareholders' Equity	Non-controlling interests (Note 21)	Equity	Number of shares outstanding (Note 20)
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**

Consolidated statement of cash flows for the six months to 30 June 2011

in millions of euros

	30 June 2011	31 Dec. 2010	30 June 2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income attributable to owners of the parent (Note 4)	290.9	421.7	194.6
Depreciation and amortisation	50.1	97.1	44.9
Impairment losses (Notes 11 and 12)	0.8	3.8	1.4
Marked-to-market value of derivatives	(0.9)	7.1	4.7
Currency gains/(losses) on fair value adjustments	9.0	(8.3)	(16.6)
Change in provisions	4.4	23.2	(7.1)
Net income from associates (Note 15)	5.3	3.1	1.6
Non-controlling interests (Note 21)	4.4	10.0	5.2
Capital gains/(losses) on disposals	(29.8)	2.0	1.1
Deferred tax	(11.5)	2.8	8.6
Accrued expenses and income related to share-based payments	6.2	9.1	2.8
Other	0.1	-	0.1
Operating cash flows	**328.9**	**571.5**	**241.3**
Cost of net debt	1.8	3.5	3.1
Current tax expense	150.5	226.5	96.3
Operating cash flows before cost of debt and current tax expense	**481.1**	**801.5**	**340.7**
Change in working capital	(56.8)	59.5	(34.3)
Cost of net debt	(1.8)	(3.5)	(3.1)
Income tax paid	(130.5)	(193.6)	(89.4)
Net cash from operating activities	**291.9**	**663.8**	**213.9**
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchase of intangible assets (Note 11)	(6.1)	(23.9)	(7.8)
Purchase of property, plant and equipment (Note 12)	(50.7)	(114.4)	(42.9)
Investments in associates (Note 2)	(27.5)	(15.5)	-
Purchase of other financial investments (Note 14.1)	(22.1)	(62.5)	(181.7)
Amounts payable relating to fixed assets	(16.2)	2.0	(15.4)
Proceeds from sales of operating assets	0.1	0.4	0.2
Proceeds from sales of other financial assets	110.3	25.7	25.7
Net cash used in investing activities	**(12.2)**	**(188.1)**	**(221.9)**
CASH FLOWS USED IN FINANCING ACTIVITIES			
Dividends paid (Note 20)	(163.7)	(119.1)	(115.1)
Purchases of treasury shares	(59.8)	(0.5)	0.8
Borrowings	6.1	1.8	0.3
Reimbursements of borrowings	(6.0)	(23.1)	(20.5)
Other increases/(decreases) in equity	-	-	-
Net cash used in financing activities	**(223.3)**	**(140.9)**	**(134.5)**
Effect of changes in the scope of consolidation (Note 19)	0.1	0.1	(0.2)
Effect of foreign currency exchange rate changes on intragroup transactions	(1.6)	(26.5)	(25.3)
Effect of foreign currency exchange rate changes (Note 19)	(10.4)	12.5	15.5
CHANGE IN NET CASH POSITION (Note 19)	**44.3**	**320.9**	**(152.6)**
Net cash position at beginning of period (Note 19)	828.5	507.6	507.6
Net cash position as at end of period (Note 19)	872.8	828.5	355.0
CHANGE IN NET CASH POSITION (Note 19)	**44.3**	**320.9**	**(152.6)**

Notes to the consolidated financial statements for the first half of 2011

24 Note 1 - Accounting policies and principles
25 Note 2 - Changes in the scope of consolidation
26 Note 3 - Seasonal nature of business
26 Note 4 - Segment reporting
29 Note 5 - Selling, marketing and administrative expenses
29 Note 6 - Other income and expense
30 Note 7 - Net financial income
30 Note 8 - Income tax
31 Note 9 - Earnings per share
32 Note 10 - Goodwill
32 Note 11 - Intangible assets
33 Note 12 - Property, plant and equipment
33 Note 13 - Investment property
34 Note 14 - Financial assets
35 Note 15 - Investments in associates
35 Note 16 - Loans and deposits
36 Note 17 - Inventories and work in progress
36 Note 18 - Trade and other receivables
37 Note 19 - Cash and cash equivalents
37 Note 20 - Shareholders' equity
39 Note 21 - Non-controlling interests
40 Note 22 - Exposure to market risks
40 Note 23 - Provisions
41 Note 24 - Employees
41 Note 25 - Post-employment and other employee benefit obligations
43 Note 26 - Trade payables and other liabilities
43 Note 27 - Share-based payments
43 Note 28 - Off-balance sheet commitments
43 Note 29 - Related parties
43 Note 30 - Events occurring after 30 June 2011

The interim consolidated financial statements as presented were approved by the Executive Management on 30 August 2011 after review by the Audit Committee at its meeting of 25 August 2011.

NOTE 1. ACCOUNTING POLICIES AND PRINCIPLES

The condensed interim consolidated financial statements of the Hermès Group have been prepared in accordance with IAS 34 - *Interim Financial Reporting*, as endorsed by the European Union, and the selected explanatory notes. The selected explanatory notes do not contain all information contained in annual financial statements. Accordingly, they should be read in conjunction with the consolidated financial statements for the year ended 31 December 2010.

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 2010 and described therein, with the exception of the estimated tax charge 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.

