LVMH

MOËT HENNESSY . LOUIS VUITTON

# TRANSLATION OF THE FRENCH INTERIM FINANCIAL REPORT

SIX-MONTH PERIOD ENDED
JUNE 30, 2013

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

# EXECUTIVE AND SUPERVISORY BODIES; STATUTORY AUDITORS

## Board of Directors

Bernard Arnault
*Chairman and Chief Executive Officer*

Pierre Godé
*Vice-Chairman*

Antonio Belloni
*Group Managing Director*

Antoine Arnault

Delphine Arnault

Nicolas Bazire

Bernadette Chirac (1)

Nicholas Clive Worms (1)

Charles de Croisset (1)

Diego Della Valle (1)

Albert Frère (1)

Gilles Hennessy

Marie-Josée Kravis (1)

Lord Powell of Bayswater

Yves-Thibault de Silguy (1)

Francesco Trapani

Hubert Védrine (1)

### Advisory Board Members

Paolo Bulgari

Patrick Houël

Felix G. Rohatyn

## Performance Audit Committee

Yves-Thibault de Silguy (1)

Nicholas Clive Worms (1)

Gilles Hennessy

## Nominations and Compensation Committee

Albert Frère (1)

Charles de Croisset (1)

Yves-Thibault de Silguy (1)

(1) Independent Director.

## Executive Committee

Bernard Arnault
*Chairman and Chief Executive Officer*

Antonio Belloni
*Group Managing Director*

Pierre Godé
*Vice-Chairman*

Nicolas Bazire
*Development and Acquisitions*

Michael Burke
*Louis Vuitton*

Yves Carcelle
*Fondation Louis Vuitton*

Chantal Gaemperle
*Human Resources*

Jean-Jacques Guiony
*Finance*

Christopher de Lapuente
*Sephora*

Christophe Navarre
*Wines and Spirits*

Daniel Piette
*Investment Funds*

Pierre-Yves Roussel
*Fashion*

Philippe Schaus
*Travel retail*

Francesco Trapani
*Watches and Jewelry*

Jean-Baptiste Voisin
*Strategy*

Mark Weber
*Donna Karan, LVMH Inc.*

### General Secretary

Marc-Antoine Jamet

## Statutory Auditors

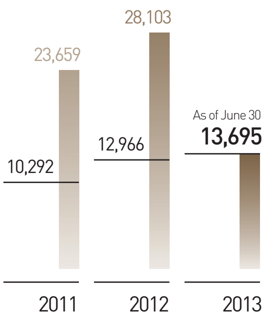
DELOITTE & ASSOCIÉS
*represented by Thierry Benoit*

ERNST & YOUNG et Autres
*represented by Jeanne Boillet and Gilles Cohen*

# FINANCIAL HIGHLIGHTS

## Revenue

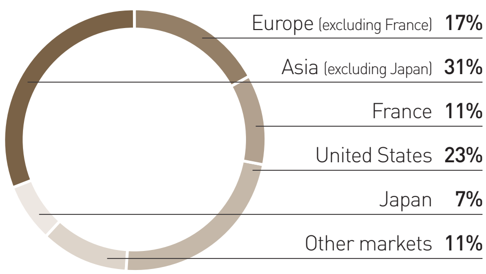
*(As of June 30 and December 31, EUR millions)*




| Revenue by business group *(EUR millions)* | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| Wines and Spirits | 1,808 | 4,137 | 1,759 |
| Fashion and Leather Goods | 4,711 | 9,926 | 4,656 |
| Perfumes and Cosmetics | 1,804 | 3,613 | 1,727 |
| Watches and Jewelry | 1,310 | 2,836 | 1,343 |
| Selective Retailing | 4,215 | 7,879 | 3,590 |
| Other activities and eliminations | (153) | (288) | (109) |
| **Total** | **13,695** | **28,103** | **12,966** |

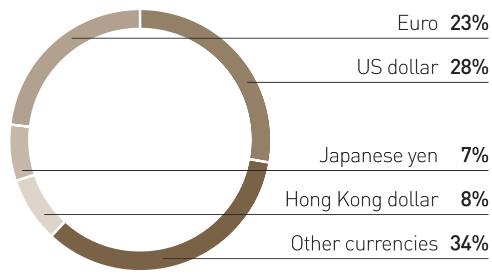
**Revenue by geographic region of delivery**

*(As of June 30, 2013)*



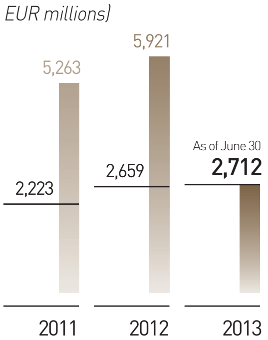

**Revenue by invoicing currency**

*(As of June 30, 2013)*




## Profit from recurring operations

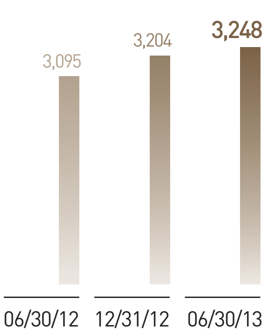
*(As of June 30 and December 31, EUR millions)*




| Profit from recurring operations by business group *(EUR millions)* | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| Wines and Spirits | 542 | 1,260 | 496 |
| Fashion and Leather Goods | 1,497 | 3,264 | 1,516 |
| Perfumes and Cosmetics | 200 | 408 | 197 |
| Watches and Jewelry | 156 | 334 | 159 |
| Selective Retailing | 407 | 854 | 373 |
| Other activities and eliminations | (90) | (199) | (82) |
| **Total** | **2,712** | **5,921** | **2,659** |

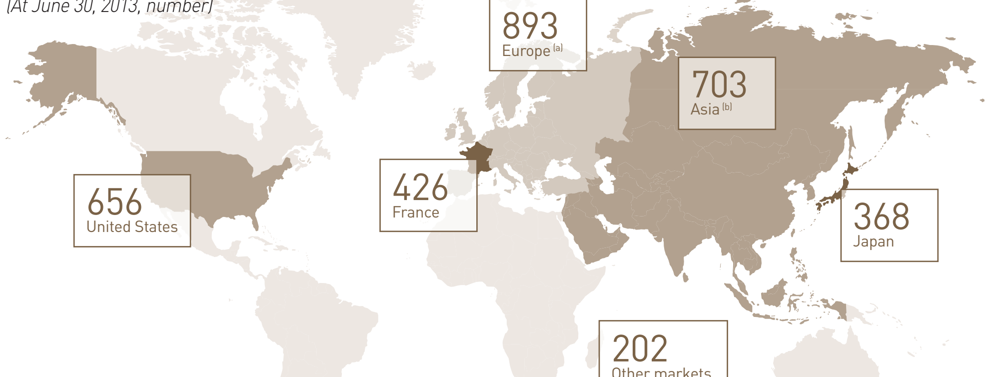
## Stores

*(number)*



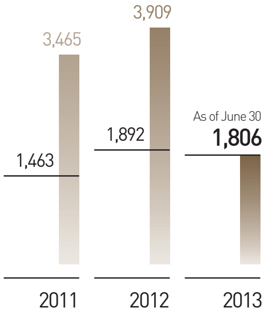

**Stores network by geographic region**

*(At June 30, 2013, number)*

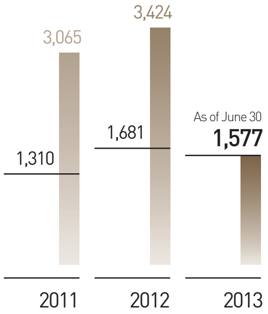



(a) Excluding France. (b) Excluding Japan.

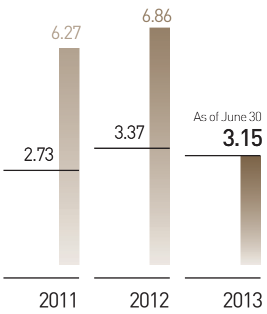
## Net profit
*(As of June 30 and December 31, EUR millions)*



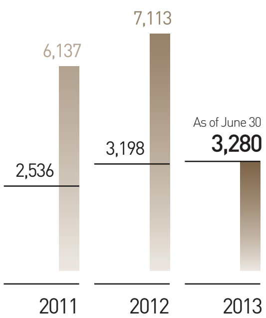

## Net profit, Group share
*(As of June 30 and December 31, EUR millions)*




## Basic Group share of net earnings per share
*(As of June 30 and December 31, EUR)*

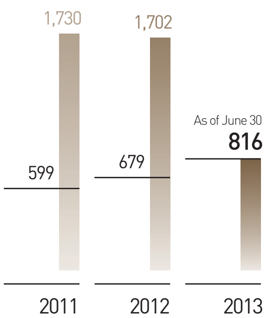



## Cash from operations before changes in working capital [a]
*(As of June 30 and December 31, EUR millions)*

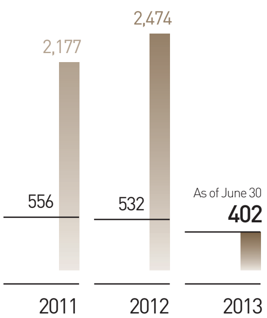



(a) Before interest and tax paid.

## Operating investments
*(As of June 30 and December 31, EUR millions)*

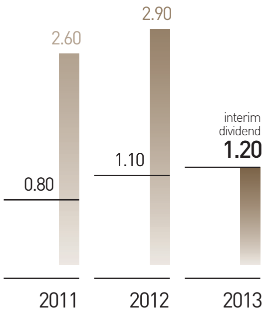



## Free cash flow [a]
*(As of June 30 and December 31, EUR millions)*



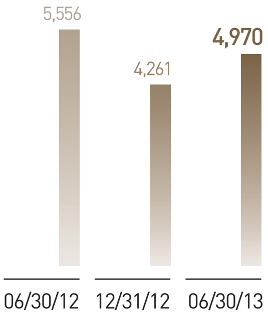

(a) Net cash from (used in) operating activities and operating investments.

## Dividend per share [a]
*(EUR)*



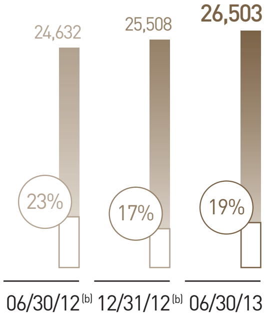

(a) Gross amount paid for fiscal year, excluding the impact of tax regulations applicable to the beneficiary.

## Net financial debt [a]
*(EUR millions)*




(a) Excluding purchase commitments for minority interests included in Other non-current liabilities. See Note 18.1 of notes to the consolidated half-year financial statements for definition of net financial debt.

## Total equity [a] and Financial debt/Total equity ratio
*(EUR millions and percentage)*




(a) Including minority interests.
(b) The balance sheets as of December 31, 2012 and June 30, 2012 have been restated to reflect the retrospective application as of January 1, 2011 of IAS 19 Employee benefits as amended. See Note 1.2 of the half-year consolidated financial statements.

# HIGHLIGHTS AND OUTLOOK

Highlights of the first half of 2013 include:

- Resilience in Europe and good momentum in Asia, the United States and Japan,
- Market share gains of all our brands,
- A good performance in Wine & Spirits,
- The very qualitative development of Louis Vuitton, whose profitability remains at an exceptional level,
- Continued investment in the fashion brands,
- Further innovation and success of iconic lines at Parfums Christian Dior,
- Increased selectivity in Watches and Jewelry distribution,
- Excellent performance of DFS and Sephora worldwide,
- Cash from operations before changes in working capital of 3.3 billion euros,
- Net debt to equity ratio of 19% as at the end of June 2013.

Despite an uncertain European economic environment, LVMH will continue to gain market share thanks to the numerous product launches planned before the end of the year to its geographic expansion in promising markets, while continuing to manage costs.

The strategy of focusing on quality across the entire product range, combined with the dynamism and unparalleled creativity of LVMH teams, will enable the Group to reinforce, once again in 2013, its global leadership position in luxury goods.

# CAPITAL AND VOTING RIGHTS

| Distribution as of June 30, 2013 | Number of shares | Number of voting rights [a] | % of capital | % of voting rights |
|---|---|---|---|---|
| Arnault family group | 235,886,503 | 453,988,936 | 46.42% | 62.58% |
| Other | 272,318,569 | 271,464,552 | 53.58% | 37.42% |
| **Total** | **508,205,072** | **725,453,488** | **100.00%** | **100.00%** |

(a) Total number of voting rights that may be exercised at Shareholders' Meetings.

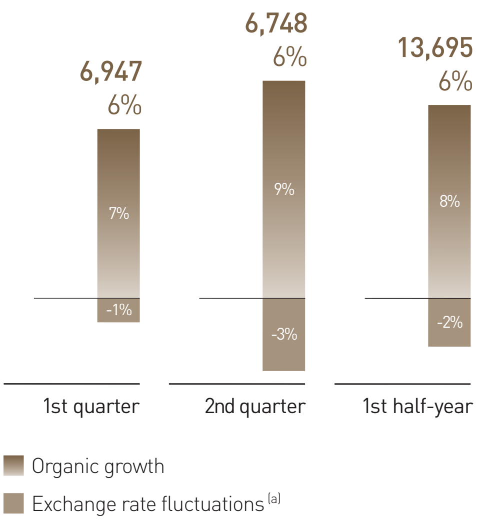
# BUSINESS REVIEW AND COMMENTS ON THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS OF LVMH GROUP

# 1. COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

## 1.1. Analysis of revenue

### Change in revenue per quarter

*(EUR millions and as %)*




(a) The principles used to determine the net impact of exchange rate fluctuations on revenue of entities reporting in foreign currencies are described on page 9.

Consolidated revenue for the six-month period ended June 30, 2013 was 13,695 million euros, up 6% over the same period in 2012. It was affected by the depreciation of the Group's main invoicing currencies against the euro, in particular the Japanese yen, which depreciated by 18%.

On a constant currency basis, and in light of the fact that there were no changes in the scope of consolidation during the published periods, revenue increased by 8%.

### Revenue by invoicing currency

| *(as %)* | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| Euro | 23 | 24 | 24 |
| US dollar | 28 | 28 | 29 |
| Japanese yen | 7 | 8 | 8 |
| Hong Kong dollar | 8 | 6 | 6 |
| Other currencies | 34 | 34 | 33 |
| **Total** | **100** | **100** | **100** |

With respect to June 30, 2012, the breakdown between the various invoicing currencies changed as follows: the relative contributions of the euro, the US dollar and the Japanese yen fell by 1 point to 23%, 28% and 7%, respectively, whereas the relative contribution of other currencies increased by 3 points, to 42%.

### Revenue by geographic region of delivery

| *(as %)* | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| France | 11 | 11 | 11 |
| Europe (excluding France) | 17 | 20 | 19 |
| United States | 23 | 23 | 23 |
| Japan | 7 | 8 | 8 |
| Asia (excluding Japan) | 31 | 28 | 29 |
| Other markets | 11 | 10 | 10 |
| **Total** | **100** | **100** | **100** |

By geographic region of delivery, the relative contribution of Europe (excluding France) to Group revenue declined by 2 points and by 1 point for Japan to 17% and 7%, respectively, whereas Asia (excluding Japan) and Other markets witnessed their relative contribution increase by 2 points and 1 point, to 31% and 11%, respectively. The contributions of France and the United States remained stable at 11% and 23%, respectively.

In local currency terms, the change in revenue by geographic region represents a satisfactory performance for all regions, especially for Asia and Japan.

### Revenue by business group

| *(EUR millions)* | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| Wines and Spirits | 1,808 | 4,137 | 1,759 |
| Fashion and Leather Goods | 4,711 | 9,926 | 4,656 |
| Perfumes and Cosmetics | 1,804 | 3,613 | 1,727 |
| Watches and Jewelry | 1,310 | 2,836 | 1,343 |
| Selective Retailing | 4,215 | 7,879 | 3,590 |
| Other activities and eliminations | (153) | (288) | (109) |
| **Total** | **13,695** | **28,103** | **12,966** |

The breakdown of the Group's revenue varied significantly by business group, as a result of the contribution by the three major airport concessions that were won in Hong Kong at the end of 2012: the proportion accounted for by Selective Retailing thus increased by 3 points to 31%. The proportions accounted for by Fashion and Leather Goods and by Wines and Spirits fell respectively by 2 points and 1 point to 34% and 13%, whereas those of Perfumes and Cosmetics and Watches and Jewelry remained stable, at 13% and 10% respectively.

Wines and Spirits saw an increase in revenue of 3% based on published figures. Revenue for this business group increased by 5% on a constant consolidation scope and currency basis, as a result of a negative net impact of exchange rate fluctuations of 2 points. This performance was made possible by higher sales volumes and a sustained policy of price increases in line with the ongoing value-creation strategy. Demand remained very robust in Asia. China is still the second largest market for the Wines and Spirits business group.

Fashion and Leather Goods posted organic revenue growth of 5%, and 1% based on published figures. The business group's performance continues to benefit from the growth at Louis Vuitton. Céline, Kenzo, Givenchy and Berluti confirmed their potential and generated double-digit growth as of June 30, 2013.

Revenue for Perfumes and Cosmetics increased by 6% on a constant consolidation scope and currency basis, and by 4% based on published figures. This growth confirmed the effectiveness of the value-enhancing strategy resolutely pursued by the Group's brands in the face of competitive pressures spawned by the economic crisis. The Perfumes and Cosmetics business group saw considerable revenue growth in both the United States and Asia, particularly in China.

Revenue for Watches and Jewelry increased by 1% on a constant consolidation scope and currency basis, and fell by 3% based on published figures. The uncertain economic environment and the highly competitive market have led to slower purchases from multi-brand watch retailers. For all brands of Watches and Jewelry, Japan was the most dynamic region.

