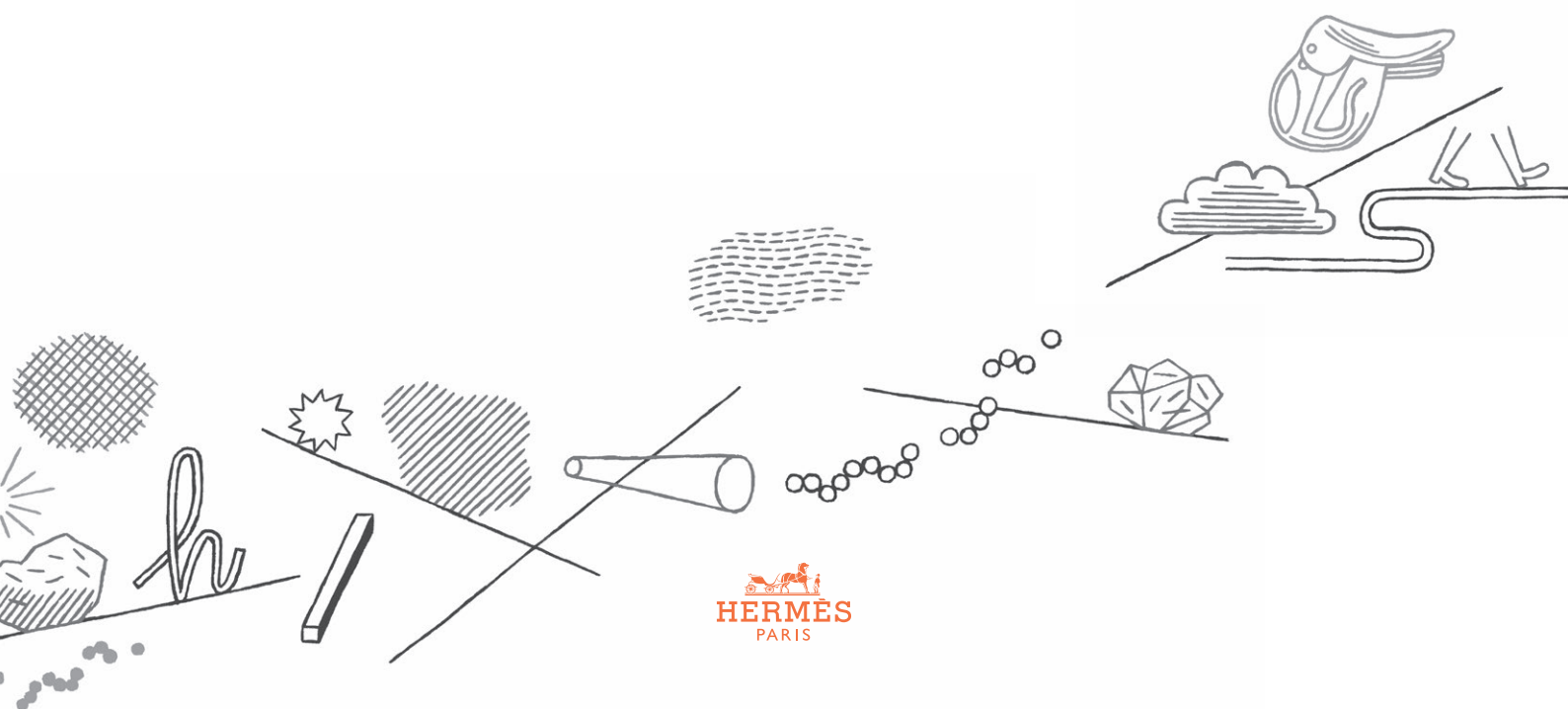
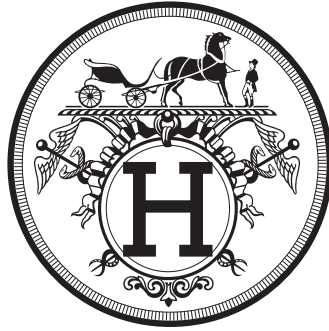


HERMÈS
HALF-YEAR FINANCIAL REPORT

JUNE 2019



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HALF-YEAR FINANCIAL REPORT JUNE 2019

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

KEY FIGURES

KEY CONSOLIDATED DATA FOR THE FIRST HALF OF 2019

<i>In millions of euros</i>	H1 2019	FY 2018 restated *	H1 2018 restated *
Revenue	3,284	5,966	2,853
<i>Growth at current exchange rates vs. n-1</i>	15.1%	7.5%	5.2%
<i>Growth at constant exchange rates vs. n-1</i> ¹	12.0%	10.4%	11.2%
Recurring operating income ²	1,144	2,075	996
<i>in % of revenue</i>	34.8%	34.8%	34.9%
Operating income	1,144	2,128	1,049
<i>in % of revenue</i>	34.8%	35.7%	36.8%
Net profit attributable to owners of the parent	754	1,405	706
<i>in % of revenue</i>	23.0%	23.6%	24.8%
Operating cash flows	971	1,863	926
Adjusted free cash flow ³	618	1,447	681
Operating investments	170	312	120
Equity attributable to owners of the parent	5,763	5,470	4,753
Net cash position IFRS	3,532	3,465	2,713
Restated net cash position ⁴	3,740	3,615	2,798
Workforce (number of employees)	14,751	14,284	13,764

* Including the impact of IFRS 16 on leases. In accordance with IAS 8, Hermès has applied the new standard on a full retrospective basis, and has restated the financial statements for the periods ended 31 December and 30 June 2018.

- (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 excludes non-recurring items having a significant impact that could affect understanding of the Group's economic performance.
- (3) Adjusted free cash flow is the sum of operating cash flows and change in net working capital, less operating investments and the repayment of lease liabilities, in accordance with the IFRS statement of cash flows.
- (4) Restated net cash includes cash investments that do not meet IFRS criteria for cash equivalents as a result of their original maturity of more than three months.

HALF-YEAR BUSINESS REPORT

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HALF-YEAR HIGHLIGHTS

The Group's consolidated revenue amounted to €3,284 million in the first half of 2019, up +15% at current exchange rates and +12% at constant exchange rates.

Recurring operating income ¹ grew 15%, at the same pace as revenues, and stood at €1,144 million (34.8% of sales). Net income attributable to owners of the parent reached €754 million (23% of sales).

FIRST-HALF ACTIVITY

(At constant exchange rates unless otherwise indicated)

In the first half of 2019, revenue increased in all geographical areas worldwide:

- ◆ Asia excluding Japan (+18%) continued its outstanding performance, with positive momentum in continental China and double-digit growth in all other countries in the area. The Group benefitted from successful store openings and extensions in recent months, particularly Shanghai IFC in China and Marina Bay Sands in Singapore. A new store opened in March in Phuket Floresta in Thailand. Rollout of the new digital platform in Asia will continue at the end of the year in Singapore;
- ◆ Japan (+10%) confirmed its sound growth. The new platform *hermes.jp* was successfully deployed in June, offering editorial content and products which reflect the diversity of the Maison's creations;
- ◆ America (+10%) posted a strong performance at the end of June, despite a high comparison basis. Last April, the Group opened its 36th store in the USA at the heart of New York's Meatpacking district, and reopened the Waikiki store in Hawaii in June;
- ◆ Europe excluding France (+9%) and France (+4%) achieved a good performance. The store in Amsterdam has been moved and expanded in May, and the store on Stoleshnikov Lane in the historical centre of Moscow was renovated in June. In France, sales improved during the past months.

The momentum in the first half was driven by solid growth across all business lines, with a remarkable performance of the Ready-to-wear and Accessories division.

Growth in Leather Goods and Saddlery (+12%) was particularly sustained over the first half of the year, based on collections blending

style, know-how and diversity of materials. The division's annual growth target remains unchanged. Demand remains very high, both for the Maison's classics and other models, such as the *Mosaïque* and *24/24* bags. The increase in production capacities continued, with the ground breaking of the Maroquinerie de Guyenne workshop in June, scheduled for completion in 2020, and the announcement of a new workshop in Louviers by 2021. Hermès continues to strengthen its local integration in France with the opening of a training centre in Fitialieu (Isère), and the announced extension of the Ganterie-Marroquinerie de Saint-Junien workshop (Limousin region).

The Ready-to-wear and Accessories division (+15%) pursued its strong growth, thanks to the success of the men's and women's ready-to-wear collections and of fashion accessories and shoes.

The Silk and Textiles business line (+4%) confirmed its positive momentum, benefiting from sustained demand and the diversity of materials, outstanding creativity and know-how. The Pierre Bénite site (Rhône) will be extended to support development and will accommodate two new printing lines.