NOTE 1.1. – MANDATORY STANDARDS AND INTERPRETATIONS

The following standards and interpretations, which are mandatory as from 30 June 2011, did not produce a material impact on the consolidated financial statements:

- Annual improvements to IFRS (2009-2011);
- Amendment to IAS 32 - *Classification of Rights Issues* (applicable to annual periods commencing on or after 1 February 2010);
- Amendment to IAS 24 - Related *Party Disclosures*;
- IFRIC 19 - *Extinguishing Financial Liabilities with Equity Instruments*;
- Amendments to IFRIC 14 - *Prepayments of a Minimum Funding Requirements*.

NOTE 1.2. – OPTIONAL STANDARDS AND INTERPRETATIONS

The Group did not opt for early application of those standards and interpretations that are not mandatory as of 30 June 2011, notably:

- Amendment to IFRS 7 - Financial *Instruments: Disclosures*

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

NOTE 1.3. – DIFFERENCES BETWEEN THE STANDARDS APPLIED AND IFRS PUBLISHED BY THE IASB

Certain standards and interpretations have been published by the IASB but had not been endorsed by the European Union as at 30 June 2011, notably:

- IAS 12 - *Recovery of Underlying Assets*;
- IFRS 9 - *Financial Instruments*;
- IFRS 10 - *Consolidated Financial Statements*;
- IFRS 11 - *Joint Arrangements*;
- IFRS 12 - *Disclosure of Interests in Other Entities*;
- IFRS 13 - *Fair Value Measurement*;
- IAS 27R - *Separate Financial Statements*;
- IAS 28R - *Investments in Associates and Joint Ventures*

NOTE 2. CHANGES IN THE SCOPE OF CONSOLIDATION

The main changes in the scope of consolidation during the first half of 2011 were the following:

	Interest		Method	
	30 June 2011	31 Dec. 2010	30 June 2011	31 Dec. 2010
Additions				
Hermès Rus	99.90%		Full	
Stoleshnikov	100.00%		Full	
Faubourg Italia	60.00%		Full	
Removals				
Gaulme	-	45.00%		EA
Other changes in ownership interest				
Hermès Singapore (Retail)	100.00%	80.00%	Full	Full

Consolidation method Full: Fully consolidated. EA: equity-accounted

Creation of Hermès Rus and acquisition of Stoleshnikov 12

After a 10-year partnership with a concession-holder that operated two stores in Moscow, Hermès decided to operate directly in Russia. For this purpose, the following transactions were carried out:

Creation of Hermès Rus

Hermès Rus was created on 17 January 2011. The company is 99.90% owned by Compagnie Hermès de Participation.

Acquisition of Stoleshnikov 12

On 9 May 2011, the Group acquired 100% of Stoleshnikov 12. As of the acquisition date, Hermès International and Compagnie Hermès de Participation had acquired all 32 shares that make up the share capital, thereby giving them 100% of the voting rights.

The shares were sold to the Hermès Group for €25 million, it being noted that incidental acquisition costs were not material.

As of the acquisition date, the assets and liabilities included in the consolidated financial statements of the Hermès Group amounted to €25 million and consisted mainly of a concession right and a leasehold right.

In accordance with IFRS 3 - *Business Combinations*, the acquisition of this controlling interest was recognised using the purchase method. As a result, the assets and liabilities of the acquired company were measured at fair value, in accordance with IFRS rules and with the valuation principles applicable within the Hermès Group. This fair value may be adjusted within a maximum of one year as from the acquisition date.

Creation of Faubourg Italia

Alongside its tableware and Art of Living collections, Hermès is now developing a complete home furnishings universe, which also includes upholstery fabric and wallpaper.

To develop its upholstery fabric and wallpaper collections, Hermès decided to team up with a leader in the sector that has expertise in both production and international distribution.

It created Faubourg Italia, a joint subsidiary with the Italian fabric manufacturer Dedar. Faubourg Italia's share capital consists of 100 shares with a par value of €1,000 each and the company is 60% owned by Hermès International.

Disposal of Compagnie Hermès de Participation's investment in the Gaulme group

On 3 May 2011, Hermès sold its entire 45% equity stake in the Jean Paul Gaultier fashion house, in which it had held an interest since 1999. The proceeds from disposal of this investment (€16.5 million) and from the repayment of loans to the company and from bond redemptions (€14.0

million) generated a €29.5 million gross gain on disposal, which was recognised in net financial income in the interim consolidated financial statements.

Increase of ownership interest in Hermès Singapore (Retail).
On 25 April 2011, Company Hermès South East Asia increased its interest in Hermès Singapore (Retail) from 80% to 100%. The consideration paid for this acquisition was SGD4.4 million (approximately €2.5 million).
In accordance with IFRS 3 (revised) and IAS 27 (revised), as this transaction did not lead to a change of control, the difference between the purchase price and the prior carrying amount of the non-controlling interest (€0.4 million) was recognised directly in equity.

NOTE 3. SEASONAL NATURE OF BUSINESS

On the whole, the Group's business is broken down fairly evenly over the entire year. In 2010, the Group generated 45% of its sales in the first half and 55% in the second. However, sales in the second half are highly dependent on business activity during the year-end holiday season.

NOTE 4. SEGMENT REPORTING

4.1 - INFORMATION BY BUSINESS SECTOR
The Hermès Group's business operations are overseen by the main operational decision-making body (the "Executive Committee") by geographical area and by sector (distribution through the Hermès exclusive network and distribution via specialised outlets). Given the current structure of the Group, which is organised by geographical area under the responsibility of operational managers who are in charge of applying the strategy defined by the Executive Committee, the Group has determined that its geographical sectors meet the definition of operating segments in accordance with the fundamental principles set out in IFRS 8.