Based on published figures, revenue for Selective Retailing increased by 17%, and by 19% on a constant consolidation scope and currency basis. This performance was driven both by Sephora which saw considerable growth in revenue across all world regions, and DFS which made excellent progress, partly thanks to the integration since the end of 2012 of three major Hong Kong airport concessions but also the continuing development of Chinese tourism boosting business particularly at its stores in Hong Kong and Macao.

## 1.2. Profit from recurring operations

| *(EUR millions)* | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| Revenue | 13,695 | 28,103 | 12,966 |
| Cost of sales | (4,681) | (9,917) | (4,532) |
| Gross margin | 9,014 | 18,186 | 8,434 |
| Marketing and selling expenses | (5,215) | (10,101) | (4,740) |
| General and administrative expenses | (1,087) | (2,164) | (1,035) |
| **Profit from recurring operations** | **2,712** | **5,921** | **2,659** |
| **Operating margin** *(%)* | **20** | **21** | **21** |

The Group posted a gross margin of 9,014 million euros, up 7% compared to the previous year. As a percentage of revenue, the gross margin was 66%, a 1 point increase reflecting in particular the firm control over the cost of products sold.

Marketing and selling expenses totaled 5,215 million euros, up 10% based on published figures, amounting to a 13% rise on a constant consolidation scope and currency basis. The new concessions at Hong Kong airport represent approximately 4 points of this increase. This remaining increase in marketing and selling expenses was mainly due to the development of the Group's retail networks, but also to higher communications expenditures by the Group's main brands. The level of these expenses rose by 1 point as a percentage of revenue to 38%. Among these marketing and selling expenses, advertising and promotion represented 12% of revenue, an increase of 5% on a constant consolidation scope and currency basis.

The geographic breakdown of stores is as follows:

| *(number)* | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| France | 426 | 412 | 398 |
| Europe (excluding France) | 893 | 910 | 891 |
| United States | 656 | 644 | 630 |
| Japan | 368 | 370 | 359 |
| Asia (excluding Japan) | 703 | 670 | 641 |
| Other markets | 202 | 198 | 176 |
| **Total** | **3,248** | **3,204** | **3,095** |

General and administrative expenses totaled 1,087 million euros, up 5% based on published figures, and up 7% on a constant consolidation scope and currency basis. They represented 8% of revenue, a stable percentage with respect to June 30, 2012.

### Profit from recurring operations by business group

| *(EUR millions)* | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| Wines and Spirits | 542 | 1,260 | 496 |
| Fashion and Leather Goods | 1,497 | 3,264 | 1,516 |
| Perfumes and Cosmetics | 200 | 408 | 197 |
| Watches and Jewelry | 156 | 334 | 159 |
| Selective Retailing | 407 | 854 | 373 |
| Other activities and eliminations | (90) | (199) | (82) |
| **Total** | **2,712** | **5,921** | **2,659** |

The Group's profit from recurring operations was 2,712 million euros, representing an increase of 2%. The operating margin as a percentage of the Group's revenue was 20%, 1 point lower with respect to June 30, 2012.

Exchange rate fluctuations had a positive net impact on the Group's profit from recurring operations of 60 million euros compared to June 30, 2012. This total comprises the following three items: the impact of changes in exchange rate parities on export and import sales and purchases by Group companies, the change in the net impact of the Group's policy of hedging its commercial exposure to various currencies, and the impact of exchange rate fluctuations on the consolidation of profit from recurring operations of subsidiaries outside the euro zone. On a constant consolidation scope, currency and foreign exchange hedging basis, the Group's profit from recurring operations was stable with respect to June 30, 2012.

## Wines and Spirits

| | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| Revenue *(EUR millions)* | 1,808 | 4,137 | 1,759 |
| Profit from recurring operations *(EUR millions)* | 542 | 1,260 | 496 |
| Operating margin *(%)* | 30 | 30 | 28 |

Profit from recurring operations for Wines and Spirits was 542 million euros, up 9%. This performance was the result of both sales volume growth and a sustained policy of price increases. Control of costs, together with the positive impact of exchange rate fluctuations, helped offset the rise in marketing and selling expenses focused on certain strategic markets. The operating margin as a percentage of revenue increased 2 points to 30%.

## Fashion and Leather Goods

| | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| Revenue *(EUR millions)* | 4,711 | 9,926 | 4,656 |
| Profit from recurring operations *(EUR millions)* | 1,497 | 3,264 | 1,516 |
| Operating margin *(%)* | 32 | 33 | 33 |

Fashion and Leather Goods posted profit from recurring operations of 1,497 million euros, down 1%. Operating margin remained stable at Louis Vuitton, whereas Céline and Fendi confirmed their profitable growth momentum. The operating margin as a percentage of revenue fell 1 point to 32%.

## Perfumes and Cosmetics

| | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| Revenue *(EUR millions)* | 1,804 | 3,613 | 1,727 |
| Profit from recurring operations *(EUR millions)* | 200 | 408 | 197 |
| Operating margin *(%)* | 11 | 11 | 11 |

Profit from recurring operations for Perfumes and Cosmetics was 200 million euros, up 2% compared to 2012. This increase was driven by Guerlain and Benefit, which improved their results, thanks to the launch of *La Petite Robe Noire* at Guerlain along with the success of flagship product lines and a strong innovation momentum at Benefit. The operating margin as a percentage of revenue remained stable at 11%.

## Watches and Jewelry

| | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| Revenue *(EUR millions)* | 1,310 | 2,836 | 1,343 |
| Profit from recurring operations *(EUR millions)* | 156 | 334 | 159 |
| Operating margin *(%)* | 12 | 12 | 12 |

Profit from recurring operations for Watches and Jewelry was 156 million euros, a 2% decrease. The operating margin as a percentage of revenue remained stable at 12%.

## Selective Retailing

| | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| Revenue *(EUR millions)* | 4,215 | 7,879 | 3,590 |
| Profit from recurring operations *(EUR millions)* | 407 | 854 | 373 |
| Operating margin *(%)* | 10 | 11 | 10 |

Profit from recurring operations for Selective Retailing was 407 million euros, up 9% compared to the first half of 2012. The operating margin as a percentage of revenue for the Selective Retailing business group remained stable at 10%. This performance was achieved thanks to the strong dynamic of Sephora, which offset the start-up cost of the new DFS airport concessions in Hong Kong.

## Other activities

The net result from recurring operations of Other activities and eliminations was a loss of 90 million euros, a higher loss than the first half of 2012. In addition to headquarters expenses, this heading includes the results of the Media division and those of the yacht builder Royal Van Lent.

## 1.3. Other income statement items

| *(EUR millions)* | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| Profit from recurring operations | 2,712 | 5,921 | 2,659 |
| Other operating income and expenses | (40) | (182) | (122) |
| Operating profit | 2,672 | 5,739 | 2,537 |
| Net financial income (expense) | (76) | (14) | 56 |
| Income taxes | (795) | (1,820) | (705) |
| Income (loss) from investments in associates | 5 | 4 | 4 |
| **Net profit before minority interests** | **1,806** | **3,909** | **1,892** |
| Minority interests | (229) | (485) | (211) |
| **Net profit, Group share** | **1,577** | **3,424** | **1,681** |

Other operating income and expenses amounted to a net expense of 40 million euros, compared to a net expense of 122 million euros in the first half of 2012. In the first half of 2013, Other operating income and expenses mainly comprised amortization and impairment charges for brands and goodwill.

The Group's operating profit was 2,672 million euros, representing a 5% increase over 2012.

The net financial expense as of June 30, 2013 was 76 million euros, compared with net financial income of 56 million euros as of June 30, 2012. This item comprises:

- the aggregate cost of net financial debt, which amounted to 57 million euros, a decrease compared to June 30, 2012, benefiting from the combined effect of the reduction in average net financial debt outstanding compared to the first six months of 2012 and of a lower average financing cost;
- other financial income and expenses, amounting to a net expense of 19 million euros, compared to a net income of 134 million euros as of June 30, 2012. The positive result in 2012 was notably due to dividends received in connection with the Group's shareholding in Hermès, which included an exceptional amount.

The Group's effective tax rate as of June 30, 2013 was 31%, compared to 27% in 2012. The tax rate for 2012, which was specific to that fiscal year, was related to the structure of net financial income (expense).

Income from associates was 5 million euros in the first half of 2013, remaining stable compared to 2012.

Profit attributable to minority interests was 229 million euros, compared to 211 million euros in 2012. This total mainly includes profit attributable to minority interests in Moët Hennessy and DFS, and reflects higher earnings by these entities.

The Group's share of net profit was 1,577 million euros, down 6% compared to June 30, 2012. This represents 12% of revenue in 2013, down 1 point compared to June 30, 2012.

**Comments on the determination of the impact of exchange rate fluctuations and changes in the scope of consolidation**

The impact of exchange rate fluctuations is determined by translating the accounts for the fiscal year of entities having a functional currency other than the euro at the prior fiscal year's exchange rates, without any other adjustments.

The impact of changes in the scope of consolidation is determined:
- for the fiscal year's acquisitions, by deducting from revenue for the fiscal year the amount of revenue generated during that fiscal year by the acquired entities, as of their initial consolidation;
- for the prior fiscal year's acquisitions, by deducting from revenue for the fiscal year the amount of revenue generated over the months during which the acquired entities were not consolidated in the prior fiscal year;
- for the fiscal year's disposals, by adding to revenue for the fiscal year the amount of revenue generated by the divested entities in the prior fiscal year over the months during which those entities were no longer consolidated in the current fiscal year;
- for the prior fiscal year's disposals, by adding to revenue for the fiscal year the amount of revenue generated in the prior fiscal year by the divested entities.

Profit from recurring operations is restated in accordance with the same principles, in addition to the restatements of the impact of exchange rate fluctuations described in §1.2 Profit from recurring operations.

# 2. WINES AND SPIRITS

| | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| **Revenue** *(EUR millions)* | **1,808** | **4,137** | **1,759** |
| **Sales volume** *(millions of bottles)* | | | |
| Champagne | 21.2 | 56.8 | 21.1 |
| Cognac | 33 | 67.1 | 32.1 |
| Other spirits | 7.4 | 15.7 | 6.8 |
| Still and sparkling wines | 17.6 | 43.3 | 16.8 |
| **Revenue by geographic region of delivery** *(%)* | | | |
| France | 6 | 7 | 7 |
| Europe (excluding France) | 16 | 20 | 16 |
| United States | 23 | 22 | 23 |
| Japan | 5 | 6 | 6 |
| Asia (excluding Japan) | 35 | 30 | 35 |
| Other markets | 15 | 15 | 13 |
| **Total** | **100** | **100** | **100** |
| **Profit from recurring operations** *(EUR millions)* | **542** | **1,260** | **496** |
| **Operating margin** *(%)* | **30** | **30** | **28** |
| **Operating investments** *(EUR millions)* | **79** | **182** | **79** |

## Highlights

In an environment characterized by strong momentum in Asia but with a mixed market in Europe, the Wines and Spirits business group turned in a strong set of performances and continues to illustrate the priorities of its value-enhancing strategy: firm prices and moving the product mix upscale. The brands' momentum has been boosted by Moët Hennessy's retail network, which is both powerful and responsive, and by sustained investments in communication.

Champagne and Wines revenue amounted to 739 million euros, generating profit from recurring operations of 171 million euros. The champagne business has shown its resilience against a tough economic environment in Europe. The robust demand enjoyed by LVMH brands in the Asian markets meant that volumes could be maintained at a level comparable to that seen in the first half of 2012.

**Moët & Chandon** consolidated its global leadership position, maintaining its value strategy in its historic markets and continuing its penetration into emerging countries. **Dom Pérignon**, whose Rosé 2002 was launched in January and is achieving excellent sales results, unveiled its 2004 vintage in May at an exceptional event in Hautvillers. **Veuve Clicquot** accelerated its development in Asia and continued to combine innovation with prestigious partnerships, notably with Joël Robuchon, all of whose restaurants throughout the world will give the brand pride of place. **Ruinart** continued to expand internationally and bolstered its image through events underscoring its involvement in the world of contemporary art. **Krug** showed good momentum in Japan and the Asia-Pacific region. **Mercier** revitalized its packaging and communication, and achieved substantial growth.

The premium sparkling and still wines that together make up **Estates & Wines** turned in a solid set of performances. Wine-growing projects in China and India are making good progress.

Cognac and Spirits revenue amounted to 1,069 million euros, generating profit from recurring operations of 371 million euros. Cognac volumes increased by 3%.

After celebrating a record year, **Hennessy** witnessed further growth in its results. Under current economic conditions, the power of its brand is a key advantage for the Maison, as is the geographic mix of its sales which means that its volumes can be efficiently targeted to the most dynamic regions. In the first half of the year, volume growth was driven mainly by young qualities. The brand continued to make solid headway in the United States in volume and value terms. In China, Hennessy offset the impact of government measures, thanks to its strong sales momentum in the nightlife and restaurant segments. The brand stepped up its development in Africa and South America.

**Glenmorangie** and **Ardbeg** whiskies, **Belvedere** vodka and the Chinese spirits maker **Wenjun** boosted their notoriety and enjoyed robust growth in their respective markets.

## Outlook

In the second half of the year, Wines and Spirits Maisons will maintain their value-creation strategy and their policy of innovation, while also continuing to build up their global reach. With the ambition of consolidating their positions in their traditional markets and stepping up their penetration into emerging markets, their investments will target the regions and segments that offer the best growth opportunities.

# 3. FASHION AND LEATHER GOODS

| | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| **Revenue** *(EUR millions)* | 4,711 | 9,926 | 4,656 |
| **Revenue by geographic region of delivery** *(%)* | | | |
| France | 8 | 8 | 8 |
| Europe (excluding France) | 19 | 19 | 18 |
| United States | 20 | 20 | 19 |
| Japan | 13 | 14 | 14 |
| Asia (excluding Japan) | 32 | 31 | 33 |
| Other markets | 8 | 8 | 8 |
| **Total** | 100 | 100 | 100 |
| **Type of revenue as a percentage of total revenue (excluding Louis Vuitton)** | | | |
| Retail | 51 | 51 | 50 |
| Wholesale | 44 | 43 | 44 |
| Licenses | 5 | 6 | 6 |
| **Total** | 100 | 100 | 100 |
| **Profit from recurring operations** *(EUR millions)* | 1,497 | 3,264 | 1,516 |
| **Operating margin** *(%)* | 32 | 33 | 33 |
| **Operating investments** *(EUR millions)* | 303 | 579 | 237 |
| **Number of stores** | 1,306 | 1,280 | 1,240 |

## Highlights

**Louis Vuitton** continued to make strides and implement its strategy based on ceaseless creativity, the perennial pursuit of perfection in its assorted business lines, and excellence throughout its retail network. Despite entrenched economic uncertainty in Europe, Louis Vuitton's longstanding and emerging market customers proved their attachment to the brand and its values.

Leather products, whose development remains a strategic priority, surged ahead with the *Epi* and *Monogram Empreinte* lines especially. The first half of the year saw the launch of Louis Vuitton's *Alma BB* and *Monceau BB* 'mini-icons' in both *Monogram Vernis* and *Epi* leather versions, as well as the addition of the *Métis* model to the *Monogram* canvas offering. Ready-to-wear and shoes continued to grow. As an illustration of Louis Vuitton's advertising strategy, the iconic *Alma* model starred in the "Chic on the bridge" campaign launched worldwide last May.

In a constant effort to make each of its stores the place for customers to have an exceptional and unique experience, Louis Vuitton carried on developing the quality of its global network. Two openings left their mark on the period: the Maison Louis Vuitton in Venice, which includes a cultural space, and the Maison in Munich with its similarly inspired art exhibition area.

**Fendi** continued to focus on the twin pillars of its product offering, furs and leather goods, both of which are experiencing strong sales growth, as well as on its store expansion program. The Rome-based brand opened a store in Sao Paulo, Brazil, its first in South America.

**Céline** once again posted sustained growth, driven by its leather goods and shoe lines. The new *Edge* handbag is very popular and the *Luggage* and *Trapèze* lines have achieved record sales. Boutiques are being opened and renovated at an accelerating pace.

**Donna Karan** continued to expand distribution selectively. The New York brand enjoyed a boost from the successful relaunch of its *DKNY Jeans* line and the rise of its accessories collections.

**Marc Jacobs** successfully took over its business in China directly. Its *Classic Q* line of handbags continues to show strong performance.

**Loewe** boosted the manufacturing capacity of its facility in Spain and continued the deployment of Peter Marino's new store concept. **Kenzo** built on the success of its new creative positioning, **Givenchy** performed well in exclusive brand boutiques and **Pucci** selectively expanded its global presence. **Thomas Pink** saw heavy growth in its online sales. **Berluti** has expanded its creative domain dedicated to men's elegance, with the recent inauguration in Shanghai and London of a plan to open new Maisons encompassing Berluti's universe.

## Outlook

**Louis Vuitton** will maintain its main strategic priorities. Over the second half of the year, it will continue to illustrate its enormous capacity for innovation with strong initiatives, especially in leather goods. New advertising campaigns will come with these initiatives.

The business group's other brands will continue consolidating their positions so as to successfully tackle the next phases of their development. Creative collections and excellence in retail will remain their core objectives.

The LVMH group's acquisition of 80% of the family-owned Loro Piana label marked the beginning of the second half of the year. This transaction is subject to approval by competition authorities. With over six generations of experience, Loro Piana is a leading producer and retailer of high-end textile products.