Driven by the success of *Terre d'Hermès* and the new creation, *Un Jardin sur la Lagune*, Perfumes (+3%) posted an increase, despite a high comparison basis at the beginning of last year following the launches of *Twilly d'Hermès* and *Eau de Citron noir*.

The Watches business line (+14%) performed very well, reflecting the creativity of the collections. The *Galop d'Hermès* model, inspired by the harness collections, received a very warm welcome.

Other Hermès business lines (+19%) recorded a positive increase over the period, both in Jewellery and in the Home universe.

1. Including the impact of IFRS 16 related to leases. In accordance with IAS 8, Hermès applied this new standard under the full retrospective method and restated the 31 December and 30 June 2018 financial statements.

In millions of euros	H1 2019	H1 2018	Change as reported	Change at constant exchange rates
France	405.8	390.3	4.0%	4.0%
Europe (excl. France)	544.6	500.7	8.8%	8.8%
Total Europe	950.4	891.1	6.7%	6.7%
Japan	400.6	344.8	16.2%	9.8%
Asia-Pacific (excluding Japan)	1,299.3	1,072.8	21.1%	17.7%
Total Asia	1,700.0	1,417.6	19.9%	15.8%
Americas	569.2	489.9	16.2%	9.8%
Other	64.6	54.8	17.8%	17.7%
TOTAL	3,284.2	2,853.4	15.1%	12.0%

In millions of euros	H1 2019	H1 2018	Change as reported	Change at constant exchange rates
Leather Goods and Saddlery ¹	1,652.4	1,425.1	16.0%	12.4%
Ready-to-wear and Accessories ²	754.6	637.3	18.4%	15.2%
Silk and Textiles	266.6	249.4	6.9%	4.0%
Other Hermès sectors ³	247.6	201.7	22.8%	19.4%
Perfumes	158.7	153.2	3.6%	3.2%
Watches	90.5	77.0	17.6%	14.2%
Other products ⁴	113.9	109.8	3.7%	2.4%
TOTAL	3,284.2	2,853.4	15.1%	12.0%

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

(2) The "Ready-to-wear and Accessories" division includes Hermès Ready-to-wear for men and women, belts, fashion accessories, gloves, hats and shoes.

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

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

TREND IN FIRST-HALF RESULTS ¹

The gross margin was 68.7%, down 1.2 points compared with the first half of 2018 mainly due to the unfavourable impact of foreign exchange hedges.

Selling, marketing and administrative expenses, which represented €842 million, compared with €731 million in the first half of 2018, included €145 million in communication expenditure (compared with €120 million in the previous half-year).

Other income and expenses amounted to €269 million (compared with €267 million in the previous half-year). This figure includes €193 million in depreciation and amortisation expense, an increase which notably reflects the rapid pace of investment in the development and renovation of the distribution network, as well as the cost of free share plans.

Recurring operating income increased by +15%, at the same pace as revenue, and stood at to €1,144 million, compared with €996 million in the first half of 2018. Thanks to the leverage effect generated by strong sales growth, the recurring operating profitability (34.8%) was close to the record level of 34.9% reached in the first half of 2018, despite the unfavourable impact of foreign currency hedges.

The performance in the first half of 2019 does not include any non-recurring items, unlike that of 2018, which included a capital gain of €53 million.

Net financial income, which includes interest on lease liabilities, financial income from cash management investments and foreign exchange gains and losses, represented an expense of €16 million, compared with an expense of €18 million in the first half of 2018.

Net income attributable to non-controlling interests totalled €3 million, compared with €2 million in the first half of 2018.

After taking into account a tax expense of €383 million and income from associates (€13 million), consolidated net income attributable to owners of the parent amounted to €754 million, compared with €706 million in the first half of 2018, an increase of 7%. Excluding non-recurring gains in 2018 mentioned above, net income was up 15%.

1. Including the impact of IFRS 16 related to leases. In accordance with IAS 8, Hermès applied this new standard under the full retrospective method and restated the 31 December and 30 June 2018 financial statements.

INVESTMENTS

Operating investments amounted to €170 million in the first half of 2019.

<i>In millions of euros</i>	H1 2019	FY 2018	H1 2018
Operating investments	169.8	312.3	119.9
Investments in financial assets	0.8	8.4	8.4
Subtotal – Investments (excluding financial investments)	170.6	320.7	128.3
Financial investments ¹	60.8	80.0	14.7
TOTAL INVESTMENTS	231.4	400.7	143.0

(1) *Financial investments are cash investments with an original maturity of more than three months, which must be classified as financial assets in accordance with IFRS.*

FINANCIAL POSITION

Operating cash flows reached €971 million, up 5%. After the change in working capital requirements, taking into account operating investments and the deduction for repayment of lease liabilities, adjusted free cash flow came to €618 million, compared with €681 million in the first half of 2018.

After payment of the ordinary dividend (€474 million), the net cash position reached €3,532 million, compared with €3,465 million at 31 December 2018.

The restated net cash position, which includes financial investments with maturities of more than three months, increased by €125 million to €3,740 million at 30 June 2019.

During the first six months, Hermès International redeemed 56,030 shares for €34 million, excluding transactions completed within the framework of the liquidity contract.

After payment of the ordinary dividend, shareholders' equity attributable to owners of the parent amounted to €5,763 million at 30 June 2019, compared with €5,470 million at 31 December 2018.

SUBSEQUENT EVENTS

On 1 July 2019, Hermès International's Executive Management decided to establish a new free share plan for all Group employees.

OUTLOOK

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

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

In the pursuit of dreams is the theme of the year 2019. Celebrating the dream of Hermès means asserting the need to dare to see even further, to open the field of the imagination that stimulates creation.

RISKS AND UNCERTAINTIES

The Hermès Group's results are exposed to the risks and uncertainties set out in the 2018 registration document. The assessment of these risks did not change during the first half of 2019, and no new risks had been identified at the date of publication of this report. The main risks

are exposure to currency fluctuations and changing economic conditions in some parts of the world.

RELATED-PARTY TRANSACTIONS

Relations between the Hermès Group and related companies during the first half of 2019 were comparable with those of 2018. Specifically, no unusual transaction, by its nature or amount, was carried out during the period.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2019

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

CONSOLIDATED STATEMENT OF INCOME

<i>In millions of euros</i>	Notes	H1 2019	FY 2018 restated *	H1 2018 restated *
Revenue	4	3,284.2	5,966.1	2,853.4
Cost of sales	5	(1,029.1)	(1,791.8)	(859.2)
Gross margin		2,255.1	4,174.3	1,994.2
Selling, marketing and administrative expenses	6	(842.2)	(1,562.3)	(731.0)
Other income and expenses	7	(269.0)	(536.7)	(266.9)
Recurring operating income	4	1,143.9	2,075.3	996.2
Other non-recurring income and expenses	8	-	52.7	52.7
Operating income		1,143.9	2,128.0	1,048.9
Net financial income	9	(16.3)	(61.8)	(17.9)
Net income before tax		1,127.6	2,066.2	1,031.0
Income tax	10	(383.4)	(672.2)	(335.1)
Net income from associates		12.8	16.6	12.3
CONSOLIDATED NET INCOME		757.0	1,410.6	708.2
Net income attributable to non-controlling interests	24	(2.7)	(5.1)	(1.8)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT		754.3	1,405.5	706.4
Earnings per share in euros	11	7.24	13.48	6.78
Diluted earnings per share in euros	11	7.19	13.40	6.74

* Including the impact of IFRS 16 on leases. In accordance with IA 8, Hermès has applied the new standard on a full retrospective basis, and has restated the financial statements for the periods ended 31 December and 30 June 2018.

STATEMENT OF OTHER COMPREHENSIVE INCOME

<i>In millions of euros</i>	Notes	H1 2019	FY 2018 restated *	H1 2018 restated *
Consolidated net income		757.0	1,410.6	708.2
Changes in foreign currency adjustments ¹	23.4	24.4	74.8	51.5
Future cash flow hedges in foreign currencies ^{1/2}	23.4	0.6	(76.8)	(51.4)
♦ <i>change in fair value</i>		(31.5)	(37.6)	(12.6)
♦ <i>recycling through profit or loss</i>		32.1	(39.3)	(38.8)
Assets at fair value ²		-	27.6	27.6
Employee benefit obligations: change in value linked to actuarial gains and losses ²	23.4	-	5.5	-
Net comprehensive income		781.9	1,441.7	735.8
♦ attributable to owners of the parent		778.9	1,436.3	734.1
♦ attributable to non-controlling interests		3.0	5.5	1.8

* Including the impact of IFRS 16 on leases. In accordance with IAS 8, Hermès has applied the new standard on a full retrospective basis, and has restated the financial statements for the periods ended 31 December and 30 June 2018.

(1) Transferable through profit or loss.