Information by business segment is provided below.

in millions of euros

First half of 2011	France	Rest of Europe	Japan	Rest of Asia-Pacific	Americas	Other[1]	Holding company	Total
Revenue	**232.2**	**249.3**	**215.2**	**375.6**	**212.2**	**20.9**	**-**	**1,305.5**
Selling, marketing and administrative expenses	(80.0)	(73.1)	(77.9)	(99.7)	(68.9)	(6.1)	(29.8)	(435.4)
Depreciation	(4.7)	(8.4)	(6.0)	(11.6)	(7.1)	(0.2)	(4.9)	(42.8)
Operating provisions	(1.4)	0.2	(1.3)	(0.6)	(0.5)	0.1	(2.3)	(6.0)
Impairment losses	(0.6)	(0.1)	-	-	-	-	-	(0.7)
Operating income	**56.0**	**76.2**	**80.0**	**166.5**	**73.8**	**6.1**	**(40.5)**	**418.1**
Operating margin by segment	*24.1%*	*30.6%*	*37.2%*	*44.3%*	*34.8%*	*29.2%*		*32.0%*
Other non-recurring income and expense							-	-
Net financial income							17.3	17.3
Net income from associates							(5.3)	(5.3)
Income tax expense							(134.8)	(134.8)
Attributable to non-controlling interests							(4.4)	(4.4)
Net income	**56.0**	**76.2**	**80.0**	**166.5**	**73.8**	**6.1**	**(167.7)**	**290.9**

(1) Unallocated revenue mainly includes sales to airlines, in the Middle East and in Africa.

in millions of euros

FY 2010	France	Rest of Europe	Japan	Rest of Asia-Pacific	Americas	Other[1]	Holding company	Total
Revenue	**437.2**	**463.4**	**453.2**	**630.9**	**384.7**	**31.3**	**-**	**2,400.8**
Selling, marketing and administrative expenses	(139.5)	(140.0)	(161.8)	(172.2)	(126.8)	(10.6)	(51.4)	(802.2)
Depreciation	(8.7)	(17.0)	(13.4)	(20.0)	(15.8)	(0.4)	(9.3)	(84.5)
Operating provisions	(4.8)	(10.4)	(9.7)	(3.9)	(1.1)	(0.1)	5.1	(25.0)
Impairment losses	(3.5)	(0.3)	-	-	-	-	-	(3.8)
Operating income	**102.0**	**110.0**	**152.0**	**248.1**	**115.3**	**3.1**	**(62.2)**	**668.2**
Operating margin by segment	*23.3%*	*23.7%*	*33.5%*	*39.3%*	*30.0%*	*10.0%*		*27.8%*
Other non-recurring income and expense							-	-
Net financial income							(12.5)	(12.5)
Net income from associates							(3.1)	(3.1)
Income tax expense							(220.9)	(220.9)
Attributable to non-controlling interests							(10.0)	(10.0)
Net income	**102.0**	**110.0**	**152.0**	**248.1**	**115.3**	**3.1**	**(308.7)**	**421.7**

(1) Unallocated revenue mainly includes sales to airlines, in the Middle East and in Africa.

in millions of euros

First half of 2010	France	Rest of Europe	Japan	Rest of Asia-Pacific	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	(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%*
Other non-recurring income and expense							-	-
Net financial income							(3.9)	(3.9)
Net income from associates							(1.6)	(1.6)
Income tax expense							(99.1)	(99.1)
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**

(1) Unallocated revenue mainly includes sales to airlines, in the Middle East and in Africa.

4.2 - INFORMATION BY GEOGRAPHICAL AREA

The breakdown of sales by region of destination is the following:

in millions of euros

	30 June 2011	31 Dec. 2010	30 June 2010
France	232.2	437.2	192.3
Rest of Europe	249.3	463.4	205.1
Japan	215.2	453.2	203.7
Rest of Asia-Pacific	375.6	630.9	291.4
Americas	212.2	384.7	165.7
Other countries	20.9	31.3	16.5
Total sales	**1,305.5**	**2,400.8**	**1,074.7**

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

in millions of euros

	30 June 2011	31 Dec. 2010	30 June 2010
France	486.4	481.6	452.1
Rest of Europe	165.1	150.4	140.9
Japan	194.3	211.8	215.1
Rest of Asia-Pacific	117.5	123.1	124.6
Americas	63.3	68.0	76.1
Other countries	-	-	-
Non-current assets[1]	**1,026.6**	**1,034.9**	**1,008.7**

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

NOTE 5. SELLING, MARKETING AND ADMINISTRATIVE EXPENSES

in millions of euros

	30 June 2011	31 Dec. 2010	30 June 2010
Advertising and marketing expenses	(55,6)	(126.4)	(52.5)
Other selling and administrative expenses	(379.9)	(675.8)	(317.4)
Total	**(435.4)**	**(802.2)**	**(369.8)**

NOTE 6. OTHER INCOME AND EXPENSE

in millions of euros

	30 June 2011	31 Dec. 2010	30 June 2010
Depreciation and amortisation (Note 4)	(42.8)	(84.5)	(38.5)
Net change in current provisions	(0.7)	(23.2)	(1.5)
Cost of defined benefit plans (Note 25)	(5.3)	(9.9)	(4.8)
Impairment losses (Note 4)	(0.8)	(3.8)	(1.4)
Other income/(expenses)	1.9	6.0	6.5
Total	**(47.6)**	**(115.4)**	**(39.7)**

Total depreciation and amortisation of tangible and intangible assets included in operating expenses (other income and expenses and cost of sales) amounted to €50.1 million in the first half of 2011 compared with €44.9 million in the same year-ago period.

