

# LVMH

## LETTER TO SHAREHOLDERS AUGUST 2018



# EXCELLENT FIRST HALF FOR LVMH

Bernard Arnault, Chairman and CEO of LVMH, commented: "The excellent results of the first half of the year attest to the strong desirability of our brands and the effectiveness of our strategy. The performance of the first half is even more remarkable given the unfavorable currency environment. The standards of quality and creativity required from our Maisons, which combine both modernity and tradition, are key to LVMH's success, always driven by a long-term vision. Despite buoyant global demand, monetary and geopolitical uncertainties remain. In this context, we will stay vigilant and rely on the talent of our teams and the shared entrepreneurial passion to further increase our leadership in the world of high quality products in 2018."

## Highlights of the first half of 2018 include:

- double-digit increases in revenue and profit from recurring operations,
- strong growth in Asia and the United States,
- good start to the year for Wines and Spirits,
- outstanding momentum at Louis Vuitton; profitability remains at an exceptional level,
- success of new products at Christian Dior across all product lines,
- new creative talent at several fashion brands,
- excellent performance of Bvlgari,
- good performance of watch brands,
- Sephora's strong revenue growth in stores and online,
- rebound of profitability at DFS,
- cash from operations before changes in working capital was €5.5 billion, an increase of 21%,
- net debt to equity ratio of 23% as of the end of June 2018.

LVMH Moët Hennessy Louis Vuitton, the world's leading luxury products group, recorded revenue of €21.8 billion in the first half of 2018, an increase of 10%. Organic revenue growth was 12% compared to the same period in 2017. It was up 14% when excluding the impact of the termination of the Hong Kong International Airport concessions at the end of 2017. The United States, Asia and Europe experienced good growth.

In the second quarter, revenue increased by 11% compared to the same period of 2017, a performance in line with the trends of the beginning of the year. Organic revenue growth was 11%.

Profit from recurring operations was €4,648 million for the first half of 2018, an increase of 28%. Operating margin reached 21.4%, an increase of 2.9 percentage points. Group share of net profit amounted to €3,004 million, an increase of 41%.

## OUTLOOK 2018

In the buoyant environment of the beginning of this year, albeit marked by unfavorable exchange rates and geopolitical 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 2018, LVMH's global leadership position in luxury goods.

## REVENUE

€21,750m  
+12%<sup>(1)</sup>

## PROFIT FROM RECURRING OPERATIONS

€4,648m  
+28%

## CURRENT OPERATING MARGIN

21.4%

## GROUP SHARE OF NET PROFIT

€3,004m  
+41%

## CASH FROM OPERATIONS

€5,464m<sup>(2)</sup>  
+21%

## NET FINANCIAL DEBT/TOTAL EQUITY RATIO

23%

## INTERIM DIVIDEND PER SHARE

€2<sup>(3)</sup>  
+25%

All documentation related to the 2018 half-year results can be found on the LVMH website ([www.lvmh.com](http://www.lvmh.com)) under Investors/Events/Results.

(1) With comparable structure and constant exchange rates. On a reported basis, revenue growth was 10%, including a currency effect of -8% and a structural impact of +6%.  
(2) Before changes in working capital.  
(3) Payable on December 6, 2018.

## WINES & SPIRITS

# STRONG MOMENTUM IN CHINA AND GOOD PROGRESS IN EUROPE AND THE UNITED STATES, DESPITE SUPPLY CONSTRAINTS



Moët & Chandon

The Wines & Spirits business group recorded organic revenue growth of 7%. Profit from recurring operations increased by 7%.

The business group pursued its value strategy based on a strong policy of innovation and targeted investments in communication. In the champagne business, prestige vintages were particularly dynamic while a firm price increase policy continued. Europe and Japan progressed while the United States was in decline due to a delay in shipments. Hennessy cognac continued to show strong growth in the US market in a tight supply environment; the Chinese market continued to develop rapidly.

REVENUE

€2,271 m  
+7%<sup>(1)</sup>

PROFIT FROM  
RECURRING  
OPERATIONS

€726 m  
+7%

CURRENT  
OPERATING MARGIN

32.0%

(1) With comparable structure and constant exchange rates.  
On a reported basis, revenue was down 1 %.

