

LVMH

LETTER TO SHAREHOLDERS AUGUST 2016



GOOD FIRST HALF PERFORMANCE FOR LVMH

Bernard Arnault, Chairman and CEO of LVMH, commented:

“LVMH’s results for the first half of 2016 reflect, more than ever, the strength of our business model, which allows us to continue to grow even during an unstable geopolitical environment and economic and monetary uncertainties. The diversity of our businesses, the entrepreneurial style of our brands and the agility of our organization all contribute to the growth of the Group. By remaining vigilant, we face the second half of the year with confidence and count on the quality of our products and the talent of our teams to further strengthen our leadership in the world of high quality products in 2016.”

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, an increase of 8%;
- net debt to equity ratio of 20% as of the end of June 2016.

LVMH Moët Hennessy - Louis Vuitton, the world’s leading luxury products group, recorded revenue of €17.2 billion in the first half of 2016, an increase of 3%. Organic revenue growth was 4% compared to the same period in 2015. The American market is dynamic, while Europe remains on track, with the exception of France, which has been affected by a decrease in tourism. Asia improved steadily during the period.

In the second quarter, revenue increased by 2% compared to the same period in 2015. Organic revenue growth was 4% marking a slight increase compared with the first quarter.

Profit from recurring operations was €2,959 million for the first half of 2016, consistent with the same period in 2015. Group share of net profit amounted to €1,711 million, an increase of 8%.

OUTLOOK 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.

REVENUE

H1 2016	€17,188m
H1 2015	€16,707m

PROFIT FROM RECURRING OPERATIONS

H1 2016	€2,959m
H1 2015	€2,955m

GROUP SHARE OF NET PROFIT

H1 2016	€1,711m
H1 2015	€1,580m

CASH FROM OPERATIONS⁽¹⁾

H1 2016	€3,650m
H1 2015	€3,368m

FREE CASH FLOW⁽²⁾

H1 2016	€761m
H1 2015	€678m

TOTAL EQUITY

H1 2016	20% ⁽³⁾	€26,073m
H1 2015	25%	€24,445m

INTERIM DIVIDEND⁽⁴⁾

H1 2016	€1.40
H1 2015	€1.35

All documentation related to the 2016 half-year results can be found on the LVMH website (www.lvmh.com) under Investors/Events/Results.

(1) Before changes in working capital.

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

(3) Financial debt/Total equity ratio.

(4) Payable on December 1st, 2016.

WINES & SPIRITS

EXCELLENT START TO THE YEAR WITH STRONG GROWTH IN THE UNITED STATES, AND IMPROVED MOMENTUM IN CHINA



Moët & Chandon

The Wines & Spirits business group recorded organic revenue growth of 9%. On a reported basis, revenue growth was 7% and profit from recurring operations increased by 17%.

The champagne business had a good start to the year, especially in Europe and the US. The prestige vintages performed particularly well. Hennessy recorded strong growth in the American market and improved momentum in China following 2015 which was marked by a period of destocking by distributors. Other spirits, Glenmorangie and Belvedere continue their development.

REVENUE

H1 2016	€2,056m
H1 2015	€1,930m

PROFIT FROM RECURRING OPERATIONS

H1 2016	€565m
H1 2015	€482m

FASHION & LEATHER GOODS

EXCELLENT CREATIVE MOMENTUM AT LOUIS VUITTON AND FURTHER STRENGTHENING OF OTHER BRANDS



Fendi – Fashion show at the Trevi Fountain in Rome

The Fashion & Leather Goods business group recorded stable revenue and profit from recurring operations.

Louis Vuitton continued to illustrate its creative momentum across its collections. Leather goods' performance was based on both the continued development of its iconic models, as well as on the success of its more recent creations. The presentation of the Cruise Collection in the Niterói Museum of Contemporary Art in Brazil was a highlight of the first half.

Loro Piana opened a flagship store on Avenue Montaigne in Paris.

Fendi recorded an excellent performance in the first half. Céline and Kenzo showed strong growth. Marc Jacobs continued the repositioning of its collections. Other brands are further strengthening their positions. An agreement was announced for the sale of the Donna Karan business.

REVENUE

H1 2016	€5,885m
H1 2015	€5,933m

PROFIT FROM RECURRING OPERATIONS

H1 2016	€1,630m
H1 2015	€1,661m

PERFUMES & COSMETICS

INNOVATIONS MEET WITH GREAT SUCCESS



Parfums Christian Dior

The Perfumes & Cosmetics business group recorded organic revenue growth of 8%. On a reported basis, revenue growth was 5% and profit from recurring operations increased by 9%.

Christian Dior gained market share in all regions, underscoring its strong performance, driven by the international success of *Sauvage* and the vitality of its iconic perfumes, *J'adore* and *Miss Dior*. Its new fragrance, *Poison Girl*, and its latest makeup creations also contributed to the excellent performance of the brand. Strengthened by the success of its perfumes, Guerlain introduced *La Petite Robe Noire* to the makeup market. Benefit's new eyebrow collection received an excellent reception. Make Up For Ever and the portfolio of Kendo brands grew rapidly.