NOTE 7. NET FINANCIAL INCOME

in millions of euros

	30 June 2011	31 Dec. 2010	30 June 2010
Income from cash and cash equivalents	6.4	5.1	2.0
Gross cost of debt	-	(0.3)	(0.3)
of which: income from hedging instruments	*0.2*	*0.6*	*0.2*
Cost of net debt	**6.4**	**4.8**	**1.7**
Other financial income and expenses (1)	11.0	(17.3)	(5.7)
of which: ineffective portion of cash flow hedges	*(5.5)*	*(9.3)*	*(4.8)*
Total	**17.3**	**(12.5)**	**(3.9)**

(1) Including the €29.5 million gross gain on the disposal of the investment in Gaulme (see Note 2).

NOTE 8. INCOME TAX

8.1 - INCOME TAX EXPENSE

In accordance with IAS 34, the corporate income tax charge for the first half is calculated based on an estimated average annual rate. The estimated tax rate for 2011 is 31.0%, compared with 33.7% for the year ended 31 December 2010.

The change in the tax rate is due to the disposal of the investment in the Gaulme group, which generated a non-taxable gain.

8.2 - DEFERRED TAX

in millions of euros

	30 June 2011	31 Dec. 2010	30 June 2010
Deferred tax assets as at 1 January	178.1	143.1	143.1
Deferred tax liabilities as at 1 January	12.1	10.0	10.0
Net deferred tax assets as at 1 January	**165.9**	**133.1**	**133.1**
Impact on the statement of income	15.6	5.5	(2.8)
Impact on the scope of consolidation	5.2	-	-
Impact of foreign currency movements	(7.0)	15.6	17.8
Other(1)	(24.2)	11.7	26.3
Net deferred tax assets as at end of period	**155.5**	**165.9**	**174.4**
Deferred tax assets as at end of period	173.0	178.1	186.2
Deferred tax liabilities as at end of period	17.4	12.1	11.8

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

As at 30 June 2011, deferred taxes related mainly to the following restatements:

in millions of euros

	30 June 2011
Internal margins on inventories and provisions for inventories	107.4
Liabilities to employees	31.0
Derivatives	(4.2)
Impairment losses	4.8
Stock option plans	4.7
Restricted provisions	(16.1)
Other	27.9
Total	**155.5**

NOTE 9. EARNINGS PER SHARE

Earnings per share is calculated on the basis of the weighted average number of shares outstanding during the year.

The weighted average number of shares outstanding during the year and previous years is adjusted to take account of any bonus issues and stock splits occurring during the year, and of shares held in treasury.

Diluted earnings per share is adjusted to reflect shares to be issued in connection with stock option plans implemented by the Executive Management.

In accordance with the definitions set out in Note 1.20 in the 2010 Registration Document, the calculation and reconciliation of basic earnings per share and diluted earnings per share is as follows:

	30 June 2011	31 Dec. 2010	30 June 2010
Numerator (millions of euros)			
Basic net income	290.9	421.7	194.6
Adjustments	-	-	-
Diluted net income	290.9	421.7	194.6
Denominator (number of shares)			
Weighted average number of ordinary shares	**105,110,749**	**105,162,445**	**105,152,919**
Basic earnings per share	**2.77**	**4.01**	**1.85**
Weighted average number of ordinary shares under option	808,110	654,730	486,934
Weighted average number of shares that would have been issued at fair value	(341,745)	(389,022)	(339,397)
Weighted average number of diluted ordinary shares	**105,577,114**	**105,428,153**	**105,300,456**
Diluted earnings per share	**2.76**	**4.00**	**1.85**
Average price per share over 6m/12m	€161.94	€125.67	€101.77
Average exercise price for shares under option	€68.49	€74.67	€70.94

NOTE 10. GOODWILL

in millions of euros

	30 June 2010	31 Dec. 2010	Increases	Decreases	Currency impact	Other	30 June 2011
Goodwill	76.5	75.6	0.8	-	(3.3)	-	73.1
Total gross value	**76.5**	**75.6**	**0.8**	**-**	**(3.3)**	**-**	**73.1**
Amortisation booked before 1 January 2004	38.2	37.5	-	-	(1.9)	-	35.6
Impairment losses	0.9	1.0	-	-	-	0.7	1.7
Total amortisation and impairment losses	**39.1**	**38.5**	**-**	**-**	**(1.9)**	**0.7**	**37.3**
Total net value	**37.4**	**37.2**	**0.8**	**-**	**(1.4)**	**(0.7)**	**35.8**

As at 30 June 2011, the largest components of the net value of goodwill were €17.0 million for Hermès Japon and €14.2 million for Hermès Cuirs Précieux.

It is noted that the cash generating units (CGUs) on which impairment losses have been recognised are not individually material when compared with the Group's overall business.

Furthermore, no goodwill with an indefinite life is allocated to several CGUs.

