

# LVMH

## Letter to shareholders

### August 2012



## Excellent first half for LVMH

Highlights of the first half of 2012 include:

- double-digit organic revenue growth,
- market share gains of all our brands,
- continued rapid growth in Asia and the US,
- double-digit revenue growth at Louis Vuitton, where profitability remains exceptional,
- robust demand for Wines & Spirits and Watches & Jewelry,
- continued innovation and success of star lines at Christian Dior,
- on-going integration of Bulgari within LVMH,
- excellent performance of DFS and Sephora globally,
- cash from operations before changes in working capital of €3.2 billion, up 26%,
- net debt to equity ratio of 22% as at the end of June 2012.

Revenue\*

+12%

Profit from recurring operations

+20%

Group share of net profit

+28%

LVMH Moët Hennessy Louis Vuitton, the world's leading luxury products group, recorded revenue of €13 billion in the first half 2012, an increase of 12%. Organic revenue growth was 12%. All business groups contributed to this performance, which is even more remarkable coming on top of the strong growth in first half of 2011. The Group continued its sustained growth in the US, Europe and Asia.

Profit from recurring operations for the first half of 2012 rose to €2,659 million, an increase of 20% compared to the same period in 2011. This performance compares to the first half of 2011, which itself had shown strong growth. Current operating margin reached 21%. Group share of net profit rose to €1,681 million, an increase of 28%.

Bernard Arnault, Chairman and CEO of LVMH, commented:

"LVMH's excellent performance in the first half, once again, demonstrates the exceptional appeal of our brands, the attraction of our high quality artisanal products and the pertinence of our strategy. A host of initiatives, including constant innovation, successful iconic product lines, the development of our craftsmanship and targeted expansion, reinforce our Maisons. We approach the second half of the year with confidence and are relying upon the creativity and quality of our products as well as the effectiveness of our teams to pursue further market share gains in our historical markets as well as in high potential emerging markets."

\* Organic revenue growth (with comparable structure and exchange rates).

