LVMH

MOËT HENNESSY . LOUIS VUITTON

TRANSLATION OF THE FRENCH INTERIM FINANCIAL REPORT

SIX-MONTH PERIOD ENDED JUNE 30, 2018

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EXECUTIVE AND SUPERVISORY BODIES; STATUTORY AUDITORS AS OF JUNE 30, 2018

Board of Directors

Bernard Arnault
Chairman and Chief Executive Officer

Antonio Belloni
Group Managing Director

Antoine Arnault

Delphine Arnault

Nicolas Bazire

Bernadette Chirac [a]

Charles de Croisset [a]

Diego Della Valle [a]

Clara Gaymard [a]

Marie-Josée Kravis [a]

Lord Powell of Bayswater

Marie-Laure Sauty de Chalon [a]

Yves-Thibault de Silguy [a]

Hubert Védrine [a]

Advisory Board members

Paolo Bulgari

Albert Frère

Executive Committee

Bernard Arnault
Chairman and Chief Executive Officer

Antonio Belloni
Group Managing Director

Nicolas Bazire
Development and acquisitions

Pietro Beccari
Christian Dior Couture

Michael Burke
Louis Vuitton

Chantal Gaemperle
Human Resources and Synergies

Jean-Jacques Guiony
Finance

Christopher de Lapuente
Sephora and beauty

Pierre-Yves Roussel
Special Advisor to the Chairman

Philippe Schaus
Wines and Spirits

Sidney Toledano
Fashion Group

Jean-Baptiste Voisin
Strategy

General secretary

Marc-Antoine Jamet

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]

Hubert Védrine [a]

Statutory Auditors

ERNST & YOUNG Audit
represented by Jeanne Boillet and Patrick Vincent-Genod

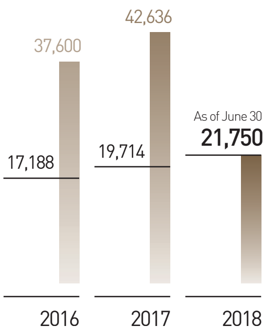
MAZARS
represented by Simon Beillevaire and Loïc Wallaert

(a) Independent Director.

FINANCIAL HIGHLIGHTS

Revenue

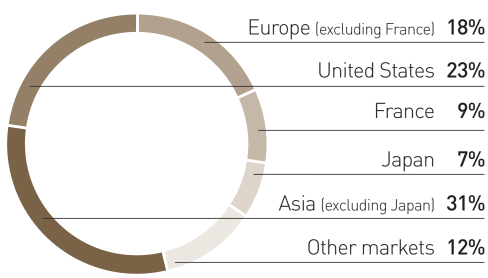
(As of June 30 and December 31, EUR millions)



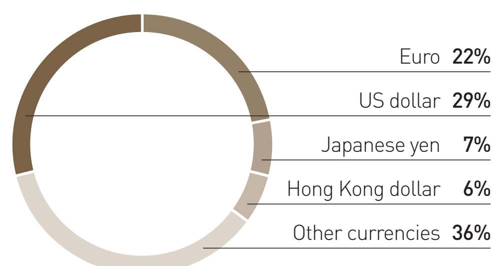
Revenue by business group *(EUR millions and percentage)*	**June 30, 2018**	**June 30, 2017**	**Change**	
			Published	**Organic** [a]
Wines and Spirits	2,271	2,294	-1%	+7%
Fashion and Leather Goods	8,594	6,899	+25%	+15%
Perfumes and Cosmetics	2,877	2,670	+8%	+16%
Watches and Jewelry	1,978	1,838	+8%	+16%
Selective Retailing	6,325	6,280	+1%	+9% [b]
Other activities and eliminations	(295)	(267)	-	-
Total	**21,750**	**19,714**	**+10%**	**+12%**

(a) On a constant consolidation scope and currency basis. The net impact of exchange rate fluctuations on Group revenue was -8% and the net impact of changes in the scope of consolidation was +6%. 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.
(b) +15% excluding the termination of the Hong Kong International Airport concessions.

Revenue by geographic region of delivery
(As of June 30, 2018)

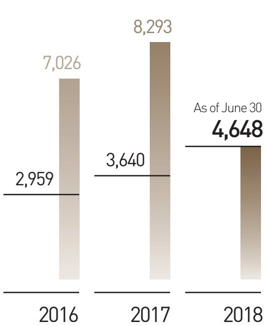


Revenue by invoicing currency
(As of June 30, 2018)



Profit from recurring operations

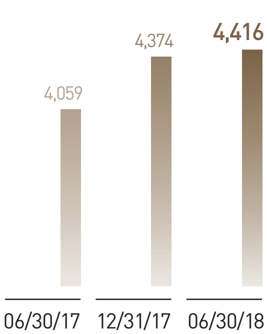
(As of June 30 and December 31, EUR millions)



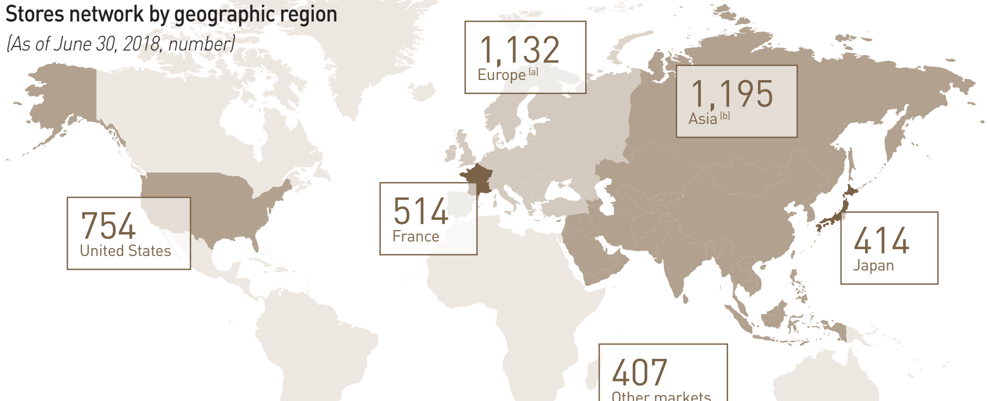
Profit from recurring operations by business group *(EUR millions)*	**June 30, 2018**	**Dec. 31, 2017**	**June 30, 2017**
Wines and Spirits	726	1,558	681
Fashion and Leather Goods	2,775	4,905	2,192
Perfumes and Cosmetics	364	600	292
Watches and Jewelry	342	512	234
Selective Retailing	612	1,075	441
Other activities and eliminations	(171)	(357)	(200)
Total	**4,648**	**8,293**	**3,640**

Stores

(number)

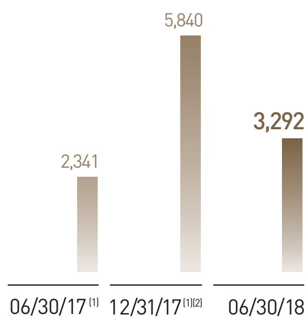


Stores network by geographic region
(As of June 30, 2018, number)

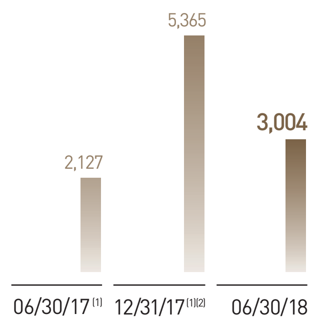


(a) Excluding France. (b) Excluding Japan.

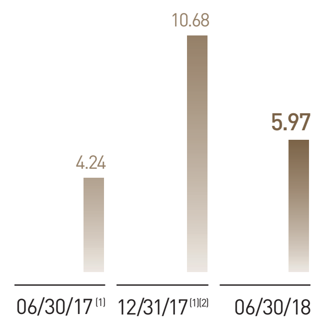
Net profit
(EUR millions)



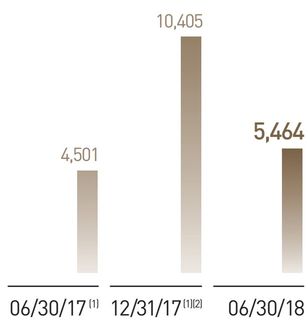
Net profit, Group share
(EUR millions)



Basic Group share of net earnings per share
(EUR)

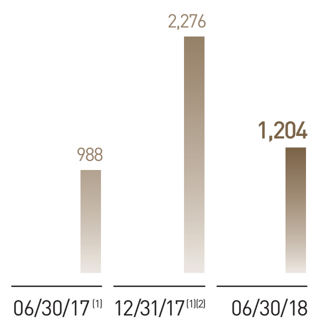


Cash from operations before changes in working capital [a]
(EUR millions)

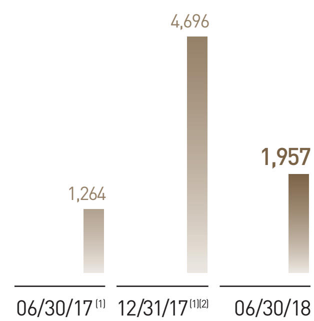


(a) Before interest and tax paid.

Operating investments
(EUR millions)

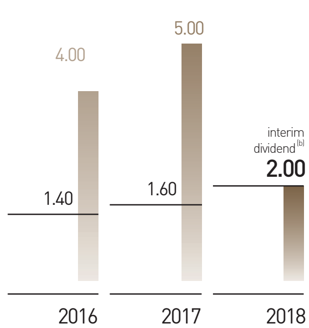


Free cash flow [a]
(EUR millions)



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

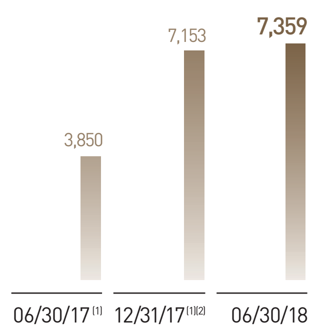
Dividend per share [a]
(EUR)



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

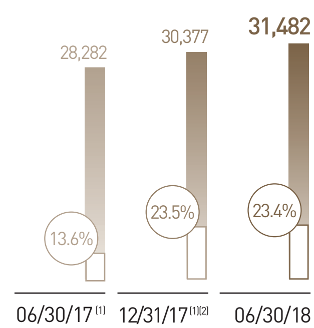
(b) Payable on December 6, 2018.

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.

Equity and Net financial debt/ Equity ratio
(EUR millions and percentage)



(1) The financial statements as of December 31, 2017 and June 30, 2017 have been restated to reflect the retrospective application with effect from January 1, 2016 of IFRS9 Financial instruments. See Note 1.2.

(2) The financial statements as of December 31, 2017 have been restated to reflect the definitive purchase price allocation of Christian Dior Couture. See Note 2.

HIGHLIGHTS

Highlights of the first half of 2018 include:

- double-digit increases in revenue and profit from recurring operations;
- strong growth in Asia and the United States;
- good start to the year for Wines and Spirits;
- outstanding momentum at Louis Vuitton; profitability remains at an exceptional level;
- success of new products at Christian Dior across all product lines;
- new creative talent at several fashion brands;
- excellent performance of Bvlgari;
- good performance of watch brands;
- Sephora's strong revenue growth in stores and online;
- rebound of profitability at DFS;
- cash from operations before changes in working capital was 5.5 billion euros, an increase of 21%;
- net debt to equity ratio of 23% as of the end of June 2018.

SHARE CAPITAL AND VOTING RIGHTS

	Number of shares	Number of voting rights[a]	% of share capital	% of voting rights
Arnault Family Group	237,996,093	462,937,088	47.05%	63.13%
Other	267,791,941	270,356,027	52.95%	36.87%
Total	**505,788,034**	**733,293,115**	**100.00%**	**100.00%**

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

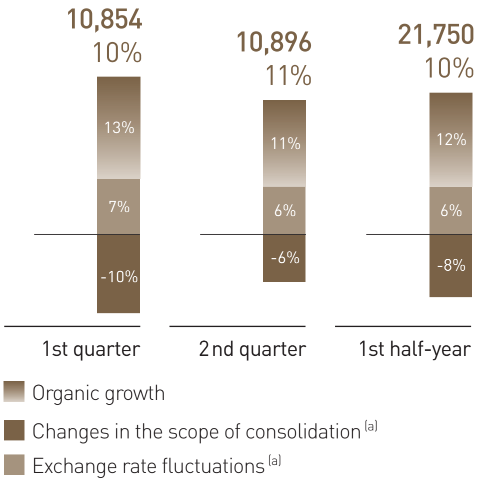
BUSINESS REVIEW AND COMMENTS ON THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS OF LVMH GROUP

1. COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

1.1. Analysis of revenue

Change in revenue per half-year period

(EUR millions and as %)



(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, 2018 was 21,750 million euros, up 10% from the first half of 2017. A number of the Group's invoicing currencies weakened against the euro, notably the US dollar, thus making a negative contribution of 8 points to revenue growth.

The following changes to the Group's consolidation scope have occurred since January 1, 2017: in Fashion and Leather Goods, 100% of Christian Dior Couture has been integrated into the Group since the second half of 2017. This change in the scope of consolidation made a positive contribution of 6 points to revenue growth.

On a constant consolidation scope and currency basis, revenue increased by 12%. It was up 14% when excluding the impact of the termination of the Hong Kong International Airport concessions at the end of 2017.

Revenue by invoicing currency

(as %)	June 30, 2018	Dec. 31, 2017	June 30, 2017
Euro	22	23	22
US dollar	29	30	31
Japanese yen	7	7	7
Hong Kong dollar	6	6	7
Other currencies	36	34	33
Total	**100**	**100**	**100**

The breakdown of revenue by invoicing currency changed somewhat relative to the first half of 2017: the contributions of the euro and the Japanese yen remained stable at 22% and 7% respectively, while the contribution of the US dollar fell by 2 points to 29% and that of other currencies rose by 2 points to 42%.

Revenue by geographic region of delivery

(as %)	June 30, 2018	Dec. 31, 2017	June 30, 2017
France	9	10	9
Europe (excluding France)	18	19	18
United States	23	25	25
Japan	7	7	7
Asia (excluding Japan)	31	28	29
Other markets	12	11	12
Total	**100**	**100**	**100**

By geographic region of delivery and compared to June 30, 2017, the relative contribution of Asia (excluding Japan) to Group revenue rose by 2 points to 31% while that of the United States fell by 2 points to 23%. The relative contributions of France, Europe (excluding France), Japan and other markets remained stable at 9%, 18%, 7% and 12%, respectively.

Revenue by business group

(EUR millions)	June 30, 2018	Dec. 31, 2017	June 30, 2017
Wines and Spirits	2,271	5,084	2,294
Fashion and Leather Goods	8,594	15,472	6,899
Perfumes and Cosmetics	2,877	5,560	2,670
Watches and Jewelry	1,978	3,805	1,838
Selective Retailing	6,325	13,311	6,280
Other activities and eliminations	(295)	(596)	(267)
Total	**21,750**	**42,636**	**19,714**

By business group, the breakdown of Group revenue changed appreciably. The contribution of Fashion and Leather Goods rose by 5 points to 40%, while the contributions of Wines and Spirits and Selective Retailing decreased by 1 and 3 points to 10% and 29%, respectively. The contribution of Perfumes and Cosmetics and that of Watches and Jewelry remained stable at 13% and 9%, respectively.

Wines and Spirits saw a decrease in revenue of 1% based on published figures. Revenue for this business group increased by 7% on a constant consolidation scope and currency basis, with exchange rate fluctuations having a negative impact of 8 points. This performance was largely driven by higher prices as well as an increase in volumes. Demand remained very strong in Asia and particularly in China, with the latter still the second-largest market for the Wines and Spirits business group.

Fashion and Leather Goods posted organic growth of 15%. The positive consolidation scope impact of 17 points resulting from the integration of Christian Dior Couture, tempered by the negative exchange rate impact of 7 points, raised this growth to 25% based on published figures. This business group's performance was driven by the very solid momentum achieved by Louis Vuitton, as well as by Céline, Kenzo, Loewe, Givenchy, Loro Piana and Berluti, which confirmed their potential for strong growth.

Revenue for Perfumes and Cosmetics increased by 16% on a constant consolidation scope and currency basis, and by 8% based on published figures. This growth and the related market share gains 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 significant revenue growth across all regions, and in particular in Asia.

