

# LVMH

## LETTER TO SHAREHOLDERS MARCH 2016



# AFFIRMING OUR VALUES AND OUR VISION FOR THE GROUP



LVMH thrives on creation, on talented men and women and on their desire for excellence. Openness to others, to the world and all its cultures has enabled our Maisons to grow and, in some cases, span centuries. Moving forward does not mean forgetting. At the scale of our business, at each stage of its development, we will continue to honor this exceptional human heritage, embodying the robust values we share with our customers, suppliers and shareholders.

In France and worldwide, there are now more than 125,000 of us, and each and every one contributed to the achievements of 2015. But happy as we are with the Group's excellent results, the violence of the terrorist attacks perpetrated in Paris and other cities around the world has been seared into our memories.

Against a backdrop of economic uncertainty and geopolitical turmoil, LVMH made progress in 2015, achieving yet another record year thanks to the energy and responsiveness of our teams, the power of our brands, and the creativity and vision of excellence cultivated at every level of our Group. In a mixed global environment, with some of our Maisons exposed to adverse cyclical changes, particularly in Asia, all of our business groups contributed to revenue growth and all, without exception, significantly improved their results. Hennessy turned in a strong performance, with the number of cases shipped topping the six million mark, Louis Vuitton maintained its uninterrupted growth, Fendi and Bvlgari forged further ahead, Parfums Christian Dior won new market share, Sephora reinforced its leading position as it continues brilliantly to invent the beauty experience of tomorrow... These are just a few of the accomplishments that can make our employees proud.

## A NEW BEDROCK

2015 also marks the first year anniversary of Fondation Louis Vuitton, an expression of our passion for art, culture and freedom that also embodies, in the magnificent building by Frank Gehry, our desire and our long-term commitment to make contemporary creative work accessible to a vast audience. Beyond even the prodigious act of creation that brought it to life, ushering Parisian architecture into the twenty-first century, I see it as a new bedrock which conveys our values and our vision for the Group.

Handing down the craft is another passion – I would even say a responsibility – of ours. The *Institut des Métiers d'Excellence* (IME), an initiative aimed at young people which we launched in July 2014, strives to preserve the know-how of our craftspeople by training the next generation. In only its second year of existence, the IME is already making strides, as it expands the range of professions taught. The courses it offers, designed in partnership with leading trade schools, are showing a great deal of promise. In leatherworking, the entire class of 2014 received hands on training at Louis Vuitton's workshops and went on to win a prestigious apprenticeship award, *Meilleur Apprenti de France*. Eventually, we hope that the IME will embody the excellence of all our crafts, projecting them into the future.

## BRANDS SCALING NEW HEIGHTS, HIGHLY ENGAGED TEAMS

Our strategy stems from a deeply held ambition for LVMH. Our principal goal is to develop our Maisons over the long term and consolidate our leadership position. We own exceptional brands: they are emblematic, powerful, and scaling new heights. And that is an incomparable asset. Our employees at our Maisons and subsidiaries around the world are highly engaged, which is just as essential because the men and women who make up the Group are the ones who, through their diverse skills and creativity, make our brands ever more desirable. In their quest for excellence, they perpetuate the quality of their products, carrying them into the future with their enterprising mindset and market insights.

We are number one in the world in our competitive environment. This position makes us proud, but it also means we have to be extremely vigilant. Everyone knows that it is even more challenging to stay in first place than it is to get there.

Complacency is, in my opinion, the arch-enemy of creativity and excellence. The greatest accomplishments come when we set ambitious goals for ourselves and always strive to surpass our own limits. We achieve the best performance by remaining alert, always determined to improve on what we create for our brands. To stay number one we have to keep moving forward, and LVMH owes its success to our employees taking on board this core idea of our entrepreneurial philosophy.

## POWERFUL NEW STRATEGIC LEVERS

If there was ever a time for vigilance, it is now. Numerous factors of uncertainty have continued to prevail at the beginning of 2016. The agility that we have managed to preserve while growing, and the responsiveness of our organization, are now more crucial than ever. But aside from cyclical fluctuations, our market environment presents deeper challenges such as the diversification of our customers and their needs, the ever increasing emphasis on product quality and creativity as well as our brands' corporate social responsibility, and the explosion of all things digital. All of these trends represent powerful new strategic levers that our Maisons can use in a changing, wide open world that is brimming with growth opportunities.