# Business groups

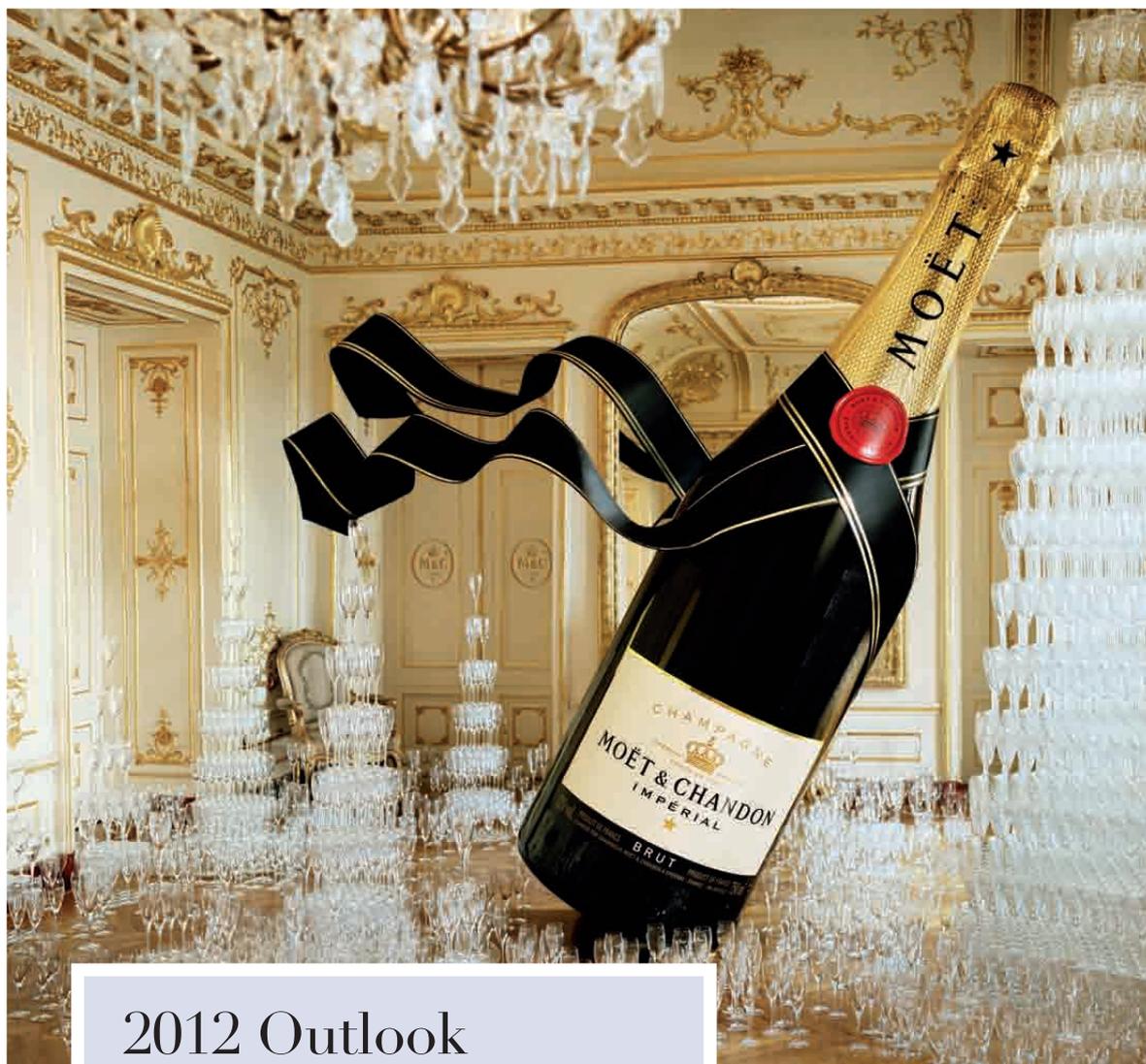
## Exceptional appeal of our brands

### Wines & Spirits

## Sustained volume growth

Continuing the very favourable trend of 2011, demand in the first half of 2012 remained strong. The Wines & Spirits business group recorded organic revenue growth of 15% supported by volume growth, improved product mix and its continued adapted pricing policy. Profit from recurring operations increased by 20%. Volume growth continued for champagne, driven mainly by the prestige

vintages. Hennessy cognac also saw volume growth, an increase to which all the qualities contributed. Performances in Asia and the US were particularly strong.



## 2012 Outlook

In a global market experiencing strong growth but an uncertain economic environment in Europe, LVMH will continue to gain market share thanks to the numerous product launches planned before the end of the year, to its geographic expansion in promising markets, while continuing to manage costs.

Our strategy of focusing on quality across our entire product range, combined with the dynamism and unparalleled creativity of our teams, will enable us to reinforce, once again in 2012, LVMH's global leadership position in luxury goods.

### Wines & Spirits

(EUR millions)	30.06.12	31.12.11	30.06.11
Revenue	1,759	3,524	1,435
Profit from recurring operations	496	1,101	413
Operating margin (%)	28	31	29

## Fashion & Leather Goods

# Sustained performance

The Fashion & Leather Goods business group recorded organic revenue growth of 10% in the first half of 2012. Profit from recurring operations increased by 10%. Louis Vuitton continued to register exceptional performance, confirming the brand's strong appeal to its global clientele. All its business lines contributed to this momentum. A number of products have waiting lists. The opening of the Maison Louis Vuitton in Rome was a highlight of the first half. Louis Vuitton is always driven by its incomparable creative capacity, and by the fact that it is the only luxury brand in the world to sell its products exclusively through its own store network. Fendi benefited from the sustained growth of the iconic *Baguette* bag, which celebrated its 15th birthday. Céline recorded a remarkable performance driven by its creative success. The other brands had an excellent beginning of the year.



