LVMH

MOËT HENNESSY . LOUIS VUITTON

TRANSLATION OF THE FRENCH INTERIM FINANCIAL REPORT

SIX-MONTH PERIOD ENDED JUNE 30, 2016

CONTENTS

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

Pierre Godé
Vice-Chairman

Antonio Belloni
Group Managing Director

Antoine Arnault

Delphine Arnault

Nicolas Bazire

Bernadette Chirac [a]

Charles de Croisset [a]

Diego Della Valle [a]

Albert Frère [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

Patrick Houël

Felix G. Rohatyn

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

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]

Statutory Auditors

ERNST & YOUNG Audit
represented by Jeanne Boillet
and Benoit Schumacher

MAZARS
represented by Simon Beillevaire
and Loïc Wallaert

General secretary

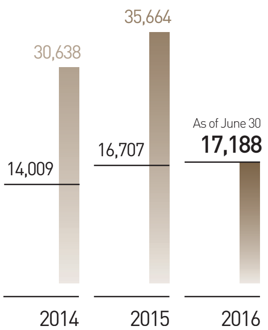
Marc-Antoine Jamet

(a) Independent Director.

FINANCIAL HIGHLIGHTS

Revenue

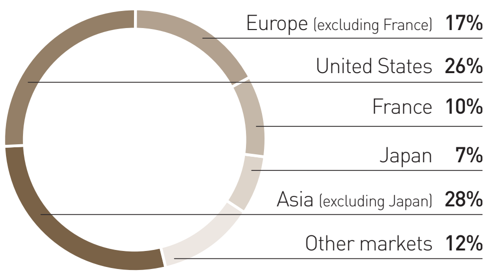
(As of June 30 and December 31, EUR millions)



Revenue by business group *(EUR millions)*	June 30, 2016	Dec. 31, 2015[1]	June 30, 2015[1]
Wines and Spirits	2,056	4,603	1,930
Fashion and Leather Goods	5,885	12,369	5,933
Perfumes and Cosmetics	2,337	4,671	2,228
Watches and Jewelry	1,609	3,308	1,552
Selective Retailing	5,480	11,193	5,275
Other activities and eliminations	(179)	(480)	(211)
Total	**17,188**	**35,664**	**16,707**

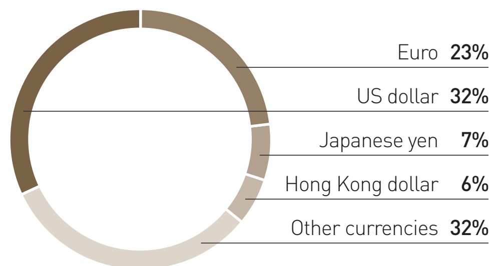
Revenue by geographic region of delivery

(As of June 30, 2016)



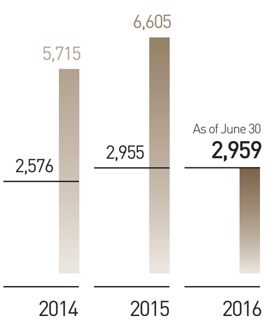
Revenue by invoicing currency

(As of June 30, 2016)



Profit from recurring operations

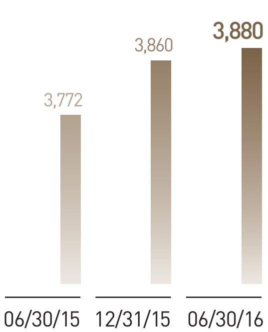
(As of June 30 and December 31, EUR millions)



Profit from recurring operations by business group *(EUR millions)*	June 30, 2016	Dec. 31, 2015[1]	June 30, 2015[1]
Wines and Spirits	565	1,363	482
Fashion and Leather Goods	1,630	3,505	1,661
Perfumes and Cosmetics	272	524	249
Watches and Jewelry	205	432	205
Selective Retailing	410	940	433
Other activities and eliminations	(123)	(159)	(75)
Total	**2,959**	**6,605**	**2,955**

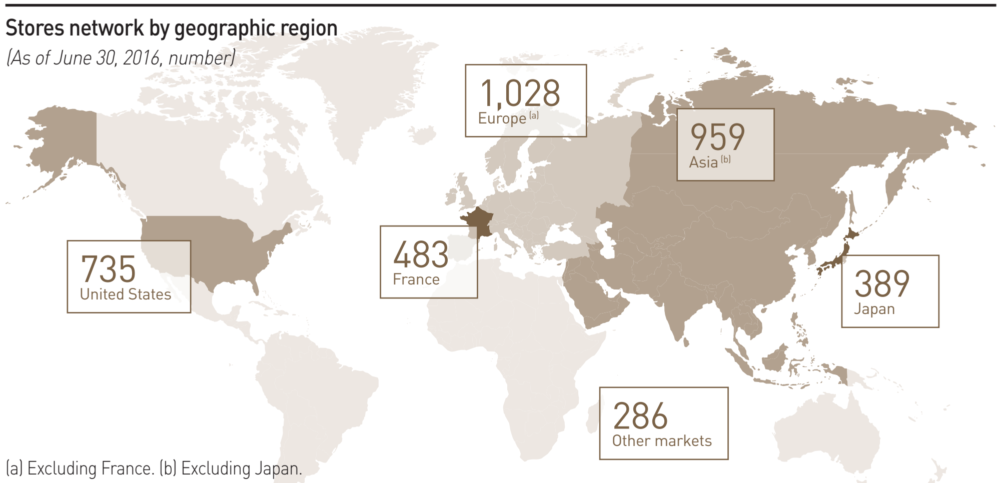
Stores

(number)



Stores network by geographic region

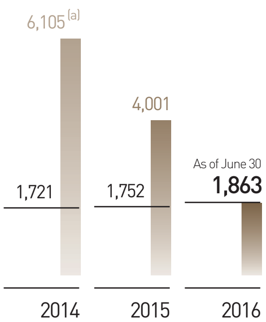
(As of June 30, 2016, number)



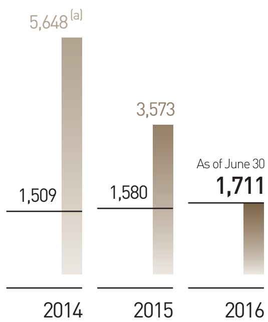
(a) Excluding France. (b) Excluding Japan.

(1) See Note 23.1. Information by business group in the notes to the condensed consolidated financial statements.

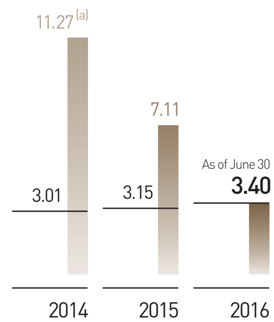
Net profit
(As of June 30 and December 31, EUR millions)



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

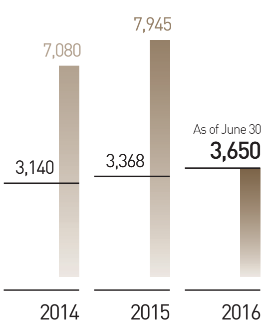


Basic Group share of net earnings per share
(As of June 30 and December 31, EUR)



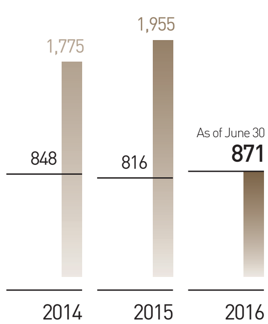
(a) Of which 2,677 million euros (i.e. 5.34 euros per share) resulting from the distribution of Hermès shares. See Note 8 of the 2014 consolidated financial statements.

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

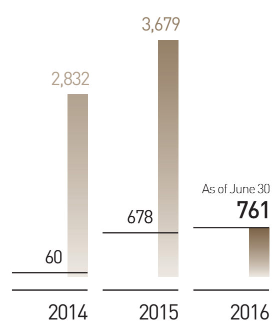


(a) Before interest and tax paid.

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

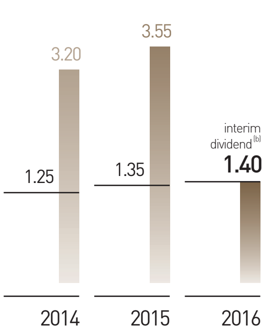


Free cash flow [a]
(As of June 30 and December 31, EUR millions)



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

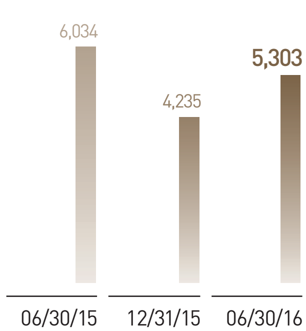
Dividend per share [a]
(EUR)



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

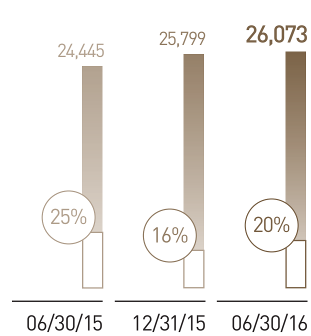
(b) Payable on December 1, 2016.

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.

Total equity and Financial debt/Total equity ratio
(EUR millions and percentage)



HIGHLIGHTS AND OUTLOOK

Highlights of the first half of 2016 include:

- strong momentum in the United States, and continued growth in the European market;
- excellent performance from Wines and Spirits in all regions;
- success of iconic lines and new products at Louis Vuitton, where profitability remains at an exceptional level;
- impressive growth of Fendi, which celebrates its 90th year,
- continued investment in the fashion brands;
- strong momentum at Parfums Christian Dior, led by successful innovations;
- market share gains at Bvlgari and the successful refocusing of TAG Heuer on its core range;
- exceptional progress at Sephora which is strengthening its position in all operating regions and in the digital universe;
- cash from operations before changes in working capital of 3.7 billion euros, an increase of 8%;
- net debt to equity ratio of 20% as of the end of June 2016.

Despite the context of geopolitical and currency uncertainties, LVMH will continue to gain market share thanks to 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 2016, LVMH's global leadership position in luxury goods.

An interim dividend of 1.40 euros will be paid on December 1, 2016.

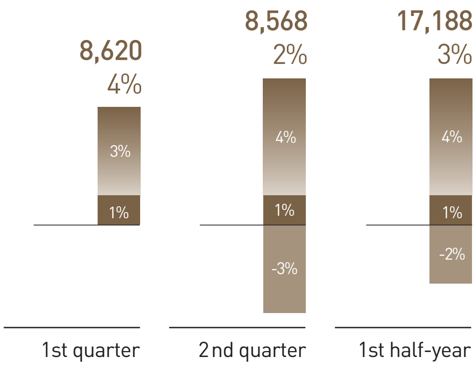
BUSINESS REVIEW AND COMMENTS ON THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS OF LVMH GROUP

1. COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

1.1. Analysis of revenue

Change in revenue per half-year period

(EUR millions and percentage)



Organic growth

Changes in the scope of consolidation [a]

Exchange rate fluctuations [a]

(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, 2016 was 17,188 million euros, up 3% from the first half of 2015. It was negatively impacted by 2% by the depreciation of many invoicing currencies against the euro, although the US dollar remained stable and the Japanese yen appreciated.

The following change has been made in the Group's scope of consolidation since January 1, 2015: in Other activities, the acquisition of the newspaper Le Parisien-Aujourd'hui en France in October 2015. This change 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 4%.

Revenue by invoicing currency

(as %)	June 30, 2016	Dec. 31, 2015	June 30, 2015
Euro	23	22	22
US dollar	32	32	31
Japanese yen	7	7	7
Hong Kong dollar	6	7	8
Other currencies	32	32	32
Total	**100**	**100**	**100**

With respect to June 30, 2015, the breakdown of revenue by invoicing currency changed significantly: the contributions of the euro and the US dollar rose by 1 point each to 23% and 32%, respectively, while the contribution of the Hong Kong dollar fell by 2 points to 6%. The portions of revenue in Japanese yen and other currencies remained stable at 7% and 32%.

Revenue by geographic region of delivery

(as %)	June 30, 2016	Dec. 31, 2015	June 30, 2015
France	10	10	10
Europe (excluding France)	17	18	17
United States	26	26	25
Japan	7	7	7
Asia (excluding Japan)	28	27	29
Other markets	12	12	12
Total	**100**	**100**	**100**

By geographic region of delivery, and compared to June 30, 2015, the relative contribution of Asia (excluding Japan) to Group revenue fell by 1 point to 28%, while that of the United States increased by 1 point to 26%. The relative contributions of France, Europe, Japan and Other markets remained stable at 10%, 17%, 7% and 12%, respectively.

Revenue by business group

(EUR millions)	June 30, 2016	Dec. 31, 2015 [1]	June 30, 2015 [1]
Wines and Spirits	2,056	4,603	1,930
Fashion and Leather Goods	5,885	12,369	5,933
Perfumes and Cosmetics	2,337	4,671	2,228
Watches and Jewelry	1,609	3,308	1,552
Selective Retailing	5,480	11,193	5,275
Other activities and eliminations	(179)	(480)	(211)
Total	**17,188**	**35,664**	**16,707**

By business group, the breakdown of Group revenue remained nearly unchanged. The contribution of Fashion and Leather Goods, at 34%, was down 1 point, while that of Perfumes and Cosmetics increased by 1 point to 14%. The contributions of Wines and Spirits, Watches and Jewelry, and Selective Retailing came to 12%, 9% and 32%, respectively.