(2) Net of tax.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

<i>In millions of euros</i>	Notes	30/06/2019	31/12/2018 restated *	30/06/2018 restated *
Goodwill	12	16.2	15.7	15.4
Intangible assets	13	156.9	142.0	129.3
Right-of-use assets	14	949.1	982.9	996.5
Property, plant and equipment	15	1,371.5	1,345.4	1,279.2
Investment property	16	75.6	76.9	78.7
Financial assets	17	376.7	313.9	249.8
Investments in associates	18	84.8	75.1	77.2
Loans and deposits	19	50.7	46.7	47.3
Deferred tax assets	10.2	473.4	462.4	392.8
Other non-current assets	21	18.0	15.3	19.8
Non-current assets		3,572.8	3,476.4	3,285.9
Inventories and work-in-progress	20	1,070.9	963.6	953.3
Trade and other receivables	21	291.8	280.7	247.9
Tax receivables	21	52.4	17.9	24.9
Other assets	21	200.7	199.4	208.6
Financial derivatives	25	57.6	34.9	81.1
Cash and cash equivalents	22	3,549.9	3,479.1	2,718.3
Current assets		5,223.2	4,975.5	4,234.1
TOTAL ASSETS		8,796.1	8,451.9	7,520.0

* Including the impact of IFRS 16 on leases. In accordance with IAS 8, Hermès has applied the new standard on a full retrospective basis, and has restated the financial statements for the periods ended 31 December and 30 June 2018.

LIABILITIES

<i>In millions of euros</i>	Notes	30/06/2019	31/12/2018 restated *	30/06/2018 restated *
Share capital		53.8	53.8	53.8
Share premium		49.6	49.6	49.6
Treasury shares		(488.5)	(465.2)	(457.2)
Reserves		5,233.0	4,290.1	4,262.2
Foreign currency adjustments	23.2	112.0	88.0	64.9
Revaluation adjustments	23.3	48.7	48.0	73.5
Net income attributable to owners of the parent		754.3	1,405.5	706.4
Equity attributable to owners of the parent		5,762.9	5,469.8	4,753.3
Non-controlling interests	24	4.7	4.9	3.5
Equity		5,767.6	5,474.7	4,756.8
Borrowings and financial liabilities due in more than one year		27.5	27.5	25.6
Lease liabilities due in more than one year	14	902.4	936.7	920.0
Non-current provisions	26	19.6	16.4	67.2
Post-employment and other employee benefit obligations due in more than one year	28	209.6	196.0	200.7
Deferred tax liabilities	10.2	27.4	37.3	20.6
Other non-current liabilities	29	34.6	46.5	63.5
Non-current liabilities		1,221.0	1,260.4	1,297.6
Borrowings and financial liabilities due in less than one year		26.9	22.5	13.7
Lease liabilities due in less than one year	14	179.3	179.3	171.1
Current provisions	26	93.3	96.3	139.7
Post-employment and other employee benefit obligations due in less than one year	28	6.9	6.9	6.0
Trade and other payables	29	409.4	467.0	407.3
Derivatives maturing in less than one year	25	59.5	57.8	41.1
Tax liabilities	29	408.0	314.6	171.1
Other current liabilities	29	624.0	572.2	515.8
Current liabilities		1,807.4	1,716.7	1,465.7
TOTAL EQUITY AND LIABILITIES		8,796.1	8,451.9	7,520.0

* Including the impact of IFRS 16 on leases. In accordance with IAS 8, Hermès has applied the new standard on a full retrospective basis, and has restated the financial statements for the periods ended 31 December and 30 June 2018.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>In millions of euros</i>	Share capital	Share premium	Treasury shares	Consolidated reserves and net income attributable to owners of the parent
Notes				
As at 31 December 2017	53.8	49.6	(453.6)	5,346.4
First-time application of IFRS 16	-	-	-	(34.1)
As at 1 January 2018 – restated *	53.8	49.6	(453.6)	5,312.3
Net income for the first half of 2018	-	-	-	706.4
Other comprehensive income for the first half of 2018	-	-	-	-
Comprehensive income for the first half of 2018	-	-	-	706.4
Change in share capital and share premium	-	-	-	-
Purchase or sale of treasury shares	-	-	(3.6)	(47.4)
Share-based payments	-	-	-	28.6
Dividends paid	-	-	-	(953.9)
First-time application of IFRS 9	-	-	-	34.2
Other	-	-	-	(9.1)
AS AT 30 JUNE 2018 – RESTATED *	53.8	49.6	(457.2)	5,071.1
Net income for the second half of 2018	-	-	-	699.1
Other comprehensive income for the second half of 2018	-	-	-	-
Comprehensive income for the second half of 2018	-	-	-	699.1
Change in share capital and share premium	-	-	-	-
Purchase or sale of treasury shares	-	-	(8.0)	(0.4)
Share-based payments	-	-	-	22.7
Dividends paid	-	-	-	(0.1)
Other	-	-	-	0.4
As at 31 December 2018 – restated *	53.8	49.6	(465.2)	5,792.6
Net income for the first half of 2019	-	-	-	754.3
Other comprehensive income for the first half of 2019	-	-	-	-
Comprehensive income for the first half of 2019	-	-	-	754.3
Change in share capital and share premium	-	-	-	-
Purchase or sale of treasury shares	-	-	(23.3)	(5.9)
Share-based payments	-	-	-	26.4
Dividends paid	-	-	-	(482.6)
Other	-	-	-	(0.5)
AS AT 30 JUNE 2019	53.8	49.6	(488.5)	6,084.2

* Including the impact of IFRS 16 on leases. In accordance with IAS 8, Hermès has applied the new standard on a full retrospective basis, and has restated the financial statements for the periods ended 31 December and 30 June 2018.

Revaluation adjustments							
Actuarial gains and losses	Foreign currency adjustments	Financial investments	Future cash flow hedge in foreign currencies	Equity attributable to owners of the parent	Non-controlling interests	Equity	Number of shares
23.4	23.2	23.3	23.3		24		23
(102.5)	13.8	72.7	58.7	5,039.0	6.6	5,045.5	105,569,412
-	(0.3)	-	-	(34.4)	-	(34.3)	-
(102.5)	13.5	72.7	58.7	5,004.6	6.6	5,011.2	105,569,412
-	-	-	-	706.4	1.8	708.2	-
-	51.4	27.6	(51.3)	27.7	-	27.7	-
-	51.4	27.6	(51.3)	734.1	1.8	735.9	-
-	-	-	-	-	-	-	-
-	-	-	-	(51.1)	-	(51.1)	-
-	-	-	-	28.6	-	28.6	-
-	-	-	-	(953.9)	(3.6)	(957.4)	-
-	-	-	(34.2)	-	-	-	-
-	(0.1)	-	-	(9.2)	(1.4)	(10.6)	-
(102.5)	64.9	100.3	(26.9)	4,753.3	3.5	4,756.8	105,569,412
-	-	-	-	699.1	3.3	702.4	-
5.5	23.0	-	(25.5)	3.1	0.4	3.4	-
5.5	23.0	-	(25.5)	702.2	3.7	705.9	-
-	-	-	-	-	-	-	-
-	-	-	-	(8.4)	-	(8.4)	-
-	-	-	-	22.7	-	22.7	-
-	-	-	-	(0.1)	(0.7)	(0.8)	-
-	0.1	-	-	0.5	(1.5)	(1.0)	-
(97.0)	88.0	100.3	(52.3)	5,469.8	4.9	5,474.7	105,569,412
-	-	-	-	754.3	2.6	756.9	-
-	24.0	-	0.6	24.7	0.4	25.0	-
-	24.0	-	0.6	778.9	3.0	781.9	-
-	-	-	-	-	-	-	-
-	-	-	-	(29.2)	-	(29.2)	-
-	-	-	-	26.4	-	26.4	-
-	-	-	-	(482.6)	(3.3)	(485.9)	-
-	-	-	-	(0.5)	0.1	(0.5)	-
(97.0)	112.0	100.3	(51.7)	5,762.9	4.7	5,767.6	105,569,412

