LVMH

MOËT HENNESSY . LOUIS VUITTON

# TRANSLATION OF THE FRENCH INTERIM FINANCIAL REPORT

## SIX-MONTH PERIOD ENDED JUNE 30, 2017

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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*

Antonio Belloni
*Group Managing Director*

Antoine Arnault

Delphine Arnault

Nicolas Bazire

Bernadette Chirac [a]

Charles de Croisset [a]

Diego Della Valle [a]

Clara Gaymard [a]

Marie-Josée Kravis [a]

Lord Powell of Bayswater

Marie-Laure Sauty de Chalon [a]

Yves-Thibault de Silguy [a]

Natacha Valla [a]

Hubert Védrine [a]

### Advisory Board members

Paolo Bulgari

Albert Frère [a]

Pierre Godé

## Executive Committee

Bernard Arnault
*Chairman and Chief Executive Officer*

Antonio Belloni
*Group Managing Director*

Nicolas Bazire
*Development and Acquisitions*

Michael Burke
*Louis Vuitton*

Chantal Gaemperle
*Human Resources and Synergies*

Jean-Jacques Guiony
*Finance*

Christopher de Lapuente
*Sephora and Beauty*

Christophe Navarre
*Wines and Spirits*

Pierre-Yves Roussel
*Fashion Group*

Philippe Schaus
*DFS*

Jean-Baptiste Voisin
*Strategy*

### General secretary

Marc-Antoine Jamet

## Performance Audit Committee

Yves-Thibault de Silguy [a]
*Chairman*

Antoine Arnault

Charles de Croisset [a]

## Nominations and Compensation Committee

Charles de Croisset [a]
*Chairman*

Marie-Josée Kravis [a]

Yves-Thibault de Silguy [a]

## Ethical and Sustainable Development Committee

Yves-Thibault de Silguy [a]
*Chairman*

Delphine Arnault

Marie-Laure Sauty de Chalon [a]

Hubert Védrine [a]

## Statutory Auditors

ERNST & YOUNG Audit
*represented by Jeanne Boillet and Patrick Vincent-Genod*

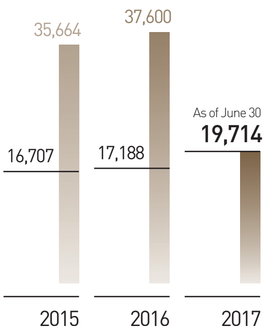
MAZARS
*represented by Simon Beillevaire and Loïc Wallaert*

(a) Independent Director.

# FINANCIAL HIGHLIGHTS

## Revenue

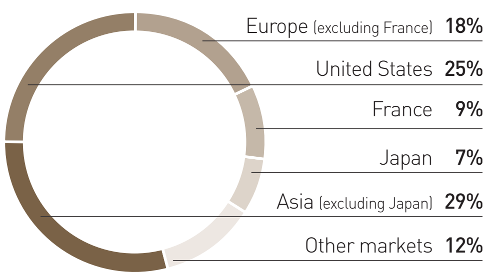
*(As of June 30 and December 31, EUR millions)*




| Revenue by business group *(EUR millions)* | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Wines and Spirits | 2,294 | 4,835 | 2,056 |
| Fashion and Leather Goods | 6,899 | 12,775 | 5,885 |
| Perfumes and Cosmetics | 2,670 | 4,953 | 2,337 |
| Watches and Jewelry | 1,838 | 3,468 | 1,609 |
| Selective Retailing | 6,280 | 11,973 | 5,480 |
| Other activities and eliminations | (267) | (404) | (179) |
| **Total** | **19,714** | **37,600** | **17,188** |

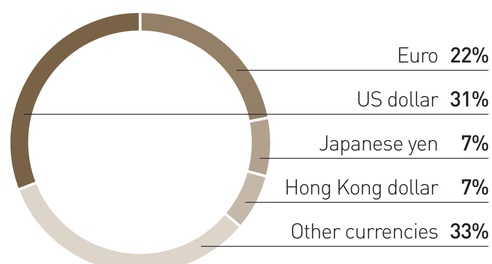
**Revenue by geographic region of delivery**

*(As of June 30, 2017)*



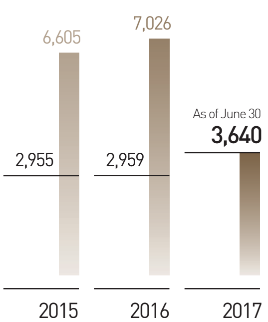

**Revenue by invoicing currency**

*(As of June 30, 2017)*




## Profit from recurring operations

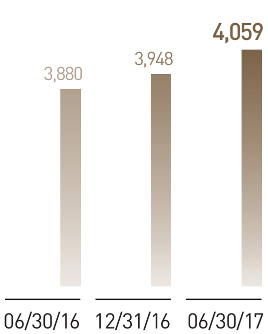
*(As of June 30 and December 31, EUR millions)*




| Profit from recurring operations by business group *(EUR millions)* | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Wines and Spirits | 681 | 1,504 | 565 |
| Fashion and Leather Goods | 2,192 | 3,873 | 1,630 |
| Perfumes and Cosmetics | 292 | 551 | 272 |
| Watches and Jewelry | 234 | 458 | 205 |
| Selective Retailing | 441 | 919 | 410 |
| Other activities and eliminations | (200) | (279) | (123) |
| **Total** | **3,640** | **7,026** | **2,959** |

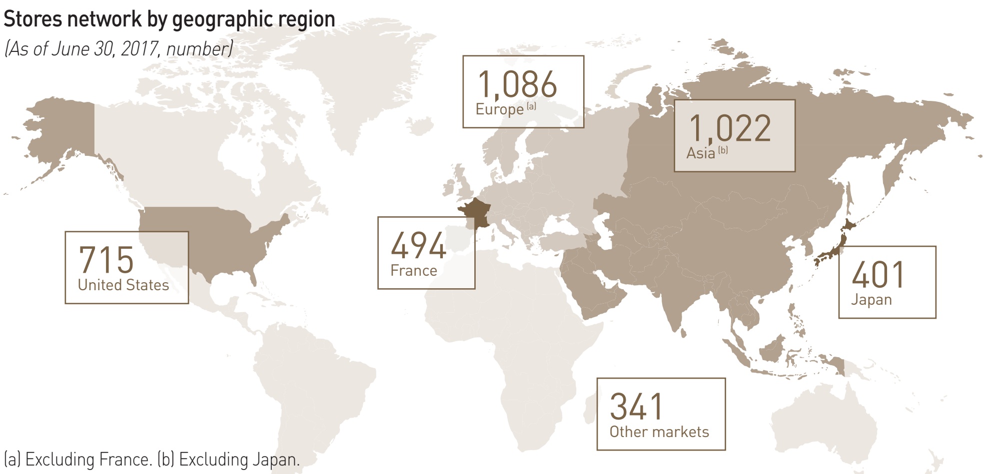
## Stores

*(number)*



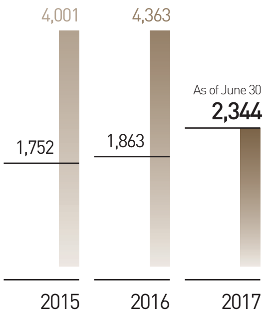

**Stores network by geographic region**

*(As of June 30, 2017, number)*

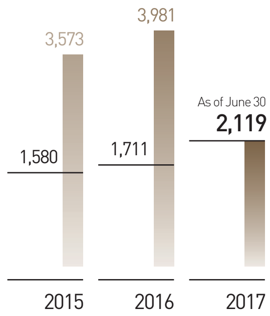



(a) Excluding France. (b) Excluding Japan.

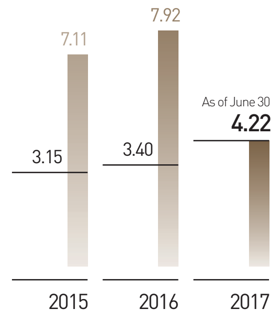
### Net profit
*(As of June 30 and December 31, EUR millions)*



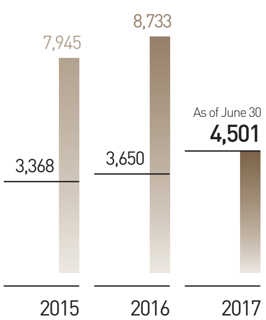

### Net profit, Group share
*(As of June 30 and December 31, EUR millions)*




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

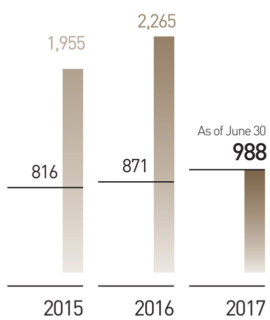



### Cash from operations before changes in working capital [a]
*(As of June 30 and December 31, EUR millions)*

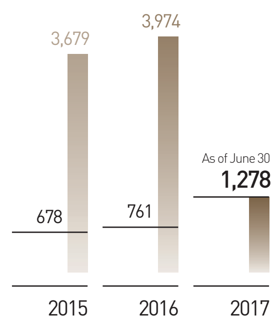



(a) Before interest and tax paid.

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

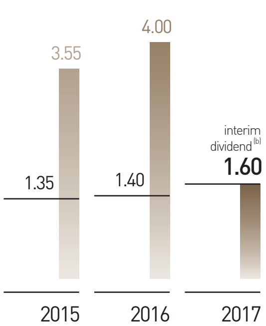



### Free cash flow [a]
*(As of June 30 and December 31, EUR millions)*




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

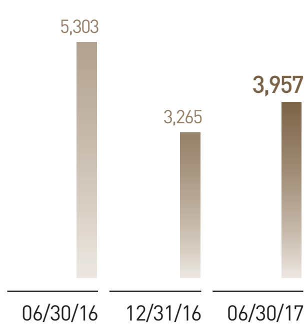
### Dividend per share [a]
*(EUR)*




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

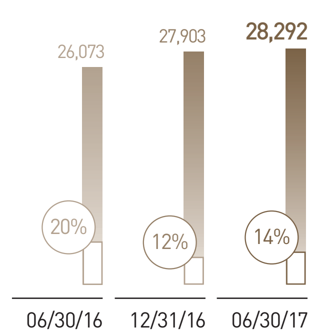
(b) Payable on December 7, 2017.

### 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 condensed consolidated financial statements for definition of net financial debt.

### Equity and ratio of net financial debt to equity
*(EUR millions and as %)*



# HIGHLIGHTS AND OUTLOOK

Highlights of the first half of 2017 include:

- double-digit increases in revenue and profit from recurring operations;
- good growth in Europe, Asia and the United States;
- a good start to the year for Wines and Spirits;
- outstanding momentum at Louis Vuitton; profitability remains at an exceptional level;
- LVMH's planned acquisition of Christian Dior Couture, one of the world's most iconic brands, finalized on July 3;
- integration of Rimowa, a leader in premium-class luggage;
- success of the new products at Christian Dior;
- growth at Bvlgari and excellent response to TAG Heuer's new products;
- continued strengthening of Sephora's omnichannel strategy;
- cash from operations before changes in working capital of 4.5 billion euros, an increase of 23%;
- net debt to equity ratio of 14% as of the end of June 2017.

Despite the context of geopolitical and currency uncertainties, LVMH will continue to pursue gains in market share through the numerous product launches planned before the end of the year and its geographic expansion in promising markets, while continuing to manage costs.

Our strategy of focusing on quality across all our activities, combined with the dynamism and unparalleled creativity of our teams, will enable us to reinforce, once again in 2017, LVMH's global leadership position in luxury goods

# SHARE CAPITAL AND VOTING RIGHTS

| | Number of shares | Number of voting rights [a] | % of share capital | % of voting rights |
|---|---|---|---|---|
| Arnault Family Group | 237,511,182 | 462,312,983 | 46.79% | 63.10% |
| Other | 270,115,305 | 270,392,715 | 53.21% | 36.90% |
| **Total** | **507,626,487** | **732,705,698** | **100.00%** | **100.00%** |

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

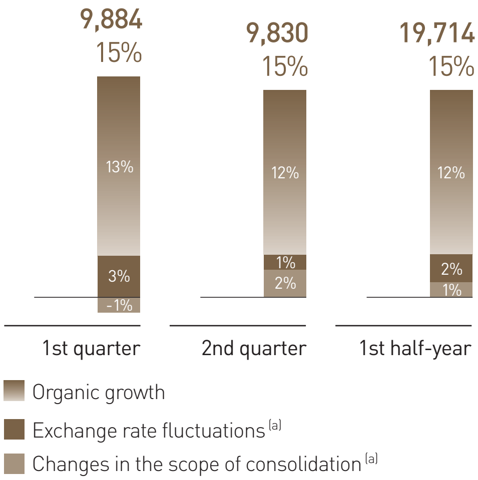
# BUSINESS REVIEW AND COMMENTS ON THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS OF LVMH GROUP

# 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 the revenue of entities reporting in foreign currencies and the net impact of changes in the scope of consolidation are described on page 9.

Consolidated revenue for the period ended June 30, 2017 was 19,714 million euros, up 15% from the first half of 2016. A number of the Group's invoicing currencies strengthened against the euro, adding 2% to consolidated revenue (in particular, the US dollar gained 3% against the euro).

The following changes to the Group's consolidation scope have occurred since January 1, 2016: in Fashion and Leather Goods, the Donna Karan brand was sold in December 2016 and the Group acquired 80% of high-end luggage manufacturer Rimowa in January 2017. These changes in the scope of consolidation made a positive contribution of 1 point to revenue growth for the half-year period.

On a constant consolidation scope and currency basis, revenue increased by 12%.

### Revenue by invoicing currency

| *(as %)* | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Euro | 22 | 23 | 23 |
| US dollar | 31 | 32 | 32 |
| Japanese yen | 7 | 7 | 7 |
| Hong Kong dollar | 7 | 6 | 6 |
| Other currencies | 33 | 32 | 32 |
| **Total** | **100** | **100** | **100** |

With respect to June 30, 2016, the breakdown of revenue by invoicing currency remained nearly unchanged: the contributions of the euro and the US dollar fell by 1 point each to 22% and 31%, respectively, while the contributions of the Hong Kong dollar and other currencies rose by 1 point each to 7% and 33%, respectively. The proportion of revenue in Japanese yen held steady at 7%.

### Revenue by geographic region of delivery

| *(as %)* | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| France | 9 | 10 | 10 |
| Europe (excluding France) | 18 | 18 | 17 |
| United States | 25 | 27 | 26 |
| Japan | 7 | 7 | 7 |
| Asia (excluding Japan) | 29 | 26 | 28 |
| Other markets | 12 | 12 | 12 |
| **Total** | **100** | **100** | **100** |

By geographic region of delivery, and compared to June 30, 2016, the relative contributions of France and the United States to Group revenue fell by 1 point each to 9% and 25%, respectively, while those of Europe (excluding France) and Asia (excluding Japan) increased by 1 point each to 18% and 29%, respectively. The relative contributions of Japan and other markets remained stable at 7% and 12%, respectively.

### Revenue by business group

| *(EUR millions)* | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Wines and Spirits | 2,294 | 4,835 | 2,056 |
| Fashion and Leather Goods | 6,899 | 12,775 | 5,885 |
| Perfumes and Cosmetics | 2,670 | 4,953 | 2,337 |
| Watches and Jewelry | 1,838 | 3,468 | 1,609 |
| Selective Retailing | 6,280 | 11,973 | 5,480 |
| Other activities and eliminations | (267) | (404) | (179) |
| **Total** | **19,714** | **37,600** | **17,188** |

By business group, the breakdown of Group revenue remained nearly unchanged. The contribution of Fashion and Leather Goods, at 35%, was up 1 point, while that of Perfumes and Cosmetics fell by 1 point to 13%. The contributions of Wines and Spirits, Watches and Jewelry, and Selective Retailing remained stable at 12%, 9% and 32%, respectively.

Wines and Spirits saw an increase in revenue of 12% based on published figures. Revenue for this business group increased by 10% on a constant consolidation scope and currency basis, with the net impact of exchange rate fluctuations boosting it by 2 points. This performance was largely driven by an increase in volumes. Demand was very strong in the United States and in China, with the latter still the second-largest market for the Wines and Spirits business group.

Fashion and Leather Goods posted organic growth of 14%, and 17% based on published figures. This business group's performance benefited from Louis Vuitton's strong momentum. The business group was also driven by Fendi, Kenzo, Loewe and Berluti, which delivered on their potential, recording double-digit growth.

Revenue for Perfumes and Cosmetics increased by 12% on a constant consolidation scope and currency basis, and by 14% 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. The Perfumes and Cosmetics business group saw very significant revenue growth across all regions, and in particular in Asia.

Revenue for Watches and Jewelry increased by 13% on a constant consolidation scope and currency basis, and by 14% based on published figures. This business group saw a very strong set of performances by Bvlgari and all the other brands. Asia and Europe were the most buoyant regions.

Revenue for Selective Retailing increased by 12% on a constant consolidation scope and currency basis, and by 15% according to published figures. This performance was driven by Sephora, which generated very appreciable growth in revenue across all world regions.