Revenue for Watches and Jewelry increased by 16% on a constant consolidation scope and currency basis, and by 8% based on published figures. This business group benefited from the excellent performance of Bvlgari; Chaumet, Hublot, Fred and Zenith saw strong gains. Asia and Europe were the most buoyant regions.

Revenue for Selective Retailing increased by 9% on a constant consolidation scope and currency basis and by 1% based on published figures. It is worth noting that this performance was achieved in spite of the negative impact of the termination of the concessions at Hong Kong International Airport at the close of 2017. At the same time, the business group's performance was driven by Sephora, which saw very appreciable growth in revenue, and by the return of Chinese tourists to regions where DFS has many locations and is recording very solid growth.

1.2. Profit from recurring operations

(EUR millions)	June 30, 2018	Dec. 31, 2017	June 30, 2017
Revenue	21,750	42,636	19,714
Cost of sales	(7,130)	(14,783)	(6,881)
Gross margin	14,620	27,853	12,833
Marketing and selling expenses	(8,305)	(16,395)	(7,704)
General and administrative expenses	(1,679)	(3,162)	(1,488)
Income (loss) from investments in joint ventures and associates	12	(3)	(1)
Profit from recurring operations	**4,648**	**8,293**	**3,640**
Operating margin *(%)*	**21.4**	**19.5**	**18.5**

The Group achieved a gross margin of 14,620 million euros, up 14% from the first half of 2017. As a percentage of revenue, the gross margin was 67%, 2 points higher than in the first half of 2017.

Marketing and selling expenses totaled 8,305 million euros, up 8% based on published figures and up 7% on a constant consolidation scope and currency basis. This increase was mainly due to the integration of Christian Dior Couture, the development of retail networks but also to higher communications investments, especially in Perfumes and Cosmetics. The level of these expenses, expressed as a percentage of revenue, fell by 0.8 points to 38%. Among these marketing and selling expenses, advertising and promotion costs amounted to 12% of revenue, increasing by 13% on a constant consolidation scope and currency basis.

The geographic breakdown of stores is as follows:

(number)	June 30, 2018	Dec. 31, 2017	June 30, 2017
France	514	508	494
Europe (excluding France)	1,132	1,156	1,086
United States	754	754	715
Japan	414	412	401
Asia (excluding Japan)	1,195	1,151	1,022
Other markets	407	393	341
Total	**4,416**	**4,374**	**4,059**

General and administrative expenses totaled 1,679 million euros, up 13% based on published figures and up 12% on a constant consolidation scope and currency basis. They amounted to 8% of revenue, up 0.2 points relative to the first half of 2017.

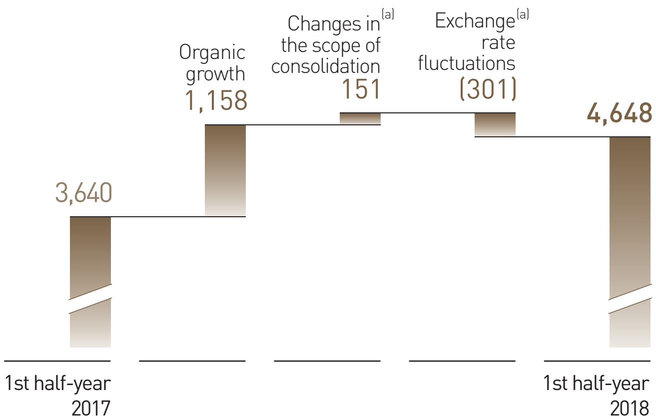
Profit from recurring operations by business group

(EUR millions)	June 30, 2018	Dec. 31, 2017	June 30, 2017
Wines and Spirits	726	1,558	681
Fashion and Leather Goods	2,775	4,905	2,192
Perfumes and Cosmetics	364	600	292
Watches and Jewelry	342	512	234
Selective Retailing	612	1,075	441
Other activities and eliminations	(171)	(357)	(200)
Total	**4,648**	**8,293**	**3,640**

The Group's profit from recurring operations was 4,648 million euros, up 28%. The Group's operating margin as a percentage of revenue was 21.4%, up 2.9 points from the first half of 2017.

Change in profit from recurring operations

(EUR millions)



(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.

Exchange rate fluctuations had a negative overall impact of 301 million euros on profit from recurring operations compared to the first half of 2017. 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 and currency basis, the Group's profit from recurring operations was up 32%.

Wines and Spirits

	June 30, 2018	Dec. 31, 2017	June 30, 2017
Revenue *(EUR millions)*	2,271	5,084	2,294
Profit from recurring operations *(EUR millions)*	726	1,558	681
Operating margin *(%)*	32.0	30.6	29.7

Profit from recurring operations for Wines and Spirits was 726 million euros, up 7% relative to the first half of 2017. Champagne and wines contributed 196 million euros while cognacs and spirits accounted for 529 million euros. This performance was the result of both sales volume growth and a robust price increase policy. The operating margin as a percentage of revenue for this business group increased by 2.3 points to 32%.

Fashion and Leather Goods

	June 30, 2018	Dec. 31, 2017	June 30, 2017
Revenue *(EUR millions)*	8,594	15,472	6,899
Profit from recurring operations *(EUR millions)*	2,775	4,905	2,192
Operating margin *(%)*	32.3	31.7	31.8

Fashion and Leather Goods posted profit from recurring operations of 2,775 million euros, up 27% compared to the first half of 2017. This sharp increase includes the positive impact of the consolidation of Christian Dior Couture, but especially reflects the very strong performance of our Maisons. Louis Vuitton maintained its exceptional level of profitability while Loewe, Céline, Givenchy, Kenzo and Loro Piana confirmed their growth momentum. The business group's operating margin as a percentage of revenue grew by 0.5 points to 32.3%.

Perfumes and Cosmetics

	June 30, 2018	Dec. 31, 2017	June 30, 2017
Revenue *(EUR millions)*	2,877	5,560	2,670
Profit from recurring operations *(EUR millions)*	364	600	292
Operating margin *(%)*	12.7	10.8	10.9

Profit from recurring operations for Perfumes and Cosmetics was 364 million euros, up 24% compared to the first half of 2017. This growth was driven by Parfums Christian Dior, Guerlain, Benefit, Parfums Givenchy and Fresh, 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 increased by 1.8 points to 12.7%.

Watches and Jewelry

	June 30, 2018	Dec. 31, 2017	June 30, 2017
Revenue *(EUR millions)*	1,978	3,805	1,838
Profit from recurring operations *(EUR millions)*	342	512	234
Operating margin *(%)*	17.3	13.5	12.7

Profit from recurring operations for Watches and Jewelry was 342 million euros, up 46% relative to the first half of 2017. This increase was the result of strong performances at Bvlgari, Chaumet and Hublot. The operating margin as a percentage of revenue for the Watches and Jewelry business group rose by 4.6 points to 17.3%.

Selective Retailing

	June 30, 2018	Dec. 31, 2017	June 30, 2017
Revenue *(EUR millions)*	6,325	13,311	6,280
Profit from recurring operations *(EUR millions)*	612	1,075	441
Operating margin *(%)*	9.7	8.1	7.0

Profit from recurring operations for Selective Retailing was 612 million euros, up 39% compared to the first half of 2017. This performance was driven by DFS, which was favorably impacted by the expiry, at the end of 2017, of the concessions at the Hong Kong International Airport and by the increase of Chinese tourists to regions where DFS operates.

The business group's operating margin as a percentage of revenue grew by 2.7 points to 9.7%.

Other activities

The net result from recurring operations of Other activities and eliminations was a loss of 170 million euros, an improvement from its level as of June 30, 2017. In addition to headquarters expenses, this heading includes the results of the Media division, Royal Van Lent yachts, as well as the Group's hotel and real estate activities.

1.3. Other income statement items

(EUR millions)	June 30, 2018	Dec. 31, 2017 (1)(2)	June 30, 2017 (1)
Profit from recurring operations	4,648	8,293	3,640
Other operating income and expenses	(70)	(180)	(95)
Operating profit	4,578	8,113	3,545
Net financial income (expense)	(22)	(59)	(19)
Income taxes	(1,264)	(2,214)	(1,185)
Net profit before minority interests	**3,292**	**5,840**	**2,341**
Minority interests	(288)	(475)	(214)
Net profit, Group share	**3,004**	**5,365**	**2,127**

(1) The financial statements as of December 31, 2017 and June 30, 2017 have been restated to reflect the retrospective application with effect from January 1, 2016 of IFRS9 Financial instruments. See Note 1.2 of notes to the condensed consolidated financial statements.

(2) The financial statements as of December 31, 2017 have been restated to reflect the definitive purchase price allocation of Christian Dior Couture. See Note 2 of notes to the condensed consolidated financial statements.

Other operating income and expenses amounted to a net expense of 70 million euros, compared to a net expense of 95 million euros in the first half of 2017. As of June 30, 2018, other operating income and expenses included 73 million euros in amortization and impairment charges for brands and goodwill. The remainder consisted of gains and losses on divestments.

The Group's operating profit was 4,578 million euros, up 29% compared to the period ended June 30, 2017.

The net financial expense as of June 30, 2018 was 22 million euros, compared to a net financial expense (restated to reflect the application of IFRS 9) of 19 million euros as of June 30, 2017. This item comprises:

- the aggregate cost of net financial debt, which totaled 56 million euros, representing an improvement of 6 million euros compared to the first half 2017 (after restatement to reflect the application of IFRS 9);
- other financial income and expenses, which amounted to net income of 34 million euros, compared to net income of 43 million euros in the first half of 2017 (after restatement to reflect the application of IFRS 9). The expense related to the ineffective portion of foreign exchange derivatives was 68 million euros, versus an expense of 74 million euros a year earlier. Lastly, other income from financial instruments, which mainly arose from the change in the market value of available for sale financial assets, amounted to net income of 102 million euros, compared to 117 million euros as of June 30, 2017.

The Group's effective tax rate was 28%, down 6 points from the first half of 2017. This decrease primarily reflects the Group's earnings growth amid a downward trend in corporate tax rates worldwide. In particular, the lower tax rate in the United States beginning in 2018 accounted for 1.5 points of the decline. Furthermore, the cancellation of the dividend tax in France at the end of 2017 led to an additional reduction of 1.1 points. The remaining impact is related to various non-recurring items.

Profit attributable to minority interests was 288 million euros, compared to 214 million euros in the first half of 2017; this total mainly includes profit attributable to minority interests in Moët Hennessy and DFS.

The Group's share of net profit was 3,004 million euros, compared to 2,127 million euros in the first half of 2017. This represented 14% of revenue in the first half of 2018, up 3.0 points from the first half of 2017. The Group's share of net profit in the first half of 2018 was up 41% compared to the first half of 2017.

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 fiscal year of entities having a functional currency other than the euro at the prior fiscal year's exchange rates, without any other restatements.

The impact of changes in the scope of consolidation is determined:

- for the fiscal year's acquisitions, by deducting from revenue for the fiscal year the amount of revenue generated during that fiscal year by the acquired entities, as of their initial consolidation;
- for the prior fiscal year's acquisitions, by deducting from revenue for the fiscal year the amount of revenue generated over the months during which the acquired entities were not consolidated in the prior fiscal year;
- for the fiscal year's disposals, by adding to revenue for the fiscal year the amount of revenue generated by the divested entities in the prior fiscal year over the months during which those entities were no longer consolidated in the current fiscal year;
- for the prior fiscal year's disposals, by adding to revenue for the fiscal year the amount of revenue generated in the prior fiscal year by the divested entities.

Profit from recurring operations is restated in accordance with the same principles.

2. WINES AND SPIRITS

	June 30, 2018	Dec. 31, 2017	June 30, 2017
Revenue *(EUR millions)*	**2,271**	**5,084**	**2,294**
Of which: Champagne and wines	*903*	*2,406*	*942*
Cognac and spirits	*1,368*	*2,679*	*1,352*
Sales volume *(millions of bottles)*			
Champagne	24.8	65.6	25.0
Cognac	46.9	90.9	45.7
Other spirits	8.8	17.8	7.5
Still and sparkling wines	15.3	43.8	16.6
Revenue by geographic region of delivery *(%)*			
France	5	6	5
Europe (excluding France)	15	18	15
United States	33	32	35
Japan	6	6	6
Asia (excluding Japan)	27	22	25
Other markets	14	16	14
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**726**	**1,558**	**681**
Operating margin *(%)*	**32.0**	**30.6**	**29.7**
Operating investments of the period *(EUR millions)*	**108**	**292**	**108**

Highlights

The good performance achieved by the Wines and Spirits business group was driven by its high-quality portfolio of brands, the strength of each of its Maisons and their complementary positioning. The business group pursued its value-enhancing strategy, backed by a robust innovation policy and targeted investments in communication. It reaffirmed its leadership position in prestige Wines and Spirits, with particularly remarkable momentum in Asia.

While champagne volumes were down 1%, organic revenue growth was 3%. The increased value was driven by more rapid growth in prestige vintages. **Moët & Chandon** achieved a solid performance in Europe and Asia. Its growth was fueled as much by its iconic *Moët Impérial* champagne as by its premium qualities. The Maison's "sustainable winegrowing" certification was renewed, reaffirming its commitment to the environment. Continuing its strong growth trajectory, **Dom Pérignon** prepared to unveil its latest vintage, *Dom Pérignon Vintage 2008*, and once again illustrated its creative vision through an artistic collaboration with Lenny Kravitz. **Veuve Clicquot**'s performance was again driven by its iconic *Carte Jaune*, but also by its *Rosé* and its latest innovations, *Extra Brut Extra Old*, *Rich* and *Rich Rosé*. The Maison celebrated the bicentenary of the first mixed rosé champagne, an invention that exemplifies the bold vision of Madame Clicquot. **Krug** further reinforced its growth momentum with the introduction of its *Krug Grande Cuvée 166th Edition* and *Krug Rosé 21st Edition*. The "Krug and the Single Ingredient" series, conducted with chefs from Krug Ambassades around the world, was a great success. **Ruinart** continued its development, focused in particular on markets in Western Europe and the United States, and enriched its creative palette through a collaboration with Chinese artist Liu Bolin. To celebrate its 160th anniversary, **Mercier** renovated its visitors' center and offered a new multimedia experience.

The performance of **Estates & Wines** was buoyed by a firm price increase policy. **Chandon** celebrated the 45th anniversary of its arrival in California, and built on its 2017 product launches in China and Australia.

Hennessy delivered a good performance in the first half of the year, continuing the trend observed in 2017. Growth was fueled by strong demand in its two main markets – the United States and China – and by major inroads in Central Europe and Africa. Organic revenue growth for cognac was 8%, with volumes up 3%. Against the current backdrop of supply constraints, Hennessy firmly maintained its extremely high quality standards and accentuated its value-enhancing strategy by focusing on its innovations such as *Hennessy Black*, *Classivm* and *James Hennessy*, and on its most prestigious cognacs, particularly *X.O* and *Paradis Impérial*.

Glenmorangie and **Ardbeg** whiskies started off the year with strong growth. An ambitious expansion plan is underway for the distilleries of these two companies.

Belvedere won the "Vodka Producer of the Year" award for the third year in a row at the International Spirits Challenge, and obtained the highest level of certification for sustainable development, becoming one of the most environmentally friendly distilleries in the world.

The **Clos19** online boutique was launched in Florida, expanding its presence in the United States, and continued to develop its expertise in the United Kingdom and Germany.

Acquired in July 2017, **Woodinville** Whiskey Company began its commercial expansion outside Washington State and proved highly successful at the first points of sale to offer its products in California.

Volcán De Mi Tierra tequila, launched in late 2017 in the United States and Mexico, continued its rollout, targeting a highly selective distribution.

Outlook

In the face of variable weather conditions and economic cycles, the Wines and Spirits Maisons continue to draw on the excellence of their products, their innovative spirit and their highly dedicated distribution staff. Over the coming months, they will keep investing in communication in their key markets to promote their brands and enhance their appeal. **Hennessy** has reaffirmed its foresight and agility by investing in new production capacity and, further upstream, in strong relationships with its *eaux-de-vie* suppliers. Focused more than ever on the quality of the customer experience and respecting their specific identities, all of the business group's Maisons are stepping up their commitment to social and environmental responsibility, the key to maintaining sustainable, balanced growth.