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In millions of euros</i>	Notes	H1 2019	FY 2018 restated *	H1 2018 restated *
CASH FLOWS RELATED TO OPERATING ACTIVITIES				
Net income attributable to owners of the parent		754.3	1,405.5	706.4
Depreciation of assets	13, 15, 16	111.0	217.0	106.4
Amortisation of right-of-use assets	14	101.4	188.8	91.4
Impairment losses	13, 14, 15	26.4	70.3	32.8
Mark-to-Market financial instruments		(0.1)	(0.2)	14.7
Foreign exchange gains/(losses) on fair value adjustments		(12.8)	(3.6)	(18.8)
Change in provisions		3.3	30.3	48.0
Net income from associates		(12.8)	(16.6)	(12.3)
Net income attributable to non-controlling interests	24	2.7	5.1	1.8
Capital gains/(losses) on disposals		0.7	(49.5)	(51.7)
Deferred tax expense		(13.9)	(24.7)	(11.7)
Accrued expenses and income related to share-based payments		26.4	51.4	28.6
Dividend income		(12.9)	(10.0)	(9.9)
Other		(3.0)	(0.3)	(0.1)
Operating cash flows		970.8	1,863.4	925.5
Change in working capital requirements	22.2	(88.4)	76.7	(37.6)
Change in net cash related to operating activities (A)		882.5	1,940.1	888.0
CASH FLOWS RELATED TO INVESTING ACTIVITIES				
Operating investments	13, 15, 16	(169.8)	(312.3)	(119.9)
Acquisitions of investment securities		(0.8)	(8.4)	(8.4)
Acquisitions of other financial assets	17	(60.8)	(80.0)	(14.7)
Change in amounts payable to fixed asset suppliers		(15.7)	(4.4)	(13.3)
Proceeds from sale of operating assets		0.1	69.1	69.0
Proceeds from sale of other financial assets	17	-	69.1	67.4
Dividends received		18.2	27.6	9.7
Change in net cash related to investing transactions (B)		(228.7)	(239.3)	(10.2)
CASH FLOWS RELATED TO FINANCING ACTIVITIES				
Dividends paid		(485.9)	(958.3)	(957.5)
Repayment of lease liabilities	14	(95.2)	(180.7)	(86.8)
Treasury share buybacks net of disposals		(32.8)	(59.7)	(51.7)
Borrowing subscriptions		-	0.2	0.2
Repayment of borrowings		(0.1)	(1.8)	(1.7)
Change in net cash related to financing activities (C)		(613.9)	(1,200.4)	(1,097.5)
Change in scope (D)		-	-	-
Foreign currency translation adjustment (E)		26.8	52.8	21.2
CHANGE IN NET CASH (A) + (B) + (C) + (D) + (E)		66.6	553.4	(198.5)
Net cash at the beginning of the period	22.1	3,465.1	2,911.7	2,911.7
Net cash at the end of the period	22.1	3,531.7	3,465.1	2,713.2
CHANGE IN NET CASH POSITION	22.1	66.6	553.4	(198.5)

* Including the impact of IFRS 16 on leases. In accordance with IAS 8, Hermès has applied the new standard on a full retrospective basis, and has restated the financial statements for the periods ended 31 December and 30 June 2018.

ALTERNATIVE PERFORMANCE INDICATOR

In monitoring its business, the Hermès Group uses adjusted free cash flow as a performance indicator. Adjusted free cash flow is the sum of cash flow and change in net working capital, less operating investments

and the repayment of lease liabilities in accordance with the IFRS statement of cash flows.

<i>In millions of euros</i>	H1 2019	FY 2018 restated	H1 2018 restated
Operating cash flows	970.8	1,863.4	925.5
+ Change in working capital requirements	(88.4)	76.7	(37.6)
- Operating investments	(169.8)	(312.3)	(119.9)
- Repayment of lease liabilities ¹	(95.2)	(180.7)	(86.8)
ADJUSTED FREE CASH FLOW	617.5	1,447.1	681.3

(1) 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. For management purposes, the Hermès Group sees all lease payments as items affecting operating activities.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

DETAILED SUMMARY

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The condensed interim consolidated financial statements as presented were approved by the Executive Management on 10 September 2019 after review by the Audit and Risk Committee at its meeting of 5 September 2019.

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 2018.

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 2018 and described therein, with the exception of the estimated tax expense for the first half and employee benefits, which are measured separately (Note 1.2), and the first-time application of IFRS 16 *Leases* as of 1 January 2019.

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

1.1 Standards, amendments and interpretations mandatory in 2019

1.1.1 IFRS 16 standard

IFRS 16 *Leases* must be applied at 1 January 2019. The Group has decided to apply this standard on a full retrospective basis to each prior period for which financial information is presented, in accordance with IAS 8.

The Group is tenant of most of the stores and offices in the cities where it operates. In application of IFRS 16, property leases with fixed rents are now recognised in assets through a right-of-use asset and in liabilities through a lease liability corresponding to the present value of future payments. Previously, each lease was qualified as either an operating lease or a finance lease, and each category had a specific accounting treatment.

Right-of-use assets are equal to the amount of the lease liability adjusted for the amount of prepaid rent, incentives received from the lessors and, where applicable, restoration costs.

The lease term is determined on a lease-by-lease basis, without taking into account early termination or extension options, except in particular cases.

More specifically, for 3/6/9 year French commercial leases, the Group takes the lease term to be nine years, in accordance with the ANC position.

The discount rate used is determined for each contract and based on the Group's incremental borrowing rate plus a country-specific spread to take the economic environment into account. This rate applies at the start date of the lease.

Both of the exemptions offered by the standard are used: lease payments corresponding to assets with a low unit value or to leases with a remaining term of less than 12 months are recognised directly as expenses.

The Group has chosen to record the deferred taxes generated by the recognition of a right-of-use asset and a lease liability.

In the cash flow statement, repayments of principal and payment of interest on lease liabilities are presented under the same heading "Repayment of lease liabilities" in cash flows related to financing activities.

The cumulative effect of the restatements required by the standard on shareholders' equity at 1 January 2018 is reflected in a €34 million reduction, net of deferred tax, in consolidated reserves.

The impact of the new standard on the financial statements at 31 December and 30 June 2018 is presented below:

Impact on the consolidated balance sheet

<i>In millions of euros</i>	Accounts as reported as at 31/12/2018	IFRS 16 impacts	Restated accounts as at 31/12/2018	Accounts as reported at 30/06/2018	IFRS 16 impacts	Restated accounts at 30/06/2018
Intangible assets and property, plant and equipment	1,487.4	-	1,487.4	1,408.5	-	1,408.5
Right-of-use assets	-	982.9	982.9	-	996.5	996.5
Other non-current assets	998.0	8.0	1,006.1	876.0	4.9	880.9
Non-current assets	2,485.5	990.9	3,476.4	2,284.5	1,001.4	3,285.9
Current assets	4,982.6	(7.2)	4,975.5	4,238.7	(4.6)	4,234.1
TOTAL ASSETS	7,468.1	983.8	8,451.9	6,523.3	996.7	7,520.0
Equity attributable to owners of the parent	5,503.0	(33.2)	5,469.8	4,789.0	(35.7)	4,753.3
Non-controlling interests	4.8	0.1	4.9	3.5	-	3.5
Equity	5,507.8	(33.1)	5,474.7	4,792.5	(35.7)	4,756.8
Lease liabilities due in more than one year	-	936.7	936.7	-	920.0	920.0
Provisions	5.7	10.7	16.4	56.1	11.1	67.2
Other non-current liabilities	373.0	(65.7)	307.3	350.2	(39.8)	310.4
Non-current liabilities	378.8	881.7	1,260.4	406.3	891.2	1,297.6
Lease liabilities due in less than one year	-	179.3	179.3	-	171.1	171.1
Other current liabilities	1,581.4	(44.0)	1,537.4	1,324.5	(29.8)	1,294.6
Current liabilities	1,581.4	135.3	1,716.7	1,324.5	141.2	1,465.7
TOTAL EQUITY AND LIABILITIES	7,468.1	983.8	8,451.9	6,523.3	996.7	7,520.0

Impact on the cash flow statement

<i>In millions of euros</i>	Accounts as reported as at 31/12/2018	IFRS 16 impacts	Restated accounts as at 31/12/2018	Accounts as reported as at 30/06/2018	IFRS 16 impacts	Restated accounts as at 30/06/2018
CASH FLOWS RELATED TO OPERATING ACTIVITIES						
Net income attributable to owners of the parent	1,404.6	0.9	1,405.5	707.8	(1.4)	706.4
Depreciation of assets	217.0	-	217.0	106.4	-	106.4
Amortisation of right-of-use assets	-	188.8	188.8	-	91.4	91.4
Impairment losses	43.0	27.3	70.3	32.8	-	32.8
Change in provisions	68.8	(38.5)	30.3	50.9	(2.9)	48.0
Deferred tax expense	(26.8)	2.1	(24.7)	(11.1)	(0.6)	(11.7)
Other cash flows from operating activities	(23.8)	0.1	(23.8)	(47.7)	-	(47.7)
Operating cash flows	1,682.7	180.7	1,863.4	839.1	86.4	925.5
Change in working capital requirements	76.7	-	76.7	(37.9)	0.3	(37.6)
Change in net cash related to operating activities	1,759.4	180.7	1,940.1	801.2	86.8	888.0
CASH FLOWS RELATED TO INVESTING ACTIVITIES	(239.3)	-	(239.3)	(10.2)	-	(10.2)
Dividends paid	(958.3)	-	(958.3)	(957.5)	-	(957.5)
Repayment of lease liabilities	-	(180.7)	(180.7)	-	(86.8)	(86.8)
Other cash flows from financing activities	(61.3)	-	(61.3)	(53.2)	-	(53.2)
CASH FLOWS RELATED TO FINANCING ACTIVITIES	(1,019.6)	(180.7)	(1,200.4)	(1,010.7)	(86.8)	(1,097.5)
Foreign currency translation adjustment	52.8	-	52.8	21.2	-	21.2
CHANGE IN NET CASH	553.4	-	553.4	(198.5)	-	(198.5)

