

june 2022

Half-year Financial Report

CONTENTS

1	KEY FIGURES	3			
	Key consolidated data for the first half of 2022	3			
2	HALF-YEAR BUSINESS REPORT	5			
2.1	Half-year highlights	5			
2.2	First-half activity	5			
	Sales by geographical area at the end of June	5			
	Sales by <i>métier</i> at the end of June	6			
2.3	Comments on the condensed consolidated half-year financial statements	7			
	2.3.1 Income statement	7			
	2.3.2 Cash flows and investments	8			
	2.3.3 Financial position	8			
2.4	Outlook	9			
2.5	Risks and uncertainties	9			
2.6	Related-party transactions	9			
3	CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2022	11			
3.1	Consolidated income statement	11			
3.2	Consolidated statement of comprehensive income	11			
3.3	Consolidated balance sheet	12			
3.4	Consolidated statement of changes in equity	13			
3.5	Consolidated statement of cash flows	14			
			3.6	Notes to the condensed interim consolidated financial statements	15
			Note 1	Accounting principles and policies	16
			Note 2	Alternative performance measures	16
			Note 3	Segment information	18
			Note 4	Items relating to operating activities	19
			Note 5	Employee benefits	21
			Note 6	Tax rate	21
			Note 7	Goodwill, property, plant and equipment, intangible assets, and leases	21
			Note 8	Investments in associates	24
			Note 9	Financial assets and liabilities – Net cash position	24
			Note 10	Management of market risks and derivatives	25
			Note 11	Equity – Earnings per share	25
			Note 12	Provisions for risks and expenses and off-balance sheet commitments	27
			Note 13	Related-party transactions	27
			Note 14	Events after the reporting period	27
			4	STATUTORY AUDITORS' REVIEW REPORT ON THE HALF-YEARLY FINANCIAL INFORMATION	29
			5	STATEMENT BY THE PERSONS RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT	33



HALF-YEAR FINANCIAL REPORT JUNE 2022

*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.*

1. KEY FIGURES

1

KEY CONSOLIDATED DATA FOR THE FIRST HALF OF 2022

<i>In millions of euros</i>	H1 2022	2021 Financial year	H1 2021
Revenue	5,475	8,982	4,235
<i>Growth at current exchange rates vs. n-1</i>	29%	41%	70%
<i>Growth at constant exchange rates vs. n-1</i> ¹	23%	42%	77%
Recurring operating income ²	2,304	3,530	1,722
<i>in % of revenue</i>	42%	39%	41%
Operating income	2,304	3,530	1,722
<i>in % of revenue</i>	42%	39%	41%
Net income attributable to owners of the parent	1,641	2,445	1,174
<i>in % of revenue</i>	30%	27%	28%
Operating cash flows	2,001	3,060	1,487
Operating investments	190	532	214
Adjusted free cash flow ³	1,421	2,661	1,236
Equity attributable to owners of the parent	10,259	9,400	8,024
Net cash position ⁴	7,280	6,695	5,326
Restated net cash position ⁵	7,685	7,070	5,521
Headcount (number of people)	18,428	17,595	16,966

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

2. HALF-YEAR BUSINESS REPORT

2.1 HALF-YEAR HIGHLIGHTS

The Group's consolidated revenue amounted to €5,475 million in the first half of 2022, up 29% at current exchange rates and 23% at constant exchange rates compared to 2021. Recurring operating income amounted to €2,304 million (42% of sales). Net profit (group share) reached €1,641 million (30% of sales).

Sales in the second quarter reached €2,710 million (+26% at current exchange rates, and +20% at constant exchange rates), with a high level of activity in all the business lines.

Axel Dumas, Executive Chairman of Hermès, said: *"The very dynamic results over the first six months of the year testify to the growth across our 16 métiers and the strong desirability of our objects, designed by craftsmen with a sustainable approach, without compromising on quality. In a still unstable context, we are moving forward with confidence, faithful to our role as a responsible and committed company to our employees and our partners."*

2

2.2 FIRST-HALF ACTIVITY

SALES BY GEOGRAPHICAL AREA AT THE END OF JUNE

(at comparable exchange rates, unless otherwise indicated)

In millions of euros	H1 2022	H1 2021	Change vs. 2021	
			Published	At constant exchange rates
France	480	341	41%	41%
Europe (excl. France)	696	522	33%	34%
Total Europe	1,176	863	36%	37%
Japan	546	469	16%	20%
Asia-Pacific (excl. Japan)	2,665	2,153	24%	15%
Total Asia	3,211	2,622	23%	16%
Americas	982	668	47%	34%
Other	106	82	29%	28%
TOTAL	5,475	4,235	29%	23%

Over the first half of 2022, all the geographical areas posted strong growth, with strong resilience from Asia despite the sanitary context in China. Sales in the group's stores (+23%) benefitted from the strengthening of the exclusive omnichannel network and online sales. Wholesale activities growth (+25%), resulted notably from the resumption of travel retail.

- ♦ Asia excluding Japan (+15%) was driven by a high level of activity across the region and by sustained sales in Singapore, Australia and Korea. Greater China strongly bounced back in June after being penalised by sanitary restrictions and store closures in April and May, especially in Shanghai and Beijing. After the reopening of the renovated Pacific Place store in Hong Kong and One Central store in Macao at the beginning of the year, a new store was successfully launched in Zhengzhou at the end of March, in the Henan province in China.

- ♦ Japan (+20%) posted a remarkable performance, thanks to the loyalty of local clients. In June, the first edition of the exhibition *La Fabrique de la légèreté*, based on the year's theme, was held in Tokyo.
- ♦ America (+34%) continued its strong momentum at the end of June. In the United States, a new store opened in Austin in April, the third store of the House in Texas. The *Hermès in the Making* exhibition, presenting the House's artisanal know-how, was held in Detroit in June.
- ♦ Europe excluding France (+34%) and France (+41%) recorded sustained growth, thanks to the loyalty of local clients and the return of tourists, particularly in France, the United Kingdom and Italy.

SALES BY MÉTIER AT THE END OF JUNE

(at comparable exchange rates, unless otherwise indicated)

In millions of euros	H1 2022	H1 2021	Change vs. 2021	
			Published	At constant exchange rates
Leather Goods & Saddlery ¹	2,358	1,999	18%	12%
Ready-to-Wear and Accessories ²	1,458	1,025	42%	36%
Silk and Textiles	372	274	36%	29%
Other Hermès sectors ³	648	462	40%	33%
Perfume & Beauty	230	184	25%	23%
Watches	262	159	65%	55%
Other products ⁴	146	132	11%	9%
TOTAL	5,475	4,235	29%	23%

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

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

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

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

At the end of June 2022, all the business lines confirmed their high levels of sales, with a remarkable increase in Silk, Ready-to-wear and Accessories, Watches and Other Hermès sectors (Jewellery and Homeware) underlying the huge desirability of the House Hermès.