# FASHION & LEATHER GOODS STRONG DESIRABILITY AT LOUIS VUITTON ACROSS ALL ITS ACTIVITIES AND FURTHER STRENGTHENING OF OTHER BRANDS



Louis Vuitton

The Fashion & Leather Goods business group recorded organic revenue growth of 15%. Profit from recurring operations was up 27%.

The remarkable growth at Louis Vuitton continues to be driven by its exceptional creativity, and by the right balance between tradition and modernity, the success of icons and the new creations by Nicolas Ghesquière. Of note during the first half was the arrival of Virgil Abloh, as Menswear Artistic Director, whose debut fashion show was widely commented on across social media, and was exceptionally well received. Christian Dior, consolidated since the second half of 2017, had an excellent performance. Kim Jones, appointed Artistic Director of Dior Homme, unveiled his first collection, which also received a formidable welcome. Céline entered a new and ambitious stage of its development with the appointment of Hedi Slimane as Artistic, Creative and Image Director of the brand, whose first collections will be presented in September. Fendi and Loro Piana continued to grow. Other brands further strengthened.

REVENUE

€ 8,594m  
+15%<sup>(1)</sup>

PROFIT FROM  
RECURRING  
OPERATIONS

€ 2,775m  
+27%

CURRENT  
OPERATING MARGIN

32.3%

(1) With comparable structure and constant exchange rates. On a reported basis, revenue growth was 25%, including a positive structure impact of 17 points resulting from the integration of Christian Dior Couture.

# PERFUMES & COSMETICS ALL BRANDS CONTRIBUTED TO STRONG GROWTH WITH RAPID PROGRESS IN ASIA



Parfums Christian Dior

The Perfumes & Cosmetics business group posted organic revenue growth of 16%. Profit from recurring operations was up 25%.

Christian Dior achieved an outstanding performance, driven by the vitality of its iconic fragrances *J'adore* and *Miss Dior*, and by the great success of *Sauvage*. Makeup and skincare progressed strongly. Guerlain benefited from the remarkable growth of the iconic *Rouge G* lipstick and rapid progress in its skincare line, *Abeille Royale*. Parfums Givenchy maintained its rapid growth in makeup. Benefit successfully enhanced its mascara range and its Brow collection. Fresh, Fenty Beauty and Acqua di Parma grew strongly.

REVENUE  
€2,877m  
+16%<sup>(1)</sup>

PROFIT FROM  
RECURRING  
OPERATIONS  
€364m  
+25%

CURRENT  
OPERATING MARGIN  
12.7%

<sup>(1)</sup> With comparable structure and constant exchange rates. On a reported basis, revenue growth was 8%.

# WATCHES & JEWELRY

## EXCELLENT FIRST HALF FOR BVLGARI AND GOOD DEVELOPMENT OF WATCH BRANDS' ICONIC PRODUCT LINES



Bvlgari

The Watches & Jewelry business group recorded organic revenue growth of 16%. Profit from recurring operations was up 46%.

Bvlgari had an excellent first half and continued to gain market share. This performance was especially notable in jewelry and in the Chinese and American markets. The iconic lines *Serpenti*, *B-Zero 1*, *Diva* and *Octo* made strong progress. Chaumet unveiled its new high-end jewelry collection. The momentum at TAG Heuer was reflected in the innovations of its flagship collections *Carrera*, *Aquaracer* and *Formula 1*, and a smaller version of its smart watch was launched. Hublot enjoyed strong growth and benefited from the enhanced visibility of the brand as the Official Timekeeper of the FIFA World Cup.

REVENUE

€1,978m  
+16%<sup>(1)</sup>

PROFIT FROM  
RECURRING  
OPERATIONS

€342m  
+46%

CURRENT  
OPERATING MARGIN

17.3%

<sup>(1)</sup> With comparable structure and constant exchange rates. On a reported basis, revenue growth was 8%.

# SELECTIVE RETAILING CONTINUED GOOD MOMENTUM OF SEPHORA AND STRONG REBOUND OF PROFITABILITY AT DFS



Sephora

The Selective Retailing business group posted organic revenue growth of 9% or 15% excluding the closure of its concessions at Hong Kong International Airport. Profit from recurring operations was up 39%.

Sephora achieved sustained growth across all areas of operation. With omni-channel at the heart of its strategy, online sales advanced rapidly. At the same time, Sephora expanded and renovated its store network. Le Bon Marché continued to cultivate its uniqueness and the exclusivity of its product offering; the online platform 24 Sèvres launched a year ago developed actively. DFS enjoyed an excellent start to the year. Performance was particularly good in Hong Kong and Macao while its Gallerias, recently opened in Cambodia and Italy, made remarkable progress. The termination of the loss-making Hong Kong International Airport concessions at the end of 2017 contributed to the strong rebound of profitability.