## 1.2. Profit from recurring operations

| *(EUR millions)* | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Revenue | 19,714 | 37,600 | 17,188 |
| Cost of sales | (6,881) | (13,039) | (5,917) |
| Gross margin | 12,833 | 24,561 | 11,271 |
| Marketing and selling expenses | (7,704) | (14,607) | (6,935) |
| General and administrative expenses | (1,488) | (2,931) | (1,381) |
| Income (loss) from investments in joint ventures and associates | (1) | 3 | 4 |
| **Profit from recurring operations** | **3,640** | **7,026** | **2,959** |
| **Operating margin** *(%)* | **18.5** | **18.7** | **17.2** |

The Group achieved a gross margin of 12,833 million euros, up 14% compared to the first half of 2016. As a percentage of revenue, the gross margin was 65%, 0.5 points lower than in the first half of 2016.

Marketing and selling expenses totaled 7,704 million euros, up 11% based on published figures and up 9% on a constant consolidation scope and currency basis. This increase was mainly due to the development of retail networks but also to higher communications investments, especially in Perfumes and Cosmetics and in Watches and Jewelry. The level of these expenses as a percentage of revenue fell by 1.3 points to 39%. Among these marketing and selling expenses, advertising and promotion costs amounted to 11% of revenue, increasing by 10% on a constant consolidation scope and currency basis.

The geographic breakdown of stores is as follows:

| *(number)* | June 30, 2017 | Dec. 31, 2016 [a] | June 30, 2016 [a] |
|---|---|---|---|
| France | 494 | 492 | 483 |
| Europe (excluding France) | 1,086 | 1,061 | 1,028 |
| United States | 715 | 703 | 735 |
| Japan | 401 | 387 | 389 |
| Asia (excluding Japan) | 1,022 | 991 | 959 |
| Other markets | 341 | 314 | 286 |
| **Total** | **4,059** | **3,948** | **3,880** |

(a) Excluding Rimowa, whose network was integrated in 2017.

General and administrative expenses totaled 1,488 million euros, up 8% based on published figures and up 7% on a constant consolidation scope and currency basis. General and administrative expenses amounted to 8% of revenue, down 0.5 points with respect to June 30, 2016.

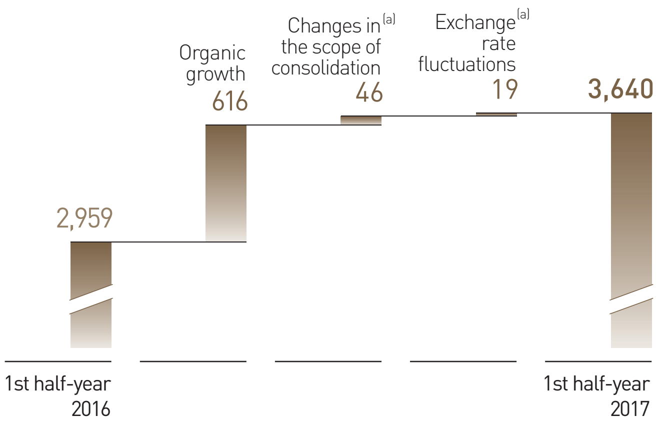
### Profit from recurring operations by business group

| *(EUR millions)* | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Wines and Spirits | 681 | 1,504 | 565 |
| Fashion and Leather Goods | 2,192 | 3,873 | 1,630 |
| Perfumes and Cosmetics | 292 | 551 | 272 |
| Watches and Jewelry | 234 | 458 | 205 |
| Selective Retailing | 441 | 919 | 410 |
| Other activities and eliminations | (200) | (279) | (123) |
| **Total** | **3,640** | **7,026** | **2,959** |

The Group's profit from recurring operations was 3,640 million euros, up 23% compared to June 30, 2016. The Group's operating margin as a percentage of revenue was 18.5%, up 1.3 points compared with June 30, 2016.

### Change in profit from recurring operations

*(EUR millions)*




(a) The principles used to determine the net impact of exchange rate fluctuations on the profit from recurring operations of entities reporting in foreign currencies and the net impact of changes in the scope of consolidation are described on page 9.

Exchange rate fluctuations had a positive overall impact of 19 million euros on profit from recurring operations compared to June 30, 2016. This total comprises the following three items: the impact of exchange rate fluctuations 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 eurozone. On a constant consolidation scope, currency and foreign exchange hedging basis, the Group's profit from recurring operations was up 21% compared to June 30, 2016.

### Wines and Spirits

| | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Revenue *(EUR millions)* | 2,294 | 4,835 | 2,056 |
| Profit from recurring operations *(EUR millions)* | 681 | 1,504 | 565 |
| Operating margin *(%)* | 29.7 | 31.1 | 27.5 |

Profit from recurring operations for Wines and Spirits was 681 million euros, up 21% compared to the first half of 2016. Champagne and wines contributed 211 million euros while cognacs and spirits accounted for 470 million euros. This performance was the result of both sales volume growth and a price increase policy. The operating margin as a percentage of revenue for this business group increased by 2.2 points to 29.7%.

### Fashion and Leather Goods

| | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Revenue *(EUR millions)* | 6,899 | 12,775 | 5,885 |
| Profit from recurring operations *(EUR millions)* | 2,192 | 3,873 | 1,630 |
| Operating margin *(%)* | 31.8 | 30.3 | 27.7 |

Fashion and Leather Goods posted profit from recurring operations of 2,192 million euros, up 34% with respect to June 30, 2016. Louis Vuitton improved its exceptional level of profitability, while Fendi, Kenzo and Givenchy maintained their growth. The business group's operating margin as a percentage of revenue grew by 4 points to 31.8%.

### Perfumes and Cosmetics

| | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Revenue *(EUR millions)* | 2,670 | 4,953 | 2,337 |
| Profit from recurring operations *(EUR millions)* | 292 | 551 | 272 |
| Operating margin *(%)* | 10.9 | 11.1 | 11.6 |

Profit from recurring operations for Perfumes and Cosmetics was 292 million euros, up 7% compared to the first half of 2016. This growth was driven by Parfums Christian Dior, Parfums Givenchy and Fresh, which posted improved results thanks to the success of their flagship product lines and strong innovative momentum. The business group's operating margin as a percentage of revenue fell by 0.7 points to 10.9%.

### Watches and Jewelry

| | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Revenue *(EUR millions)* | 1,838 | 3,468 | 1,609 |
| Profit from recurring operations *(EUR millions)* | 234 | 458 | 205 |
| Operating margin *(%)* | 12.7 | 13.2 | 12.7 |

Profit from recurring operations for Watches and Jewelry was 234 million euros, up 14% compared to the first half of 2016. This performance was driven by Bvlgari's profitable growth. The operating margin as a percentage of revenue held steady at 12.7%.

### Selective Retailing

| | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Revenue *(EUR millions)* | 6,280 | 11,973 | 5,480 |
| Profit from recurring operations *(EUR millions)* | 441 | 919 | 410 |
| Operating margin *(%)* | 7.0 | 7.7 | 7.5 |

Profit from recurring operations for Selective Retailing was 441 million euros, up 8% compared to the first half of 2016. The business group's operating margin as a percentage of revenue fell by 0.5 points to 7%.

### Other activities

The net result from recurring operations of other activities and eliminations was a loss of 200 million euros, declining with respect to the first half of 2016. In addition to headquarters expenses, this heading includes the results of the Media division, Royal Van Lent yachts, hotel operations and the impact of eliminations.

## 1.3. Other income statement items

| *(EUR millions)* | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Profit from recurring operations | 3,640 | 7,026 | 2,959 |
| Other operating income and expenses | (95) | (122) | (40) |
| Operating profit | 3,545 | 6,904 | 2,919 |
| Net financial income (expense) | (15) | (432) | (166) |
| Income taxes | (1,186) | (2,109) | (890) |
| **Net profit before minority interests** | **2,344** | **4,363** | **1,863** |
| Minority interests | (225) | (382) | (152) |
| **Net profit, Group share** | **2,119** | **3,981** | **1,711** |

Other operating income and expenses amounted to a net expense of 95 million euros, compared to a net expense of 40 million euros in the first half of 2016. In the first half of 2017, other operating income and expenses included 65 million euros in amortization and impairment charges for brands and goodwill. The remainder mainly consists of expenses relating to acquisitions completed in 2017, costs associated with the reorganization of sales processes, and gains and losses on divestments.

The Group's operating profit was 3,545 million euros, up 21% compared to the period ended June 30, 2016.

The net financial expense as of June 30, 2017 was 15 million euros, compared with a net financial expense of 166 million euros as of June 30, 2016. This item comprises:

- the aggregate cost of net financial debt, which totaled 19 million euros, less than the 33 million euro cost posted at end-June 2016, mainly due to a change in fair value adjustments of borrowings and interest rate hedges, which were 15 million euros positive at end-June 2017 but 6 million euros negative a year earlier;
- other financial income and expenses, which amounted to net income of 4 million euros as of June 30, 2017, versus an expense of 133 million euros as of June 30, 2016. This change is a result of a decrease in the expense related to the ineffective portion of foreign exchange derivatives, which amounted to income of 9 million euros at end-June 2017, compared with an expense of 133 million euros at end-June 2016. Other income and expenses relating to financial instruments totaled a net expense of 5 million euros as of June 30, 2017, compared with a net expense of 1 million euros a year earlier.

The Group's effective tax rate for the half-year period ended June 30, 2017 was 34%, up 1 point with respect to the first half of 2016.

Profit attributable to minority interests was 225 million euros, compared to 152 million euros as of June 30, 2016; this total mainly includes profit attributable to minority interests in Moët Hennessy and DFS.

The Group's share of net profit was 2,119 million euros, up 24% compared to the period ended June 30, 2016. It amounted to 11% of revenue in the first half of 2017, up 1 point compared to the period ended June 30, 2016.

#### 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 period of entities having a functional currency other than the euro at the prior period's exchange rates, without any other restatements.

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

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

# 2. WINES AND SPIRITS

| | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| **Revenue** *(EUR millions)* | **2,294** | **4,835** | **2,056** |
| *Of which: Champagne and wines* | *942* | *2,288* | *856* |
| *Cognac and spirits* | *1,352* | *2,547* | *1,200* |
| **Sales volume** *(millions of bottles)* | | | |
| Champagne | 25.0 | 63.2 | 23.2 |
| Cognac | 45.7 | 83.8 | 39.4 |
| Other spirits | 7.5 | 19.1 | 8.4 |
| Still and sparkling wines | 16.6 | 44.2 | 16.6 |
| **Revenue by geographic region of delivery** *(%)* | | | |
| France | 5 | 6 | 5 |
| Europe (excluding France) | 15 | 18 | 15 |
| United States | 35 | 31 | 33 |
| Japan | 6 | 6 | 6 |
| Asia (excluding Japan) | 25 | 22 | 26 |
| Other markets | 14 | 17 | 15 |
| **Total** | **100** | **100** | **100** |
| **Profit from recurring operations** *(EUR millions)* | **681** | **1,504** | **565** |
| **Operating margin** *(%)* | **29.7** | **31.1** | **27.5** |
| **Operating investments of the period** *(EUR millions)* | **108** | **276** | **91** |

## Highlights

The Wines and Spirits business group performed very well. The US market remains in good shape, Europe had a strong start to the year, and the robust upward momentum noted in China in late 2016 has continued into 2017. Moët Hennessy reaffirmed its leadership position in high-quality Wines and Spirits as well as its commitment to innovation, with many initiatives at all of the business group's companies.

Champagne volumes were up 8%. **Moët & Chandon** confirmed its vitality in the United States while continuing its expansion in the Asia-Pacific region. Growth was driven as much by the main premium qualities as by the iconic champagne *Moët Impérial*. With the release of three new vintages by **Dom Pérignon** – *Dom Pérignon 2009*, *Dom Pérignon Rosé 2005*, and *Dom Pérignon P2 2000* – the champagne house is keeping its focus on its strategy to create value. Europe and the Asia-Pacific regions are its most buoyant markets. **Veuve Clicquot** continued its solid advances in its main markets during a first half that saw the launch of *Extra Brut Extra Old*, an innovation that has generated considerable excitement. **Krug** saw excellent growth in the period, built around its iconic *Grande Cuvée* champagne. After two years of renovation, the Krug family's Maison, which has welcomed generations of Krug lovers, has now reopened to the public. **Ruinart**'s performance continues to be driven by the excellence of its wines, the champagne house's strong reputation for its artistic partnerships, and its growing digital presence.

The portfolio of wines sold by **Estates & Wines** continued to expand, notably with the launch of two new *Single Vineyard* wines by Newton. **Ao Yun**, an exceptional red wine produced in the Himalayan foothills, has become a genuine success story in its key markets, where the 2014 vintage is much anticipated. **Chandon** continued to innovate, particularly with *Chandon S* in Australia, the first sparkling wine blended with 100% natural orange bitters.

Following on from its fine performance in 2016, **Hennessy** had a very good first half, driven in particular by United States, where demand continued to rise, and the highly successful Chinese New Year celebrations in China. Cognac volumes were up 16%. The house maintained its market leadership with growth across all of its product qualities and, beyond the successes of its iconic cognacs, with impressive results for more recent products, such as *James Hennessy*, *Hennessy Classivm* and *Hennessy Black*. Its most prestigious cognacs will be the focus of special attention in the second half, including an international campaign for *Hennessy Paradis Impérial*.

**Glenmorangie** and **Ardbeg** continued to pursue their expansion plans for their whiskies with various initiatives including the launches of *Glenmorangie Baccalta*, *Glenmorangie Pride 1974* and *Ardbeg Kelpie*, the last of which received an award at the International Whisky Competition. **Belvedere** continued to expand internationally and reinforced its position at nightlife venues.

**Clos19**, the new shopping platform for the business group launched in the United Kingdom, offers exclusive products and unique experiences.

Moët Hennessy gained a foothold in the super-premium tequila market with the launch of **Volcán de Mi Tierra**, which has begun its selective expansion into the US and Mexican markets.

## Outlook

Due to supply constraints heightened by the cold weather in the spring and against the backdrop of ongoing economic and monetary uncertainty, the Wines and Spirits business group enters the second half with a sense of caution. The strong commitment of its teams, the balanced geographic coverage of its activities, and the power and agility of Moët Hennessy's distribution network are key advantages in meeting its target of further increasing market shares. All of the houses will continue to draw strength from their strategy to create value, their considerable capacity for innovation, and through investments to enhance the excellence and desirability of their products.

# 3. FASHION AND LEATHER GOODS

| | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| **Revenue** *(EUR millions)* | 6,899 | 12,775 | 5,885 |
| **Revenue by geographic region of delivery** *(%)* | | | |
| France | 8 | 8 | 8 |
| Europe (excluding France) | 24 | 23 | 22 |
| United States | 19 | 21 | 20 |
| Japan | 12 | 12 | 12 |
| Asia (excluding Japan) | 29 | 28 | 29 |
| Other markets | 8 | 8 | 9 |
| **Total** | 100 | 100 | 100 |
| **Type of revenue as a percentage of total revenue (excluding Louis Vuitton)** | | | |
| Retail | 62 | 64 | 61 |
| Wholesale | 36 | 35 | 37 |
| Licenses | 2 | 1 | 2 |
| **Total** | 100 | 100 | 100 |
| **Profit from recurring operations** *(EUR millions)* | 2,192 | 3,873 | 1,630 |
| **Operating margin** *(%)* | 31.8 | 30.3 | 27.7 |
| **Operating investments of the period** *(EUR millions)* | 245 | 506 | 200 |
| **Number of stores** | 1,561 | 1,508 [a] | 1,536 [a] |

(a) Excluding Rimowa, whose network was integrated in 2017.

## Highlights

Driven by its enduring, exceptional creativity, **Louis Vuitton** continues to achieve strong momentum across all its business lines. In the first half, it honored its tradition of partnerships with iconic figures of contemporary art by unveiling a *Masters* collection of leather goods and accessories designed by Jeff Koons, drawing inspiration from his *Gazing Ball Paintings* to recreate masterpieces by da Vinci, Titian, Rubens, Fragonard and Van Gogh on Louis Vuitton bags. Louis Vuitton also teamed up with Supreme, the New York-based cult skatewear brand, for a new interpretation of the printed *Monogram* motif featured in a capsule collection of ready-to-wear pieces, leather goods, accessories and jewelry. Other strong initiatives of the first half include the launch of a new *Blossom BB* jewelry line and the creation of two trophy trunks for the 2017 French Open, Roland-Garros, crafted by the house's artisans at its original workshop in Asnières and covered in *Monogram* canvas. Nestled deep in a hidden valley southwest of Kyoto, the Miho Museum designed by I. M. Pei was the venue for Louis Vuitton's fourth *Cruise* collection show, thus continuing its world tour of stunning architectural gems and underscoring its strong ties with Japan. These developments were all supported by regular and compelling communications campaigns. The "Volez, Voguez, Voyagez" exhibition, another important means to increase brand visibility, has continued its world tour, making its most recent stop at Seoul, South Korea, where it will remain until the end of the August.