Impact on consolidated net income

<i>In millions of euros</i>	Accounts as reported FY 2018	IFRS 16 impacts	Restated accounts FY 2018	Accounts as reported H1 2018	IFRS 16 impacts	Restated accounts H1 2018
Revenue	5,966.1	-	5,966.1	2,853.4	-	2,853.4
Cost of sales	(1,791.0)	(0.8)	(1,791.8)	(859.2)	-	(859.2)
Gross margin	4,175.1	(0.8)	4,174.3	1,994.1	-	1,994.2
Selling, marketing and administrative expenses	(1,771.2)	208.9	(1,562.3)	(830.0)	99.0	(731.0)
Other income and expenses	(358.9)	(177.8)	(536.7)	(179.6)	(87.3)	(266.9)
Recurring operating income	2,045.0	30.3	2,075.3	984.5	11.7	996.2
Other non-recurring income and expenses	52.7	-	52.7	52.7	-	52.7
Operating income	2,097.7	30.3	2,128.0	1,037.2	11.7	1,048.9
Net financial income	(34.6)	(27.1)	(61.8)	(4.2)	(13.7)	(17.9)
Net income before tax	2,063.1	3.1	2,066.2	1,033.0	(2.0)	1,031.0
Income tax	(670.0)	(2.1)	(672.2)	(335.7)	0.6	(335.1)
Net income from associates	16.6	-	16.6	12.3	-	12.3
CONSOLIDATED NET INCOME	1,409.6	1.0	1,410.6	709.5	(1.4)	708.2
Net income attributable to non-controlling interests	(5.0)	(0.1)	(5.1)	(1.8)	-	(1.8)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	1,404.6	0.9	1,405.5	707.8	(1.4)	706.4
Earnings per share in euros	13.48	0.01	13.48	6.79	(0.01)	6.78
Diluted earnings per share in euros	13.39	0.01	13.40	6.75	(0.01)	6.74

In the income statement, the rents recognised previously in cost of sales or in selling, marketing and administrative expenses are replaced by the amortisation of the right-of-use asset in recurring operating income and the interest on the lease liability in net financial income. The impact of the application of IFRS 16 on operating income was a positive €11.7 million in the first half of 2018 and a positive €30.3 million over the full year 2018.

The impact of the application of IFRS 16 on net income is negligible.

1.1.2 Other standards applicable in 2019

IFRIC 23 *Uncertainty over Income Tax Treatments*, applicable no later than 1 January 2019, was applied early as of 31 December 2018.

1.2 Special features of the preparation of interim financial statements

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

Barring a specific event during the period, the post-employment benefit obligation is not subject to an actuarial valuation in the first half. The expense recognised for the first half is one-half of the net expense calculated for 2019 as a whole, based on the data and actuarial assumptions used as at 31 December 2018.

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

The Group did not make any significant acquisitions or disposals during the first half of 2019.

NOTE 3 SEASONAL NATURE OF THE BUSINESS

The Group's overall activity is evenly balanced over the year as a whole (in 2018, 48% of the Group's revenue was generated during the first half, and 52% during the second).

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

NOTE 4 SEGMENT INFORMATION

The following income statements by geographical area are presented after eliminations and adjustments:

In millions of euros	June 2019							Total
	France	Europe (excl. France)	Japan	Asia-Pacific (excl. Japan)	Americas	Other	Holding company	
Revenue	405.8	544.6	400.6	1,299.3	569.2	64.6	-	3,284.2
Recurring operating income	135.4	142.8	157.4	578.1	190.2	14.5	(74.5)	1,143.9
<i>Recurring operating profitability by segment</i>	<i>33.4%</i>	<i>26.2%</i>	<i>39.3%</i>	<i>44.5%</i>	<i>33.4%</i>	<i>22.4%</i>	<i>-</i>	<i>34.8%</i>
Other non-recurring income and expenses	-	-	-	-	-	-	-	-
Operating income	135.4	142.8	157.4	578.1	190.2	14.5	(74.5)	1,143.9
Operating investments	66.7	18.8	3.9	25.8	45.4	-	9.1	169.8
Non-current assets ¹	968.1	386.7	193.9	505.6	516.0	40.3	124.2	2,734.8

In millions of euros	June 2018 restated							Total
	France	Europe (excl. France)	Japan	Asia-Pacific (excl. Japan)	Americas	Other	Holding company	
Revenue	390.3	500.7	344.8	1,072.8	489.9	54.8	-	2,853.4
Recurring operating income	118.7	133.9	132.9	499.5	167.5	8.9	(65.3)	996.3
<i>Recurring operating profitability by segment</i>	<i>30.4%</i>	<i>26.7%</i>	<i>38.6%</i>	<i>46.6%</i>	<i>34.2%</i>	<i>16.3%</i>	<i>-</i>	<i>34.9%</i>
Other non-recurring income and expenses	-	-	-	52.7	-	-	-	52.7
Operating income	118.7	133.9	132.9	552.2	167.5	8.9	(65.3)	1,048.9
Operating investments	61.1	11.0	3.5	17.2	20.3	-	6.7	119.9
Non-current assets ¹	920.4	394.7	174.6	504.4	495.3	35.5	128.1	2,653.1

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

NOTE 5 COST OF SALES

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

NOTE 6 SELLING, MARKETING AND ADMINISTRATIVE EXPENSES

<i>In millions of euros</i>		H1 2019	FY 2018 restated	H1 2018 restated
Communication		(144.8)	(298.1)	(120.4)
Other selling, marketing and administrative expenses		(697.4)	(1,264.3)	(610.6)
TOTAL		(842.2)	(1,562.3)	(731.0)

NOTE 7 OTHER RECURRING INCOME AND EXPENSES

<i>In millions of euros</i>	Notes	H1 2019	FY 2018 restated	H1 2018 restated
Depreciation of assets		(92.7)	(181.5)	(89.8)
Amortisation of right-of-use assets		(100.4)	(187.0)	(90.5)
Depreciation and amortisation		(193.2)	(368.5)	(180.4)
Net change in provisions		2.7	(18.7)	(8.2)
Cost of defined-benefit plans	28	(12.8)	(16.0)	(11.7)
Sub-total		(10.2)	(34.7)	(19.9)
Impairment losses		(26.4)	(70.3)	(32.9)
Expenses linked to bonus share allocation plans and similar expenses	30	(36.5)	(72.0)	(40.2)
Other expenses		(10.3)	(15.6)	(1.2)
Other products		7.5	24.4	7.7
Sub-total		(65.6)	(133.5)	(66.6)
TOTAL		(269.0)	(536.7)	(266.9)

Total depreciation and amortisation of fixed assets included in operating expenses ("Other income and expenses" and "Cost of sales") amounted to €111.0 million in the first half of 2019, compared with €106.4 million at end-June 2018.

Total depreciation and amortisation of right-of-use assets included in operating expenses ("Other income and expenses" and "Cost of sales") amounted to €101.4 million in the first half of 2019, compared with €91.4 million in the same period in 2018.

NOTE 8 OTHER NON-RECURRING INCOME AND EXPENSES

<i>In millions of euros</i>		H1 2019	FY 2018 restated	H1 2018 restated
Non-recurring operating expenses		-	-	-
Other expenses		-	-	-
Non-recurring operating income		-	52.7	52.7
Gains on asset disposals		-	52.7	52.7
Other products		-	-	-
TOTAL		-	52.7	52.7

In 2018, other non-recurring income and expenses corresponded to the net gains resulting from the disposal of the premises of the former Galleria store in Hong Kong for €52.7 million.

