

LVMH

Letter to shareholders March 2015

Reinforcing our fundamentals for long-term success



2014 was a prolific year for LVMH. In an ever more rapidly changing environment, our Group demonstrated the strength of its growth model and, thanks to the great dedication of its teams, proved that it could combine responsiveness and long-term vision. At the intersection between iconic brands and new generations, it is laying the groundwork for the successes of tomorrow.

2014 was an eventful year for LVMH, mostly in positive ways. I will mention, of course, the opening of the Fondation Louis Vuitton, an enduring monument to our patronage of the arts. The magnificent building that houses it, due to the genius of Frank Gehry, is the perfect reflection of our values of excellence and innovation. I also see it as a symbol of our élan and our confidence in the future. Furthermore, I would like to recall two major initiatives that particularly illustrate the pillars underpinning our Group's strength: expert craftsmanship, showcased by the foundation of the Institut des Métiers d'Excellence, and creativity, recognized with the LVMH Prize for Young Designers.

2014 will also be remembered, unfortunately, for the precipitous passing of Yves Carcelle, one of our Group's principal managers, and for the deep sadness we felt. Yves served as the head of Louis Vuitton for more than twenty years, and was at the heart of its success. A driven leader and visionary, he was a man of enthusiasm, warmth and generosity to all.

A strong dynamic materialized by major achievements

Against a backdrop of economic, monetary and geopolitical uncertainty, LVMH continues to make progress, and posted record revenue and net profit in 2014. We succeeded in translating our growth dynamic into many achievements. The champagne houses registered advances in all regions. Louis Vuitton began a new chapter in its creative history with Nicolas Ghesquière's enthusiastically received debut collections. The Maison also celebrated its *Monogram*, a timeless symbol of its fabulous heritage. It was also a great year for Parfums Christian Dior, which achieved growth in all product categories and continued to gain market share. Sephora maintained its remarkable dynamic around the world. Bvlgari celebrated its 130th anniversary, turning in an exceptional year boosted by its innovation and expanded global presence.

At the same time, destocking by distributors in China weighed on Hennessy's revenue. DFS had to deal with a complex situation in Asia, while TAG Heuer felt the effects of slower sales in the watchmaking industry. One of our Group's greatest strengths is its responsiveness: each of these Maisons demonstrated this yet again by adapting its strategy to the challenges at hand.

On a financial level, LVMH withdrew its investment in Hermès International at the end of the year, by distributing its stake to shareholders. This transaction enabled us to make a capital gain and share the corresponding value creation with our shareholders.

Solid fundamentals, getting stronger still

The climate at the beginning of 2015 remains mixed. The economic horizon seems to be clearing up and the monetary situation improving. Solid European economic growth, however, has yet to arrive, and geopolitical disruptions are still creating uncertainty.

In a multipolar, ever-changing and yet also highly interconnected world, LVMH enters the next few years in an even more robust position than before, and can depend on the agility of its organization to help it rise to new challenges and seize the best opportunities for growth and market share gains. Our fundamentals are stronger thanks to the Maisons that have found the keys to lasting success, such as Fendi and Céline, as well as those that joined our Group recently: Bvlgari, a jewelry house of singular style, which has blossomed over its first four years at LVMH; and Loro Piana, master of the world's most exquisite materials and fabrics, fresh from its first year in the Group. These Maisons share our culture of excellence and creativity. They provide us with new exceptional savoir-faire, an additional source of growth potential. They also share the sense of family and entrepreneurial spirit which we have preserved in LVMH's management culture; which sustains the Group's success and that of its Maisons over the long term.

New generations

Attracting young creative talents and helping them develop their Maisons within the Group is another way to prepare for the future. Nicholas Kirkwood, renowned as one of the most promising designers in the booming footwear industry, joined us in 2013. As did J.W. Anderson, whose ready-to-wear brand is already influential, and who has also been appointed Artistic Director of Loewe. He will bring to Loewe his ability to marry the traditions of this Maison with modernity.

Maintaining our obsession with quality, the creation of desire, offering our customers an exceptional experience at our stores, and strengthening the influence of our brands remain the pillars of our strategy. Just as important is our creativity and innovation in everything we do. Innovation in products, distribution, communication, the digital sphere... Many new projects are under way for 2015 and beyond, across all our business lines. With a constant eye on managing our resources, we target the opportunities that offer the best prospects. Responsiveness, swift decision-making, operational agility and long-term vision: the strong dedication of our teams will continue to ensure that we keep making progress in the world's major markets.