**Fendi** is moving ahead on a solid growth path, strengthening its desirability and showing strong momentum in all its businesses, but particularly in ready-to-wear and leather goods, with the launch of the new *Kan-I* model and new additions to its *Strap You* line of mix-and-match shoulder straps. Fendi's attachment to Rome has been brought to the fore once again, with the installation of a monumental sculpture by Giuseppe Penone entitled Foglie di Pietra opposite its flagship store, accompanied by an exhibition devoted to the Italian artist held at Fendi's headquarters in the city, the Palazzo della Civiltà Italiana. Fendi continued the rollout of its new retail concept, with the opening of a new location at Ginza Six in Tokyo.

**Loro Piana** has continued to grow its business with new additions to its product lines, by showcasing both its use of exceptional materials and its iconic pieces, and by creating ever more stylish women's ready-to-wear collections. It has strengthened its presence in Asia with several new stores.

**Céline** posted solid growth, buoyed by successes across all product categories. In leather goods, the *Classic* and *Belt* models performed especially well. Céline has also continued to expand its retail network, notably with the opening of a Tokyo flagship store at Ginza Six.

**Kenzo**'s strong desirability, helmed by its pair of creative directors, is driving the fashion label's growth. A change in the scheduling of shows has been introduced with the brand's first mixed show where menswear and womenswear were presented simultaneously. The creation of a limited edition, *Kenzo La Collection Memento N°1,* and the opening of its first free-standing store in Japan were two major events of the first half of the year.

**Loewe**'s performance built on the very positive results achieved in 2016, with rapid expansion in all its markets. In leather goods, *Puzzle* confirmed its best-seller status and the *Hammock* model is showing good potential. Reinforcing its commitment to preserving know-how, Loewe announced the winner of the inaugural edition of its Craft Prize, an award celebrating excellence in craftsmanship.

**Givenchy** named Clare Waight Keller as its new Artistic Director in May. Already present in Italy with a location in Milan, the house opened its first store in Rome.

**Berluti** recorded growth in sales across all of its product categories, with particularly strong results in footwear and handbags and a noteworthy success in the casual segment. The debut collection by Haider Ackermann, the house's newly appointed Creative Director, was an important event early in the year.

**Marc Jacobs** continued its work on refocusing the business and developing its product lines.

**Rimowa**, consolidated for the first time in 2017, opened its largest store worldwide in Paris in January and launched its online store in March.

### Outlook

In the coming months, all Fashion and Leather Goods companies will continue to focus on creativity in collections, retail excellence, and strengthening their digital presence. **Louis Vuitton** will maintain its creative momentum while pursuing qualitative improvements in its retail network. The second half of the year will see the opening of a new Paris flagship store at Place Vendôme, an iconic and historic landmark that is also highly symbolic for the house, as it is not far from the site where Louis Vuitton opened his very first store. The "Volez, Voguez, Voyagez" exhibition will travel to New York at the end of the year. **Fendi**'s haute fourrure show is among its key events in the second half. Several new stores will open, including in San Francisco. Clare Waight Keller's debut collection for **Givenchy** will be shown in October.

## 4. PERFUMES AND COSMETICS

| | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| **Revenue** *(EUR millions)* | **2,670** | **4,953** | **2,337** |
| **Revenue by product category** *(%)* | | | |
| Perfumes | 34 | 38 | 37 |
| Makeup | 48 | 44 | 45 |
| Skincare products | 18 | 18 | 18 |
| **Total** | **100** | **100** | **100** |
| **Revenue by geographic region of delivery** *(%)* | | | |
| France | 11 | 12 | 11 |
| Europe (excluding France) | 22 | 25 | 24 |
| United States | 16 | 18 | 17 |
| Japan | 5 | 5 | 5 |
| Asia (excluding Japan) | 33 | 28 | 28 |
| Other markets | 13 | 12 | 15 |
| **Total** | **100** | **100** | **100** |
| **Profit from recurring operations** *(EUR millions)* | **292** | **551** | **272** |
| **Operating margin** *(%)* | **10.9** | **11.1** | **11.6** |
| **Operating investments of the period** *(EUR millions)* | **112** | **268** | **110** |
| **Number of stores** | **266** | **248** | **224** |

### Highlights

The Perfumes and Cosmetics business group recorded robust growth across all its product categories. Advances were made at a particularly high pace in Asia. Creativity and the quest for excellence, investments in communications, and digital initiatives were all central to these achievements.

**Parfums Christian Dior** maintained its strong growth momentum, delivered across all product lines. Gains in the perfume segment were driven by the vitality of iconic fragrances, the triumphant launch of the new eau de toilette *J'adore Injoy*, the resounding success of *Sauvage*, and the reinvigoration of *Dior Homme Sport*. Dior has further underscored its profile as a leading perfumer, with an Instagram account exclusively for its fragrances and an event at Château de la Colle Noire, Christian Dior's former residence, to celebrate a new resurgence for *Miss Dior*, his signature perfume. In makeup, lip cosmetics turned in very strong results thanks to the advances made by *Rouge Dior* and the innovative additions to the *Dior Addict* line. The *Forever Perfect Cushion* foundation met with great success in Asia and the *Diorshow Pump'n'Volume* mascara proved to be an excellent performer. Supported by a strong presence in digital communications, these innovations are the perfect embodiment of the house's fashion-forward spirit and the creative vision of Peter Philips, the creative and image director for Dior makeup. The skincare segment, buoyed by the accomplishments of the anti-aging lines *Capture Totale Dreamskin* and *Dior Prestige*, made advances particularly in Asia and the United States. *Dior Life*, a new hydrating skincare line targeting the younger generation, had a flawless launch in Europe and Asia.

**Guerlain**'s contemporary spirit in fragrances is taking it from strength to strength. The solid initial results for *Mon Guerlain*, represented by its brand ambassador Angelina Jolie, have reinforced the house's cachet for its entire portfolio of products. The international rollout of the Guerlain's new retail spaces dedicated exclusively to perfume continues with the opening of a Guerlain Parfumeur store in Brussels, prompted by the success of its first location, which tested the concept in Paris in 2016. In the makeup segment *KissKiss* lipstick, the *Abeille Royale* and *Orchidée Impériale* skincare lines continued their uptrend, while also illustrating Guerlain's commitment to preserving biodiversity.

Growth at **Parfums Givenchy** was driven by the strong performance of its makeup lines. Adding to the outstanding successes of its lipsticks, the *Prisme Libre* range of powders is gaining a strong following. The *Live Irrésistible* line added a new scent, *Eau de Parfum Délicieuse*. Results for **Kenzo Parfums** were propelled by the vitality of its signature scent *FlowerbyKenzo*, now joined by a new variant, *Eau de Lumière*, by the international rollout of *Kenzo World* and by the success of the *KenzoKi* skincare line in China.

Thanks to the wide acclaim for its *Brow Collection*, **Benefit Cosmetics** confirmed its leadership position in eyebrow makeup. The brand's recent innovations include its *Boi-ing* line of concealers. Among its singular events of the first half, **Make Up For Ever** had a successful launch for its *Water Blend* foundation, expanded its *Artist Rouge* line, and opened a new flagship store in New York featuring its omni-channel customer experience, Go Pro Makeup. **Fresh** continued to make strong gains, fueled in particular by the success of its *Black Tea* line in Asia. The *Colonia* and *Nobile* lines drove growth at **Acqua di Parma**. **Kat Von D** and **Marc Jacobs Beauty** continued to expand at a fast pace. Kat Von D made its entry into France and Italy, with its products sold exclusively at Sephora stores.

**Maison Francis Kurkdjian**, an icon of a new generation of exclusive and highly promising perfumers since its creation in 2009, has joined LVMH.

### Outlook

In the coming months, the companies of the Perfumes and Cosmetics business group will continue to capitalize on the successes of their star lines and their policy of vigorous innovation. **Parfums Christian Dior** will promote *Miss Dior* with the launch of its eau de parfum and a new communication campaign, while expanding its *Rouge Dior* lipstick range and opening several own-label dedicated perfume stores. For **Guerlain**, notable events of the second half will include the international rollout of *Mon Guerlain* and a number of innovations in cosmetics, in particular the launch of an oil-in-water emulsion in the *Abeille Royale* line. Several new Guerlain Parfumeur stores will be opened around the world. **Parfums Givenchy** will continue to innovate in makeup, with a planned relaunch of its mythic fragrance *Gentleman Givenchy*. **Kenzo Parfums** will release an intense eau de parfum version of *Kenzo World*. A new makeup line targeting younger customers, *Fenty Beauty by Rihanna*, will be launched in the fall in collaboration with the singer and will be available exclusively from Sephora in all countries where Sephora stores are located.

## 5. WATCHES AND JEWELRY

| | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| **Revenue** *(EUR millions)* | 1,838 | 3,468 | 1,609 |
| **Revenue by geographic region of delivery** *(%)* | | | |
| France | 5 | 5 | 5 |
| Europe (excluding France) | 25 | 26 | 25 |
| United States | 9 | 10 | 10 |
| Japan | 13 | 14 | 14 |
| Asia (excluding Japan) | 32 | 28 | 28 |
| Other markets | 16 | 17 | 18 |
| **Total** | 100 | 100 | 100 |
| **Profit from recurring operations** *(EUR millions)* | 234 | 458 | 205 |
| **Operating margin** *(%)* | 12.7 | 13.2 | 12.7 |
| **Operating investments of the period** *(EUR millions)* | 130 | 229 | 95 |
| **Number of stores** | 391 | 397 | 390 |

### Highlights

The Watches and Jewelry business group has continued to grow, thanks to the successes of iconic product lines and the creativity of new products. The business group's leading houses performed exceptionally well, with particularly strong results for jewelry and their own retail networks. The Watches and Jewelry brands raised their profile by opening new stores and remodeling existing stores in prestigious locations as well as through ongoing investments in communications.

**Bvlgari** had an excellent first half and continued to increase its market shares. This growth momentum, especially apparent in jewelry and in the Chinese and European markets, was driven in particular by the continued strength of the iconic *Serpenti* and *B.Zero1* product lines, and supported by highly creative digital communication and new additions to these lines, such as the *Viper* rings and the *B.Zero1 Design Legend* collection by Zaha Hadid. The fine jewelry collection *Festa*, presented in Venice in June, aptly illustrates the Roman jeweler's unique audacity and know-how. Bvlgari unveiled two new watches at Baselworld: the *Serpenti Skins*, fully customizable via an application, and the *Octo Finissimo Automatic*, the slimmest automatic on the market, which also sets new standards in the use of innovative materials. Alongside its continuing program of store openings and store renovation projects, the house celebrated the launch of operations at its new jewelry manufacturing facility in Valenza and set up a technical training center for new employees, with the aim of leading its teams to new heights of jewelry-making excellence. In perfume, the launch in Rome of *Goldea, The Roman Night* offers excellent prospects.

The solid revenue growth reported by **TAG Heuer** in a challenging watch market underscored the relevance of the brand's strategy, focusing on further developments within its core product range. The new additions to the flagship *Carrera*, *Aquaracer* and *Formula 1* collections and the modern version of the iconic *Autavia*, launched at Baselworld, were very well received. In March, TAG Heuer released a new version of its smartwatch, whose design offers numerous customization options. Continuing its focus on improving its retail network, TAG Heuer opened a store in Melbourne. Its roster of ambassadors and its many sports and cultural partnerships are helping to increase its visibility with target customers.

**Hublot** saw sustained growth, especially in China. Driven by its iconic product lines – *Classic Fusion* and *Big Bang* – Hublot's vitality was further strengthened with the release of *Spirit of Big Bang*, which is set to claim the third spot among the brand's top sellers. The house's creativity and innovative spirit were illustrated by novel concepts that were highly acclaimed at Baselworld, such as the Techframe Ferrari 70 Years and the models in its new *Italia Independent* collection. High-impact communication as well as partnerships with sporting and cultural events have helped to further build Hublot's reputation. A new partnership was signed with the Portuguese soccer team Benfica Lisbon. Hublot continued investments to improve the quality of its distribution while expanding its retail network, opening a new store in Doha, Qatar.

**Zenith** worked on strengthening its organization and the development of its iconic collections *Chronomaster* and *Elite*. At Baselworld, it unveiled its new, revolutionary *El Primero 21* movement, able to display hundredths of a second, which will soon be featured in the new *Defy* models.

**Chaumet**'s growth continues to be driven by the success of its *Joséphine* and *Liens* collections, and by shifting the brand further upmarket. Its highly-creative innovations include *Jeux de Liens* and the *Insolence* collection. The "Imperial Splendors" exhibition held in Beijing has proved a remarkable success with high visitor numbers and increased brand awareness. The creation of pop-up stores in several cities throughout China, considerably reinforced its visibility.

**Fred** expanded the offerings in its iconic *Force 10* collection and launched the new *8°0* bracelet collection. A new store was opened at Ginza Six in Tokyo.

LVMH has sold its stake in the joint venture held with **De Beers** to its partner.

## Outlook

The Watches and Jewelry business group has maintained its targets for increased market shares in 2017. Given the current environment of economic and monetary uncertainty, close attention to market developments and rigorous processes for allocating resources remain the key imperatives. Investments in marketing, particularly in the digital field, and the implementation of distribution improvement plans will continue. In addition to reopening its completely renovated New York store on Fifth Avenue, **Bvlgari** will be organizing two major retrospectives in Singapore and Tokyo. **Chaumet** will continue rolling out its new store concept. **TAG Heuer** will be opening a new store in London.

# 6. SELECTIVE RETAILING

| | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| **Revenue** *(EUR millions)* | **6,280** | **11,973** | **5,480** |
| **Revenue by geographic region of delivery** *(%)* | | | |
| France | 11 | 12 | 13 |
| Europe (excluding France) | 8 | 8 | 7 |
| United States | 39 | 41 | 40 |
| Japan | 1 | 1 | 1 |
| Asia (excluding Japan) | 29 | 27 | 28 |
| Other markets | 12 | 11 | 11 |
| **Total** | **100** | **100** | **100** |
| **Profit from recurring operations** *(EUR millions)* | **441** | **919** | **410** |
| **Operating margin** *(%)* | **7.0** | **7.7** | **7.5** |
| **Operating investments of the period** *(EUR millions)* | **261** | **558** | **235** |
| **Number of stores** | | | |
| Sephora | 1,769 | 1,726 | 1,661 |
| Other trade names | 54 | 52 | 52 |

## Highlights

**Sephora** continues to show excellent growth and has strengthened its omni-channel strategy. While increasing the contribution of online sales to its total revenue, it has made further investments to expand its retail network – with some sixty store openings in the first half of the year – and complete renovation projects for existing stores. Sephora opened its very first European shop-in-shop, in Germany. It also unveiled a new store concept in France, placing digital at the heart of the customer experience. Built around the Beauty Hub, its main innovation, this concept offers Sephora's full range of digital services and also ties in with its entire social media ecosystem. The chain's stores in Asia, North America and the Middle East all saw strong momentum. Sephora's two New York flagship stores on 34th Street and on Fifth Avenue as well as its Mirdif location in Dubai reopened after extensive renovation projects. An online sales site was launched in Saudi Arabia. Sephora continues to update its offerings with a selection of exclusive brands trending on social media platforms and is pursuing the development of its own store brand, which is garnering appeal among its younger and more connected customers. By rolling out new services to its stores, Sephora is consolidating its strong positions, setting itself apart in all its markets. Thanks to its loyalty program, Sephora is gaining deeper knowledge of its customers around the world in order to make its offerings and its communications ever more relevant.

**Le Bon Marché**'s strong growth is fueled by its unique concept, the warm welcome offered to its customers, and the success of its loyalty program. With the completed transformation of its women's fashion department, Le Bon Marché now offers its female clientele beautiful, reinvented shopping spaces as well as unique customization workshops. An exhibition of works by the Japanese artist Shiaru Shiota was among the high-profile cultural events programmed in the first half of the year. With the June launch of 24 Sèvres, its new digital platform, Le Bon Marché has invented a new online shopping experience, featuring an unequaled selection of women's fashion, innovative virtual storefronts, and expert customer service.

In the first half of 2017, **DFS** recorded an upturn in sales, driven in particular by its locations in Hong Kong, Macao and Japan. Strengthened marketing and sales initiatives, together with the growing proportion of sales to customers who are members of the Loyal T rewards program, were among the factors contributing to this performance. The recently opened *T Galleria* stores in Cambodia and in Venice, Italy, have seen steady increases in both visitor numbers and sales and are expected to make strong contributions to its results in the years ahead. The new version of the DFS website, launched in association with its partners in the travel sector, is now live, offering innovative services, such as online travel bookings and guided tours for groups of travelers.

**Starboard Cruise Services** is expanding its presence along routes in Asia, while improving the attractiveness of its stores and further refining its offerings for specific cruise lines and different customer segments.

## Outlook

**Sephora** will continue to innovate, setting trends and ensuring the best possible omni-channel experience for its customers. Further store openings will expand Sephora's presence around the world and digital initiatives will be strengthened. Growth momentum at **Le Bon Marché**, which is set to host an exhibition in the fall devoted to Italy, will be spurred in particular by the opening of La Grande Épicerie de Paris Rive Droite, a new food emporium on the city's Right Bank. **DFS** will consolidate its leadership position in Macao with the opening of two additional locations, and will continue its retail enhancement program by revamping its stores in Hong Kong, Auckland and Sydney. The expiry of the loss-making Hong Kong airport concession at the end of 2017 will contribute to profit growth in 2018.