REVENUE

H1 2016	€2,337m
H1 2015	€2,228m

PROFIT FROM RECURRING OPERATIONS

H1 2016	€272m
H1 2015	€249m

WATCHES & JEWELRY

MARKET SHARE GAINS OF OUR BRANDS AND SUCCESSFUL REFOCUSING OF TAG HEUER IN ITS CORE OFFERING



TAG Heuer

In the first half of 2016, the Watches & Jewelry business group recorded organic revenue growth of 4%. On a reported basis, revenue growth was 4% and profit from recurring operations was stable.

Bulgari continued its growth and outperformed the market. The brand maintained its strong creative momentum, notably with the enhancements to the iconic *B Zero 1* and *Diva* collections. With good progress in a difficult market, TAG Heuer gained market share and recorded the first positive effects of the development of its core offering. Its new *Connected* watch was an immense success.

REVENUE

H1 2016	€1,609m
H1 2015	€1,552m

PROFIT FROM RECURRING OPERATIONS

H1 2016	€205m
H1 2015	€205m

SELECTIVE RETAILING

EXCELLENT PERFORMANCE
AT SEPHORA; DFS IMPACTED
BY THE DIFFICULT TOURIST
ENVIRONMENT IN ASIA



Sephora

The Selective Retailing business group recorded organic revenue growth of 5%. On a reported basis, revenue growth was 4% and profit from recurring operations decreased by 5%.

Sephora continued to gain market share in all regions, recording double digit-growth in its revenue and profits. Its performances were outstanding throughout the world. DFS continues to face challenges in Asia due to the difficult environment for tourism, particularly in Macau and Hong Kong. Its geographic expansion continues with the opening of a new *T Galleria* in Siem Reap in Cambodia and another will open in the coming months in Venice, Italy.

REVENUE

H1 2016	€5,480m
H1 2015	€5,275m

PROFIT FROM RECURRING OPERATIONS

H1 2016	€410m
H1 2015	€433m

FOCUS

THE ENVIRONMENT, MORE RELEVANT THAN EVER

In 2013, we launched LVMH Initiatives for the Environment (LIFE). Our goal? To provide the framework for 25 years of environmental actions – based on an ambitious overarching program – and create a shared dynamic that would improve our environmental performance. Today, LIFE is an integral part of the Group's operations, endorsed by the presidents of the Maisons and incorporated into their strategic plans.

LIFE: NINE STRATEGIC PRIORITIES

The LIFE program gives structure to the environmental initiatives of the LVMH group and its Maisons. It is built on nine strategic priorities: eco-design, natural raw materials, traceability, suppliers, know-how, climate change, manufacturing, product sustainability and answers to customer questions.

Each Maison focuses on the four or five most relevant LIFE priorities for its business. They implement action plans along with indicators to monitor and assess their progress.

GROUP-WIDE OBJECTIVES

For an extra boost to the program, we are working on defining and implementing specific targets for 2020:

- improve the environmental performance of all the Maisons' products;
- have Maisons roll out best practices and cooperate with their suppliers to meet the highest standards in their supply chains;
- cut CO₂ emissions by 25% with respect to 2013 levels;
- improve environmental performance at all sites and stores.



A COMPREHENSIVE ENVIRONMENTAL ACTION PROGRAM

LIFE is the result of more than twenty years of engagement during which LVMH and its Maisons have gradually developed their own environmentally friendly culture, values and practices, bringing on board all its stakeholders, including employees, partners, suppliers, customers, government authorities, non-profit organizations, and representatives of civil society.

This implementation has been marked by some significant achievements. In 1998, Hennessy became the world's first

Wines and Spirits company to obtain ISO 14001 environmental certification. In 2002, LVMH broke new ground by measuring greenhouse gas emissions at Veuve Clicquot, Parfums Christian Dior and Hennessy using the Bilan Carbone carbon assessment tool. In November 2015, on the occasion of the United Nations Climate Change Conference (COP21) in Paris, LVMH launched an internal carbon fund with contributions of 15 euros per metric ton of greenhouse emissions to encourage changes in patterns of behavior. The total amount in the fund, estimated at 6.1 million euros for full-year 2016, is to be invested by the Maisons in projects that reduce greenhouse gas emissions.

A FLURRY OF INITIATIVES

- VeuveClicquot made big news by launching *Naturally Clicquot 3*, the Champagne region's first-ever packaging made from grape skins. During the grape harvests, after pressing the grapes for their juice, the solid remains ("marc") are ground into a fine powder. Water is then added to create a paste, which is mixed with natural fibers to make a completely biodegradable, environmentally friendly paper pulp. Et voilà! 100% recyclable packaging made from 100% Clicquot grapes.
- LVMH and its Maisons help make cities better places to live by developing "green" transportation. Since 2009, to supply its points of sale in France – the vast majority of which are located in downtown urban areas – Sephora has used electric trucks for local deliveries. In China, where the fight against air pollution in cities has become a crucial issue, Sephora has just launched a trailblazing project, having electric vehicles deliver goods to its 21 stores in Shanghai, thereby cutting ten metric tons of CO₂ emissions every year. Louis Vuitton has launched a similar initiative in China.
- For the past three years, Sephora has designed and renovated all its stores to be equipped with the latest LED lighting technology. By the end of 2016, the entire US store network will be fully LED-equipped. This expansion of "LED culture" within the Group is the result of the LVMH Lighting program, launched in 2012 to address two main concerns. The first is environmental: LEDs use 30% less energy than standard lighting, which means they help reduce greenhouse gas emissions.