NOTE 11. INTANGIBLE ASSETS

in millions of euros

	30 June 2010	31 Dec. 2010	Increases	Decreases	Currency impact	Other	30 June 2011
Leasehold rights	49.7	53.7	0.1	(0.6)	0.1	6.0	59.3
Concessions, patents, licences and software	26.2	31.7	0.5	-	(0.4)	0.2	32.1
Other intangible assets	61.9	72.0	1.8	(0.1)	(0.1)	29.0	102.5
Work in progress[1]	15.9	10.7	3.8	-	-	(7.0)	7.5
Total gross value	**153.7**	**168.1**	**6.1**	**(0.7)**	**(0.4)**	**28.2**	**201.4**
Amortisation of leasehold rights	22.9	24.2	1.4	(0.6)	(0.1)	(0.2)	24.8
Amortisation of concessions, patents, licences and software	22.1	23.3	1.2	-	(0.4)	-	24.0
Amortisation of other intangible assets	41.7	44.5	10.3	(0.1)	(0.3)	-	54.5
Impairment losses	1.6	1.0	-	-	-	-	1.0
Total amortisation and impairment losses	**88.3**	**93.0**	**12.9**	**(0.6)**	**(0.8)**	**(0.2)**	**104.3**
Total net value	**65.4**	**75.2**	**(6.8)**	**-**	**0.4**	**28.4**	**97.1**

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

NOTE 12. PROPERTY, PLANT AND EQUIPMENT

in millions of euros

	30 June 2010	31 Dec. 2010	Increases	Decreases	Currency impact	Other	30 June 2011
Land	160.9	160.1	-	-	(8.6)	-	151.6
Buildings	426.2	446.0	3.5	(0.1)	(7.3)	0.3	442.5
Machinery, plant and equipment	148.3	153.9	2.8	(0.4)	(1.4)	2.2	157.0
Other property, plant and equipment	577.8	586.2	15.0	(1.3)	(15.4)	5.5	590.0
Work in progress	40.0	43.8	29.4	-	(0.4)	(9.0)	63.7
Total gross value	**1,353.1**	**1,390.0**	**50.7**	**(1.8)**	**(33.1)**	**(1.0)**	**1,404.7**
Depreciation of buildings	150.4	162.4	8.9	(0.1)	(3.9)	-	167.3
Depreciation of machinery, plant and equipment	99.9	104.5	5.4	(0.4)	(0.9)	-	108.6
Depreciation of other property, plant and equipment	331.1	332.5	27.0	(1.1)	(8.6)	0.7	350.4
Impairment losses	17.4	16.4	0.8	(0.8)	(0.2)	-	16.2
Total amortisation and impairment losses	**598.8**	**615.7**	**42.1**	**(2.3)**	**(13.6)**	**0.6**	**642.5**
Total net value	**754.3**	**774.2**	**8.6**	**0.6**	**(19.5)**	**(1.7)**	**762.2**

Investments during the first half of 2011 mainly related to the opening and renovation of stores and capital expenditure to expand production capacity.

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

NOTE 13. INVESTMENT PROPERTY

in millions of euros

	30 June 2010	31 Dec. 2010	Increases	Decreases	Currency impact	Other	30 June 2011
Land	29.0	30.5	-	-	(1.3)	-	29.2
Buildings	68.2	72.1	-	-	(3.0)	-	69.1
Total gross value	**97.2**	**102.6**	**-**	**-**	**(4.2)**	**-**	**98.4**
Depreciation	3.0	4.3	1.1	-	(0.1)	-	5.3
Total net value	**94.2**	**98.3**	**(1.1)**	**-**	**(4.1)**	**-**	**93.1**

It is noted that neither the Group nor its subsidiaries are bound by any contractual obligation to buy, build or develop any investment property, existing or otherwise.

Moreover, the costs incurred for the upkeep, maintenance and improvement of investment assets are not material, nor, to the best of our knowledge at this time, are they likely to change materially over the next several years.

Rental income derived from investment property amounted to €2.2 million in the first half of 2011.

NOTE 14. LONG-TERM INVESTMENTS

14.1 - AVAILABLE-FOR-SALE SECURITIES

in millions of euros

	30 June 2010	**31 Dec. 2010**	**Increases**	**Decreases**	**Currency impact**	**Other**	**30 June 2011**
Term investments and accrued interest(1)	251.3	132.5	21.0	(79.8)	-	(0.5)	73.2
Liquidity contract	8.7	9.3	2.5	-	-	-	11.9
Other financial assets(2)	7.7	7.5	-	(1.0)	(0.2)	-	6.3
Other non-consolidated investments(3)	0.5	0.4	-	-	-	-	0.4
Total gross value	**268.2**	**149.8**	**23.6**	**(80.9)**	**(0.2)**	**(0.5)**	**91.7**
Other financial assets	4.3	4.3	-	-	-	-	4.3
Other non-consolidated investments	0.2	0.2	-	-	-	-	0.2
Impairment	**4.5**	**4.5**	**-**	**-**	**-**	**-**	**4.5**
Total	**263.7**	**145.2**	**23.6**	**(80.8)**	**(0.2)**	**(0.5)**	**87.2**

(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.
(2) As at 30 June 2011, other financial assets mainly included €1.5 million in life insurance in Japan.
(3) Other investments in non-consolidated companies and available-for-sale securities do not include any listed securities.