# 7. COMMENTS ON THE CONSOLIDATED BALANCE SHEET

| *(EUR billions)* | June 30, 2017 | Dec. 31, 2016 | Change |
|---|---|---|---|
| Tangible and intangible fixed assets | 37.1 | 35.9 | 1.2 |
| Other non-current assets | 4.2 | 4.3 | (0.1) |
| **Non-current assets** | **41.3** | **40.2** | **1.1** |
| Inventories | 10.9 | 10.5 | 0.4 |
| Other current assets | 13.6 | 8.9 | 4.7 |
| **Current assets** | **24.5** | **19.4** | **5.1** |
| **Assets** | **65.8** | **59.6** | **6.2** |

| *(EUR billions)* | June 30, 2017 | Dec. 31, 2016 | Change |
|---|---|---|---|
| Total equity | 28.3 | 27.9 | 0.4 |
| Long term borrowings | 8.2 | 3.9 | 4.3 |
| Other non-current liabilities | 15.9 | 15.0 | 0.9 |
| **Equity and non-current liabilities** | **52.4** | **46.8** | **5.6** |
| Short term borrowings | 4.9 | 3.4 | 1.5 |
| Other current liabilities | 8.5 | 9.4 | (0.9) |
| **Current liabilities** | **13.4** | **12.8** | **0.6** |
| **Liabilities and equity** | **65.8** | **59.6** | **6.2** |

LVMH's consolidated balance sheet totaled 65.8 billion euros as of end-June 2017, 6.2 billion euros higher than at year-end 2016. Non-current assets rose by 1.1 billion euros and represented 63% of total assets, compared with 67% as of year-end 2016.

Tangible and intangible fixed assets grew by 1.2 billion euros, of which 1.0 billion euros was due to the impact on goodwill of the revaluation of purchase commitments for minority interests. In addition, changes in scope added 0.7 billion euros, mainly related to the acquisition of Rimowa. Investments for the half-year period, net of disposals as well as depreciation and amortization charges, represented an additional increase of 0.1 billion euros. The comments on the cash flow statement provide further information on investments. Conversely, exchange rate fluctuations had a negative 0.6 billion euro impact, mainly due to US dollar depreciation at the end of the period.

Other non-current assets remained nearly unchanged, coming in at 4.2 billion euros, compared with 4.3 billion euros at end-2016.

Inventories increased by 0.4 billion euros, including 0.9 billion euros related to inventory build-up over the period (see comments on the consolidated cash flow statement). Conversely, exchange rate fluctuations – mainly involving the US dollar – had a negative impact of 0.3 billion euros on the value of inventories.

Other current assets increased sharply, up 4.7 billion euros. This was the result of a 4.9 billion euro increase in cash following bond issues in May and June in connection with the planned acquisition of Christian Dior Couture in the second half of the year.

Other non-current liabilities, totaling 15.9 billion euros, increased by 0.9 billion euros, mainly due to the increase in the liability in respect of purchase commitments for minority interests, which amounted to 1 billion euros.

Lastly, other current liabilities decreased by 0.9 billion euros, amounting to 8.5 billion euros. This reduction is linked to the 0.3 billion euro decrease in trade accounts payable, the 0.4 billion euro decrease in tax and social security liabilities, and the 0.1 billion euro decrease in derivatives. These changes reflect the seasonal nature of the Group's business activities.

### Net financial debt and equity

| *(EUR billions or as %)* | June 30, 2017 | Dec. 31, 2016 | Change |
|---|---|---|---|
| Long-term borrowings | 8.2 | 3.9 | 4.3 |
| Short-term borrowings and derivatives | 4.8 | 3.4 | 1.4 |
| **Gross borrowings after derivatives** | **13.0** | **7.3** | **5.7** |
| Cash and cash equivalents and other | (9.0) | (4.0) | (5.0) |
| **Net financial debt** | **4.0** | **3.3** | **0.7** |
| **Equity** | **28.3** | **27.9** | **0.4** |
| **Net financial debt/Equity ratio** | **14%** | **12%** | **2 pts** |

The ratio of net financial debt to equity, which was 12% as of December 31, 2016, rose by 2 points to 14% as of June 30, 2017. Equity traditionally grows more slowly than net financial debt in the first half of the year as a result of the seasonal nature of the Group's business. Furthermore, net financial debt increased following the acquisition of Rimowa and a further stake in Loro Piana.

Total equity amounted to 28.3 billion euros as of June 30, 2017, up 0.4 billion euros compared to year-end 2016. Net profit for the six-month period, after the distribution of dividends, contributed 1.0 billion euros to this increase. In addition, revaluation reserves increased by 0.3 billion euros, of which 0.1 billion euros was linked to changes in the value of hedges of future foreign currency cash flows. Conversely, exchange rate fluctuations had a negative impact of 0.5 billion euros on the reserves of entities reporting in foreign currencies; this mainly concerned the reserves of entities reporting in US dollars. As of June 30, 2017, total equity was equal to 43% of total assets, compared to 47% as of year-end 2016.

Gross borrowings after derivatives totaled 13.0 billion euros as of end-June 2017, up 5.7 billion euros compared to year-end 2016. Bond debt rose by 3.9 billion euros, including 5.0 billion euros relating to bonds issued during the period and 0.9 billion euros relating to repayments. Bonds were issued in connection with the acquisition of Christian Dior Couture, scheduled for the second half of the year, and included a euro issue in four tranches totaling 4.5 billion euros, completed in May, and a sterling issue of 400 million pounds completed in June. The 850 million US dollar bond issued in 2012 and the 150 million euro bond issued in 2009 were repaid during the half-year period. See also Note 18 to the consolidated financial statements. Commercial paper outstanding increased by 1.9 billion euros. Cash, cash equivalents, current and non-current available for sale financial assets used to hedge financial debt totaled 9.0 billion euros as of end-June 2017, up 5.0 billion euros from 4.0 billion euros as of year-end 2016; net financial debt thus increased by 0.7 billion euros.

As of June 30, 2017, the Group's undrawn confirmed credit lines amounted to 3.4 billion euros, exceeding the outstanding portion of its commercial paper program, which came to 3.2 billion euros as of June 30, 2017.

## 8. COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENT

| *(EUR millions)* | June 30, 2017 | June 30, 2016 | Change |
|---|---|---|---|
| **Cash from operations before changes in working capital** | **4,501** | **3,650** | **851** |
| Cost of net financial debt: interest paid | (37) | (23) | (14) |
| Income taxes paid | (1,068) | (884) | (184) |
| **Net cash from operating activities before changes in working capital** | **3,396** | **2,743** | **653** |
| Change in working capital | (1,130) | (1,111) | (19) |
| Operating investments | (988) | (871) | (117) |
| **Free cash flow** | **1,278** | **761** | **517** |
| **Financial investments** | **(441)** | **(311)** | **(130)** |
| **Transactions relating to equity** | **(1,686)** | **(1,428)** | **(258)** |
| **Change in cash before financing activities** | **(849)** | **(978)** | **129** |

Cash from operations before changes in working capital totaled 4,501 million euros, surging 23% from 3,650 million euros a year earlier. Net cash from operating activities before changes in working capital (i.e. after interest and income taxes paid) amounted to 3,396 million euros, up 24% from the first half of 2016.

Interest paid, which totaled 37 million euros, was higher than in the first six months of 2016, mainly due to the change in the debt portfolio.

Income taxes paid came to 1,068 million euros, up 21% compared to the 884 million euros paid in the first half of 2016, as a result of the Group's earnings growth.

Growth in the working capital requirement was contained at 1,130 million euros, almost unchanged from the prior year figure of 1,111 million euros, in spite of buoyant business growth. Inventories increased by 938 million euros, versus 795 million euros a year earlier. This increase occurred in all business groups. The decreases in tax and payroll liabilities and in trade accounts payable generated financing requirements of 312 million euros and 263 million euros, respectively. These negative impacts on cash flow were offset in the amount of 366 million euros by the reduction in financing requirements resulting from the decrease in trade accounts receivable. These changes reflect the seasonal nature of the Group's business activities.

Operating investments net of disposals resulted in an outflow of 988 million euros in the first half of the year, compared to 871 million euros a year earlier. Purchases of property, plant and equipment totaled 768 million euros, mainly including investments by the Group's brands in their retail networks, particularly by Louis Vuitton, Sephora, DFS, Fendi and Bvlgari. They also included investments related to the La Samaritaine project, as well as investments by Hennessy and the champagne houses in their production equipment. Acquisitions of intangible assets totaled 204 million euros, mainly in connection with IT projects, some of them linked to the Group's digital development and multi-year sponsorship contracts.

During the first half of the year, financial investments accounted for a 441 million euro outflow, of which 409 million euros were for purchases of consolidated investments, mainly relating to the acquisition of Rimowa and the disposal of a subsidiary of Royal Van Lent. The remaining net amount of 32 million euros related to the management of financial investments.

Transactions relating to equity generated an outflow of 1,686 million euros. A portion of this amount, 1,306 million euros, corresponds to dividends paid during the half-year period by LVMH SE, excluding the amount attributable to treasury shares, in respect of the final dividend for 2016. In addition, dividends paid out to minority shareholders of consolidated subsidiaries amounted to 201 million euros and income taxes paid on transactions relating to dividends paid amounted to 100 million euros. A total of 151 million euros was paid out in connection with acquisitions and disposals of minority interests, mainly to acquire a further stake in Loro Piana. An amount of 82 million euros was collected following the exercise of subscription options and the subscription of capital increases by minority shareholders of subsidiaries.

The net cash requirement after all operating, investment, and equity-related activities thus amounted to 849 million euros. With financing activities generating a cash surplus of 5,959 million euros, the cash balance at the end of the period was up 4,978 million euros compared to year-end 2016, including the 132 million euro negative impact of exchange rate fluctuations. The cash balance was 8,315 million euros as of June 30, 2017 versus 3,337 million euros as of December 31, 2016.

# CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

# CONSOLIDATED INCOME STATEMENT

| *(EUR millions, except for earnings per share)* | Notes | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|---|
| **Revenue** | 23 | **19,714** | **37,600** | **17,188** |
| Cost of sales | | (6,881) | (13,039) | (5,917) |
| **Gross margin** | | **12,833** | **24,561** | **11,271** |
| Marketing and selling expenses | | (7,704) | (14,607) | (6,935) |
| General and administrative expenses | | (1,488) | (2,931) | (1,381) |
| Income (loss) from joint ventures and associates | 7 | (1) | 3 | 4 |
| **Profit from recurring operations** | 23-24 | **3,640** | **7,026** | **2,959** |
| Other operating income and expenses | 25 | (95) | (122) | (40) |
| **Operating profit** | | **3,545** | **6,904** | **2,919** |
| Cost of net financial debt | | (19) | (83) | (33) |
| Other financial income and expenses | | 4 | (349) | (133) |
| **Net financial income (expense)** | 26 | **(15)** | **(432)** | **(166)** |
| Income taxes | 27 | (1,186) | (2,109) | (890) |
| **Net profit before minority interests** | | **2,344** | **4,363** | **1,863** |
| Minority interests | 17 | (225) | (382) | (152) |
| **Net profit, Group share** | | **2,119** | **3,981** | **1,711** |
| **Basic Group share of net earnings per share** *(EUR)* | 28 | **4.22** | **7.92** | **3.40** |
| Number of shares on which the calculation is based | | 502,241,900 | 502,911,125 | 502,956,395 |
| **Diluted Group share of net earnings per share** *(EUR)* | 28 | **4.20** | **7.89** | **3.39** |
| Number of shares on which the calculation is based | | 504,049,366 | 504,640,459 | 504,892,969 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE GAINS AND LOSSES

| *(EUR millions)* | Notes | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|---|
| **Net profit before minority interests** | | **2,344** | **4,363** | **1,863** |
| Translation adjustments | 15.4 | (500) | 109 | (147) |
| Amounts transferred to income statement | | - | (32) | - |
| Tax impact | | (25) | (9) | (9) |
| | | **(525)** | **68** | **(156)** |
| Change in value of available for sale financial assets | 8, 13 | 125 | 18 | (73) |
| Amounts transferred to income statement | | (4) | 4 | (20) |
| Tax impact | | (30) | 1 | 5 |
| | | **91** | **23** | **(88)** |
| Change in value of hedges of future foreign currency cash flows | | 159 | 48 | 39 |
| Amounts transferred to income statement | | (2) | (26) | (12) |
| Tax impact | | (46) | (2) | (3) |
| | | **111** | **20** | **24** |
| **Gains and losses recognized in equity, transferable to income statement** | | **(323)** | **111** | **(220)** |
| Change in value of vineyard land | 6 | 5 | 30 | - |
| Amounts transferred to consolidated reserves | | - | - | - |
| Tax impact | | (2) | 108 | - |
| | | **3** | **138** | **-** |
| Employee benefit commitments: change in value resulting from actuarial gains and losses | | 37 | (86) | (81) |
| Tax impact | | (11) | 17 | 23 |
| | | **26** | **(69)** | **(58)** |
| **Gains and losses recognized in equity, not transferable to income statement** | | **29** | **69** | **(58)** |
| **Comprehensive income** | | **2,050** | **4,543** | **1,585** |
| Minority interests | | (127) | (434) | (124) |
| **Comprehensive income, Group share** | | **1,923** | **4,109** | **1,461** |

# CONSOLIDATED BALANCE SHEET

| ASSETS<br>*(EUR millions)* | Notes | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|---|
| Brands and other intangible assets | 3 | 13,119 | 13,335 | 13,519 |
| Goodwill | 4 | 11,899 | 10,401 | 10,611 |
| Property, plant and equipment | 6 | 12,140 | 12,139 | 11,283 |
| Investments in joint ventures and associates | 7 | 671 | 770 | 754 |
| Non-current available for sale financial assets | 8 | 740 | 744 | 643 |
| Other non-current assets | 9 | 854 | 777 | 669 |
| Deferred tax | | 1,927 | 2,058 | 2,066 |
| **Non-current assets** | | **41,350** | **40,224** | **39,545** |
| Inventories and work in progress | 10 | 10,865 | 10,546 | 10,669 |
| Trade accounts receivable | 11 | 2,271 | 2,685 | 2,161 |
| Income taxes | | 301 | 280 | 338 |
| Other current assets | 12 | 2,604 | 2,343 | 2,228 |
| Cash and cash equivalents | 14 | 8,449 | 3,544 | 2,882 |
| **Current assets** | | **24,490** | **19,398** | **18,278** |
| **Total assets** | | **65,840** | **59,622** | **57,823** |

| LIABILITIES AND EQUITY<br>*(EUR millions)* | Notes | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|---|
| Share capital | 15.1 | 152 | 152 | 152 |
| Share premium account | 15.1 | 2,643 | 2,601 | 2,619 |
| Treasury shares and LVMH share-settled derivatives | 15.2 | (528) | (520) | (271) |
| Cumulative translation adjustment | 15.4 | 751 | 1,165 | 1,005 |
| Revaluation reserves | | 1,267 | 1,049 | 831 |
| Other reserves | | 20,444 | 17,965 | 18,615 |
| Net profit, Group share | | 2,119 | 3,981 | 1,711 |
| Equity, Group share | | 26,848 | 26,393 | 24,662 |
| Minority interests | 17 | 1,444 | 1,510 | 1,411 |
| **Equity** | | **28,292** | **27,903** | **26,073** |
| Long-term borrowings | 18 | 8,212 | 3,932 | 4,165 |
| Non-current provisions | 19 | 2,304 | 2,342 | 1,996 |
| Deferred tax | | 4,099 | 4,137 | 4,667 |
| Other non-current liabilities | 20 | 9,550 | 8,498 | 8,470 |
| **Non-current liabilities** | | **24,165** | **18,909** | **19,298** |
| Short-term borrowings | 18 | 4,869 | 3,447 | 4,579 |
| Trade accounts payable | 21.1 | 3,851 | 4,184 | 3,607 |
| Income taxes | | 465 | 428 | 411 |
| Current provisions | 19 | 346 | 352 | 353 |
| Other current liabilities | 21.2 | 3,852 | 4,399 | 3,502 |
| **Current liabilities** | | **13,383** | **12,810** | **12,452** |
| **Total liabilities and equity** | | **65,840** | **59,622** | **57,823** |