The growth of the Leather Goods & Saddlery division (+12%) is driven by sustained demand and the increase in production capacities, in line with the annual objective. The *Rolling Mobility Suitcase (R.M.S)*, customisable and the result of exceptional know-how and multiple innovations, received a warm welcome. Five new workshops are in project for the next five years, with the Louviers (Eure) and Sormonne (Ardennes) sites in 2023 and the Riom (Puy-de-Dôme) site in 2024. The sites in L'Isle-d'Espagnac (Charente) and Loupes (Gironde) have been announced for 2025 and 2026. Hermès thus continues to strengthen its local presence in France and to create jobs.

The Ready-to-Wear and Accessories division (+36%) pursued its dynamic growth, thanks to the success of the ready-to-wear, fashion accessories and footwear collections. The women's autumn-winter 2022 fashion show held in March at the *Garde républicaine* in Paris met with great success, as did the men's spring-summer 2023 collection revealed at the *manufacture des Gobelins* in June. New creations such as the *Rivale micro* bracelet, the single earring *Olympe* or the *Enid* sandal were very successful alongside the House's iconic creations with the *Hapi, clic H* bracelets and the *Kelly belt*.

The Silk and Textiles business line (+29%) achieved excellent growth, with collections combining diversity of materials, formats and new uses, and supported by the development of production capacities at the Pierre-Bénite site near Lyon.

Perfume and Beauty (+23%) gained from the successful launches of the new chapter of Beauty, *Hermès Plein Air*, dedicated to complexion, as well as of infused care oil for lips, *Hermèsistibles*. Perfume launched a fresh and powerful creation, *Terre d'Hermès Eau Givrée* and a new light and airy fragrance joined the colognes collection in June, *Eau de Basilic Pourpre*.

The Watches business line (+55%) achieved an outstanding performance thanks to the development of timepieces with exceptional know-how such as the watch *Arceau Le temps voyageur*, and the success of iconic models such as *Heure H* and *Cape Cod*.

The Other Hermès sectors (+33%) kept up their momentum, thanks to Homeware and Jewellery. Homeware was presented in June at the Milan Design Week, with textile new creations and the *Soleil d'Hermès* tableware collection. The seventh *haute bijouterie* collection called *Les jeux de l'ombre*, featuring innovative shapes and know-how pushed to the highest standard, was presented at the Faubourg Saint-Honoré store in Paris.

2.3 COMMENTS ON THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

2.3.1 INCOME STATEMENT

<i>In millions of euros</i>	H1 2022	H1 2021
Revenue	5,475	4,235
Cost of sales	(1,586)	(1,207)
Gross margin	3,889	3,028
Sales and administrative expenses	(1,178)	(935)
Other income and expenses	(406)	(371)
Recurring operating income	2,304	1,722
Other non-recurring income and expenses	-	-
Operating income	2,304	1,722
Net financial income	(35)	(47)
Net income before tax	2,270	1,675
Income tax	(647)	(511)
Net income from associates	25	13
CONSOLIDATED NET INCOME	1,647	1,177
Non-controlling interests	(6)	(3)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	1,641	1,174
Basic earnings per share (<i>in euros</i>)	15.69	11.22
Diluted earnings per share (<i>in euros</i>)	15.64	11.19

In the first half of 2022, the Group's consolidated revenue amounted to €5.5 billion over the period, i.e. an increase of 29% at current exchange rates and 23% at constant exchange rates compared to the first half of 2021.

The gross margin was 71%, down slightly by 0.5 point compared with the first half of 2021.

Sales and administrative expenses represented €1,178 million compared to €935 million at the end of June 2021. They include in particular €196 million in communication expenses compared to €145 million in the previous half. Other sales and administrative expenses, which include in particular the salaries of sales and support staff as well as variable rents, amounted to €982 million compared to €790 million.

Other income and expenses amounted to €406 million compared to €371 million at the end of June 2021. They include depreciation and amortisation of €260 million (€244 million in the first half of 2021), half of which relates to property, plant and equipment and intangible assets and the other half to right-of-use assets. The steady increase in depreciation and amortisation reflects the continued investments in the extension and renovation of the distribution network, digital and information systems. Other expenses also include €42 million related to free share plans.

Recurring operating income reached €2.3 billion and increased by 34% compared to the first half of 2021. Thanks to the leverage effect generated by the strong growth in sales and the exceptional collection flow rates, recurring operating profitability reached its highest level ever at 42%, compared with 41% at the end of June 2021.

Net financial income, which includes in particular interest on lease liabilities, financial income from cash investments and the cost of foreign exchange hedges, represented a net expense of €35 million.

The estimated tax rate for 2022 stood at 28.5%.

After taking into account income from associates (income of €25 million) and non-controlling interests (expense of €6 million), consolidated net income attributable to owners of the parent amounted to €1.6 billion, compared to €1.2 billion at the end of June 2021, i.e. an increase of +40%. Net profitability also reached a record level of 30% and gained more than 2 points compared to the first half of 2021.

2.3.2 CASH FLOWS AND INVESTMENTS

<i>In millions of euros</i>	H1 2022	H1 2021
Operating cash flows	2,001	1,487
Change in working capital requirements	(261)	65
Change in net cash position related to operating activities	1,740	1,552
Operating investments	(190)	(214)
Repayment of lease liabilities	(128)	(102)
Adjusted free cash flow ¹	1,421	1,236
Investments in financial assets	(10)	(0)
Dividends paid	(850)	(489)
Treasury share buybacks net of disposals (excluding liquidity contract)	(115)	(162)
Other movements	170	33
Change in restated net cash position ¹	615	617
Restated net cash position at the end of the period	7,685	5,521
Restated net cash position at the beginning of the period	7,070	4,904

(1) Alternative performance indicators defined and reconciled in Note 2 to the consolidated financial statements.

Operating cash flows amounted to €2 billion, up 34% compared to the first half of 2021.

The €261 million change in working capital requirements was mainly due to the increase in inventories and trade receivables, in line with strong sales growth. Cash flows related to operating activities thus reached €1.7 billion compared to €1.6 billion at the end of June 2021.

After taking into account operating investments and the repayments of lease liabilities recognised in accordance with IFRS 16, which are considered by the Group as items affecting operating activities, adjusted

free cash flow amounted to €1.4 billion against €1.2 billion in the first half of 2021.

After payment of €850 million in dividends, share buybacks amounting to €115 million and taking into account positive currency appreciation against the euro for €151 million (included in other movements), the restated net cash position increased by €615 million over the half year to reach €7.7 billion at the end of June 2022, compared with €7.1 billion at 31 December 2021.

2.3.3 FINANCIAL POSITION

The Hermès Group's consolidated balance sheet at the end of June 2022 totalled €15.1 billion compared with €13.8 billion at the end of 2021. Cash accounted for nearly 50% of total assets, and equity, which amounted to €10.3 billion, represented almost 70% of liabilities. The Group has consolidated a solid financial structure that allows it to maintain its independence and pursue its long-term strategy.

2.4 OUTLOOK

For 2022, the impacts of the health context are still difficult to assess. Our highly integrated craftsmanship model and balanced distribution network, as well as the creativity of the collections and clients' loyalty allow us to look to the future with confidence.