Although we will approach the coming months with the prudence warranted by a mixed economic outlook, we are also moving forward with confidence. The Group's managers can draw on the fundamentals of our solid financial position, family spirit and enterprising mindset, as well as our commitment to long-term value creation. On that basis, and to meet that goal, we will continue to invest for the future, selectively but resolutely, in innovation, new geographic locations, expanded manufacturing capacities, store renovations and openings.

## A WIDE ARRAY OF PROJECTS IN STORE FOR 2016

2016 will feature a wide array of product launches and promising developments. In addition to other creative projects underway at the Group, Louis Vuitton will continue to enrich its flagship leather goods lines and will open a fragrance-creation laboratory in Grasse, marking the launch of its first perfume. To support its future growth, Hennessy recently began construction on a new ultra modern, environmentally friendly site. Following the trail blazed by Hublot, which doubled the capacity of its watchmaking facility in 2015, Bvlgari will open a new jewelry workshop in Valenza, Italy to support its quest for excellence and its robust growth. DFS will continue expanding into the world's most sought after travel destinations, with a new location in Cambodia near the spectacular ruins of Angkor and its first European store in the historic Fondaco dei Tedeschi building at the heart of Venice.

A highlight of 2016 for our Group will be our third *Journées Particulières* event, in May. Over the course of a weekend, at the exceptional locations offered by our Maisons, seamstresses, perfume bottle finishers, watchmakers, jewelers, cellar masters, malletiers, leather craftspeople and others will be sharing their passion for excellence with a wide audience. By highlighting the richness of our heritage, the diversity and nobility of our craftsmanship, and the virtuosity of our artisans, we will be affirming our timeless values and our vision for the Group.

**Bernard Arnault**  
Chairman and Chief Executive Officer

# EXCELLENT PERFORMANCE OF LVMH

## RECORD REVENUE AND OPERATING PROFIT IN 2015

### Key highlights from 2015 include:

- record revenue and profit from recurring operations,
- strong progress in Europe, the United States and Japan,
- positive impact of exchange rates,
- good performance of Wines & Spirits in all regions with a progressive normalization of the situation in China,
- the success of both iconic and new products at Louis Vuitton, where profitability remains at an exceptional level,
- progress at Fashion brands, in particular Fendi, Céline, Givenchy and Kenzo,
- remarkable momentum at Christian Dior which gained market share globally,
- excellent results at Bvlgari and success of TAG Heuer's refocusing strategy,
- exceptional progress at Sephora which strengthened its position in all its markets and in digital.

LVMH, the world's leading luxury products group, recorded revenue of €35.7 billion in 2015, an increase of 16% over the previous year. Organic revenue growth was 6%. The Group turned in strong momentum in Europe, the United States and Japan while other Asian countries demonstrate contrasting tendencies.

In the fourth quarter, revenue increased by 12% compared to the same period of 2014. Organic growth was 5%. Profit from recurring operations reached €6 605 million in 2015, an increase of 16%, to which all business groups contributed. Group share of net profit was €3 573 million. Excluding the capital gain realized in 2014 following the distribution of Hermès shares, Group share of net profit increased by 20%.

### CONFIDENCE FOR 2016

Despite a climate of economic, currency and geopolitical uncertainties, LVMH is well-equipped to continue its growth momentum across all business groups in 2016. 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, their entrepreneurial spirit, the balance of its different businesses and geographic diversity, LVMH enters 2016 with confidence and has, once again, set an objective of increasing its global leadership position in luxury goods.

### REVENUE

€35,664m  
+16%<sup>(1)</sup>

### PROFIT FROM RECURRING OPERATIONS

€6,605m  
+16%

### CURRENT OPERATING MARGIN

18.5%

### GROUP SHARE OF NET PROFIT

€3,573m  
+20%<sup>(2)</sup>

### DIVIDEND PER SHARE

€3.55<sup>(3)</sup>  
+11%

### FREE CASH FLOW

€3,679m<sup>(4)</sup>  
+30%

### NET FINANCIAL DEBT/TOTAL EQUITY RATIO

16%

Further information can be found in the 2015 Reference Document.