Wines and Spirits saw an increase in revenue of 7% based on published figures. Revenue for this business group increased by 9% on a constant consolidation scope and currency basis, with the net impact of exchange rate fluctuations weighing it down by 2 points. This performance was largely driven by an increase in volumes. Demand remained very strong in the United States and Europe, while China saw a clear improvement during the first six months of 2016.

Fashion and Leather Goods revenue was stable on a constant consolidation scope and currency basis, and down 1% in published figures. This business group's performance was driven by Fendi, Kenzo, Loewe and Berluti, which delivered on their potential with double-digit growth.

Revenue for Perfumes and Cosmetics increased by 8% on a constant consolidation scope and currency basis, and by 5% 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 appreciable revenue growth in the United States, Europe and Japan.

Revenue for Watches and Jewelry increased by 4% on a constant consolidation scope and currency basis, as well as according to published figures. This business group saw a very strong set of performances by TAG Heuer, Chaumet and Fred as well as growth by Bvlgari. Asia, Japan, and the United States were the most buoyant regions.

Revenue for Selective Retailing increased by 5% on a constant consolidation scope and currency basis, and by 4% according to published figures. This performance was driven by Sephora, which generated very appreciable growth in revenue across the main world regions, while DFS was penalized by the challenging tourism context in Asia.

1.2. Profit from recurring operations

(EUR millions)	June 30, 2016	Dec. 31, 2015	June 30, 2015
Revenue	17,188	35,664	16,707
Cost of sales	(5,917)	(12,553)	(5,881)
Gross margin	11,271	23,111	10,826
Marketing and selling expenses	(6,935)	(13,830)	(6,601)
General and administrative expenses	(1,381)	(2,663)	(1,267)
Income (loss) from investments in joint ventures and associates	4	(13)	(3)
Profit from recurring operations	**2,959**	**6,605**	**2,955**
Operating margin *(%)*	**17.2**	**18.5**	**17.7**

The Group achieved a gross margin of 11,271 million euros, up 4% compared to the first half of 2015. As a percentage of revenue the gross margin was 66%, an increase of 1 point compared to the first half of 2015.

Marketing and selling expenses totaled 6,935 million euros, up 5% based on published figures and up 6% 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 Fashion and Leather Goods. The level of marketing and selling expenses as a percentage of revenue rose by 0.8 points to 40%. Among these marketing and selling expenses, advertising and promotion costs amounted to 12% of revenue, an increase of 8% on a constant consolidation scope and currency basis.

The geographic breakdown of stores is as follows:

(number)	June 30, 2016	Dec. 31, 2015	June 30, 2015
France	483	482	475
Europe (excluding France)	1,028	1,012	997
United States	735	732	718
Japan	389	407	406
Asia (excluding Japan)	959	951	908
Other markets	286	276	268
Total	**3,880**	**3,860**	**3,772**

General and administrative expenses totaled 1,381 million euros, up 9% according to published figures as well as on a constant consolidation scope and currency basis. Three percentage points of this increase was due to exceptional, non-recurring impacts. General and administrative expenses amounted to 8% of revenue, up 0.5 points with respect to June 30, 2015.

Profit from recurring operations by business group

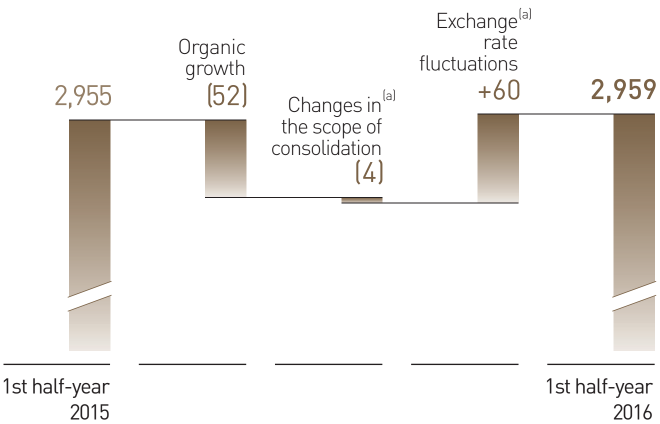
(EUR millions)	June 30, 2016	Dec. 31, 2015[1]	June 30, 2015[1]
Wines and Spirits	565	1,363	482
Fashion and Leather Goods	1,630	3,505	1,661
Perfumes and Cosmetics	272	524	249
Watches and Jewelry	205	432	205
Selective Retailing	410	940	433
Other activities and eliminations	(123)	(159)	(75)
Total	**2,959**	**6,605**	**2,955**

The Group's profit from recurring operations was 2,959 million euros, up slightly with respect to June 30, 2015. The Group's operating margin as a percentage of revenue was 17.2%, down 0.5 points compared with June 30, 2015.

(1) See Note 23.1. Information by business group in the notes to the condensed consolidated financial statements.

Profit from recurring operations

(EUR millions)



(a) The principles used to determine the net impact of exchange rate fluctuations on 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 60 million euros on profit from recurring operations compared to June 30, 2015. 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 down 2% compared to June 30, 2015.

Wines and Spirits

	June 30, 2016	Dec. 31, 2015	June 30, 2015
Revenue *(EUR millions)*	2,056	4,603	1,930
Profit from recurring operations *(EUR millions)*	565	1,363	482
Operating margin *(%)*	27.5	29.6	25.0

Profit from recurring operations for Wines and Spirits was 565 million euros, up 17% compared to the first half of 2015. Champagne and wines contributed 178 million euros while cognacs and spirits accounted for 387 million euros. This performance was the result of both sales volume growth and a policy of significant price increases. The operating margin as a percentage of revenue for this business group increased by 2.5 points to 27.5%.

Fashion and Leather Goods

	June 30, 2016	Dec. 31, 2015	June 30, 2015
Revenue *(EUR millions)*	5,885	12,369	5,933
Profit from recurring operations *(EUR millions)*	1,630	3,505	1,661
Operating margin *(%)*	27.7	28.3	28.0

Fashion and Leather Goods posted profit from recurring operations of 1,630 million euros, down 2% with respect to June 30, 2015. Louis Vuitton maintained its exceptional profitability, while Fendi, Kenzo and Loro Piana maintained their profitable growth momentum. Donna Karan and Marc Jacobs continued their creative reinforcement by focusing on repositioning their collections. The business group's operating margin as a percentage of revenue fell by 0.3 points to 27.7%.

Perfumes and Cosmetics

	June 30, 2016	Dec. 31, 2015[(1)]	June 30, 2015[(1)]
Revenue *(EUR millions)*	2,337	4,671	2,228
Profit from recurring operations *(EUR millions)*	272	524	249
Operating margin *(%)*	11.6	11.2	11.2

Profit from recurring operations for Perfumes and Cosmetics was 272 million euros, up 9% compared to the first half of 2015. This growth was driven by Parfums Christian Dior, Benefit and Guerlain 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 rose by 0.4 points to 11.6%.

Watches and Jewelry

	June 30, 2016	Dec. 31, 2015	June 30, 2015
Revenue *(EUR millions)*	1,609	3,308	1,552
Profit from recurring operations *(EUR millions)*	205	432	205
Operating margin *(%)*	12.7	13.1	13.2

Profit from recurring operations for Watches and Jewelry was 205 million euros, remaining stable with regard to the first half of 2015.

Operating margin as a percentage of revenue for this business group fell 0.5 points to 12.7%.

(1) See Note 23.1. Information by business group in the notes to the condensed consolidated financial statements.

Selective Retailing

	June 30, 2016	Dec. 31, 2015 [1]	June 30, 2015 [1]
Revenue *(EUR millions)*	5,480	11,193	5,275
Profit from recurring operations *(EUR millions)*	410	940	433
Operating margin *(%)*	7.5	8.4	8.2

Profit from recurring operations for Selective Retailing was 410 million euros, down 5% compared to the first half of 2015. The business group's operating margin as a percentage of revenue fell by 0.7 points to 7.5%.

Other activities

The net result from recurring operations of Other activities and eliminations was a loss of 123 million euros, down with respect to the first half of 2015. 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, 2016	Dec. 31, 2015	June 30, 2015
Profit from recurring operations	2,959	6,605	2,955
Other operating income and expenses	(40)	(221)	(64)
Operating profit	2,919	6,384	2,891
Net financial income (expense)	(166)	(414)	(259)
Income taxes	(890)	(1,969)	(880)
Net profit before minority interests	**1,863**	**4,001**	**1,752**
Minority interests	(152)	(428)	(172)
Net profit, Group share	**1,711**	**3,573**	**1,580**

Other operating income and expenses amounted to a net expense of 40 million euros, compared to a net expense of 64 million euros in the first half of 2015. In the first half of 2016, Other operating income and expenses included an 17 million euro net loss on disposals. The balance mainly comprised amortization and impairment charges for brands and goodwill.

The Group's operating profit was 2,919 million euros, up 1% compared to the first half of 2015.

The net financial expense as of June 30, 2016 was 166 million euros, compared with a net financial expense of 259 million euros as of June 30, 2015. This item comprises:

- the aggregate cost of net financial debt, which amounted to 33 million euros, less than the 52 million euro expense recorded in the first half of 2015. The Group benefited from the favorable change in interest expense arising from lower interest rates and the decrease in the average amount of debt outstanding;
- other financial income and expenses, which amounted to a net expense of 133 million euros as of June 30, 2016, versus an expense of 207 million euros as of June 30, 2015. This change arose from the decreased expense related to the ineffective portion of foreign exchange derivatives, which was an expense of 132 million euros as of end-June 2016, versus an expense of 296 million euros as of end-June 2015; the sharp appreciation of the US dollar with respect to the euro had led the Group to adapt its derivatives portfolio during the first-half of 2015. Other income from financial instruments, a negative amount of 1 million euros as of June 30, 2016, amounted to a positive amount of 89 million euros a year earlier, essentially arising from capital gains on sales of short-term investments.

The Group's effective tax rate for the half-year period ended June 30, 2016 was 32%, down 1 point with respect to the first half of 2015.

Profit attributable to minority interests was 152 million euros, compared to 172 million euros in the first half of 2015; this total mainly includes profit attributable to minority interests in Moët Hennessy and DFS.

The Group's share of net profit was 1,711 million euros, up 8% compared to the half-year period ended June 30, 2015. It amounted to 10% of revenue in the first half of 2016, up 1 point compared to the period ended June 30, 2015.

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, 2016	Dec. 31, 2015	June 30, 2015
Revenue *(EUR millions)*	**2,056**	**4,603**	**1,930**
Of which: Champagne and wines	*856*	*2,221*	*830*
Cognac and spirits	*1,200*	*2,382*	*1,100*
Sales volume *(millions of bottles)*			
Champagne	23.2	61.4	22.5
Cognac	39.4	76	34.7
Other spirits	8.4	18.6	8.2
Still and sparkling wines	16.6	45.4	17.7
Revenue by geographic region of delivery *(%)*			
France	5	6	5
Europe (excluding France)	15	19	16
United States	33	30	31
Japan	6	6	6
Asia (excluding Japan)	26	23	27
Other markets	15	16	15
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**565**	**1,363**	**482**
Operating margin *(%)*	**27.5**	**29.6**	**25.0**
Operating investments of the period *(EUR millions)*	**91**	**233**	**87**

Highlights

In an uncertain economic environment worldwide, the Wines and Spirits business group achieved an excellent start to the year, driven by the know-how of its brands, their strong innovative momentum, and its agile distribution network. The first half of the year saw strong advances in the United States and better momentum in China. Europe made headway despite a sluggish economy.

Champagne volumes increased by 3%. Buoyed by the success of *Moët Ice Impérial*, **Moët & Chandon** unveiled *Moët Ice Impérial Rosé*, the first rosé champagne designed to be enjoyed over ice. The brand reinforced its footprint among influencers of its historical markets in order to enhance its visibility in this highly competitive segment. With *Dom Pérignon P2*, **Dom Pérignon** began the rollout of its strategy for conquering the ultra-premium wine market. Capitalizing on its know-how, the brand is developing innovative wine concepts to gain access to new opportunities in the most upscale segments. The results achieved by **Veuve Clicquot** in the first half of 2016 confirmed its momentum, especially in the United States, where the brand further enhanced its leadership position. Veuve Clicquot also demonstrated its capacity for oenological innovation with the launches of *Vintages 2008* and *Rich Rosé*, aptly complementing and enhancing the success of *Clicquot Rich*, the first champagne created with mixed drinks in mind. **Krug** saw excellent growth, built on *Krug Grande Cuvée* and enhanced by the releases of two long-awaited vintages: *Krug 2002* and *Krug Clos du Mesnil 2002*. **Ruinart** achieved strong results driven by the excellence of its products and its commitment to contemporary art. Celebrating 120 years of collaborations with artists, the brand commissioned the famed photographer Erwin Olaf to pay tribute to the medieval chalk quarries ("crayères") converted into cellars where its champagnes are aged, instrumental to the listing of the Crayères region as a UNESCO World Heritage Site. **Mercier** worked to extend its range, benefiting from the appeal of its new communications campaign "Mercier, Champagne maison" (Mercier, the champagne to enjoy at home).