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

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

2.5 RISKS AND UNCERTAINTIES

The Hermès Group's results are exposed to the risks and uncertainties set out in the 2021 universal registration document. The assessment of

these risks did not change during the first half of 2022 and no new risks have been identified at the date of publication of this report.

2

2.6 RELATED-PARTY TRANSACTIONS

Information on the main related-party transactions relating to the six months to 30 June 2022 is provided in Note 13 to the condensed consolidated financial statements for the first half of 2022.

3. CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2022

3.1 CONSOLIDATED INCOME STATEMENT

<i>In millions of euros</i>	Notes	H1 2022	2021 Financial year	H1 2021
Revenue	3 and 4	5,475	8,982	4,235
Cost of sales		(1,586)	(2,580)	(1,207)
Gross margin		3,889	6,402	3,028
Sales and administrative expenses	4.3	(1,178)	(2,137)	(935)
Other income and expenses	4.4	(406)	(734)	(371)
Recurring operating income	3	2,304	3,530	1,722
Other non-recurring income and expenses		-	-	-
Operating income	3	2,304	3,530	1,722
Net financial income	9.1	(35)	(96)	(47)
Net income before tax		2,270	3,435	1,675
Income tax	6	(647)	(1,015)	(511)
Net income from associates	8	25	34	13
CONSOLIDATED NET INCOME		1,647	2,454	1,177
Non-controlling interests		(6)	(8)	(3)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT		1,641	2,445	1,174
Basic earnings per share (<i>in euros</i>)	11.6	15.69	23.37	11.22
Diluted earnings per share (<i>in euros</i>)	11.6	15.64	23.30	11.19

3.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In millions of euros</i>	Notes	H1 2022	2021 Financial year	H1 2021
Consolidated net income		1,647	2,454	1,177
Changes in foreign currency adjustments ¹		182	141	35
Hedges of future cash flows in foreign currencies ^{1 2}	11.5	10	(110)	(44)
♦ <i>change in fair value</i>		(97)	(87)	(19)
♦ <i>recycling through profit or loss</i>		107	(23)	(25)
Assets at fair value ²	11.5	-	87	87
Employee benefit obligations: change in value linked to actuarial gains and losses ²	5	1	9	-
Net comprehensive income		1,840	2,582	1,255
♦ <i>attributable to owners of the parent</i>		1,833	2,573	1,252
♦ <i>attributable to non-controlling interests</i>		7	9	3

(1) Transferable through profit or loss.

(2) Net of tax.

3.3 CONSOLIDATED BALANCE SHEET

ASSETS

<i>In millions of euros</i>	Notes	30/06/2022	31/12/2021	30/06/2021
Goodwill	7.1	14	42	42
Intangible assets	7.2	204	258	236
Right-of-use assets	7.3	1,665	1,517	1,405
Property, plant and equipment	7.2	1,916	1,881	1,665
Investment property		8	9	75
Financial assets	9.2	648	617	431
Investments in associates	8	52	51	49
Loans and deposits		63	59	57
Deferred tax assets		636	546	539
Other non-current assets		25	22	23
Non-current assets		5,232	5,002	4,522
Inventories and work-in-progress	4.5	1,617	1,449	1,394
Trade and other receivables		464	333	298
Current tax receivables		8	58	11
Other current assets		288	257	228
Financial derivatives	10	179	53	80
Cash and cash equivalents	2.3 and 9.3	7,293	6,696	5,352
Current assets		9,850	8,845	7,362
TOTAL ASSETS		15,082	13,847	11,885

LIABILITIES

<i>In millions of euros</i>	Notes	30/06/2022	31/12/2021	30/06/2021
Share capital	11	54	54	54
Share premium		50	50	50
Treasury shares	11	(672)	(551)	(552)
Reserves		8,735	7,142	7,077
Foreign currency adjustments		359	178	72
Revaluation adjustments	11.5	93	83	149
Net income attributable to owners of the parent		1,641	2,445	1,174
Equity attributable to owners of the parent		10,259	9,400	8,024
Non-controlling interests		14	12	10
Equity		10,273	9,412	8,034
Borrowings and financial liabilities due in more than one year	2	24	24	18
Lease liabilities due in more than one year	7.3	1,705	1,529	1,405
Non-current provisions	12.1	29	26	21
Post-employment and other employee benefit obligations due in more than one year	5.1	224	220	284
Deferred tax liabilities		46	15	17
Other non-current liabilities		48	45	36
Non-current liabilities		2,076	1,860	1,781
Borrowings and financial liabilities due in less than one year	2	14	1	25
Lease liabilities due in less than one year	7.3	272	248	227
Current provisions	12.1	129	115	108
Post-employment and other employee benefit obligations due in less than one year	5.1	40	40	28
Trade and other payables		536	535	383
Financial derivatives	10	213	122	67
Current tax liabilities		468	347	311
Other current liabilities		1,063	1,168	920
Current liabilities		2,733	2,575	2,070
TOTAL EQUITY AND LIABILITIES		15,082	13,847	11,885

3.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In millions of euros	Number of shares	Share capital	Share premium	Treasury shares	Consolidated reserves and net income attributable to owners of the parent	Actuarial gains and losses	Foreign currency adjustments	Revaluation adjustments		Equity attributable to owners of the parent	Non-controlling interests	Equity
								Financial investments	Hedges of future cash flows in foreign currencies			
Notes	11	11		11		5			11.5			11
As at 1 January 2021	105,569,412	54	50	(464)	7,732	(135)	38	100	5	7,380	11	7,391
Net income for the first half of 2021	-	-	-	-	1,174	-	-	-	-	1,174	3	1,177
Other comprehensive income for the first half of 2021	-	-	-	-	-	-	35	87	(44)	78	0	78
Comprehensive income for the first half of 2021	-	-	-	-	1,174	-	35	87	(44)	1,252	3	1,255
Change in share capital and share premiums	-	-	-	-	-	-	-	-	-	-	-	-
Purchase or sale of treasury shares	-	-	-	(88)	(69)	-	-	-	-	(158)	-	(158)
Share-based payments	-	-	-	-	32	-	-	-	-	32	-	32
Dividends paid	-	-	-	-	(485)	-	-	-	-	(485)	(4)	(489)
Other	-	-	-	-	3	-	-	-	-	3	-	3
AS AT 30 JUNE 2021	105,569,412	54	50	(552)	8,386	(135)	72	188	(39)	8,024	10	8,034
Net income for the second half of 2021	-	-	-	-	1,272	-	-	-	-	1,272	5	1,277
Other comprehensive income for the second half of 2021	-	-	-	-	-	9	106	-	(66)	49	0	50
Comprehensive income for the second half of 2021	-	-	-	-	1,272	9	106	-	(66)	1,321	5	1,327
Change in share capital and share premiums	-	-	-	-	-	-	-	-	-	-	-	-
Purchase or sale of treasury shares	-	-	-	1	-	-	-	-	-	1	-	1
Share-based payments	-	-	-	-	27	-	-	-	-	27	-	27
Dividends paid	-	-	-	-	-	-	-	-	-	-	(2)	(2)
Other	-	-	-	-	27	-	-	-	-	27	(2)	25
As at 31 December 2021	105,569,412	54	50	(551)	9,712	(125)	178	188	(105)	9,400	12	9,412
Net income for the first half of 2022	-	-	-	-	1,641	-	-	-	-	1,641	6	1,647
Other comprehensive income for the first half of 2022	-	-	-	-	-	1	181	-	10	191	1	193
Comprehensive income for the first half of 2022	-	-	-	-	1,641	1	181	-	10	1,833	7	1,840
Change in share capital and share premiums	-	-	-	-	-	-	-	-	-	-	-	-
Purchase or sale of treasury shares	-	-	-	(120)	(0)	-	-	-	-	(120)	-	(120)
Share-based payments	-	-	-	-	27	-	-	-	-	27	-	27
Dividends paid	-	-	-	-	(845)	-	-	-	-	(845)	(6)	(850)
Other	-	-	-	-	(36)	-	-	-	-	(36)	-	(36)
AS AT 30 JUNE 2022	105,569,412	54	50	(672)	10,500	(124)	359	188	(95)	10,259	14	10,273