REVENUE

€6,325m  
+9%<sup>(1)</sup>

PROFIT FROM  
RECURRING  
OPERATIONS

€612m  
+39%

CURRENT  
OPERATING MARGIN

9.7%

(1) With comparable structure and constant exchange rates. On a reported basis, revenue growth was 1%.

# FOCUS

## LAUNCH OF THE FOURTH EDITION OF LES JOURNÉES PARTICULIÈRES



The fourth edition of Les Journées Particulières by LVMH, an event created in 2011 at the initiative of Antoine Arnault, will take place on October 12, 13 and 14, 2018. Unique in its scope and content, Les Journées Particulières takes on a new dimension this year: 56 Maisons from the LVMH group will be open to the public and the Group will invite visitors to discover 77 exceptional places on five continents, 39 of which have not been previously open to the public. The program centers on the five senses to showcase the savoir-faire and creativity of artisans, along with the architectural and cultural heritage of LVMH houses.

The principle behind Les Journées Particulières remains unchanged: offer a broad and diverse public an opportunity to discover the elements that give LVMH houses – some of them founded centuries ago – their unique identity. Each place will propose a distinctive and original tour designed by the host House. The emphasis during this fourth edition will be on experiences, interaction and surprises, as well as opportunities for the public to meet the Group's artisans and creative talents.

This year, Les Journées Particulières will welcome the public on five continents, with 23 Maisons taking part for the first time, including Cloudy Bay in New Zealand, Cape Mentelle in Australia, Terrazas de Los Andes in Argentina, Royal Van Lent / Feadship in the Netherlands, Benefit Cosmetics in San Francisco, Newton in Napa Valley, Sephora in the United States, Europe and China, Cova in Milan, Les Tanneries Roux in Romans-sur-Isère, as well as Rimowa in Cologne and the

*T Fondaco dei Tedeschi* by DFS in Venice. The opening of these new sites reflects the growing international reach of both Les Journées Particulières and the LVMH Group.

Iconic sites that took part in previous editions will once again welcome the public, such as LVMH's Champagne and Cognac Maisons, the Château Cheval Blanc and Clos des Lambrays wine estates, the salons of prestigious Parisian houses (Dior, Guerlain, Chaumet, Givenchy), along with treasures of Italian fashion and jewelry (including Fendi, Pucci and Bvlgari).

What's more, several Maisons that have been part of Les Journées Particulières since the beginning will open new places in October : Les Fontaines Parfumées in Grasse (the perfume creation workshop shared by Parfums Christian Dior and Louis Vuitton), the Louis Vuitton prototype workshop in the center of Paris and the Louis Vuitton workshop in Ducey, Normandy, as well as La Colle Noire, Christian Dior's last residence in Montauroux.

Les Journées Particulières has received the "Année Européenne du Patrimoine Culturel 2018" label.

Find out more: [www.lesjournéesparticulières.com](http://www.lesjournéesparticulières.com)

## LVMH LAUNCHES ACCELERATOR PROGRAM FOR 50 INTERNATIONAL STARTUPS ANNUALLY AT STATION F TO CONTRIBUTE TO INNOVATION IN LUXURY



LVMH is pleased to announce the creation of an accelerator program at the STATION F startup campus in Paris. The LVMH program will welcome 50 international startups each year. This initiative will drive business acceleration between LVMH's Maisons and startups to invent innovative new products and services for the luxury market. 89 work stations are available for startups within the 220-square meter LVMH space. By creating La Maison des Startups in the heart of the



world's biggest startup campus, LVMH reaffirms its values of innovation, entrepreneurial spirit and excellence, the pillars that anchor the Group's growth.

La Maison des Startups will accelerate collaboration between LVMH Maisons and startups whose solutions have potential in the luxury industry, giving entrepreneurs privileged access to the unique ecosystem formed by the Group's 70 Maisons. This program is distinctive in its multi-sector approach, encompassing entrepreneurs whose innovations are relevant to LVMH's different business groups: Wines & Spirits, Fashion & Leather Goods, Perfumes & Cosmetics, Watches & Jewelry and Selective Retailing.