14.2 - SECURITIES HELD TO MATURITY

in millions of euros

	30 June 2010	31 Dec. 2010	Increases	Decreases	Currency impact	Other	30 June 2011
Gaulme convertible bonds and accrued interest	8.0	8.1	-	(8.1)	-	-	-
Gaulme convertible shareholders' advance	1.2	5.0	1.0	(6.0)	-	-	-
Vaucher participating loan	6.0	6.4	-	-	0.2	-	6.6
Total gross value	**15.3**	**19.5**	**1.0**	**(14.1)**	**0.2**	**-**	**6.6**
Impairment	1.3	13.0	6.3	(13.0)	0.3	-	6.6
Total	**14.0**	**6.5**	**(5.3)**	**(1.1)**	**(0.1)**	**-**	**-**

NOTE 15. INVESTMENTS IN ASSOCIATES

15.1 - NET VALUE OF SHARES IN AFFILIATED COMPANIES

in millions of euros

	30 June 2011	31 Dec. 2010	30 June 2010
Vaucher Manufacture Fleurier	(0.1)	4.2	5.3
Groupe Perrin	7.6	7.8	7.4
Leica Camera Japan Co	2.2	2.2	1.9
Maroquinerie Thierry	0.2	0.1	0.1
Total	**9.9**	**14.3**	**14.7**

15.2 - CHANGE IN INVESTMENTS IN ASSOCIATES

in millions of euros

	30 June 2011	31 Dec. 2010	30 June 2010
Balance as at 1 January	**14.3**	**15.0**	**15.0**
Impairment	(3.5)	-	-
Impact of changes in scope of consolidation	1.2	(0.1)	-
Net income from associates	(1.8)	(3.1)	(1.6)
Dividends paid	(0.1)	(0.1)	-
Change in foreign exchange rates	(0.2)	1.2	0.9
Other[(1)]	-	1.4	0.4
Balance as at end of period	**9.9**	**14.3**	**14.7**

(1) Reclassification of the share of negative net worth.

NOTE 16. LOANS AND DEPOSITS

in millions of euros

	30 June 2010	31 Dec. 2010	Increases	Decreases	Currency impact	Other	30 June 2011
Loans and deposits[(1)]	27.3	26.9	2.0	(0.3)	(1.1)	-	27.6
Impairment	2.6	2.6	-	-	0.1	-	2.6
Total	**24.8**	**24.3**	**2.0**	**(0.3)**	**(1.1)**	**-**	**24.9**

(1) As at 30 June 2011, security deposits amounted to €23.5 million, compared with €22.8 million as at 31 December 2010.

NOTE 17. INVENTORIES AND WORK IN PROGRESS

in millions of euros

	30 June 2011 Gross	Impairment	Net	31 Dec. 2010 Net	30 June 2010 Net
Purchased items, semi-finished and finished goods	473.2	156.9	316.2	291.1	342.8
Raw materials and work in progress	273.1	76.9	196.3	177.5	174.8
Total	**746.3**	**233.8**	**512.5**	**468.6**	**517.5**
Net inventory impairment - purchased items, semi-finished and finished goods		5.8		(12.8)	(10.0)
Net inventory impairment - raw materials and work in progress		(4.2)		(14.9)	(7.9)

No inventories were pledged as debt collateral.

NOTE 18. TRADE RECEIVABLES AND OTHER RECEIVABLES

in millions of euros

	30 June 2011 Gross	Impairment	Net	31 Dec. 2010 Net	30 June 2010 Net
Trade and other receivables	150.9	5.2	145.6	159.0	135.5
Current tax receivables	0.7	-	0.7	1.1	4.5
Other current assets	85.2	0.3	84.9	69.5	65.6
Other non-current assets	1.5	-	1.5	1.5	0.3
Total	**238.2**	**5.5**	**232.7**	**231.2**	**205.9**

Except for other non-current assets, all accounts receivable are due within one year. There were no significant payment deferrals that would justify discounting 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 3.5% of the gross value as at 30 June 2011, compared with nearly 3% as at 31 December 2010. There is no significant concentration of credit risk.

NOTE 19. CASH AND CASH EQUIVALENTS

19.1 - CHANGE IN NET CASH POSITION

in millions of euros

	30 June 2010	31 Dec. 2010	Cash flows	Currency impact	Impact on the scope of consolidation	Other[1]	30 June 2011
Cash and cash equivalents	125.5	165.0	(8.6)	(8.5)	0.1	(0.3)	147.7
Marketable securities[2]	264.1	679.3	72.4	(2.1)	-	-	749.7
Sub-total	*389.7*	*844.3*	*63.9*	*(10.6)*	*0.1*	*(0.3)*	*897.3*
Bank overdrafts and current accounts in debit	(34.7)	(15.8)	(8.9)	0.2	-	-	(24.5)
Net cash position	**355.0**	**828.5**	**55.0**	**(10.4)**	**0.1**	**(0.3)**	**872.8**

(1) Marked-to-market value of cash and cash equivalents.
(2) Mainly comprising investments in the euro money market.
All cash and cash equivalents mature in less than three months and have a sensitivity of less than 0.5%.

NOTE 20. SHAREHOLDERS' EQUITY

As at 30 June 2011, Hermès International's share capital consisted of 105,569,412 fully-paid shares with a par value of €0.51 each, and 714,872 of these shares were treasury shares.

There was no change in the company's share capital during the first half of 2011.

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, as defined in Notes 1.9 and 1.17 of the 2010 Registration Document.

The Group's goals, 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 first half of 2011, the Group made no change in its capital management policy and objectives.

20.1 - DIVIDENDS

During the first half of 2011, a dividend of €1.50 per share, representing a total distribution of €160 million, was paid after approval by the shareholders at the Annual General Meeting of 30 May 2011 convened to approve the annual financial statements for the year ended 31 December 2010.