3.5 CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In millions of euros</i>	Notes	H1 2022	2021 Financial year	H1 2021
CASH FLOWS RELATED TO OPERATING ACTIVITIES				
Net income attributable to owners of the parent		1,641	2,445	1,174
Depreciation and amortisation of fixed assets	7.2	160	312	148
Depreciation of right-of-use assets	7.3	127	251	120
Impairment losses	7.2 and 7.3	71	65	41
Mark-to-Market financial instruments		-	(1)	(1)
Foreign exchange gains/(losses) on fair value adjustments		(24)	(46)	(12)
Change in provisions		22	28	17
Net income from associates	8	(25)	(34)	(13)
Net income attributable to non-controlling interests		6	8	3
Capital gains or losses on disposals and impact of changes in scope of consolidation		7	(4)	1
Deferred tax expense		(1)	(15)	(14)
Accrued expenses and income related to share-based payments		27	59	32
Dividend income		(11)	(10)	(10)
Other		(0)	(0)	(0)
Operating cash flows		2,001	3,060	1,487
Change in working capital requirements	4.5	(261)	346	65
Change in net cash position related to operating activities (A)		1,740	3,405	1,552
CASH FLOWS RELATED TO INVESTING ACTIVITIES				
Operating investments	7.2	(190)	(532)	(214)
Acquisitions of consolidated shares		-	(0)	(0)
Acquisitions of other financial assets	9.2	(40)	(198)	(4)
Disposals of operating assets	7.2	0	3	2
Disposals of consolidated shares and impact of losses of control		-	-	-
Disposals of other financial assets	9.2	5	6	3
Change in payables and receivables related to investing activities		(18)	6	(30)
Dividends received		36	47	26
Change in net cash position related to investing activities (B)		(207)	(669)	(217)
CASH FLOWS RELATED TO FINANCING ACTIVITIES				
Dividends paid	11.4	(850)	(490)	(489)
Repayment of lease liabilities	7.3	(128)	(212)	(102)
Treasury share buybacks net of disposals	11.3	(120)	(158)	(159)
Borrowing subscriptions		-	-	-
Repayment of borrowings		(0)	(8)	(8)
Change in net cash position related to financing activities (C)		(1,099)	(869)	(757)
Foreign currency translation adjustment (D)		151	110	32
CHANGE IN NET CASH POSITION (A) + (B) + (C) + (D)		585	1,978	609
Net cash position at the beginning of the period		6,695	4,717	4,717
Net cash position at the end of the period		7,280	6,695	5,326
CHANGE IN NET CASH POSITION	2.3 and 9.3	585	1,978	609

3.6 NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

DETAILED CONTENTS

NOTE 1	ACCOUNTING PRINCIPLES AND POLICIES	16
NOTE 2	ALTERNATIVE PERFORMANCE MEASURES	16
NOTE 3	SEGMENT INFORMATION	18
NOTE 4	ITEMS RELATING TO OPERATING ACTIVITIES	19
NOTE 5	EMPLOYEE BENEFITS	21
NOTE 6	TAX RATE	21
NOTE 7	GOODWILL, PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS, AND LEASES	21
NOTE 8	INVESTMENTS IN ASSOCIATES	24
NOTE 9	FINANCIAL ASSETS AND LIABILITIES – NET CASH POSITION	24
NOTE 10	MANAGEMENT OF MARKET RISKS AND DERIVATIVES	25
NOTE 11	EQUITY – EARNINGS PER SHARE	25
NOTE 12	PROVISIONS FOR RISKS AND EXPENSES AND OFF-BALANCE SHEET COMMITMENTS	27
NOTE 13	RELATED-PARTY TRANSACTIONS	27
NOTE 14	EVENTS AFTER THE REPORTING PERIOD	27

NOTE 1 ACCOUNTING PRINCIPLES AND POLICIES**1.1 Basis of preparation**

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. As these are condensed financial statements, the accompanying notes do not include all the information required by IFRS (International Financial Reporting Standards) for the preparation of full annual financial statements and should therefore be read in conjunction with the consolidated financial statements for 2021. The standards adopted by the European Union may be consulted at www.eur-lex.europa.eu.

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 2021 and described therein, with the exception of the income tax expense for the first half and the employee benefit obligation, which are measured separately (Note 1.2).

The condensed interim consolidated financial statements as presented were approved by the Executive Management on 28 July 2022 after review by the Audit and Risk Committee at its meeting of 27 July 2022.

The consolidated financial statements and notes to the consolidated financial statements are presented in euros. Unless otherwise stated, the values shown in the tables are expressed in millions of euros and rounded to the nearest million. As a result, in certain cases, the effects of rounding up/down can lead to a non-significant difference in the totals or changes. In addition, the ratios and differences are calculated on the basis of the underlying amounts and not on the basis of rounded amounts.

1.2 Special features of the preparation of interim financial statements

The income tax expense (current and deferred) is calculated for the interim consolidated financial statements by applying the estimated average annual tax rate for the current financial year to the accounting income for the period.

Barring a specific event, the post-employment benefit obligation is not subject to an actuarial valuation in the first half. The expense recognised for the first half-year is one-half of the net expense calculated for 2022 as a whole, based on the data and actuarial assumptions used as at 31 December 2021.

1.3 New accounting principles applicable to the Hermès Group

In April 2021, the IFRIC issued a decision on IAS 38 *Intangible Assets* on accounting for the costs of configuration and customisation of software made available in the cloud under Software as a Service (SaaS) contracts. This decision states that, as long as the underlying software is not controlled by the entity, the related configuration and customisation costs are not an intangible asset but a service expense. The Hermès Group has applied this decision since 1 January 2022. The impact of this change in respect of past periods is not material, and consists of a decrease in intangible assets of €49 million. It was posted through equity for €36 million net of deferred tax at 1 January 2022.

As part of the second phase of the benchmark interest rate reform, the IASB published amendments to IFRS 9 and IFRS 7 standards relating to financial instruments, applicable from 1 January 2021. Due to the absence of borrowings and interest rate hedging instruments within the Group at 30 June 2022, the application of these amendments has no impact on the consolidated financial statements at 30 June 2022.