Confidence in the future

I would like to reaffirm my confidence in the future and look back on two recent events in the Group's life that bear this out in more ways than one: the opening of La Ruche, Guerlain's new ultra-modern manufacturing facility, without doubt one of the highest-quality sites in the world in terms of production, employee working conditions and respect for the environment, preceded by that of the Hélios perfumes and cosmetics research center near Orléans. This cutting-edge resource for our researchers tasked with preparing the products of tomorrow was also built in compliance with France's High Environmental Quality standard: insofar as our future lies in innovation, it also depends on preserving the riches of nature. What is more, at Hélios we provide local teams with access to our skills to help them accelerate their own innovation processes: as a leader, we have a responsibility to build strong ties with the local community and help launch the start-ups and small businesses that will become our future partners. Our citizenship commitments are also a driver of long-term success.

Bernard Arnault

Chairman and Chief Executive Officer

Financial highlights

Revenue

(EUR millions)



Profit from recurring operations

(EUR millions)



Net profit, Group share

(EUR millions)



(a) Of which €2,677 million (i.e. 5.34 euros per share) resulting from the distribution of Hermès shares.

Operating investments

(EUR millions)



Free cash flow^(a)

(EUR millions)



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

Total equity and Net financial debt/Total equity ratio

(EUR millions and percentage)



Further information can be found in the 2014 Reference Document.

(1) The financial statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements.

(2) Taking into account the amended presentation of dividends received and income tax paid starting in 2014.

(3) The balance sheet as of December 31, 2013 has been restated to reflect the finalized purchase price allocation for Loro Piana.

Excellent performance of LVMH in 2014 Record Revenue and Net Profit

Revenue

€30,638m

Profit from recurring operations

€5,715m

Net profit, Group share

€5,648m

Dividend per share

€3.20

Amount proposed to the Shareholders' Meeting of April 16, 2015

Key highlights from 2014 include:

- Good momentum in the United States and continued growth in Europe
- A major increase in net profit
- Large negative exchange rate effect, principally impacting Fashion & Leather Goods
- Wines & Spirits' performance penalized by the destocking by distributors in China
- The success of new products at Louis Vuitton, where profitability remains at an exceptional level
- Continued investment in our fashion brands
- Worldwide market share gains by Christian Dior
- Excellent results from Bvlgari
- Strong progress at Sephora
- Free cash flow of €2.8 billion
- A gearing ratio of 21% as at the end of December 2014

LVMH Moët Hennessy - Louis Vuitton, the world's leading luxury products group, recorded revenue of €30.6 billion in 2014, an increase of 6% over the previous year. Organic revenue growth was 5%. Revenue in all business groups increased with the exception of Wines & Spirits which continued to be affected by the destocking of distributors in China. The Group maintained strong momentum in the United States. Europe demonstrated good resilience despite the economic environment, while Asian countries displayed mixed trends.