NOTE 9 NET FINANCIAL INCOME

<i>In millions of euros</i>	H1 2019	FY 2018 restated	H1 2018 restated
Income from cash and cash equivalents	9.5	13.6	6.6
Cost of gross financial debt	2.7	5.6	2.4
♦ of which net income/(loss) on interest and exchange rate hedging instruments	3.1	6.5	2.9
Cost of net financial debt	12.2	19.1	8.9
Interest expense on lease liabilities	(12.6)	(25.8)	(12.9)
Other financial income and expenses	(15.9)	(55.1)	(13.9)
♦ of which ineffective portion of cash flow hedges	(26.2)	(55.6)	(21.6)
TOTAL	(16.3)	(61.8)	(17.9)

NOTE 10 TAXES

10.1 Tax rate

The Group's estimated tax rate in 2019 is 34.0% (32.5% in 2018), based on a projected tax rate in France of 34.43% in 2019 and 28.92% in 2020.

10.2 Deferred taxes

<i>In millions of euros</i>	H1 2019	FY 2018 restated	H1 2018 restated
Deferred tax assets at 1 January	462.4	363.5	363.5
Deferred tax liabilities at 1 January	37.3	45.1	45.1
Net deferred tax assets at 1 January	425.1	318.4	318.4
Impact on statement of profit or loss	24.5	57.4	20.2
Impact on scope of consolidation	-	-	-
Impact of exchange rate movements	2.6	5.6	3.2
Equity impact ¹	(6.2)	43.6	30.4
NET DEFERRED TAX ASSETS AT THE END OF THE PERIOD	446.0	425.1	372.2
Balance of deferred tax assets at the end of the period	473.4	462.4	392.8
Balance of deferred tax liabilities at the end of the period	27.4	37.3	20.6

(1) Other items relate to deferred taxes resulting from changes in the portion of the revaluation of financial instruments recorded in equity (recyclable portion). These changes had no impact on net income for the period (see Note 23.4).

Deferred taxes mainly related to the following adjustments:

<i>In millions of euros</i>	H1 2019	FY 2018 restated	H1 2018 restated
Internal margins on inventories and provisions for inventories	297.2	286.5	260.0
Employee benefits	56.9	57.8	55.5
Derivatives	(17.9)	(31.9)	(22.1)
Impairment losses	29.9	24.1	25.2
Regulated provisions	(36.5)	(43.1)	(39.9)
Other	116.3	131.7	93.6
TOTAL	446.0	425.1	372.2

NOTE 11 NET EARNINGS PER SHARE

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

	H1 2019	FY 2018 restated	H1 2018 restated
Numerator in millions of euros			
Basic net income	754.3	1,405.5	706.4
Adjustments	-	-	-
Diluted net income	754.3	1,405.5	706.4
Denominator in number of shares			
Weighted average number of ordinary shares	104,244,801	104,227,077	104,195,611
Basic earnings per share	7.24	13.48	6.78
Dilutive effect of stock option plans			
Dilutive effect of free share plans	663,127	652,740	607,717
Weighted average number of diluted ordinary shares	104,907,927	104,879,817	104,803,328
Diluted earnings per share	7.19	13.40	6.74
Average share price	€573.71	€509.85	€498.82

NOTE 12 GOODWILL

<i>In millions of euros</i>	30/06/2018	31/12/2018	Increases	Decreases	Exchange rate impact	Other	30/06/2019
Goodwill	139.7	139.8	-	-	0.9	-	140.8
TOTAL GROSS VALUES	139.7	139.8	-	-	0.9	-	140.8
Amortisation recognised before 1 January 2004	30.9	31.6		-	0.6		32.1
Impairment losses	93.4	92.5	-	-	-		92.5
TOTAL AMORTISATION AND IMPAIRMENT	124.3	124.1	-	-	0.6	-	124.7
TOTAL NET VALUES	15.4	15.7	-	-	0.4	-	16.2

NOTE 13 INTANGIBLE ASSETS

<i>In millions of euros</i>	30/06/2018	31/12/2018	Increases	Decreases	Exchange rate impact	Other	30/06/2019
Leasehold rights	66.2	66.5	-	(0.5)	0.9	(0.7)	66.1
Concessions, patents, licences and software	245.4	279.4	22.0	(0.2)	0.4	5.0	306.7
Other intangible assets	74.7	74.7	1.7	(16.6)	1.4	0.2	61.4
Assets under construction	24.1	22.0	17.1	-	-	(5.7)	33.4
TOTAL GROSS VALUES	410.5	442.6	40.9	(17.3)	2.7	(1.2)	467.6
Amortisation of leasehold rights	46.8	49.2	1.0	(0.2)	0.6	(0.7)	49.9
Amortisation of concessions, patents, licences and software	157.9	175.6	18.2	(0.2)	0.3	0.6	194.6
Amortisation of other intangible assets	61.7	61.7	1.7	(16.6)	1.4	4.0	52.4
Impairment losses	14.6	14.0	4.7	(0.3)	-	(4.6)	13.7
TOTAL AMORTISATION AND IMPAIRMENT	281.0	300.5	25.7	(17.3)	2.4	(0.7)	310.6
TOTAL NET VALUES	129.3	142.0	15.2	-	0.3	(0.5)	156.9

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>	30/06/2018 Net	31/12/2018 Net	Gross	Amortisation and impairment	30/06/2019 Net
Stores	819.1	814.2	1,379.3	(597.3)	782.0
Offices and other	177.3	168.7	273.9	(106.7)	167.1
TOTAL	996.5	982.9	1,653.2	(704.1)	949.1

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

<i>In millions of euros</i>	Stores	Offices and other	H1 2019
Gross amount at 1 January	1,365.1	260.2	1,625.3
Implementation of new leases and revisions	49.1	18.7	67.8
Expiry and early termination of leases	(43.6)	(5.7)	(49.4)
Exchange rate impact	8.3	0.8	9.1
Other movements and reclassifications	0.4	-	0.4
Gross amount at the end of the period	1,379.3	273.9	1,653.2

<i>In millions of euros</i>	Stores	Offices and other	TOTAL
Amortisation and impairment losses at 1 January	(550.9)	(91.4)	(642.4)
Amortisation and impairment	(84.0)	(17.4)	(101.4)
Expiry and early termination of leases	41.1	2.4	43.5
Exchange rate impact	(3.5)	(0.3)	(3.8)
Other movements and reclassifications	-	-	-
Amortisation and impairment losses at end of period	(597.3)	(106.7)	(704.1)

14.2 Lease liabilities

<i>In millions of euros</i>	30/06/2018	31/12/2018	30/06/2019
TOTAL LEASE LIABILITIES	1,091.0	1,116.0	1,081.6

The change in the liability over the half-year breaks down as follows:

<i>In millions of euros</i>	TOTAL
Lease liabilities at 1 January	1,116.0
Implementation of new leases and revisions	60.4
Expiry and early termination of leases	(6.2)
Repayments	(95.2)
Exchange rate impact	6.3
Other movements and reclassifications	0.4
Lease liabilities at end of period	1,081.6

At the end of June 2019, rents relating to uncapitalised leases correspond to rents with variable payments in the amount of €125.7 million for the first half of 2019 (compared with €106.2 million in the first half of

2018) and exempted rents (rents on assets with a low unit value or on leases with a remaining term of less than 12 months) in the amount of €5.1 million (compared with €4.6 million in the first half of 2018).

NOTE 15 PROPERTY, PLANT AND EQUIPMENT

<i>In millions of euros</i>	30/06/2018	31/12/2018	Increases ¹	Decreases	Exchange rate impact	Other	30/06/2019
Land	151.4	155.3	-	-	2.6	0.1	157.9
Buildings	825.3	854.1	5.0	(1.1)	4.0	6.3	868.3
Industrial machinery, plant and equipment	312.3	335.7	9.3	(4.9)	0.2	9.1	349.3
Store fixtures and furnishings	817.5	887.7	47.8	(14.0)	5.7	8.4	935.6
Other property, plant and equipment assets	346.1	374.5	10.6	(2.6)	0.7	6.4	389.7
Assets under construction	99.0	94.7	56.2	-	0.7	(36.1)	115.4
TOTAL GROSS VALUES	2,551.6	2,701.9	128.9	(22.6)	14.0	(5.9)	2,816.2
Depreciation of buildings	317.2	334.8	17.7	(1.0)	2.3	0.9	354.8
Depreciation of plant, machinery and equipment	186.5	197.5	11.5	(4.6)	0.1	2.3	206.9
Depreciation of store fixtures and furnishings	456.0	490.3	42.5	(13.9)	3.1	(4.5)	517.4
Depreciation of other property, plant and equipment	225.5	235.9	17.3	(2.6)	0.4	(3.3)	247.7
Impairment losses ²	87.2	98.0	21.8	(0.5)	0.5	(1.8)	118.0
TOTAL AMORTISATION AND IMPAIRMENT	1,272.4	1,356.5	110.8	(22.7)	6.4	(6.4)	1,444.7
TOTAL NET VALUES	1,279.2	1,345.4	18.0	-	7.5	0.5	1,371.5

(1) Investments made during the first half of 2019 mainly include the opening and renovation of stores and capital expenditure to expand production capacity.