1.4 Conflict between Russia and Ukraine

Due to the military conflict that broke out on 24 February 2022, the Group has decided to temporarily close its stores in Russia and to suspend all commercial activities from the evening of 4 March 2022. As mentioned in its 2021 universal registration document, the Group recalls that it has no activity in Ukraine and that its exposure in Russia is not material. Attentive to changes in the situation and the consequences of this conflict, the Group has written down its assets in Russia for a non-significant amount as a precaution.

NOTE 2 ALTERNATIVE PERFORMANCE MEASURES

This note aims to present the main alternative performance measures ("APM") followed by the Group Management, and their reconciliation, where appropriate, with the aggregates of the IFRS consolidated financial statements.

2.1 Revenue growth at constant exchange rates

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

	H1 2022 at current rates	H1 2022 at constant rates	H1 2021	Change at current exchange rates	Change at constant exchange rates	Currency effect
Revenue in millions of euros	5,475	5,218	4,235	1,240	983	257
Change in %				29%	23%	6%

2.2 Recurring operating income

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

2.3 Net cash position and restated net cash position

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

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

<i>In millions of euros</i>	H1 2022	2021 Financial year	H1 2021
Bank overdrafts	14	1	25
Other financial liabilities	0	0	1
Commitments to buy out minority interests	24	24	17
BORROWINGS AND FINANCIAL LIABILITIES ON THE BALANCE SHEET	37	25	43

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

<i>In millions of euros</i>	H1 2022	2021 Financial year	H1 2021
Cash and cash equivalents	7,293	6,696	5,352
Bank overdrafts	(14)	(1)	(25)
NET CASH POSITION	7,280	6,695	5,326
Cash investments with maturity at outset of over 3 months	405	375	195
Financial liabilities	(0)	(0)	(1)
RESTATED NET CASH	7,685	7,070	5,521

2.4 Adjusted free cash flow

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

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

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

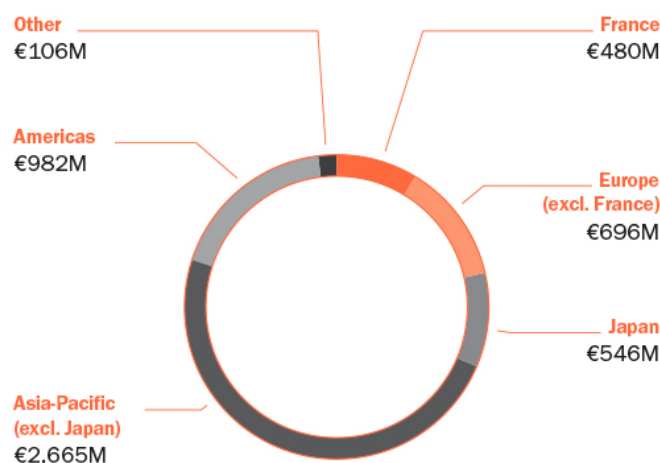
<i>In millions of euros</i>	H1 2022	2021 Financial year	H1 2021
Operating cash flows	2,001	3,060	1,487
+ Change in working capital requirements	(261)	346	65
- Operating investments	(190)	(532)	(214)
- Repayment of lease liabilities	(128)	(212)	(102)
ADJUSTED FREE CASH FLOW	1,421	2,661	1,236

NOTE 3 SEGMENT INFORMATION

Given the Group's current structure, organised into geographical areas placed under the responsibility of operational Senior Executives in charge of applying the strategy defined by the Executive Committee (the principal operational decision-maker), the Group has determined that the geographical areas constitute the operating segments with reference to the fundamental principle of IFRS 8.

Segment information is presented after eliminations and restatements.

Revenue by destination geographical area breaks down as follows:

**H1 2022**

<i>In millions of euros</i>	France	Europe (excluding France)	Japan	Asia-Pacific (excluding Japan)	Americas	Other	Unallocated	Total
Revenue	480	696	546	2,665	982	106	-	5,475
Recurring operating income	183	188	219	1,322	365	33	(4)	2,304
<i>Recurring operating profitability</i>	38%	27%	40%	50%	37%	31%	-	42%
Other non-recurring income and expenses							-	-
Operating income	183	188	219	1,322	365	33	(4)	2,304
Operating investments	87	15	5	30	35	-	18	190
Non-current assets ¹	825	426	229	952	948	35	1,182	4,596
Non-current liabilities ¹	183	332	94	507	696	-	218	2,030

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

In the first half of 2022, "unallocated" includes expenses related to free share plans as well as unallocated central costs and internal billings.

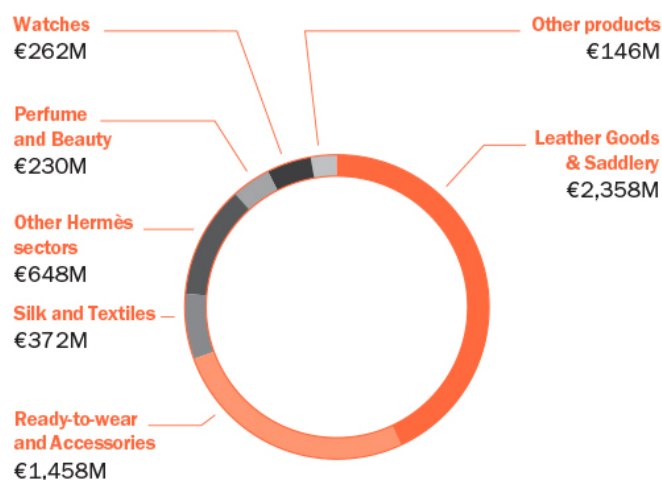
H1 2021

<i>In millions of euros</i>	France	Europe (excluding France)	Japan	Asia-Pacific (excluding Japan)	Americas	Other	Unallocated	Total
Revenue	341	522	469	2,153	668	82	-	4,235
Recurring operating income	99	126	194	1,108	263	27	(94)	1,722
<i>Recurring operating profitability</i>	29%	24%	41%	52%	39%	33%	-	41%
Other non-recurring income and expenses	-	-	-	-	-	-	-	-
Operating income	99	126	194	1,108	263	27	(94)	1,722
Operating investments	93	21	10	44	28	-	20	214
Non-current assets ¹	811	460	240	775	702	32	964	3,984
Non-current liabilities ¹	211	335	95	385	490	-	248	1,765

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

NOTE 4 ITEMS RELATING TO OPERATING ACTIVITIES

4.1 Revenue by métier



<i>In millions of euros</i>	H1 2022	Mix	H1 2021	Change at current exchange rates	Change at constant exchange rates
Leather Goods & Saddlery	2,358	43%	1,999	18%	12%
Ready-to-wear and Accessories	1,458	27%	1,025	42%	36%
Silk and Textiles	372	7%	274	36%	29%
Other Hermès sectors	648	12%	462	40%	33%
Perfume and Beauty	230	4%	184	25%	23%
Watches	262	5%	159	65%	55%
Other products	146	3%	132	11%	9%
REVENUE	5,475	100%	4,235	29%	23%

4.2 Seasonal nature of the business

The Group's activity has historically been balanced across the year. In 2021, 47% of the Group's revenue was generated during the first half of the year and 53% during the second half.