# 4. PERFUMES AND COSMETICS

| | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| **Revenue** *(EUR millions)* | 1,804 | 3,613 | 1,727 |
| **Revenue by product category** *(%)* | | | |
| Perfumes | 43 | 48 | 45 |
| Cosmetics | 38 | 35 | 37 |
| Skincare products | 19 | 17 | 18 |
| **Total** | 100 | 100 | 100 |
| **Revenue by geographic region of delivery** *(%)* | | | |
| France | 13 | 13 | 13 |
| Europe (excluding France) | 31 | 33 | 31 |
| United States | 12 | 12 | 12 |
| Japan | 5 | 6 | 6 |
| Asia (excluding Japan) | 24 | 22 | 23 |
| Other markets | 15 | 14 | 15 |
| **Total** | 100 | 100 | 100 |
| **Profit from recurring operations** *(EUR millions)* | 200 | 408 | 197 |
| **Operating margin** *(%)* | 11 | 11 | 11 |
| **Operating investments** *(EUR millions)* | 89 | 196 | 79 |
| **Number of stores** | 99 | 94 | 90 |

## Highlights

In a highly competitive market, LVMH brands continued to make good headway, driven by a bold creative process coupled with strong communications and a constant quest for excellence, from product design to distribution. Innovation and market share gains were again the order of the day in the first half of 2013.

Spurred on by the exceptional aura of its brand and the vitality of its flagship product lines, **Parfums Christian Dior** posted excellent performance. The iconic *J'adore* perfume, coming in its *Voile de Parfum* version in the first half of the year, gained market share in all major countries, while *Miss Dior* consolidated its performance with support from new advertising. Amongst other initiatives, a newly created rare and refined fragrance, *Gris Montaigne*, part of the *Collection Privée Christian Dior*, highlighted the Maison's vision of excellence and its savoir-faire in the realm of luxury perfumes. Make-up collections, which express a special kinship with Couture, continued to thrive internationally, fueled by innovations such as *Diorskin Nude BB Crème*. *Prestige*, the premium product line that epitomizes Dior skincare, continued to grow robustly. The relaunch of *Capture Totale* was backed up by scientific innovation and a new advertising campaign, enabling Dior skincare to strengthen its position globally.

**Guerlain** continued to prosper, buoyed by the remarkable success of *La Petite Robe Noire*, which is generating excellent results both internationally and on the French market. The brand gained market share in most of its key countries, notably in Europe, thanks to *La Petite Robe Noire* and in Asia, where *Orchidée Impériale* skincare is enjoying strong growth. Guerlain unveiled a boutique at the Cour des Senteurs, in the heart of Versailles, providing a prestigious new showcase for its creations.

**Parfums Givenchy** pursued its development in a wide range of markets, mainly Russia, Asia and Latin America. The *Gentlemen Only* fragrance was launched worldwide and is doing very well. Make-up products forged ahead, building on the strong performance of the new *Le Rouge* lipstick. **Kenzo Parfums** received a boost from the success of its *Kenzo Amour I Love You* line. **Fendi Perfumes** saw a spike in business prompted by recent product launches.

**Benefit** and **Make Up For Ever** kept up their strong growth and international development. Benefit carried on innovating in make-up with the launch of *Fake Up*, a moisturizing concealer. The brand made its debut in Indonesia in the first half of the year. Make Up For Ever won yet more market share thanks to the strong performance of its *HD* and *Aqua* flagship lines. The brand is developing its cinema partnerships and has continued to deploy its network of boutiques. **Fresh** got off to an excellent start in Asia, where its authentic products and advertising have been very well received.

## Outlook

In the business-critical second half of the year, perfume and cosmetics brands will continue to push their flagship product lines and focus on a firm policy of innovation. These efforts will be matched by heavy media investments. Initiatives will include **Parfums Christian Dior** following up its June launch of *Eau Délice* in the *Dior Addict* line with the orchestrated revival of its iconic *Rouge Dior*, while also making a splash around its *Dior Homme* fragrances with a fresh advertising campaign and a new male ambassador, Robert Pattinson. **Guerlain** will launch new advertising for *Shalimar* and open the doors of its next store at 68 Champs Élysées, the quintessence of its vision of glamour. **Benefit**, **Make Up For Ever** and **Fresh** will also be opening new boutiques as they expand worldwide.

# 5. WATCHES AND JEWELRY

| | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| **Revenue** *(EUR millions)* | 1,310 | 2,836 | 1,343 |
| **Revenue by geographic region of delivery** *(%)* | | | |
| France | 6 | 6 | 6 |
| Europe (excluding France) | 27 | 27 | 26 |
| United States | 12 | 12 | 13 |
| Japan | 13 | 14 | 14 |
| Asia (excluding Japan) | 27 | 26 | 27 |
| Other markets | 15 | 15 | 14 |
| **Total** | 100 | 100 | 100 |
| **Profit from recurring operations** *(EUR millions)* | 156 | 334 | 159 |
| **Operating margin** *(%)* | 12 | 12 | 12 |
| **Operating investments** *(EUR millions)* | 98 | 136 | 52 |
| **Number of stores** [a] | 351 | 347 | 334 |

(a) Excluding franchises.

## Highlights

In the first half of 2013, the Watches and Jewelry business group continued its upmarket strategy aimed at boosting the renown and image of its Maisons. The power of their iconic product lines, the quality and creativity of newly launched products, and the buoyancy of the high-end segment, particularly with respect to jewelry, all played a key part in the strong performance of exclusive brand boutiques. In an uncertain economic environment and a highly competitive market, the start of the year was nonetheless marked by cautious purchasing on the part of multi-brand watch retailers. The business group continued to invest in bolstering distribution quality and consolidating its savoir-faire in fine timepieces and jewelry.

**Bulgari** kept momentum up with events celebrating the Maison's savoir-faire as embodied by the *Serpenti* line, one of its most powerful symbols. An exhibition of legendary pieces that belonged to Elizabeth Taylor was held in Los Angeles during Oscar week. At Baselworld, Bulgari successfully presented its *Catene* watch for women and a reinterpretation of the emblematic *Bulgari Bulgari* men's watch.

In a blend of past and future, **TAG Heuer** celebrated the 50th anniversary of its legendary *Carrera* collection and, in Basel, launched its *MikropendulumS* chronograph, the first magnetic double tourbillon in the history of watchmaking. The brand has continued to demonstrate its pioneering spirit, becoming a founding member and official timekeeper of the upcoming Formula E championship designed for electrically-powered racing cars. The new TAG Heuer movement manufacturing facility, opened in June, will be fully operational by the end of the year.

**Hublot** boosted its upscale image with highlights such as designing the world's first brightly colored ceramic and introducing the *MP-05 LaFerrari* watch with a power reserve of 50 days, a record in watchmaking. The brand continues to strengthen its image and visibility while expanding its network of boutiques.

**Zenith** deployed all the new components of its brand image and continued developing its *Pilot* collection with new models for men and women.

The *Joséphine* tiara ring by **Chaumet** met with increasing success, and the Maison added new high-end jewelry watches to its *Attrape-moi si tu m'aimes* collection. **De Beers** consolidated its position as the jeweler of light, launching several new collections. **Fred** and **Montres Dior** continued to develop their emblematic product lines.

## Outlook

In the second half of the year, Watches and Jewelry business group brands will get a boost in growth from deliveries of the new products successfully presented at Baselworld. Against a still mixed economic backdrop, approaching each market attentively and allocating resources selectively will remain key. Investments in innovation and in the development of manufacturing capabilities will continue. Amongst other initiatives, **Bulgari** will build a new jewelry workshop in Italy, combining excellent craftsmanship and cutting-edge technology.

# 6. SELECTIVE RETAILING

| | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| **Revenue** *(EUR millions)* | **4,215** | **7,879** | **3,590** |
| **Revenue by geographic region of delivery** *(%)* | | | |
| France | 15 | 17 | 17 |
| Europe (excluding France) | 10 | 11 | 12 |
| United States | 33 | 36 | 36 |
| Japan | 1 | 1 | 1 |
| Asia (excluding Japan) | 33 | 27 | 27 |
| Other markets | 8 | 8 | 7 |
| **Total** | **100** | **100** | **100** |
| **Profit from recurring operations** *(EUR millions)* | **407** | **854** | **373** |
| **Operating margin** *(%)* | **10** | **11** | **10** |
| **Operating investments** *(EUR millions)* | **178** | **332** | **143** |
| **Number of stores** | | | |
| Sephora | 1,413 | 1,398 | 1,349 |
| Other trade names | 62 | 68 | 68 |

## Highlights

Revenue at **DFS** rose sharply in comparison with the first half of 2012. This increase includes growth on a comparable store basis and the contribution from three large concessions won in late 2012 at the Hong Kong airport. These promising new locations, which have already made a substantial contribution to revenue growth, are now being invested in for extensive remodeling. On a comparable store basis, the main driver of revenue growth at DFS was its dynamic Asian clientele. Hong Kong and Macao did exceptionally well.

**Miami Cruiseline** posted a good first half-year, reflecting the growing success of cruise routes in the Mediterranean and Asia.

**Sephora** continued to achieve remarkable results fueled by sales growth at existing stores and the expansion of its global network. With an innovative product offering that is consistently at the forefront of new trends, highly committed staff and a totally customer-focused organization, Sephora has been able to gain market share in all countries. In Europe, sales are growing with help from every region, particularly France, where Sephora has led the market for four straight years, as well as in Italy and Russia. Sales continued to climb substantially in North America, where Sephora has further consolidated its positions. It is also accelerating its expansion in China, with some ten openings including its new flagship store in Shanghai, and is strengthening its presence in its new markets of Southeast Asia, Latin America and the Middle East. On-line sales are showing strong growth in all countries.

As part of the ongoing renovation of its retail spaces, **Le Bon Marché** began transforming its Accessories department. This department store on the left bank in Paris continues to cultivate its unique character in everything it does and has proven resilient against a weak economic backdrop. The successful Brazil exhibition and two restaurant openings were some of the highlights of this half year. A new space devoted to timepieces has also been created.

## Outlook

Over the next few months **DFS** will continue to develop its innovative marketing programs while also expanding and renovating its flagship stores. In particular, the expansion and renovation of retail outlets in Macao and North American airports, as well as the completed refurbishment of almost 8,000 sq.m of selling space in the Hong Kong airport, will bear fruit in the second half of the year. With its plans for development, high-end product offering, and investments in *Gallerias* and strategic airport concessions, DFS is poised to take advantage of the tremendous growth opportunities available on the global retail travel market.

**Miami Cruiseline** will continue to prioritize moving its boutiques upmarket and tailoring its offerings to its various clienteles.

**Sephora** will forge ahead with the expansion and renovation of its network, always seeking to provide its customers the world over with the ultimate shopping experience in beauty products. Innovation remains the watchword, both in stores and in the online and mobile marketplace. The launch of *Marc Jacobs* cosmetics will expand Sephora's offering of exclusive brands. A new service developed in the United States will be introduced in Europe to help every customer choose the color that is best adapted to their skin complexion as their foundation.

**Le Bon Marché** will unveil its new Accessories department, which includes several distinctly themed, theatricalized spaces as well as a unique and selective product offering in line with the store's raison d'être. The new Grande Épicerie fine food store will open toward the end of the year.

# 7. COMMENTS ON THE CONSOLIDATED BALANCE SHEET

| *(EUR billions)* | June 30, 2013 | Dec. 31, 2012 [a] | Change |
|---|---|---|---|
| Tangible and intangible assets | 28.3 | 28.1 | 0.2 |
| Other | 8.2 | 7.6 | 0.6 |
| **Non-current assets** | **36.5** | **35.7** | **0.8** |
| Inventories | 8.6 | 8.1 | 0.5 |
| Other current assets | 5.6 | 6.2 | (0.6) |
| **Current assets** | **14.2** | **14.3** | **(0.1)** |
| **Assets** | **50.7** | **50.0** | **0.7** |

| *(EUR billions)* | June 30, 2013 | Dec. 31, 2012 [a] | Change |
|---|---|---|---|
| Total equity | 26.5 | 25.5 | 1.0 |
| Long term borrowings | 3.2 | 3.8 | (0.6) |
| Other non-current liabilities | 11.3 | 11.2 | 0.1 |
| **Equity and non-current liabilities** | **41.0** | **40.5** | **0.5** |
| Short term borrowings | 3.9 | 3.0 | 0.9 |
| Other | 5.8 | 6.5 | (0.7) |
| **Current liabilities** | **9.7** | **9.5** | **0.2** |
| **Liabilities and equity** | **50.7** | **50.0** | **0.7** |

(a) The balance sheet as of December 31, 2012 has been restated to reflect the retrospective application as of January 1, 2011 of IAS 19 Employee benefits as amended. See Note 1.2 of the consolidated half-year financial statements.

LVMH's consolidated balance sheet totaled 50.7 billion euros as of June 30, 2013, representing a 1% increase from year-end 2012. Non-current assets rose by 0.8 billion euros and represented 72% of total assets, up 1 point compared with year-end 2012.

Tangible and intangible fixed assets grew by 0.2 billion euros. This amount includes 0.2 billion euros in respect of the period's investments, net of disposals as well as amortization and depreciation charges. The comments on the cash flow statement provide further information about investments. The remaining amount of this change was due to an increase in the amount of goodwill, for 0.2 billion euros, reflecting the revaluation of purchase commitments for minority interests, partly offset by the 0.1 billion euros negative impact in exchange rate fluctuations.

Other non-current assets grew by 0.6 billion euros, mostly due to the increase in the value of the investment in Hermès International. As of June 30, 2013, the stake in Hermès amounted to 6.0 billion euros.

Inventories increased by 0.5 billion euros, reflecting the growth of the Group's business activities. The comments on the cash flow statement provide further information on this change.

Other current assets decreased by 0.6 billion euros, mainly due to a 0.2 billion euro reduction in trade accounts receivable, given the seasonality of the Group's business activities, and a reduction in cash and cash equivalents of 0.3 billion euros; other current assets thus came to 5.6 billion euros.

Other non-current liabilities rose by 0.1 billion euros, the increase of 0.2 billion euros in purchase commitments for minority interests and non-current provisions was partly offset, for 0.1 billion euros, by the decrease in deferred tax liabilities.

Other current liabilities totaled 5.8 billion euros, representing a decrease of 0.7 billion euros from year-end 2012. This change is due to the decrease in trade accounts payables, for 0.2 billion euros, in income tax payable, for 0.1 billion euros and in social and tax liabilities, for 0.2 billion euros; these movements are related to the seasonal nature of the Group's business activities.

| *(EUR billions)* | June 30, 2013 | Dec. 31, 2012 [a] | Change |
|---|---|---|---|
| Long term borrowings | 3.2 | 3.8 | (0.6) |
| Short term borrowings and derivatives | 3.8 | 2.8 | 1.0 |
| **Gross borrowings after derivatives** | **7.0** | **6.6** | **0.4** |
| Cash and cash equivalents and current available for sale financial assets | (2.0) | (2.3) | 0.3 |
| **Net financial debt** | **5.0** | **4.3** | **0.7** |
| **Equity** | **26.5** | **25.5** | **1.0** |
| **Net financial debt/Total equity ratio** | **19%** | **17%** | **2%** |

(a) The balance sheet as of December 31, 2012 has been restated to reflect the retrospective application as of January 1, 2011 of IAS 19 Employee benefits as amended. See Note 1.2 of the consolidated half-year financial statements.

The ratio of net financial debt to equity, which was 17% as of December 31, 2012, rose 2 points to 19%; the growth in equity was less rapid than that of net financial debt. These are characteristic movements given the seasonal nature of the Group's business activities.

Total equity amounted to 26.5 billion euros as of June 30, 2013, representing an increase of 4% compared to year-end 2012. This increase reflects the Group's strong earnings, which have only been partially distributed, and the increase in the value of the investment in Hermès. As of June 30, 2013, total equity accounted for 52% of the balance sheet total, up slightly from the 51% recorded at year-end 2012.

Gross borrowings after derivatives totaled 7.0 billion euros as of June 30, 2013, representing a 0.4 billion euro increase compared to year-end 2012. In May 2013, LVMH issued six-year bonds with a total nominal amount of 500 million euros, while the Group also issued 0.2 billion euros in other borrowings. Conversely, repayments of borrowings amounted to 0.6 billion euros, including the reimbursement of foreign-currency denominated private placements for 0.3 billion euros. In addition to this, commercial paper outstanding increased by 0.3 billion euros. Cash and cash equivalents and current available for sale financial assets totaled 2.0 billion euros as of June 30, 2013, down slightly from 2.3 billion euros at year-end 2012.

As of June 30, 2013, the Group's undrawn confirmed credit lines amounted to 3.1 billion euros, substantially exceeding the outstanding portion of its commercial paper program, which came to 1.5 billion euros as of June 30, 2013.

# 8. COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENT

| *(EUR millions)* | June 30, 2013 | June 30, 2012 | Change |
|---|---|---|---|
| **Cash from operations before changes in working capital** | **3,280** | **3,198** | **82** |
| Cost of net financial debt: interest paid | (62) | (98) | 36 |
| Income taxes paid | (979) | (963) | (16) |
| **Net cash from operating activities before changes in working capital** | **2,239** | **2,137** | **102** |
| Total change in working capital | (1,021) | (926) | (95) |
| Operating investments | (816) | (679) | (137) |
| **Free cash flow** | **402** | **532** | **(130)** |
| **Financial investments** | **(141)** | **(131)** | **(10)** |
| **Transactions related to equity** | **(1,140)** | **(1,070)** | **(70)** |
| **Change in cash before financing activity** | **(879)** | **(669)** | **(210)** |

Cash from operations before changes in working capital totaled 3,280 million euros, compared to 3,198 million euros a year earlier, representing an increase of 3%. Net cash from operating activities before changes in working capital (i.e. after interest and income taxes paid) amounted to 2,239 million euros, up 5% compared to the first half of 2012.