Estates & Wines continued the development of its portfolio of exceptional wines with the launch of Cloudy Bay *Te Wahi Pinot Noir 2014*, a new *Single Vineyards* range for Newton in Napa Valley, and the Chinese luxury wine *Ao Yun* in Shangri-La. **Chandon** maintained its position as the international benchmark for consumers of sparkling wines and launched a partnership with the McLaren Honda Formula 1 team.

Confirming the relevance of its balanced international growth model, **Hennessy** posted a 13% increase in volumes. It achieved particularly substantial momentum in the United States, the Caribbean, Africa, and the travel retail market, which serves as an excellent showcase for the range. Following the wave of retailer destocking in China in 2015, Hennessy's sales there were encouraging, as they were throughout Asia. New communications campaigns, in particular the first worldwide campaign devoted to *Hennessy X.O* directed by Oscar winner Nicolas Winding Refn, helped to enhance the brand's desirability.

Buoyed by awards garnered worldwide, **Glenmorangie** and **Ardbeg** whiskies saw another period of strong growth and confirmed their status as innovative leaders in the Scotch whisky segment. **Belvedere**, the favored luxury vodka of the nightlife segment, continued to see growth.

Outlook

Spurred by the excellence of its brand portfolio and the responsiveness of its distribution network, the Wines and Spirits business group embarks on the second half of 2016 with confidence. The pillars of the business group's strategy are to further reinforce the desirability of its products, to offer unique experiences to consumers, and to put innovation more than ever at the heart of its brands' operations. The second part of the year will be eventful, with numerous product launches. Pursuing an ambitious plan to expand its production capacity and support the brand's future development, **Hennessy** will reaffirm its strategy of sustainable growth in the cognac segment by investing in its current key markets as well as in those with significant growth potential.

3. FASHION AND LEATHER GOODS

	June 30, 2016	Dec. 31, 2015	June 30, 2015
Revenue *(EUR millions)*	5,885	12,369	5,933
Revenue by geographic region of delivery *(%)*			
France	8	9	9
Europe (excluding France)	22	22	21
United States	20	22	21
Japan	12	11	11
Asia (excluding Japan)	29	28	29
Other markets	9	8	9
Total	100	100	100
Type of revenue as a percentage of total revenue (excluding Louis Vuitton)			
Retail	61	60	59
Wholesale	37	37	38
Licenses	2	3	3
Total	100	100	100
Profit from recurring operations *(EUR millions)*	1,630	3,505	1,661
Operating margin *(%)*	27.7	28.3	28.0
Operating investments of the period *(EUR millions)*	200	553	280
Number of stores	1,536	1,566	1,550

Highlights

In a climate of monetary and geopolitical uncertainty, **Louis Vuitton** maintained its creative momentum, illustrated by strong innovation across its various business lines. Leather goods benefited as much from the continuous development of the brand's legendary designs as from the success of more recent creations. In particular, the new designs in leather goods performed remarkably well. The brand's new *Blossom* watches and jewelry collection featured finely sculpted renditions of its iconic *Monogram* flowers. Louis Vuitton's communications policy continued to revolve around regular campaigns and high-profile events at prestigious venues. After heading to the Palm Springs estate of Bob and Dolores Hope in 2015, Louis Vuitton continued its architectural journey with a visit to the ranch designed by celebrated Mexican architect Luis Barragán, for a campaign featuring its newest ambassador, the French actress Léa Seydoux. Another high point of the period was the presentation of the *2017 Cruise* collection against the exceptional backdrop of the Niterói Contemporary Art Museum in Brazil. In the spring, the brand's touring exhibition Volez, Voguez, Voyagez (Fly, Sail, Travel) docked in Tokyo, underscoring the close ties linking Louis Vuitton to Japan since the end of the 19th century.

Fendi posted strong growth and increased its market shares in all world regions. The Rome-based fashion house further enhanced its desirability, nurturing its bold yet refined and sophisticated spirit. Fendi achieved excellent momentum across all its product categories, especially its spring/summer 2016 ready-to-wear and footwear collections, which were enthusiastically received. In leather goods, *Strap You*, the brand's mix-and-match shoulder straps that may be used with different Fendi handbags, were a huge hit. The brand continued the rollout of its new retail concept, with the opening of a flagship store in Moscow.

Drawing on its textile know-how and its exclusive supply sources for natural materials, **Loro Piana** continued its expansion with the constant aim of maintaining unparalleled quality. The *Gift of Kings* collection, featuring pieces crafted from the finest wool in the world, continued to perform well and is now available in a women's line. The brand recently opened a flagship store on Avenue Montaigne in Paris.

The robust momentum achieved by **Céline** was driven by the development of all its product categories. The brand's footwear and ready-to-wear lines made especially strong contributions to its excellent performance in the first half of the year. Céline opened its first store in Spain during the period, in an ideal location on the Paseo de Gràcia, in central Barcelona.

Kenzo stepped up the pace of its growth, with its physical retail network and its online shopping site both achieving solid results. Following the success of its ready-to-wear collections, the brand is expanding its product lines, especially in leather goods and footwear. **Givenchy** focused its efforts during the period on women's ready-to-wear, leather goods and footwear, and strengthened its presence on social media.

Donna Karan and **Marc Jacobs** continued the strategic repositioning of their collections. **Loewe**'s latest designs, including the *Puzzle* handbag that epitomizes the Madrid-based fashion house's artisanship, consolidated their strong performance in the first half of the year. The momentum at **Berluti** continued. The brand pursued its international expansion with the opening of its first German store in Frankfurt.

Outlook

Louis Vuitton will again demonstrate its rich wellspring of innovation in the second half of the year with a number of strong initiatives, especially in the world of leather goods and travel objects, featuring in particular an exceptional suitcase designed by M. Newson. The brand will also continue to reinforce and revisit its timeless product lines. One of the high points of the second half of the year will be the launch of a Louis Vuitton fragrance and the inauguration of the creative workshop in Grasse in support of the brand's ambitious goals in this area. Quality improvements in its retail network will continue, with the constant aim of offering customers a unique experience and unparalleled service. **Fendi** will maintain its strong momentum, with a series of events in Rome, including a fashion show held at the Trevi Fountain to celebrate the brand's 90th anniversary. New stores will open their doors in Paris and Hong Kong, and the brand will expand its retail presence to Austria, with the opening of a store in Vienna. **Loro Piana** will continue to focus its investments on textile research and the control of its supply sources. With respect to its network of stores, the brand will maintain its selective expansion strategy. By focusing on their specific objectives, all the brands will continue to underscore their creativity and their identities, while reinforcing their development models.

4. PERFUMES AND COSMETICS

	June 30, 2016	Dec. 31, 2015 [1]	June 30, 2015 [1]
Revenue *(EUR millions)*	2,337	4,671	2,228
Revenue by product category *(%)*			
Perfumes	37	41	38
Cosmetics	45	40	42
Skincare products	18	19	20
Total	100	100	100
Revenue by geographic region of delivery *(%)*			
France	11	12	12
Europe (excluding France)	24	26	25
United States	17	14	14
Japan	5	4	4
Asia (excluding Japan)	28	29	30
Other markets	15	15	15
Total	100	100	100
Profit from recurring operations *(EUR millions)*	272	524	249
Operating margin *(%)*	11.6	11.2	11.2
Operating investments of the period *(EUR millions)*	110	233	103
Number of stores	224	204	176

(1) See Note 23.1. Information by business group in the notes to the condensed consolidated financial statements.

Highlights

The Perfumes and Cosmetics business group posted robust revenue growth and continued to increase its market shares in a highly competitive environment. Momentum was particularly strong in Europe and the United States. This performance was driven by the image of LVMH's brands, the creativity expressed through its products, and the care and attention devoted to their distribution.

Parfums Christian Dior increased its market shares in all countries, demonstrating once again the brand's excellent momentum, fueled by the continuing vitality of its iconic fragrances *J'adore* and *Miss Dior* and by the exceptional success of *Sauvage*, which secured its leadership position in a number of markets. *Poison Girl*, the brand's new fragrance launched in early 2016, also contributed to its solid performance. 2016 has also been an opportunity for Parfums Christian Dior to bring to the fore its vision of excellence and its luxury perfume know-how by reasserting its roots in Grasse, with the rehabilitation of the Château de La Colle Noire – Monsieur Dior's former residence – and the upcoming arrival of the brand's Perfumer-Creator François Demachy in his new creative studio at Les Fontaines Parfumées in the center of this Provençal town. Bolstered by its strong ties with fashion and the creative vision of Peter Philips, its creative director, Dior's make-up division reaffirmed its leading position in international markets, particularly in Asia, where new additions such as the *Forever* foundation and the *Dior Addict* lipstick were extremely well received. Dior's skincare lines consolidated their positions in Asia, with its premium range reinforced by the success of *Prestige*, the brand's iconic anti-aging product line.

Guerlain continued its expansion, introducing a new make-up collection inspired by its fragrance *La Petite Robe Noire*, with the worldwide launch of palettes of lipsticks and nail polishes. In skincare, the *Abeille Royale* and *Orchidée Impériale* lines fueled the brand's growth in Asia and continued to illustrate Guerlain's lasting commitment to the protection of the environment and biodiversity. The opening in Paris of the brand's first store devoted entirely to perfume was a high point of the first half of the year. This exceptionally designed new space pays tribute to Guerlain's excellence as a perfume house, the cornerstone of its reputation since 1828.

Parfums Givenchy achieved strong revenue figures, driven by the success of its new scent *Live Irrésistible*, launched in fall 2015, and by the impressive performance of make-up, particularly the *Prisme Libre* line and its range of lipsticks. **Kenzo Parfums** benefited from the vitality of its long successful fragrance *Flower* and the strong performance of its *Kenzoki* skincare line.

Buoyed by the success of *Roller Lash* mascara, its major innovation of 2015, **Benefit** maintained its strong momentum. The launch of its latest creation, the *Brow Collection*, the largest in the history of the brand, was nothing short of exceptional. **Make Up For Ever** recorded rapid revenue growth. In a worldwide exclusive event at the Sephora store on the Champs-Élysées, the brand introduced Go Pro Makeup, a fun and friendly make-up bar where the brand's products are presented on a conveyor belt. **Fresh** maintained its robust growth, driven by strong momentum in Asia and Europe. In France in particular, following the opening in 2015 of a counter at the Galeries Lafayette in Paris, the brand stepped up its expansion with a new point of sale at Le Bon Marché. **Acqua di Parma** celebrated its centenary at its birthplace in Parma, Italy. The portfolio **Kendo** brands recorded strong growth, spurred by the success of *Kat von D* and *Marc Jacobs Beauty*. A contract was recently signed with the singer Rihanna for the launch of a full eponymous make-up line in 2017.

Outlook

With a new target of further increased market shares, LVMH's brands will continue to capitalize on the successes of their star lines and their policy of vigorous innovation. **Parfums Christian Dior** will unveil its new version of *Rouge Dior*, the brand's iconic lipstick, with a major reinvention underscored by a new communications campaign featuring Natalie Portman. **Guerlain** will continue to innovate in the realm of fragrances, but also in skincare and make-up, in particular with the launch of a new *La Petite Robe Noire* opus. Upcoming highlights at **Kenzo Parfums** will include the launch of the new women's fragrance *Kenzo World*, the first collaboration with Carol Lim and Humberto Leon, the creative directors of Kenzo Mode. **Benefit** will continue to support the rollout of its new *Brow Collection*. Many other launches will take shape in the months to come for all of the Group's brands, maintaining the momentum achieved in the first half of the year.

5. WATCHES AND JEWELRY

	June 30, 2016	Dec. 31, 2015	June 30, 2015
Revenue *(EUR millions)*	1,609	3,308	1,552
Revenue by geographic region of delivery *(%)*			
France	5	7	7
Europe (excluding France)	25	25	25
United States	10	11	10
Japan	14	13	14
Asia (excluding Japan)	28	27	27
Other markets	18	17	17
Total	100	100	100
Profit from recurring operations *(EUR millions)*	205	432	205
Operating margin *(%)*	12.7	13.1	13.2
Operating investments of the period *(EUR millions)*	95	204	102
Number of stores	390	395	390

Highlights

The Watches and Jewelry business group continued to grow, fueled by the strength of its brands' iconic lines and the creativity of their new products. The reputations of the watches and jewelry brands were reinforced with the opening of new stores and the remodeling of existing stores in prestigious locations as well as by ongoing investments in communications.

Bvlgari maintained its strong creative momentum. Its growth performance far outstripped that of the market. Growth was particularly robust in China and the Middle East. The brand's jewelry offerings were further enhanced with new products in the emblematic *B.Zero1* and *Diva* lines. Bvlgari's new ladies' watch designs, *Serpenti Incantati* and *Lvcea Piccola*, were unveiled at Baselworld 2016 to great acclaim. In February, the brand reopened its New Bond Street store in London, in an entirely refreshed and stunning new look. Bvlgari's deep reserves of creativity, its special ties with the worlds of art and cinema, and its unique know-how in combining colored gemstones were celebrated once again with exhibitions held around the planet, including *Serpenti Form* in Rome, *Bvlgari, Cinecittà and Beyond* in Beijing, and *Bellissima* in Fort Lauderdale. The *Magnificent Inspirations* event in Cap Ferrat offered an opportunity to present the exceptional fine jewelry creations of *Scuola Bvlgari*.