3. FASHION AND LEATHER GOODS

	June 30, 2018	Dec. 31, 2017	June 30, 2017
Revenue *(EUR millions)*	8,594	15,472	6,899
Revenue by geographic region of delivery *(%)*			
France	9	9	8
Europe (excluding France)	23	24	24
United States	17	19	19
Japan	11	11	12
Asia (excluding Japan)	32	29	29
Other markets	8	8	8
Total	100	100	100
Type of revenue as a percentage of total revenue (excluding Louis Vuitton)			
Retail	64	64	62
Wholesale	35	35	36
Licenses	1	1	2
Total	100	100	100
Profit from recurring operations *(EUR millions)*	2,775	4,905	2,192
Operating margin *(%)*	32.3	31.7	31.8
Operating investments of the period *(EUR millions)*	325	563	245
Number of stores	1,772	1,769	1,561

Highlights

Growth at **Louis Vuitton** was driven once again by exceptional creativity in all its businesses and by maintaining the right balance between tradition and modernity, the development of iconic lines, and new designs. The half-year period featured a series of successful runway shows, in exceptional settings for the 2019 Autumn-Winter and 2019 Cruise collections of Nicolas Ghesquière. A new chapter began for its menswear collections with the arrival of the talented, multi-award-winning artist, architect and designer Virgil Abloh, the new Men's Artistic Director, whose debut collection was very well received and widely commented on social media. Louis Vuitton renewed its partnerships with the French Open and with FIFA for the 2018 World Cup. It unveiled its first men's fragrance collection, featuring five exceptional scents that evoke a sense of adventure and travel. In communications, actress Emma Stone made her first appearance as the new face of the "Spirit of Travel" in the heart of the California desert. With the constant aim of offering its customers unique experiences, Louis Vuitton opened pop-up stores in a number of different locations and continued enhancing the quality of its retail network.

Christian Dior Couture, which has been consolidated since the second half of 2017, maintained its dynamism in all geographic regions and all its product categories. Leather goods, ready-to-wear, footwear and jewelry all saw strong growth. Excellence and creativity were on high display at the runway shows for Maria Grazia Chiuri's collections: the Spring/Summer 2018 Haute Couture show, an ode to surrealism, was followed by a huge masked ball in the gardens of the Rodin Museum, and the Cruise collection show was held at the Domaine de Chantilly following a performance by traditional female equestrians from Mexico. Kim Jones joined the Fashion house as Artistic Director of the Men's Ready-to-Wear and Men's Accessories collections. His first runway show, for Summer 2019, was very well received.

Fendi's performance was buoyed by the brand's strong desirability, especially for ready-to-wear and footwear, and the momentum achieved by its menswear collections. Its heritage and creativity were showcased at several high-profile events in Rome, London and Shanghai. The "FF Reloaded" capsule collection inspired by its emblematic logo was enthusiastically received.

Loro Piana continued to accentuate the beauty and nobility of its raw materials, enriching its range of exceptional products with a special focus on its premium womenswear. It expanded its distribution network and strengthened its presence in Asia.

Céline maintained its excellent momentum, driven by the ongoing success of its leather goods lines. It embarked on an ambitious new phase in its development with the arrival of Hedi Slimane as Artistic, Creative and Image Director.

Givenchy benefited from the success of Clare Waight Keller's first collections, presented with an exclusive staging at several emblematic boutiques. The main highlight of the half-year period was the design of the Duchess of Sussex's wedding gown, with media coverage of the event generating extremely high visibility for Givenchy.

Under the leadership of its Creative Director Jonathan Anderson, **Loewe** achieved good growth, with particularly strong results in Japan and the rest of Asia. Its *Gate* bag was very well received.

Kenzo continued its ascent and launched its *Memento N°2* collection, which celebrates and reinterprets the brand's heritage. Strengthening its distribution capacities and expanding its digital presence remained major strategic priorities.

Marc Jacobs continued to reorganize and to develop its product lines. Its *Snapshot* leather goods line saw rapid growth.

Rimowa worked to strengthen its distribution capacities and launched a highly successful collaboration with New York-based brand Supreme to design a limited edition of suitcases.

Berluti welcomed Kris Van Assche as its new Artistic Director. More personalized product services were developed and the store network continued to expand.

Manifattura Thélios, the new production facility in Italy for eyewear designed by certain Group brands, was inaugurated in April.

Outlook

Louis Vuitton will keep building on its creative momentum and its unique traditional craftmanship. In terms of products, high-profile initiatives will be launched in all businesses, and plans are underway for a number of emblematic stores. Campaigns and events closely interwoven with Louis Vuitton's business highlights will support these developments, and it will continue to reinforce its production capacity. Growth at **Christian Dior Couture** will continue to be founded on its core values of excellence and creativity, coupled with highly attentive customer care. Several events held in its strategic markets will further solidify its exceptional reputation. For **Céline**, Hedi Slimane's highly anticipated first runway show in September will be a major highlight of the second half of the year. **Fendi** will open its first store in Spain, in Barcelona. To continue making progress, all of the brands will maintain their focus on creativity in their collections, the utmost quality of their products, retail excellence, the customer experience, raising their digital profiles, and expanding online sales.

4. PERFUMES AND COSMETICS

	June 30, 2018	Dec. 31, 2017	June 30, 2017
Revenue *(EUR millions)*	**2,877**	**5,560**	**2,670**
Revenue by product category *(%)*			
Perfumes	32	36	34
Makeup	49	47	48
Skincare products	19	17	18
Total	**100**	**100**	**100**
Revenue by geographic region of delivery *(%)*			
France	11	11	11
Europe (excluding France)	21	24	22
United States	14	17	16
Japan	5	5	5
Asia (excluding Japan)	37	30	33
Other markets	12	13	13
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**364**	**600**	**292**
Operating margin *(%)*	**12.7**	**10.8**	**10.9**
Operating investments of the period *(EUR millions)*	**135**	**286**	**112**
Number of stores	**316**	**302**	**266**

Highlights

All product categories and all regions worldwide – especially Asia, which advanced at a particularly fast pace – contributed to the strong growth achieved by the Perfumes and Cosmetics business group. The different Maisons leveraged their creativity to innovate and enrich their iconic product lines, and made significant investments in their communication campaigns, particularly online.

Parfums Christian Dior continued to show excellent momentum, increasing and consolidating its market shares in all regions, with outstanding growth in Asia. One of the drivers of this performance was the exceptional interest generated by *Sauvage* and the launch of its Eau de Parfum version, as well as the strong appeal of its women's fragrances: *J'adore* reaffirmed its vitality following a record-setting year, and *Miss Dior* made further headway, driven by its new communication campaign and its innovative "roller-pearl" bottles, a fresh new way to apply perfume. Parfums Christian Dior continued to develop its aura as a prestigious perfume house by cultivating its unique roots in Grasse, the cradle of perfumery. Makeup saw strong momentum in lipsticks, with rapid international growth for *Rouge Dior* and the performance of the *Forever* foundations. The new *Dior Backstage* line, inspired by products used by runway makeup artists, had a promising start. Growth in skincare was driven by strategic, premium and anti-age products: the *Prestige* line was boosted by the *Micro-Huile de Rose* and *Cushion Teint de Rose* products, and the *Capture Youth* line launched in January did well among younger age groups.

Guerlain achieved very strong performance in the perfume segment, with the expansion of *Mon Guerlain* through the launch of its *Eau de Parfum Florale* version, along with the international rollout of Guerlain Parfumeur boutiques. The new Tsum boutique in Moscow and the pop-up store at Le Bon Marché reflected the success of this new concept of perfume-centered boutiques, combining heritage and bold creativity. In makeup, the iconic *Rouge G* lipstick delivered a remarkable performance, boosted by an unrivaled potential for customization, offering 450 possible case and color combinations. The *Abeille Royale* skincare line posted strong growth. In Paris, Guerlain held its second annual “Bee University” symposium dedicated to the protection of bees and biodiversity.

Parfums Givenchy’s makeup, lipstick and *Prisme Libre* lines were immensely popular. The success of *Gentleman Givenchy* and the relaunch of *Irrésistible Givenchy* boosted the perfumes business. **Kenzo Parfums** continued on its growth track thanks to its latest opus, *Kenzo World* Eau de Toilette. *Flower by Kenzo* rolled out a new marketing campaign.

Benefit expanded its offering with the successful launch of its third mascara, *BADgal BANG!*, bolstering its leading position in this segment. The highly anticipated relaunch of its *Gimme Brow* eyebrow gel, featuring a wider palette of shades, was very well received. **Make Up For Ever** continued its international development, particularly thanks to the expansion of its online sales. **Fresh** achieved strong growth, particularly in Asia, with the success of its *Rose* and *Black Tea* skincare lines, enriched by its *Black Tea Kombucha* essence, a new iconic product in keeping with the pioneering spirit of Fresh in the use of natural ingredients. The proportion of revenue attributable to online sales increased strongly over the period. **Acqua di Parma** saw strong growth in its *Colonia* lines, thanks to *Colonia Pura* in particular, while the *Chinotto di Liguria* fragrance rounded out the *Blu Mediterraneo* range. A year after its launch, **Fenty Beauty by Rihanna** confirmed its remarkable global success and has already established itself as a major cosmetics brand. **Marc Jacobs Beauty**’s momentum was driven by the successful launch of its new *Shameless* liquid foundation. **Maison Francis Kurkdjian** opened its first boutique in the United States, in Miami, and a new space at Galeries Lafayette in Paris. **Parfums Loewe** made its debut in China, where its *001* range was very popular with younger Chinese customers.

Outlook

Excellence and creativity will drive the activities of the different brands in the months to come. **Parfums Christian Dior** will continue to reaffirm its status as a leading perfume house. In addition to supporting its iconic fragrances, the brand will launch a new women’s fragrance, with actress and Dior brand ambassador Jennifer Lawrence as its face. Innovations in makeup will highlight the brand’s expertise, its mastery of the art of color and its firm roots in fashion, exemplified by the new *Dior Backstage* foundation, which will continue its rollout. Dior skincare will benefit from its development in Asian markets, which have a vast potential for this product category. **Guerlain** will continue rolling out its Guerlain Parfumeur stores, including a new boutique in Paris. The second half of the year will also see the launch, in skincare, of the *Double R Abeille Royale* serum. **Parfums Givenchy** will launch a new perfume, with the American actress Rooney Mara as its muse. **Benefit** will add to its range of brow products and launch a new foundation that stays true to the brand’s identity. **Kenzo Parfums** will present a new Eau de Toilette, *Flower by Kenzo Red Edition*, and *Kenzo World* will make its debut in China.

5. WATCHES AND JEWELRY

	June 30, 2018	Dec. 31, 2017	June 30, 2017
Revenue *(EUR millions)*	1,978	3,805	1,838
Revenue by geographic region of delivery *(%)*			
France	5	6	5
Europe (excluding France)	22	25	25
United States	9	9	9
Japan	12	13	13
Asia (excluding Japan)	37	31	32
Other markets	15	16	16
Total	100	100	100
Profit from recurring operations *(EUR millions)*	342	512	234
Operating margin *(%)*	17.3	13.5	12.7
Operating investments of the period *(EUR millions)*	145	269	130
Number of stores	413	405	391

Highlights

Growth for the Watches and Jewelry business group was fueled by the excellent performance of its main brands, buoyed by the strength of their iconic lines and the creativity embodied in their new products. Jewelry and directly operated stores did particularly well. The Watches and Jewelry brands raised their profile by opening new stores and remodeling existing stores in prestigious locations, as well as through ongoing selective investments in communications.

Bvlgari had an excellent first half and increased its market share. This growth momentum, especially apparent in jewelry and in the Chinese and US markets, was driven by the success of the iconic *Serpenti*, *B.Zero1*, *Diva*, *Lvcea* and *Octo* product lines, and supported by highly creative digital communication as well as the launch of new product lines, such as the *B.Zero1 Multigold* and *Lvcea Tubogas* collections. The *Wild Pop* fine jewelry collection showcases Bvlgari's contemporary design, bold vision and unique expertise. At Baselworld, the brand presented the *Serpenti Twist Your Time*, which offers a range of color combinations, and *Octo Finissimo Tourbillon*, a technical masterpiece that set a new world record for its ultra-thin design. Its store renovation program continued, by opening new stores in Boston, Vancouver, Melbourne and Saint Petersburg. In Rome, the "New Curiosity Shop" concept featuring exclusive collections and an interactive experience provides a magnificent showcase for Bvlgari's creativity.

TAG Heuer's dynamism was reflected in new additions to its flagship *Carrera*, *Aquaracer* and *Formula 1* collections. The *Carrera Calibre Heuer 02 Tourbillon* and *Monaco Bamford* models were particularly well received at Baselworld. A smaller version of the smartwatch proved a successful addition to the range. TAG Heuer opened a flagship store on Fifth Avenue in New York. Faithful to its avant-garde spirit, the company also unveiled a modular and connected store, in Tokyo's Ginza district, offering a unique customer experience. TAG Heuer continued to draw on its network of brand ambassadors and its many sports and cultural contracts, helping to increase its visibility with target customers, and its very active social media presence.

Hublot continued its robust growth, particularly in China and the United States, driven by its flagship *Classic Fusion* and *Big Bang* lines, and by the development of *Spirit of Big Bang*, which is now the brand's third core collection. The watchmaker illustrated its creativity and innovative spirit with new models including *Big Bang Red Magic*, *Meca 10 Ceramic Blue* and *Classic Fusion Aerofusion Orlinski*, designed in collaboration with renowned French sculptor Richard Orlinski. A wide range of publicity and events helped raise the brand's profile. Special emphasis was placed on the soccer World Cup, including the launch of Hublot's first smartwatch, the *Big Bang Referee 2018*. Hublot continued to improve its distribution and expand its network of directly operated stores.

While continuing to develop its iconic *Chronomaster*, *Elite* and *Pilot* collections, **Zenith** completed the launch of its *Defy* line. The brand's revolutionary *El Primero 21* model, which measures time down to the hundredth of a second, proved highly successful. Zenith continued to consolidate its organization while leveraging synergies offered by the Group's other watchmaking brands.

Growth at **Chaumet** was primarily fueled by the successful *Liens* and *Joséphine* lines, and by its ongoing shift further upmarket, particularly in China and the rest of Asia. New designs enriched its collections, including the *Liens Evidence* and *Liens Séduction* bracelets, as well as the new *Jeux de Liens* models. In fine jewelry, the brand launched its *Les Mondes de Chaumet* collection, with the first chapter, *Promenades Impériales*, drawing inspiration from Russia.

Fred actively developed its *Force 10* line and its new *8°0* collection. A new store was opened in Saint-Tropez in April.

Outlook

The Watches and Jewelry business group has maintained its targets for market share gains in 2018. It is therefore paying close attention to market developments and remains highly rigorous in the allocation of resources. The watches and jewelry brands will benefit from targeted investments, particularly focused on online campaigns, while continuing their programs dedicated to enhancing the quality and productivity of their distribution model. **Bvlgari** will open a new store in Hong Kong. **Chaumet** will inaugurate an exhibition on its culture and history at Tokyo's Mitsubishi Ichigokan Museum in late June, while a new concept store has just been opened in the city's Ginza district. An active 360-degree communications strategy is being rolled out across the country. **Hublot** will open a flagship store on Bond Street in London.

6. SELECTIVE RETAILING

	June 30, 2018	Dec. 31, 2017	June 30, 2017
Revenue *(EUR millions)*	6,325	13,311	6,280
Revenue by geographic region of delivery *(%)*			
France	11	12	11
Europe (excluding France)	9	8	8
United States	37	39	39
Japan	2	1	1
Asia (excluding Japan)	29	28	29
Other markets	12	12	12
Total	100	100	100
Profit from recurring operations *(EUR millions)*	612	1,075	441
Operating margin *(%)*	9.7	8.1	7.0
Operating investments of the period *(EUR millions)*	205	570	261
Number of stores			
Sephora	1,840	1,825	1,769
Other trade names	57	55	54

Highlights

Selective Retailing delivered organic revenue growth of 9%, reflecting the momentum at all of its brands. Excluding the impact of the termination of DFS's Hong Kong International Airport concessions, which helped improve profitability, this growth came to 15%.