Interest paid, which totaled 62 million euros, was down compared to the amount paid in the first half of 2012, due to combined favorable effect of lower interest rates on borrowings and the lower average amount of debt outstanding compared with the first half of 2012.

Income taxes paid came to 979 million euros, remaining stable compared to the amount of 963 million euros paid a year earlier.

Working capital requirements increased by 1,021 million euros, primarily as a result of a rise in inventories, which generated a cash requirement of 711 million euros. This increase in inventories, driven by growth in volume of the Group's business activities and number of stores, was mainly related to Wines and Spirits, especially as a result of purchases of *eaux-de-vie*, Fashion and Leather Goods, and Selective Retailing. Lower trade accounts payable in addition to social security and tax liabilities generated an additional working capital requirement of 489 million euros, which was partially offset by a reduction in trade accounts receivable of 179 million euros. These changes are attributable to the seasonal nature of the Group's business activities.

Operating investments net of disposals resulted in a net cash outflow of 816 million euros in the first half of 2013, compared to 679 million euros a year earlier. They consisted mainly of investments by Louis Vuitton, Sephora, DFS and TAG Heuer in their retail networks, those of the champagne and perfume brands in their production facilities, and those of Parfums Christian Dior in display counters.

In the first half of the year, 162 million euros were allocated to acquisitions of financial investments, mainly relating to the purchase of Hermès shares on the market. Conversely, disposals of financial investments generated a cash inflow of 21 million euros.

Transactions relating to equity generated an outflow of 1,140 million euros. A portion of this amount, 901 million euros, corresponds to the balance of the dividend due in respect of 2012 paid in April by LVMH SA, excluding the amount attributable to treasury shares. In addition, dividends paid out to minority shareholders of consolidated subsidiaries amounted to 173 million euros, and the impact of acquisitions of minority interests corresponded, in the amount of 84 million euros, to the acquisition of the additional 30% stake in Château d'Yquem. Conversely, share subscription options exercised during the six-month period generated an inflow of 35 million euros.

The net cash outflow after all operating, investment, and equity-related activities thus amounted to 879 million euros; this was partially financed by an increase in debt. The cash balance at the end of the period was lower, by an amount of 378 million euros, than at year-end 2012.

# CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

# CONSOLIDATED INCOME STATEMENT

| *(EUR millions, except for earnings per share)* | Notes | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|---|
| **Revenue** | 23 | **13,695** | **28,103** | **12,966** |
| Cost of sales | | (4,681) | (9,917) | (4,532) |
| **Gross margin** | | **9,014** | **18,186** | **8,434** |
| Marketing and selling expenses | | (5,215) | (10,101) | (4,740) |
| General and administrative expenses | | (1,087) | (2,164) | (1,035) |
| **Profit from recurring operations** | 23-24 | **2,712** | **5,921** | **2,659** |
| Other operating income and expenses | 25 | (40) | (182) | (122) |
| **Operating profit** | | **2,672** | **5,739** | **2,537** |
| Cost of net financial debt | | (57) | (140) | (78) |
| Other financial income and expenses | | (19) | 126 | 134 |
| **Net financial income (expense)** | 26 | **(76)** | **(14)** | **56** |
| Income taxes | 27 | (795) | (1,820) | (705) |
| Income (loss) from investments in associates | 7 | 5 | 4 | 4 |
| **Net profit before minority interests** | | **1,806** | **3,909** | **1,892** |
| Minority interests | 17 | (229) | (485) | (211) |
| **Net profit, Group share** | | **1,577** | **3,424** | **1,681** |
| **Basic Group share of net earnings per share** *(EUR)* | 28 | **3.15** | **6.86** | **3.37** |
| Number of shares on which the calculation is based | | 500,208,913 | 499,133,643 | 498,706,626 |
| **Diluted Group share of net earnings per share** *(EUR)* | 28 | **3.13** | **6.82** | **3.35** |
| Number of shares on which the calculation is based | | 503,567,531 | 502,229,952 | 502,008,025 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE GAINS AND LOSSES

| *(EUR millions)* | June 30, 2013 | Dec. 31, 2012 [a] | June 30, 2012 [a] |
|---|---|---|---|
| **Net profit before minority interests** | **1,806** | **3,909** | **1,892** |
| Translation adjustments | (119) | (99) | 93 |
| Tax impact | (7) | (18) | 28 |
| | **(126)** | **(117)** | **121** |
| Change in value of available for sale financial assets | 533 | (27) | 308 |
| Amounts transferred to income statement | (9) | (14) | (11) |
| Tax impact | (35) | (6) | (10) |
| | **489** | **(47)** | **287** |
| Change in value of hedges of future foreign currency cash flows | 79 | 182 | 3 |
| Amounts transferred to income statement | (116) | 13 | 6 |
| Tax impact | 3 | (50) | 1 |
| | **(34)** | **145** | **10** |
| **Gains and losses recognized in equity, transferable to income statement** | **329** | **(19)** | **418** |
| Change in value of vineyard land | - | 85 | (1) |
| Tax impact | - | (28) | - |
| | **-** | **57** | **(1)** |
| Employee benefit commitments: change in value resulting from actuarial differences | 46 | (101) | - |
| Tax impact | (13) | 29 | - |
| | **33** | **(72)** | **-** |
| **Gains and losses recognized in equity, not transferable to income statement** | **33** | **(15)** | **(1)** |
| **Comprehensive income** | **2,168** | **3,875** | **2,309** |
| Minority interests | (241) | (470) | (232) |
| **Comprehensive income, Group share** | **1,927** | **3,405** | **2,077** |

(a) The consolidated statement of comprehensive gains and losses as of December 31, 2012 and June 30, 2012 have been restated to reflect the retrospective application as of January 1, 2011 of IAS 19 Employee benefits as amended. See Note 1.2.

# CONSOLIDATED BALANCE SHEET

| ASSETS | Notes | June 30, 2013 | Dec. 31, 2012 [a] | June 30, 2012 [a] |
|---|---|---|---|---|
| *(EUR millions)* | | | | |
| Brands and other intangible assets | 3 | 11,490 | 11,510 | 11,572 |
| Goodwill | 4 | 7,956 | 7,806 | 7,245 |
| Property, plant and equipment | 6 | 8,889 | 8,769 | 8,243 |
| Investments in associates | 7 | 163 | 163 | 167 |
| Non-current available for sale financial assets | 8 | 6,658 | 6,004 | 6,374 |
| Other non-current assets | 9 | 467 | 519 | 521 |
| Deferred tax | | 870 | 954 | 947 |
| **Non-current assets** | | **36,493** | **35,725** | **35,069** |
| Inventories and work in progress | 10 | 8,592 | 8,080 | 8,301 |
| Trade accounts receivable | 11 | 1,769 | 1,985 | 1,581 |
| Income taxes | | 223 | 201 | 204 |
| Other current assets | 12 | 1,724 | 1,811 | 1,431 |
| Cash and cash equivalents | 14 | 1,888 | 2,196 | 2,601 |
| **Current assets** | | **14,196** | **14,273** | **14,118** |
| **Total assets** | | **50,689** | **49,998** | **49,187** |

| LIABILITIES AND EQUITY | Notes | June 30, 2013 | 31 Dec. 31, 2012 [a] | June 30, 2012 [a] |
|---|---|---|---|---|
| *(EUR millions)* | | | | |
| Share capital | | 152 | 152 | 152 |
| Share premium account | | 3,860 | 3,848 | 3,836 |
| Treasury shares and LVMH-share settled derivatives | | (398) | (414) | (465) |
| Cumulative translation adjustment | | 206 | 342 | 532 |
| Revaluation reserves | | 3,217 | 2,731 | 2,956 |
| Other reserves | | 16,845 | 14,341 | 14,871 |
| Net profit, Group share | | 1,577 | 3,424 | 1,681 |
| Equity, Group share | 15 | 25,459 | 24,424 | 23,563 |
| Minority interests | 17 | 1,044 | 1,084 | 1,069 |
| **Total equity** | | **26,503** | **25,508** | **24,632** |
| Long term borrowings | 18 | 3,228 | 3,836 | 4,323 |
| Provisions | 19 | 1,751 | 1,756 | 1,531 |
| Deferred tax | | 3,868 | 3,960 | 3,962 |
| Other non-current liabilities | 20 | 5,660 | 5,456 | 4,686 |
| **Non-current liabilities** | | **14,507** | **15,008** | **14,502** |
| Short term borrowings | 18 | 3,905 | 2,976 | 4,103 |
| Trade accounts payable | | 2,905 | 3,134 | 2,761 |
| Income taxes | | 301 | 442 | 392 |
| Provisions | 19 | 316 | 335 | 335 |
| Other current liabilities | 21 | 2,252 | 2,595 | 2,462 |
| **Current liabilities** | | **9,679** | **9,482** | **10,053** |
| **Total liabilities and equity** | | **50,689** | **49,998** | **49,187** |

(a) The balance sheets as of December 31, 2012 and June 30, 2012 have been restated to reflect the retrospective application as of January 1, 2011 of IAS 19 Employee benefits as amended. See Note 1.2.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| *(EUR millions)* | Number of shares | Share capital | Share premium account | Treasury shares and LVMH-share settled derivatives | Cumulative translation adjustment | Revaluation reserves | | | | Net profit and other reserves | Total equity | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Available for sale financial assets | Hedges of future foreign currency cash flows | Vineyard land | Employee benefit commit-ments | | Group share | Minority interests | Total |
| Notes | | 15.1 | | 15.2 | 15.4 | | | | | | | 17 | |
| **As of December 31, 2011** | **507,815,624** | **152** | **3,801** | **(485)** | **431** | **1,990** | **(15)** | **714** | **-** | **15,863** | **22,451** | **1,061** | **23,512** |
| Impact of changes in accounting standards (See Note 1.2) | | | | | | | | | (28) | (52) | (80) | (6) | (86) |
| **As of December 31, 2011, after restatement** | **507,815,624** | **152** | **3,801** | **(485)** | **431** | **1,990** | **(15)** | **714** | **(28)** | **15,811** | **22,371** | **1,055** | **23,426** |
| Gains and losses recognized in equity | | | | | (89) | (47) | 133 | 44 | (60) | | (19) | (15) | (34) |
| Net profit | | | | | | | | | | 3,424 | 3,424 | 485 | 3,909 |
| **Comprehensive income** | | **-** | **-** | **-** | **(89)** | **(47)** | **133** | **44** | **(60)** | **3,424** | **3,405** | **470** | **3,875** |
| Stock option plan and similar expenses | | | | | | | | | | 50 | 50 | 3 | 53 |
| (Acquisition)/disposal of treasury shares and LVMH-share settled derivatives | | | | 24 | | | | | | (12) | 12 | - | 12 |
| Exercise of LVMH share subscription options | 1,344,975 | - | 94 | | | | | | | | 94 | - | 94 |
| Retirement of LVMH shares | (997,250) | - | (47) | 47 | | | | | | | - | - | - |
| Capital increase in subsidiaries | | | | | | | | | | | - | 8 | 8 |
| Interim and final dividends paid | | | | | | | | | | (1,448) | (1,448) | (317) | (1,765) |
| Changes in control of consolidated entities | | | | | | | | | | (11) | (11) | (11) | (22) |
| Acquisition and disposal of minority interests' shares | | | | | | | | | | (39) | (39) | (26) | (65) |
| Purchase commitments for minority interests' shares | | | | | | | | | | (10) | (10) | (98) | (108) |
| **As of December 31, 2012** | **508,163,349** | **152** | **3,848** | **(414)** | **342** | **1,943** | **118** | **758** | **(88)** | **17,765** | **24,424** | **1,084** | **25,508** |
| Gains and losses recognized in equity | | | | | (136) | 489 | (33) | - | 30 | | 350 | 12 | 362 |
| Net profit | | | | | | | | | | 1,577 | 1,577 | 229 | 1,806 |
| **Comprehensive income** | | **-** | **-** | **-** | **(136)** | **489** | **(33)** | **-** | **30** | **1,577** | **1,927** | **241** | **2,168** |
| Stock option plan and similar expenses | | | | | | | | | | 11 | 11 | 1 | 12 |
| (Acquisition)/disposal of treasury shares and LVMH-share settled derivatives | | | | (7) | | | | | | (5) | (12) | - | (12) |
| Exercise of LVMH share subscription options | 535,207 | - | 35 | | | | | | | | 35 | - | 35 |
| Retirement of LVMH shares | (493,484) | - | (23) | 23 | | | | | | | - | - | - |
| Capital increase in subsidiaries | | | | | | | | | | | - | 2 | 2 |
| Interim and final dividends paid | | | | | | | | | | (900) | (900) | (173) | (1,073) |
| Changes in control of consolidated entities | | | | | | | | | | - | - | - | - |
| Acquisition and disposal of minority interests' shares | | | | | | | | | | (33) | (33) | (54) | (87) |
| Purchase commitments for minority interests' shares | | | | | | | | | | 7 | 7 | (57) | (50) |
| **As of June 30, 2013** | **508,205,072** | **152** | **3,860** | **(398)** | **206** | **2,432** | **85** | **758** | **(58)** | **18,422** | **25,459** | **1,044** | **26,503** |
| **As of December 31, 2011** | **507,815,624** | **152** | **3,801** | **(485)** | **431** | **1,990** | **(15)** | **714** | **-** | **15,863** | **22,451** | **1,061** | **23,512** |
| Impact of changes in accounting standards (See Note 1.2) | | | | | | | | | (28) | (52) | (80) | (6) | (86) |
| **As of December 31, 2011, after restatement** | **507,815,624** | **152** | **3,801** | **(485)** | **431** | **1,990** | **(15)** | **714** | **(28)** | **15,811** | **22,371** | **1,055** | **23,426** |
| Gains and losses recognized in equity | | | | | 101 | 287 | 9 | (1) | - | | 396 | 21 | 417 |
| Net profit | | | | | | | | | | 1,681 | 1,681 | 211 | 1,892 |
| **Comprehensive income** | | **-** | **-** | **-** | **101** | **287** | **9** | **(1)** | **-** | **1,681** | **2,077** | **232** | **2,309** |
| Stock option plan and similar expenses | | | | | | | | | | 23 | 23 | 2 | 25 |
| (Acquisition)/disposal of treasury shares and LVMH-share settled derivatives | | | | 13 | | | | | | (11) | 2 | - | 2 |
| Exercise of LVMH share subscription options | 572,085 | - | 42 | | | | | | | | 42 | - | 42 |
| Retirement of LVMH shares | (145,759) | - | (7) | 7 | | | | | | | - | - | - |
| Capital increase in subsidiaries | | | | | | | | | | | - | - | - |
| Interim and final dividends paid | | | | | | | | | | (898) | (898) | (208) | (1,106) |
| Changes in control of consolidated entities | | | | | | | | | | - | - | (10) | (10) |
| Acquisition and disposal of minority interests' shares | | | | | | | | | | - | - | - | - |
| Purchase commitments for minority interests' shares | | | | | | | | | | (54) | (54) | (2) | (56) |
| **As of June 30, 2012** | **508,241,950** | **152** | **3,836** | **(465)** | **532** | **2,277** | **(6)** | **713** | **(28)** | **16,552** | **23,563** | **1,069** | **24,632** |

# CONSOLIDATED CASH FLOW STATEMENT

| *(EUR millions)* | Notes | June 30, 2013 | 31 Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|---|
| **I. OPERATING ACTIVITIES AND OPERATING INVESTMENTS** | | | | |
| Operating profit | | 2,672 | 5,739 | 2,537 |
| Net increase in depreciation, amortization and provisions | | 644 | 1,299 | 572 |
| Other computed expenses | | (74) | (62) | (69) |
| Dividends received | | 71 | 188 | 185 |
| Other adjustments | | (33) | (51) | (27) |
| **Cash from operations before changes in working capital** | | **3,280** | **7,113** | **3,198** |
| Cost of net financial debt: interest paid | | (62) | (154) | (98) |
| Income taxes paid | | (979) | (1,970) | (963) |
| **Net cash from operating activities before changes in working capital** | | **2,239** | **4,989** | **2,137** |
| Change in working capital | 14.1 | (1,021) | (813) | (926) |
| **Net cash from operating activities** | | **1,218** | **4,176** | **1,211** |
| Operating investments | 14.2 | (816) | (1,702) | (679) |
| **Net cash from operating activities and operating investments (free cash flow)** | | **402** | **2,474** | **532** |
| **II. FINANCIAL INVESTMENTS** | | | | |
| Purchase of non-current available for sale financial assets | 8 | (162) | (131) | (112) |
| Proceeds from sale of non-current available for sale financial assets | 8 | 21 | 36 | 24 |
| Impact of purchase and sale of consolidated investments | 2 | - | (45) | (43) |
| **Net cash from (used in) financial investments** | | **(141)** | **(140)** | **(131)** |
| **III. TRANSACTIONS RELATING TO EQUITY** | | | | |
| Capital increases of LVMH | 15.1 | 35 | 94 | 42 |
| Capital increases of subsidiaries subscribed by minority interests | 17 | 1 | 8 | - |
| Acquisition and disposals of treasury shares and LVMH-share settled derivatives | 15.2 | (14) | 5 | (4) |
| Interim and final dividends paid by LVMH | 15.3 | (901) | (1,447) | (898) |
| Interim and final dividends paid to minority interests in consolidated subsidiaries | 17 | (176) | (314) | (210) |
| Purchase and proceeds from sale of minority interests | 2 | (85) | (206) | - |
| **Net cash from (used in) transactions relating to equity** | | **(1,140)** | **(1,860)** | **(1,070)** |
| **IV. FINANCING ACTIVITIES** | | | | |
| Proceeds from borrowings | | 1,068 | 1,068 | 1,980 |
| Repayment of borrowings | | (620) | (1,526) | (1,103) |
| Purchase and proceeds from sale of current available for sale financial assets | 13 | 8 | (67) | (68) |
| **Net cash from (used in) financing activities** | | **456** | **(525)** | **809** |
| **V. EFFECT OF EXCHANGE RATE CHANGES** | | 45 | (42) | (46) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)** | | **(378)** | **(93)** | **94** |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD** | 14 | **1,988** | **2,081** | **2,081** |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | 14 | **1,610** | **1,988** | **2,175** |
| Transactions included in the table above, generating no change in cash: - acquisition of assets by means of finance leases | | 5 | 5 | 1 |

# SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

# 1. ACCOUNTING POLICIES

## 1.1. General framework and environment

The condensed consolidated financial statements for the six-month period ended June 30, 2013 were approved by the Board of Directors on July 25, 2013. The financial statements were established in accordance with IAS 34 relating to the preparation of interim financial statements in addition to international accounting standards and interpretations (IAS/IFRS) adopted by the European Union and applicable on June 30, 2013; these standards and interpretations have been applied consistently to the periods presented.