# 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 commitments | | Group share | Minority interests | Total |
| Notes | | 15.1 | | 15.2 | 15.4 | | | | | | | 17 | |
| **As of December 31, 2015** | **507,139,110** | **152** | **2,579** | **(240)** | **1,137** | **104** | **(11)** | **964** | **(108)** | **19,762** | **24,339** | **1,460** | **25,799** |
| Gains and losses recognized in equity | | | | | 28 | 23 | 19 | 113 | (55) | - | 128 | 52 | 180 |
| Net profit | | | | | | | | | | 3,981 | 3,981 | 382 | 4,363 |
| **Comprehensive income** | | **-** | **-** | **-** | **28** | **23** | **19** | **113** | **(55)** | **3,981** | **4,109** | **434** | **4,543** |
| Stock option plan and similar expenses | | | | | | | | | | 39 | 39 | 2 | 41 |
| (Acquisition)/disposal of treasury shares and LVMH share-settled derivatives | | | | (322) | | | | | | (21) | (343) | - | (343) |
| Exercise of LVMH share subscription options | 907,929 | | 64 | | | | | | | - | 64 | - | 64 |
| Retirement of LVMH shares | (920,951) | | (42) | 42 | | | | | | - | - | - | - |
| Capital increase in subsidiaries | | | | | | | | | | - | - | 41 | 41 |
| Interim and final dividends paid | | | | | | | | | | (1,811) | (1,811) | (272) | (2,083) |
| Changes in control of consolidated entities | | | | | | | | | | (5) | (5) | 22 | 17 |
| Acquisition and disposal of minority interests' shares | | | | | | | | | | (56) | (56) | (35) | (91) |
| Purchase commitments for minority interests' shares | | | | | | | | | | 57 | 57 | (142) | (85) |
| **As of December 31, 2016** | **507,126,088** | **152** | **2,601** | **(520)** | **1,165** | **127** | **8** | **1,077** | **(163)** | **21,946** | **26,393** | **1,510** | **27,903** |
| Gains and losses recognized in equity | | | | | (414) | 91 | 99 | 2 | 26 | - | (196) | (98) | (294) |
| Net profit | | | | | | | | | | 2,119 | 2,119 | 225 | 2,344 |
| **Comprehensive income** | | **-** | **-** | **-** | **(414)** | **91** | **99** | **2** | **26** | **2,119** | **1,923** | **127** | **2,050** |
| Stock option plan and similar expenses | | | | | | | | | | 24 | 24 | 1 | 25 |
| (Acquisition)/disposal of treasury shares and LVMH share-settled derivatives | | | | (15) | | | | | | 3 | (12) | - | (12) |
| Exercise of LVMH share subscription options | 646,188 | | 49 | | | | | | | - | 49 | - | 49 |
| Retirement of LVMH shares | (145,789) | | (7) | 7 | | | | | | - | - | - | - |
| Capital increase in subsidiaries | | | | | | | | | | - | - | 33 | 33 |
| Interim and final dividends paid | | | | | | | | | | (1,305) | (1,305) | (200) | (1,505) |
| Changes in control of consolidated entities | | | | | | | | | | (6) | (6) | 37 | 31 |
| Acquisition and disposal of minority interests' shares | | | | | | | | | | (83) | (83) | (55) | (138) |
| Purchase commitments for minority interests' shares | | | | | | | | | | (135) | (135) | (9) | (144) |
| **As of June 30, 2017** | **507,626,487** | **152** | **2,643** | **(528)** | **751** | **218** | **107** | **1,079** | **(137)** | **22,563** | **26,848** | **1,444** | **28,292** |
| | | | | | | | | | | | | | |
| **As of December 31, 2015** | **507,139,110** | **152** | **2,579** | **(240)** | **1,137** | **104** | **(11)** | **964** | **(108)** | **19,762** | **24,339** | **1,460** | **25,799** |
| Gains and losses recognized in equity | | | | | (132) | (88) | 22 | - | (52) | - | (250) | (28) | (278) |
| Net profit | | | | | | | | | | 1,711 | 1,711 | 152 | 1,863 |
| **Comprehensive income** | | **-** | **-** | **-** | **(132)** | **(88)** | **22** | **-** | **(52)** | **1,711** | **1,461** | **124** | **1,585** |
| Stock option plan and similar expenses | | | | | | | | | | 20 | 20 | 1 | 21 |
| (Acquisition)/disposal of treasury shares and LVMH share-settled derivatives | | | | (39) | | | | | | (8) | (47) | - | (47) |
| Exercise of LVMH share subscription options | 688,700 | | 48 | | | | | | | - | 48 | - | 48 |
| Retirement of LVMH shares | (158,811) | | (8) | 8 | | | | | | - | - | - | - |
| Capital increase in subsidiaries | | | | | | | | | | - | - | 6 | 6 |
| Interim and final dividends paid | | | | | | | | | | (1,106) | (1,106) | (222) | (1,328) |
| Changes in control of consolidated entities | | | | | | | | | | 10 | 10 | 20 | 30 |
| Acquisition and disposal of minority interests' shares | | | | | | | | | | (5) | (5) | (1) | (6) |
| Purchase commitments for minority interests' shares | | | | | | | | | | (58) | (58) | 23 | (35) |
| **As of June 30, 2016** | **507,668,999** | **152** | **2,619** | **(271)** | **1,005** | **16** | **11** | **964** | **(160)** | **20,326** | **24,662** | **1,411** | **26,073** |

# CONSOLIDATED CASH FLOW STATEMENT

| *(EUR millions)* | Notes | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|---|
| **I. OPERATING ACTIVITIES AND OPERATING INVESTMENTS** | | | | |
| Operating profit | | 3,545 | 6,904 | 2,919 |
| Income/(loss) and dividends from joint ventures and associates | 7 | 6 | 18 | 7 |
| Net increase in depreciation, amortization and provisions | | 1,010 | 2,143 | 843 |
| Other computed expenses | | (32) | (177) | (82) |
| Other adjustments | | (28) | (155) | (37) |
| **Cash from operations before changes in working capital** | | **4,501** | **8,733** | **3,650** |
| Cost of net financial debt: interest paid | | (37) | (59) | (23) |
| Tax paid | | (1,068) | (1,923) | (884) |
| **Net cash from operating activities before changes in working capital** | | **3,396** | **6,751** | **2,743** |
| Change in working capital | 14.2 | (1,130) | (512) | (1,111) |
| **Net cash from operating activities** | | **2,266** | **6,239** | **1,632** |
| Operating investments | 14.3 | (988) | (2,265) | (871) |
| **Net cash from operating activities and operating investments (free cash flow)** | | **1,278** | **3,974** | **761** |
| **II. FINANCIAL INVESTMENTS** | | | | |
| Purchase of non-current available for sale financial assets | 8, 13 | (53) | (28) [a] | (7) |
| Proceeds from sale of non-current available for sale financial assets | 8 | 18 | 91 | 64 |
| Dividends received | | 4 | 6 | 2 |
| Tax paid related to non-current available for sale financial assets and consolidated investments | | (1) | (461) | (260) |
| Impact of purchase and sale of consolidated investments | 2 | (409) | 310 | (110) |
| **Net cash from (used in) financial investments** | | **(441)** | **(82)** | **(311)** |
| **III. TRANSACTIONS RELATING TO EQUITY** | | | | |
| Capital increases of LVMH SE | 15.1 | 49 | 64 | 48 |
| Capital increases of subsidiaries subscribed by minority interests | 17 | 33 | 41 | 6 |
| Acquisition and disposals of treasury shares and LVMH share-settled derivatives | 15.2 | (10) | (352) | (51) |
| Interim and final dividends paid by LVMH SE | 15.3 | (1,306) | (1,810) | (1,106) |
| Tax paid related to interim and final dividends paid | | (100) | (145) | (92) |
| Interim and final dividends paid to minority interests in consolidated subsidiaries | 17 | (201) | (267) | (222) |
| Purchase and proceeds from sale of minority interests | 2 | (151) | (95) | (11) |
| **Net cash from (used in) transactions relating to equity** | | **(1,686)** | **(2,564)** | **(1,428)** |
| **Change in cash before financing activities** | | **(849)** | **1,328** | **(978)** |
| **IV. FINANCING ACTIVITIES** | | | | |
| Proceeds from borrowings | 18.1 | 7,002 | 913 | 927 |
| Repayment of borrowings | 18.1 | (1,019) | (2,134) | (414) |
| Purchase and proceeds from sale of current available for sale financial assets | 8, 13 | (24) | (113) [a] | (115) |
| **Net cash from (used in) financing activities** | | **5,959** | **(1,334)** | **398** |
| **V. EFFECT OF EXCHANGE RATE CHANGES** | | (132) | (47) | (46) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)** | | **4,978** | **(53)** | **(626)** |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD** | 14.1 | **3,337** | **3,390** | **3,390** |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | 14.1 | **8,315** | **3,337** | **2,764** |
| **TOTAL TAX PAID** | | **(1,169)** | **(2,529)** | **(1,236)** |

(a) The cash impact of non-current available for sale financial assets used to hedge net financial debt (see Note 18 to the 2016 consolidated financial statements) is presented under "IV. Financing activities", as "Purchase and proceeds from sale of current available for sale financial assets".

# 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, 2017 were approved by the Board of Directors on July 26, 2017. 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 in force on June 30, 2017; these standards and interpretations have been applied consistently to the periods presented.

The interim financial statements have been prepared using the same accounting principles and policies as those applied for the preparation of the annual financial statements, 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

**Standards, amendments and interpretations for which application became mandatory in 2017**

No new standards likely to have a significant impact on the Group's financial statements entered into force in 2017.

**Other changes in the accounting framework and standards for which application will become mandatory later than January 1, 2017**

The impact of the application of IFRS 15 Revenue from Contracts with Customers with effect from January 1, 2018 is being assessed. It should be of little significance in light of the nature of the Group's business activities.

The impact of the application of IFRS 9 Financial Instruments with effect from January 1, 2018 is also currently being assessed and quantified. This mainly pertains to the change in the accounting method for the ineffective portion of derivatives.

At the end of 2016, the Group began the process for applying IFRS 16 Leases, applicable with effect from January 1, 2019 (subject to its adoption by the European Union). The approximate impact on the balance sheet of the initial application of IFRS 16 may be assessed based on the amount of lease commitments as of December 31, 2016, i.e. 10 billion euros (see Note 30 to the 2016 consolidated financial statements). The inventory of the leases and the gathering of the information required to precisely estimate the balance sheet impact of the initial application of IFRS 16 are under way.

# 2. CHANGES IN OWNERSHIP INTERESTS IN CONSOLIDATED ENTITIES

## 2.1. Fashion and Leather Goods

### Rimowa

On January 23, 2017, pursuant to the transaction agreement announced on October 4, 2016, LVMH acquired an 80% stake in Rimowa, the luggage and leather goods maker founded in Cologne in 1898 and known for its innovative, high-quality luggage, with effect from January 2, 2017 and for consideration of 640 million euros. The 20% of the share capital that has not been acquired is covered by a put option granted by LVMH, exercisable from 2020. The difference in value of 128 million euros between the purchase commitment (recorded in Other non-current liabilities; see Note 20) and the minority interests was deducted from consolidated reserves. Rimowa has been fully consolidated within the Fashion and Leather Goods business group since January 2017.

The following table lays out the provisional allocation of the price paid by LVMH:

| *(EUR millions)* | **Provisional purchase price allocation** |
|---|---|
| Brand | - |
| Intangible assets and tangible fixed assets, net | 153 |
| Other non-current assets | 6 |
| Non-current provisions | (17) |
| Current assets | 138 |
| Current liabilities | (61) |
| Net financial debt | (57) |
| Deferred tax | 2 |
| **Net assets acquired** | **164** |
| Minority interests (20%) | (33) |
| **Net assets, Group share (80%)** | **131** |
| Provisional goodwill | 509 |
| **Carrying amount of shares held as of January 2, 2017** | **640** |

For the first half of 2017, Rimowa had consolidated revenue of 237 million euros and its profit from recurring operations totaled 23 million euros.

### Loro Piana

In February 2017, following the partial exercise of the put option held by the Loro Piana family for Loro Piana shares, LVMH acquired an additional 4.8% stake in the company, bringing its ownership interest to 84.8%. The difference between the acquisition price and minority interests was deducted from equity.

## 2.2. Other activities

See Note 31.

# 3. BRANDS, TRADE NAMES AND OTHER INTANGIBLE ASSETS

| *(EUR millions)* | | | **June 30, 2017** | **Dec. 31, 2016** | **June 30, 2016** |
|---|---|---|---|---|---|
| | **Gross** | **Amortization and impairment** | **Net** | **Net** | **Net** |
| Brands | 10,302 | (592) | 9,710 | 9,773 | 10,160 |
| Trade names | 3,864 | (1,591) | 2,273 | 2,440 | 2,330 |
| License rights | 93 | (78) | 15 | 16 | 17 |
| Leasehold rights | 704 | (365) | 339 | 338 | 322 |
| Software, websites | 1,485 | (1,118) | 367 | 362 | 310 |
| Other | 892 | (477) | 415 | 406 | 380 |
| **Total** | **17,340** | **(4,221)** | **13,119** | **13,335** | **13,519** |
| *Of which: assets held under finance leases* | *14* | *(14)* | - | - | - |

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

| **Gross value** *(EUR millions)* | Brands | Trade names | Software, websites | Leasehold rights | Other intangible assets | Total |
|---|---|---|---|---|---|---|
| **As of December 31, 2016** | **10,365** | **4,157** | **1,423** | **690** | **970** | **17,605** |
| Acquisitions | - | - | 47 | 27 | 130 | 204 |
| Disposals and retirements | - | - | (4) | (13) | (58) | (75) |
| Changes in the scope of consolidation | - | - | 4 | 8 | 4 | 16 |
| Translation adjustment | (61) | (293) | (36) | (7) | (16) | (413) |
| Reclassifications | (2) | - | 51 | (1) | (45) | 3 |
| **As of June 30, 2017** | **10,302** | **3,864** | **1,485** | **704** | **985** | **17,340** |

| **Accumulated amortization and impairment** *(EUR millions)* | Brands | Trade names | Software, websites | Leasehold rights | Other intangible assets | Total |
|---|---|---|---|---|---|---|
| **As of December 31, 2016** | **(592)** | **(1,717)** | **(1,061)** | **(352)** | **(548)** | **(4,270)** |
| Amortization expense | (14) | - | (80) | (23) | (70) | (187) |
| Impairment expense | - | - | - | - | - | - |
| Disposals and retirements | - | - | 4 | 11 | 55 | 70 |
| Changes in the scope of consolidation | - | - | (2) | (3) | (2) | (7) |
| Translation adjustment | 12 | 126 | 21 | 2 | 9 | 170 |
| Reclassifications | 2 | - | - | - | 1 | 3 |
| **As of June 30, 2017** | **(592)** | **(1,591)** | **(1,118)** | **(365)** | **(555)** | **(4,221)** |
| **Carrying amount as of June 30, 2017** | **9,710** | **2,273** | **367** | **339** | **430** | **13,119** |

Translation adjustments resulted mainly from intangible assets recognized in US dollars, based on fluctuations in the dollar-euro exchange rate by the end of the first half.

# 4. GOODWILL

| *(EUR millions)* | | | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|---|---|
| | Gross | Impairment | Net | Net | Net |
| Goodwill arising on consolidated investments | 8,229 | (1,651) | 6,578 | 6,115 | 6,269 |
| Goodwill arising on purchase commitments for minority interests' shares | 5,321 | - | 5,321 | 4,286 | 4,342 |
| **Total** | **13,550** | **(1,651)** | **11,899** | **10,401** | **10,611** |

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

| *(EUR millions)* | | | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|---|---|
| | Gross | Impairment | Net | Net | Net |
| **As of January 1** | **12,083** | **(1,682)** | **10,401** | **10,122** | **10,122** |
| Changes in the scope of consolidation [a] | 573 | 7 | 580 | (44) | 67 |
| Changes in purchase commitments for minority interests' shares | 1,037 | - | 1,037 | 348 | 416 |
| Changes in impairment | - | (51) | (51) | (97) | (8) |
| Translation adjustment | (143) | 75 | (68) | 72 | 14 |
| **As of period-end** | **13,550** | **(1,651)** | **11,899** | **10,401** | **10,611** |

(a) See Note 2.

Changes in the scope of consolidation were mainly attributable to the acquisition of Rimowa, see Note 2.

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

# 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 were subject to annual impairment testing as of December 31, 2016. No significant impairment expense was recognized during the first half of 2017, as no events likely to lead to a material loss in value occurred during the period.

# 6. PROPERTY, PLANT AND EQUIPMENT

| *(EUR millions)* | | | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|---|---|
| | Gross | Depreciation and impairment | Net | Net | Net |
| Land | 1,355 | (80) | 1,275 | 1,305 | 1,249 |
| Vineyard land and producing vineyards [a] | 2,579 | (107) | 2,472 | 2,474 | 2,436 |
| Buildings | 3,386 | (1,611) | 1,775 | 1,735 | 1,697 |
| Investment property | 872 | (55) | 817 | 855 | 567 |
| Leasehold improvements, machinery and equipment | 10,488 | (7,093) | 3,395 | 3,417 | 3,104 |
| Assets in progress | 925 | (1) | 924 | 950 | 892 |
| Other tangible fixed assets | 1,946 | (464) | 1,482 | 1,403 | 1,338 |
| **Total** | **21,551** | **(9,411)** | **12,140** | **12,139** | **11,283** |
| *Of which: assets held under finance leases* | *485* | *(209)* | *276* | *307* | *134* |
| *historical cost of vineyard land and producing vineyards* | *750* | *(107)* | *643* | *646* | *639* |

(a) Almost all of the carrying amount of "Vineyard land and producing vineyards" corresponds to vineyard land.