Sephora once again saw strong growth and gained market share in all its key countries and regions. Very good results were also achieved in Germany, where it made its debut in 2017. Sephora significantly increased the proportion of its online sales, while continuing to expand and renovate its network of stores for an ever more innovative customer experience. Highlights included the reopening of its store at the Saint-Lazare train station in Paris and the inauguration of a second Sephora Studio in Hoboken, New Jersey. Whether new or renovated, all of these stores are equipped with the full Sephora digital ecosystem, including notably the *Beauty Hub*, the *Beauty Board*, the *Virtual Artist* augmented reality mirror, as well as mobile checkout. Sephora's expanding digital presence is being more and more seamlessly integrated into the shopping experience to offer customers ever more personalized recommendations. Online and in its stores, Sephora continued to enhance its services and add disruptive, innovative products to its line-up. *Sephora Collection*, its own brand, has gained a strong following among younger customers, who closely track the latest social media-driven trends. The products launched in the first half of the year – *Lipstories*, the *Sephora Collection* Bath range and new *Cream Lip Stain* shades – met with great success.

Le Bon Marché's growth was driven by its excellent selection of products, the quality of service offered to its customers and the success of its loyalty program. The store's makeover plan continued with the renovation of the children's department. Two highlights of the first half of the year were Under the Sky, an exhibition by the Argentine artist Leandro Erlich, followed by the Mosaert exhibition, featuring a collection developed by singer Stromae. La Grande Épicerie de Paris now enjoys a dual presence on the city's Right and Left Banks. The 24 Sèvres digital platform, which was launched in June 2017, continued its targeted development, aiming to offer a unique online shopping experience. In the first half of the year, its product offering was expanded beyond its selection of fashion and accessories with the addition of jewelry.

DFS continued to benefit from the upturn in its markets. Two key shopping periods in Asia – the New Year and Japan's "Golden Week" – saw particularly strong results. With steadily rising tourist numbers and offerings in keeping with the spirit of each destination, the recently opened stores in Venice and at Siem Reap in Cambodia achieved excellent results. Highlights of the first half of the year included the reopening of the *T Galleria* in Sydney's business district and the inauguration of two new stores devoted to beauty products in Macao. DFS expanded its digital initiatives to better serve travelers and streamline their shopping experience. Sales made to *Loyal T* rewards program members reached record levels.

Starboard Cruise Services strengthened its position as the premier retailer of luxury brands in the cruise industry by expanding its presence in Asia. The company further enhanced the attractiveness of its stores while improving the quality of its product offerings and the experiences created for its customers.

Outlook

Sephora will continue its geographic expansion and omni-channel development to consolidate its leadership position. The second half of the year will feature the openings of new Sephora Studios in the United States and a number of renovations throughout the world. Sephora will rely more than ever on innovation, its highly motivated staff and its in-depth understanding of its customers' needs to offer each and every one of them an exceptional in-person or digital shopping experience, wherever they are. **Le Bon Marché** will continue to cultivate its unique identity, which has won over a highly discerning clientele. Fall highlights will include the opening of the renovated children's department and an exhibition on Los Angeles. **DFS** will continue to focus on its key priorities: enhancing the appeal of its stores and moving them upmarket, developing its digital platform and planning events. Major renovations are underway at the flagship store on Canton Road in Hong Kong and at San Francisco International Airport, where its concession was recently renewed.

7. COMMENTS ON THE CONSOLIDATED BALANCE SHEET

7.1. Restatements to the balance sheet as of December 31, 2017

The balance sheet as of December 31, 2017 has been restated to reflect:

- the retrospective application of IFRS 9 Financial Instruments as of January 1, 2016;
- the finalization of the purchase price allocation for Christian Dior, acquired in 2017.

See Notes 1.2 and 2 to the condensed half-year consolidated financial statements;

7.2. Balance sheet as of June 30, 2018

(EUR billions)	June 30, 2018	Dec. 31, 2017	Change[1][2]
Tangible and intangible fixed assets	45.2	44.7	0.5
Other non-current assets	4.3	4.0	0.3
Non-current assets	**49.5**	**48.7**	**0.8**
Inventories	11.9	10.9	1.0
Other current assets	10.3	10.2	0.1
Current assets	**22.2**	**21.1**	**1.1**
Assets	**71.7**	**69.8**	**1.9**

(EUR billions)	June 30, 2018	Dec. 31, 2017	Change[1][2]
Total equity	31.5	30.4	1.1
Long term borrowings	6.7	7.0	(0.3)
Other non-current liabilities	17.8	17.4	0.4
Equity and non-current liabilities	**56.0**	**54.8**	**1.2**
Short term borrowings	5.7	4.5	1.2
Other current liabilities	10.0	10.5	(0.5)
Current liabilities	**15.7**	**15.0**	**0.7**
Liabilities and equity	**71.7**	**69.8**	**1.9**

LVMH's consolidated balance sheet totaled 71.7 billion euros as of end-June 2018, 1.9 billion euros higher than at year-end 2017. Non-current assets rose by 0.8 billion euros and represented 69% of total assets, as was the case at year-end 2017.

Tangible and intangible fixed assets grew by 0.5 billion euros, of which 0.2 billion euros was due to the impact on goodwill of the revaluation of purchase commitments for minority interests. Investments for the half-year period, net of depreciation and amortization charges as well as disposals, represented an additional increase of 0.1 billion euros. The comments on the cash flow statement provide further information on investments. Exchange rate fluctuations had a positive 0.2 billion euro impact, mainly due to the appreciation of the US dollar against the euro between December 31, 2017 and June 30, 2018.

Other non-current assets increased by 0.3 billion euros, amounting to 4.3 billion euros, primarily as a result of the change in the market value of derivatives and available for sale financial assets.

Inventories increased by 1.0 billion euros, a change related to inventory build-up over the period (see comments on the consolidated cash flow statement).

Within other current assets, cash and cash equivalents increased by 0.7 billion euros. Conversely, the market value of derivatives decreased by 0.4 billion euros. Operating receivables were also lower, declining by 0.2 billion euros, a change related to the seasonal nature of the Group's business activities. The change in other current assets was thus limited, increasing by 0.1 billion euros.

Other non-current liabilities totaled 17.8 billion euros, up 0.4 billion euros from 17.4 billion euros as of December 31, 2017. This change was due, for 0.3 billion euros, to the increase in the liability in respect of purchase commitments for minority interests and, for the remainder, to the increase in the market value of derivatives.

Lastly, other current liabilities decreased by 0.5 billion euros, amounting to 10.0 billion euros. This decline was mainly due to the decrease in tax and social security liabilities, a change reflecting the seasonal nature of the Group's business activities.

(1) The financial statements as of December 31, 2017 and June 30, 2017 have been restated to reflect the retrospective application with effect from January 1, 2016 of IFRS9 Financial instruments. See Note 1.2 of notes to the condensed consolidated financial statements.

(2) The financial statements as of December 31, 2017 have been restated to reflect the definitive purchase price allocation of Christian Dior Couture. See Note 2 of notes to the condensed consolidated financial statements.

Net financial debt and equity

(EUR billions or as %)	June 30, 2018	Dec. 31, 2017	Change [(1)(2)]
Long-term borrowings	6.7	7.0	(0.3)
Short-term borrowings and derivatives	5.7	4.5	1.2
Gross borrowings after derivatives	**12.4**	**11.5**	**0.9**
Cash and cash equivalents and other	(5.0)	(4.3)	(0.7)
Net financial debt	**7.4**	**7.2**	**0.2**
Equity	**31.5**	**30.4**	**1.1**
Net financial debt/Total equity ratio	**23.4%**	**23.5%**	**-0.1 pt**

The ratio of net financial debt to equity, remained stable at 23.4%, compared to 23.5% as of December 31, 2017.

Total equity amounted to 31.5 billion euros as of June 30, 2018, up 1.1 billion euros from year-end 2017. Net profit for the six-month period, after the distribution of dividends, contributed 1.3 billion euros to this increase. In addition to this, exchange rate fluctuations had a positive impact of 0.1 billion euros on the reserves of entities reporting in foreign currencies; this mainly concerned the reserves of entities reporting in US dollars. Conversely, the change in revaluation reserves had a negative impact of 0.3 billion euros, resulting mainly from the transfer to the income statement of unrealized gains on hedges of future cash flows. As of June 30, 2018, total equity was equal to 44% of total assets, as was the case at year-end 2017.

Gross borrowings after derivatives totaled 12.4 billion euros as of end-June 2018, an increase of 0.9 billion euros over year-end 2017. Bond debt declined by 0.5 billion euros, following the redemption of the 500 million euro bond issued in 2011, which matured in the first half. Conversely, commercial paper outstanding increased by 1.4 billion euros. Cash, cash equivalents, and current and non-current available for sale financial assets used to hedge financial debt totaled 5.0 billion euros as of end-June 2018, up 0.7 billion euros from 4.3 billion euros at year-end 2017. The net financial debt thus increased by 0.2 billion euros.

As of end-June 2018, the Group's undrawn confirmed credit lines amounted to 3.9 billion euros, thus exceeding the outstanding portion of its commercial paper program, which came to 3.3 billion euros as of June 30, 2018.

8. COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENT

8.1. Restatements to the consolidated cash flow statement as of June 30, 2017

The consolidated cash flow statement as of June 30, 2017 has been restated to reflect the retrospective application of IFRS 9 Financial Instruments as of January 1, 2016: see Note 1.2 to the condensed half-year consolidated financial statements.

8.2. Cash flow statement as of June 30, 2018

(EUR millions)	June 30, 2018	June 30, 2017 [(1)]	Change
Cash from operations before changes in working capital	**5,464**	**4,501**	**963**
Cost of net financial debt: interest paid	(73)	(51)	(22)
Income taxes paid	(907)	(1,068)	161
Net cash from operating activities before changes in working capital	**4,484**	**3,382**	**1,102**
Change in working capital	(1,323)	(1,130)	(193)
Operating investments	(1,204)	(988)	(216)
Free cash flow	**1,957**	**1,264**	**693**
Financial investments	**(35)**	**(441)**	**406**
Transactions relating to equity	**(2,134)**	**(1,686)**	**(448)**
Change in cash before financing activities	**(212)**	**(863)**	**651**

(1) The financial statements as of December 31, 2017 and June 30, 2017 have been restated to reflect the retrospective application with effect from January 1, 2016 of IFRS9 Financial instruments. See Note 1.2 of notes to the condensed consolidated financial statements.

(2) The financial statements as of December 31, 2017 have been restated to reflect the definitive purchase price allocation of Christian Dior Couture. See Note 2 of notes to the condensed consolidated financial statements.

Cash from operations before changes in working capital totaled 5,464 million euros, up 21% from 4,501 million euros a year earlier. Net cash from operating activities before changes in working capital (i.e. after interest and income taxes paid) amounted to 4,484 million euros, up 33% from the first half of 2017.

Interest paid totaled 73 million euros in the first half of 2018, up from 51 million euros in the first half of 2017, mainly due to the change in the amounts paid in respect of forward points relating to foreign exchange swaps having matured during the period.

Income taxes paid came to 907 million euros, 15% less than the 1,068 million euros paid a year earlier, primarily due to the lower tax rate in the United States beginning in 2018.

The 1,323 million euro increase in the working capital requirement was close to the 1,130 million euro increase observed a year earlier. The cash requirement relating to the increase in inventories amounted to 1,038 million euros, versus 938 million euros a year earlier. The increase in inventories affected all business groups. The decreases in trade accounts payable and tax and social security liabilities generated an additional cash requirement of 567 million euros in the first half, very near the 559 million euros observed ine the first half of 2017 and financed in the amount of 282 million euros by the decline in trade accounts receivable, which was lower than the decline of 366 million euros a year earlier. These amounts reflect the seasonal nature of the Group's business activities.

Operating investments net of disposals resulted in an outflow of 1,204 million euros as of June 30, 2018, compared with 988 million euros a year earlier. These mainly included investments by the Group's brands, notably Sephora, Louis Vuitton, Parfums Christian Dior, Christian Dior Couture and Bvlgari, in their retail networks. They also included investments by the champagne houses and Hennessy in their production equipment, investments related to the La Samaritaine and Jardin d'Acclimatation projects, as well as real estate investments.

As of June 30, 2018, non-current available for sale financial assets accounted for an outflow of 35 million euros, versus an outflow of 441 million euros as of June 30, 2017, mainly related to the acquisition of 80% of Rimowa.

Transactions relating to equity generated an outflow of 2,134 million euros. A portion of this amount, 1,752 million euros, relates to dividends paid during the fiscal year by LVMH SE, excluding the amount attributable to treasury shares, of which 1,709 million euros was for the final dividend payment in respect of fiscal year 2017 and 43 million euros was for the tax on dividends paid. Added to this were the dividends paid out to minority shareholders of consolidated subsidiaries, in the amount of 287 million euros, acquisitions of minority interests for 72 million euros, and an 88 million euro outflow relating to acquisitions and disposals of LVMH treasury shares. Conversely, share subscription options exercised during the first half and capital increases subscribed by minority shareholders of Group subsidiaries generated an inflow of 65 million euros.

The financing requirement after all transactions relating to operating activities, investments and equity thus totaled 212 million euros, financed in the amount of 618 million euros by means of net cash from financing activities, generating a cash surplus of 406 million euros. As the change in the cumulative translation adjustment relating to cash flows was a positive impact of 29 million euros, the cash balance at the end of the period amounted to 4,053 million euros, representing an increase of 435 million euros from its level at year-end 2017.

CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(EUR millions, except for earnings per share)	Notes	June 30, 2018	Dec. 31, 2017 [1] [2]	June 30, 2017 [1]
Revenue	23	**21,750**	**42,636**	**19,714**
Cost of sales		(7,130)	(14,783)	(6,881)
Gross margin		**14,620**	**27,853**	**12,833**
Marketing and selling expenses		(8,305)	(16,395)	(7,704)
General and administrative expenses		(1,679)	(3,162)	(1,488)
Income (loss) from joint ventures and associates	7	12	(3)	(1)
Profit from recurring operations	23-24	**4,648**	**8,293**	**3,640**
Other operating income and expenses	25	(70)	(180)	(95)
Operating profit		**4,578**	**8,113**	**3,545**
Cost of net financial debt		(56)	(137)	(62)
Other financial income and expenses		34	78	43
Net financial income (expense)	26	**(22)**	**(59)**	**(19)**
Income taxes	27	(1,264)	(2,214)	(1,185)
Net profit before minority interests		**3,292**	**5,840**	**2,341**
Minority interests	17	(288)	(475)	(214)
Net profit, Group share		**3,004**	**5,365**	**2,127**
Basic Group share of net earnings per share *(EUR)*	28	**5.97**	**10.68**	**4.24**
Number of shares on which the calculation is based		502,816,581	502,412,694	502,241,900
Diluted Group share of net earnings per share *(EUR)*	28	**5.96**	**10.64**	**4.22**
Number of shares on which the calculation is based		504,102,671	504,010,291	504,049,366

(1) The financial statements as of December 31, 2017 and June 30, 2017 have been restated to reflect the retrospective application with effect from January 1, 2016 of IFRS9 Financial instruments. See Note 1.2.

(2) The financial statements as of December 31, 2017 have been restated to reflect the definitive purchase price allocation of Christian Dior Couture. See Note 2.

CONSOLIDATED STATEMENT OF COMPREHENSIVE GAINS AND LOSSES

(EUR millions)	Notes	June 30, 2018	Dec. 31, 2017[1][2]	June 30, 2017[1]
Net profit before minority interests		**3,292**	**5,840**	**2,341**
Translation adjustments		133	(958)	(500)
Amounts transferred to income statement		-	18	-
Tax impact		7	(49)	(25)
	15.4	**140**	**(989)**	**(525)**
Change in value of hedges of future foreign currency cash flows		(7)	372	158
Amounts transferred to income statement		(266)	(104)	(2)
Tax impact		79	(77)	(46)
		(194)	**191**	**110**
Change in value of the ineffective portion of hedging instruments		(159)	(91)	50
Amounts transferred to income statement		56	210	75
Tax impact		25	(35)	(36)
		(78)	**84**	**89**
Gains and losses recognized in equity, transferable to income statement		**(132)**	**(714)**	**(326)**
Change in value of vineyard land	6	-	(35)	5
Amounts transferred to consolidated reserves		-	-	-
Tax impact		-	82	(2)
		-	**47**	**3**
Employee benefit commitments: change in value resulting from actuarial gains and losses		-	57	38
Tax impact		-	(24)	(11)
		-	**33**	**27**
Gains and losses recognized in equity, not transferable to income statement		**-**	**80**	**30**
Comprehensive income		**3,160**	**5,206**	**2,045**
Minority interests		(303)	(341)	(126)
Comprehensive income, Group share		**2,857**	**4,865**	**1,919**

(1) The financial statements as of December 31, 2017 and June 30, 2017 have been restated to reflect the retrospective application with effect from January 1, 2016 of IFRS9 Financial instruments. See Note 1.2.