The accounts have been prepared using the same accounting principles and policies as those applied for the preparation of the annual accounts, with the exception of the determination of the income tax rate, which has been calculated based on the expected rate for the fiscal year. Moreover, comparability of the Group's half-year and annual accounts may be affected by the seasonal nature of the Group's businesses, which achieve a higher level of revenue during the second half of the year (see Note 23 Segment information).

## 1.2. Changes in the accounting framework applicable to LVMH in 2013

**Standards, amendments and interpretations for which application is mandatory in 2013**

The standards, amendments and interpretations applicable to LVMH with effect from January 1, 2013, relate to:

- amendments to IAS 19 on employee benefit commitments (pensions, reimbursement of medical costs and similar commitments) which require the immediate recognition of the effect of actuarial differences taken directly to equity and the calculation of the expected return on plan assets on the basis of the discount rate used to value the underlying obligation rather than on the basis of market expectations for returns.

  Up to December 31, 2012, the LVMH group applied the partial recognition in the income statement for actuarial gains and losses, in accordance with the "corridor approach". In light of the amendments to IAS 19, the Group retroactively recognized as of January 1, 2011, the date of the transition to IAS 19R, an additional provision in the amount of 85 million euros as well as the associated deferred tax assets, representing a net amount of 54 million euros. The provision, which corresponds to the balance of actuarial gains and losses not yet recognized as of January 1, 2011, was recognized as an adjustment to equity. The retrospective impact on equity of the change in standard is analyzed below:

| *(EUR millions)* | As of Jan. 1, 2011 | As of Dec. 31, 2011 | As of Dec. 31, 2012 |
|---|---|---|---|
| Non-current provisions | (85) | (130) | (226) |
| Other non-current assets | - | - | (5) |
| Deferred taxes | 31 | 44 | 73 |
| Total equity | (54) | (86) | (158) |
| *Of which: Group share* | *(52)* | *(80)* | *(140)* |
| *Minority interests* | *(2)* | *(6)* | *(18)* |

The resulting changes in equity were recognized retrospectively in comprehensive income. The net profit for 2011 and 2012 fiscal years was not restated since the impact of the amended standard on both of these fiscal years was less than 5 million euros.

- amendment to IAS 1 on gains and losses recognized in equity and their separate presentation, depending on whether or not they may subsequently be transferred to the income statement;
- IFRS 13, which defines the measurement principles of fair value and related disclosures on methodology to be presented in the notes to the financial statements, where fair value applies. The application of this text did not have a significant impact on the Group's consolidated financial statements.

**Standards, amendments and interpretations for which application will be mandatory after 2013**

The main standards applicable to LVMH with effect from January 1, 2014 are IFRS 10, IFRS 11 and IFRS 12 relating to consolidation. Those standards redefine the concept of control exercised over an entity, eliminating the possibility of using proportional consolidation to consolidate jointly controlled entities which will be accounted for exclusively using the equity method, and introducing additional disclosure requirements in the notes to the consolidated financial statements.

The application of these standards will not have a significant impact on the Group's consolidated financial statements, due to the limited contribution to the Group's financial statements of proportionately consolidated jointly controlled entities. Moreover, the consolidation method of distribution subsidiaries jointly owned with the Diageo group will not be impacted. See Note 1.5 of consolidated financial statements for the fiscal year ended December 31, 2012 regarding the consolidation method of these subsidiaries.

**Other changes in standards and interpretations**

The Group monitors the progress of ongoing discussions held at IFRIC and IASB related to the recognition in profit or loss of changes in purchase commitments for minority interests' shares. See Note 1.10 of consolidated financial statements for the fiscal year ended December 31, 2012 for a description of the recognition method applied by LVMH for these commitments.

The Group also monitors developments with regard to the exposure draft on accounting for lease commitments.

## 2. CHANGES IN THE PERCENTAGE OF INTEREST IN CONSOLIDATED ENTITIES

**Wines and Spirits**

During the six-month period, the Group acquired an additional 30% stake in Château d'Yquem for 84 million euros, increasing its ownership interest to 95%. The difference between the acquisition price and minority interests, 33 million euros, was deducted from equity.

**Other activities**

In June 2013, LVMH acquired a 80% stake in Cova, a patisserie business based in Milan (Italy) which is also present in Asia through its franchisee network. This investment will be consolidated with effect from the second half of 2013.

## 3. BRANDS, TRADE NAMES AND OTHER INTANGIBLE ASSETS

| *(EUR millions)* | | | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|---|---|
| | Gross | Amortization and impairment | Net | Net | Net |
| Brands | 9,277 | (518) | 8,759 | 8,819 | 8,875 |
| Trade names | 3,416 | (1,392) | 2,024 | 2,009 | 2,093 |
| License rights | 91 | (70) | 21 | 22 | 25 |
| Leasehold rights | 502 | (224) | 278 | 248 | 192 |
| Software, web sites | 786 | (593) | 193 | 200 | 173 |
| Other | 490 | (275) | 215 | 212 | 214 |
| **Total** | **14,562** | **(3,072)** | **11,490** | **11,510** | **11,572** |
| *Of which: assets held under finance leases* | *14* | *(14)* | - | - | - |

Movements during the six-month period ended June 30, 2013 in the net amounts of brands, trade names and other intangible assets were as follows:

| **Gross value** *(EUR millions)* | **Brands** | **Trade names** | **Software, web sites** | **Leasehold rights** | **Other intangible assets** | **Total** |
|---|---|---|---|---|---|---|
| **As of December 31, 2012** | **9,318** | **3,389** | **759** | **468** | **567** | **14,501** |
| Acquisitions | - | - | 21 | 42 | 58 | 121 |
| Disposals and retirements | - | - | (11) | (13) | (9) | (33) |
| Changes in the scope of consolidation | - | - | - | - | - | - |
| Translation adjustment | (41) | 27 | (3) | (2) | (9) | (28) |
| Reclassifications | - | - | 20 | 7 | (26) | 1 |
| **As of June 30, 2013** | **9,277** | **3,416** | **786** | **502** | **581** | **14,562** |

| **Accumulated amortization and impairment** *(EUR millions)* | **Brands** | **Trade names** | **Software, web sites** | **Leasehold rights** | **Other intangible assets** | **Total** |
|---|---|---|---|---|---|---|
| **As of December 31, 2012** | **(499)** | **(1,380)** | **(559)** | **(220)** | **(333)** | **(2,991)** |
| Amortization expense | (19) | (1) | (45) | (14) | (28) | (107) |
| Impairment expense | - | - | - | - | - | - |
| Disposals and retirements | - | - | 11 | 9 | 10 | 30 |
| Changes in the scope of consolidation | - | - | - | - | - | - |
| Translation adjustment | - | (11) | 2 | 1 | 6 | (2) |
| Reclassifications | - | - | (2) | - | - | (2) |
| **As of June 30, 2013** | **(518)** | **(1,392)** | **(593)** | **(224)** | **(345)** | **(3,072)** |
| **Net carrying amount as of June 30, 2013** | **8,759** | **2,024** | **193** | **278** | **236** | **11,490** |

# 4. GOODWILL

| *(EUR millions)* | | | **June 30, 2013** | **Dec. 31, 2012** | **June 30, 2012** |
|---|---|---|---|---|---|
| | **Gross** | **Impairment** | **Net** | **Net** | **Net** |
| Goodwill arising on consolidated investments | 6,445 | (1,198) | 5,247 | 5,270 | 5,184 |
| Goodwill arising on purchase commitments for minority interests | 2,712 | (3) | 2,709 | 2,536 | 2,061 |
| **Total** | **9,157** | **(1,201)** | **7,956** | **7,806** | **7,245** |

Changes in net goodwill during the periods presented break down as follows:

| *(EUR millions)* | | | **June 30, 2013** | **Dec. 31, 2012** | **June 30, 2012** |
|---|---|---|---|---|---|
| | **Gross** | **Impairment** | **Net** | **Net** | **Net** |
| **As of January 1** | **8,990** | **(1,184)** | **7,806** | **6,957** | **6,957** |
| Changes in the scope of consolidation | 11 | - | 11 | 43 | 25 |
| Changes in purchase commitments for minority interests | 155 | - | 155 | 836 | 255 |
| Changes in impairment | - | (13) | (13) | (24) | (11) |
| Translation adjustment | 1 | (4) | (3) | (6) | 19 |
| **As of period-end** | **9,157** | **(1,201)** | **7,956** | **7,806** | **7,245** |

Please refer also to Note 20 for goodwill arising on purchase commitments for minority interests.

# 5. IMPAIRMENT TESTING OF INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Brands, trade names, and other intangible assets with indefinite useful lives as well as the goodwill arising on acquisition have been subject to annual impairment testing as of December 31, 2012. No significant impairment expense were recognized during the first half of 2013, as no indicator of impairment was identified.

# 6. PROPERTY, PLANT AND EQUIPMENT

| *(EUR millions)* | | | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|---|---|
| | Gross | Depreciation and impairment | Net | Net | Net |
| Land | 1,146 | (60) | 1,086 | 1,182 | 1,180 |
| Vineyard land and producing vineyards | 2,048 | (82) | 1,966 | 1,971 | 1,885 |
| Buildings | 2,599 | (1,310) | 1,289 | 1,314 | 1,310 |
| Investment property | 676 | (73) | 603 | 509 | 446 |
| Leasehold improvements, machinery and equipment | 6,178 | (3,957) | 2,221 | 2,124 | 1,884 |
| Assets in progress | 773 | - | 773 | 716 | 603 |
| Other tangible fixed assets | 1,548 | (597) | 951 | 953 | 935 |
| **Total** | **14,968** | **(6,079)** | **8,889** | **8,769** | **8,243** |
| *Of which: assets held under finance leases* | *231* | *(130)* | *101* | *110* | *108* |
| *historical cost of vineyard land and producing vineyards* | *654* | *(82)* | *572* | *575* | *570* |

Movements in property, plant and equipment during the first half of 2013 break down as follows:

| Gross value *(EUR millions)* | Vineyard land and producing vineyards | Land and buildings | Investment property | Leaseholds improvements, machinery and equipment | | | Assets in progress | Other tangible fixed assets | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Stores | Production, logistics | Other | | | |
| **As of December 31, 2012** | **2,051** | **3,865** | **580** | **3,454** | **1,629** | **850** | **716** | **1,538** | **14,683** |
| Acquisitions | - | 43 | 10 | 197 | 44 | 40 | 284 | 43 | 661 |
| Change in the market value of vineyard land | - | - | - | - | - | - | - | - | - |
| Disposals and retirements | - | (31) | - | (80) | (39) | (23) | (2) | (50) | (225) |
| Changes in the scope of consolidation | - | (1) | - | 1 | - | - | - | 1 | 1 |
| Translation adjustment | (4) | (67) | (4) | (49) | (10) | (7) | (1) | (2) | (144) |
| Other movements, including transfers | 1 | (64) | 90 | 32 | 29 | 110 | (224) | 18 | (8) |
| **As of June 30, 2013** | **2,048** | **3,745** | **676** | **3,555** | **1,653** | **970** | **773** | **1,548** | **14,968** |

| Depreciation and impairment (EUR millions) | Vineyard land and producing vineyards | Land and buildings | Investment property | Leaseholds improvements, machinery and equipment | | | Assets in progress | Other tangible fixed assets | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Stores | Production, logistics | Other | | | |
| **As of December 31, 2012** | **(80)** | **(1,369)** | **(71)** | **(2,139)** | **(1,072)** | **(598)** | **-** | **(585)** | **(5,914)** |
| Depreciation expense | (3) | (63) | (3) | (212) | (56) | (50) | - | (45) | (432) |
| Impairment expense | - | - | - | - | 1 | - | - | - | 1 |
| Disposals and retirements | - | 31 | - | 79 | 38 | 22 | - | 27 | 197 |
| Changes in the scope of consolidation | - | 1 | - | - | - | - | - | - | 1 |
| Translation adjustment | 1 | 18 | 1 | 32 | 6 | 5 | - | 3 | 66 |
| Other movements, including transfers | - | 12 | - | 40 | 3 | (56) | - | 3 | 2 |
| **As of June 30, 2013** | **(82)** | **(1,370)** | **(73)** | **(2,200)** | **(1,080)** | **(677)** | **-** | **(597)** | **(6,079)** |
| **Net carrying amount as of June 30, 2013** | **1,966** | **2,375** | **603** | **1,355** | **573** | **293** | **773** | **951** | **8,889** |

Purchases of property, plant and equipment reflect investments by Louis Vuitton, Sephora, DFS and TAG Heuer in their retail networks, those of the Champagne and perfumes houses in their production equipment, and of Parfums Christian Dior in its counters.

# 7. INVESTMENTS IN ASSOCIATES

| (EUR millions) | | | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|---|---|
| | Gross | Impairment | Net | Net | Net |
| **Share of net assets of associates as of January 1** | **163** | **-** | **163** | **170** | **170** |
| Share of net profit (loss) for the period | 5 | - | 5 | 4 | 4 |
| Dividends paid | (6) | - | (6) | (9) | (7) |
| Changes in the scope of consolidation | - | - | - | 1 | (4) |
| Translation adjustment | (2) | - | (2) | (4) | 1 |
| Other movements, including transfers | 3 | - | 3 | 1 | 3 |
| **Share of net assets of associates as of period-end** | **163** | **-** | **163** | **163** | **167** |

# 8. NON-CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

| (EUR millions) | | | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|---|---|
| | Gross | Impairment | Net | Net | Net |
| **Total** | **6,809** | **(151)** | **6,658** | **6,004** | **6,374** |

Non-current available for sale financial assets changed as follows during the periods presented:

| *(EUR millions)* | June 30, 2013 | | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|---|
| | Total | Of which Hermès | | |
| **As of January 1** | **6,004** | **5,409** | **5,982** | **5,982** |
| Acquisitions | 162 | 113 | 125 | 108 |
| Disposals at net realized value | (21) | - | (36) | (24) |
| Changes in market value | 523 | 517 | (38) | 306 |
| Changes in impairment | (2) | - | (4) | (1) |
| Changes in the scope of consolidation | - | - | - | - |
| Translation adjustment | 2 | - | (5) | 6 |
| Reclassifications | (10) | - | (20) | (3) |
| **As of period-end** | **6,658** | **6,039** | **6,004** | **6,374** |

As of June 30, 2013, non-current available for sale assets mainly include an investment in Hermès International SCA ("Hermès"), which increased during the six-month period from 22.6% as of December 31, 2012 to 23.1%, resulting from the acquisition of shares on the market. Given the legal form of Hermès, a "Société en Commandite par Actions (SCA)", the investment stake held by LVMH is not accounted for under the equity method.

As of June 30, 2013, the Hermès share price, applied for the purpose of valuing this investment, was 248.00 euros (226.30 as of December 31, 2012, 242.25 as of June 30, 2012).

See also Note 30 Contingent liabilities and outstanding litigation.

# 9. OTHER NON-CURRENT ASSETS

| *(EUR millions)* | June 30, 2013 | Dec. 31, 2012[a] | June 30, 2012[a] |
|---|---|---|---|
| Warranty deposits | 248 | 210 | 210 |
| Derivatives | 92 | 176 | 169 |
| Loans and receivables | 113 | 115 | 127 |
| Other | 14 | 18 | 15 |
| **Total** | **467** | **519** | **521** |

(a) The balance sheets as of December 31, 2012 and June 30, 2012 have been restated to reflect the retrospective application as of January 1, 2011 of IAS 19 Employee benefits as amended. See Note 1.2.