Movements in property, plant and equipment during the period 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, 2016** | **2,580** | **4,709** | **908** | **6,875** | **2,225** | **1,230** | **958** | **1,851** | **21,336** |
| Acquisitions | - | 40 | - | 181 | 46 | 20 | 388 | 93 | 768 |
| Change in the market value of vineyard land | 5 | - | - | - | - | - | - | - | 5 |
| Disposals and retirements | - | (25) | - | (105) | (11) | (16) | (2) | (15) | (174) |
| Changes in the scope of consolidation | - | 72 | - | 19 | 58 | 7 | 23 | 14 | 193 |
| Translation adjustment | (10) | (114) | (36) | (313) | (17) | (40) | (19) | (31) | (580) |
| Other movements, including transfers | 4 | 59 | - | 237 | 34 | 58 | (423) | 34 | 3 |
| **As of June 30, 2017** | **2,579** | **4,741** | **872** | **6,894** | **2,335** | **1,259** | **925** | **1,946** | **21,551** |

| 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, 2016** | **(106)** | **(1,669)** | **(53)** | **(4,479)** | **(1,544)** | **(890)** | **(8)** | **(448)** | **(9,197)** |
| Depreciation expense | (2) | (76) | (3) | (394) | (68) | (65) | - | (43) | (651) |
| Impairment expense | - | (1) | - | 3 | (1) | - | (1) | (1) | (1) |
| Disposals and retirements | - | 25 | - | 101 | 11 | 16 | 5 | 15 | 173 |
| Changes in the scope of consolidation | - | (12) | - | (8) | (23) | (4) | - | (3) | (50) |
| Translation adjustment | 2 | 46 | 1 | 209 | 11 | 30 | - | 16 | 315 |
| Other movements, including transfers | (1) | (4) | - | 1 | 1 | - | 3 | - | - |
| **As of June 30, 2017** | **(107)** | **(1,691)** | **(55)** | **(4,567)** | **(1,613)** | **(913)** | **(1)** | **(464)** | **(9,411)** |
| **Carrying amount as of June 30, 2017** | **2,472** | **3,050** | **817** | **2,327** | **722** | **346** | **924** | **1,482** | **12,140** |

Purchases of property, plant and equipment mainly include investments by the Group's brands, notably Louis Vuitton, Sephora, DFS, Fendi and Bvlgari, in their distribution networks. They also included investments related to the La Samaritaine project, in addition to investments by Hennessy and the champagne houses in their production equipment.

Translation adjustments arose mainly on property, plant and equipment recognized in US dollars, based on fluctuations in the dollar-euro exchange rate by the end of the first half.

Changes in the scope of consolidation were mainly attributable to the acquisition of Rimowa, see Note 2.

Other tangible fixed assets include in particular the works of art owned by the Group.

# 7. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

| *(EUR millions)* | June 30, 2017 | | | | Dec. 31, 2016 | | June 30, 2016 | |
|---|---|---|---|---|---|---|---|---|
| | Gross | Impairment | Net | *Of which joint arrangements* | Net | *Of which joint arrangements* | Net | *Of which joint arrangements* |
| **Share of net assets of joint ventures and associates as of January 1** | **770** | **-** | **770** | ***362*** | **729** | ***353*** | **729** | ***353*** |
| Share of net profit (loss) for the period | (1) | - | (1) | *-* | 3 | *4* | 4 | *2* |
| Dividends paid | (5) | - | (5) | *-* | (21) | *(8)* | (11) | *-* |
| Changes in the scope of consolidation | (77) | - | (77) | *(80)* | 27 | *-* | 27 | *-* |
| Capital increases subscribed | 3 | - | 3 | *2* | 4 | *3* | - | *-* |
| Translation adjustment | (22) | - | (22) | *(4)* | 7 | *(1)* | (1) | *(2)* |
| Other, including transfers | 3 | - | 3 | *4* | 21 | *11* | 6 | *4* |
| **Share of net assets of joint ventures and associates as of period-end** | **671** | **-** | **671** | ***284*** | **770** | ***362*** | **754** | ***357*** |

Changes in the scope of consolidation were mainly attributable to the sale of the Group's stake in De Beers Diamond Jewellers.

# 8. NON-CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

| *(EUR millions)* | June 30, 2017 | | | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|---|---|
| | Gross | Impairment | Net | Net | Net |
| **Total** | **968** | **(228)** | **740** | **744** | **643** |

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

| *(EUR millions)* | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| **As of January 1** | **744** | **574** | **574** |
| Acquisitions | 53 | 147 | 127 |
| Disposals at net realized value | (18) | (44) | (16) |
| Changes in market value | 57 | 2 | (33) |
| Changes in impairment | (2) | (22) | (5) |
| Changes in the scope of consolidation | 5 | 67 | - |
| Translation adjustment | (39) | 20 | (4) |
| Reclassifications | (60) | - | - |
| **As of period-end** | **740** | **744** | **643** |

# 9. OTHER NON-CURRENT ASSETS

| (EUR millions) | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Warranty deposits | 303 | 295 | 291 |
| Derivatives [a] | 255 | 168 | 147 |
| Loans and receivables | 272 | 288 | 196 |
| Other | 24 | 26 | 35 |
| **Total** | **854** | **777** | **669** |

(a) See Note 22.

# 10. INVENTORIES AND WORK IN PROGRESS

| (EUR millions) | | | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|---|---|
| | Gross | Impairment | Net | Net | Net |
| Wines and *eaux-de-vie* in the process of aging | 4,397 | (11) | 4,386 | 4,281 | 4,228 |
| Other raw materials and work in progress | 1,848 | (383) | 1,465 | 1,225 | 1,284 |
| | 6,245 | (394) | 5,851 | 5,506 | 5,512 |
| Goods purchased for resale | 2,057 | (210) | 1,847 | 1,819 | 1,671 |
| Finished products | 3,994 | (827) | 3,167 | 3,221 | 3,486 |
| | 6,051 | (1,037) | 5,014 | 5,040 | 5,157 |
| **Total** | **12,296** | **(1,431)** | **10,865** | **10,546** | **10,669** |

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

| (EUR millions) | | | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|---|---|
| | Gross | Impairment | Net | Net | Net |
| **As of January 1** | **11,967** | **(1,421)** | **10,546** | **10,096** | **10,096** |
| Change in gross inventories | 938 | - | 938 | 819 | 795 |
| Impact of provision for returns [a] | (5) | - | (5) | (4) | (7) |
| Impact of marking harvests to market | 5 | - | 5 | (19) | - |
| Changes in provision for impairment | - | (143) | (143) | (377) | (198) |
| Changes in the scope of consolidation | (129) | (11) | (140) | (62) | - |
| Translation adjustment | (381) | 48 | (333) | 93 | (17) |
| Other, including reclassifications | (99) | 96 | (3) | - | - |
| **As of period-end** | **12,296** | **(1,431)** | **10,865** | **10,546** | **10,669** |

(a) See Note 1.25 to the 2016 consolidated financial statements.

Changes in the scope of consolidation mainly related to the acquisition of Rimowa (see Note 2) as well as the disposal of a Royal Van Lent subsidiary (see Note 31).

Translation adjustments arose mainly on inventories recognized in US dollars, based on fluctuations in the dollar-euro exchange rate by the end of the first half.

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

| *(EUR millions)* | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Impact of marking the period's harvest to market | 14 | 13 | 12 |
| Impact of inventory sold during the period | (9) | (32) | (12) |
| **Net impact on cost of sales of the period** | **5** | **(19)** | **-** |

# 11. TRADE ACCOUNTS RECEIVABLE

| *(EUR millions)* | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Trade accounts receivable, nominal amount | 2,537 | 2,979 | 2,423 |
| Provision for impairment | (63) | (66) | (68) |
| Provision for product returns [a] | (203) | (228) | (194) |
| **Net amount** | **2,271** | **2,685** | **2,161** |

(a) See Note 1.25 to the 2016 consolidated financial statements.

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

| *(EUR millions)* | | | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|---|---|
| | Gross | Impairment | Net | Net | Net |
| **As of January 1** | **2,751** | **(66)** | **2,685** | **2,521** | **2,521** |
| Changes in gross receivables | (387) | - | (387) | 122 | (392) |
| Changes in provision for impairment | - | 3 | 3 | (1) | - |
| Changes in provision for product returns [a] | 19 | - | 19 | 5 | 35 |
| Changes in the scope of consolidation | 25 | - | 25 | (16) | (3) |
| Translation adjustment | (78) | 1 | (77) | 46 | (4) |
| Reclassifications | 3 | - | 3 | 8 | 4 |
| **As of period-end** | **2,333** | **(62)** | **2,271** | **2,685** | **2,161** |

(a) See Note 1.25 to the 2016 consolidated financial statements.

The trade accounts receivable balance is comprised essentially of receivables from wholesalers or agents, who are limited in number and with whom the Group maintains ongoing relationships for the most part. As of June 30, 2017, coverage of customer credit risk had been requested from insurers for the majority of trade receivables, approximately 88% of the amount of which was granted, versus 90% as of December 31, 2016 and 87% as of June 30, 2016.

# 12. OTHER CURRENT ASSETS

| *(EUR millions)* | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Current available for sale financial assets [a] | 510 | 374 | 351 |
| Derivatives [b] | 447 | 261 | 294 |
| Tax accounts receivable, excluding income taxes | 590 | 620 | 560 |
| Advances and payments on account to vendors | 139 | 191 | 116 |
| Prepaid expenses | 460 | 379 | 412 |
| Other receivables | 458 | 518 | 495 |
| **Total** | **2,604** | **2,343** | **2,228** |

(a) See Note 13.
(b) See Note 22.

# 13. CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

| *(EUR millions)* | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Unlisted securities, shares in non-money market SICAVs and funds | - | - | 151 |
| Listed securities and term deposits | 510 | 374 | 200 |
| **Total** | **510** | **374** | **351** |
| *Of which: historical cost of current available for sale financial assets* | *428* | *351* | *429* |

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

| *(EUR millions)* | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| **As of January 1** | **374** | **385** | **385** |
| Acquisitions | 93 | 151 | 157 |
| Disposals at net realized value | (82) | (181) | (150) |
| Changes in market value | 69 | 19 | (41) |
| Changes in impairment | - | - | - |
| Changes in the scope of consolidation | - | - | - |
| Translation adjustment | (4) | - | - |
| Reclassifications | 60 | - | - |
| **As of period-end** | **510** | **374** | **351** |

# 14. CASH AND CHANGE IN CASH

## 14.1. Cash and cash equivalents

| *(EUR millions)* | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Term deposits (less than 3 months) | 812 | 520 | 471 |
| SICAV and FCP funds | 3,391 | 668 | 457 |
| Ordinary bank accounts | 4,246 | 2,356 | 1,954 |
| **Cash and cash equivalents per balance sheet** | **8,449** | **3,544** | **2,882** |

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, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Cash and cash equivalents | 8,449 | 3,544 | 2,882 |
| Bank overdrafts | (134) | (207) | (118) |
| **Net cash and cash equivalents per cash flow statement** | **8,315** | **3,337** | **2,764** |

The cash position as of June 30, 2017 includes the funds raised in connection with the bond issues carried out in May and June 2017 to finance the acquisition of Christian Dior Couture. See Note 18.

## 14.2. Change in working capital

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

| *(EUR millions)* | Notes | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|---|
| Change in inventories and work in progress | 10 | (938) | (819) | (795) |
| Change in trade accounts receivable [(a)] | 11 | 366 | (113) | 376 |
| Change in trade accounts payable | 21 | (263) | 235 | (300) |
| Change in other receivables and payables | | (295) | 185 | (392) |
| **Change in working capital [(b)]** | | **(1,130)** | **(512)** | **(1,111)** |

(a) Including a negative impact of 21 million euros related to amounts owed to customers (versus a positive impact of 9 million euros as of December 31, 2016 and negative impact of 16 million euros as of June 30, 2016).
(b) Increase/(Decrease) in cash and cash equivalents.

## 14.3. Operating investments

Operating investments comprise the following elements for the periods presented:

| *(EUR millions)* | Notes | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|---|
| Purchase of intangible fixed assets | 3 | (204) | (440) | (185) |
| Purchase of tangible fixed assets [(a)] | 6 | (768) | (2,150) | (762) |
| Deduction of purchase under finance lease | | - | 204 | 46 |
| Changes in accounts payable related to fixed asset purchases | | (21) | 125 | 26 |
| **Net cash used in purchases of fixed assets** | | **(993)** | **(2,261)** | **(875)** |
| **Net cash from fixed asset disposals** | | **13** | **6** | **4** |
| Guarantee deposits paid and other cash flows related to operating investments | | (8) | (10) | - |
| **Operating investments [(b)]** | | **(988)** | **(2 265)** | **(871)** |

(a) Including finance lease acquisitions.
(b) Increase/(Decrease) in cash and cash equivalents.

# 15. EQUITY

## 15.1. Share capital and share premium account

As of June 30, 2017, the share capital consisted of 507,626,487 fully paid-up shares (507,126,088 shares as of December 31, 2016 and 507,668,999 shares as of June 30, 2016), with a par value of 0.30 euros per share, including 230,087,347 shares with double voting rights (229,432,106 as of December 31, 2016 and 229,631,995 as of June 30, 2016). Double voting rights are attached to registered shares held for more than three years.

During the six-month period, 646,188 shares were issued following the exercise of share subscription options, which resulted in an increase in the share capital and share premium account of 49 million euros, and 145,789 shares were retired, which resulted in a reduction of the share capital and share premium account of 7 million euros.

## 15.2. LVMH treasury shares

The portfolio of LVMH treasury shares is allocated as follows:

| *(Number of shares or EUR millions)* | | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|---|
| | Number | Amount | Amount | Amount |
| Share subscription option plans | 1,889,594 | 90 | 98 | 131 |
| Bonus share plans | 1,082,582 | 91 | 90 | 95 |
| **Shares held for stock option and similar plans** [a] | **2,972,176** | **181** | **188** | **226** |
| Liquidity contract | 83,000 | 19 | 15 | 17 |
| Shares pending retirement | 1,952,960 | 328 | 317 | 28 |
| **LVMH treasury shares** | **5,008,136** | **528** | **520** | **271** |

(a) See Note 16 regarding stock option and similar plans.

The market value of LVMH shares held under the liquidity contract as of June 30, 2017 amounts to 18 million euros.

The portfolio movements of LVMH treasury shares during the six-month period were as follows:

| *(Number of shares or EUR millions)* | Number | Amount | Impact on cash |
|---|---|---|---|
| **As of December 31, 2016** | **5,097,122** | **520** | |
| Share purchases [a] | 381,602 | 77 | (77) |
| Vested bonus shares | - | - | - |
| Retirement of shares | (145,789) | (7) | - |
| Disposals at net realized value [a] | (324,799) | (67) | 67 |
| Gain/(loss) on disposal | - | 5 | - |
| **As of June 30, 2017** | **5,008,136** | **528** | **(10)** |

(a) Purchases and sales of LVMH shares mainly related to the management of the liquidity contract.

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

| *(EUR millions, except for data per share in EUR)* | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Interim dividend for the current fiscal year (2016: 1.40 euros) | - | 710 | - |
| Impact of treasury shares | - | (6) | - |
| **Gross amount disbursed for the fiscal year** | **-** | **704** | **-** |
| Final dividend for the previous fiscal year (2016: 2.60 euros; 2015: 2.20 euros) | 1,318 | 1,115 | 1,115 |
| Impact of treasury shares | (13) | (9) | (9) |
| **Gross amount disbursed for the previous fiscal year** | **1,305** | **1,106** | **1,106** |
| **Total gross amount disbursed during the period** [a] | **1,305** | **1,810** | **1,106** |

(a) Excluding the impact of tax regulations applicable to the recipient.

The final dividend for fiscal year 2016 was distributed on April 21, 2017 in accordance with the resolutions of the Shareholders' Meeting of April 13, 2017.

At its meeting of July 26, 2017, the Board of Directors approved the payment on December 7, 2017, of an interim dividend of 1.60 euros per share for fiscal year 2017.

## 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, breaks down as follows by currency:

| *(EUR millions)* | June 30, 2017 | Change | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|---|
| US dollar | 249 | (259) | 508 | 421 |
| Swiss franc | 717 | (45) | 762 | 727 |
| Japanese yen | 93 | (3) | 96 | 114 |
| Hong Kong dollar | 384 | (109) | 493 | 425 |
| Pound sterling | (102) | (17) | (85) | (61) |
| Other currencies | (122) | (28) | (94) | (121) |
| Foreign currency net investment hedges [a] | (468) | 47 | (515) | (500) |
| **Total, Group share** | **751** | **(414)** | **1,165** | **1,005** |

(a) Including -143 million euros with respect to the US dollar (-169 million euros as of December 31, 2016 and -169 million euros as of June 30, 2016), and -123 million euros with respect to the Hong Kong dollar (-135 million euros as of December 31, 2016 and -127 million euros as of June 30, 2016). These amounts include the tax impact.