(2) The financial statements as of December 31, 2017 have been restated to reflect the definitive purchase price allocation of Christian Dior Couture. See Note 2.

CONSOLIDATED BALANCE SHEET

ASSETS *(EUR millions)*	Notes	**June 30, 2018**	**Dec. 31, 2017** [1][2]	**June 30, 2017** [1]
Brands and other intangible assets	3	17,026	16,957	13,119
Goodwill	4	14,026	13,837	11,899
Property, plant and equipment	6	14,162	13,862	12,140
Investments in joint ventures and associates	7	640	639	671
Non-current available for sale financial assets	8	883	789	740
Other non-current assets	9	1,062	869	854
Deferred tax		1,775	1,741	1,916
Non-current assets		**49,574**	**48,694**	**41,339**
Inventories and work in progress	10	11,883	10,888	10,865
Trade accounts receivable	11	2,738	2,736	2,271
Income taxes		463	780	301
Other current assets	12	2,860	2,919	2,604
Cash and cash equivalents	14	4,222	3,738	8,449
Current assets		**22,166**	**21,061**	**24,490**
Total assets		**71,740**	**69,755**	**65,829**

(1) The financial statements as of December 31, 2017 and June 30, 2017 have been restated to reflect the retrospective application with effect from January 1, 2016 of IFRS9 Financial instruments. See Note 1.2.

(2) The financial statements as of December 31, 2017 have been restated to reflect the definitive purchase price allocation of Christian Dior Couture. See Note 2.

LIABILITIES AND EQUITY *(EUR millions)*	Notes	June 30, 2018	Dec. 31, 2017 [1] [2]	June 30, 2017 [1]
Share capital	15.1	152	152	152
Share premium account	15.1	2,332	2,614	2,643
Treasury shares and LVMH share-settled derivatives	15.2	(279)	(530)	(528)
Cumulative translation adjustment	15.4	451	354	751
Revaluation reserves		867	1,111	1,006
Other reserves		23,463	19,903	20,688
Net profit, Group share		3,004	5,365	2,127
Equity, Group share		29,990	28,969	26,839
Minority interests	17	1,492	1,408	1,443
Equity		**31,482**	**30,377**	**28,282**
Long-term borrowings	18	6,692	7,046	8,212
Non-current provisions	19	2,562	2,484	2,304
Deferred tax		4,958	4,989	4,099
Other non-current liabilities	20	10,280	9,870	9,565
Non-current liabilities		**24,492**	**24,389**	**24,180**
Short-term borrowings	18	5,659	4,530	4,869
Trade accounts payable	21.1	4,608	4,539	3,851
Income taxes		651	763	465
Current provisions	19	347	404	346
Other current liabilities	21.2	4,501	4,753	3,836
Current liabilities		**15,766**	**14,989**	**13,367**
Total liabilities and equity		**71,740**	**69,755**	**65,829**

(1) The financial statements as of December 31, 2017 and June 30, 2017 have been restated to reflect the retrospective application with effect from January 1, 2016 of IFRS9 Financial instruments. See Note 1.2.

(2) The financial statements as of December 31, 2017 have been restated to reflect the definitive purchase price allocation of Christian Dior Couture. See Note 2.

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
Notes		15.1		15.2	15.4
As of December 31, 2016	**507,126,088**	**152**	**2,601**	**(520)**	**1,165**
Impact of changes in accounting standards [1]					
As of January 1, 2017, after restatement	**507,126,088**	**152**	**2,601**	**(520)**	**1,165**
Gains and losses recognized in equity					(811)
Net profit					
Comprehensive income		**-**	**-**	**-**	**(811)**
Stock option plan and similar expenses					
(Acquisition)/disposal of treasury shares and LVMH share-settled derivatives			-	(50)	
Exercise of LVMH share subscription options	708,485		53	-	
Retirement of LVMH shares	(791,977)		(40)	40	
Capital increase in subsidiaries					
Interim and final dividends paid					
Changes in control of consolidated entities					
Acquisition and disposal of minority interests' shares					
Purchase commitments for minority interests' shares					
As of December 31, 2017 [1] [2]	**507,042,596**	**152**	**2,614**	**(530)**	**354**
Gains and losses recognized in equity					97
Net profit					
Comprehensive income		**-**	**-**	**-**	**97**
Stock option plan and similar expenses					
(Acquisition)/disposal of treasury shares and LVMH share-settled derivatives				(80)	
Exercise of LVMH share subscription options	760,695		49		
Retirement of LVMH shares	(2,015,257)		(331)	331	
Capital increase in subsidiaries					
Interim and final dividends paid					
Changes in control of consolidated entities					
Acquisition and disposal of minority interests' shares					
Purchase commitments for minority interests' shares					
As of June 30, 2018	**505,788,034**	**152**	**2,332**	**(279)**	**451**
As of December 31, 2016	**507,126,088**	**152**	**2,601**	**(520)**	**1,165**
Impact of changes in accounting standards [1]					
As of January 1, 2017, after restatement	**507,126,088**	**152**	**2,601**	**(520)**	**1,165**
Gains and losses recognized in equity					(414)
Net profit					
Comprehensive income		**-**	**-**	**-**	**(414)**
Stock option plan and similar expenses					
(Acquisition)/disposal of treasury shares and LVMH share-settled derivatives				(15)	
Exercise of LVMH share subscription options	646,188		49		
Retirement of LVMH shares	(145,789)		(7)	7	
Capital increase in subsidiaries					
Interim and final dividends paid					
Changes in control of consolidated entities					
Acquisition and disposal of minority interests' shares					
Purchase commitments for minority interests' shares					
As of June 30, 2017	**507,626,487**	**152**	**2,643**	**(528)**	**751**

(1) The financial statements as of December 31, 2017 and June 30, 2017 have been restated to reflect the retrospective application with effect from January 1, 2016 of IFRS9 Financial instruments. See Note 1.2.

(2) The financial statements as of December 31, 2017 have been restated to reflect the definitive purchase price allocation of Christian Dior Couture. See Note 2.

			Revaluation reserves	Net profit and other reserves			Total equity
Available for sale financial assets	Hedges of future foreign currency cash flows	Vineyard land	Employee benefit commitments		Group share	Minority interests	Total
						17	
125	**9**	**1,078**	**(163)**	**21,946**	**26,393**	**1,510**	**27,903**
(125)	(124)	-	-	244	(5)	-	(5)
-	**(115)**	**1,078**	**(163)**	**22,190**	**26,388**	**1,510**	**27,898**
-	245	36	30	-	(500)	(134)	(634)
				5,365	5,365	475	5,840
-	**245**	**36**	**30**	**5,365**	**4,865**	**341**	**5,206**
				55	55	7	62
				(11)	(61)	-	(61)
				-	53	-	53
				-	-	-	-
				-	-	44	44
				(2,110)	(2,110)	(261)	(2,371)
				(6)	(6)	114	108
				(86)	(86)	(56)	(142)
				(129)	(129)	(291)	(420)
-	**130**	**1,114**	**(133)**	**25,268**	**28,969**	**1,408**	**30,377**
-	(244)	-	-	-	(147)	15	(132)
				3,004	3,004	288	3,292
-	**(244)**	**-**	**-**	**3,004**	**2,857**	**303**	**3,160**
				38	38	2	40
				(6)	(86)	-	(86)
				-	49	-	49
				-	-	-	-
				-	-	25	25
				(1,709)	(1,709)	(287)	(1,996)
				-	-	(2)	(2)
				(69)	(69)	(14)	(83)
				(59)	(59)	57	(2)
-	**(114)**	**1,114**	**(133)**	**26,467**	**29,990**	**1,492**	**31,482**
125	**9**	**1,078**	**(163)**	**21,946**	**26,393**	**1,510**	**27,903**
(125)	(124)	-	-	244	(5)	-	(5)
-	**(115)**	**1,078**	**(163)**	**22,190**	**26,388**	**1,510**	**27,898**
-	177	2	27	-	(208)	(88)	(296)
				2,127	2,127	214	2,341
-	**177**	**2**	**27**	**2,127**	**1,919**	**126**	**2,045**
				24	24	1	25
				3	(12)	-	(12)
				-	49	-	49
				-	-	-	-
				-	-	33	33
				(1,305)	(1,305)	(199)	(1,504)
				(7)	(7)	36	29
				(82)	(82)	(55)	(137)
				(135)	(135)	(9)	(144)
-	**62**	**1,080**	**(136)**	**22,815**	**26,839**	**1,443**	**28,282**

CONSOLIDATED CASH FLOW STATEMENT

(EUR millions)	Notes	June 30, 2018	Dec. 31, 2017 [1][2]	June 30, 2017 [1]
I. OPERATING ACTIVITIES AND OPERATING INVESTMENTS				
Operating profit		4,578	8,113	3,545
Income/(loss) and dividends from joint ventures and associates	7	(2)	25	6
Net increase in depreciation, amortization and provisions		1,066	2,376	1,010
Other computed expenses		(141)	(43)	(32)
Other adjustments		(37)	(66)	(28)
Cash from operations before changes in working capital		**5,464**	**10,405**	**4,501**
Cost of net financial debt: interest paid		(73)	(129)	(51)
Tax paid		(907)	(2,790)	(1,068)
Net cash from operating activities before changes in working capital		**4,484**	**7,486**	**3,382**
Change in working capital	14.3	(1,323)	(514)	(1,130)
Net cash from operating activities		**3,161**	**6,972**	**2,252**
Operating investments	14.4	(1,204)	(2,276)	(988)
Net cash from operating activities and operating investments (free cash flow)		**1,957**	**4,696**	**1,264**
II. FINANCIAL INVESTMENTS				
Purchase of non-current available for sale financial assets [a]	8	(72)	(125)	(53)
Proceeds from sale of non-current available for sale financial assets	8	25	87	18
Dividends received		18	13	4
Tax paid related to non-current available for sale financial assets and consolidated investments		(1)	-	(1)
Impact of purchase and sale of consolidated investments	2	(5)	(6,306)	(409)
Net cash from (used in) financial investments		**(35)**	**(6,331)**	**(441)**
III. TRANSACTIONS RELATING TO EQUITY				
Capital increases of LVMH SE	15.1	49	53	49
Capital increases of subsidiaries subscribed by minority interests	17	16	44	33
Acquisition and disposals of treasury shares and LVMH share-settled derivatives	15.2	(88)	(67)	(10)
Interim and final dividends paid by LVMH SE	15.3	(1,709)	(2,110)	(1,306)
Tax paid related to interim and final dividends paid		(43)	388	(100)
Interim and final dividends paid to minority interests in consolidated subsidiaries	17	(287)	(260)	(201)
Purchase and proceeds from sale of minority interests	2	(72)	(153)	(151)
Net cash from (used in) transactions relating to equity		**(2,134)**	**(2,105)**	**(1,686)**
Change in cash before financing activities		**(212)**	**(3,740)**	**(863)**
IV. FINANCING ACTIVITIES				
Proceeds from borrowings	14.2	1,571	5,931	7,002
Repayment of borrowings	14.2	(822)	(1,760)	(1,051)
Purchase and proceeds from sale of current available for sale financial assets [a]	13	(131)	92	(23)
Net cash from (used in) financing activities	14.2	**618**	**4,263**	**5,928**
V. EFFECT OF EXCHANGE RATE CHANGES		29	(242)	(87)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)		**435**	**281**	**4,978**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	14.1	**3,618**	**3,337**	**3,337**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14.1	**4,053**	**3,618**	**8,315**
TOTAL TAX PAID		**(951)**	**(2,402)**	**(1,169)**

(a) The cash impact of non-current available for sale financial assets used to hedge net financial debt (see Note 18) is presented under "IV. Financing activities", as "Purchase and proceeds from sale of current available for sale financial assets".

(1) The financial statements as of December 31, 2017 and June 30, 2017 have been restated to reflect the retrospective application with effect from January 1, 2016 of IFRS9 Financial instruments. See Note 1.2.

(2) The financial statements as of December 31, 2017 have been restated to reflect the definitive purchase price allocation of Christian Dior Couture. See Note 2.

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements as of December 31, 2017 and June 30, 2017 have been restated to reflect the retrospective application with effect from January 1, 2016 of IFRS9 Financial instruments. See Note 1.2

The financial statements as of December 31, 2017 have been restated to reflect the definitive purchase price allocation of Christian Dior Couture. See Note 2.

1. ACCOUNTING POLICIES

1.1. General framework and environment

The condensed consolidated financial statements for the six-month period ended June 30, 2018 were approved by the Board of Directors on July 24, 2018. 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, 2018; 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 became mandatory in 2018

IFRS 15 on revenue recognition was applied prospectively from January 1, 2018. Its application did not have any significant impact on the Group's financial statements, due to the nature of the Group's business activities. Pursuant to IFRS 15, the provision for product returns, which was previously deducted from trade receivables (see Note 1.25 to the 2017 consolidated financial statements), is now presented within "Other current liabilities" (see Note 21.2).

IFRS 9 on financial instruments was applied retrospectively with effect from January 1, 2016. The Group's financial statements for the comparative periods, including the notes to these financial statements, were restated. The impact of the application of IFRS 9 within the Group is mainly related to the change in the method used to recognize the cost of hedging (option premiums and forward points associated with forward contracts) and in the revaluation at market value of available for sale financial assets.

The cost of hedging is now recognized as follows:

- for foreign exchange hedges that are commercial in nature, the changes in the value of forward points associated with forward contracts and in the time value component of options are included in gains and losses recognized directly in equity. The cost of the forward contracts (forward points) and of the options (premiums) is transferred to Other financial income and expenses upon realization of the hedged transaction;
- for hedges that are financial in nature or tied to the Group's investment portfolio, expenses and income arising from discounts or premiums are recognized in Cost of financial debt on a pro rata basis over the term of the hedging instruments. The cash flow impact of expenses and income arising from forward points is presented under "Cost of net financial debt: interest paid". The difference between the amounts recognized in net financial income/expense and the change in the value of forward points is included in gains and losses recognized directly in equity. The fair value of hedges that are financial in nature or tied to the Group's investment portfolio are now presented under "Net financial debt" (see Note 18).

The Group has opted to present the change in market value of available for sale financial assets under "Net financial income/(expense)" (within "Other financial income and expenses") for all shares held in the portfolio during the reported periods.

The following tables present the impact of the retrospective application of IFRS 9 on the Group's financial statements as of January 1 and December 31, 2016, and as of June 30 and December 31, 2017.