The solid revenue growth reported by **TAG Heuer** despite challenges faced in the watch market worldwide demonstrated the relevance of the brand's strategy of refocusing on its core product ranges. TAG Heuer's strong momentum was reflected in the newest additions to the brand's iconic *Formula 1*, *Carrera* and *Aquaracer* collections. The *Carrera Heuer 02* and *Formula 1 Chronograph* models were particularly well received in Basel. The TAG Heuer Connected smartwatch, a major innovation unveiled at the end of 2015, met with continued success. TAG Heuer continued to enhance its retail network, with store openings in Tianjin, Macao and New Delhi. The brand's visibility among its target customers was reinforced thanks to a number of new partnerships, including those with the Coachella Valley Music and Arts Festival, the Paris and London marathons, the English Premier League, and the Chinese Football Association Super League.

Hublot continued its development, driven by the *Classic Fusion* line, which was enhanced alongside the brand's iconic *Big Bang*. Hublot's creativity and capacity for innovation were more than ever in evidence, through novel concepts such as the *Big Bang Unico Sapphire*, the *Meca-10* and the *Classic Fusion* Berluti, all of which were greeted with enthusiasm in Basel. High-impact communications and events in connection with the world of sports and culture, including an active role in the 2016 UEFA European Championship, helped to further build Hublot's reputation. A new store was opened on Fifth Avenue in New York, serving as an exceptional showcase for the brand.

Zenith focused on the models of its *El Primero* collection and strengthened its organization.

Chaumet ramped up its growth in Asia and the Middle East, driven by the success of its *Joséphine* and *Lien* lines, and continued its move upmarket. New designs in its collections include the *Voie Lactée* and *Aube Rosée*. The *Promenade Bucolique* (Bucolic Stroll) event in Taiwan was a chance to unveil pieces inspired by naturalistic themes dear to Chaumet. **De Beers** cemented its leadership position in diamonds. **Fred** pursued the active development of its *Force 10* line and its newly opened store in Hong Kong posted strong initial results.

Outlook

The Watches and Jewelry business group will continue to focus on increasing market shares. Given the current environment of economic and monetary uncertainty, selectivity in the allocation of resources and close attention to market developments are the key imperatives embraced by all of the business group's brands.

Investments in marketing, particularly via digital channels, will be maintained at high levels, and the implementation of improvement plans for its own stores will continue. At the end of the year, **Bvlgari**'s new jewelry workshop at Valenza will launch operations, combining artisanal excellence and the latest advances in technology in ways never before seen.

6. SELECTIVE RETAILING

	June 30, 2016	Dec. 31, 2015 [1]	June 30, 2015 [1]
Revenue *(EUR millions)*	5,480	11,193	5,275
Revenue by geographic region of delivery *(%)*			
France	13	13	13
Europe (excluding France)	7	8	7
United States	40	39	37
Japan	1	2	2
Asia (excluding Japan)	28	29	32
Other markets	11	9	9
Total	100	100	100
Profit from recurring operations *(EUR millions)*	410	940	433
Operating margin *(%)*	7.5	8.4	8.2
Operating investments of the period *(EUR millions)*	235	395	138
Number of stores			
Sephora	1,661	1,626	1,584
Other trade names	52	52	54

(1) See Note 23.1. Information by business group in the notes to the condensed consolidated financial statements.

Highlights

In the first half of the year, **Sephora** further increased its market shares around the world, again delivering double-digit revenue growth. The company's performance was remarkable. Its expansion continued with some fifty store openings worldwide during the period. Several flagship stores that opened their doors in the first half of the year, such as those at the Prudential Center in Boston and La Canopée in Paris, offer an enhanced customer experience with more digital content and services. Sephora also entered the Swiss market. The integration of the e-commerce platform Luxola, acquired in 2015, was completed very smoothly, giving Sephora a digital presence in eight countries across Southeast Asia. In addition, the company accelerated its omni-channel strategy in Europe with the launch of online shopping sites in Spain and Romania. Maintaining its focus on product innovation, Sephora continued to broaden its exclusive offerings with a new selection targeting younger customers. The company's numerous social media initiatives further increased its visibility.

Le Bon Marché maintained its growth momentum in the first half of the year, driven by its unique atmosphere, the warm welcome offered to its customers, and the success of its loyalty program. Le Bon Marché continued modernizing, introducing a new layout for its duty-free zone and unveiling novel design concepts in the revamped Fashion department. The first major exhibition in France of original works by the Chinese artist Ai Weiwei was among the highlights of Le Bon Marché's cultural programming in the first half of the year. The launch of La Grande Épicerie de Paris own-label products was a key highlight early in the year.

Challenging tourism figures continued to weigh on the Group's travel retail activities in Asia, especially in Macao and Hong Kong, where sales by **DFS** were down. In response, DFS focused on the development of groundbreaking marketing and loyalty programs and the transformation of its product offering to accommodate a rapidly changing customer base, and to win more market share. The company continued to expand to new tourist destinations, with the opening of the Siem Reap *T Galleria* in Cambodia, not far from the splendid Angkor ruins. In Macao, following the launch in 2015 of new beauty concepts, the expansion and remodeling of the *T Galleria – City of Dreams* neared completion.

Starboard Cruise Services was buoyed by the development of cruise routes in Asia and worked to fine-tune its selection of products to best serve each cruise line.

Outlook

Sephora will continue to reinforce its strategic directions: innovation in the selection of products and the development of exclusive and personalized services. The pace of store openings will be maintained. Sephora's store at the World Trade Center in New York will open in the second half of the year. Further transformations are planned for the Women's Fashion department at **Le Bon Marché**, part of the store's ongoing efforts to nurture its uniqueness and its status as a trend-setting shopping destination. A number of events will be held in the fall, including a large-scale exhibition taking the city of Paris as its theme. **DFS** will continue to build the attractiveness of its retail network, adapting to the preferred products and services and desired destinations of its customers. A highlight of the second half of the year will be the opening of a *T Galleria* in a historic building by the Grand Canal in Venice, one of the world's most visited tourist destinations, setting the scene for DFS's expanding presence in Europe.

7. COMMENTS ON THE CONSOLIDATED BALANCE SHEET

(EUR billions)	June 30, 2016	Dec. 31, 2015	Change
Tangible and intangible assets	35.4	34.9	0.5
Other non-current assets	4.1	3.8	0.3
Non-current assets	**39.5**	**38.7**	**0.8**
Inventories	10.7	10.1	0.6
Other current assets	7.6	8.8	(1.2)
Current assets	**18.3**	**18.9**	**(0.6)**
Assets	**57.8**	**57.6**	**0.2**

(EUR billions)	June 30, 2016	Dec. 31, 2015	Change
Total equity	26.1	25.8	0.3
Long term borrowings	4.2	4.5	(0.3)
Other non-current liabilities	15.1	14.6	0.5
Equity and non-current liabilities	**45.4**	**44.9**	**0.5**
Short term borrowings	4.6	3.7	0.9
Other current liabilities	7.8	9.0	(1.2)
Current liabilities	**12.4**	**12.7**	**(0.3)**
Liabilities and equity	**57.8**	**57.6**	**0.2**

LVMH's consolidated balance sheet totaled 57.8 billion euros as of June 30, 2016, stable with respect to year-end 2015. Non-current assets rose by 0.8 billion euros and represented 68% of total assets, compared with 67% as of year-end 2015.

Tangible and intangible fixed assets grew by 0.5 billion euros, of which 0.4 billion euros was due to the revaluation of purchase commitments for minority interests. Investments for the year, net of disposals as well as depreciation and amortization charges, represented an additional increase of 0.2 billion euros. The comments on the cash flow statement provide further information on investments. Conversely, exchange rate fluctuations had a negative impact of 0.1 billion euros.

Other non-current assets increased by 0.3 billion euros, amounting to 4.1 billion euros, as a result of the increase in deferred tax assets (0.1 billion euros) and the increase in the value of derivatives and non-current available for sale financial assets (0.2 billion euros).

Inventories increased by 0.6 billion euros. The comments on the cash flow statement provide further information on this change.

Other current assets fell by 1.2 billion euros, which included 0.7 billion euros related to the reduction in the cash balance and 0.4 billion euros related to the reduction in trade accounts receivable.

Other non-current liabilities, totaling 15.1 billion euros, increased by 0.5 billion euros, due to the 0.5 billion euro increase in the liability in respect of purchase commitments for minority interests.

Lastly, other current liabilities decreased by 1.2 billion euros, amounting to 7.8 billion euros. This decrease was related to the decreases in tax and payroll liabilities (0.4 billion euros), trade accounts payable (0.4 billion euros) and the income tax liability (0.2 billion euros). These changes are related to the seasonal nature of the Group's business activities.

Net financial debt and equity

(EUR billions or %)	June 30, 2016	Dec. 31, 2015	Change
Long-term borrowings	4.2	4.5	(0.3)
Short-term borrowings and derivatives	4.5	3.7	0.8
Gross borrowings after derivatives	**8.7**	**8.2**	**0.5**
Cash and cash equivalents and current available for sale financial assets	(3.4)	(4.0)	0.6
Net financial debt	**5.3**	**4.2**	**1.1**
Equity	**26.1**	**25.8**	**0.3**
Net financial debt/Total equity ratio	**20%**	**16%**	**4%**

The ratio of net financial debt to equity, which was 16% as of December 31, 2015, rose by 4 points to 20%. During the six-month period, equity grew more slowly than net financial debt, which is characteristic of the seasonal nature of the Group's business activities.

Total equity amounted to 26.1 billion euros as of June 30, 2016, up 0.3 billion euros compared to year-end 2015. Net profit for the six-month period, after the distribution of dividends, contributed 0.6 billion euros to this increase. Exchange rate fluctuations had a negative impact of 0.2 billion euros on the reserves of entities reporting in foreign currencies; this mainly concerned the reserves of entities reporting in pounds sterling. The change in revaluation reserves represented an additional negative impact of 0.1 billion euros, mainly due to the decrease in the discount rates used to measure employee benefit commitments. As of June 30, 2016, total equity accounted for 45% of the balance sheet total, stable with respect to year-end 2015.

Gross borrowings after derivatives totaled 8.7 billion euros as of end-June 2016, up 0.5 billion euros compared to year-end 2015. During the half-year period, LVMH issued five-year convertible bonds (exclusively cash-settled – see Note 18.1 to the condensed consolidated financial statements) for a total of 750 million US dollars. Commercial paper outstanding decreased slightly, down by 0.1 billion euros. The 0.2 billion euro decrease in the amount outstanding under credit lines and bank overdrafts also contributed to the decrease in debt. Cash, cash equivalents, current and non-current available for sale financial assets used to hedge financial debt totaled 3.4 billion euros as of end-June 2016, down 0.6 billion euros from 4.0 billion euros as of year-end 2015; net financial debt thus increased by 1.1 billion euros.

As of June 30, 2016, the Group's undrawn confirmed credit lines amounted to 3.4 billion euros, substantially exceeding the outstanding portion of its commercial paper program, which came to 2.2 billion euros as of June 30, 2016.

8. COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENT

(EUR millions)	June 30, 2016	Dec. 31, 2015	Change
Cash from operations before changes in working capital	**3,650**	**3,368**	**282**
Cost of net financial debt: interest paid	(23)	(51)	28
Income taxes paid	(884)	(801)	(83)
Net cash from operating activities before changes in working capital	**2,743**	**2,516**	**227**
Change in working capital	(1,111)	(1,022)	(89)
Operating investments	(871)	(816)	(55)
Free cash flow	**761**	**678**	**83**
Financial investments	**(311)**	**(13)**	**(298)**
Transactions relating to equity	**(1,428)**	**(1,424)**	**(4)**
Change in cash before financing activities	**(978)**	**(759)**	**(219)**

Cash from operations before changes in working capital totaled 3,650 million euros, compared to 3,368 million euros a year earlier, representing an increase of 8%. Net cash from operating activities before changes in working capital (i.e. after interest and income taxes paid) amounted to 2,743 million euros, up 9% from the first half of 2015.

Interest paid, which totaled 23 million euros, was down significantly compared to the first six months of 2015, thanks to the impacts of lower interest rates on borrowings and the change in the schedule of interest payments following the change in the debt portfolio.

Income taxes paid came to 884 million euros, up 10% compared to the 801 million euros paid in the first half of 2015.

The 1,111 million euro increase in the working capital requirement was similar to the 1,022 million euro increase observed a year earlier. Inventories increased by 795 million euros, versus 594 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 392 million euros and 300 million euros, respectively. These negative impacts on cash flow were offset in the amount of 376 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 871 million euros in the first half of the year, compared to 816 million euros a year earlier. Purchases of property, plant and equipment mainly included investments by the Group's brands in their retail networks, particularly DFS, Sephora, Louis Vuitton, Bvlgari and Parfums Christian Dior. They also included investments related to the La Samaritaine project, as well as investments by the champagne houses and Hennessy in their production equipment.

During the first half of the year, financial investments accounted for a 311 million euro outflow, of which 110 million euros were for purchases of consolidated investments. The remaining amount, which arose from the management of financial investments, included an outflow of 260 million euros arising from income tax related to financial investments and an inflow of 64 million euros related to disposals during the period.

Transactions relating to equity generated an outflow of 1,428 million euros. A portion of this amount, 1,106 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 2015. In addition, dividends paid out to minority shareholders of consolidated subsidiaries amounted to 222 million euros and taxes paid on transactions relating to dividends paid amounted to 92 million euros.