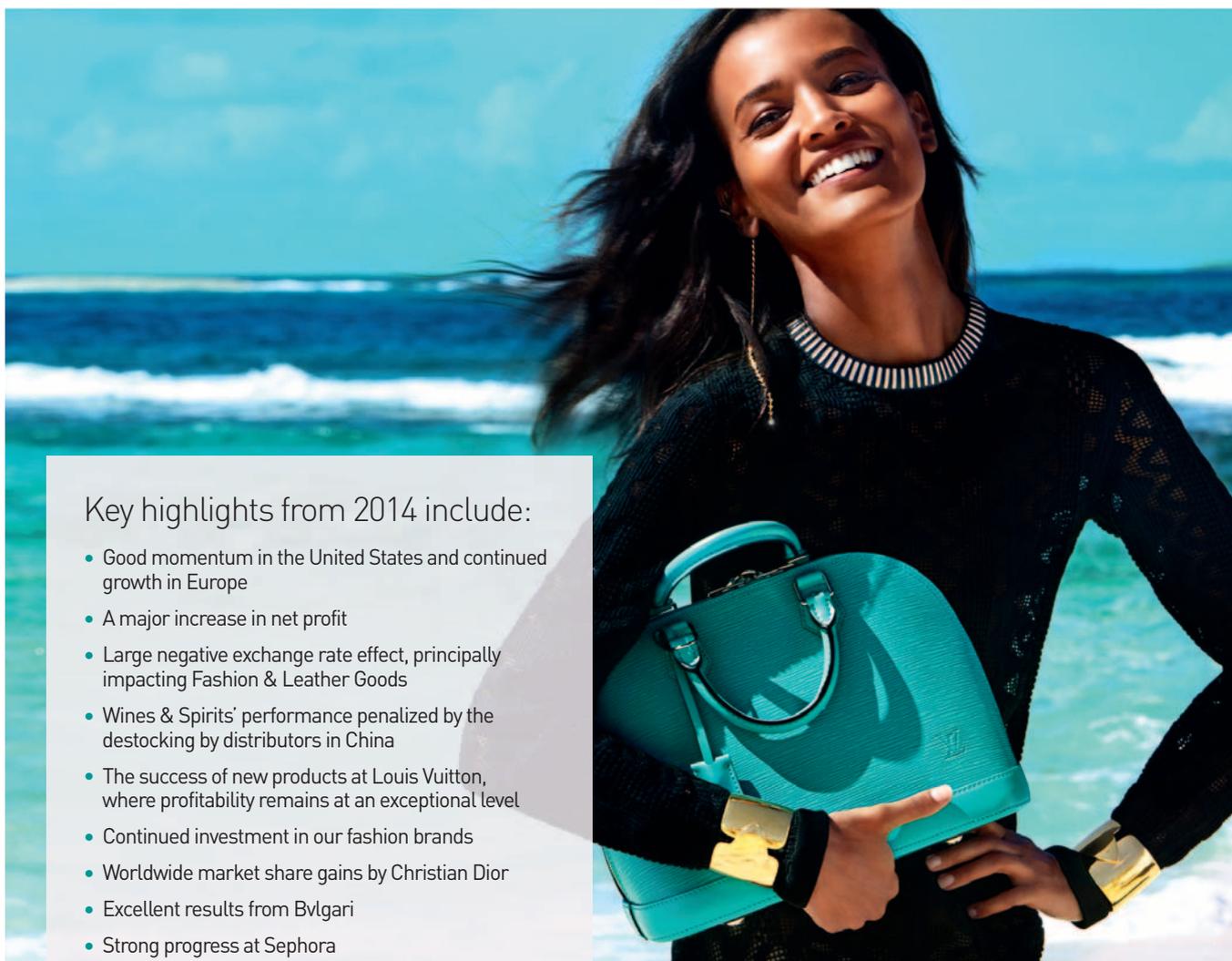
In the fourth quarter, revenue increased by 10% compared to the same period of 2013. Organic growth was 5%.

Profit from recurring operations reached €5,715 million, resulting in an operating margin of 19%. Group share of net profit was €5,648 million.

Confidence for 2015

Despite a climate of economic, currency and geopolitical uncertainties, LVMH is well-equipped to continue its growth momentum across all business groups in 2015. The Group will maintain a strategy focused on developing its brands by continuing to build on strong innovation and a constant quest for quality in their products and their distribution.

Driven by the agility of its teams, the balance of its different businesses and geographic diversity, LVMH enters 2015 with confidence and has, once again, set an objective of increasing its global leadership position in luxury goods.



Business Groups

Wines & Spirits

Destocking by distributors in China and growth in the United States

The Wines & Spirits business group recorded a decrease in organic revenue of 3% in 2014. Profit from recurring operations reached €1,147 million. This situation is essentially explained by the evolution of cognac in China linked to the continued destocking by distributors. Against this background, Hennessy leveraged its extensive portfolio and global presence, in particular in the United States, where its growth remains strong. Other spirits, Glenmorangie and Belvedere continue



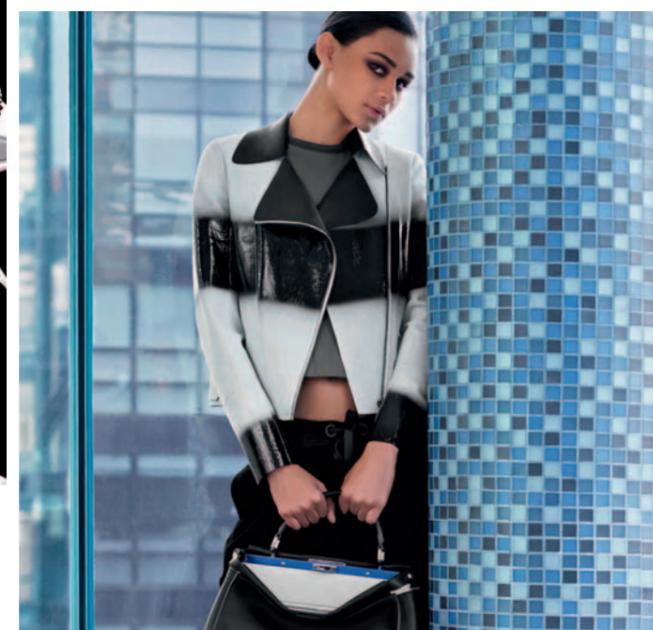
their development. The champagne business performed well, driven in particular by its prestige vintages. The American and Asian markets benefited from strong demand.