4.3 Sales and administrative expenses

<i>In millions of euros</i>	H1 2022	2021 Financial year	H1 2021
Communication	(196)	(421)	(145)
Other sales and administrative expenses	(982)	(1,715)	(790)
TOTAL	(1,178)	(2,137)	(935)

4.4 Other income and expenses

<i>In millions of euros</i>	Notes	H1 2022	2021 Financial year	H1 2021
Depreciation and amortisation of fixed assets		(135)	(263)	(125)
Amortisation of right-of-use assets		(126)	(249)	(119)
Depreciation and amortisation		(260)	(512)	(244)
Net change in provisions		(21)	(19)	(11)
Cost of pension plans and other long-term benefits	5.1	(9)	(18)	(12)
Sub-total		(30)	(37)	(23)
Impairment losses		(71)	(65)	(41)
Expenses linked to free share allocation plans and similar expenses	5.2	(42)	(122)	(65)
Other expenses		(22)	(26)	(14)
Other products		19	28	16
Sub-total		(116)	(186)	(105)
TOTAL		(406)	(734)	(371)

Total depreciation and amortisation of fixed assets included in operating expenses ("Other income and expenses" and "Cost of sales") amounted to €160 million in the first half of 2022, compared with €148 million in the first half of 2021.

Total depreciation and amortisation of right-of-use assets included in operating expenses ("Other income and expenses" and "Cost of sales") amounted to €127 million in the first half of 2022, compared with €120 million in the first half of 2021.

4.5 Working capital requirements

4.5.1 INVENTORIES AND WORK-IN-PROGRESS

<i>In millions of euros</i>	30/06/2022			31/12/2021	30/06/2021
	Gross	Impairment	Net	Net	Net
Retail, intermediate and finished goods	1,566	495	1,071	959	916
Raw materials and work-in-progress	853	307	546	489	478
TOTAL	2,419	802	1,617	1,449	1,394
Net impairment gain/(loss) on retail, intermediate and finished goods inventories	-	(2)	-	49	4
Net impairment gain/(loss) on impairment of raw materials and work-in-progress	-	9	-	(15)	(10)

No inventories were pledged as collateral to secure financial liabilities.

4.5.2 CHANGE IN WORKING CAPITAL REQUIREMENTS

<i>In millions of euros</i>	30/06/2022	31/12/2021	30/06/2021
Inventories and work-in-progress	(141)	(116)	(93)
Trade and other receivables	(97)	(30)	(29)
Trade and other payables	6	71	(37)
Other receivables and payables	(29)	421	224
TOTAL	(261)	346	65

The "Other receivables and payables" item mainly includes tax and social security receivables and payables.

NOTE 5 EMPLOYEE BENEFITS

5.1 Post-employment and other employee benefit obligations

5.1.1 INFORMATION BY TYPE OF PLAN

The provision shown in the balance sheet includes post-employment defined-benefit plans and other long-term benefits:

<i>In millions of euros</i>	30/06/2022	31/12/2021	30/06/2021
Defined-benefit plans	246	243	296
Other long-term benefits	18	17	16
PROVISIONS AT END OF PERIOD	264	260	312

5.1.2 RECONCILIATION OF RETIREMENT AND SIMILAR BENEFIT OBLIGATIONS

<i>In millions of euros</i>	H1 2022	2021 Financial year	H1 2021
Provisions as at 1 January	260	304	304
Change in service cost allocation method	-	(45)	-
Expense for the financial year	11	21	12
Benefits/contributions paid	(3)	(8)	(1)
Actuarial gains and losses recognised in other comprehensive income	-	(12)	-
Foreign currency adjustments	(3)	0	(2)
PROVISIONS AT END OF PERIOD	264	260	312

5.2 Share-based payments

The total expense incurred in the first half of 2022 for all free share allocation plans (including social security contributions) was €42 million, compared with €65 million in the first half of 2021.

No new plans were established in the first half of 2022.

NOTE 6 TAX RATE

The Group's estimated tax rate in 2022 is 28.5% (29.5% in 2021), based in particular on a expected tax rate in France of 25.83% in 2022 versus 28.41% in 2021.

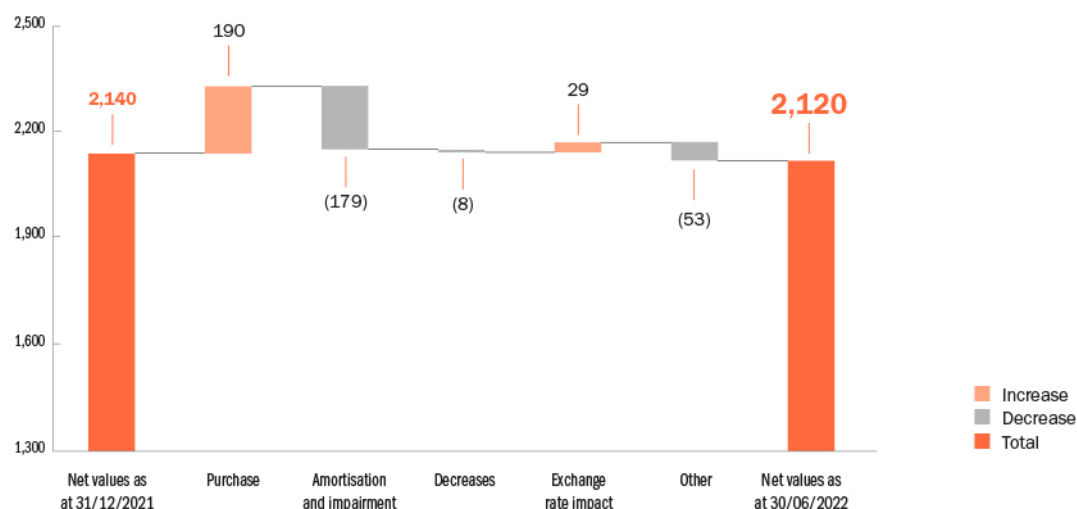
NOTE 7 GOODWILL, PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS, AND LEASES

7.1 Goodwill

<i>In millions of euros</i>	30/06/2021	31/12/2021	Increases	Decreases	Exchange rate impact	30/06/2022
Metal parts CGU	27	27	-	(27)	-	-
Retail Japan CGU	15	15	-	-	(1)	14
TOTAL NET VALUES	42	42	-	(27)	(1)	14

7.2 Intangible assets and property, plant and equipment

In millions of euros



7.2.1 INTANGIBLE ASSETS

In millions of euros	30/06/2021	31/12/2021	Increases	Decreases	Exchange rate impact	Other	30/06/2022
Software, licences, e-commerce website and patents	504	560	19	(1)	(0)	(31)	547
Other intangible assets	139	143	7	0	3	(6)	148
Fixed assets under construction	33	38	19	-	0	(25)	32
TOTAL GROSS VALUES	676	741	45	(1)	3	(61)	727
Amortisation of software, licences, e-commerce website and patents	311	354	35	(1)	(0)	1	388
Amortisation of other intangible assets	113	116	4	(0)	3	(3)	119
Impairment losses	16	14	2	-	0	0	16
TOTAL DEPRECIATION AND IMPAIRMENT	440	483	40	(1)	3	(3)	523
TOTAL NET VALUES	236	258	5	0	(0)	(59)	204

The "Other" column includes -€49 million related to the application of the IFRIC decision on software in SaaS mode (see Note 1.3).