Over half the startups that joined the program are identified through the LVMH Innovation Award, at the Viva Technology show, during which the Group welcomed more than 80 startups in 2016 and 2017, particularly in the context of the LVMH Innovation Award. Nearly all of them already work with some of LVMH Maisons (Moët Hennessy, Dior, Louis Vuitton, Sephora etc.). In addition, several LVMH employees whose projects won awards during different editions of the DARE LVMH initiative dedicated to intrapreneurship within the Group will also be welcomed at STATION F to launch their projects.

In addition to a unique workspace and environment that inspire innovation, the LVMH program at STATION F lets entrepreneurs benefit from personalized coaching and support from LVMH group experts. A series of workshops will allow the startups to familiarize themselves with challenges facing the luxury industry, and pitch sessions will be regularly organized to let them present the evolution of their solutions to representatives of LVMH Maisons. Networking sessions will be on the agenda too.

By providing a unique environment where entrepreneurs can access resources, invent and create synergies with the many well-established initiatives across the Group, LVMH is further strengthening its already robust digital ecosystem.

## LVMH 2017 DIGITAL ANNUAL REPORT, A UNIQUE VIRTUAL EXPERIENCE

The LVMH Digital Annual Report features 2017 highlights at the Group and its Maisons in a unique 360° experience at the Fondation Louis Vuitton. An immersive itinerary gives visitors a look at key developments and invites them on a tour of four emblematic locations which illustrate LVMH's success during the year.



The Fondation Louis Vuitton is the starting point for a captivating virtual experience with the new LVMH Digital Annual Report. Visitors can go from room to room to discover highlights of 2017 through digitally-enriched content.

The itinerary features virtual visits of four emblematic stores: the Maison Louis Vuitton Vendôme, the Dior boutique on avenue Montaigne, the recently opened Guerlain Parfumeur boutique on rue Saint-Honoré, and the Grande Epicerie de Paris Rive Droite. Some of the many developments that marked 2017 at LVMH and its Maisons.

This virtual experience was created in partnership with Diakse, a startup specializing in virtual reality e-boutiques. Selected to join the Atelier LVMH at Viva Technology in 2017 and a contender for the LVMH Innovation Award, Diakse is reinventing e-commerce by conceiving innovative and immersive experiences. By creating a 360° view of actual physical spaces, the startup enables visitors to remotely discover emblematic exclusive locations at LVMH, taking them on a personal journey for a memorable user experience.

The experience can become even more powerful by using a virtual headset.

# THE LVMH SHARE

## CHANGES IN THE LVMH SHARE PRICE

The first half of 2018 saw the return of market volatility. After having started the year on a positive note, the major stock market indices plunged amid concerns over the resurgence of inflation. Slowing global economic growth and especially renewed geopolitical tensions, sparked in particular by US trade measures, resulted in continuing high uncertainty. Nevertheless, the upturn in oil prices and the weakening of the euro in the second quarter helped European markets remain broadly stable.

The CAC 40 and Euro Stoxx 50 indices ended the half-year period up 0.2% and down 3.1%, respectively. The LVMH share price was up 16%, at €285, after reaching a record high of €314 on May 21, 2018. With a market capitalization of €144 billion as of end-June, LVMH is the largest capitalization on the Paris stock exchange.

LVMH is included in the main French and European indices used by fund managers: the CAC 40, DJ-Euro Stoxx 50, MSCI Europe and the FTSE Eurotop 100, as well as the Global Dow and FTSE4Good, one of the key indices for socially responsible investment.

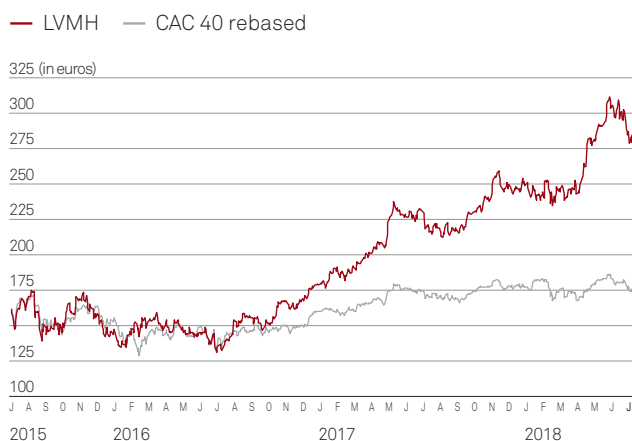
## TOTAL SHAREHOLDER RETURN

An LVMH shareholder who invested €1,000 on July 1, 2013 would have a capital of €2,770 on June 30, 2018, based on reinvested dividends. That is a 177% gain, translating to a compound annual growth rate of around 23% over five years.