# 16. STOCK OPTION AND SIMILAR PLANS

## 16.1. Share subscription option plans

The number of unexercised share subscription options and the weighted average exercise price changed as follows during the periods presented:

| | June 30, 2017 | | Dec. 31, 2016 | | June 30, 2016 | |
|---|---|---|---|---|---|---|
| | Number | Weighted average exercise price (EUR) | Number | Weighted average exercise price (EUR) | Number | Weighted average exercise price (EUR) |
| **Share subscription options outstanding as of January 1** | **1,903,010** | **65.17** | **2,821,150** | **66.79** | **2,821,150** | **66.79** |
| Options expired | (13,416) | 75.41 | (10,211) | 68.07 | (9,794) | 70.87 |
| Options exercised | (646,188) | 75.49 | (907,929) | 70.19 | (688,700) | 70.54 |
| **Share subscription options outstanding as of period-end** | **1,243,406** | **59.69** | **1,903,010** | **65.17** | **2,122,656** | **65.56** |

## 16.2. Bonus share plans

The number of non-vested shares awarded changed as follows during the periods presented:

| *(number of shares)* | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| **Non-vested shares as of January 1** | **1,312,587** | **1,456,068** | **1,456,068** |
| Shares initially awarded during the period | 46,860 | 360,519 | - |
| Shares vested during the period | (345) | (465,660) | (196,936) |
| Shares expired during the period | (19,455) | (38,340) | (27,094) |
| **Non-vested shares as of period-end** | **1,339,647** | **1,312,587** | **1,232,038** |

Vested share allocations were settled in existing shares held.

The LVMH closing share price the day before the grant date of the plan dated April 13, 2017 was 208.85 euros.

## 16.3. Expense for the period

| *(EUR millions)* | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| **Expense for the period for share subscription option and bonus share plans** | **25** | **41** | **21** |

The unit value of non-vested bonus shares in awards granted as of April 13, 2017 was 195.66 euros at the time of the grant.

# 17. MINORITY INTERESTS

| *(EUR millions)* | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| **As of January 1** | **1,510** | **1,460** | **1,460** |
| Minority interests' share of net profit | 225 | 382 | 152 |
| Dividends paid to minority interests | (200) | (272) | (222) |
| Impact of changes in control of consolidated entities | 37 | 22 | 20 |
| *Of which: Rimowa* | *33* | - | - |
| *Other* | *4* | *22* | *20* |
| Impact of acquisition and disposal of minority interests' shares | (55) | (35) | (1) |
| *Of which: Loro Piana* | *(55)* | - | - |
| *Other* | - | *(35)* | *(1)* |
| Total impact of changes in the ownership interests in consolidated entities | (18) | (13) | 19 |
| Capital increases subscribed by minority interests | 33 | 41 | 6 |
| Minority interests' share in gains and losses recognized in equity | (98) | 52 | (28) |
| Minority interests' share in stock option plan expenses | 1 | 2 | 1 |
| Impact of changes in minority interests with purchase commitments | (9) | (142) | 23 |
| **As of period-end** | **1,444** | **1,510** | **1,411** |

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 | Total share of minority interests |
|---|---|---|---|---|---|
| **As of December 31, 2016** | **220** | **-** | **248** | **(35)** | **433** |
| Changes for the period | (111) | 12 | 1 | - | (98) |
| **As of June 30, 2017** | **109** | **12** | **249** | **(35)** | **335** |

Dividends paid to Diageo during the first half of 2017 in respect of fiscal year 2016 amounted to 150 million euros. Net profit attributable to Diageo for the first half of 2017 was 150 million euros, and its share in minority interests (before recognition of the purchase commitment granted to Diageo) came to 2,884 million euros as of June 30, 2017.

# 18. BORROWINGS

## 18.1. Net financial debt

| *(EUR millions)* | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Bonds and Euro Medium Term Notes (EMTNs) | 7,850 | 3,476 | 3,877 |
| Bank borrowings and finance leases | 362 | 456 | 288 |
| **Long-term borrowings** | **8,212** | **3,932** | **4,165** |
| Bonds and Euro Medium Term Notes (EMTNs) | 904 | 1,377 | 1,636 |
| Commercial paper | 3,151 | 1,204 | 2,202 |
| Bank overdrafts | 134 | 207 | 118 |
| Other short-term borrowings | 680 | 659 | 623 |
| **Short-term borrowings** | **4,869** | **3,447** | **4,579** |
| **Gross borrowings** | **13,081** | **7,379** | **8,744** |
| Interest rate risk derivatives | (44) | (65) | (86) |
| **Gross borrowings after derivatives** | **13,037** | **7,314** | **8,658** |
| Current available for sale financial assets [a] | (510) | (374) | (351) |
| Non-current available for sale financial assets used to hedge financial debt [b] | (121) | (131) | (122) |
| Cash and cash equivalents [c] | (8,449) | (3,544) | (2,882) |
| **Net financial debt** | **3,957** | **3,265** | **5,303** |

(a) See Note 13.
(b) See Note 8 to the 2016 consolidated financial statements.
(c) See Note 14.1.

In May 2017, LVMH carried out a bond issue divided into four tranches totaling 4.5 billion euros, comprised of 3.25 billion euros in fixed-rate bonds and 1.25 billion euros in floating-rate bonds.

In addition, in June 2017, LVMH issued 400 million pounds sterling in fixed-rate bonds maturing in June 2022. At the time these bonds were issued, swaps were entered into that converted them into fixed-rate borrowings.

The main features of these bond issues are as follows:

| **Nominal amount** *(in currency)* | **Maturity** | **Initial effective interest rate** *(%)* |
|---|---|---|
| EUR 1,250,000,000 | November 2018 | floating |
| EUR 1,250,000,000 | May 2020 | 0.13 |
| EUR 800,000,000 | May 2022 | 0.46 |
| EUR 1,200,000,000 | May 2024 | 0.82 |
| GBP 400,000,000 | June 2022 | 1.09 |

These transactions occurred in connection with the acquisition of Christian Dior Couture (see Note 32), completed in early July, 2017.

During the half-year period, LVMH repaid the 850 million US dollar bond issued in 2012 and the 150 million euro bond issued in 2009.

Net financial debt does not take into consideration purchase commitments for minority interests included in "Other non-current liabilities" (see Note 20).

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

| (EUR millions) | | Gross borrowings | | | Impacts of derivatives | | | Gross borrowings after derivatives | |
|---|---|---|---|---|---|---|---|---|---|
| | Fixed rate | Floating rate | Total | Fixed rate | Floating rate | Total | Fixed rate | Floating rate | Total |
| Maturity: June 30, 2018 | 4,685 | 184 | 4,869 | (401) | 395 | (6) | 4,284 | 579 | 4,863 |
| June 30, 2019 | 26 | 1,805 | 1,831 | - | - | - | 26 | 1,805 | 1,831 |
| June 30, 2020 | 1,986 | - | 1,986 | (355) | 342 | (13) | 1,631 | 342 | 1,973 |
| June 30, 2021 | 1,248 | - | 1,248 | (404) | 395 | (9) | 844 | 395 | 1,239 |
| June 30, 2022 | 1,920 | - | 1,920 | (1,112) | 1,096 | (16) | 808 | 1,096 | 1,904 |
| June 30, 2023 | 11 | - | 11 | - | - | - | 11 | - | 11 |
| Thereafter | 1,212 | 4 | 1,216 | - | - | - | 1,212 | 4 | 1,216 |
| **Total** | **11,088** | **1,993** | **13,081** | **(2,272)** | **2,228** | **(44)** | **8,816** | **4,221** | **13,037** |

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

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

| (EUR millions) | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Euro | 11,117 | 5,491 | 6,628 |
| US dollar | 760 | 634 | 570 |
| Swiss franc | 628 | 639 | 908 |
| Japanese yen | 252 | 281 | 227 |
| Other currencies | 280 | 269 | 325 |
| **Total** | **13,037** | **7,314** | **8,658** |

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

# 19. PROVISIONS

| (EUR millions) | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Provisions for pensions, medical costs and similar commitments | 664 | 698 | 726 |
| Provisions for contingencies and losses | 1,634 | 1,626 | 1,245 |
| Provisions for reorganization | 6 | 18 | 25 |
| **Non-current provisions** | **2,304** | **2,342** | **1,996** |
| Provisions for pensions, medical costs and similar commitments | 3 | 4 | 3 |
| Provisions for contingencies and losses | 294 | 319 | 324 |
| Provisions for reorganization | 49 | 29 | 26 |
| **Current provisions** | **346** | **352** | **353** |
| **Total** | **2,650** | **2,694** | **2,349** |

During the six-month period, the changes in provisions were as follows:

| *(EUR millions)* | Dec. 31, 2016 | Increases | Amounts used | Amounts released | Changes in the scope of consolidation | Other [a] | June 30, 2017 |
|---|---|---|---|---|---|---|---|
| Provisions for pensions, medical costs and similar commitments | 702 | 47 | (30) | - | 1 | (53) | 667 |
| Provisions for contingencies and losses | 1,945 | 136 | (122) | (36) | 17 | (12) | 1,928 |
| Provisions for reorganization | 47 | 33 | (24) | (1) | 3 | (3) | 55 |
| **Total** | **2,694** | **216** | **(176)** | **(37)** | **21** | **(68)** | **2,650** |
| *Of which: profit from recurring operations* | | *176* | *(168)* | *(28)* | | | |
| *net financial income (expense)* | | *1* | *-* | *-* | | | |
| *other* | | *39* | *(8)* | *(9)* | | | |

(a) Including the impact of translation adjustment and change in revaluation reserves.

## 20. OTHER NON-CURRENT LIABILITIES

| *(EUR millions)* | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Purchase commitments for minority interests' shares | 8,948 | 7,877 | 7,871 |
| Derivatives [a] | 145 | 134 | 68 |
| Employee profit sharing | 75 | 91 | 77 |
| Other liabilities | 382 | 396 | 454 |
| **Total** | **9,550** | **8,498** | **8,470** |

(a) See Note 22.

As of June 30, 2017, purchase commitments for minority interests' shares mainly include the put option granted by LVMH 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.

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

Purchase commitments for minority interests' shares also include commitments relating to minority shareholders in Loro Piana (15%), Rimowa (20%), Fresh (20%) and distribution subsidiaries in various countries, mainly in the Middle East.

# 21. TRADE ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

## 21.1. Trade accounts payable

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

| *(EUR millions)* | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| **As of January 1** | **4,184** | **3,960** | **3,960** |
| Changes in trade accounts payable | (263) | 235 | (300) |
| Changes in amounts owed to customers | (21) | 9 | (16) |
| Changes in the scope of consolidation | 41 | (36) | (5) |
| Translation adjustment | (103) | 46 | (22) |
| Reclassifications | 14 | (30) | (10) |
| **As of period-end** | **3,852** | **4,184** | **3,607** |

## 21.2. Other current liabilities

| *(EUR millions)* | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Derivatives [a] | 86 | 207 | 201 |
| Employees and social institutions | 1,139 | 1,329 | 1,064 |
| Employee profit sharing | 57 | 103 | 57 |
| Taxes other than income taxes | 443 | 574 | 404 |
| Advances and payments on account from customers | 283 | 237 | 212 |
| Deferred payment for non-current assets | 522 | 590 | 481 |
| Deferred income | 249 | 251 | 205 |
| Other liabilities | 1,073 | 1,108 | 878 |
| **Total** | **3,852** | **4,399** | **3,502** |

(a) See 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.

The management of foreign exchange and interest rate risk, in addition to transactions involving shares and financial instruments, is centralized.

The Group has implemented a stringent policy and 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, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|---|---|---|
| **Interest rate risk** | Assets: | non-current | | 37 | 53 | 75 |
| | | current | | 16 | 17 | 22 |
| | Liabilities: | non-current | | (4) | - | - |
| | | current | | (5) | (5) | (11) |
| | | | 22.3 | **44** | **65** | **86** |
| **Foreign exchange risk** | Assets: | non-current | | 82 | 46 | 45 |
| | | current | | 431 | 244 | 266 |
| | Liabilities: | non-current | | (5) | (65) | (40) |
| | | current | | (79) | (199) | (190) |
| | | | 22.4 | **429** | **26** | **81** |
| **Other risks** | Assets: | non-current | | 136 | 69 | 27 |
| | | current | | - | - | 6 |
| | Liabilities: | non-current | | (136) | (69) | (28) |
| | | current | | (2) | (3) | - |
| | | | 22.5 | **(2)** | **(3)** | **5** |
| **Total** | Assets: | non-current | 9 | 255 | 168 | 147 |
| | | current | 12 | 447 | 261 | 294 |
| | Liabilities: | non-current | 20 | (145) | (134) | (68) |
| | | current | 21 | (86) | (207) | (201) |
| | | | | **471** | **88** | **172** |

## 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 impact of significant changes in interest rates.

For these purposes, the Group uses interest rate swaps and options.

Derivatives used to manage interest rate risk outstanding as of June 30, 2017 break down as follows:

| *(EUR millions)* | Nominal amounts by maturity | | | | Market value [a] [b] | | |
|---|---|---|---|---|---|---|---|
| | Less than one year | One to five years | More than five years | Total | Fair value hedges | Not allocated | Total |
| Interest rate swaps in euros, floating-rate payer | - | 2,254 | - | 2,254 | 45 | - | 45 |
| Interest rate swaps in euros, fixed-rate payer | - | 457 | - | 457 | 2 | - | 2 |
| Foreign currency swaps | 495 | 565 | - | 1,060 | (3) | - | (3) |
| Other interest rate risk derivatives | - | 175 | - | 175 | - | - | - |
| **Total** | | | | | **44** | **-** | **44** |

(a) Gain/(Loss).
(b) See Note 1.9 to the 2016 consolidated financial statements regarding the methodology used for market value measurement.

## 22.4. Derivatives used to manage foreign exchange risk

A significant part 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 intercompany 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 to transactions anticipated for future periods (cash flow hedges).

Future foreign currency-denominated cash flows are broken down as part of the budget preparation process and are hedged progressively over a period not exceeding one year unless a longer period is justified by probable commitments. As such, and according to market trends, identified foreign exchange risks are hedged using forward contracts or options.

The Group may also use appropriate financial instruments to hedge the net worth of subsidiaries outside the eurozone, 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, 2017 break down as follows:

| *(EUR millions)* | Nominal amounts by fiscal year of allocation [a] | | | | Market value [b] [c] | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2017 | 2018 | Thereafter | Total | Fair value hedges | Future cash flow hedges | Foreign currency net investment hedges | Not allocated | Total |
| **Options purchased** | | | | | | | | | |
| Put USD | 3 | - | - | 3 | - | - | - | - | - |
| Put GBP | 4 | - | - | 4 | - | - | - | - | - |
| | **7** | **-** | **-** | **7** | **-** | **-** | **-** | **-** | **-** |
| **Collars** | | | | | | | | | |
| Written USD | 2,722 | 2,886 | - | 5,608 | 9 | 225 | - | 3 | 237 |
| Written JPY | 517 | 554 | - | 1,071 | 5 | 72 | - | 1 | 78 |
| Written GBP | 160 | 38 | - | 198 | - | 4 | - | - | 4 |
| | **3,399** | **3,478** | **-** | **6,877** | **14** | **301** | **-** | **4** | **319** |
| **Forward exchange contracts** | | | | | | | | | |
| USD | (38) | (51) | - | (89) | (1) | (3) | - | - | (4) |
| CHF | (214) | - | - | (214) | (1) | (2) | - | - | (3) |
| Other | 188 | - | - | 188 | 4 | - | - | 1 | 5 |
| | **(64)** | **(51)** | **-** | **(115)** | **2** | **(5)** | **-** | **1** | **(2)** |
| **Foreign exchange swaps** | | | | | | | | | |
| USD | 1,968 | 888 | (526) | 2,330 | 83 | - | 19 | (5) | 97 |
| CHF | 303 | - | - | 303 | - | - | 6 | - | 6 |
| GBP | 176 | (6) | - | 170 | (42) | - | - | - | (42) |
| JPY | 396 | - | - | 396 | 16 | - | 2 | - | 18 |
| CNY | 147 | 49 | 29 | 225 | 8 | - | - | - | 8 |
| Other | 293 | - | - | 293 | 11 | - | 14 | - | 25 |
| | **3,283** | **931** | **(497)** | **3,717** | **76** | **-** | **41** | **(5)** | **112** |
| **Total** | **-** | **-** | **-** | **-** | **92** | **296** | **41** | **-** | **429** |

(a) Sale/(Purchase).
(b) See Note 1.9 to the 2016 consolidated financial statements regarding the methodology used for market value measurement.
(c) Gain/(Loss).

### 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 subsidiaries, 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, to hedge cash-settled compensation plans index-linked to the LVMH share price, or to hedge certain risks related to changes in the LVMH share price. If applicable, 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.

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 future deliveries of alloys with precious metal refiners, or the price of semi-finished products with producers; or directly by purchasing hedges from top-ranking banks. In the latter case, gold may be purchased from banks, or future and/or options contracts may be taken out with a physical delivery of the gold. Derivatives outstanding relating to the hedging of precious metal prices as of June 30, 2017 have a negative market value of 2 million euros. Considering nominal values of 150 million euros for those derivatives, a uniform 1% change in their underlying assets' prices as of June 30, 2017 would have a net impact on the Group's consolidated reserves in an amount of less than 1 million euros. These instruments mature in 2017 and 2018.