7.2.2 PROPERTY, PLANT AND EQUIPMENT

In millions of euros	30/06/2021	31/12/2021	Increases	Decreases	Exchange rate impact	Other	30/06/2022
Land	168	199	-	-	(7)	-	192
Buildings	1,039	1,130	9	(6)	6	38	1,176
Industrial machinery, plant and equipment	449	471	7	(4)	0	(9)	465
Store fixtures and furnishings	1,119	1,225	15	(26)	52	39	1,306
Other property, plant and equipment assets	463	502	11	(2)	3	26	540
Fixed assets under construction	167	248	103	(6)	9	(87)	268
TOTAL GROSS VALUES	3,404	3,775	146	(44)	63	7	3,947
Depreciation of buildings	414	467	22	(4)	(2)	1	484
Depreciation of machinery, plant, and equipment assets	271	289	16	(4)	0	(10)	292
Depreciation of store fixtures and furnishings	608	664	62	(25)	27	0	728
Depreciation of other property, plant and equipment	293	309	21	(3)	2	11	341
Impairment losses	154	165	18	(0)	6	(2)	186
TOTAL DEPRECIATION AND IMPAIRMENT	1,739	1,894	139	(36)	34	1	2,031
TOTAL NET VALUES	1,665	1,881	7	(8)	30	6	1,916

Investments made during the first half of 2022 mainly include the opening and renovation of stores and capital expenditure to expand production capacity.

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

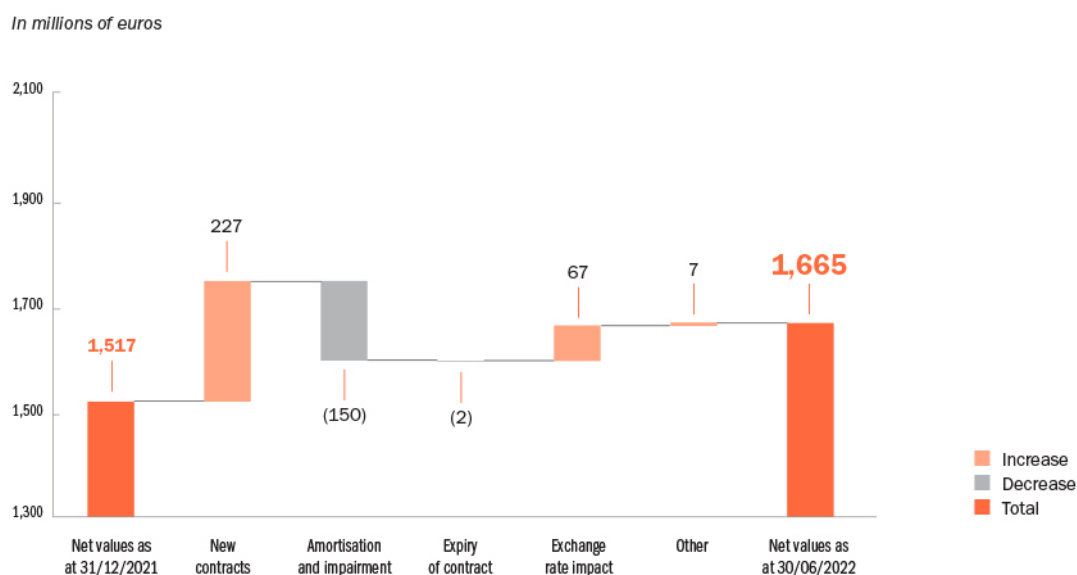
7.3 Leases

7.3.1 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>	30/06/2021 Net	31/12/2021 Net	Gross	Amortisation and impairment	30/06/2022 Net
Stores	1,204	1,319	2,273	(920)	1,353
Offices and other	201	198	521	(209)	313
TOTAL	1,405	1,517	2,794	(1,129)	1,665

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



<i>In millions of euros</i>	Stores	Offices and other	30/06/2022
Gross amount as at 1 January	1,319	198	1,517
Implementation of new leases and revisions	92	135	227
Amortisation and impairment	(123)	(27)	(150)
Expiry and early termination of leases	(2)	(0)	(2)
Exchange rate impact	60	7	67
Other movements and reclassifications	7	0	7
GROSS VALUE AS AT 30 JUNE	1,353	313	1,665

7.3.2 LEASE LIABILITIES

<i>In millions of euros</i>	30/06/2022
Lease liabilities as at 1 January	1,777
Implementation of new leases and revisions	238
Expiry and early termination of leases	(1)
Repayments	(128)
Exchange rate impact	92
Other movements and reclassifications	(1)
LEASE LIABILITIES AS AT 30 JUNE	1,977

NOTE 8 INVESTMENTS IN ASSOCIATES

<i>In millions of euros</i>	H1 2022	2021 Financial year	H1 2021
Investments in associates as at 1 January	51	49	49
Net income from associates	25	34	13
Dividends paid	(25)	(37)	(16)
Exchange rate impact	1	1	1
Other	0	3	3
INVESTMENTS IN ASSOCIATES AT END OF PERIOD	52	51	49

The "Other" line includes, where appropriate, the reclassification to "Provisions" of the Group share in the losses of equity-accounted associates, when this exceeds the carrying amount of the investments concerned.

NOTE 9 FINANCIAL ASSETS AND LIABILITIES - NET CASH POSITION

9.1 Net financial income

<i>In millions of euros</i>	H1 2022	2021 Financial year	H1 2021
Income from cash and cash equivalents	10	12	9
Gross borrowing cost	(1)	1	(1)
♦ of which net income/(loss) on interest and exchange rate hedging instruments	1	1	0
Net borrowing cost	9	13	8
Interest expense on lease liabilities	(18)	(32)	(16)
Other financial income and expenses	(26)	(76)	(39)
♦ of which cost of cash flow hedges	(37)	(80)	(47)
♦ of which ineffective portion of cash flow hedges	4	(1)	(1)
TOTAL	(35)	(96)	(47)

9.2 Financial assets

<i>In millions of euros</i>	30/06/2021	31/12/2021	Increases	Decreases	Exchange rate impact	Other	30/06/2022
Financial investments and accrued interest	398	578	30	(0)	-	-	608
Liquidity contract	18	19	-	(5)	-	-	14
Other financial assets	63	73	10	(0)	0	0	84
TOTAL GROSS VALUES	480	671	40	(5)	0	0	706
Impairment	49	54	4	-	0	-	58
TOTAL NET VALUES	431	617	36	(5)	(0)	0	648

The increase in financial investments corresponds to cash investments that do not meet the criteria for cash equivalents, notably on account of their original maturity of more than three months.