The second is aesthetic: when used well, LED technology shows products in their best light and provides employees with a comfortable, pleasant working environment.

- LVMH and its Maisons also pay close attention to how the natural resources they buy from their suppliers are produced. Supply chain audits are carried out on a regular basis, like the ones run by LVMH Fragrance Brands on its rose, jasmine, orange blossom and bergamot supply chains in 2013, 2014 and 2015. The Group's Maisons also play an active role in developing responsible supply chains. For example, Loro Piana has achieved an exceptional level of quality in its cashmere wool using a scientific, analytical approach focused on a selective breeding model that preserves the natural equilibrium between the animals, their habitat, and local human populations.



In Peru, the Maison has helped save vicuñas from extinction by creating a natural reserve where more than 2,000 vicuñas are currently being raised using traditional farming methods.

For more information: Since 2001, LVMH has published an annual *Environmental Report*, available on its website (lvmh.com), which presents the year's environmental data and key initiatives.

THE LVMH SHARE

CHANGES IN THE LVMH SHARE PRICE

Stock markets were highly volatile in the first half of 2016. Concerns about Chinese growth, tumbling oil prices and doubts surrounding the US Federal Reserve's monetary policy weighed on investor sentiment during the first few weeks of the year. The CAC 40 fell nearly 16% in early February. The improvement in indices seen over the following months gave way to a period of high volatility in the weeks preceding the UK referendum on whether the country should remain in the European Union. Markets plummeted when the results were announced, especially in the eurozone, with most market participants having predicted that the "Remain" vote would win.

Against this backdrop, the CAC 40 and Euro Stoxx 50 indices ended the half-year period down 9% and 12%, respectively. The LVMH share price was down 6%, at €136. LVMH's market capitalization was €68 billion as of June 30, making it the fourth-largest company on the Paris stock exchange.

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

Comparison between the LVMH share price and the CAC 40 since July 1st, 2011



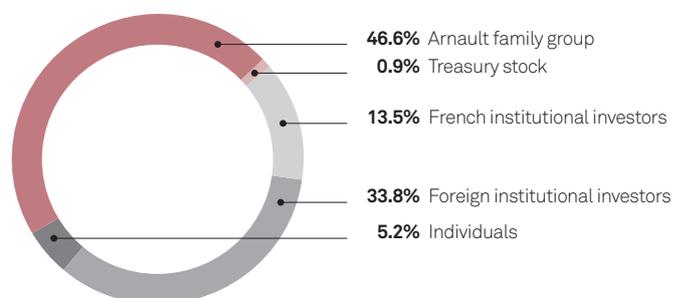
TOTAL SHAREHOLDER RETURN

An LVMH shareholder who invested €1,000 on July 1st, 2011 would have a capital of €1,343 on June 30, 2016, based on reinvested dividends. That is a 34% gain, translating to a compound annual growth rate of around 6% over five years.

INTERIM DIVIDEND

The Board of Directors approved the payment, on December 1st, 2016, of an interim dividend of €1.40.

LVMH shareholder structure December 2015



SHAREHOLDER RELATIONS

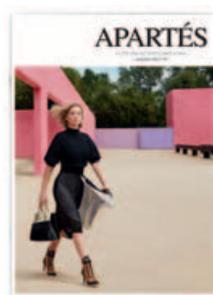
THE WEBSITE

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

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

THE SHAREHOLDERS' CLUB

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



Through the Club's membership magazine *Apartés* (published in French), members can order a selection of the Group's Wines and Spirits for delivery in France, subscribe to *Les Échos*, *Investir*, and *Connaissance des Arts* at preferential rates, and enjoy special visitor access to certain sites such as wineries and

wine cellars. Priority-access tickets can also be ordered for Fondation Louis Vuitton.

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

New in 2016: an exclusive Shareholders' Club online store

The Group's exclusive Wines and Spirits offering is now also available through the Club's online store, www.clublvmh-eboutique.fr (French version only).

Shareholders' Club members can access this private shopping space once they've activated their account. Delivery can only be made in France.

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Photographs: Louis Vuitton Malletier, Giovanni Giannoni – Moët & Chandon – Fendi – Christian Dior Parfums, Peter Lindbergh – TAG Heuer – Sephora – Loro Piana – Louis Vuitton Malletier, Patrick Demarchelier – Picture libraries of LVMH and Group's Maisons.

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

AGENDA

October 2016

Publication of 2016 third-quarter revenue

December 1st, 2016

Payment of interim dividend

January 2017

Publication of 2016 revenue and annual results

April 2017

Shareholders' Meeting

LVMH

22 avenue Montaigne
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www.lvmh.com

Louis Vuitton, Cruise 2017 Fashion show, Niterói Contemporary Art Museum, Rio de Janeiro