The net cash requirement after all operating, investment, and equity-related activities thus amounted to 978 million euros. With financing activities generating a cash surplus of 398 million euros, the cash balance at the end of the fiscal year was down 626 million euros compared to year-end 2015, including the 46 million euro negative impact of exchange rate fluctuations. The cash balance was 2,764 million euros as of June 30, 2016 versus 3,390 million euros as of December 31, 2015.

CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(EUR millions, except for earnings per share)	Notes	June 30, 2016	Dec. 31, 2015	June 30, 2015
Revenue	23	**17,188**	**35,664**	**16,707**
Cost of sales		(5,917)	(12,553)	(5,881)
Gross margin		**11,271**	**23,111**	**10,826**
Marketing and selling expenses		(6,935)	(13,830)	(6,601)
General and administrative expenses		(1,381)	(2,663)	(1,267)
Income (loss) from joint ventures and associates	7	4	(13)	(3)
Profit from recurring operations	23-24	**2,959**	**6,605**	**2,955**
Other operating income and expenses	25	(40)	(221)	(64)
Operating profit		**2,919**	**6,384**	**2,891**
Cost of net financial debt		(33)	(78)	(52)
Other financial income and expenses		(133)	(336)	(207)
Net financial income (expense)	26	**(166)**	**(414)**	**(259)**
Income taxes	27	(890)	(1,969)	(880)
Net profit before minority interests		**1,863**	**4,001**	**1,752**
Minority interests	17	(152)	(428)	(172)
Net profit, Group share		**1,711**	**3,573**	**1,580**
Basic Group share of net earnings per share *(EUR)*	28	**3.40**	**7.11**	**3.15**
Number of shares on which the calculation is based		502,956,395	502,395,491	502,206,295
Diluted Group share of net earnings per share *(EUR)*	28	**3.39**	**7.08**	**3.13**
Number of shares on which the calculation is based		504,892,969	504,894,946	504,727,629

CONSOLIDATED STATEMENT OF COMPREHENSIVE GAINS AND LOSSES

(EUR millions)	June 30, 2016	Dec. 31, 2015	June 30, 2015
Net profit before minority interests	**1,863**	**4,001**	**1,752**
Translation adjustments	(147)	631	706
Tax impact	(9)	135	128
	(156)	**766**	**834**
Change in value of available for sale financial assets	(73)	(32)	23
Amounts transferred to income statement	(20)	(91)	(89)
Tax impact	5	20	18
	(88)	**(103)**	**(48)**
Change in value of hedges of future foreign currency cash flows	39	(63)	9
Amounts transferred to income statement	(12)	33	(6)
Tax impact	(3)	3	3
	24	**(27)**	**6**
Gains and losses recognized in equity, transferable to income statement	**(220)**	**636**	**792**
Change in value of vineyard land	-	64	-
Amounts transferred to consolidated reserves	-	-	-
Tax impact	-	(21)	-
	-	**43**	**-**
Employee benefit commitments: change in value resulting from actuarial gains and losses	(81)	42	-
Tax impact	23	(16)	-
	(58)	**26**	**-**
Gains and losses recognized in equity, not transferable to income statement	**(58)**	**69**	**-**
Comprehensive income	**1,585**	**4,706**	**2,544**
Minority interests	(124)	(558)	(257)
Comprehensive income, Group share	**1,461**	**4,148**	**2,287**

CONSOLIDATED BALANCE SHEET

ASSETS *(EUR millions)*	Notes	June 30, 2016	Dec. 31, 2015	June 30, 2015
Brands and other intangible assets	3	13,519	13,572	13,502
Goodwill	4	10,611	10,122	9,723
Property, plant and equipment	6	11,283	11,157	10,697
Investments in joint ventures and associates	7	754	729	526
Non-current available for sale financial assets	8	643	574	622
Other non-current assets	9	669	552	521
Deferred tax		2,066	1,945	1,955
Non-current assets		**39,545**	**38,651**	**37,546**
Inventories and work in progress	10	10,669	10,096	10,381
Trade accounts receivable	11	2,161	2,521	2,086
Income taxes		338	384	422
Other current assets	12	2,228	2,355	2,090
Cash and cash equivalents	14	2,882	3,594	2,556
Current assets		**18,278**	**18,950**	**17,535**
Total assets		**57,823**	**57,601**	**55,081**

LIABILITIES AND EQUITY *(EUR millions)*	Notes	June 30, 2016	Dec. 31, 2015	June 30, 2015
Share capital	15.1	152	152	152
Share premium account	15.1	2,619	2,579	2,669
Treasury shares and LVMH share-settled derivatives	15.2	(271)	(240)	(349)
Cumulative translation adjustment	15.4	1,005	1,137	1,240
Revaluation reserves		831	949	978
Other reserves		18,615	16,189	16,862
Net profit, Group share		1,711	3,573	1,580
Equity, Group share		24,662	24,339	23,132
Minority interests	17	1,411	1,460	1,313
Total equity		**26,073**	**25,799**	**24,445**
Long-term borrowings	18	4,165	4,511	5,201
Non-current provisions	19	1,996	1,950	2,354
Deferred tax		4,667	4,685	4,822
Other non-current liabilities	20	8,470	7,957	7,260
Non-current liabilities		**19,298**	**19,103**	**19,637**
Short-term borrowings	18	4,579	3,769	3,695
Trade accounts payable	21.1	3,607	3,960	3,374
Income taxes		411	640	383
Current provisions	19	353	421	320
Other current liabilities	21.2	3,502	3,909	3,227
Current liabilities		**12,452**	**12,699**	**10,999**
Total liabilities and equity		**57,823**	**57,601**	**55,081**

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: Available for sale financial assets	Revaluation reserves: Hedges of future foreign currency cash flows	Revaluation reserves: Vineyard land	Revaluation reserves: Employee benefit commit-ments	Net profit and other reserves	Total equity: Group share	Total equity: Minority interests	Total equity: Total
Notes		15.1		15.2	15.4							17	
As of December 31, 2014	**507,711,713**	**152**	**2,655**	**(374)**	**492**	**207**	**14**	**931**	**(133)**	**17,819**	**21,763**	**1,240**	**23,003**
Gains and losses recognized in equity					645	(103)	(25)	33	25	-	575	130	705
Net profit										3,573	3,573	428	4,001
Comprehensive income		**-**	**-**	**-**	**645**	**(103)**	**(25)**	**33**	**25**	**3,573**	**4,148**	**558**	**4,706**
Stock option plan and similar expenses										35	35	2	37
(Acquisition)/disposal of treasury shares and LVMH-share settled derivatives				23						(13)	10	-	10
Exercise of LVMH share subscription options	552,137		35								35	-	35
Retirement of LVMH shares	(1,124,740)		(111)	111							-	-	-
Capital increase in subsidiaries											-	89	89
Interim and final dividends paid										(1,659)	(1,659)	(229)	(1,888)
Changes in control of consolidated entities										(9)	(9)	1	(8)
Acquisition and disposal of minority interests' shares										5	5	(3)	2
Purchase commitments for minority interests' shares										11	11	(198)	(187)
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**
As of December 31, 2014	**507,711,713**	**152**	**2,655**	**(374)**	**492**	**207**	**14**	**931**	**(133)**	**17,819**	**21,763**	**1,240**	**23,003**
Gains and losses recognized in equity					748	(48)	7				707	85	792
Net profit										1,580	1,580	172	1,752
Comprehensive income		**-**	**-**	**-**	**748**	**(48)**	**7**	**-**	**-**	**1,580**	**2,287**	**257**	**2,544**
Stock option plan and similar expenses										18	18	1	19
(Acquisition)/disposal of treasury shares and LVMH-share settled derivatives				24						(13)	11	-	11
Exercise of LVMH share subscription options	271,426		15								15	-	15
Retirement of LVMH shares	(41,848)		(1)	1							-	-	-
Capital increase in subsidiaries											-	3	3
Interim and final dividends paid										(980)	(980)	(198)	(1,178)
Changes in control of consolidated entities										(9)	(9)	-	(9)
Acquisition and disposal of minority interests' shares											-	(1)	(1)
Purchase commitments for minority interests' shares										27	27	11	38
As of June 30, 2015	**507,941,291**	**152**	**2,669**	**(349)**	**1,240**	**159**	**21**	**931**	**(133)**	**18,442**	**23,132**	**1,313**	**24,445**

CONSOLIDATED CASH FLOW STATEMENT

(EUR millions)	Notes	June 30, 2016	Dec. 31, 2015	June 30, 2015
I. OPERATING ACTIVITIES AND OPERATING INVESTMENTS				
Operating profit		2,919	6,384	2,891
Income/(loss) and dividends from joint ventures and associates	7	7	27	8
Net increase in depreciation, amortization and provisions		843	2,081	850
Other computed expenses		(82)	(456)	(351)
Other adjustments		(37)	(91)	(30)
Cash from operations before changes in working capital		**3,650**	**7,945**	**3,368**
Cost of net financial debt: interest paid		(23)	(75)	(51)
Income taxes paid		(884)	(1,807)	(801)
Net cash from operating activities before changes in working capital		**2,743**	**6,063**	**2,516**
Change in working capital	14.2	(1,111)	(429)	(1,022)
Net cash from operating activities		**1,632**	**5,634**	**1,494**
Operating investments	14.3	(871)	(1,955)	(816)
Net cash from operating activities and operating investments (free cash flow)		**761**	**3,679**	**678**
II. FINANCIAL INVESTMENTS				
Purchase of non-current available for sale financial assets[a]	8, 13	(7)	(78)	(18)
Proceeds from sale of non-current available for sale financial assets	8	64	68	39
Dividends received		2	4	4
Income taxes paid related to financial investments		(260)	(265)	(15)
Impact of purchase and sale of consolidated investments		(110)	(240)	(23)
Net cash from (used in) financial investments		**(311)**	**(511)**	**(13)**
III. TRANSACTIONS RELATING TO EQUITY				
Capital increases of LVMH SE	15.1	48	35	15
Capital increases of subsidiaries subscribed by minority interests	17	6	81	3
Acquisition and disposals of treasury shares and LVMH share-settled derivatives	15.2	(51)	1	3
Interim and final dividends paid by LVMH SE	15.3	(1,106)	(1,671)	(992)
Income taxes paid related to interim and final dividends paid		(92)	(304)	(258)
Interim and final dividends paid to minority interests in consolidated subsidiaries	17	(222)	(228)	(195)
Purchase and proceeds from sale of minority interests	2	(11)	(4)	-
Net cash from (used in) transactions relating to equity		**(1,428)**	**(2,090)**	**(1,424)**
Change in cash before financing activities		**(978)**	**1,078**	**(759)**
IV. FINANCING ACTIVITIES				
Proceeds from borrowings		927	1,008	807
Repayment of borrowings		(414)	(2,443)	(1,451)
Purchase and proceeds from sale of current available for sale financial assets[a]	8, 13	(115)	(3)	(241)
Net cash from (used in) financing activities		**398**	**(1,438)**	**(885)**
V. EFFECT OF EXCHANGE RATE CHANGES		(46)	(33)	94
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)		**(626)**	**(393)**	**(1,550)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	14.1	**3,390**	**3,783**	**3,783**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14.1	**2,764**	**3,390**	**2,233**
TOTAL INCOME TAXES PAID		**(1,236)**	**(2,376)**	**(1,074)**

(a) The impacts on cash of non-current available for sale financial assets used for hedging net financial debt (see Note 18) are presented under the heading entitled "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, 2016 were approved by the Board of Directors on July 26, 2016. 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, 2016; 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 is mandatory in 2016

The amendments to IAS 16 and IAS 41 for biological assets are the only new standards applicable to LVMH with effect from January 1, 2016. The application of these amendments has not had any impact on the Group's financial statements; LVMH does not revalue these assets, given that their market value differs little from their historical cost (see Note 1.13 of the consolidated financial statements as of December 31, 2015).

Other changes in the accounting framework and standards for which application is mandatory with effect after January 1, 2016

The impact of the application of IFRS 15 on revenue recognition 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 on financial instruments with effect from January 1, 2018 and of IFRS 16 Leases with effect from January 1, 2019 are also being assessed.

The Group receives information on the progress of ongoing discussions held at IFRIC and IASB related to the recognition of purchase commitments for minority interests' shares and changes in their amount. See Note 1.12 of the consolidated financial statements as of December 31, 2015 for a description of the recognition method applied by LVMH to these commitments.

2. CHANGES IN THE PERCENTAGE INTEREST IN CONSOLIDATED ENTITIES

The Group did not make any significant acquisitions or disposals during the period.