Impacts on the balance sheet

(EUR millions)	January 1, 2016	Dec. 31, 2016	Dec. 31, 2017	June 30, 2017
Deferred tax	(4)	(5)	(2)	(11)
Total assets	**(4)**	**(5)**	**(2)**	**(11)**
Revaluation reserves, including:	(165)	(249)	(362)	(264)
Available for sale financial assets	(104)	(125)	(311)	(218)
Ineffective portion of hedging derivatives	(61)	(124)	(51)	(46)
Other reservesa	161	244	357	253
Equity, Group share	**(4)**	**(5)**	**(5)**	**(11)**
Minority interests	-	-	-	-
Equity	**(4)**	**(5)**	**(5)**	**(11)**
Deferred tax	-	-	3	-
Total liabilities and equity	**(4)**	**(5)**	**(2)**	**(11)**

Impacts on the income statement

(EUR millions)	Dec. 31, 2016	Dec. 31, 2017	June 30, 2017
Borrowing costs	(66)	(58)	(29)
Income from cash, cash equivalents and current available for sale financial assets	-	-	-
Fair value adjustment of borrowings and interest rate hedges	16	(16)	(14)
Cost of net financial debt	**(50)**	**(74)**	**(43)**
Dividends received from non-current available for sale financial assets	-	-	-
Ineffective portion of foreign exchange derivatives	143	(44)	(82)
Net gain/(loss) related to available for sale financial assets and other financial instruments	22	241	121
Other items, net	-	-	-
Other financial income and expenses	**165**	**197**	**39**
Net financial income/(expense)	**115**	**123**	**(4)**
Income taxes	(24)	(22)	1
Net profit before minority interests	**91**	**101**	**(3)**
Minority interests	(6)	10	10
Net profit, Group share	**85**	**111**	**7**

Impacts on the consolidated statement of comprehensive gains and losses

(EUR millions)	Dec. 31, 2016	Dec. 31, 2017	June 30, 2017
Net profit before minority interests	**91**	**101**	**(3)**
Change in value of available for sale financial assets	(18)	(274)	(125)
Amounts transferred to income statement	(4)	33	4
Tax impact	(1)	57	30
	(23)	**(184)**	**(91)**
Change in value of the ineffective portion of hedging derivatives	(273)	(92)	50
Amounts transferred to income statement	180	210	75
Tax impact	24	(35)	(36)
	(69)	**83**	**89**
Gains and losses recognized in equity, transferable to income statement	**(92)**	**(101)**	**(2)**
Comprehensive income	**(1)**	**-**	**(5)**
Minority interests	2	(4)	(4)
Comprehensive income, Group share	**1**	**(4)**	**(9)**

Impacts on the consolidated cash-flow statement

(EUR millions)	Dec. 31, 2016	Dec. 31, 2017	June 30, 2017
Cost of net financial debt: interest paid	(63)	(58)	(14)
Net cash from operating activities and operating investments (free cash flow)	**(63)**	**(58)**	**(14)**
Net cash from (used-in) financing activities	**(36)**	**187**	**(32)**
Effect of exchange rate changes	**99**	**(129)**	**46**

Other changes in the accounting framework and standards for which application will become mandatory beyond the 2018 fiscal year

At the end of 2016, the Group launched its project for the implementation of IFRS 16 relating to leases, which applies to accounting periods beginning on or after January 1, 2019. When entering into a lease involving fixed payments, this standard requires that a liability be recognized in the balance sheet, offset against a right-of-use asset and measured at the discounted present value of future lease payments. The liability amount recognized therefore depends quite heavily on the assumptions used for the discount rate and lease term; extension and early termination options offered by lease agreements will also need to be included in the calculation of the liability if their exercise is considered reasonably certain when entering into the lease. See Note 1.2 to the 2017 consolidated financial statements.

The inventory of the leases and the gathering of the information required to precisely estimate the balance sheet impact of the initial application of IFRS 16 are still underway.

2. CHANGES IN OWNERSHIP INTERESTS IN CONSOLIDATED ENTITIES

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

Christian Dior Couture

On July 3, 2017, as part of the project aimed at simplifying the structures of the Christian Dior – LVMH group and in accordance with the terms of the memorandum of understanding concluded with Christian Dior on April 24, 2017, LVMH acquired 100% of Christian Dior Couture from Christian Dior for 6 billion euros. Christian Dior directly and indirectly holds 41.0% of the share capital and 56.8% of the voting rights of LVMH.

The scope acquired includes Grandville (100%-owned by Christian Dior) and its subsidiary, Christian Dior Couture. The price paid was determined on the basis of an enterprise value of 6.5 billion euros, representing 15.6 times the adjusted EBITDA for the 12-month period ending March 2017.

The acquisition of Christian Dior Couture has allowed one of the world's most iconic brands to join LVMH, alongside Parfums Christian Dior, which was already part of the LVMH group. On the strength of its history and its favorable prospects, Christian Dior Couture will be a source of growth for LVMH. Christian Dior Couture's expansion in the coming years will be supported in particular by its creative momentum and by the significant investments already made, especially in the Americas, China and Japan.

The final allocation of the purchase price paid by LVMH on July 3, 2017, the date of acquisition of the controlling interest, is shown in the table below:

(EUR millions)	Provisional purchase price allocation	Change	Definitive purchase price allocation
Brand and other intangible fixed assets	361	3,243	3,604
Tangible fixed assets	952	661	1,613
Other non-current assets	59	-	59
Non-current provisions	(32)	(10)	(42)
Current assets	649	(22)	627
Current liabilities	(519)	-	(519)
Net financial debt	(385)	-	(385)
Deferred tax	69	(1,196)	(1,127)
Net assets acquired	**1,154**	**2,676**	**3,830**
Indirect minority interests	(9)	-	(9)
Net assets, Group share	**1,145**	**2,676**	**3,821**
Goodwill	4,855	(2,676)	2,179
Carrying amount of shares held as of July 3, 2017	**6,000**	**-**	**6,000**

The Christian Dior Couture brand was valued primarily using the relief from royalty method and secondarily using the excess earnings method. The value determined – 3,500 million euros – corresponds to the high end of the average range of values obtained using these methods. Definitive goodwill, in the amount of 2,179 million euros, represents the internationally renowned expertise and creativity of Christian Dior Couture in the fields of fashion, leather goods and jewelry, as well as its capacity to draw on a quality-driven network of directly-operated stores in prime locations.

The balance sheet and income statement as of December 31, 2017, including the notes to the financial statements, were restated to reflect the definitive allocation of the purchase price of Christian Dior Couture. Aside from the impact on the balance sheet presented in the table above, restated net profit for the 2017 fiscal year includes 124 million euros in deferred tax income arising from the impact on long-term deferred tax of the decrease in the corporate income tax rate in France, as stipulated in the 2018 Budget Act.

In 2017, the Christian Dior Couture acquisition generated an outflow of 5,782 million euros, net of cash acquired in the amount of 218 million euros. A number of bond issues, in a total amount of 5 billion euros, together with commercial paper for the remainder, was used to fund this acquisition (see Note 18 to the 2017 consolidated financial statements).

The acquisition costs for Christian Dior Couture were recognized in Other operating income and expenses and totaled 6 million euros as of December 31, 2017 (see Note 25).

For the second half of fiscal year 2017, Christian Dior Couture had consolidated revenue of 1,183 million euros and its profit from recurring operations totaled 236 million euros. For fiscal year 2017 as a whole, Christian Dior Couture had consolidated revenue of 2,230 million euros, for profit from recurring operations of 353 million euros.

Christian Dior Couture has been consolidated as part of the Fashion and Leather Goods business group since July 2017. If the acquisition date for Christian Dior Couture had been January 1, 2017, the Group would have had consolidated revenue of 43,683 million euros in 2017 and profit from recurring operations for the year would have been 8,410 million euros, with net profit of 5,189 million euros.

3. BRANDS, TRADE NAMES AND OTHER INTANGIBLE ASSETS

(EUR millions)			June 30, 2018	Dec. 31, 2017	June 30, 2017
	Gross	Amortization and impairment	Net	Net	Net
Brands	14,209	(686)	13,523	13,515	9,710
Trade names	3,788	(1,559)	2,229	2,176	2,273
License rights	93	(79)	14	14	15
Leasehold rights	905	(479)	426	398	339
Software, websites	1,748	(1,291)	457	459	367
Other	885	(508)	377	395	415
Total	**21,628**	**(4,602)**	**17,026**	**16,957**	**13,119**

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, 2017	**14,184**	**3,692**	**1,661**	**858**	**989**	**21,384**
Acquisitions	-	-	35	50	113	198
Disposals and retirements	-	-	(21)	(6)	(67)	(94)
Changes in the scope of consolidation	-	-	-	-	2	2
Translation adjustment	25	96	13	1	6	141
Reclassifications	-	-	60	2	(65)	(3)
As of June 30, 2018	**14,209**	**3,788**	**1,748**	**905**	**978**	**21,628**

Accumulated amortization and impairment *(EUR millions)*	Brands	Trade names	Software, websites	Leasehold rights	Other intangible assets	Total
As of December 31, 2017	**(669)**	**(1,516)**	**(1,202)**	**(460)**	**(580)**	**(4,427)**
Amortization expense	(13)	-	(101)	(24)	(70)	(208)
Impairment expense	-	-	-	-	(1)	(1)
Disposals and retirements	-	-	21	6	67	94
Changes in the scope of consolidation	-	-	-	-	-	-
Translation adjustment	(4)	(43)	(9)	(1)	(3)	(60)
Reclassifications	-	-	-	-	-	-
As of June 30, 2018	**(686)**	**(1,559)**	**(1,291)**	**(479)**	**(587)**	**(4,602)**
Carrying amount as of June 30, 2018	**13,523**	**2,229**	**457**	**426**	**391**	**17,026**

4. GOODWILL

(EUR millions)			June 30, 2018	Dec. 31, 2017	June 30, 2017
	Gross	Impairment	Net	Net	Net
Goodwill arising on consolidated investments	10,198	(1,684)	8,514	8,538	6,578
Goodwill arising on purchase commitments for minority interests' shares	5,512	-	5,512	5,299	5,321
Total	**15,710**	**(1,684)**	**14,026**	**13,837**	**11,899**

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

(EUR millions)			June 30, 2018	Dec. 31, 2017	June 30, 2017
	Gross	Impairment	Net	Net	Net
As of January 1	**15,446**	**(1,609)**	**13,837**	**10,401**	**10,401**
Changes in the scope of consolidation	(35)	-	(35)	2,605	580
Changes in purchase commitments for minority interests' shares	248	-	248	1,008	1,037
Changes in impairment	-	(61)	(61)	(51)	(51)
Translation adjustment	51	(14)	37	(126)	(68)
As of period-end	**15,710**	**(1,684)**	**14,026**	**13,837**	**11,899**

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

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 were subject to annual impairment testing as of December 31, 2017. No significant impairment expense was recognized during the first half of 2018, as no events likely to lead to a material loss in value occurred during the period.

6. PROPERTY, PLANT AND EQUIPMENT

(EUR millions)			June 30, 2018	Dec. 31, 2017	June 30, 2017
	Gross	Depreciation and impairment	Net	Net	Net
Land	2,537	(81)	2,456	2,374	1,275
Vineyard land and producing vineyards [a]	2,529	(109)	2,420	2,432	2,472
Buildings	4,076	(1,749)	2,327	2,052	1,775
Investment property	573	(39)	534	763	817
Leasehold improvements, machinery and equipment	12,167	(8,285)	3,882	3,971	3,395
Assets in progress	1,036	(2)	1,034	785	924
Other tangible fixed assets	1,969	(460)	1,509	1,485	1,482
Total	**24,887**	**(10,725)**	**14,162**	**13,862**	**12,140**
Of which: assets held under finance leases	*485*	*(206)*	*279*	*267*	*276*
historical cost of vineyard land and producing vineyards	*745*	*(109)*	*636*	*648*	*643*

(a) Almost all of the carrying amount of "Vineyard land and producing vineyards" corresponds to vineyard land.

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, 2017	**2,538**	**6,169**	**819**	**7,889**	**2,572**	**1,286**	**786**	**1,932**	**23,991**
Acquisitions	1	130	-	192	60	25	486	52	946
Change in the market value of vineyard land	-	-	-	-	-	-	-	-	-
Disposals and retirements	-	(28)	-	(155)	(21)	(13)	(1)	(13)	(231)
Changes in the scope of consolidation	-	-	-	1	-	-	-	5	6
Translation adjustment	(3)	61	6	101	1	11	2	4	183
Other movements, including transfers	(7)	281	(252)	202	29	(13)	(237)	(11)	(8)
As of June 30, 2018	**2,529**	**6,613**	**573**	**8,230**	**2,641**	**1,296**	**1,036**	**1,969**	**24,887**

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, 2017	**(106)**	**(1,742)**	**(56)**	**(5,207)**	**(1,689)**	**(880)**	**(2)**	**(447)**	**(10,129)**
Depreciation expense	(3)	(88)	(2)	(457)	(79)	(59)	-	(29)	(717)
Impairment expense	-	(1)	-	3	-	-	-	-	2
Disposals and retirements	-	28	-	152	18	13	-	14	225
Changes in the scope of consolidation	-	-	-	(1)	-	-	-	(2)	(3)
Translation adjustment	-	(19)	-	(73)	1	(9)	-	(4)	(104)
Other movements, including transfers	-	(8)	19	(49)	1	30	-	8	1
As of June 30, 2018	**(109)**	**(1,830)**	**(39)**	**(5,632)**	**(1,748)**	**(905)**	**(2)**	**(460)**	**(10,725)**
Carrying amount as of June 30, 2018	**2,420**	**4,783**	**534**	**2,598**	**893**	**391**	**1,034**	**1,509**	**14,162**

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

Purchases of property, plant and equipment mainly include investments by the Group's brands, notably Sephora, Louis Vuitton, Parfums Christian Dior, Christian Dior Couture and Bvlgari in their retail networks. They also included investments by the champagne houses and Hennessy in their production equipment, in addition to investments related to the La Samaritaine and Jardin d'Acclimatation projects, as well as real estate investments.

Translation adjustments arose mainly on tangible assets recognized in US dollars, due to fluctuations against the euro by the close of the fiscal year.

7. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

(EUR millions)			June 30, 2018		Dec. 31, 2017		June 30, 2017	
	Gross	Impairment	Net	*Of which joint arrangements*	Net	*Of which joint arrangements*	Net	*Of which joint arrangements*
Share of net assets of joint ventures and associates as of January 1	**647**	**(8)**	**639**	***273***	**770**	***362***	**770**	***362***
Share of net profit (loss) for the period	12	-	12	*7*	(3)	*2*	(1)	-
Dividends paid	(10)	-	(10)	-	(22)	*(8)*	(5)	-
Changes in the scope of consolidation	(19)	8	(11)	*2*	(82)	*(84)*	(77)	*(80)*
Capital increases subscribed	2	-	2	*1*	5	*3*	3	*2*
Translation adjustment	3	-	3	-	(33)	*(7)*	(22)	*(4)*
Other, including transfers	5	-	5	*1*	4	*5*	3	*4*
Share of net assets of joint ventures and associates as of period-end	**640**	**-**	**640**	***284***	**639**	***273***	**671**	***284***

8. NON-CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

(EUR millions)	June 30, 2018	Dec. 31, 2017	June 30, 2017
As of January 1	**789**	**744**	**744**
Acquisitions	92	125	53
Disposals at net realized value	(25)	(85)	(18)
Changes in market value	17	101	55
Changes in the scope of consolidation	-	5	5
Translation adjustment	10	(43)	(39)
Reclassifications	-	(58)	(60)
As of period-end	**883**	**789**	**740**

9. OTHER NON-CURRENT ASSETS

(EUR millions)	June 30, 2018	Dec. 31, 2017	June 30, 2017
Warranty deposits	348	320	303
Derivatives[a]	371	246	255
Loans and receivables	306	264	272
Other	37	39	24
Total	**1,062**	**869**	**854**

(a) See Note 22.

10. INVENTORIES AND WORK IN PROGRESS

(EUR millions)			June 30, 2018	Dec. 31, 2017	June 30, 2017
	Gross	Impairment	Net	Net	Net
Wines and eaux-de-vie in the process of aging	4,550	(9)	4,541	4,517	4,386
Other raw materials and work in progress	2,022	(402)	1,620	1,370	1,465
	6,572	(411)	6,161	5,887	5,851
Goods purchased for resale	2,194	(228)	1,966	1,767	1,847
Finished products	4,722	(966)	3,756	3,234	3,167
	6,916	(1,194)	5,722	5,001	5,014
Total	**13,488**	**(1,605)**	**11,883**	**10,888**	**10,865**

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

(EUR millions)			June 30, 2018	Dec. 31, 2017	June 30, 2017
	Gross	Impairment	Net	Net	Net
As of January 1	**12,426**	**(1,538)**	**10,888**	**10,546**	**10,546**
Change in gross inventories	1,038	-	1,038	1,006	938
Impact of provision for returns [a]	-	-	-	11	(5)
Impact of marking harvests to market	5	-	5	(21)	5
Changes in provision for impairment	-	(138)	(138)	(339)	(143)
Changes in the scope of consolidation	21	(4)	17	237	(140)
Translation adjustment	84	(16)	68	(550)	(333)
Other, including reclassifications	(86)	91	5	(2)	(3)
As of period-end	**13,488**	**(1,605)**	**11,883**	**10,888**	**10,865**

(a) See Note 1.25 to the consolidated financial statements as of December 31, 2017.