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

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

NOTE 16 INVESTMENT PROPERTY

<i>In millions of euros</i>	30/06/2018	31/12/2018	Increases	Decreases	Exchange rate impact	Other	30/06/2019
Land	29.6	29.4	-	-	(0.1)	-	29.3
Buildings	70.2	69.6	-	-	(0.1)	-	69.5
TOTAL GROSS VALUES	99.9	99.1	-	-	(0.2)	-	98.8
Amortisation	21.2	22.2	1.1	-	-	-	23.2
TOTAL NET VALUES	78.7	76.9	(1.1)	-	(0.2)	-	75.6

It is stipulated that the Group and its subsidiaries are not bound by any contractual obligation to buy, build or develop investment properties, existing or not.

Moreover, the costs incurred for the upkeep, maintenance and improvement of the investment assets are neither significant nor

likely, as far as we know, to change materially in the coming financial years.

Rental income from investment property amounted to €4.6 million in the first half of 2019, compared with €4.2 million in the first half of 2018.

NOTE 17 FINANCIAL ASSETS

<i>In millions of euros</i>	30/06/2018	31/12/2018	Increases ¹	Decreases	Exchange rate impact	Other ²	30/06/2019
Financial investments and accrued interest	236.9	301.8	58.3	-	(0.1)	(0.1)	359.9
Liquidity contract	11.2	10.3	2.5	-	-	-	12.8
Other non-consolidated investments	9.8	1.2	2.0	-	-	-	3.3
Other financial assets	-	14.2	-	-	-	0.1	14.3
TOTAL GROSS VALUES	257.9	327.3	62.7	-	(0.1)	-	390.2
Impairments	8.1	13.5	-	-	-	-	13.5
TOTAL NET VALUES	249.8	313.9	62.7	-	(0.1)	-	376.7

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

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

NOTE 18 INVESTMENTS IN ASSOCIATES

<i>In millions of euros</i>	H1 2019	FY 2018	H1 2018
Balance as at 1 January	75.1	72.5	72.5
Impact of changes in scope of consolidation	-	-	-
Net income from associates	14.6	19.6	14.1
Dividends paid	(5.3)	(17.6)	(9.7)
Exchange rate impact	0.3	0.7	0.3
Other	-	-	-
Balance at end of period	84.8	75.1	77.2

NOTE 19 LOANS AND DEPOSITS

<i>In millions of euros</i>	30/06/2018	31/12/2018	Increases	Decreases	Exchange rate impact	Other	30/06/2019
Loans and deposits ¹	62.0	65.6	6.5	(2.1)	0.4	-	70.4
Impairments	14.7	18.9	0.8	-	0.1	-	19.7
TOTAL	47.3	46.7	5.8	(2.1)	0.3	-	50.7

(1) At 30 June 2019, security deposits amounted to €47.6 million, compared with €44.0 million at 31 December 2018.

NOTE 20 INVENTORIES AND WORK-IN-PROGRESS

<i>In millions of euros</i>	30/06/2019			31/12/2018	30/06/2018
	Gross	Impairment	Net	Net	Net
Retail, intermediate and finished goods	1,135.2	435.0	700.1	608.7	607.3
Raw materials and work-in-progress	629.1	258.3	370.8	354.9	345.9
TOTAL	1,764.2	693.3	1,070.9	963.6	953.3
Net income/(expense) from impairment of retail, intermediate and finished goods	-	(10.6)	-	-	5.8
Net income/(expense) from impairment of raw materials and work in progress	-	(12.4)	-	-	(13.8)

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

NOTE 21 TRADE AND OTHER RECEIVABLES

In millions of euros	30/06/2019			31/12/2018	30/06/2018
	Gross	Impairment	Net	Net restated	Net restated
Trade and other receivables	297.5	5.7	291.8	280.7	247.9
of which: ♦ not yet due	231.3	0.5	230.8	250.2	210.8
♦ due ¹	66.2	5.3	60.9	30.5	37.1
Tax receivables	52.4	-	52.4	17.9	24.9
Other assets	200.9	0.2	200.7	199.4	208.6
Other non-current assets	18.3	0.3	18.0	15.3	19.8
TOTAL	569.1	6.3	562.9	513.3	501.2

(1) The amount of trade and other receivables payable is presented in the following table:

	30/06/2019			31/12/2018	30/06/2018
	Gross	Impairment	Net	Net	Net
Under 3 months	56.2	0.6	55.6	28.1	37.1
Between 3 and 6 months	6.3	1.1	5.2	2.4	-
Over 6 months	3.7	3.6	0.1	-	-
TOTAL	66.2	5.3	60.9	30.5	37.1

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

The risk of non-recovery is low, as evidenced by impairment of trade receivables, which represented 2% of the gross amount at 30 June 2019 (2% at the end of 2018). There is no significant concentration of credit risk.

NOTE 22 CASH AND CASH EQUIVALENTS

22.1 Change in net cash position

In millions of euros	30/06/2018	31/12/2018	Cash flows	Exchange rate impact	Impact on scope of consolidation	Other ¹	30/06/2019
Cash and cash equivalents	1,090.9	1,050.7	(107.5)	9.7	-	(0.1)	952.8
Marketable securities ²	1,627.6	2,428.7	166.0	2.5	-	-	2,597.2
Sub-total	2,718.5	3,479.4	58.6	12.2	-	(0.1)	3,550.1
Bank overdrafts and current accounts in debit ³	(5.4)	(14.3)	(4.1)	-	-	-	(18.4)
NET CASH POSITION	2,713.2	3,465.1	54.5	12.2	-	(0.1)	3,531.7

(1) Corresponds to the marked-to-market value of cash and cash equivalents.

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

(3) Included under the heading "Borrowings and financial liabilities due in less than one year" in the consolidated statement of financial position.

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

22.2 Change in working capital requirements

<i>In millions of euros</i>	30/06/2019	31/12/2018	30/06/2018
Inventories and work-in-progress	(104.0)	(66.3)	(52.6)
Trade and other receivables	7.6	(12.3)	16.7
Trade and other payables	(52.5)	(3.8)	(46.3)
Other receivables and payables	60.5	159.2	44.6
TOTAL	(88.4)	76.7	(37.6)

NOTE 23 EQUITY

At 30 June 2019, Hermès International's share capital consisted of 105,569,412 fully paid-up shares with a par value of €0.51 each, of which 1,331,125 treasury shares.

During the first half of 2019, the following movements occurred in respect of treasury shares:

- ♦ buyback of 56,030 shares for €33.8 million, excluding movements under the liquidity contract;
- ♦ sale of 3,624 shares as part of the liquidity contract;
- ♦ delivery of 38,660 free shares allotted to Hermès Group employees.

There was no change in the Company's share capital during the first half of 2019.

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 remeasurement of financial instruments and actuarial gains and losses, as defined in Notes 1.9 and 1.18 of the 2018 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

At the General Meeting of 4 June 2019, called to approve the financial statements for the year ended 31 December 2018, it was decided to pay an ordinary dividend of €4.55 per share for the year.

Taking into account the interim cash dividend of €1.50 per share paid on 22 February 2019, a cash balance of €3.05 was paid on 11 June 2019.

The total amount of ordinary dividends paid was accordingly €474.3 million.

23.2 Foreign currency adjustments

The change in foreign currency adjustments during the first half of 2019 breaks down as follows:

<i>In millions of euros</i>	30/06/2019	31/12/2018 restated	30/06/2018 restated
Balance as at 1 January	88.0	13.5	13.5
Yen	6.4	17.0	10.2
US dollar	6.3	29.9	17.9
Yuan	3.4	4.5	2.3
Rouble	1.3	(1.6)	(0.3)
Pound sterling	1.2	(0.4)	1.2
Macao Pataca	0.8	2.5	0.5
Swiss franc	1.7	3.9	1.1
Singapore dollar	3.2	14.1	9.9
Hong Kong dollar	4.7	13.6	16.9
Other currencies	(5.0)	(8.9)	(8.3)
Balance at end of period	112.0	88.0	64.9

23.3 Revaluation adjustments

Changes in derivatives and financial investments during the first half of 2019 break down as follows (after tax):

<i>In millions of euros</i>	H1 2019	FY 2018 restated	H1 2018 restated
Balance as at 1 January	48.0	131.4	131.4
Amount transferred to equity in the year in respect of derivatives	33.3	(34.9)	(34.9)
Revaluation of derivatives	(32.6)	(33.3)	(12.6)
Revaluation of financial investments	-	27.6	27.6
Other deferred foreign exchange gains/(losses) recognised in comprehensive income	-	(8.6)	(3.9)
First-time application of IFRS 9	-	(34.2)	(34.2)
Balance at end of period	48.7	48.0	73.5