20.2 - DERIVATIVES INCLUDED IN EQUITY

During the first half of 2011, changes in derivatives were broken down as follows (after tax):

in millions of euros

	30 June 2011	31 Dec. 2010	30 June 2010
Balance as at 1 January	**(5.9)**	**10.0**	**10.0**
Amount transferred to equity during the period for derivatives	6.4	(10.4)	(10.4)
Amount transferred to equity during the period for financial investments	(0.5)	0.4	0.4
Adjustments in the value of derivatives as at the end of the period	17.7	(6.4)	(39.5)
Fair value adjustments of marked-to-market financial investments	-	0.5	0.1
Balance as at end of period	**17.7**	**(5.9)**	**(39.4)**

20.3 - FOREIGN CURRENCY ADJUSTMENTS

The change in foreign currency adjustments during the first half of 2011 is analysed below:

in millions of euros

	30 June 2011	31 Dec. 2010	30 June 2010
Change in foreign currency adjustments			
Japanese yen	(6.9)	25.4	21.6
US dollar	(6.5)	9.0	19.1
Hong Kong dollar	(5.8)	6.5	11.0
Swiss franc	4.4	17.4	10.5
Singapore dollar	(1.8)	11.6	7.0
Chinese yuan	(2.7)	2.2	3.6
Pound sterling	(5.2)	5.6	1.5
Australian dollar	(0.1)	1.5	0.6
South Korean won	0.2	(1.2)	(1.3)
Other currencies	(10.0)	(3.9)	4.4
Total	**(34.3)**	**74.1**	**78.1**

20.4 - OTHER COMPREHENSIVE INCOME

In the first half of 2011, other comprehensive income was broken down as follows:

in millions of euros

	Gross impact	Income tax relating to components of other comprehensive income	Net impact
Actuarial gains and losses (Note 25)	(0.7)	0.2	(0.4)
Foreign currency adjustments (Notes 20.3 and 21)	(35.2)	-	(35.2)
Derivatives included in equity (Note 20.2)	36.6	(13.0)	23.6
Gain/(loss) on sale of treasury shares	1.1	(0.4)	0.8
Balance as at 30 June 2011	**1.9**	**(13.2)**	**(11.3)**
Actuarial gains and losses (Note 25)	(8.9)	3.0	(5.8)
Foreign currency adjustments (Notes 20.3 and 21)	75.9	-	75.9
Derivatives included in equity (Note 20.2)	(25.3)	9.4	(15.9)
Gain/(loss) on sale of treasury shares	2.0	(0.7)	1.3
Balance as at 31 December 2010	**43.7**	**11.8**	**55.5**
Actuarial gains and losses (Note 25)	(5.8)	2.0	(3.8)
Foreign currency adjustments (Notes 20.3 and 21)	80.8	-	80.8
Derivatives included in equity (Note 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**

NOTE 21. NON-CONTROLLING INTERESTS

in millions of euros

	30 June 2011	31 Dec. 2010	30 June 2010
Balance as at 1 January	**12.9**	**14.0**	**14.0**
Net income attributable to non-controlling interests	4.4	10.0	5.2
Dividends paid to non-controlling interests	(3.6)	(7.0)	(3.1)
Exchange rate adjustment on foreign entities	(0.9)	1.8	2.7
Other changes	(0.5)	(5.9)	(0.4)
Balance as at end of period	**12.4**	**12.9**	**18.4**

NOTE 22. EXPOSURE TO MARKET RISKS

The Hermès Group's results are exposed to the risks and uncertainties described in the 2010 Registration Document. The assessment of these risks did not change during the first half of 2011 and no new risk had been identified as of the date of publication of this report. The main risk remains exposure to currency fluctuations.

The Group's currency exposure management policy is based on the management principles described in the 2010 registration document.

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

in millions of euros

	30 June 2011	31 Dec. 2010	30 June 2010
Fair value of financial instruments - assets	48.0	21.7	64.7
Fair value of financial instruments - liabilities	(15.5)	(30.1)	(117.0)
Net financial instruments position	**32.5**	**(8.5)**	**(52.3)**

The ineffective portion of cash flow hedges recorded in net income was €(5.5) million (including €0.1 million from excess hedging) as at 30 June 2011, compared with €(9.3) million as at 31 December 2010 (including €1.2 million from excess hedging) and €(4.8) million as at 30 June 2010 (see Note 7). The impact of the effective portion of the hedges recorded in equity is shown in Note 20.2.

NOTE 23. PROVISIONS

in millions of euros

	30 June 2010	31 Dec. 2010	Accruals	Reversals	Currency impact	Other and reclassifications	30 June 2011
Current provisions	14.4	31.0	3.5	(8.0)	(0.9)	0.2	25.8
Non-current provisions	7.3	14.4	4.7	(11.8)	-	0.3	7.7
Total	**21.6**	**45.4**	**8.2**	**(19.8)**	**(0.8)**	**0.5**	**33.5**

As at 30 June 2011, provisions included provisions for returns (€14.9 million) and provisions for other liabilities of uncertain timing or amount arising from past events (€18.6 million).

NOTE 24. EMPLOYEES

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

	30 June 2011	31 Dec. 2010	30 June 2010
France	5,274	5,095	5,029
Rest of Europe	934	857	825
Rest of the world	2,521	2,414	2,319
Total	**8,729**	**8,366**	**8,173**

By category, the breakdown is as follows:

	30 June 2011	31 Dec. 2010	30 June 2010
Production	3,678	3,581	3,543
Sales	3,596	3,405	3,272
Other (design, marketing, administration)	1,455	1,380	1,358
Total	**8,729**	**8,366**	**8,173**

Personnel charges amounted to €297.7 million in the first half of 2011 compared with €259.1 million in the first six months of 2010.