3. BRANDS, TRADE NAMES AND OTHER INTANGIBLE ASSETS

(EUR millions)	June 30, 2016			Dec. 31, 2015	June 30, 2015
	Gross	Amortization and impairment	Net	Net	Net
Brands	10,764	(604)	10,160	10,204	10,239
Trade names	3,962	(1,632)	2,330	2,370	2,315
License rights	97	(80)	17	18	18
Leasehold rights	656	(334)	322	334	350
Software, websites	1,298	(988)	310	319	280
Other	815	(435)	380	327	300
Total	**17,592**	**(4,073)**	**13,519**	**13,572**	**13,502**
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, 2015	**10,805**	**4,033**	**1,239**	**652**	**818**	**17,547**
Acquisitions	-	-	33	3	149	185
Disposals and retirements	-	-	-	(1)	(17)	(18)
Changes in the scope of consolidation	18	-	-	-	-	18
Translation adjustment	(59)	(71)	(3)	(5)	1	(137)
Reclassifications	-	-	29	7	(39)	(3)
As of June 30, 2016	**10,764**	**3,962**	**1,298**	**656**	**912**	**17,592**

Accumulated amortization and impairment *(EUR millions)*	Brands	Trade names	Software, websites	Leasehold rights	Other intangible assets	Total
As of December 31, 2015	**(601)**	**(1,663)**	**(920)**	**(318)**	**(473)**	**(3,975)**
Amortization expense	(11)	-	(69)	(19)	(58)	(157)
Impairment expense	-	-	-	(1)	-	(1)
Disposals and retirements	-	-	-	1	17	18
Changes in the scope of consolidation	-	-	-	-	-	-
Translation adjustment	8	31	1	1	(3)	38
Reclassifications	-	-	-	2	2	4
As of June 30, 2016	**(604)**	**(1,632)**	**(988)**	**(334)**	**(515)**	**(4,073)**
Net carrying amount as of June 30, 2016	**10,160**	**2,330**	**310**	**322**	**397**	**13,519**

4. GOODWILL

(EUR millions)			June 30, 2016	Dec. 31, 2015	June 30, 2015
	Gross	Impairment	Net	Net	Net
Goodwill arising on consolidated investments	7,976	(1,707)	6,269	6,223	6,232
Goodwill arising on purchase commitments for minority interests	4,342	-	4,342	3,899	3,491
Total	**12,318**	**(1,707)**	**10,611**	**10,122**	**9,723**

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

(EUR millions)			June 30, 2016	Dec. 31, 2015	June 30, 2015
	Gross	Impairment	Net	Net	Net
As of January 1	**11,843**	**(1,721)**	**10,122**	**8,810**	**8,810**
Changes in the scope of consolidation	67	-	67	111	2
Changes in purchase commitments for minority interests	416	-	416	1,195	820
Changes in impairment	-	(8)	(8)	(116)	(36)
Translation adjustment	(8)	22	14	122	127
As of period-end	**12,318**	**(1,707)**	**10,611**	**10,122**	**9,723**

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

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 have been subject to annual impairment testing as of December 31, 2015. No significant impairment expenses were recognized during the first half of 2016, as no indicator of impairment was identified.

6. PROPERTY, PLANT AND EQUIPMENT

(EUR millions)			June 30, 2016	Dec. 31, 2015	June 30, 2015
	Gross	Depreciation and impairment	Net	Net	Net
Land	1,332	(83)	1,249	1,236	1,231
Vineyard land and producing vineyards	2,536	(100)	2,436	2,441	2,370
Buildings	3,243	(1,546)	1,697	1,685	1,590
Investment property	618	(51)	567	562	564
Leasehold improvements, machinery and equipment	9,783	(6,679)	3,104	3,176	3,121
Assets in progress	896	(4)	892	755	644
Other tangible fixed assets	1,762	(424)	1,338	1,302	1,177
Total	**20,170**	**(8,887)**	**11,283**	**11,157**	**10,697**
Of which: assets held under finance leases	*330*	*(196)*	*134*	*92*	*101*
historical cost of vineyard land and producing vineyards	*739*	*(100)*	*639*	*642*	*634*

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, 2015	**2,538**	**4,505**	**610**	**6,190**	**2,153**	**1,179**	**759**	**1,727**	**19,661**
Acquisitions	-	82	-	169	38	26	365	82	762
Change in the market value of vineyard land	-	-	-	-	-	-	-	-	-
Disposals and retirements	-	(27)	(1)	(136)	(12)	(11)	(1)	(6)	(194)
Changes in the scope of consolidation	-	42	-	1	(4)	(2)	-	-	37
Translation adjustment	(3)	(40)	(3)	(23)	(13)	(6)	(4)	(4)	(96)
Other movements, including transfers	1	13	12	227	36	(29)	(223)	(37)	-
As of June 30, 2016	**2,536**	**4,575**	**618**	**6,428**	**2,198**	**1,157**	**896**	**1,762**	**20,170**

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, 2015	**(97)**	**(1,584)**	**(48)**	**(4,019)**	**(1,487)**	**(840)**	**(4)**	**(425)**	**(8,504)**
Depreciation expense	(3)	(73)	(3)	(383)	(64)	(54)	-	(29)	(609)
Impairment expense	-	(1)	-	9	-	-	-	-	8
Disposals and retirements	-	27	1	136	11	11	-	6	192
Changes in the scope of consolidation	-	(3)	-	(1)	2	1	-	-	(1)
Translation adjustment	-	(5)	(1)	20	7	6	-	2	29
Other movements, including transfers	-	10	-	(77)	1	42	-	22	(2)
As of June 30, 2016	**(100)**	**(1,629)**	**(51)**	**(4,315)**	**(1,530)**	**(834)**	**(4)**	**(424)**	**(8,887)**
Net carrying amount as of June 30, 2016	**2,436**	**2,946**	**567**	**2,113**	**668**	**323**	**892**	**1,338**	**11,283**

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

Acquisitions of property, plant and equipment mainly include investments by the Group's brands, notably DFS, Sephora, Louis Vuitton, Bvlgari and Parfums Christian Dior, in their distribution networks. They also include investments related to the La Samaritaine project and investments by the champagne brands and Hennessy in their production facilities.

7. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

(EUR millions)			June 30, 2016		Dec. 31, 2015		June 30, 2015	
	Gross	Impairment	Net	*Of which joint arran-gements*	Net	*Of which joint arran-gements*	Net	*Of which joint arran-gements*
Share of net assets of joint ventures and associates as of January 1	**729**	**-**	**729**	***353***	**519**	***351***	**519**	***351***
Share of net profit (loss) for the period	4	-	4	*2*	(13)	*(4)*	(3)	*3*
Dividends paid	(11)	-	(11)	*-*	(14)	*(6)*	(11)	*(6)*
Changes in the scope of consolidation	27	-	27	*-*	212	*-*	-	*-*
Capital increases subscribed	-	-	-	*-*	3	*3*	3	*3*
Translation adjustment	(1)	-	(1)	*(2)*	5	*4*	5	*4*
Other movements, including transfers	6	-	6	*4*	17	*5*	13	*7*
Share of net assets of joint ventures and associates as of period-end	**754**	**-**	**754**	***357***	**729**	***353***	**526**	***362***

8. NON-CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

(EUR millions)			June 30, 2016	Dec. 31, 2015	June 30, 2015
	Gross	Impairment	Net	Net	Net
Total	**848**	**(205)**	**643**	**574**	**622**

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

(EUR millions)	June 30, 2016	Dec. 31, 2015	June 30, 2015
As of January 1	**574**	**580**	**580**
Acquisitions	127	74	16
Disposals at net realized value	(16)	(68)	(39)
Changes in market value	(33)	(3)	41
Changes in impairment	(5)	(22)	-
Changes in the scope of consolidation	-	-	-
Translation adjustment	(4)	31	24
Reclassifications	-	(18)	-
As of period-end	**643**	**574**	**622**

Acquisitions in the first half of 2016 include the 120 million euro impact of the subscription of non-current available for sale financial assets covering cash-settled convertible bonds issued during the period. See Note 18.

9. OTHER NON-CURRENT ASSETS

(EUR millions)	June 30, 2016	Dec. 31, 2015	June 30, 2015
Warranty deposits	291	273	266
Derivatives [a]	147	60	66
Loans and receivables	196	187	162
Other	35	32	27
Total	**669**	**552**	**521**

(a) See Note 22.

10. INVENTORIES AND WORK IN PROGRESS

(EUR millions)			June 30, 2016	Dec. 31, 2015	June 30, 2015
	Gross	Impairment	Net	Net	Net
Wines and *eaux-de-vie* in the process of aging	4,269	(41)	4,228	4,213	4,089
Other raw materials and work in progress	1,630	(346)	1,284	1,135	1,258
	5,899	(387)	5,512	5,348	5,347
Goods purchased for resale	1,856	(185)	1,671	1,572	1,560
Finished products	4,305	(819)	3,486	3,176	3,474
	6,161	(1,004)	5,157	4,748	5,034
Total	**12,060**	**(1,391)**	**10,669**	**10,096**	**10,381**

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

(EUR millions)			June 30, 2016	Dec. 31, 2015	June 30, 2015
	Gross	Impairment	Net	Net	Net
As of January 1	**11,426**	**(1,330)**	**10,096**	**9,475**	**9,475**
Change in gross inventories	795	-	795	569	594
Effect of provision for returns	(7)	-	(7)	(2)	-
Impact of marking harvests to market	-	-	-	(16)	(1)
Changes in impairment	-	(198)	(198)	(317)	(111)
Changes in the scope of consolidation	-	-	-	6	4
Translation adjustment	(19)	2	(17)	381	421
Other, including reclassifications	(135)	135	-	-	(1)
As of period-end	**12,060**	**(1,391)**	**10,669**	**10,096**	**10,381**

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, 2016	Dec. 31, 2015	June 30, 2015
Effect of marking the period's harvest to market	12	18	11
Effect of inventory sold during the period	(12)	(34)	(12)
Net effect on cost of sales of the period	**-**	**(16)**	**(1)**

11. TRADE ACCOUNTS RECEIVABLE

(EUR millions)	June 30, 2016	Dec. 31, 2015	June 30, 2015
Trade accounts receivable, nominal amount	2,423	2,820	2,361
Provision for impairment	(68)	(64)	(67)
Provision for product returns	(194)	(235)	(208)
Net amount	**2,161**	**2,521**	**2,086**

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

(EUR millions)			June 30, 2016	Dec. 31, 2015	June 30, 2015
	Gross	Impairment	Net	Net	Net
As of January 1	**2,820**	**(299)**	**2,521**	**2,274**	**2,274**
Changes in gross receivables	(392)	-	(392)	46	(310)
Changes in provision for impairment	-	-	-	-	-
Changes in provision for product returns	-	35	35	(20)	8
Changes in the scope of consolidation	(3)	-	(3)	141	-
Translation adjustment	(6)	2	(4)	88	118
Reclassifications	4	-	4	(8)	(4)
As of period-end	**2,423**	**(262)**	**2,161**	**2,521**	**2,086**

The trade accounts receivable balance is comprised primarily 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, 2016, coverage of customer credit risk had been requested from insurers for the majority of trade receivables, approximately 87% of the amount of which was granted, versus 88% as of December 31, 2015 and 91% as of June 30, 2015.

12. OTHER CURRENT ASSETS

(EUR millions)	June 30, 2016	Dec. 31, 2015	June 30, 2015
Current available for sale financial assets [a]	351	385	257
Derivatives [b]	294	297	394
Tax accounts receivable, excluding income taxes	560	602	477
Advances and payments on account to vendors	116	159	136
Prepaid expenses	412	357	377
Other receivables	495	555	449
Total	**2,228**	**2,355**	**2,090**

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

13. CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

(EUR millions)	June 30, 2016	Dec. 31, 2015	June 30, 2015
Unlisted securities, shares in non-money market SICAVs and funds	151	151	-
Listed securities	200	234	257
Total	**351**	**385**	**257**
of which: historical cost of current available for sale financial assets	*429*	*393*	*272*

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

(EUR millions)	June 30, 2016	Dec. 31, 2015	June 30, 2015
As of January 1	**385**	**253**	**253**
Acquisitions	157	377	256
Disposals at net realized value	(150)	(241)	(241)
Changes in market value	(41)	(29)	(18)
Changes in impairment	-	7	7
Changes in the scope of consolidation	-	-	-
Translation adjustment	-	-	-
Reclassifications	-	18	-
As of period-end	**351**	**385**	**257**

14. CASH AND CHANGE IN CASH

14.1. Cash and cash equivalents

(EUR millions)	June 30, 2016	Dec. 31, 2015	June 30, 2015
Fixed term deposits (less than 3 months)	471	808	516
SICAV and FCP money market funds	457	577	325
Ordinary bank accounts	1,954	2,209	1,715
Cash and cash equivalents per balance sheet	**2,882**	**3,594**	**2,556**

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, 2016	Dec. 31, 2015	June 30, 2015
Cash and cash equivalents	2,882	3,594	2,556
Bank overdrafts	(118)	(204)	(323)
Net cash and cash equivalents per cash flow statement	**2,764**	**3,390**	**2,233**

14.2. Change in working capital

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

(EUR millions)	Notes	June 30, 2016	Dec. 31, 2015	June 30, 2015
Change in inventories and work in progress	10	(795)	(569)	(594)
Change in trade accounts receivable [a]	11	376	(49)	295
Change in trade accounts payable	21	(300)	93	(359)
Change in other receivables and payables		(392)	96	(364)
Change in working capital [b]		**(1,111)**	**(429)**	**(1,022)**

(a) Including a negative effect of 16 million euros related to amounts owed to customers (negative effect of 3 million euros as of December 31, 2015 and of 15 million euros as of June 30, 2015).
(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, 2016	Dec. 31, 2015	June 30, 2015
Purchase of intangible fixed assets	3	(185)	(316)	(105)
Purchase of tangible fixed assets [a]	6	(762)	(1,739)	(629)
Deduction of purchase under finance lease		46	-	-
Changes in accounts payable related to fixed asset purchases		26	81	(68)
Net cash used in purchases of fixed assets [b]		**(875)**	**(1,974)**	**(802)**
Net cash from fixed asset disposals [b]		**4**	**41**	**5**
Guarantee deposits paid and other cash flows related to operating investments		-	(22)	(19)
Operating investments		**(871)**	**(1,955)**	**(816)**

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

15. EQUITY

15.1. Share capital and share premium account

As of June 30, 2016, issued and fully paid-up shares totaled 507,668,999 (507,139,110 shares as of December 31, 2015 and 507,941,291 shares as of June 30, 2015), with a par value of 0.30 euros per share, including 229,631,995 shares with double voting rights (229,780,453 as of December 31, 2015 and 230,147,034 as of June 30, 2015). Double voting rights are attached to registered shares held for more than three years.