## 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 and Watches and Jewelry – comprise brands dealing with the same category of products that use similar production and distribution processes. Information on Louis Vuitton and Bvlgari is presented according to the brand's main business, namely the Fashion and Leather Goods business group for Louis Vuitton and the Watches and Jewelry business group for Bvlgari. The Selective Retailing business group 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 above-mentioned business groups, particularly the media division, the Dutch luxury yacht maker Royal Van Lent, hotel operations and holding or real estate companies.

## 23.1. Information by business group

### First half 2017

| *(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 | 2,275 | 6,876 | 2,187 | 1,794 | 6,264 | 318 | - | 19,714 |
| Intra-Group sales | 19 | 23 | 483 | 44 | 16 | 8 | (593) | - |
| **Total revenue** | **2,294** | **6,899** | **2,670** | **1,838** | **6,280** | **326** | **(593)** | **19,714** |
| Profit from recurring operations | 681 | 2,192 | 292 | 234 | 441 | (175) | (25) | 3,640 |
| Other operating income and expenses | (7) | (14) | (3) | (26) | (39) | (6) | - | (95) |
| Depreciation and amortization expense | (74) | (294) | (112) | (106) | (223) | (29) | - | (838) |
| Impairment expense | - | - | (1) | - | (49) | (2) | - | (52) |
| Intangible assets and goodwill [b] | 6,260 | 7,100 | 1,296 | 5,875 | 3,433 | 1,054 | - | 25,018 |
| Property, plant and equipment | 2,651 | 2,174 | 560 | 513 | 1,721 | 4,528 | (7) | 12,140 |
| Inventories | 5,105 | 1,622 | 653 | 1,552 | 2,192 | 19 | (278) | 10,865 |
| Other operating assets | 1,090 | 829 | 924 | 689 | 796 | 1,280 | 12,209 [c] | 17,817 |
| **Total assets** | **15,106** | **11,725** | **3,433** | **8,629** | **8,142** | **6,881** | **11,924** | **65,840** |
| Equity | - | - | - | - | - | - | 28,292 | 28,292 |
| Liabilities | 1,349 | 2,748 | 1,452 | 963 | 2,346 | 1,269 | 27,421 [d] | 37,548 |
| **Total liabilities and equity** | **1,349** | **2,748** | **1,452** | **963** | **2,346** | **1,269** | **55,713** | **65,840** |
| Operating investments [e] | (108) | (245) | (112) | (130) | (261) | (132) | - | (988) |

### Fiscal year 2016

| *(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 | 4,805 | 12,735 | 4,083 | 3,409 | 11,945 | 623 | - | 37,600 |
| Intra-Group sales | 30 | 40 | 870 | 59 | 28 | 15 | (1,042) | - |
| **Total revenue** | **4,835** | **12,775** | **4,953** | **3,468** | **11,973** | **638** | **(1,042)** | **37,600** |
| Profit from recurring operations | 1,504 | 3,873 | 551 | 458 | 919 | (244) | (35) | 7,026 |
| Other operating income and expenses | (60) | 10 | (9) | (30) | (64) | 31 | - | (122) |
| Depreciation and amortization expense | (148) | (601) | (212) | (208) | (399) | (54) | - | (1,622) |
| Impairment expense | (4) | (34) | (1) | (32) | (62) | (1) | - | (134) |
| Intangible assets and goodwill [b] | 5,185 | 6,621 | 1,305 | 5,879 | 3,692 | 1,054 | - | 23,736 |
| Property, plant and equipment | 2,613 | 2,143 | 585 | 529 | 1,777 | 4,499 | (7) | 12,139 |
| Inventories | 4,920 | 1,501 | 581 | 1,403 | 2,172 | 235 | (266) | 10,546 |
| Other operating assets | 1,419 | 974 | 948 | 720 | 908 | 980 | 7,252 [c] | 13,201 |
| **Total assets** | **14,137** | **11,239** | **3,419** | **8,531** | **8,549** | **6,768** | **6,979** | **59,622** |
| Equity | - | - | - | - | - | - | 27,903 | 27,903 |
| Liabilities | 1,524 | 2,641 | 1,593 | 918 | 2,924 | 1,178 | 20,941 [d] | 31,719 |
| **Total liabilities and equity** | **1,524** | **2,641** | **1,593** | **918** | **2,924** | **1,178** | **48,844** | **59,622** |
| Operating investments [e] | (276) | (506) | (268) | (229) | (558) | (434) | 6 | (2,265) |

### First half 2016

| (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 | 2,041 | 5,865 | 1,926 | 1,582 | 5,467 | 307 | - | 17,188 |
| Intra-Group sales | 15 | 20 | 411 | 27 | 13 | 8 | (494) | - |
| **Total revenue** | **2,056** | **5,885** | **2,337** | **1,609** | **5,480** | **315** | **(494)** | **17,188** |
| Profit from recurring operations | 565 | 1,630 | 272 | 205 | 410 | (96) | (27) | 2,959 |
| Other operating income and expenses | (43) | (15) | (2) | - | - | 20 | - | (40) |
| Depreciation and amortization expense | (71) | (297) | (97) | (99) | (180) | (22) | - | (766) |
| Impairment expense | - | - | - | - | 1 | (2) | - | (1) |
| Intangible assets and goodwill [b] | 5,335 | 7,151 | 1,297 | 5,860 | 3,470 | 1,017 | - | 24,130 |
| Property, plant and equipment | 2,494 | 2,059 | 530 | 495 | 1,631 | 4,080 | (6) | 11,283 |
| Inventories | 4,980 | 1,618 | 580 | 1,526 | 2,021 | 196 | (252) | 10,669 |
| Other operating assets | 1,086 | 839 | 783 | 706 | 740 | 1,133 | 6,454 [c] | 11,741 |
| **Total assets** | **13,895** | **11,667** | **3,190** | **8,587** | **7,862** | **6,426** | **6,196** | **57,823** |
| Equity | - | - | - | - | - | - | 26,073 | 26,073 |
| Liabilities | 1,276 | 2,337 | 1,331 | 895 | 2,200 | 1,178 | 22,533 [d] | 31,750 |
| **Total liabilities and equity** | **1,276** | **2,337** | **1,331** | **895** | **2,200** | **1,178** | **48,606** | **57,823** |
| Operating investments [e] | (91) | (200) | (110) | (95) | (235) | (145) | 5 | (871) |

(a) Eliminations correspond to sales between business groups; these generally consist of sales to Selective Retailing from other business groups. 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) Intangible assets and goodwill correspond to the net carrying amounts shown under Notes 3 and 4.
(c) Assets not allocated include available for sale financial assets, other financial assets, and both current and deferred tax assets.
(d) Liabilities not allocated include financial debt and both current and deferred tax liabilities.
(e) Increase/(Decrease) in cash and cash equivalents.

## 23.2. Information by geographic region

Revenue by geographic region of delivery breaks down as follows:

| (EUR millions) | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| France | 1,857 | 3,745 | 1,693 |
| Europe (excluding France) | 3,506 | 6,825 | 2,994 |
| United States | 4,967 | 10,004 | 4,483 |
| Japan | 1,383 | 2,696 | 1,259 |
| Asia (excluding Japan) | 5,725 | 9,922 | 4,738 |
| Other countries | 2,276 | 4,408 | 2,021 |
| **Revenue** | **19,714** | **37,600** | **17,188** |

Operating investments by geographic region are as follows:

| (EUR millions) | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| France | 405 | 807 | 361 |
| Europe (excluding France) | 186 | 375 | 153 |
| United States | 181 | 491 | 150 |
| Japan | 41 | 65 | 23 |
| Asia (excluding Japan) | 123 | 314 | 140 |
| Other countries | 52 | 213 | 44 |
| **Operating investments** | **988** | **2 265** | **871** |

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 revenue 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 | 1,196 | 3,405 | 1,395 | 879 | 3,154 | 163 | (308) | 9,884 |
| Second quarter | 1,098 | 3,494 [a] | 1,275 | 959 | 3,126 | 163 | (285) | 9,830 |
| **Total for first half 2017** | **2,294** | **6,899** | **2,670** | **1,838** | **6,280** | **326** | **(593)** | **19,714** |

(a) Including the entire revenue of Rimowa of the first half of 2017.

| *(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 | 1,033 | 2,965 | 1,213 | 774 | 2,747 | 154 | (266) | 8,620 |
| Second quarter | 1,023 | 2,920 | 1,124 | 835 | 2,733 | 161 | (228) | 8,568 |
| **Total for first half 2016** | **2,056** | **5,885** | **2,337** | **1,609** | **5,480** | **315** | **(494)** | **17,188** |
| Third quarter | 1,225 | 3,106 | 1,241 | 877 | 2,803 | 145 | (259) | 9,138 |
| Fourth quarter | 1,554 | 3,784 | 1,375 | 982 | 3,690 | 178 | (289) | 11,274 |
| **Total for second half 2016** | **2,779** | **6,890** | **2,616** | **1,859** | **6,493** | **323** | **(548)** | **20,412** |
| **Total for 2016** | **4,835** | **12,775** | **4,953** | **3,468** | **11,973** | **638** | **(1,042)** | **37,600** |

## 24. EXPENSES BY NATURE

Profit from recurring operations includes the following expenses:

| *(EUR millions)* | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Advertising and promotion expenses | 2,226 | 4,242 | 2,000 |
| Commercial lease expenses | 1,824 | 3,422 | 1,683 |
| Personnel costs | 3,593 | 6,575 | 3,226 |
| Research and development expenses | 65 | 111 | 51 |

## 25. OTHER OPERATING INCOME AND EXPENSES

| *(EUR millions)* | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Net gains (losses) on disposals | (8) | 39 | (17) |
| Restructuring costs | (13) | 3 | - |
| Transaction costs relating to the acquisition of consolidated companies | (7) | (3) | - |
| Impairment or amortization of brands, trade names, goodwill and other property | (65) | (155) | (19) |
| Other items, net | (2) | (6) | (4) |
| **Other operating income and expenses** | **(95)** | **(122)** | **(40)** |

Impairment and amortization expenses recorded are mostly for brands and goodwill.

# 26. NET FINANCIAL INCOME/(EXPENSE)

| *(EUR millions)* | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Borrowing costs | (49) | (92) | (38) |
| Income from cash, cash equivalents and current available for sale financial assets | 16 | 26 | 11 |
| Fair value adjustment of borrowings and interest rate hedges | 14 | (17) | (6) |
| **Cost of net financial debt** | **(19)** | **(83)** | **(33)** |
| Dividends received from non-current available for sale financial assets | 4 | 6 | 2 |
| Ineffective portion of foreign exchange derivatives | 9 | (330) | (132) |
| Net gain/(loss) related to available for sale financial assets and other financial instruments | 6 | 6 | 13 |
| Other items, net | (15) | (31) | (16) |
| **Other financial income and expenses** | **4** | **(349)** | **(133)** |
| **Net financial income/(expense)** | **(15)** | **(432)** | **(166)** |

The ineffective portion of exchange rate derivatives breaks down as follows:

| *(EUR millions)* | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Ineffective portion of commercial foreign exchange derivatives | 45 | (267) | (85) |
| Ineffective portion of foreign exchange derivatives related to net investments denominated in foreign currency | (5) | (6) | (9) |
| Ineffective portion of other foreign exchange derivatives | (31) | (57) | (38) |
| **Ineffective portion of foreign exchange derivatives** | **9** | **(330)** | **(132)** |

# 27. INCOME TAXES

| *(EUR millions)* | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Current income taxes for the fiscal year | (1,205) | (2,653) | (981) |
| Current income taxes relating to previous fiscal years | (1) | (16) | (13) |
| **Current income taxes** | **(1,206)** | **(2,669)** | **(994)** |
| Change in deferred income taxes | 21 | 278 | 109 |
| Impact of changes in tax rates on deferred income taxes | (1) | 282 | (5) |
| **Deferred income taxes** | **20** | **560** | **104** |
| **Total tax expense per income statement** | **(1,186)** | **(2,109)** | **(890)** |
| **Tax on items recognized in equity** | **(114)** | **115** | **16** |

The effective tax rate is as follows:

| *(EUR millions)* | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| Profit before tax | 3,530 | 6,472 | 2,753 |
| Total income tax expense | (1,186) | (2,109) | (890) |
| **Effective tax rate** | **33.6%** | **32.6%** | **32.3%** |

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

This takes into consideration the differences between French and foreign tax rates, which lower the effective tax rate by 6 points, compared with the tax rate applicable in France as of June 30, 2017.

# 28. EARNINGS PER SHARE

| | June 30, 2017 | Dec. 31, 2016 | June 30, 2016 |
|---|---|---|---|
| **Net profit, Group share** *(EUR millions)* | **2,119** | **3,981** | **1,711** |
| Average number of shares in circulation during the fiscal year | 507,277,480 | 507,210,806 | 507,291,402 |
| Average number of treasury shares owned during the fiscal year | (5,035,580) | (4,299,681) | (4,335,007) |
| **Average number of shares on which the calculation before dilution is based** | **502,241,900** | **502,911,125** | **502,956,395** |
| **Basic earnings per share** *(EUR)* | **4.22** | **7.92** | **3.40** |
| Average number of shares in circulation on which the above calculation is based | 502,241,900 | 502,911,125 | 502,956,395 |
| Dilution effect of stock option and bonus share plans | 1,807,466 | 1,729,334 | 1,936,574 |
| Other dilution effects | - | - | - |
| **Average number of shares on which the calculation after dilution is based** | **504,049,366** | **504,640,459** | **504,892,969** |
| **Diluted earnings per share** *(EUR)* | **4.20** | **7.89** | **3.39** |

# 29. OFF-BALANCE SHEET COMMITMENTS

The Group's off-balance sheet commitments, which amounted to 14.2 billion euros as of December 31, 2016, rose by 5.4 billion euros in the first half of 2017, essentially due to purchase commitments for Christian Dior Couture shares for 6 billion euros (see Note 32), less the 0.8 billion euro commitment disclosed in late 2016 related to the acquisition of Rimowa shares completed in January 2017 (see Note 2). Lease commitments increased by 0.6 billion euros at constant exchange rates and by 0.1 billion euros after translation adjustments.

# 30. EXCEPTIONAL EVENTS AND LITIGATION

No significant exceptional events or litigation occurred during the six-month period.

# 31. RELATED-PARTY TRANSACTIONS

In February 2017, the entirety of the share capital of a Royal Van Lent subsidiary, the owner and operator of a vessel for business use, was sold to a subsidiary of Groupe Arnault for consideration of 54 million euros. Groupe Arnault has assumed all liabilities and commitments incurred and entered into by the company prior to the sale.

See also Note 32.

# 32. SUBSEQUENT EVENTS

On July 3, 2017, as part of the project aimed at simplifying the structures of the Christian Dior – LVMH group and in accordance with the terms of the memorandum of understanding concluded with Christian Dior on April 24, 2017, LVMH acquired 100% of Christian Dior Couture from Christian Dior[1] for 6 billion euros. The scope acquired includes Grandville (100%-owned by Christian Dior) and its subsidiary, Christian Dior Couture. The price paid was determined on the basis of an enterprise value of 6.5 billion euros, representing 15.6 times the adjusted EBITDA for the 12-month period ending March 2017.

The acquisition of Christian Dior Couture allows one of the world's most iconic brands to join LVMH, alongside Parfums Christian Dior, which is already part of the LVMH group. On the strength of its history and its favorable prospects, Christian Dior Couture will be a source of growth for LVMH. Christian Dior Couture's expansion in the coming years will be supported in particular by a new creative momentum and by the significant investments already made, especially in the Americas, China and Japan.

For the first half of 2017, Christian Dior Couture had consolidated revenue of 1,047 million euros and its profit from recurring operations totaled 116 million euros. For 2016 as a whole, Christian Dior Couture's consolidated revenue was 1,936 million euros and its profit from recurring operations came to 253 million euros.

Christian Dior Couture will be consolidated within the Fashion and Leather Goods business group with effect from July 2017.

The transaction was financed by way of several bond issues, in the total nominal amount of 5 billion euros, and through the use of the Group's commercial paper program for the remainder (see Note 18).

(1) Christian Dior directly and indirectly holds 41.0% of the share capital and 56.8% of the voting rights of LVMH.

# STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders,

In compliance with the assignment entrusted to us by the Shareholder's Meeting and in accordance with the requirements of 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 limited 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, 2017;
- the verification of the information presented 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 limited review.

## I. Conclusion on the financial statements

We conducted our limited review in accordance with professional standards applicable in France. A limited review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical review procedures. A limited 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 limited review, nothing has come to our attention that causes us to believe that the accompanying 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.

## II. Specific verification

We also verified the information presented in the interim management report in respect of the condensed consolidated half-year financial statements subject to our limited review.

We have no matters to report on the fairness and consistency of this information with the condensed consolidated half-year financial statements.

Paris-La Défense and Courbevoie, July 26, 2017

The Statutory Auditors

French original signed by

| Ernst & Young Audit | | Mazars | |
|---|---|---|---|
| Jeanne Boillet | Patrick Vincent-Genod | Loïc Wallaert | Simon Beillevaire |

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

# 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, and 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 26, 2017

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

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