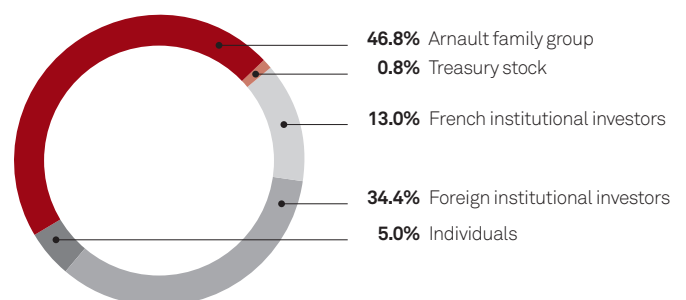
## INTERIM DIVIDEND

The Board of Directors approved the payment, on December 6<sup>th</sup>, 2018, of an interim dividend of €2.

Comparison between the LVMH share price and the CAC 40 since July 1<sup>st</sup>, 2015



LVMH shareholder structure<sup>(1)</sup>  
December 2017



(1) Voting rights: Arnault family group 63.13%, Other 36.87%.

# SHAREHOLDER RELATIONS

## SHAREHOLDERS' CLUB

The LVMH Shareholders' Club was set up in 1994 to give individual shareholders who are particularly interested in the life of the Group a better understanding of LVMH, its businesses and its brands.

### Latest news about our Maisons

We send Club members several publications such as the twice yearly Letter to Shareholders and the annual issue of *Apartés*, our Club magazine. The Annual Report is sent to those who request it using a reply coupon or online.

### Exclusive offers for the Group's products

In addition to special offers on a selection of the Group's Wines and Spirits, Club members can purchase discounted subscriptions to Group media publications – *Les Échos*, *Investir* and *Connaissance des Arts* – and order priority-access tickets for the Fondation Louis Vuitton.

### Dedicated online store

Once they have activated their account, Club members can access exclusive offers for the Group's Wines and Spirits using a private shopping space at their dedicated online store: [www.clublvmh-eboutique.fr](http://www.clublvmh-eboutique.fr). Delivery can only be made in France. Members can also order products using the order form enclosed in *Apartés* magazine.

### Visits to exceptional sites

Club members can visit exceptional sites where they receive an especially warm welcome: from Hennessy's centuries' old cellars to the magnificent Crayères at Veuve Clicquot Ponsardin. They also get the opportunity to discover our Maisons at unique locations such as the Louis Vuitton workshops in Asnières.

## THE WEBSITE

The LVMH website ([www.lvmh.com](http://www.lvmh.com)) gives access to a wide range of regularly updated information on the Group and its brands. A section specially aimed at the financial community and LVMH shareholders features the share price in real time, its chart relative to the CAC 40, the events schedule, press releases and presentations, in particular the Shareholders' AGM, which can be watched live or on replay.

Communications media can be viewed in the Publications section along with the Annual Report and Reference Document. A form is available online to request copies by mail. LVMH also sends out Group news by e-mail to web users who sign up for Press Release alerts. A Shareholders alert lets users know when the latest Letter to Shareholders has been released. Lastly, a Calendar alert is available for those wishing to be advised of updates to this section and receive an email reminder the day before an event.

## CONTACTS

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Photographs: Christian Dior, Estelle Hanania – Moët & Chandon – Louis Vuitton Malletier, Craig McDean – Christian Dior Parfums – Bvlgari – Sephora – Amélie Monti – Diakse – Picture libraries of LVMH and Group's Maisons.

E-accessible version: Ipedis.  
Design and production: Agence Marc Praquin.

## AGENDA

### Tuesday, July 24, 2018

Publication of 2018  
half-year revenue and results

### October 2018

Publication of 2018  
third-quarter revenue

### Thursday, December 6, 2018

Payment of interim dividend

### January 2019

Publication of 2018 revenue  
and annual results

### April 2019

Shareholders' Meeting

## LVMH

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*Christian Dior – Maria Grazia Chiuri creations for Cruise 2019 show at the Grandes Écuries of the Domaine de Chantilly*