# 10. INVENTORIES AND WORK IN PROGRESS

| *(EUR millions)* | June 30, 2013 | | | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|---|---|
| | Gross | Impairment | Net | Net | Net |
| Wines and eaux-de-vie in the process of aging | 3,642 | (21) | 3,621 | 3,478 | 3,425 |
| Other raw materials and work in progress | 1,451 | (310) | 1,141 | 1,062 | 1,133 |
| | 5,093 | (331) | 4,762 | 4,540 | 4,558 |
| Goods purchased for resale | 1,373 | (119) | 1,254 | 1,171 | 841 |
| Finished products | 3,144 | (568) | 2,576 | 2,369 | 2,902 |
| | 4,517 | (687) | 3,830 | 3,540 | 3,743 |
| **Total** | **9,610** | **(1,018)** | **8,592** | **8,080** | **8,301** |

The net change in inventories for the periods presented breaks down as follows:

| (EUR millions) | | | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|---|---|
| | Gross | Impairment | Net | Net | Net |
| **As of January 1** | **9,057** | **(977)** | **8,080** | **7,510** | **7,510** |
| Change in gross inventories [a] | 706 | - | 706 | 827 | 681 |
| Fair value adjustment for the harvest of the period | 1 | - | 1 | (26) | 7 |
| Changes in impairment | - | (103) | (103) | (192) | (24) |
| Changes in the scope of consolidation | 2 | - | 2 | 32 | 34 |
| Translation adjustment | (106) | 11 | (95) | (78) | 90 |
| Other, including reclassifications | (50) | 51 | 1 | 7 | 3 |
| **As of period-end** | **9,610** | **(1,018)** | **8,592** | **8,080** | **8,301** |

(a) Including the impact of product returns accruals.

The effects on Wines and Spirits' cost of sales of marking harvests to market are as follows:

| (EUR millions) | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| Fair value adjustment for the harvest of the period | 14 | 12 | 20 |
| Adjustment for inventory consumed | (13) | (38) | (13) |
| **Net effect on cost of sales of the period** | **1** | **(26)** | **7** |

# 11. TRADE ACCOUNTS RECEIVABLE

| (EUR millions) | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| Trade accounts receivable, nominal amount | 1,994 | 2,227 | 1,804 |
| Provision for impairment | (63) | (63) | (64) |
| Provision for product returns | (162) | (179) | (159) |
| **Net amount** | **1,769** | **1,985** | **1,581** |

The change in trade accounts receivable for the periods presented breaks down as follows:

| (EUR millions) | | | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|---|---|
| | Gross | Impairment | Net | Net | Net |
| **As of January 1** | **2,227** | **(242)** | **1,985** | **1,878** | **1,878** |
| Change in gross receivables | (179) | - | (179) | 147 | (326) |
| Changes in provision for impairment | - | - | - | 1 | 2 |
| Changes in provision for product returns | - | 15 | 15 | (5) | 18 |
| Changes in the scope of consolidation | - | - | - | (2) | (2) |
| Translation adjustment | (35) | 1 | (34) | (44) | 19 |
| Reclassifications | (19) | 1 | (18) | 10 | (8) |
| **As of period-end** | **1,994** | **(225)** | **1,769** | **1,985** | **1,581** |

As of June 30, 2013, the breakdown of the nominal amount of trade receivables and of provisions for impairment by age was as follows:

| *(EUR millions)* | | Nominal amount of receivables | Impairment | Net amount of receivables |
|---|---|---|---|---|
| Not due: | - less than 3 months | 1,555 | (10) | 1,545 |
| | - more than 3 months | 80 | (3) | 77 |
| | | 1,635 | (13) | 1,622 |
| Overdue: | - less than 3 months | 247 | (3) | 244 |
| | - more than 3 months | 112 | (47) | 65 |
| | | 359 | (50) | 309 |
| **Total** | | **1,994** | **(63)** | **1,931** |

As of June 30, 2013, insurance coverage for trade receivables was received for approximately 91% of the total amount requested (93% as of December 31, 2012 and June 30, 2012).

## 12. OTHER CURRENT ASSETS

| *(EUR millions)* | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| Current available for sale financial assets | 187 | 177 | 144 |
| Derivatives | 369 | 425 | 124 |
| Tax accounts receivable, excluding income taxes | 384 | 393 | 409 |
| Advances and payments on account to vendors | 150 | 195 | 160 |
| Prepaid expenses | 323 | 284 | 276 |
| Other receivables | 311 | 337 | 318 |
| **Total** | **1,724** | **1,811** | **1,431** |

Please also refer to Note 13 Current available for sale financial assets and Note 22 Financial instruments and market risk management.

## 13. CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

| *(EUR millions)* | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| Unlisted securities, shares in non-money market SICAVs and funds | 12 | 13 | 12 |
| Listed securities | 175 | 164 | 132 |
| **Total** | **187** | **177** | **144** |
| *Of which: historical cost of current available for sale financial assets* | *176* | *176* | *151* |

Net value of current available for sale financial assets changed as follows during the periods presented:

| *(EUR millions)* | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| **As of January 1** | **177** | **145** | **145** |
| Disposals at net realized value | - | (4) | (4) |
| Changes in market value | 10 | 11 | 3 |
| Reclassifications | - | 25 | - |
| **As of period-end** | **187** | **177** | **144** |

# 14. CASH AND CASH EQUIVALENTS

| *(EUR millions)* | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| Fixed term deposits (less than 3 months) | 419 | 480 | 729 |
| SICAV and FCP money market funds | 91 | 112 | 273 |
| Ordinary bank accounts | 1,378 | 1,604 | 1,599 |
| **Cash and cash equivalents per balance sheet** | **1,888** | **2,196** | **2,601** |

The reconciliation between cash and cash equivalents as shown in the balance sheet and net cash and cash equivalents appearing in the cash flow statement is as follows:

| *(EUR millions)* | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| Cash and cash equivalents | 1,888 | 2,196 | 2,601 |
| Bank overdrafts | (278) | (208) | (426) |
| **Net cash and cash equivalents per cash flow statement** | **1,610** | **1,988** | **2,175** |

## 14.1. Change in working capital

The change in working capital breaks down as follows for the periods presented:

| *(EUR millions)* | Notes | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|---|
| Change in inventories and work in progress | 10 | (711) | (829) | (683) |
| Change in trade accounts receivable | 11 | 179 | (147) | 326 |
| Change in trade accounts payable | | (227) | 173 | (234) |
| Change in other receivables and payables | | (262) | (10) | (335) |
| **Change in working capital** [(a)] | | **(1,021)** | **(813)** | **(926)** |

(a) Increase / (Decrease) in cash and cash equivalents.

## 14.2. Operating investments

Operating investments comprise the following elements for the periods presented:

| *(EUR millions)* | Notes | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|---|
| Purchase of intangible fixed assets | 3 | (121) | (238) | (78) |
| Purchase of tangible fixed assets | 6 | (661) | (1,613) | (613) |
| Changes in accounts payable related to fixed asset purchases | | (16) | 141 | (5) |
| **Net cash used in purchases of fixed assets** [(a)] | | **(798)** | **(1,710)** | **(696)** |
| **Net cash from fixed assets disposals** [(a)] | | **30** | **44** | **38** |
| Guarantee deposits paid and other cash flows related to operating investments | | (48) | (36) | (21) |
| **Operating investments** | | **(816)** | **(1,702)** | **(679)** |

(a) Increase / (Decrease) in cash and cash equivalents.

# 15. EQUITY

## 15.1. Share capital and share premium account

As of June 30, 2013, issued and fully paid-up shares of the parent company LVMH Moët Hennessy-Louis Vuitton totaled 508,205,072 (508,163,349 shares as of December 31, 2012 and 508,241,950 shares as of June 30, 2012), with a par value of 0.30 euros per share, including 224,900,692 shares with double voting rights (224,699,349 as of December 31, 2012, 224,629,667 as of June 30, 2012). Double voting rights are granted to registered shares held for more than three years.

During the six-month period, 535,207 shares were issued following the exercise of share subscription options, which resulted in an increase in capital and share premium account of 35 million euros, and 493,484 shares were retired, which resulted in a reduction of capital and share premium account of 23 million euros.

## 15.2. Treasury shares and derivatives settled in LVMH shares

The portfolio of treasury shares and derivatives settled in LVMH shares is allocated as follows:

| *(EUR millions)* | | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|---|
| | Number | Amount | Amount | Amount |
| Share subscription option plans | 5,202,907 | 246 | 270 | 311 |
| Share purchase option plans | - | - | 7 | 4 |
| Bonus share plans | 1,171,774 | 70 | 75 | 76 |
| Other plans | 1,058,595 | 54 | 49 | 50 |
| **Shares held for stock option and similar plans** [a] | **7,433,276** | **370** | **401** | **441** |
| Liquidity contract | 219,000 | 28 | 13 | 21 |
| **LVMH treasury shares** | **7,652,276** | **398** | **414** | **462** |
| LVMH share-based calls [b] | - | - | - | 3 |
| **LVMH treasury shares and derivatives settled in LVMH shares** | **7,652,276** | **398** | **414** | **465** |

(a) See Note 16 regarding stock option and similar plans.
(b) Number of shares which could be purchased if all of the calls outstanding at the balance sheet date were exercised and related premium paid on subscription.

"Other plans" correspond to future plans.

The market value of LVMH shares held under the liquidity contract as of June 30, 2013 amounts to 27 million euros.

The portfolio movements during the six-month period were as follows:

### LVMH shares

| *(EUR millions)* | Number | Amount | Effect on cash |
|---|---|---|---|
| **As of December 31, 2012** | **8,167,519** | **414** | |
| Share purchases, including through the exercise of call options | 1,114,347 | 148 | (148) |
| Exercise of share purchase options | (19,620) | (2) | 1 |
| Bonus shares definitively allocated | (124,139) | (6) | - |
| Retirement of shares | (493,484) | (23) | - |
| Proceeds from disposal at net realized value | (992,347) | (133) | 133 |
| Gain/(loss) on disposal | - | - | - |
| **As of June 30, 2013** | **7,652,276** | **398** | **(14)** |

### 15.3. Dividends paid by the parent company LVMH SA

| *(EUR millions, except for data per share in EUR)* | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| Interim dividend for the current fiscal year (2012: 1.10 euros) | - | 559 | - |
| Impact of treasury shares | - | (9) | - |
| | **-** | **550** | **-** |
| Final dividend for the previous fiscal year (2012: 1.80 euros; 2011: 1.80 euros) | 914 | 914 | 914 |
| Impact of treasury shares | (14) | (16) | (16) |
| | **900** | **898** | **898** |
| **Total gross amount disbursed during the fiscal year [a]** | **900** | **1,448** | **898** |

(a) Excludes the impact of tax regulations applicable to the beneficiary.

The final dividend for 2012 was paid on April 25, 2013 in accordance with the resolutions of the Shareholders' Meeting of April 18, 2013. The Board of Directors approved the payment of an interim dividend for fiscal year 2013 of 1.20 euros in December 2013.

### 15.4. Cumulative translation adjustment

The change in the translation adjustment recognized under equity, Group share net of hedging effects of net assets denominated in foreign currency, break down as follows by currency:

| *(EUR millions)* | June 30, 2013 | Change | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|---|
| US dollar | (81) | 18 | (99) | 10 |
| Swiss franc | 392 | (54) | 446 | 451 |
| Japanese yen | 75 | (45) | 120 | 169 |
| Hong Kong dollar | 73 | 13 | 60 | 135 |
| Pound sterling | (74) | (34) | (40) | (34) |
| Other currencies | 16 | (49) | 65 | 94 |
| Foreign currency net investment hedges | (195) | 15 | (210) | (293) |
| **Total, Group share** | **206** | **(136)** | **342** | **532** |

## 16. STOCK OPTION AND SIMILAR PLANS

For all plans, one option entitles the holder to purchase one LVMH share.

The number of outstanding instruments included in the plans in existence as of June 30, 2013 break down as detailed below.

### 16.1. Share purchase option plans

| | June 30, 2013 | |
|---|---|---|
| | Number | Weighted average exercise price *(EUR)* |
| **Share purchase options outstanding as of January 1** | **105,320** | **37.39** |
| Options expired | (85,700) | 37.46 |
| Options exercised | (19,620) | 37.04 |
| **Share purchase options outstanding as of June 30** | **-** | **-** |

## 16.2. Share subscription option plans

| | June 30, 2013 | |
|---|---|---|
| | Number | Weighted average exercise price *(EUR)* |
| **Share subscription options outstanding as of January 1** | **5,229,396** | **68.86** |
| Options expired | (26,489) | 63.56 |
| Options exercised | (535,207) | 64.59 |
| **Share subscription options outstanding as of June 30** | **4,667,700** | **69.39** |

## 16.3. Bonus share plans

| *(number of shares)* | June 30, 2013 |
|---|---|
| **Non-vested shares as of January 1** | **1,273,136** |
| Non-vested allocations during the period | 32,800 |
| Vested allocations during the period | (124,139) |
| Expired allocations during the period | (10,023) |
| **Non-vested shares as of June 30** | **1,171,774** |

During the six-month period, a bonus share plan was instituted, on January 31,2013, comprising 32,800 shares.

Owned shares were remitted in settlement of the bonus shares vested during the periods presented.

## 16.4. Expense for the period

| *(EUR millions)* | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| Share subscription and purchase option plans, bonus share plans | 12 | 53 | 24 |
| Cash-settled share-based compensation plans index-linked to the change in the LVMH share price | - | 1 | 1 |
| **Expense for the period** | **12** | **54** | **25** |

The LVMH share price on the grant date of the January 2013 plan amounted to 139.50 euros.

The volatility of LVMH's shares is determined on the basis of their implicit volatility.

The unit value of non-vested bonus shares granted in January 2013 was 130.38 euros.

# 17. MINORITY INTERESTS

| *(EUR millions)* | June 30, 2013 | Dec. 31, 2012[a] | June 30, 2012[a] |
|---|---|---|---|
| **As of January 1** | **1,084** | **1,055** | **1,055** |
| Minority interests' share of net profit | 229 | 485 | 211 |
| Dividends paid to minority interests | (173) | (317) | (208) |
| Effects of changes in control of consolidated entities: | - | (11) | (10) |
| Effects of acquisition and disposal of minority interests' shares: | | | |
| - acquisition of minority interests in Château d'Yquem | (51) | - | - |
| - other movements | (3) | (26) | - |
| Total effects of changes in the percentage of interests in consolidated entities | (54) | (37) | (10) |
| Capital increases subscribed by minority interests | 2 | 8 | - |
| Minority interests' share in gains and losses recognized in equity | 12 | (15) | 21 |
| Minority interests' share in stock option plan expenses | 1 | 3 | 2 |
| Effects of changes in purchase commitments for minority interests | (57) | (98) | (2) |
| **As of period-end** | **1,044** | **1,084** | **1,069** |

(a) The balance sheets as of December 31, 2012 and June 30, 2012 have been restated to reflect the retrospective application as of January 1, 2011 of IAS 19 Employee benefits as amended. See Note 1.2.

The change in minority interests' share in gains and losses recognized in equity breaks down as follows:

| *(EUR millions)* | Cumulative translation adjustment | Hedges of future foreign currency cash flows | Vineyard land | Revaluation adjustments of employee benefits[a] | Total share of minority interests |
|---|---|---|---|---|---|
| **As of December 31, 2012** | **(35)** | **11** | **162** | **(16)** | **122** |
| Changes for the half-year period | 10 | (1) | - | 3 | 12 |
| **As of June 30, 2013** | **(25)** | **10** | **162** | **(13)** | **134** |

(a) The balance sheets as of December 31, 2012 and June 30, 2012 have been restated to reflect the retrospective application as of January 1, 2011 of IAS 19 Employee benefits as amended. See Note 1.2.

# 18. BORROWINGS

## 18.1. Net financial debt

| (EUR millions) | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| Bonds and Euro Medium Term Notes (EMTN) | 2,768 | 3,337 | 3,737 |
| Bank borrowings and finance lease | 460 | 499 | 586 |
| **Long term borrowings** | **3,228** | **3,836** | **4,323** |
| Bonds and Euro Medium Term Notes (EMTN) | 1,388 | 696 | 349 |
| Commercial paper | 1,513 | 1,212 | 2,643 |
| Bank overdrafts | 278 | 208 | 426 |
| Other short term borrowings | 726 | 860 | 685 |
| **Short term borrowings** | **3,905** | **2,976** | **4,103** |
| **Gross amount of borrowings** | **7,133** | **6,812** | **8,426** |
| Interest rate risk derivatives | (88) | (178) | (125) |
| Other derivatives | - | - | - |
| **Gross borrowings after derivatives** | **7,045** | **6,634** | **8,301** |
| Current available for sale financial assets | (187) | (177) | (144) |
| Cash and cash equivalents | (1,888) | (2,196) | (2,601) |
| **Net financial debt** | **4,970** | **4,261** | **5,556** |

Net financial debt does not take into consideration purchase commitments for minority interests included in "Other non-current liabilities" (see Note 20). The market value of gross borrowings was 7,239 million euros as of June 30, 2013 (6,955 million euros as of December 31, 2012 and 8,673 as of June 30, 2012).

In May 2013, LVMH issued an amount of 500 million euros, under its EMTN program, which is redeemable on maturity at par value in November 2019. The proceeds of this borrowing, issued at 99.473% of par value with a coupon rate of 1.25%, were swapped on issuance, thus converting 50% of its nominal value into a floating-rate euro-denominated financing arrangement.

Moreover, a portion of the debt comprising foreign currency-denominated private placements was reimbursed during the six-month period, for an amount of 290 million euros, after taking into account the effect of derivatives.

## 18.2. Analysis of gross borrowings by payment date and by type of interest rate

| (EUR millions) | | Gross borrowings | | | Effects of derivatives | | | Gross borrowings after derivatives | |
|---|---|---|---|---|---|---|---|---|---|
| | Fixed rate | Floating rate | Total | Fixed rate | Floating rate | Total | Fixed rate | Floating rate | Total |
| Maturity: 2013 | 3,453 | 452 | 3,905 | (1,000) | 977 | (23) | 2,453 | 1,429 | 3,882 |
| 2014 | 993 | 285 | 1,278 | (731) | 690 | (41) | 262 | 975 | 1,237 |
| 2015 | 61 | 25 | 86 | 28 | (34) | (6) | 89 | (9) | 80 |
| 2016 | 828 | 8 | 836 | (800) | 782 | (18) | 28 | 790 | 818 |
| 2017 | 524 | - | 524 | - | (5) | (5) | 524 | (5) | 519 |
| 2018 | 5 | - | 5 | - | - | - | 5 | - | 5 |
| Thereafter | 498 | 1 | 499 | (251) | 256 | 5 | 247 | 257 | 504 |
| **Total** | **6,362** | **771** | **7,133** | **(2,754)** | **2,666** | **(88)** | **3,608** | **3,437** | **7,045** |

See Note 22.3 regarding market value of interest rate risk derivatives.