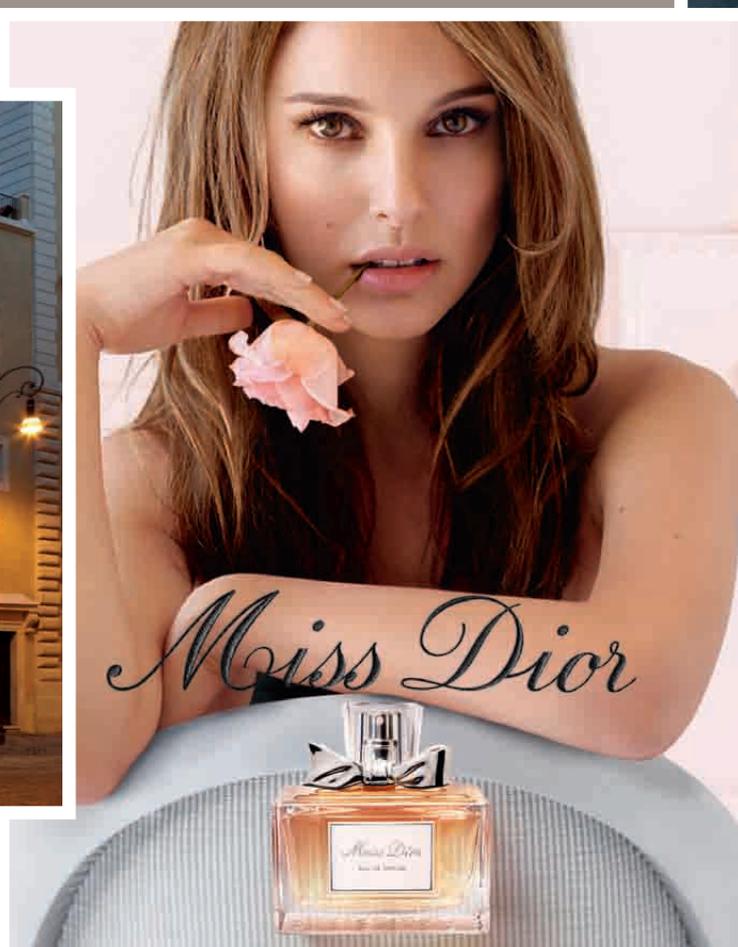
### Fashion & Leather Goods

(EUR millions)	30.06.12	31.12.11	30.06.11
Revenue	4,656	8,712	3,971
Profit from recurring operations	1,516	3,075	1,381
Operating margin (%)	33	35	35

## Perfumes & Cosmetics

# Continuous innovation and success of iconic product lines

The Perfumes & Cosmetics business group recorded organic revenue growth of 9%. Europe posted good growth over the first half and Asia confirmed its strong potential. Within the context of continued investments, profit from recurring operations increased by 9% compared to the first half of 2011. Driven by the exceptional global desirability of the brand, Christian Dior continued to demonstrate strong momentum supported both by the brand's iconic products and innovations: continued growth of the perfumes



*J'Adore*, *Miss Dior* and *Dior Homme*. The makeup and skincare segments made further progress. Guerlain benefited from the promising results of its latest creation *La Petite Robe Noire* launched in France in the first half. Givenchy's growth was driven notably by the roll-out of the perfume *Very Irresistible*. Benefit and Make Up For Ever maintained a high level of growth.

### Perfumes & Cosmetics

(EUR millions)	30.06.12	31.12.11	30.06.11
Revenue	1,727	3,195	1,518
Profit from recurring operations	197	348	181
Operating margin (%)	11	11	12

## Watches & Jewelry

# Extension of store network and development of industrial capacity

In the first half of 2012, the Watches & Jewelry business group recorded 13% organic revenue growth. Profit from recurring operations increased by 87%, notably as a result of Bulgari's performance, consolidated



since June 30, 2011. In jewelry, Bulgari reported an excellent performance across all of its product lines and benefited from the growing success of its *Serpenti* collection. The watch brands saw record orders during the watch fairs thanks to the strength of their iconic product lines and the excellent reception given to their innovations. TAG Heuer launched a new range for women, *Link Lady*, which has already been a great success. Zenith enriched its *Pilot* collection with new and particularly original models and Hublot launched its first models made with innovative materials perfected by its research laboratory.

## Watches & Jewelry

(EUR millions)	30.06.12	31.12.11	30.06.11
Revenue	1,343	1,949	576
Profit from recurring operations	159	265	85
Operating margin (%)	12	14	15

## Selective Retailing

# Strong growth momentum

The Selective Retailing business group recorded organic revenue growth of 16% and a 30% increase in its profit from recurring operations in the first half of 2012. DFS saw excellent momentum, driven by growth in its Asian clientele. Operations in Hong Kong, Macao, Singapore and North America recorded strong increases. Three new concessions obtained

at Hong Kong airport will open at the end of the year. Sephora achieved remarkable performance and continued to gain market share. Despite a challenging economic environment, Europe made solid progress. A first store was opened in Denmark. In Russia, the *Ile de Beauté* stores, consolidated since June 2011, recorded an excellent performance. Sephora maintained its exceptional momentum in the United States and Canada. Its presence in China continued to grow at a sustained level. In Latin America, a first store in Brazil has added to its presence which has, until now, been exclusively online.



## Selective Retailing

(EUR millions)	30.06.12	31.12.11	30.06.11
Revenue	3,590	6,436	2,831
Profit from recurring operations	373	716	287
Operating margin (%)	10	11	10

# Financial highlights

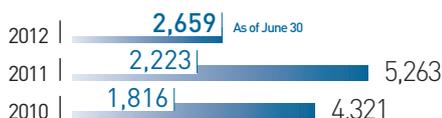
## Revenue

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



## Profit from recurring operations

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



## Net profit, Group share

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



## Operating investments

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



## Free cash flow (a)

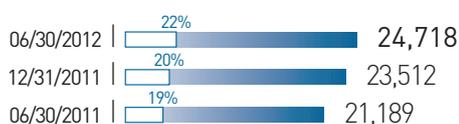
(As of June 30 and December 31, EUR millions)



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

## Total equity (a) and Financial debt/ Total equity ratio

(EUR millions and percentage)



(a) Including minority interests.