During the six-month period, 688,700 shares were issued following the exercise of share subscription options, which resulted in an increase in the share capital and share premium account of 48 million euros, and 158,811 shares were retired, which resulted in a reduction of the share capital and share premium account of 8 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, 2016		Dec. 31, 2015	June 30, 2015
	Number	Amount	Amount	Amount
Share subscription option plans	2,812,329	131	140	155
Bonus share plans	1,226,845	95	86	81
Other plans	-	-	-	5
Shares held for stock option and similar plans [a]	**4,039,174**	**226**	**226**	**241**
Liquidity contract	120,000	17	14	13
Shares pending retirement	209,815	28	-	95
LVMH shares	**4,368,989**	**271**	**240**	**349**

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

“Other plans” correspond to future plans.

The market value of LVMH shares held under the liquidity contract as of June 30, 2016 amounts to 16 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	Effect on cash
As of December 31, 2015	**4,339,921**	**240**	
Share purchases [a]	1,297,315	184	(184)
Bonus shares definitively allocated	(196,936)	(12)	-
Retirement of shares	(158,811)	(8)	-
Proceeds from disposal at net realized value [a]	(912,500)	(133)	133
Gain/(loss) on disposal	-	-	-
As of June 30, 2016	**4,368,989**	**271**	**(51)**

(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, 2016	Dec. 31, 2015	June 30, 2015
Interim dividend for the current fiscal year (2015: 1.35 euros)	-	685	-
Impact of treasury shares	-	(6)	-
Gross amount disbursed for the fiscal year	**-**	**679**	**-**
Final dividend for the previous fiscal year (2015: 2.20 euros; 2014: 1.95 euros)	1,115	998	990
Impact of treasury shares	(9)	(18)	(10)
Gross amount disbursed for the previous fiscal year	**1,106**	**980**	**980**
Total gross amount disbursed during the period [a]	**1,106**	**1,659**	**980**

(a) Excludes the impact of tax regulations applicable to the beneficiary.

The final dividend for fiscal year 2015 was distributed on April 21, 2016 in accordance with the resolutions of the Shareholders’ Meeting of April 14, 2016.

At its meeting of July 26, 2016, the Board of Directors approved the payment on December 1, 2016, of an interim dividend of 1.40 euros per share for fiscal year 2016.

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, 2016	Change	Dec. 31, 2015	June 30, 2015
US dollar	421	(65)	486	400
Swiss franc	727	(6)	733	842
Japanese yen	114	35	79	67
Hong Kong dollar	425	(29)	454	404
Pound sterling	(61)	(97)	36	70
Other currencies	(121)	12	(133)	(37)
Foreign currency net investment hedges	(500)	18	(518)	(506)
Total, Group share	**1,005**	**(132)**	**1,137**	**1,240**

16. STOCK OPTION AND SIMILAR PLANS

16.1. Share subscription option plans

	June 30, 2016		Dec. 31, 2015		June 30, 2015	
	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	**2,821,150**	**66.79**	**3,384,313**	**66.15**	**3,384,313**	**66.15**
Options expired	(9,794)	70.87	(11,026)	55.46	(9,219)	55.45
Options exercised	(688,700)	70.54	(552,137)	63.06	(271,426)	56.75
Share subscription options outstanding as of period-end	**2,122,656**	**65.56**	**2,821,150**	**66.79**	**3,103,668**	**67.00**

16.2. Bonus share plans

(number of shares)	June 30, 2016	Dec. 31, 2015	June 30, 2015
Non-vested shares as of January 1	**1,456,068**	**1,492,627**	**1,492,627**
Non-vested allocations during the period	-	388,794	73,262
Allocations vested during the period	(196,936)	(386,709)	(385,786)
Allocations expired during the period	(27,094)	(38,644)	(25,356)
Non-vested shares as of period-end	**1,232,038**	**1,456,068**	**1,154,747**

Vested share allocations were settled in existing shares held.

16.3. Expense for the period

(EUR millions)	June 30, 2016	Dec. 31, 2015	June 30, 2015
Expense for the period for share subscription option plans and bonus share plans	**21**	**37**	**19**

No new stock option or similar plans were set up during the first half of 2016.

17. MINORITY INTERESTS

(EUR millions)	June 30, 2016	Dec. 31, 2015	June 30, 2015
As of January 1	**1,460**	**1,240**	**1,240**
Minority interests' share of net profit	152	428	172
Dividends paid to minority interests	(222)	(229)	(198)
Effects of changes in control of consolidated entities	20	1	-
Effects of acquisition and disposal of minority interests' shares	(1)	(3)	(1)
Total effects of changes in the percentage interest in consolidated entities	19	(2)	(1)
Capital increases subscribed by minority interests	6	89	3
Minority interests' share in gains and losses recognized in equity	(28)	130	85
Minority interests' share in stock option plan expenses	1	2	1
Effects of changes in minority interests subject to purchase commitments	23	(198)	11
As of period-end	**1,411**	**1,460**	**1,313**

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, 2015	**180**	**(1)**	**223**	**(21)**	**381**
Changes for the period	(24)	2	-	(6)	(28)
As of June 30, 2016	**156**	**1**	**223**	**(27)**	**353**

18. BORROWINGS

18.1. Net financial debt

(EUR millions)	June 30, 2016	Dec. 31, 2015	June 30, 2015
Bonds and Euro Medium Term Notes (EMTN)	3,877	4,202	4,894
Bank borrowings and finance lease	288	309	307
Long term borrowings	**4,165**	**4,511**	**5,201**
Bonds and Euro Medium Term Notes (EMTN)	1,636	710	-
Commercial paper	2,202	2,281	2,432
Bank overdrafts	118	205	323
Other short term borrowings	623	573	940
Short term borrowings	**4,579**	**3,769**	**3,695**
Gross amount of borrowings	**8,744**	**8,280**	**8,896**
Interest rate risk derivatives	(86)	(66)	(49)
Gross borrowings after derivatives	**8,658**	**8,214**	**8,847**
Current available for sale financial assets [a]	(351)	(385)	(257)
Non-current available for sale financial assets used to hedge financial debt [b]	(122)	-	-
Cash and cash equivalents [c]	(2,882)	(3,594)	(2,556)
Net financial debt	**5,303**	**4,235**	**6,034**

(a) See Note 13.
(b) See Note 8.
(c) See Note 14.1.

In February 2016, LVMH issued exclusively cash-settled five-year convertible bonds with a total face value of 600 million US dollars; a 150 million US dollar tap issue was carried out in April 2016. These bonds, which were issued at 103.00% and 104.27% of their face value respectively, are redeemable at par (if they are not converted) and do not bear interest.

In addition to these issues, LVMH subscribed to financial instruments with the same maturity, enabling it to fully cover its exposure to any positive or negative changes in the share price. This set of transactions, which were covered by euro-denominated swaps, provides the Group with the equivalent of classic euro-denominated bond financing at an advantageous cost.

As provided by applicable accounting policies, the optional components of convertible bonds and financial instruments subscribed for hedging purposes are recorded under "Derivatives" (see Note 22), with hedging instruments other than these optional components recorded under "Non-current available for sale financial assets" (see Note 8). Given their connection to the bonds issued, hedging instruments (except option components) are presented as deducted from gross financial debt in calculating net financial debt, and their impact on cash and cash equivalents is presented under "Financing activities" in the cash flow statement.

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			Effects of derivatives			Gross borrowings after derivatives		
		Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
Maturity:	as of June 30, 2017	3,721	859	4,580	(925)	916	(9)	2,796	1,775	4,571
	as of June 30, 2018	1,011	33	1,044	(475)	466	(9)	536	499	1,035
	as of June 30, 2019	31	299	330	-	-	-	31	299	330
	as of June 30, 2020	727	-	727	(349)	331	(18)	378	331	709
	as of June 30, 2021	1,268	-	1,268	(400)	384	(16)	868	384	1,252
	as of June 30, 2022	692	-	692	(650)	616	(34)	42	616	658
	Thereafter	103	-	103	-	-	-	103	-	103
Total		**7,553**	**1,191**	**8,744**	**(2,799)**	**2,713**	**(86)**	**4,754**	**3,904**	**8,658**

See Note 22.4 regarding the market value of interest rate risk derivatives.

18.3. Analysis of gross borrowings by currency after derivatives

(EUR millions)	June 30, 2016	Dec. 31, 2015	June 30, 2015
Euro	6,628	6,302	6,743
US dollar	570	366	157
Swiss franc	908	909	944
Japanese yen	227	228	220
Other currencies	325	409	783
Total	**8,658**	**8,214**	**8,847**

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

19. PROVISIONS

(EUR millions)	June 30, 2016	Dec. 31, 2015	June 30, 2015
Provisions for pensions, medical costs and similar commitments	726	632	672
Provisions for contingencies and losses	1,245	1,297	1,634
Provisions for reorganization	25	21	48
Non-current provisions	**1,996**	**1,950**	**2,354**
Provisions for pensions, medical costs and similar commitments	3	4	3
Provisions for contingencies and losses	324	353	302
Provisions for reorganization	26	64	15
Current provisions	**353**	**421**	**320**
Total	**2,349**	**2,371**	**2,674**

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

(EUR millions)	Dec. 31, 2015	Increases	Amounts used	Amounts released	Changes in the scope of consolidation	Other items [a]	June 30, 2016
Provisions for pensions, medical costs and similar commitments [b]	636	48	(31)	-	-	76	729
Provisions for contingencies and losses	1,650	65	(139)	(20)	-	13	1,569
Provisions for reorganization	85	4	(35)	(3)	2	(2)	51
Total	**2,371**	**117**	**(205)**	**(23)**	**2**	**87**	**2,349**
Of which: profit from recurring operations		*110*	*(96)*	*(20)*			
net financial income (expense)		*-*	*(1)*	*-*			
other		*7*	*(108)*	*(3)*			

(a) Including the effect of translation adjustment and change in revaluation reserves.
(b) Following the decrease in interest rates as of June 30, 2016, the discount rates used to measure provisions for pensions, medical costs and similar commitments were reduced by 0.5% as of June 30, 2016.

20. OTHER NON-CURRENT LIABILITIES

(EUR millions)	June 30, 2016	Dec. 31, 2015	June 30, 2015
Purchase commitments for minority interests	7,871	7,421	6,823
Derivatives [a]	68	2	12
Employee profit sharing	77	93	79
Other liabilities	454	441	346
Total	**8,470**	**7,957**	**7,260**

(a) See Note 22.

As of June 30, 2016, purchase commitments for minority interests mainly include the put option granted 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 also include commitments relating to minority shareholders in Loro Piana (20%), Fresh (20%), Ile de Beauté (35%) 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 breaks down as follows:

(EUR millions)	June 30, 2016	Dec. 31, 2015	June 30, 2015
As of January 1	**3,960**	**3,606**	**3,606**
Changes in trade accounts payable	(300)	93	(359)
Changes in amounts owed to customers	(16)	(3)	(15)
Changes in the scope of consolidation	(5)	129	-
Translation adjustment	(22)	133	150
Reclassifications	(10)	2	(8)
As of period-end	**3,607**	**3,960**	**3,374**

21.2. Other current liabilities

(EUR millions)	June 30, 2016	Dec. 31, 2015	June 30, 2015
Derivatives [a]	201	185	274
Employees and social institutions	1,064	1,260	1,022
Employee profit sharing	57	98	56
Taxes other than income taxes	404	553	373
Advances and payments on account from customers	212	205	148
Deferred payment for tangible and financial non-current assets	481	504	371
Deferred income	205	208	221
Other liabilities	878	896	762
Total	**3,502**	**3,909**	**3,227**

(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, as well as 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, 2016	Dec. 31, 2015	June 30, 2015
Interest rate risk	Assets:	non-current		75	57	45
		current		22	14	16
	Liabilities:	non-current		-	-	(1)
		current		(11)	(5)	(11)
			22.3	**86**	**66**	**49**
Foreign exchange risk	Assets:	non-current		45	3	21
		current		266	283	378
	Liabilities:	non-current		(40)	(2)	(11)
		current		(190)	(178)	(262)
			22.4	**81**	**106**	**126**
Other risks	Assets:	non-current		27	-	-
		current		6	-	-
	Liabilities:	non-current		(28)	-	-
		current		-	(2)	(1)
				5	**(2)**	**(1)**
Total	Assets:	non-current	9	147	60	66
		current	12	294	297	394
	Liabilities:	non-current	20	(68)	(2)	(12)
		current	21	(201)	(185)	(274)
				172	**170**	**174**

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 effects 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, 2016 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	931	1,878	-	2,808	92	-	92
Foreign currency swaps	1,017	562	-	1,579	(6)	-	(6)
Other interest rate risk derivatives	575	276	-	851	-	-	-
Total					**86**	**-**	**86**

(a) Gain/(Loss).
(b) See Note 1.9 to the consolidated financial statements as of December 31, 2015 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 inter-company 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.