(1) Organic growth of 6%.  
(2) Excluding the 2014 exceptional gain from the distribution of Hermès shares.  
(3) Amount proposed at the Shareholders' Meeting of April 14, 2016.  
(4) Before available for sale financial assets and investments, transactions relating to equity and financing activities.

## WINES & SPIRITS

# EXCELLENT GROWTH IN THE UNITED STATES AND JAPAN, CONTINUED DESTOCKING IN CHINA



*Veve Clicquot*

The Wines & Spirits business group recorded an increase in organic revenue of 6%. On a reported basis, revenue growth was 16%. Profit from recurring operations increased by 19%.

Champagne experienced good growth in 2015 with an excellent performance in Europe, the United States and Japan. Hennessy demonstrated strong momentum in the United States across all ranges. In China, the second half of the year was marked by a rebound in revenue during a year characterised by continued destocking by distributors. Other spirits, Glenmorangie and Belvedere, continued a sustained growth.

REVENUE

€4,603m  
+16%

PROFIT FROM  
RECURRING OPERATIONS

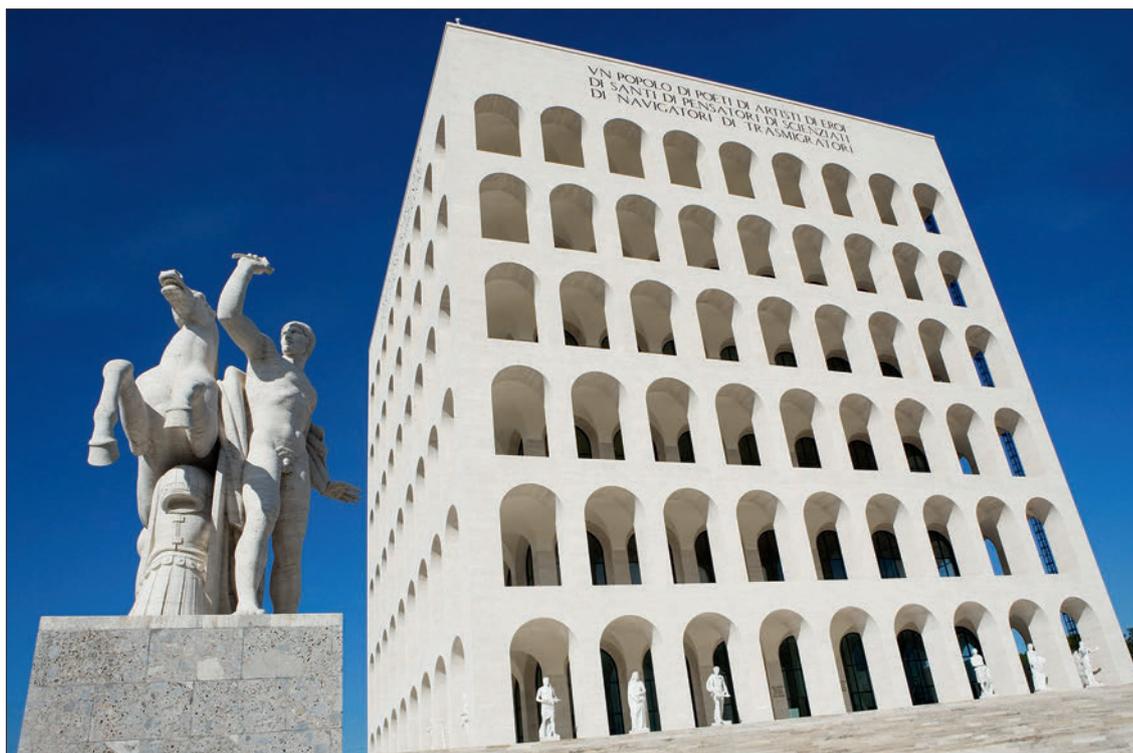
€1,363m  
+19%

CURRENT  
OPERATING MARGIN

29.6%

## FASHION & LEATHER GOODS

# STRONG CREATIVE MOMENTUM AT LOUIS VUITTON, OTHER BRANDS STRENGTHENED THEIR POSITIONS



*Fendi's new headquarters in Rome*

The Fashion & Leather Goods business group recorded organic revenue growth of 4% in 2015. On a reported basis, revenue growth was 14%. Profit from recurring operations increased by 10%.