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, 2018	Dec. 31, 2017	June 30, 2017
Impact of marking the period's harvest to market	14	5	14
Impact of inventory sold during the period	(9)	(26)	(9)
Net impact on cost of sales of the period	**5**	**(21)**	**5**

11. TRADE ACCOUNTS RECEIVABLE

(EUR millions)	June 30, 2018	Dec. 31, 2017	June 30, 2017
Trade accounts receivable, nominal amount	2,812	3,079	2,537
Provision for impairment	(74)	(78)	(63)
Provision for product returns [a]	-	(265)	(203)
Net amount	**2,738**	**2,736**	**2,271**

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

(EUR millions)			June 30, 2018	Dec. 31, 2017	June 30, 2017
	Gross	Impairment	Net	Net	Net
As of January 1	**2,814**	**(77)**	**2,736**	**2,685**	**2,685**
Changes in gross receivables	(304)	-	(304)	134	(387)
Changes in provision for impairment	-	3	3	(11)	3
Changes in provision for product returns [a]	-	-	-	(43)	19
Changes in the scope of consolidation	4	-	4	141	25
Translation adjustment	26	-	26	(154)	(77)
Reclassifications [a]	273	-	273	(16)	3
As of period-end	**2,813**	**(74)**	**2,738**	**2,736**	**2,271**

(a) See Note 1.25 to the consolidated financial statements as of December 31, 2017. See also Note 1.2.

The trade accounts receivable balance is comprised essentially 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, 2018, coverage of customer credit risk had been requested from insurers for the majority of trade receivables, approximately 92% of the amount of which was granted, versus 91% as of December 31, 2017 and 88% as of June 30, 2017.

12. OTHER CURRENT ASSETS

(EUR millions)	June 30, 2018	Dec. 31, 2017	June 30, 2017
Current available for sale financial assets [a]	728	515	510
Derivatives [b]	145	496	447
Tax accounts receivable, excluding income taxes	794	747	590
Advances and payments on account to vendors	169	203	139
Prepaid expenses	495	396	460
Other receivables	529	562	458
Total	**2,860**	**2,919**	**2,604**

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

13. CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

(EUR millions)	June 30, 2018	Dec. 31, 2017	June 30, 2017
Unlisted securities, shares in non-money market SICAVs and funds	-	-	-
Listed securities and term deposits	728	515	510
Total	**728**	**515**	**510**
Of which: historical cost of current available for sale financial assets	*505*	*344*	*428*

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

(EUR millions)	June 30, 2018	Dec. 31, 2017	June 30, 2017
As of January 1	**515**	**374**	**374**
Acquisitions	191	112	93
Disposals at net realized value	(58)	(181)	(82)
Changes in market value	79	156	69
Changes in the scope of consolidation	-	-	-
Translation adjustment	1	(4)	(4)
Reclassifications	-	58	60
As of period-end	**728**	**515**	**510**

14. CASH AND CHANGE IN CASH

14.1. Cash and cash equivalents

(EUR millions)	June 30, 2018	Dec. 31, 2017	June 30, 2017
Term deposits (less than 3 months)	550	708	812
SICAV and FCP funds	409	194	3,391
Ordinary bank accounts	3,263	2,836	4,246
Cash and cash equivalents per balance sheet	**4,222**	**3,738**	**8,449**

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, 2018	Dec. 31, 2017	June 30, 2017
Cash and cash equivalents	4,222	3,738	8,449
Bank overdrafts	(169)	(120)	(134)
Net cash and cash equivalents per cash flow statement	**4,053**	**3,618**	**8,315**

14.2. Net cash from (used in) financing activities

For the first half of 2018, the reconciliation of the cash impact of the change in net financial debt presented in Note 18.1 and net cash from (used in) financing activities is as follows:

(EUR millions)	Notes	June 30, 2018	Dec. 31, 2017	June 30, 2017
Impact on cash of the change in net financial debt	18.1	108	3,816	929
Elimination of the change in positive bank balances and bank overdrafts [(a)]		405	199	5,047
Change in cash related to other assets not included in net financial debt		105	248	(48)
Net cash from (used in) financing activities		**618**	**4,263**	**5,928**

(a) The change in positive bank balances and bank overdrafts is not disclosed within net cash from (used in) financing activities.

14.3. Change in working capital

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

(EUR millions)	Notes	June 30, 2018	Dec. 31, 2017	June 30, 2017
Change in inventories and work in progress	10	(1,038)	(1,006)	(938)
Change in trade accounts receivable [(a)]	11	282	(132)	366
Change in trade accounts payable	21	35	257	(263)
Change in other receivables and payables		(602)	367	(295)
Change in working capital [(b)]		**(1,323)**	**(514)**	**(1,130)**

(a) Including a negative impact of 21 million euros related to amounts owed to customers (versus a positive impact of 2 million euros as of December 31, 2017 and negative impact of 21 million euros as of June 30, 2017).

(b) Increase/(Decrease) in cash and cash equivalents.

14.4. Operating investments

Operating investments comprise the following elements for the periods presented:

(EUR millions)	Notes	June 30, 2018	Dec. 31, 2017	June 30, 2017
Purchase of intangible fixed assets	3	(198)	(456)	(204)
Purchase of tangible fixed assets [(a)]	6	(946)	(1,889)	(768)
Deduction of purchase under finance lease		-	6	-
Changes in accounts payable related to fixed asset purchases		(47)	40	(21)
Net cash used in purchases of fixed assets		**(1,191)**	**(2,299)**	**(993)**
Net cash from fixed asset disposals		5	26	13
Guarantee deposits paid and other cash flows related to operating investments		(18)	(3)	(8)
Operating investments [(b)]		**(1,204)**	**(2,276)**	**(988)**

(a) Including finance lease acquisitions.

(b) Increase/(Decrease) in cash and cash equivalents.

15. EQUITY

15.1. Share capital and share premium account

As of June 30, 2018, the share capital consisted of 505,788,034 actions (507,042,596 shares as of December 31, 2017 and 507,626,487 as of June 30, 2017), with a par value of 0.30 euros per share, including 230,051,242 shares with double voting rights (229,656,385 as of December 31, 2017 and 230,087,347 as of June 30, 2017). Double voting rights are attached to registered shares held for more than three years.

During the six-month period, 760,695 were issued following the exercise of share subscription options, which resulted in an increase in the share capital and share premium account of 49 million euros, and 2,015,257 shares were retired, which resulted in a reduction of the share capital and share premium account of 331 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, 2018		Dec. 31, 2017	June 30, 2017
	Number	Amount	Amount	Amount
Share subscription option plans	1,174,440	54	57	90
Bonus share plans	1,261,244	193	122	91
Shares held for stock option and similar plans [(a)]	**2,435,684**	**247**	**179**	**181**
Liquidity contract	107,008	32	23	19
Shares pending retirement	-	-	328	328
LVMH treasury shares	**2,542,692**	**279**	**530**	**528**

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

The market value of LVMH shares held under the liquidity contract as of June 30, 2018 amounts to 31 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	Impact on cash
As of December 31, 2017	**4,281,097**	**530**	
Share purchases [(a)]	812,128	203	(203)
Vested bonus shares	(93,156)	(13)	-
Retirement of shares	(2,015,257)	(331)	-
Disposals at net realized value [(a)]	(442,120)	(115)	115
Gain/(loss) on disposal	-	5	-
As of June 30, 2018	**2,542,692**	**279**	**(88)**

(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, 2018	Dec. 31, 2017	June 30, 2017
Interim dividend for the current fiscal year (2017: 1.60 euros)	-	811	-
Impact of treasury shares	-	(7)	-
Gross amount disbursed for the fiscal year	**-**	**804**	**-**
Final dividend for the previous fiscal year (2017: 3.40 euros; 2016: 2.60 euros)	1,717	1,319	1,318
Impact of treasury shares	(8)	(13)	(13)
Gross amount disbursed for the previous fiscal year	**1,709**	**1,306**	**1,305**
Total gross amount disbursed during the period [a]	**1,709**	**2,110**	**1,305**

(a) Excluding the impact of tax regulations applicable to the recipient.

The final dividend for fiscal year 2017 was distributed on April 19, 2018 in accordance with the resolutions of the Shareholders' Meeting of April 12, 2018.

At its meeting of July 24, 2018 the Board of Directors approved the payment on December 6, 2018, of an interim dividend of 2.00 euros per share for fiscal year 2018.

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, 2018	Change	Dec. 31, 2017	June 30, 2017
US dollar	236	97	139	253
Swiss franc	552	24	528	717
Japanese yen	93	24	69	93
Hong Kong dollar	340	24	316	385
Pound sterling	(108)	(1)	(107)	(102)
Other currencies	(227)	(57)	(170)	(126)
Foreign currency net investment hedges [a]	(435)	(14)	(421)	(469)
Total, Group share	**451**	**97**	**354**	**751**

(a) Including: -137 million euros with respect to the US dollar (-130 million euros as of December 31, 2017 and -143 million euros as of June 30, 2017), -117 million euros with respect to the Hong Kong dollar (-117 million euros as of December 31, 2017 and -123 million euros as of June 30, 2017) and -184 million euros with respect to the Swiss franc (-180 million euros as of December 31, 2017 and -206 million euros as of June 30, 2017). These amounts include the tax impact.

16. STOCK OPTION AND SIMILAR PLANS

16.1. Share subscription option plans

The number of unexercised share subscription options and the weighted average exercise price changed as follows during the periods presented:

	June 30, 2018		Dec. 31, 2017		June 30, 2017	
	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	**1,180,692**	**59.56**	**1,903,010**	**65.17**	**1,903,010**	**65.17**
Options expired	(6,252)	65.04	(13,833)	74.67	(13,416)	75.41
Options exercised	(760,695)	64.24	(708,485)	74.33	(646,188)	75.49
Share subscription options outstanding as of period-end	**413,745**	**50.86**	**1,180,692**	**59.56**	**1,243,406**	**59.69**

16.2. Bonus share plans

The number of non-vested shares awarded changed as follows during the periods presented:

(number of shares)	June 30, 2018	Dec. 31, 2017	June 30, 2017
Non-vested shares as of January 1	**1,395,351**	**1,312,587**	**1,312,587**
Shares initially awarded during the period	452,804	455,252	46,860
Shares vested during the period	(93,156)	(335,567)	(345)
Shares expired during the period	(20,470)	(36,921)	(19,455)
Non-vested shares as of period-end	**1,734,529**	**1,395,351**	**1,339,647**

Vested share allocations were settled in existing shares held.

The LVMH closing share price the day before the grant date of the plan dated January 25, 2018 was 241.20 euros and it was 278.25 euros the day before the grant date of the plan dated April 12, 2018.

16.3. Expense for the period

(EUR millions)	June 30, 2018	Dec. 31, 2017	June 30, 2017
Expense for the period for share subscription option and bonus share plans	**40**	**62**	**25**

The average unit value of non-vested bonus shares in awards granted during the period was 246.46 euros at the time of the grant.

17. MINORITY INTERESTS

(EUR millions)	June 30, 2018	Dec. 31, 2017	June 30, 2017
As of January 1	**1,408**	**1,510**	**1,510**
Minority interests' share of net profit	288	475	214
Dividends paid to minority interests	(287)	(261)	(199)
Impact of changes in control of consolidated entities	(2)	114	36
Of which: Rimowa	*-*	*89*	*33*
Other	*(2)*	*25*	*3*
Impact of acquisition and disposal of minority interests' shares	(14)	(56)	(55)
Of which: Loro Piana	*-*	*(58)*	*(55)*
Other	*(14)*	*2*	*-*
Total impact of changes in the ownership interests in consolidated entities	**(16)**	**58**	**(19)**
Capital increases subscribed by minority interests	25	44	33
Minority interests' share in gains and losses recognized in equity	15	(134)	(88)
Minority interests' share in stock option plan expenses	2	7	1
Impact of changes in minority interests with purchase commitments	57	(291)	(9)
As of period-end	**1,492**	**1,408**	**1,443**

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 and ineffective portion of hedging derivatives	Vineyard land	Revaluation adjustments of employee benefits	Total share of minority interests
As of December 31, 2017	**46**	**16**	**257**	**(36)**	**283**
Changes for the period	43	(28)	-	-	15
As of June 30, 2018	**89**	**(12)**	**257**	**(36)**	**298**

Minority interests are composed primarily of Diageo's 34% stake in Moët Hennessy SAS and Moët Hennessy International SAS ("Moët Hennessy") and the 39% stake held by Robert Miller in DFS. Since the 34% stake held by Diageo in Moët Hennessy is subject to a purchase commitment, it is reclassified at closing under Other non-current liabilities and is therefore excluded from the total amount of minority interests at closing date. See Note 20 and Note 1.12 to the 2017 consolidated financial statements.

Dividends paid to Diageo during the first half of 2018 in respect of fiscal year 2017 amounted to 168 million euros. Net profit attributable to Diageo for the first half of 2018 was 153 million euros, and its share in minority interests (before acounting effects of the purchase commitment granted to Diageo) came to 3,018 million euros as of June 30, 2018.

18. BORROWINGS

18.1. Net financial debt

(EUR millions)	June 30, 2018	Dec. 31, 2017	June 30, 2017
Bonds and Euro Medium Term Notes (EMTNs)	6,287	6,557	7,850
Bank borrowings and finance leases	405	489	362
Long-term borrowings	**6,692**	**7,046**	**8,212**
Bonds and Euro Medium Term Notes (EMTNs)	1,551	1,753	904
Commercial paper	3,290	1,855	3,151
Bank overdrafts	169	120	134
Other short-term borrowings	649	802	680
Short-term borrowings	**5,659**	**4,530**	**4,869**
Gross borrowings	**12,351**	**11,576**	**13,081**
Interest rate risk derivatives	(33)	(28)	(44)
Foreign exchange risk derivatives	112	(25)	(107)
Gross borrowings after derivatives	**12,430**	**11,523**	**12,930**
Current available for sale financial assets [a]	(728)	(515)	(510)
Non-current available for sale financial assets used to hedge financial debt [b]	(121)	(117)	(121)
Cash and cash equivalents [c]	(4,222)	(3,738)	(8,449)
Net financial debt	**7,359**	**7,153**	**3,850**

(a) See Note 13.
(b) See Note 8 to the 2017 consolidated financial statements.
(c) See Note 14.1.

The change in net financial debt during the period is as follows:

(EUR millions)	Dec. 31, 2017	Impact on cash [a]	Translation adjustment	Impact of market value changes	Changes in the scope of consolidation	Reclassifications and Other	June 30, 2018
Long-term borrowings	7,046	(62)	16	13	-	(321)	6,692
Short-term borrowings	4,530	760	47	(3)	2	323	5,659
Total gross borrowings	**11,576**	**698**	**63**	**10**	**2**	**2**	**12,351**
Interest rate risk derivatives	(28)	-	-	(5)	-	-	(33)
Foreign exchange risk derivatives	(25)	-	-	137	-	-	112
Gross borrowings after derivatives	**11,523**	**698**	**63**	**142**	**2**	**2**	**12,430**
Current available for sale financial assets	(515)	(133)	(1)	(79)	-	-	(728)
Non-current available for sale financial assets used to hedge financial debt	(117)	-	(3)	(1)	-	-	(121)
Cash and cash equivalents	(3,738)	(457)	(27)	-	-	-	(4,222)
Net financial debt	**7,153**	**108**	**32**	**62**	**2**	**2**	**7,359**

(a) See Note 14.2

During the half-year period, LVMH repaid the 500 million euros bond issued in 2011.

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			Impacts of derivatives			Gross borrowings after derivatives		
		Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
Maturity:	June 30, 2019	3,652	2,007	5,659	20	8	28	3,672	2,015	5,687
	June 30, 2020	1,998	10	2,008	(304)	347	43	1,694	357	2,051
	June 30, 2021	1,315	2	1,317	(394)	402	8	921	404	1,325
	June 30, 2022	1,931	2	1,933	(965)	956	(9)	966	958	1,924
	June 30, 2023	21	1	22	9	-	9	30	1	31
	June 30, 2024	1,210	1	1,211	(299)	299	-	911	300	1,211
	Thereafter	195	6	201	-	-	-	195	6	201
Total		**10,322**	**2,029**	**12,351**	**(1,933)**	**2,012**	**79**	**8,389**	**4,041**	**12,430**

See Note 22.3 regarding the market value of interest rate risk derivatives.

18.3. Analysis of gross borrowings by currency after derivatives

(EUR millions)	June 30, 2018	Dec. 31, 2017	June 30, 2017
Euro	7,637	6,665	7,492
US dollar	3,596	3,045	3,476
Swiss franc	171	144	305
Japanese yen	601	722	629
Other currencies	425	947	1,028
Total	**12,430**	**11,523**	**12,930**

The purpose of foreign currency borrowings is to finance the development of the Group's activities outside of the eurozone, as well as the Group's net worth denominated in foreign currency.