# The LVMH share

## Changes in the LVMH share price

The performance of the equity markets over the first six months of 2012 was once again very much influenced by developments in Europe's sovereign debt crisis and its repercussions on the banking system. During the first quarter, the markets maintained the recovery they had begun a few months earlier. The positive effects of the European Central Bank's long-term bank refinancing operation (LTRO) and the release of encouraging corporate annual results at the beginning of the year brought a certain degree of calm back to the markets. However, the resurgence of tensions over certain countries' debt and the slowdown in worldwide growth put an end to this feeling after the end of March. This trend was aggravated over the last few months due to the problems of the Spanish banking system, and then by the political situation in Greece and its potential implications for the Eurozone. The first half of the year nevertheless finished on a positive note, with the results of the European summit on June 28 and 29, 2012 being well received by investors.

Against this background, at the end of the first six months of the year equity markets on the whole had performed less well in Europe than elsewhere, with marked differences between various European markets. The Eurostoxx 50 index fell 2% over the period, and the CAC 40 gained 1%. The LVMH share, however, posted a 10% rise, continuing its strong performance of recent years.

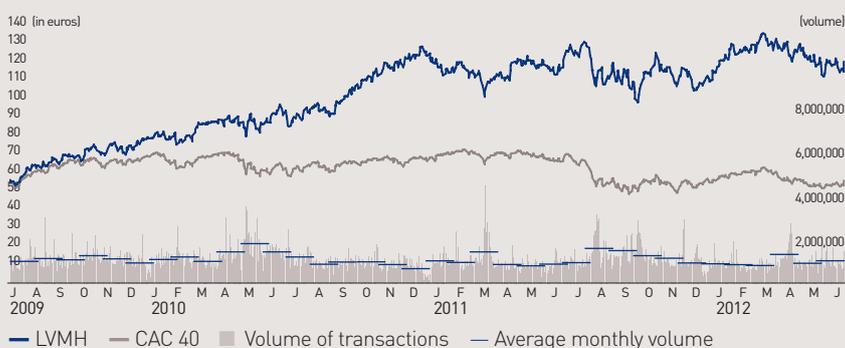
The LVMH share closed at €119.85 on June 29. LVMH's market capitalization was €61 billion, making it the third largest in the Paris market.

## Distribution of capital and voting rights

As of June 30, 2012	Number of shares	Number of voting rights <sup>(a)</sup>	% of capital	% of voting rights
Arnault Family Group	235,931,268	450,833,201	46.42%	62.29%
Other	272,310,682	272,930,773	53.58%	37.71%
<b>Total</b>	<b>508,241,950</b>	<b>723,763,974</b>	<b>100.00%</b>	<b>100.00%</b>

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

## Comparison of the LVMH share price and the CAC 40 since July 1, 2009



## Total shareholder return

An LVMH shareholder who invested €1,000 on July 1, 2007 would have capital of €1,564 on June 30, 2012, if dividends received were reinvested in shares. Over five years, his investment would have given him a gain of 56%, amounting to an average annual return of around 9%.

## Interim dividend

The Board of Directors approved the payment of an interim dividend of €1.10 on December 4, 2012.

# Agenda

October 2012	Publication of 2012 third quarter revenue
December 4th, 2012	Payment of an interim dividend
February 2013	Publication of 2012 annual revenue and results
April 2013	Annual Shareholders' Meeting



## Shareholder relations

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### The website

LVMH website gives access to a wide range of regularly updated information on the Group and its brands. A section is specially aimed at the financial community and LVMH shareholders. Information in this section includes the share price in real time, a comparison of its progression against the CAC 40, the meetings schedule (sales and results announcements, Shareholders' Annual General Meetings, dividend payments), press releases and presentations, notably that of the Shareholders' AGM which can be seen live or in a recorded version.

The Group also publishes several documents online, such as the Annual Report and the English translation of the "Document de référence". In the Reports section, you can complete an order form online in order to receive this documentation by mail. Finally, LVMH also sends out Group news by e-mail to web users who sign up for Newsletter alerts.

<http://www.lvmh.com/investor-relations/shareholders>

### The shareholders' club: an initiative to strengthen ties

The LVMH Shareholders' Club was set up in 1994. It gives members a better understanding of the Group, its businesses and its brands.

The "Apartés" magazine, published for Club members, provides information on what is happening at the Group and gives you the opportunity to order exclusive products for home delivery. There are also exclusive offers for Club members to subscribe to the *Les Echos*, *Investir* and *Connaissance des Arts* publications at attractive prices. Membership also gives privileged access to certain sites adapted to tours (wine cellars and storehouses) and the opportunity to receive special priority tickets for exhibitions supported by LVMH's sponsorship.

Members of the Shareholders' Club receive an individual membership card with a personal authentication number valid for two years.

Shareholders' Club: +33 1 44 13 21 50