Louis Vuitton had a remarkable year driven by the enthusiastic welcome of both its iconic products as well as the new models created by Nicolas Ghesquière. The Cruise Collection shown in Palm Springs and the exhibition at the Grand Palais in Paris retracing the history of the Maison were among the highlights for the year. Fendi recorded exceptional growth with the success of its iconic leather goods and the inauguration of Palazzo Fendi in the center of Rome. Loro Piana continued to invest in its production capacity and launched an exceptional new material combining vicuña wool and baby cashmere. Celine's growth was driven by all its product categories. Givenchy and Kenzo each had a good year. Donna Karan and Marc Jacobs continued to work on changes to their product lines.

REVENUE

€12,369m  
+14%

PROFIT FROM  
RECURRING OPERATIONS

€3,505m  
+10%

CURRENT  
OPERATING MARGIN

28.3%

## PERFUMES & COSMETICS

# MARKET SHARE GAINS AND SUCCESSFUL INNOVATIONS



Parfums Christian Dior

The Perfumes & Cosmetics business group recorded organic revenue growth of 7%. On a reported basis, revenue growth was 15%. Profit from recurring operations increased by 26%.

Christian Dior accelerated its growth and increased worldwide market share. The new men's fragrance *Sauvage* experienced unprecedented worldwide success. The vitality of its iconic perfumes *J'adore* and *Miss Dior* together with the excellent reception of new make-up products contributed to the Maison's remarkable performance. Guerlain demonstrated profitable growth notably driven by the progress of *L'Homme Idéal* and the continued success of the skincare ranges *Orchidée Impériale* and *Abeille Royale*. Benefit experienced strong growth driven by the originality of its products. Fresh and Make Up For Ever performed very well.

REVENUE

€4,517m  
+15%

PROFIT FROM  
RECURRING OPERATIONS

€525m  
+26%

CURRENT  
OPERATING MARGIN

11.6%

## WATCHES & JEWELRY

# GOOD GROWTH IN JEWELRY AND CAUTIOUS PURCHASING BEHAVIOUR OF MULTI-BRAND WATCH RETAILERS



Bvlgari

The Watches & Jewelry business group recorded organic revenue growth of 8%. On a reported basis, revenue growth was 19%. Profit from recurring operations increased by 53%.

Bvlgari had an excellent year driven by its iconic creations and its new *Diva* and *Lvcea* collections. Bvlgari's stores delivered excellent performances. The watch brands were impacted by the cautious purchasing behaviour of multi-brand retailers. TAG Heuer launched with enormous success its smartwatch developed in partnership with Google and Intel while continuing to develop its core offering. Given its strong growth, Hublot strengthened its production capacity with the opening of a second manufacturing facility in Nyon, Switzerland.

REVENUE

€3,308m  
+19%

PROFIT FROM  
RECURRING OPERATIONS

€432m  
+53%

CURRENT  
OPERATING MARGIN

13.1%

## SELECTIVE RETAILING

# EXCELLENT PERFORMANCE AT SEPHORA, DFS'S DEVELOPMENT IMPACTED BY ECONOMIC CHANGES IN ASIA



Sephora

The Selective Retailing business group recorded organic revenue growth of 5%. On a reported basis, revenue growth was 18%. Profit from recurring operations increased by 6%.

Sephora had an exceptional year in terms of revenue and results and continued to gain market share in all its markets. The omni-channel strategy accelerated with numerous initiatives in several countries. DFS continues to experience an uncertain environment in Asia as a result of currency and geopolitical changes, while its business in Japan benefited from a boom in Chinese tourism. Significant cost containment efforts were continued at DFS.