Changes in the value of financial assets measured at fair value through equity, which are recorded under "Revaluation adjustments" in equity, are shown in the "Other" column.

9.3 Net cash position

The Hermès Group's policy is to maintain a positive treasury position and to have cash available in order to be able to finance its growth strategy independently.

The Group's treasury surpluses and needs are directly managed or overseen by Hermès International's treasury department in accordance with a conservative policy designed to avoid the risk of capital loss and to maintain a satisfactory liquidity position.

Net cash position is distributed as follows:

Cash surpluses are invested mainly in money-market mutual funds and cash equivalents (term accounts, term deposits) with a sensitivity of less than 0.5% and a recommended investment period of less than three months.

In millions of euros	30/06/2022	31/12/2021	30/06/2021
Financial assets	7,698	7,071	5,547
Liquidities	2,055	1,925	1,159
Marketable securities ¹	5,238	4,771	4,193
Cash investments with maturity over three months from the date of acquisition	405	375	195
Financial liabilities ²	14	1	26
Medium and long-term financial liabilities	-	0	1
Bank overdrafts	14	1	25
Current accounts in debit	0	0	0
RESTATED NET CASH POSITION	7,685	7,070	5,521

(1) The gains and losses generated through disposal of marketable securities during the half-year and recorded through profit or loss amounted to €-4 million. Unrealised gains or losses on the outstanding portfolio as at 30 June 2022 stood at €-1 million.

(2) Excluding commitments to buy out non-controlling interests.

NOTE 10 MANAGEMENT OF MARKET RISKS AND DERIVATIVES

The Hermès Group's results are exposed to the risks and uncertainties set out in the 2021 universal registration document. The assessment of these risks did not change during the first half of 2022 and no new risks

have been identified at the date of publication of this report. The Group's foreign exchange policy is based on the management principles described in the 2021 universal registration document.

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

In millions of euros	30/06/2022	31/12/2021	30/06/2021
Net financial derivative assets	179	53	80
Net financial derivative liabilities	(213)	(122)	(67)
NET POSITION OF FINANCIAL DERIVATIVES	(34)	(69)	13

As at 30 June 2022, the valuation methods for financial instruments were identical to those used at 31 December 2021.

NOTE 11 EQUITY – EARNINGS PER SHARE

11.1 Share capital

At 30 June 2022, Hermès International's share capital consisted of 105,569,412 fully paid-up shares with a par value of €0.51 each, of which 1,033,143 treasury shares.

11.2 Capital management

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.

11.3 Treasury shares

Treasury shares are recorded at acquisition cost and deducted from equity. Gains or losses on the disposal of these shares are recognised directly in equity, with no impact on profit or loss.

During the first half of 2022, the following treasury share movements occurred:

- ◆ buyback of 103,368 shares for €115 million, excluding movements under the liquidity contract;
- ◆ buyback of 4,838 shares as part of the liquidity contract for €5 million;
- ◆ delivery of 216 free shares awarded to Hermès Group employees.

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

11.4 Dividends

The General Meeting called to approve the financial statements for the year ended 31 December 2021 approved, on 20 April 2022, the payment of an ordinary dividend of €8.00 per share for the financial year.

Taking into account the interim cash dividend of €2.50 per share paid on 23 February 2022, a balance of €5.50 was paid in cash on 27 April 2022.

The total amount of the ordinary dividend paid was accordingly €837 million.

11.5 Income and expenses recognised in comprehensive income

Movements in derivatives (cash flow hedges in foreign currencies) and financial investments break down as follows (after tax):

<i>In millions of euros</i>	H1 2022	2021 Financial year	H1 2021
Revaluation adjustments as at 1 January	83	105	105
Amount transferred to equity in the year in respect of derivatives	87	(38)	(38)
Revaluation of derivatives	(97)	(87)	(19)
Revaluation of financial investments	-	87	87
Other deferred foreign exchange gains/(losses) recognised in comprehensive income	20	15	13
REVALUATION ADJUSTMENTS AT END OF PERIOD	93	83	149

11.6 Earnings per share

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

	H1 2022	2021 Financial year	H1 2021
Numerator (in millions of euros)			
Net income attributable to owners of the parent	1,641	2,445	1,174
Denominator (in number of shares)			
Average number of shares outstanding during the period	105,569,412	105,569,412	105,569,412
Average number of treasury shares during the period	(976,827)	(946,082)	(966,749)
Average number of shares before dilution	104,592,585	104,623,330	104,602,664
Basic earnings per share (in euros)	15.69	23.37	11.22
Dilutive effect of free share allocation plans	357,763	341,071	307,366
Average number of shares after dilution	104,950,348	104,964,401	104,910,029
Diluted earnings per share (in euros)	15.64	23.30	11.19
Average share price	€1,196	€1,191	€1,006

NOTE 12 PROVISIONS FOR RISKS AND EXPENSES AND OFF-BALANCE SHEET COMMITMENTS

12.1 Provisions

<i>In millions of euros</i>	30/06/2021	31/12/2021	Allocations	Reversals ¹	Exchange rate impact	Other and reclassifications ²	30/06/2022
Current provisions	108	115	22	(9)	0	0	129
Non-current provisions	21	26	0	(2)	1	3	29
TOTAL	129	141	23	(11)	1	4	158

(1) Of which €5 million reversed and used.

(2) Corresponds essentially to provisions for restoration costs, established or revised during the financial year in return for the right-of-use asset, which is amortised over the term of the leases (see Note 8.3).

Current provisions concern provisions for risks, disputes and litigation, as well as provisions to cover the share of the negative position of equity-accounted associates (see Note 8).

Non-current provisions mainly include provisions for restoration.

12.2 Off-balance sheet commitments

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

NOTE 13 RELATED-PARTY TRANSACTIONS

Relations between the Hermès Group and related companies during the first half of 2022 were comparable with those of 2021. Specifically, no unusual transaction, by its nature or amount, was carried out during the period.

NOTE 14 EVENTS AFTER THE REPORTING PERIOD

No significant events have occurred since the closing date at 30 June 2022.

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

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

For the period from January 1, 2022 to June 30, 2022

To the Shareholders,

In compliance with the assignment entrusted to us by General Meeting and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code ("*Code monétaire et financier*"), we hereby report to you on:

- ◆ the review of the accompanying condensed half-yearly consolidated financial statements of Hermès International, for the period from January 1, 2022 to June 30, 2022;
- ◆ the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Executive Management. Our role is to express a conclusion on these financial statements based on our review.

4

1. CONCLUSION ON THE FINANCIAL STATEMENTS

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

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

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

2. SPECIFIC VERIFICATION

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

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

Neuilly-sur-Seine, 28 July 2022

The Statutory Auditors

Grant Thornton Audit

Vincent Frambourt

PricewaterhouseCoopers Audit

Amélie Wattel

5. STATEMENT BY THE PERSONS RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

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

Paris, 28 July 2022

Executive Chairmen

Axel Dumas

Émile Hermès SAS
represented by Henri-Louis Bauer, Chairman

Hermès International

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

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