### 18.3. Analysis of gross borrowings by currency after derivatives

| *(EUR millions)* | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| Euro | 5,161 | 4,753 | 6,341 |
| US dollar | 166 | 174 | 341 |
| Swiss franc | 984 | 992 | 1,000 |
| Japanese yen | 250 | 266 | 354 |
| Other currencies | 484 | 449 | 265 |
| **Total** | **7,045** | **6,634** | **8,301** |

In general, the purpose of foreign currency borrowings is to hedge net foreign currency-denominated assets of consolidated companies located outside of the euro zone.

## 19. PROVISIONS

| *(EUR millions)* | June 30, 2013 | Dec. 31, 2012[a] | June 30, 2012[a] |
|---|---|---|---|
| Provisions for pensions, medical costs and similar commitments | 491 | 519 | 419 |
| Provisions for contingencies and losses | 1,244 | 1,219 | 1,088 |
| Provisions for reorganization | 16 | 18 | 23 |
| **Non-current provisions** | **1,751** | **1,756** | **1,530** |
| Provisions for pensions, medical costs and similar commitments | 2 | 13 | 12 |
| Provisions for contingencies and losses | 285 | 282 | 271 |
| Provisions for reorganization | 29 | 40 | 52 |
| **Current provisions** | **316** | **335** | **335** |
| **Total** | **2,067** | **2,091** | **1,865** |

(a) The balance sheets as of December 31, 2012 and June 30, 2012 have been restated to reflect the retrospective application as of January 1, 2011 of IAS 19 Employee benefits as amended. See Note 1.2.

During the half-year period, the changes in provisions were as follows:

| *(EUR millions)* | Dec. 31, 2012[a] | Increases | Amounts used | Amounts released | Changes in the scope of consolidation | Other items (including translation adjustment) | June 30, 2013 |
|---|---|---|---|---|---|---|---|
| Provisions for pensions, medical costs and similar commitments | 532 | 47 | (35) | - | - | (51) | 493 |
| Provisions for contingencies and losses | 1,501 | 86 | (45) | (9) | - | (4) | 1,529 |
| Provisions for reorganization | 58 | 6 | (14) | (5) | - | - | 45 |
| **Total** | **2,091** | **139** | **(94)** | **(14)** | **-** | **(55)** | **2,067** |
| *Of which: profit from recurring operations* | | *90* | *(81)* | *(6)* | | | |
| *net financial income (expense)* | | *-* | *-* | *-* | | | |
| *other* | | *49* | *(13)* | *(8)* | | | |

(a) The balance sheets as of December 31, 2012 and June 30, 2012 have been restated to reflect the retrospective application as of January 1, 2011 of IAS 19 Employee benefits as amended. See Note 1.2.

## 20. OTHER NON-CURRENT LIABILITIES

| (EUR millions) | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| Purchase commitments for minority interests | 5,220 | 5,022 | 4,338 |
| Derivatives | 53 | 41 | 7 |
| Employee profit sharing [(a)] | 80 | 93 | 78 |
| Other liabilities | 307 | 300 | 263 |
| **Total** | **5,660** | **5,456** | **4,686** |

(a) French companies only, pursuant to legal provisions.

Moët Hennessy SNC and MH International SAS ("Moët Hennessy") hold the LVMH group's assets in the Wines and Spirits businesses, with the exception of the equity investments in Château d'Yquem, Château Cheval Blanc and excluding certain Champagne vineyards.

As of June 30,2013 purchase commitments for minority interests mainly include the put option granted to Diageo plc for its 34% share in Moët Hennessy, with six-months' advance notice and for 80% of the fair value of Moët Hennessy at the exercise date of the commitment. With regard to this commitment's valuation, the fair value was determined by applying the share price multiples of comparable firms to Moët Hennessy's consolidated operating results.

Purchase commitments for minority interests also include commitments relating to minority shareholders in Ile de Beauté (35%), Heng Long (39%) and distribution subsidiaries in various countries, mainly in the Middle East.

The present value of the other non-current liabilities is identical to their carrying amount.

## 21. OTHER CURRENT LIABILITIES

| (EUR millions) | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| Derivatives | 61 | 20 | 142 |
| Employees and social institutions | 830 | 924 | 748 |
| Employee profit sharing [(a)] | 57 | 95 | 61 |
| Taxes other than income taxes | 268 | 361 | 250 |
| Advances and payments on account from customers | 119 | 139 | 144 |
| Deferred payment for tangible and financial non-current assets | 313 | 367 | 259 |
| Deferred income | 147 | 116 | 158 |
| Other liabilities | 457 | 573 | 700 |
| **Total** | **2,252** | **2,595** | **2,462** |

(a) French companies only, pursuant to legal provisions.

Derivatives are analyzed in Note 22.

# 22. FINANCIAL INSTRUMENTS AND MARKET RISK MANAGEMENT

## 22.1. Organization of foreign exchange, interest rate and equity market risk management

Financial instruments are mainly used by the Group to hedge risks arising from Group activity and protect its assets.

Both the management of foreign exchange and interest rate risk as well as that of transactions involving shares and financial instruments are centralized.

The Group has implemented a stringent policy, as well as rigorous management guidelines to manage, measure, and monitor these market risks.

These activities are organized based on a segregation of duties between risk measurement, hedging (front office), administration (back office) and financial control.

The backbone of this organization is an integrated information system which allows hedging transactions to be monitored quickly.

The Group's hedging strategy is presented to the Audit Committee. Hedging decisions are made according to an established process that includes regular presentations to the Group's Executive Committee and detailed documentation.

Counterparties are selected based on their rating and in accordance with the Group's risk diversification strategy.

## 22.2. Summary of derivatives

Derivatives are recorded in the balance sheet for the amounts and in the captions detailed as follows:

| *(EUR millions)* | | | Notes | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|---|---|---|
| **Interest rate risk** | Assets: | non-current | | 74 | 131 | 125 |
| | | current | | 34 | 56 | 13 |
| | Liabilities: | non-current | | (12) | (1) | (6) |
| | | current | | (8) | (8) | (7) |
| | | | 22.4 | **88** | **178** | **125** |
| **Foreign exchange risk** | Assets: | non-current | | 18 | 17 | 12 |
| | | current | | 302 | 369 | 109 |
| | Liabilities: | non-current | | (41) | (40) | (1) |
| | | current | | (40) | (9) | (135) |
| | | | 22.5 | **239** | **337** | **(15)** |
| **Other risks** | Assets: | non-current | | - | 28 | 32 |
| | | current | | 33 | - | 2 |
| | Liabilities: | non-current | | - | - | - |
| | | current | | (13) | (3) | - |
| | | | | **20** | **25** | **34** |
| **Total** | Assets: | non-current | 9 | 92 | 176 | 169 |
| | | current | 12 | 369 | 425 | 124 |
| | Liabilities: | non-current | 20 | (53) | (41) | (7) |
| | | current | 21 | (61) | (20) | (142) |
| | | | | **347** | **540** | **144** |

## 22.3. Derivatives used to manage interest rate risk

The aim of the Group's debt management policy is to adapt the debt maturity profile to the characteristics of the assets held, to contain borrowing costs, and to protect net profit from the effects of significant changes in interest rates. As such, the Group uses interest rate swaps and options. Derivatives used to manage interest rate risk outstanding as of June 30, 2013 break down as follows:

| *(EUR millions)* | Nominal amounts by maturity | | | | Market value [a] | | |
|---|---|---|---|---|---|---|---|
| | Below 1 year | From 1 to 5 years | Beyond | Total | Fair value hedges | Not allocated | Total |
| Interest rate swaps in euros: | | | | | | | |
| - fixed rate payer | - | - | - | - | - | - | - |
| - floating rate payer | 1,000 | 900 | 250 | 2,150 | 92 | - | 92 |
| - floating rate/floating rate | - | 152 | - | 152 | - | - | - |
| Foreign currency swaps | 148 | 1,628 | - | 1,776 | (1) | - | (1) |
| Other interest rate risk derivatives | 250 | 500 | - | 750 | - | (3) | (3) |
| **Total** | | | | | **91** | **(3)** | **88** |

(a) Gain/(Loss).

## 22.4. Derivatives used to manage foreign exchange risk

A significant portion of Group companies' sales to customers and to their own retail subsidiaries as well as certain purchases are denominated in currencies other than their functional currency; the majority of these foreign currency-denominated cash flows are inter-company cash flows. Hedging instruments are used to reduce the risks arising from the fluctuations of currencies against the exporting and importing companies' functional currencies and are allocated to either accounts receivable or accounts payable (fair value hedges) for the fiscal year, or, under certain conditions, to transactions anticipated for future periods (cash flow hedges). In addition, the Group may also use appropriate financial instruments to hedge the net worth of subsidiaries outside the euro zone, in order to limit the impact of foreign currency fluctuations against the euro on consolidated equity.

Derivatives used to manage foreign exchange risk outstanding as of June 30, 2013 break down as follows:

| *(EUR millions)* | Nominal amounts by fiscal year of allocation | | | | Market value [a] | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2013 | 2014 | Beyond | Total | Fair value hedges | Future cash flow hedges | Foreign currency net investment hedges | Not allocated | Total |
| **Options purchased** | | | | | | | | | |
| Put USD | 1 | - | - | 1 | - | - | - | - | - |
| Put JPY | - | - | - | - | - | - | - | - | - |
| Put GBP | 83 | - | - | 83 | 1 | 1 | - | - | 2 |
| | **84** | **-** | **-** | **84** | **1** | **1** | **-** | **-** | **2** |
| **Collars** | | | | | | | | | |
| Written USD | 2,470 | 2,234 | - | 4,704 | 15 | 113 | - | 2 | 130 |
| Written JPY | 45 | 171 | - | 216 | 3 | 11 | - | - | 14 |
| Written other | 17 | - | - | 17 | - | - | - | - | - |
| | **2,515** | **2,405** | **-** | **4,937** | **18** | **124** | **-** | **2** | **144** |
| **Forward exchange contracts [b]** | | | | | | | | | |
| USD | (8) | - | - | (8) | - | - | - | - | - |
| JPY | 320 | 130 | - | 450 | 16 | 83 | - | 11 | 110 |
| GBP | 18 | - | - | 18 | - | - | - | - | - |
| Other | (51) | (140) | - | (191) | 3 | 2 | - | - | 5 |
| | **279** | **(10)** | **-** | **269** | **19** | **85** | **-** | **11** | **115** |
| **Foreign exchange swaps [b]** | | | | | | | | | |
| USD | 3,023 | 8 | - | 3,031 | (2) | - | 6 | (44) | (40) |
| CHF | 508 | - | - | 508 | - | - | 1 | (1) | - |
| GBP | 211 | - | - | 211 | - | - | - | 2 | 2 |
| JPY | 353 | - | - | 353 | 2 | - | (1) | 8 | 9 |
| Other | 269 | - | - | 269 | 1 | - | (1) | 7 | 7 |
| | **4,364** | **8** | **-** | **4,372** | **1** | **-** | **5** | **(28)** | **(22)** |
| **Total** | | | | | **39** | **210** | **5** | **(15)** | **239** |

(a) Gain/(Loss).
(b) Sale/(Purchase).

## 22.5. Financial instruments used to manage other risks

The Group's investment policy is designed to take advantage of a long term investment horizon. Occasionally, the Group may invest in equity-based financial instruments with the aim of enhancing the dynamic management of its investment portfolio.

The Group is exposed to risks of share price changes either directly, as a result of its holding of equity investments and current available for sale financial assets, or indirectly, as a result of its holding of funds which are themselves partially invested in shares.

The Group may also use equity-based derivatives to create synthetically an economic exposure to certain assets, or to hedge cash-settled compensation plans index-linked to the LVMH share price. The carrying amount of these unlisted financial instruments corresponds to the estimate of the amount, provided by the counterparty, of the valuation at the balance sheet date. The valuation of financial instruments thus takes into consideration market parameters such as interest rates and share prices. As of June 30, 2013, derivatives used to manage equity risk with an impact on the Group's net profit have a positive market value of 33 million euros. Considering nominal values of 20 million euros for those derivatives, a uniform 1% change in their underlying assets' share prices as of June 30, 2013 would induce a net impact on the Group's profit for an amount of less than 0.4 million euros. Most of these instruments mature in 2014.

The Group, mainly through its Watches and Jewelry business group, may be exposed to changes in the prices of certain precious metals, such as gold. In certain cases, in order to ensure visibility with regard to production costs, hedges may be implemented. This is achieved either by negotiating the forecast price of deliveries of alloys with precious metal refiners, or the price of semi-finished products with products, or directly by purchasing hedges from top-ranking banks. In the latter case gold is purchased from banks, or future and/or options contracts are taken out with a physical delivery of the gold. Derivatives outstanding relating to the hedging of precious metal prices as of June 30, 2013 have a market value of 13 million euros. Considering nominal values of 50 million euros for those derivatives, a uniform 1% change in their underlying assets' share prices as of June 30, 2013 would induce a net impact on the Group's consolidated reserves for an amount of less than 1 million euros. These instruments mature in 2013 and 2014.

# 23. SEGMENT INFORMATION

The Group's brands and trade names are organized into six business groups. Four business groups – Wines and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics, Watches and Jewelry – comprise brands dealing with the same category of products that use similar production and distribution processes. The Selective Retailing business comprises the Group's own-label retailing activities. Other activities and holding companies comprise brands and businesses that are not associated with any of the abovementioned business groups, most often relating to the Group's new businesses and holding or real estate companies.

## 23.1. Information by business group

### First half 2013

| *(EUR millions)* | Wines and Spirits | Fashion and Leather Goods | Perfumes and Cosmetics | Watches and Jewelry | Selective Retailing | Other and holding companies | Eliminations and not allocated [a] | Total |
|---|---|---|---|---|---|---|---|---|
| Sales outside the Group | 1,796 | 4,684 | 1,568 | 1,282 | 4,204 | 161 | - | 13,695 |
| Intra-Group sales | 12 | 27 | 236 | 28 | 11 | 8 | (322) | - |
| **Total revenue** | **1,808** | **4,711** | **1,804** | **1,310** | **4,215** | **169** | **(322)** | **13,695** |
| Profit from recurring operations | 542 | 1,497 | 200 | 156 | 407 | (74) | (16) | 2,712 |
| Other operating income and expenses | 2 | (17) | - | 3 | (4) | (24) | - | (40) |
| Depreciation and amortization expense | 53 | 217 | 58 | 69 | 123 | 19 | - | 539 |
| Impairment expense | - | 4 | - | - | 2 | 7 | - | 13 |
| Intangible assets and goodwill [b] | 4,054 | 4,607 | 976 | 5,403 | 2,920 | 800 | - | 18,760 |
| Property, plant and equipment | 1,955 | 1,836 | 334 | 386 | 1,273 | 3,105 | - | 8,889 |
| Inventories | 4,268 | 1,231 | 378 | 1,246 | 1,524 | 117 | (172) | 8,592 |
| Other operating assets | 879 | 840 | 612 | 773 | 601 | 688 | 10,055 [c] | 14,448 |
| **Total assets** | **11,156** | **8,514** | **2,300** | **7,808** | **6,318** | **4,710** | **9,883** | **50,689** |
| Equity | - | - | - | - | - | - | 26,503 | 26,503 |
| Liabilities | 1,049 | 1,783 | 1,015 | 712 | 1,572 | 641 | 17,414 [d] | 24,186 |
| **Total liabilities and equity** | **1,049** | **1,783** | **1,015** | **712** | **1,572** | **641** | **43,917** | **50,689** |
| Operating investments [e] | (79) | (303) | (89) | (98) | (178) | (69) | - | (816) |

### Fiscal year 2012

| (EUR millions) | Wines and Spirits | Fashion and Leather Goods | Perfumes and Cosmetics | Watches and Jewelry | Selective Retailing | Other and holding companies | Eliminations and not allocated [a] | Total |
|---|---|---|---|---|---|---|---|---|
| Sales outside the Group | 4,116 | 9,872 | 3,165 | 2,778 | 7,856 | 316 | - | 28,103 |
| Intra-group sales | 21 | 54 | 448 | 58 | 23 | 16 | (620) | - |
| **Total revenue** | **4,137** | **9,926** | **3,613** | **2,836** | **7,879** | **332** | **(620)** | **28,103** |
| Profit from recurring operations | 1,260 | 3,264 | 408 | 334 | 854 | (164) | (35) | 5,921 |
| Other operating income and expenses | (13) | (108) | (7) | (8) | (19) | (27) | - | (182) |
| Depreciation and amortization expense | 100 | 414 | 112 | 122 | 229 | 42 | - | 1,019 |
| Impairment expense | 1 | 81 | - | - | 3 | 16 | - | 101 |
| Intangible assets and goodwill [b] | 3,881 | 4,640 | 967 | 5,439 | 2,916 | 813 | - | 18,656 |
| Property, plant and equipment | 1,937 | 1,768 | 312 | 378 | 1,252 | 3,122 | - | 8,769 |
| Inventories | 4,008 | 1,158 | 339 | 1,213 | 1,421 | 101 | (160) | 8,080 |
| Other operating assets | 1,165 | 875 | 648 | 773 | 589 | 592 | 9,851 [c] | 14,493 |
| **Total assets [f]** | **10,991** | **8,441** | **2,266** | **7,803** | **6,178** | **4,628** | **9,691** | **49,998** |
| Equity | - | - | - | - | - | - | 25,508 | 25,508 |
| Liabilities | 1,271 | 1,870 | 1,098 | 732 | 1,785 | 675 | 17,059 [d] | 24,490 |
| **Total liabilities and equity [f]** | **1,271** | **1,870** | **1,098** | **732** | **1,785** | **675** | **42,567** | **49,998** |
| Operating investments [e] | (182) | (579) | (196) | (136) | (332) | (277) | - | (1,702) |