23.4 Income and expenses recognised in comprehensive income

Income and expenses recognised directly in equity during the first half of 2019 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	24.4		24.4
Revaluation adjustments	23.3	0.6		0.6
Balance as at 30 June 2019				25.0

<i>In millions of euros</i>	Notes	Gross impact	Tax impact	Net impact restated
Actuarial gains and losses	28	7.2	(1.7)	5.5
Foreign currency adjustments	23.2	74.8	-	74.8
Revaluation adjustments	23.3	(94.6)	45.4	(49.2)
Balance as at 31 December 2018		-	-	31.1

<i>In millions of euros</i>	Notes	Gross impact	Tax impact	Net impact restated
Actuarial gains and losses	28	-	-	-
Foreign currency adjustments	23.2	51.5	-	51.5
Revaluation adjustments	23.3	(54.1)	30.4	(23.8)
Balance as at 30 June 2018		-	-	27.7

NOTE 24 NON-CONTROLLING INTERESTS

<i>In millions of euros</i>	30/06/2019	31/12/2018 restated	30/06/2018 restated
Balance as at 1 January	4.9	6.6	6.6
Net income attributable to non-controlling interests	2.7	5.1	1.8
Dividends paid to non-controlling interests	(3.3)	(4.3)	(3.6)
Foreign currency translation adjustments on foreign entities	0.4	0.4	-
Other changes	-	(3.0)	(1.4)
Balance at end of period	4.7	4.9	3.5

NOTE 25 EXPOSURE TO MARKET RISKS

The Hermès Group's results are exposed to the risks and uncertainties set out in the 2018 registration document. The assessment of these risks did not change during the first half of 2019, and no new risks had been identified at the date of publication of this report. The main risks

are exposure to currency fluctuations and changing economic conditions in some parts of the world. The Group's foreign exchange policy is based on the management principles described in the 2018 registration document.

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

<i>In millions of euros</i>	30/06/2019	31/12/2018	30/06/2018
Net financial derivative assets	57.6	34.9	81.1
Net financial derivative liabilities	(59.5)	(57.8)	(41.1)
Net position of financial derivatives	(1.9)	(23.0)	40.0

The ineffective portion of cash flow hedges recorded in profit or loss is negative €26.2 million (of which negative €1.2 million from over-hedging), compared with negative €55.6 million (of which positive €0.7 million from over-hedging) at 31 December 2018 and negative €21.6 million (of which positive €0.8 million from over-hedging) at 30 June 2018

(see Note 9). The impact of the effective portion of the hedges recorded in equity is shown in Note 23.

The valuation methods used for financial instruments as at 30 June 2019 are identical to those used at 31 December 2018, as described on page 252 of the 2018 registration document.

NOTE 26 PROVISIONS

<i>In millions of euros</i>	30/06/2018 restated	31/12/2018 restated	Allocations	Reversals ¹	Exchange rate impact	Other and reclassifications	30/06/2019
Current provisions	139.7	96.3	5.4	(10.8)	0.5	1.9	93.3
Non-current provisions	67.2	16.4	6.9	(4.3)	0.2	0.4	19.6
TOTAL	206.9	112.8	12.3	(15.2)	0.7	2.2	112.9

(1) Of which €6.7 million reversed and used.

Current provisions concern risks, disputes and litigation as well as provisions for returns of goods in the normal course of operations.

NOTE 27 EMPLOYEES

A geographical breakdown of the workforce is as follows:

	30/06/2019	31/12/2018	30/06/2018
France	9,096	8,846	8,476
Europe (excl. France)	1,574	1,510	1,492
Other geographical areas	4,081	3,928	3,796
TOTAL	14,751	14,284	13,764

Personnel expenses totalled €613.5 million in the first half of 2019, compared with €561 million in the first half of 2018.

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 26 to the consolidated financial statements, starting on page 278 of the 2018 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 2019	FY 2018	H1 2018
Provisions as at 1 January	189.0	13.9	202.9	194.2	194.2
Foreign currency adjustments	1.4	-	1.4	3.5	2.0
Cost according to statement of profit or loss	12.7	1.3	14.0	19.0	12.8
Benefits/contributions paid	(1.7)	(0.2)	(1.9)	(6.6)	(2.3)
Actuarial gains and losses	-	-	-	(7.2)	-
Change in scope	-	-	-	-	-
Other	-	-	-	-	-
Provisions at end of period	201.4	15.0	216.4	202.9	206.7

The expense recognised in respect of defined benefit plans is as follows:

<i>In millions of euros</i>	Post-employment plans	Other long-term benefits	H1 2019	FY 2018	H1 2018
Service costs	11.5	1.2	12.7	16.4	11.7
Interest costs	1.1	0.1	1.2	2.4	0.9
Financial income on assets	-	-	-	(0.5)	-
(Gains)/losses resulting from a plan change	-	-	-	0.5	-
Change in scope	-	-	-	-	-
Net actuarial (gains)/losses recognised in the year	-	-	-	-	-
Administrative expenses	0.1	-	0.1	0.2	0.1
Cost of defined-benefit plans	12.7	1.3	14.0	19.0	12.8

NOTE 29 TRADE PAYABLES AND OTHER LIABILITIES

<i>In millions of euros</i>	30/06/2019	31/12/2018 restated	30/06/2018 restated
Accounts payable	367.5	416.1	366.8
Amounts payable to fixed asset suppliers	41.9	50.9	40.6
Trade and other payables	409.4	467.0	407.3
Tax liabilities ¹	408.0	314.6	171.1
Other current liabilities	624.0	572.2	515.8
Other non-current liabilities	34.6	46.5	63.5
TRADE PAYABLES AND OTHER LIABILITIES	1,476.0	1,400.3	1,157.7

(1) The Group's companies are regularly audited by the tax authorities of the countries in which they operate. In particular, proposals bearing on income tax adjustments for two of the Group's entities in France have not changed significantly over the period. After consulting its advisors, Hermès continues to challenge these reassessments and intends to seek redress using the means available to it for its defence. Hermès considers that uncertain risks and tax positions give rise to the recognition of appropriate liabilities.

NOTE 30 SHARE-BASED PAYMENTS

The total expense incurred in the first half of 2019 for all free share plans (including social security contributions) was €36.5 million, compared with €72 million in 2018 and €40.2 million in the first half of 2018.

No new plans were established in the first half of 2019.

NOTE 31 OFF-BALANCE-SHEET COMMITMENTS

Taking into account the application of IFRS 16, non-cancellable future commitments corresponding to the fixed rents of operating leases as they appeared in Note 28 of the consolidated financial statements, on page 283 of the 2018 registration document, are now recorded in the balance sheet as indicated in Note 1.1.1.

There was no material change in other unrecognised commitments during the half-year.

NOTE 32 RELATED PARTIES

Relations between the Hermès Group and related companies during the first half of 2019 were comparable with those of 2018. Specifically, no unusual transaction, by its nature or amount, was carried out during the period.

NOTE 33 SUBSEQUENT EVENTS

On 1 July 2019, Hermès International's Executive Management decided to establish a new free share plan for all Group employees.

STATUTORY AUDITORS' REPORT ON THE INTERIM FINANCIAL INFORMATION

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In accordance with the engagement entrusted to us by your Annual 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 limited review of the interim consolidated financial statements of Hermès International for the period from 1 January to 30 June 2019, as attached to this report;
- ◆ a verification of the information given in the half-year business report.

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

1. CONCLUSION ON THE FINANCIAL STATEMENTS

We conducted our limited review in accordance with professional standards applicable in France. A limited review consists primarily of interviewing the members of management in charge of accounting and financial matters, and implementing analytical procedures. This work is less extensive than that required for an audit carried out in accordance with professional standards applicable in France. As a result, the assurance obtained in a limited review that the financial statements, taken as a whole, do not contain material misstatements is a moderate assurance, less than that obtained in an audit.

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

We draw your attention to Note 1.1 "Standards, amendments and interpretations mandatory in 2019" to the condensed interim consolidated financial statements, which describes the consequences of the adoption of IFRS 16 *Leases*. Our opinion is not modified in respect of this matter.

2. SPECIFIC VERIFICATION

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

Neuilly-sur-Seine, 10 September 2019

The Statutory Auditors

PricewaterhouseCoopers Audit
Olivier Auberty

Didier Kling & Associés
A member of Grant Thornton
Vincent Frambourt Guillaume Giné

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 a description of the main risks and uncertainties for the remaining six months of the year.

Paris, 10 September 2019

Executive Chairmen

Mr Axel Dumas

Mr Henri-Louis Bauer

Representative of Émile Hermès SARL

Hermès International

Société en commandité 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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