(EUR millions)	2014	2013 ⁽¹⁾
Revenue	3,973	4,173
Profit from recurring operations	1,147	1,367
Operating margin (%)	29	33

Fashion & Leather Goods

Major success of new products at Louis Vuitton and successful investments in other brands

The Fashion & Leather Goods business group recorded organic revenue growth of 3% in 2014. Profit from recurring operations reached €3,189 million. For Louis Vuitton, 2014 was characterised by strong creative momentum, dominated by the enthusiastic reception of Nicolas Ghesquière's first runway shows and of the new products. The celebration of the *Monogram* canvas as revisited by six leading designers and the inauguration of the avenue Montaigne flagship store in Paris are among the highlights of the last quarter. 2014 marks the first year of Loro Piana's integration into the business group. Fendi experienced strong growth driven by the success of its iconic lines. Celine continued its remarkable performance. Other fashion



brands such as Givenchy, Kenzo and Bertoni experienced accelerated growth while Donna Karan and Marc Jacobs are in a redeployment phase.

(EUR millions)	2014	2013 ⁽¹⁾
Revenue	10,828	9,883
Profit from recurring operations	3,189	3,135
Operating margin (%)	29	32

Perfumes & Cosmetics

Market share gains and remarkable vitality of iconic products

The Perfumes & Cosmetics business group significantly outperformed the market with organic revenue growth of 7%. Profit from recurring operations amounted to €415 million. The business group's momentum was boosted by continuous innovation and sustained investments. Iconic perfumes of Christian Dior, *J'adore*, *Miss Dior* and *Dior Homme* continued to demonstrate their exceptional appeal. The make-up segment also contributed



to the good performance of the Maison, notably thanks to *Dior Addict Fluid Stick*. Guerlain benefited from the successful launch of its new fragrance *L'Homme Idéal* and the success of its high-end skincare range *Abeille Royale*. Benefit confirmed its strong global momentum and is ranked as the leading make-up brand in the UK. Fresh and Make Up For Ever continued to strengthen their positions.

(EUR millions)	2014	2013 ⁽¹⁾
Revenue	3,916	3,717
Profit from recurring operations	415	414
Operating margin (%)	11	11

Watches & Jewelry

Strengthened positioning of jewelry and cautious purchasing behaviour of multi-brand watch retailers

The Watches & Jewelry business group recorded organic revenue growth of 4%. Profit from recurring operations reached €283 million. While jewelry revenue showed remarkable momentum, watches were penalized by the cautious purchasing behaviour of multi-brand retailers in an uncertain economic environment. Bvlgari recorded strong growth driven by the success of its iconic lines and enhanced its watch collections with its new *Lucea* watch for women. TAG Heuer refocused on its core offering, adapting its organization



accordingly. While maintaining tight control, the Maisons continued to selectively invest in their distribution network and production capacity.

(EUR millions)	2014	2013 ⁽¹⁾
Revenue	2,782	2,697
Profit from recurring operations	283	367
Operating margin (%)	10	14

Selective Retailing

Strong growth at Sephora, DFS's progress impacted by currency and geopolitical developments

The Selective Retailing business group recorded organic revenue growth of 8%. Profit from recurring operations reached €882 million in 2014. Sephora had an exceptional year and continued to gain market share. Performance was excellent especially in North America,



the Middle East and Asia. Online sales grew significantly, supported by innovative mobile features. The store network expansion continued: the company established a new presence in Indonesia and Australia while several flagship stores, such as the Champs-Élysées and Dubai Mall, have been renovated. New brands enhanced the product offering, bringing a diversity that never ceases to keep Sephora ahead in beauty innovation.

Faced with a complex situation in Asia, particularly relating to currency and geopolitical developments, DFS continued to focus on optimizing its offer and deploying its loyalty program. Its profitability was equally impacted by the expansion and renovation of several airport concessions.