NOTE 25. POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFIT OBLIGATIONS

Hermès Group employees are entitled to post-employment benefits awarded either through defined contribution plans or through defined benefit plans. Under defined contribution plans, regular payments are made to outside organisations, which are responsible for administrative and 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 167 *et seq.* of the 2010 Registration Document.

25.1 - COST OF DEFINED-BENEFIT PLANS RECOGNISED IN THE STATEMENT OF INCOME

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

in millions of euros

	Defined benefit pension plans	Other defined benefit plans	30 June 2011	31 Dec. 2010	30 June 2010
Service cost	4.1	0.1	4.2	7.3	3.4
Interest cost	1.9	-	1.9	3.5	1.7
Expected return on plan assets	(0.8)	-	(0.8)	(1.0)	(0.5)
Unrecognised past service cost	0.1	-	0.1	0.2	0.1
Net actuarial (gains)/losses recognised during the year	-	-	-	-	-
Other	(0.1)	-	(0.1)	-	-
Cost of defined benefit plans	**5.2**	**0.1**	**5.3**	**10.0**	**4.7**

25.2 - CHANGE IN OBLIGATIONS RECOGNISED IN STATEMENT OF FINANCIAL POSITION

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

in millions of euros

	Defined benefit pension plans	Other defined benefit plans	30 June 2011	31 Dec. 2010	30 June 2010
Provisions as at 1 January	**61.0**	**1.6**	**62.5**	**58.8**	**58.8**
Foreign currency adjustments	(1.3)	-	(1.3)	4.4	3.6
Cost recognised in statement of income	5.2	0.1	5.3	9.9	4.8
Benefits / contributions paid	(1.4)	-	(1.4)	(19.0)	(3.2)
Actuarial gains and losses/Limits on plan assets	0.7	-	0.7	8.1	5.8
Change in the scope of consolidation	-	-	-	-	-
Adjustment to opening equity	-	-	-	-	-
Other[1]	-	-	-	0.3	(8.0)
Provisions as at end of period	**64.2**	**1.6**	**65.8**	**62.5**	**61.7**

(1) As at 30 June 2010, primarily includes a retrocession from the pension fund.

25.3 - CHANGES IN ACTUARIAL GAINS AND LOSSES RECOGNISED IN EQUITY

During the first half of 2011, changes in actuarial gains and losses (before tax) were broken down as follows:

in millions of euros

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 as at 30 June 2010	**32.7**
Actuarial gains and losses recognised in equity as at 31 December 2010	**35.7**
Experience gains and losses	2.2
Impact of changes in assumptions	(1.5)
Other actuarial gains and losses	-
Actuarial gains and losses recognised in equity as at 30 June 2011	**36.4**

The discount rate used to measure obligations in France was 4.5%, the same as at 31 December 2010.

NOTE 26. TRADE PAYABLES AND OTHER PAYABLES

in millions of euros

	30 June 2011	31 Dec. 2010	30 June 2010
Suppliers	193.2	204.7	155.2
Amounts payable relating to non-current assets	13.5	29.9	8.9
Trade and other payables	**206.8**	**234.6**	**164.1**
Current tax liabilities	93.0	76.3	54.2
Other current liabilities	226.8	220.3	199.0
Other non-current liabilities	34.1	30.1	20.1
Suppliers and other trade payables	**560.6**	**561.3**	**437.4**

NOTE 27. SHARE-BASED PAYMENTS

27.1 - NEW PLANS DURING THE FINANCIAL PERIOD
No new plan was awarded during the first half of 2011.

27.2 - CHARGE DURING THE FIRST HALF

in millions of euros

	30 June 2011	31 Dec. 2010	30 June 2010
Bonus share plans	5.5	7.7	2.1
Share purchase options	0.7	1.4	0.7
Charge as at end of period	**6.2**	**9.1**	**2.8**

NOTE 28. UNRECOGNISED COMMITMENTS

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

NOTE 29. RELATED PARTIES

During the first half 2011, the Hermès Group and affiliated companies maintained relationships comparable to those that existed in 2010. More specifically, no transaction unusual in its nature or amount was carried out during the period.

NOTE 30. EVENTS OCCURRING AFTER 30 JUNE 2011

During the third quarter, the Group bought back treasury shares in order to cover grants of shares to employees. Since 1 July 2011, the Group has bought back 787,604 shares for a total of €180.4 million.

Statutory auditors' report on the interim financial information for the first half of 2011

In compliance with the assignment entrusted to us by your Shareholders' Meeting and pursuant to article L.451-1-2 III of the Code Monétaire and Financier:

- we carried out a partial audit of the condensed interim consolidated financial statements of Hermès International for the six months from 1 January to 30 June 2011, as appended to this report;
- we reviewed the information provided in the first-half management report.

These condensed interim consolidated financial statements have been prepared under the Executive Management's responsibility. Our role is to express an opinion on these financial statements, based on our partial audit.

1. Opinion on the consolidated financial statements

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

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

2. Specific procedures

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

Paris and Neuilly-sur-Seine, 30 August 2011

The Statutory Auditors

Didier Kling & Associés	PricewaterhouseCoopers Audit
Christophe Bonte	Christine Bouvry

This is a free translation into English of the statutory auditors' report on the interim financial information issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

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 2011 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 2011, 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 2011
The Executive Management

Patrick Thomas

Bertrand Puech
Representing Émile Hermès SARL

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