In addition, the Group may also use appropriate financial instruments to hedge the net worth of subsidiaries outside the euro zone, 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, 2016 break down as follows:

(EUR millions)	Nominal amounts by fiscal year of allocation				Market value [a] [b]				
	2016	2017	Beyond	Total	Fair value hedges	Future cash flow hedges	Foreign currency net investment hedges	Not allocated	Total
Options purchased									
Put USD	40	-	-	40	-	-	-	-	-
Put JPY	-	-	-	-	-	-	-	-	-
Put GBP	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
	40	**-**	**-**	**40**	**-**	**-**	**-**	**-**	**-**
Collars									
Written USD	2,385	2,509	-	4,894	8	87	-	1	96
Written JPY	569	734	-	1,303	(5)	(29)	-	(2)	(36)
Written Other	161	-	-	161	7	11	-	2	20
	3,115	**3,243**	**-**	**6,358**	**10**	**69**	**-**	**1**	**80**
Forward exchange contracts [c]									
USD	(11)	(2)	-	(13)	-	-	-	-	-
CHF	(74)	-	-	(74)	1	-	-	-	1
GBP	23	-	-	23	3	1	-	-	4
Other	105	-	-	105	(1)	-	-	(1)	(2)
	43	**(2)**	**-**	**41**	**3**	**1**	**-**	**(1)**	**3**
Foreign exchange swaps [c]									
USD	2,451	-	-	2,451	99	-	(23)	7	83
CHF	474	-	-	474	-	-	(33)	-	(33)
GBP	189	-	-	189	4	-	-	1	5
JPY	495	-	-	495	(31)	-	(3)	-	(34)
HKD	112	-	-	112	-	-	(3)	-	(3)
Other	656	22	30	708	(20)	-	-	-	(20)
	4,377	**22**	**30**	**4,429**	**52**	**-**	**(62)**	**8**	**(2)**
Total					**65**	**70**	**(62)**	**8**	**81**

(a) Gain/(Loss).
(b) See Note 1.9 to the consolidated financial statements as of December 31, 2015 regarding the methodology used for market value measurement.
(c) Sale/(Purchase).

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 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, 2016 have a market value of 6 million euros. Considering nominal values of 103 million euros for those derivatives, a uniform 1% change in their underlying assets' prices as of June 30, 2016 would have a net impact on the Group's consolidated reserves in an amount of less than 1 million euros. These instruments mature in 2016 and 2017.

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. The Selective Retailing business 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, most often relating to the Group's new businesses and holding or real estate companies.

23.1. Information by business group

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)

Fiscal year 2015

(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	4,575	12,333	3,907	3,250	11,166	433	-	35,664
Intra-Group sales	28	36	764	58	27	15	(928)	-
Total revenue	**4,603**	**12,369**	**4,671**	**3,308**	**11,193**	**448**	**(928)**	**35,664**
Profit from recurring operations	1,363	3,505	524	432	940	(154)	(5)	6,605
Other operating income and expenses	(15)	(154)	(4)	(31)	(7)	(10)	-	(221)
Depreciation and amortization expense	(132)	(641)	(184)	(199)	(365)	(42)	-	(1,563)
Impairment expense	(15)	(96)	(1)	-	(5)	(19)	-	(136)
Intangible assets and goodwill [b]	4,900	7,207	1,283	5,850	3,508	946	-	23,694
Property, plant and equipment	2,484	2,125	528	501	1,547	3,972	-	11,157
Inventories	4,795	1,566	502	1,361	1,873	230	(231)	10,096
Other operating assets	1,392	874	812	731	755	920	7,170 [c]	12,654
Total assets	**13,571**	**11,772**	**3,125**	**8,443**	**7,683**	**6,068**	**6,939**	**57,601**
Equity	-	-	-	-	-	-	25,799	25,799
Liabilities	1,426	2,451	1,440	922	2,408	1,131	22,024 [d]	31,802
Total liabilities and equity	**1,426**	**2,451**	**1,440**	**922**	**2,408**	**1,131**	**47,823**	**57,601**
Operating investments [e]	(233)	(553)	(233)	(204)	(395)	(337)	-	(1,955)

First half 2015

(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	1,917	5,914	1,855	1,524	5,261	236	-	16,707
Intra-Group sales	13	19	373	28	14	7	(454)	-
Total revenue	**1,930**	**5,933**	**2,228**	**1,552**	**5,275**	**243**	**(454)**	**16,707**
Profit from recurring operations	482	1,661	249	205	433	(69)	(6)	2,955
Other operating income and expenses	(6)	(46)	1	1	(3)	(11)	-	(64)
Depreciation and amortization expense	(63)	(302)	(85)	(90)	(174)	(19)	-	(733)
Impairment expense	-	(25)	(1)	-	(2)	(11)	-	(39)
Intangible assets and goodwill [b]	4,615	7,270	1,227	5,914	3,339	860	-	23,225
Property, plant and equipment	2,387	2,186	499	461	1,439	3,725	-	10,697
Inventories	4,814	1,695	490	1,500	1,882	234	(234)	10,381
Other operating assets	1,133	895	749	693	670	505	6,133 [c]	10,778
Total assets	**12,949**	**12,046**	**2,965**	**8,568**	**7,330**	**5,324**	**5,899**	**55,081**
Equity	-	-	-	-	-	-	24,445	24,445
Liabilities	1,189	2,338	1,264	792	1,974	860	22,219 [d]	30,636
Total liabilities and equity	**1,189**	**2,338**	**1,264**	**792**	**1,974**	**860**	**46,664**	**55,081**
Operating investments [e]	(87)	(280)	(103)	(102)	(138)	(106)	-	(816)

(a) Eliminations correspond to sales between business groups; these generally consist of sales from business groups other than Selective Retailing to Selective Retailing. 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.

As of 2016, Kendo's activities, which were previously presented under the Selective Retailing business group, are now presented under Perfumes and Cosmetics. Comparative data has been restated to reflect this change, the impact of which is not significant.

23.2. Information by geographic region

Revenue by geographic region of delivery breaks down as follows:

(EUR millions)	June 30, 2016	Dec. 31, 2015	June 30, 2015
France	1,693	3,552	1,640
Europe (excluding France)	2,994	6,408	2,827
United States	4,483	9,345	4,051
Japan	1,259	2,487	1,164
Asia (excluding Japan)	4,738	9,636	4,869
Other	2,021	4,236	2,156
Revenue	**17,188**	**35,664**	**16,707**

Operating investments by geographic region are as follows:

(EUR millions)	June 30, 2016	Dec. 31, 2015	June 30, 2015
France	361	633	274
Europe (excluding France)	153	385	164
United States	150	336	133
Japan	23	66	39
Asia (excluding Japan)	140	411	154
Other	44	124	52
Operating investments	**871**	**1 955**	**816**

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 sales 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	1,033	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 first half 2016	**2,056**	**5,885**	**2,337**	**1,609**	**5,480**	**315**	**(494)**	**17,188**

(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	992	2,975	1,129	723	2,648	90	(234)	8,323
Second quarter	938	2,958	1,099	829	2,627	153	(220)	8,384
Total first half 2015	**1,930**	**5,933**	**2,228**	**1,552**	**5,275**	**243**	**(454)**	**16,707**
Third quarter	1,199	2,939	1,143	852	2,603	83	(238)	8,581
Fourth quarter	1,474	3,497	1,300	904	3,315	122	(236)	10,376
Total second half 2015	**2,673**	**6,436**	**2,443**	**1,756**	**5,918**	**205**	**(474)**	**18,957**
Total 2015	**4,603**	**12,369**	**4,671**	**3,308**	**11,193**	**448**	**(928)**	**35,664**

24. EXPENSES BY NATURE

Profit from recurring operations includes the following expenses:

(EUR millions)	June 30, 2016	Dec. 31, 2015	June 30, 2015
Advertising and promotion expenses	2,000	4,017	1,871
Commercial lease expenses	1,683	3,388	1,649
Personnel costs	3,226	6,249	3,079
Research and development expenses	51	97	42

25. OTHER OPERATING INCOME AND EXPENSES

(EUR millions)	June 30, 2016	Dec. 31, 2015	June 30, 2015
Net gains (losses) on disposals of fixed assets	(17)	1	(1)
Restructuring costs	-	(98)	(30)
Transaction costs relating to the acquisition of consolidated companies	-	(2)	-
Impairment or amortization of brands, trade names, goodwill and other property	(19)	(136)	(46)
Other items, net	(4)	14	13
Other operating income and expenses	**(40)**	**(221)**	**(64)**

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

26. NET FINANCIAL INCOME/(EXPENSE)

(EUR millions)	June 30, 2016	Dec. 31, 2015	June 30, 2015
Borrowing costs	(38)	(111)	(63)
Income from cash, cash equivalents and current available for sale financial assets	11	33	16
Fair value adjustment of borrowings and interest rate hedges	(6)	-	(5)
Cost of net financial debt	**(33)**	**(78)**	**(52)**
Dividends received from non-current available for sale financial assets	2	4	4
Ineffective portion of foreign currency hedges	(132)	(437)	(296)
Net gain/(loss) related to available for sale financial assets and other financial instruments	13	129	99
Other items, net	(16)	(32)	(14)
Other financial income/(expenses)	**(133)**	**(336)**	**(207)**
Net financial income/(expense)	**(166)**	**(414)**	**(259)**

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

(EUR millions)	June 30, 2016	Dec. 31, 2015	June 30, 2015
Ineffective portion of commercial foreign exchange derivatives	(85)	(378)	(281)
Ineffective portion of foreign exchange derivatives related to net investments denominated in foreign currency	(9)	(2)	3
Ineffective portion of other foreign exchange derivatives	(38)	(57)	(18)
Ineffective portion of foreign exchange derivatives	**(132)**	**(437)**	**(296)**

27. INCOME TAXES

(EUR millions)	June 30, 2016	Dec. 31, 2015	June 30, 2015
Current income taxes for the fiscal year	(981)	(2,245)	(996)
Current income taxes relating to previous fiscal years	(13)	32	19
Current income taxes	**(994)**	**(2,213)**	**(977)**
Change in deferred income taxes	109	137	94
Impact of changes in tax rates on deferred taxes	(5)	107	3
Deferred income taxes	**104**	**244**	**97**
Total tax expense per income statement	**(890)**	**(1,969)**	**(880)**
Tax on items recognized in equity	**16**	**121**	**150**

The effective tax rate is as follows:

(EUR millions)	June 30, 2016	Dec. 31, 2015	June 30, 2015
Profit before tax	2,753	5,970	2,632
Total income tax expense	(890)	(1,969)	(880)
Effective tax rate	**32.3%**	**33.0%**	**33.4%**

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, 2016.

28. EARNINGS PER SHARE

	June 30, 2016	Dec. 31, 2015	June 30, 2015
Net profit, Group share *(EUR millions)*	**1,711**	**3,573**	**1,580**
Average number of shares in circulation during the fiscal year	507,291,402	507,543,064	507,824,670
Average number of treasury shares owned during the fiscal year	(4,335,007)	(5,147,573)	(5,618,375)
Average number of shares on which the calculation before dilution is based	**502,956,395**	**502,395,491**	**502,206,295**
Basic Group share of profit per share *(EUR)*	**3.40**	**7.11**	**3.15**
Average number of shares on which the above calculation is based	502,956,395	502,395,491	502,206,295
Dilution effect of stock option plans	1,936,574	2,499,455	2,521,334
Other dilution effects	-	-	-
Average number of shares on which the calculation after dilution is based	**504,892,969**	**504,894,946**	**504,727,629**
Diluted Group share of profit per share *(EUR)*	**3.39**	**7.08**	**3.13**

29. OFF-BALANCE SHEET COMMITMENTS

The Group's off-balance sheet commitments, which amounted to 13.1 billion euros as of December 31, 2015, rose by 0.2 billion euros in the first half of 2016, essentially due to commitments to purchase *eaux-de-vie*.

30. EXCEPTIONAL EVENTS AND LITIGATION

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

31. SUBSEQUENT EVENTS

On July 22, 2016, LVMH and G-III Apparel Group, Ltd entered into an agreement under which G-III will acquire Donna Karan International from LVMH, in a transaction with an enterprise value of 650 million US dollars, subject to customary adjustments at closing. The transaction is expected to close in late 2016 or early 2017.

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 article L.451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the 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, 2016;
- 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 review.

I. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially lesser 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 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 have also verified the information presented in the interim management report in respect of the condensed consolidated half-year financial statements subject to our 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, July 26, 2016

The Statutory Auditors

French original signed by

Ernst & Young Audit		Mazars	
Jeanne Boillet	Benoit Schumacher	Simon Beillevaire	Loïc Wallaert

This is a free translation into English of the statutory auditors' review 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, 2016

Under delegation from the Chairman and Chief Executive Officer

Jean-Jacques GUIONY

Chief Financial Officer, Member of the Executive Committee

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