REVENUE

€11,233m  
+18%

PROFIT FROM  
RECURRING OPERATIONS

€934m  
+6%

CURRENT  
OPERATING MARGIN

8.3%

# THE LVMH SHARE

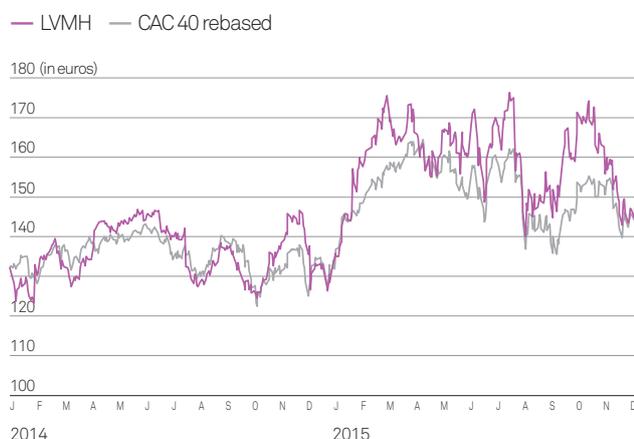
## CHANGES IN THE LVMH SHARE PRICE

2015 was another turbulent year for stock markets. After a largely positive first quarter, boosted by the implementation of new stimulus measures by the European Central Bank and the euro's depreciation against the dollar, worries about Greece and the unexpected devaluation of the yuan in August weighed heavily on investor sentiment. Stock market indices rebounded in autumn, however, nearly balancing out by year end in the United States, against the backdrop of the Federal Reserve's widely anticipated decision to raise the federal funds rate for the first time since 2006. European markets delivered a positive performance.

LVMH shares ended 2015 up 10% at €144.90. In comparison, the CAC 40 and Euro Stoxx 50 indices rose by 9% and 4% respectively. LVMH's market capitalization was 73.6 billion euros as of December 31, making it the fourth-largest company 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 leading indices for socially responsible investing.

### Comparison between the LVMH share price and the CAC 40 since 02/01/14



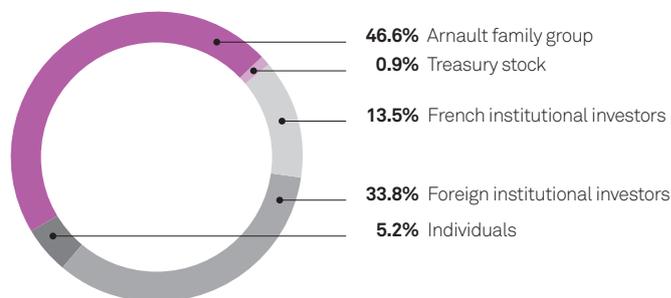
## TOTAL SHAREHOLDER RETURN

An LVMH shareholder who invested €1,000 on January 1, 2011 would have a capital of €1,452 on December 31, 2015, based on reinvested dividends. That is a compound annual growth rate of around 8% over five years.

## DIVIDEND INCREASE OF 11%

At the Annual Shareholders' Meeting on April 14, 2016, LVMH will propose a dividend of €3.55 per share, an increase of 11%. An interim dividend of €1.35 per share was paid on December 3 of last year. The balance of €2.20 per share will be paid on April 21, 2016.

### LVMH shareholder structure December 2015



# SHAREHOLDER RELATIONS

## 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 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, 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 Publications 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. Besides, a Shareholders alert is available informing the release of the letter to shareholders. Lastly, a Calendar alert is suggested 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

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



Through the Club's membership magazine *Apartés*, members can obtain home delivery of products from the Group's Wines and Spirits Maisons to addresses in France, subscriptions to *Les Échos*, *Investir*, and *Connaissance des Arts* at preferred rates, and special visitor access to certain sites such as wineries and wine cellars. Members also

have priority-access tickets to exhibits sponsored by LVMH at preferential price.

To become a member of the LVMH Shareholders' Club, just fill out the online membership form on the Shareholders page of the website, or request a form from the Club by postal mail. Shareholders' Club members receive an individual membership card with a personal authentication number which is valid for two years.

## CONTACTS

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Photographs: Louis Vuitton Malletier, Patrick Demarchelier – Karl Lagerfeld – Veuve Clicquot, Craig McDean – Fendi – Christian Dior Parfums, Jean-Baptiste Mondino – Sephora, Yvan Matrat – Bvlgari, Mikael Jansson – Picture libraries of LVMH and Group's Maisons.

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

## CALENDAR

**Tuesday, February 2, 2016**

Publication of 2015 revenue  
and annual results

**April 2016**

Publication of 2016  
first-quarter revenue

**Thursday, April 14, 2016**

Annual Shareholders' Meeting

**Thursday, April 21, 2016**

Payment of the final dividend  
for the 2015 fiscal year  
(last trading day with  
dividend rights: April 18, 2016)

**July 2016**

Publication of 2016 half-year  
revenue and results

**October 2016**

Publication of 2016  
third-quarter revenue

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