(EUR millions)	2014	2013 ⁽¹⁾
Revenue	9,534	8,903
Profit from recurring operations	882	908
Operating margin (%)	9	10

(1) The financial statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements.

The LVMH share

Changes in the LVMH share price

After a two-year upward progression, stock markets essentially broke even in Europe in 2014 and achieved more moderate gains in the rest of the world, with higher volatility also making a comeback. Geopolitical tensions, exchange rate fluctuations, and falling oil prices dampened investor sentiment in the second half of the year. Compared to the United States and Japan, European indices experienced a more pronounced slowdown as a result of weak Euro zone growth. In the United States, the improved economic outlook overshadowed market anxieties about the Federal Reserve's tapering of its liquidity injections, while the Dow Jones attained new historic highs. In Japan, renewed quantitative easing by the country's central bank at the end of the year helped the Tokyo exchange climb back to its 2007 levels.

Against this backdrop, the LVMH share price ended 2014 up 11% at €132.25. By comparison, the CAC 40 and euro Stoxx 50 indices essentially broke even (down 0.5% and up 1.2%, respectively). LVMH's market capitalization as of December 31 was €67.1 billion, ranking it fourth in the Paris market.

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 investing.

Dividend increase of 3%

At the Annual Shareholders' Meeting on April 16, 2015, LVMH will propose a dividend of €3.20 per share, an increase of 3%. An interim dividend of €1.25 per share was paid on December 4 of last year. The balance of €1.95 per share will be paid on April 23, 2015.

Total shareholder return

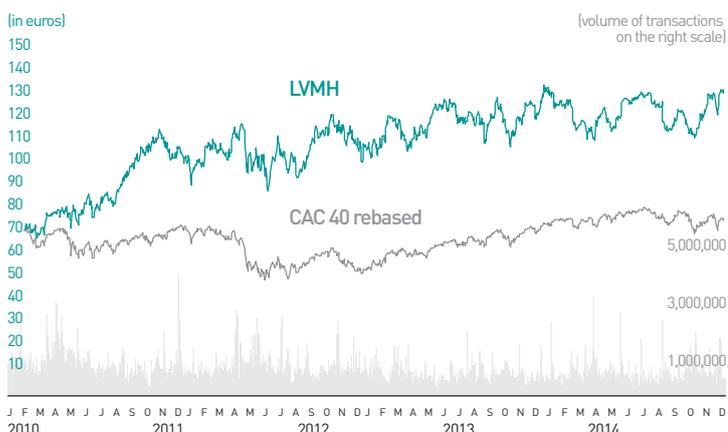
An LVMH shareholder who invested €1,000 on January 1, 2010 would have a capital of €2,060 on December 31, 2014, based on reinvested dividends. That is a compound annual growth rate of around 16% over five years.

Capital and voting rights

At December 31, 2014	Number of shares	Number of voting rights ^(a)	% of capital	% voting rights
Arnault family group	236,421,811	455,684,247	46.57%	62.59%
Other	271,289,902	272,343,729	53.43%	37.41%
Total	507,711,713	728,027,976	100.00%	100.00%

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

Comparison between the LVMH share price and the CAC 40 since 01/04/10



Shareholder relations

The website

The 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 events schedule (revenue 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.

Communications media can be viewed in the Documentation section along with the annual report and registration 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.

Lastly, a Calendar alert is available for those wishing to be advised of updates to this section and receive an e-mail reminder the day before the event.

The Shareholders' Club

Dedicated to individual shareholders who show a special interest in what is happening in the Group, the LVMH Shareholders' Club gives its members a better understanding of the Group, its businesses and its brands.



Through the Club membership magazine "Apartés," members may order products for delivery to addresses in France. It also offers subscriptions to "Les Échos", "Investir", and "Connaissance des Arts" at preferential rates. Members are also provided special access to certain places suitable for visits (such as wineries and wine cellars). They also benefit from VIP passes to art exhibits supported by LVMH.

Shareholders' Club members receive an individual membership card with a personal authentication number which is valid for two years.

Shareholders' Club Tel.: +33 (0) 1 44 13 21 50

Agenda

Thursday, April 16, 2015	Annual Shareholders' Meeting
April 2015	Publication of 2015 first-quarter revenue
Thursday, April 23, 2015	Payment of the balance of the dividend for 2014 ^(a)
July 2015	Publication of 2015 half-year revenue and results
October 2015	Publication of 2015 third-quarter revenue

(a) Last trading day with dividend rights: April 20, 2015.