### First half 2012

| (EUR millions) | Wines and Spirits | Fashion and Leather Goods | Perfumes and Cosmetics | Watches and Jewelry | Selective Retailing | Other and holding companies | Eliminations and not allocated [a] | Total |
|---|---|---|---|---|---|---|---|---|
| Sales outside the Group | 1,752 | 4,631 | 1,513 | 1,316 | 3,579 | 175 | - | 12,966 |
| Intra-group sales | 7 | 25 | 214 | 27 | 11 | 8 | (292) | - |
| **Total revenue** | **1,759** | **4,656** | **1,727** | **1,343** | **3,590** | **183** | **(292)** | **12,966** |
| Profit from recurring operations | 496 | 1,516 | 197 | 159 | 373 | (62) | (20) | 2,659 |
| Other operating income and expenses | (7) | (91) | - | 1 | (10) | (15) | - | (122) |
| Depreciation and amortization expense | 46 | 196 | 51 | 58 | 109 | 20 | - | 480 |
| Impairment expense | - | 77 | - | - | 3 | 5 | - | 85 |
| Intangible assets and goodwill [b] | 3,292 | 4,727 | 960 | 5,444 | 2,990 | 825 | - | 18,238 |
| Property, plant and equipment | 1,839 | 1,646 | 261 | 357 | 1,162 | 2,978 | - | 8,243 |
| Inventories | 4,067 | 1,249 | 373 | 1,327 | 1,362 | 73 | (150) | 8,301 |
| Other operating assets | 744 | 689 | 562 | 720 | 517 | 573 | 10,600 [c] | 14,405 |
| **Total assets [f]** | **9,942** | **8,311** | **2,156** | **7,848** | **6,031** | **4,449** | **10,450** | **49,187** |
| Equity | - | - | - | - | - | - | 24,632 | 24,632 |
| Liabilities | 1,053 | 1,718 | 968 | 696 | 1,437 | 776 | 17,907 [d] | 24,555 |
| **Total liabilities and equity [f]** | **1,053** | **1,718** | **968** | **696** | **1,437** | **776** | **42,539** | **49,187** |
| Operating investments [e] | (79) | (237) | (79) | (52) | (143) | (89) | - | (679) |

(a) Eliminations correspond to sales between business groups; these generally consist of sales from business groups other than Selective Retailing to Selective Retailing. Selling prices between the different business groups correspond to the prices applied in the normal course of business for sales transactions to wholesalers or distributors outside the Group.
(b) Brands, trade names, licenses, and goodwill correspond to the net carrying amounts shown under Notes 3 and 4.
(c) Assets not allocated include investments in associates, available for sale financial assets, other financial assets, and income tax receivables. As of June 30, 2013, they include the 23.1% shareholding in Hermès International, representing an amount of 6,039 million euros, see Note 8 (5 409 million euros as of December 31, 2012 and 5 790 million euros as of June 30, 2012).
(d) Liabilities not allocated include borrowings and both current and deferred tax liabilities.
(e) Increase / (Decrease) in cash and cash equivalents.
(f) The balance sheets as of December 31, 2012 and June 30, 2012 have been restated to reflect the retrospective application as of January 1, 2011 of IAS 19 Employee benefits as amended. See Note 1.2.

## 23.2. Information by geographic region

Revenue by geographic region of delivery breaks down as follows:

| *(EUR millions)* | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| France | 1,451 | 3,107 | 1,430 |
| Europe (excluding France) | 2,437 | 5,455 | 2,415 |
| United States | 3,094 | 6,390 | 2,918 |
| Japan | 1,019 | 2,363 | 1,096 |
| Asia (excluding Japan) | 4,253 | 7,895 | 3,793 |
| Other | 1,441 | 2,893 | 1,314 |
| **Revenue** | **13,695** | **28,103** | **12,966** |

Operating investments by geographic region are as follows:

| *(EUR millions)* | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| France | 284 | 648 | 275 |
| Europe (excluding France) | 161 | 290 | 113 |
| United States | 102 | 283 | 85 |
| Japan | 67 | 69 | 39 |
| Asia (excluding Japan) | 151 | 326 | 141 |
| Other | 51 | 86 | 29 |
| **Operating investments** | **816** | **1,702** | **679** |

No geographic breakdown of segment assets is provided since a significant portion of these assets consists of brands and goodwill, which must be analyzed on the basis of the revenue generated by these assets in each region, and not in relation to the region of their legal ownership.

## 23.3. Quarterly information

Quarterly sales by business group break down as follows:

| *(EUR millions)* | Wines and Spirits | Fashion and Leather Goods | Perfumes and Cosmetics | Watches and Jewelry | Selective Retailing | Other and holding companies | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| First quarter | 979 | 2,383 | 932 | 624 | 2,122 | 72 | (165) | 6,947 |
| Second quarter | 829 | 2,328 | 872 | 686 | 2,093 | 97 | (157) | 6,748 |
| **Total first half-year 2013** | **1,808** | **4,711** | **1,804** | **1,310** | **4,215** | **169** | **(322)** | **13,695** |

| *(EUR millions)* | Wines and Spirits | Fashion and Leather Goods | Perfumes and Cosmetics | Watches and Jewelry | Selective Retailing | Other and holding companies | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| First quarter | 926 | 2,374 | 899 | 630 | 1,823 | 84 | (154) | 6,582 |
| Second quarter | 833 | 2,282 | 828 | 713 | 1,767 | 99 | (138) | 6,384 |
| **Total first half-year 2012** | **1,759** | **4,656** | **1,727** | **1,343** | **3,590** | **183** | **(292)** | **12,966** |
| Third quarter | 1,006 | 2,523 | 898 | 690 | 1 862 | 66 | (145) | 6,900 |
| Fourth quarter | 1,372 | 2,747 | 988 | 803 | 2 427 | 83 | (183) | 8,237 |
| **Total second half-year 2012** | **2,378** | **5,270** | **1,886** | **1,493** | **4 289** | **149** | **(328)** | **15,137** |
| **Total 2012** | **4,137** | **9,926** | **3,613** | **2,836** | **7,879** | **332** | **(620)** | **28,103** |

# 24. EXPENSES BY NATURE

Profit from recurring operations includes the following expenses:

| *(EUR millions)* | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| Advertising and promotion expenses | 1,582 | 3,277 | 1,534 |
| Commercial lease expenses | 1,207 | 1,944 | 912 |
| Personnel costs | 2,479 | 4,803 | 2,333 |
| Research and development expenses | 36 | 69 | 34 |

# 25. OTHER OPERATING INCOME AND EXPENSES

| *(EUR millions)* | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| Net gains (losses) on disposals of fixed assets | (3) | (4) | 1 |
| Restructuring costs | (1) | (28) | (13) |
| Transaction costs relating to the acquisition of consolidated companies | - | (3) | (3) |
| Impairment or amortization of brands, trade names, goodwill and other property | (32) | (139) | (104) |
| Other items, net | (4) | (8) | (3) |
| **Other operating income and expenses** | **(40)** | **(182)** | **(122)** |

# 26. NET FINANCIAL INCOME/(EXPENSE)

| *(EUR millions)* | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| Borrowing costs | (64) | (164) | (97) |
| Income from cash, cash equivalents and current available for sale financial assets | 12 | 26 | 17 |
| Fair value adjustment of borrowings and interest rate hedges | (5) | (2) | 2 |
| **Cost of net financial debt** | **(57)** | **(140)** | **(78)** |
| Dividends received from non-current available for sale financial assets | 66 | 174 | 173 |
| Ineffective portion of foreign currency hedges | (83) | (49) | (38) |
| Net gain/(loss) related to available for sale financial assets and other financial instruments | 14 | 31 | 12 |
| Other items, net | (16) | (30) | (13) |
| **Other financial income/(expenses)** | **(19)** | **126** | **134** |
| **Net financial income/(expense)** | **(76)** | **(14)** | **56** |

# 27. INCOME TAXES

| *(EUR millions)* | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| Current income taxes for the fiscal year | (852) | (2,039) | (845) |
| Current income taxes relating to previous fiscal years | (5) | 20 | (6) |
| **Current income taxes** | **(857)** | **(2,019)** | **(851)** |
| Change in deferred income taxes | 62 | 199 | 162 |
| Impact of changes in tax rates on deferred taxes | - | - | (16) |
| **Deferred income taxes** | **62** | **199** | **146** |
| **Total tax expense per income statement** | **(795)** | **(1,820)** | **(705)** |
| **Tax on items recognized in equity** [a] | **(52)** | **(73)** | **19** |

(a) The balance sheets as of December 31, 2012 and June 30, 2012 have been restated to reflect the retrospective application as of January 1, 2011 of IAS 19 Employee benefits as amended. See Note 1.2.

The effective tax rate is as follows:

| *(EUR millions)* | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| Profit before tax | 2,596 | 5,725 | 2,593 |
| Total income tax expense | (795) | (1,820) | (705) |
| **Effective tax rate** | **30.6%** | **31.8%** | **27.2%** |

The effective tax rate used at June 30 is the forecast effective tax rate for the fiscal year.

This takes into consideration the difference between French and foreign tax rates, which lower the effective tax rate by 7 points, compared with the tax rate applicable in France as of June 30, 2013.

Total income tax expense for France during the half-year period includes, in the amount of 15 million euros, the impact of the exceptional contribution applicable from 2011 to 2014, as well as, for an amount of 27 million euros, the impact of the 3% tax on dividends.

# 28. EARNINGS PER SHARE

| | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| **Net profit, Group share** *(EUR millions)* | **1,577** | **3,424** | **1,681** |
| Average number of shares in circulation during the fiscal year | 508,052,631 | 508,041,429 | 508,028,787 |
| Average number of treasury shares owned during the fiscal year | (7,843,718) | (8,907,786) | (9,322,161) |
| **Average number of shares on which the calculation before dilution is based** | **500,208,913** | **499,133,643** | **498,706,626** |
| **Basic Group share of profit per share** *(EUR)* | **3.15** | **6.86** | **3.37** |
| Average number of shares on which the above calculation is based | 500,208,913 | 499,133,643 | 498,706,626 |
| Dilution effect of stock option plans | 3,358,618 | 3,096,309 | 3,301,399 |
| Other dilution effects | - | - | - |
| **Average number of shares on which the calculation after dilution is based** | **503,567,531** | **502,229,952** | **502,008,025** |
| **Diluted Group share of profit per share** *(EUR)* | **3.13** | **6.82** | **3.35** |

# 29. OFF BALANCE SHEET COMMITMENTS

The Group off-balance sheet commitments grew by approximately 750 million euros during the first half of 2013, of which 430 million euros are related to operating lease and concession fee commitments.

# 30. CONTINGENT LIABILITIES AND OUTSTANDING LITIGATION

Following the announcement by LVMH on October 23, 2010 of its acquisition of a stake in the share capital of Hermès International, the *Autorité des Marchés Financiers* (the French financial markets regulation authority), launched an investigation into the market and financial disclosures relating to Hermès and LVMH shares. On August 13, 2012, the AMF served LVMH with a statement of objections for alleged infringements of financial and public disclosure requirements, a copy of which was forwarded to AMF's Enforcement Committee. The Committee met on May 31, 2013 and on June 25, 2013 handed down its decision, holding that LVMH should have informed the public in June 2010 of the possibility that it had of deciding to acquire a stake in Hermès, despite the fact that the matter was not put before its Board of Directors until October 21, 2010. It therefore ordered LVMH to pay a fine of 8 million euros. LVMH has declared its intention to appeal this decision.

On June 18, 2013, Hermès International filed a suit with the Paris Commercial Court against LVMH and some of its subsidiaries on the grounds of requesting the cancelation of the equity swap contracts entered into by Group companies in 2008, along with subsequent transactions. The lawsuit refers to a criminal complaint filed in October 2012 for insider trading, share price manipulation and complicity. LVMH has filed a counter-complaint with the public prosecutor for false accusations.

On January 26, 2012, the Paris Court of Appeal, while reaffirming the decision handed down in 2006 by the *Conseil de la Concurrence* against France's leading manufacturers and distributors of luxury perfumes and cosmetics relating to events dating back to the period 1997–2000, reduced the total amount of fines imposed on the Group's companies active in this sector to 13 million euros. On June 11, 2013, the *Cour de cassation* confirmed the decision of the Court of Appeal.

No significant developments occurred during the six-month period ended June 30, 2013 with respect to any of the other legal proceedings in which the Group is involved.

# 31. SUBSEQUENT EVENTS

In July 2013 LVMH signed a memorandum of understanding for the acquisition of an 80% stake in Italian company Loro Piana, which makes and sells luxury fabrics, clothing, and accessories. The acquisition should become final by the end of 2013, after approval by appropriate competition authorities particularly in Europe and the United States, and after the conditions precedent set out in the memorandum of understanding are satisfied. The remaining 20% stake is covered by reciprocal undertakings to buy and sell, exercisable within three years of the date on which the aforementioned transaction is completed. Under the memorandum of understanding, the parties have agreed on an enterprise value for Loro Piana of 2.7 billion euros.

No other significant subsequent events occurred as of July 25, 2013, the date on which the financial statements were approved for publication by the Board of Directors.

# STATUTORY AUDITORS' REVIEW REPORT

To the Shareholders,

In compliance with the assignment entrusted to us by the Shareholders' Meeting and in accordance with the 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-year consolidated financial statements of LVMH Moët Hennessy - Louis Vuitton, for the period from January 1 to June 30, 2013;
- the verification of the information contained in the interim management report.

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

## 1. Conclusion on the financial statements

We conducted our review in accordance with the professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the professional standards applicable in France and consequently does not enable us to obtain assurance that the financial statements, taken as a whole, are free from material misstatements, as we would not 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 these condensed half-year consolidated financial statements are not prepared in all material respects in accordance with IAS 34 - IFRS as adopted by the European Union applicable to interim financial information.

Without qualifying our opinion, we draw your attention to the Note 1.2 of footnotes to interim financial statements, detailing the impacts of the implementation, as of January 1, 2013, of amendments to the IAS 19 accounting standard on employee benefit commitments.

## 2. Specific verification

We have also verified the information provided in the interim management report in respect of the condensed consolidated half-year financial statements that were the object of our review. We have no matters to report on the fairness and consistency of this information with the condensed consolidated half-year financial statements.

Neuilly-sur-Seine and Paris-La Défense, July 25, 2013

The Statutory Auditors

French original signed by

| DELOITTE & ASSOCIÉS | ERNST & YOUNG et Autres | |
|---|---|---|
| Thierry Benoit | Jeanne Boillet | Gilles Cohen |

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.

# SIMPLIFIED ACCOUNTING INFORMATION OF LVMH MOËT HENNESSY-LOUIS VUITTON SA

# INCOME STATEMENT

| **Income/(Expenses)** *(EUR millions - French accounting principles)* | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|---|---|---|
| Income from subsidiaries and investments | 1,796 | 1,951 | 1,435 |
| Profit from recurring operations before tax | 1,731 | 1,731 | 1,219 |
| Exceptional income / (expense) | (8) | - | - |
| Income tax income / (expense) | (38) | (64) | 65 |
| Net profit | 1,685 | 1,667 | 1,284 |

# CHANGE IN EQUITY

| *(EUR millions - French accounting principles)* | Share capital and share premium | Other reserves and regulated provisions | Retained earnings | Interim dividends | Net profit | Total equity |
|---|---|---|---|---|---|---|
| **As of December 31, 2012 before appropriation of 2012 net profit** | **4,001** | **583** | **4,937** | **(550)** | **1,667** | **10,638** |
| Appropriation of 2012 net profit | - | - | 1,667 | - | (1,667) | - |
| 2012 dividend: final | - | - | (1,472) | 550 | - | (922) |
| Impact of treasury shares | - | - | 23 | - | - | 23 |
| Exercise of share subscription options | 34 | - | - | - | - | 34 |
| Retirement of LVMH shares | (23) | - | - | - | - | (23) |
| Net profit for the first half year | - | - | - | - | 1,685 | 1,685 |
| **As of June 30, 2013** | **4,012** | **583** | **5,155** | **-** | **1,685** | **11,435** |

# STATEMENT BY THE COMPANY OFFICER RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT

We declare that, to the best of our knowledge, the condensed interim consolidated financial statements have been prepared in accordance with applicable accounting standards and provide a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company and of all consolidated companies, and that the interim management report presented on page 6 gives a true and fair picture of the significant events during the first six months of the fiscal year and their impact on the financial statements, of the main related party transactions as well as a description of the main risks and uncertainties for the remaining six months of the fiscal year.

Paris, July 25, 2013

Under delegation from the Chairman and Chief Executive Officer

Jean-Jacques GUIONY

Chief Financial Officer, Member of the Executive Committee

Design and production: Agence Marc Praquin

LVMH
MOËT HENNESSY . LOUIS VUITTON

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