19. PROVISIONS

(EUR millions)	June 30, 2018	Dec. 31, 2017	June 30, 2017
Provisions for pensions, medical costs and similar commitments	639	625	664
Provisions for contingencies and losses	1,920	1,850	1,634
Provisions for reorganization	3	9	6
Non-current provisions	**2,562**	**2,484**	**2,304**
Provisions for pensions, medical costs and similar commitments	4	4	3
Provisions for contingencies and losses	319	366	294
Provisions for reorganization	24	34	49
Current provisions	**347**	**404**	**346**
Total	**2,909**	**2,888**	**2,650**

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

(EUR millions)	Dec. 31, 2017	Increases	Amounts used	Amounts released	Changes in the scope of consolidation	Other [a]	June 30, 2018
Provisions for pensions, medical costs and similar commitments	629	46	(35)	-	-	3	643
Provisions for contingencies and losses	2,216	165	(92)	(43)	-	(7)	2,239
Provisions for reorganization	43	-	(16)	-	-	-	27
Total	**2,888**	**211**	**(143)**	**(43)**	**-**	**(4)**	**2,909**
Of which: profit from recurring operations		*140*	*(135)*	*(13)*			
net financial income (expense)		*-*	*(1)*	*(1)*			
other		*71*	*(7)*	*(29)*			

(a) Including the impact of translation adjustment and change in revaluation reserves.

20. OTHER NON-CURRENT LIABILITIES

(EUR millions)	June 30, 2018	Dec. 31, 2017	June 30, 2017
Purchase commitments for minority interests' shares	9,461	9,177	8,948
Derivatives [a]	386	229	160
Employee profit sharing	78	94	75
Other liabilities	355	370	382
Total	**10,280**	**9,870**	**9,565**

(a) See Note 22.

As of June 30, 2018, purchase commitments for minority interests' shares mainly include the put option granted by LVMH 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 SAS 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' shares also include commitments relating to minority shareholders in Loro Piana (15%), Rimowa (20%), Fresh (20%) 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 for the periods presented breaks down as follows:

(EUR millions)	June 30, 2018	Dec. 31, 2017	June 30, 2017
As of January 1	**4,539**	**4,184**	**4,184**
Changes in trade accounts payable	35	257	(263)
Changes in amounts owed to customers	(21)	2	(21)
Changes in the scope of consolidation	29	315	41
Translation adjustment	33	(198)	(104)
Reclassifications	(7)	(21)	14
As of period-end	**4,608**	**4,539**	**3,851**

21.2. Other current liabilities

(EUR millions)	June 30, 2018	Dec. 31, 2017	June 30, 2017
Derivatives [a]	79	45	71
Employees and social institutions	1,291	1,530	1,139
Employee profit sharing	57	101	57
Taxes other than income taxes	523	634	443
Advances and payments on account from customers	367	354	283
Provision for product returns [b]	288	-	-
Deferred payment for non-current assets	500	548	522
Deferred income	260	255	249
Other liabilities	1,136	1,286	1,072
Total	**4,501**	**4,753**	**3,836**

(a) See Note 22.
(b) See Note 1.2 and Note 1.25 to the 2017 consolidated financial statements.

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 and 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, 2018	Dec. 31, 2017	June 30, 2017
Interest rate risk	Assets:	non-current		36	33	37
		current		14	9	16
	Liabilities:	non-current		(8)	(8)	(4)
		current		(9)	(6)	(5)
			22.3	**33**	**28**	**44**
Foreign exchange risk	Assets:	non-current		46	34	82
		current		131	485	431
	Liabilities:	non-current		(89)	(42)	(20)
		current		(70)	(39)	(64)
			22.4	**18**	**438**	**429**
Other risks	Assets:	non-current		289	179	136
		current		-	2	-
	Liabilities:	non-current		(289)	(179)	(136)
		current		-	-	(2)
				-	**2**	**(2)**
Total	Assets:	non-current	9	371	246	255
		current	12	145	496	447
	Liabilities:	non-current	20	(386)	(229)	(160)
		current	21	(79)	(45)	(71)
				51	**468**	**471**

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 impact 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, 2018 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	-	2,046	300	2,346	37	-	37
Interest rate swaps in euros, fixed-rate payer	-	343	-	343	-	(1)	(1)
Foreign currency swaps	66	698	-	764	(3)	-	(3)
Other interest rate risk derivatives	-	172	-	172	-	-	-
Total					**34**	**(1)**	**33**

(a) Gain/(Loss).
(b) See Note 1.9 to the 2017 consolidated financial statements 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 intercompany 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.

The Group may also use appropriate financial instruments to hedge the net worth of subsidiaries outside the eurozone, 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, 2018 break down as follows:

(EUR millions)	Nominal amounts by fiscal year of allocation [a]				Market value [b] [c]				
	2018	2019	Thereafter	Total	Future cash flow hedges	Fair value hedges	Foreign currency net investment hedges	Not allocated	Total
Options purchased									
Put USD	166	184	-	350	5	-	-	-	5
Put JPY	1	-	-	1	-	-	-	-	-
Put GBP	30	-	-	30	-	-	-	-	-
	197	**184**	**-**	**381**	**5**	**-**	**-**	**-**	**5**
Collars									
Written USD	2,982	3,536	-	6,518	46	43	-	-	89
Written JPY	572	651	-	1,223	17	10	-	-	27
Written GBP	190	133	-	323	7	-	-	-	7
Written HKD	-	289	-	289	2	-	-	-	2
	3,744	**4,609**	**-**	**8,353**	**72**	**53**	**-**	**-**	**125**
Forward exchange contracts									
USD	(20)	(64)	-	(84)	2	-	-	-	2
CHF	(216)	(54)	-	(270)	-	(1)	-	-	(1)
HKD	84	-	-	84	(1)	(1)	-	-	(2)
GBP	67	20	-	87	-	-	-	-	-
CNY	31	-	-	31	-	1	-	-	1
Other	149	-	-	149	-	-	-	-	-
	95	**(98)**	**-**	**(3)**	**1**	**(1)**	**-**	**-**	**-**
Foreign exchange swaps									
USD	574	1,201	(515)	1,260	-	(77)	(9)	-	(86)
GBP	357	-	-	357	-	(5)	-	-	(5)
JPY	362	-	-	362	-	(17)	-	-	(17)
HKD	(447)	-	-	(447)	-	2	-	-	2
Other	230	11	16	257	-	2	(8)	-	(6)
	1,076	**1,212**	**(499)**	**1,789**	**-**	**(95)**	**(17)**	**-**	**(112)**
Total					**78**	**(43)**	**(17)**	**-**	**18**

(a) Sale/(Purchase).
(b) See Note 1.9 to the 2017 consolidated financial statements regarding the methodology used for market value measurement.
(c) Gain/(Loss).

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. Information on Louis Vuitton and Bvlgari is presented according to the brand's main business, namely the Fashion and Leather Goods business group for Louis Vuitton and the Watches and Jewelry business group for Bvlgari. The Selective Retailing business group 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, particularly the media division, the Dutch luxury yacht maker Royal Van Lent, hotel operations and holding or real estate companies.

23.1. Information by business group

First half 2018

(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	2,257	8,564	2,372	1,917	6,302	338	-	21,750
Intra-Group sales	14	30	505	61	23	9	(642)	-
Total revenue	**2,271**	**8,594**	**2,877**	**1,978**	**6,325**	**347**	**(642)**	**21,750**
Profit from recurring operations	726	2,775	364	342	612	(134)	(37)	4,648
Other operating income and expenses	-	-	(12)	(1)	-	(57)	-	(70)
Depreciation and amortization expense	(74)	(355)	(130)	(112)	(224)	(30)	-	(925)
Impairment expense	(1)	-	-	-	3	(62)	-	(60)
Intangible assets and goodwill [b]	6,551	13,164	1,291	5,737	3,325	984	-	31,052
Property, plant and equipment	2,748	3,700	615	540	1,692	4,874	(7)	14,162
Inventories	5,320	2,156	793	1,566	2,359	20	(331)	11,883
Other operating assets	1,152	1,300	1,274	694	803	1,113	8,307 [c]	14,643
Total assets	**15,771**	**20,320**	**3,973**	**8,537**	**8,179**	**6,991**	**7,969**	**71,740**
Equity	-	-	-	-	-	-	31,482	31,482
Liabilities	1,331	3,689	1,785	1,033	2,502	1,394	28,524 [d]	40,258
Total liabilities and equity	**1,331**	**3,689**	**1,785**	**1,033**	**2,502**	**1,394**	**60,006**	**71,740**
Operating investments [e]	(108)	(325)	(135)	(145)	(205)	(286)	-	(1,204)

Fiscal year 2017

(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	5,051	15,422	4,534	3,722	13,272	635	-	42,636
Intra-Group sales	33	50	1,026	83	39	16	(1,247)	-
Total revenue	**5,084**	**15,472**	**5,560**	**3,805**	**13,311**	**651**	**(1,247)**	**42,636**
Profit from recurring operations	1,558	4,905	600	512	1,075	(309)	(48)	8,293
Other operating income and expenses	(18)	(29)	(8)	(90)	(42)	7	-	(180)
Depreciation and amortization expense	(159)	(669)	(254)	(223)	(452)	(65)	-	(1,822)
Impairment expense	1	-	-	(50)	(58)	(2)	-	(109)
Intangible assets and goodwill [b]	6,277	13,149	1,280	5,684	3,348	1,056	-	30,794
Property, plant and equipment	2,740	3,714	607	537	1,701	4,570	(7)	13,862
Inventories	5,115	1,884	634	1,420	2,111	16	(292)	10,888
Other operating assets	1,449	1,234	1,108	598	845	1,279	7,698 [c]	14,211
Total assets	**15,581**	**19,981**	**3,629**	**8,239**	**8,005**	**6,921**	**7,399**	**69,755**
Equity	-	-	-	-	-	-	30,377	30,377
Liabilities	1,544	3,539	1,706	895	2,839	1,223	27,632 [d]	39,378
Total liabilities and equity	**1,544**	**3,539**	**1,706**	**895**	**2,839**	**1,223**	**58,009**	**69,755**
Operating investments [e]	(292)	(563)	(286)	(269)	(570)	(297)	1	(2,276)

First half 2017

(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	2,275	6,876	2,187	1,794	6,264	318	-	19,714
Intra-Group sales	19	23	483	44	16	8	(593)	-
Total revenue	**2,294**	**6,899**	**2,670**	**1,838**	**6,280**	**326**	**(593)**	**19,714**
Profit from recurring operations	681	2,192	292	234	441	(175)	(25)	3,640
Other operating income and expenses	(7)	(14)	(3)	(26)	(39)	(6)	-	(95)
Depreciation and amortization expense	(74)	(294)	(112)	(106)	(223)	(29)	-	(838)
Impairment expense	-	-	(1)	-	(49)	(1)	-	(51)
Intangible assets and goodwill [b]	6,260	7,100	1,296	5,875	3,433	1,054	-	25,018
Property, plant and equipment	2,651	2,174	560	513	1,721	4,528	(7)	12,140
Inventories	5,105	1,622	653	1,552	2,192	19	(278)	10,865
Other operating assets	1,090	829	924	689	796	1,280	12,198 [c]	17,806
Total assets	**15,106**	**11,725**	**3,433**	**8,629**	**8,142**	**6,881**	**11,913**	**65,829**
Equity	-	-	-	-	-	-	28,282	28,282
Liabilities	1,349	2,748	1,452	963	2,346	1,269	27,420 [d]	37,547
Total liabilities and equity	**1,349**	**2,748**	**1,452**	**963**	**2,346**	**1,269**	**55,702**	**65,829**
Operating investments [e]	(108)	(245)	(112)	(130)	(261)	(132)	-	(988)

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

23.2. Information by geographic region

Revenue by geographic region of delivery breaks down as follows:

(EUR millions)	June 30, 2018	Dec. 31, 2017	June 30, 2017
France	2,057	4,172	1,857
Europe (excluding France)	3,863	8,000	3,506
United States	5,041	10,691	4,967
Japan	1,554	2,957	1,383
Asia (excluding Japan)	6,739	11,877	5,725
Other countries	2,496	4,939	2,276
Revenue	**21,750**	**42,636**	**19,714**

Operating investments by geographic region of delivery breaks down as follows:

(EUR millions)	June 30, 2018	Dec. 31, 2017	June 30, 2017
France	504	921	405
Europe (excluding France)	224	450	186
United States	228	393	181
Japan	39	51	41
Asia (excluding Japan)	141	309	123
Other countries	68	152	52
Operating investments	**1,204**	**2,276**	**988**

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 revenue 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	1,195	4,270	1,500	959	3,104	161	(335)	10,854
Second quarter	1,076	4,324	1,377	1,019	3,221	186	(307)	10,896
Total for first half 2018	**2,271**	**8,594**	**2,877**	**1,978**	**6,325**	**347**	**(642)**	**21,750**

(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	1,196	3,405	1,395	879	3,154	163	(308)	9,884
Second quarter	1,098	3,494 [a]	1,275	959	3,126	163	(285)	9,830
Total for first half 2017	**2,294**	**6,899**	**2,670**	**1,838**	**6,280**	**326**	**(593)**	**19,714**
Third quarter	1,220	3,939	1,395	951	3,055	146	(325)	10,381
Fourth quarter	1,570	4,634	1,495	1,016	3,976	179	(329)	12,541
Total for second half 2017	**2,790**	**8,573**	**2,890**	**1,967**	**7,031**	**325**	**(654)**	**22,922**
Total for 2017	**5,084**	**15,472**	**5,560**	**3,805**	**13,311**	**651**	**(1,247)**	**42,636**

(a) Including the entire revenue of Rimowa of the first half of 2017.

24. EXPENSES BY NATURE

Profit from recurring operations includes the following expenses:

(EUR millions)	June 30, 2018	Dec. 31, 2017	June 30, 2017
Advertising and promotion expenses	2,523	4,831	2,226
Lease expenses	1,766	3,783	1,824
Personnel costs	4,045	7,618	3,593
Research and development expenses	59	130	65

25. OTHER OPERATING INCOME AND EXPENSES

(EUR millions)	June 30, 2018	Dec. 31, 2017	June 30, 2017
Net gains (losses) on disposals	3	(15)	(8)
Restructuring costs	-	(15)	(13)
Remeasurement of shares acquired prior to their initial consolidation	-	(12)	-
Transaction costs relating to the acquisition of consolidated companies	-	(13)	(7)
Impairment or amortization of brands, trade names, goodwill and other property	(73)	(128)	(65)
Other items, net	-	3	(2)
Other operating income and expenses	**(70)**	**(180)**	**(95)**

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

26. NET FINANCIAL INCOME/(EXPENSE)

(EUR millions)	June 30, 2018	Dec. 31, 2017	June 30, 2017
Borrowing costs	(73)	(169)	(78)
Income from cash, cash equivalents and current available for sale financial assets	18	34	16
Fair value adjustment of borrowings and interest rate hedges	(1)	(2)	-
Cost of net financial debt	**(56)**	**(137)**	**(62)**
Dividends received from non-current available for sale financial assets	18	13	4
Ineffective portion of foreign exchange derivatives	(68)	(168)	(74)
Net gain/(loss) related to available for sale financial assets and other financial instruments	95	264	127
Other items, net	(11)	(31)	(14)
Other financial income and expenses	**34**	**78**	**43**
Net financial income/(expense)	**(22)**	**(59)**	**(19)**

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

(EUR millions)	June 30, 2018	Dec. 31, 2017	June 30, 2017
Ineffective portion of commercial foreign exchange derivatives	(65)	(175)	(86)
Ineffective portion of foreign exchange derivatives related to net investments denominated in foreign currency	2	-	-
Ineffective portion of other foreign exchange derivatives	(5)	7	12
Ineffective portion of foreign exchange derivatives	**(68)**	**(168)**	**(74)**

27. INCOME TAXES

(EUR millions)	June 30, 2018	Dec. 31, 2017	June 30, 2017
Current income taxes for the fiscal year	(1,232)	(2,875)	(1,205)
Current income taxes relating to previous fiscal years	6	474	(1)
Current income taxes	**(1,226)**	**(2,401)**	**(1,206)**
Change in deferred income taxes	(29)	137	22
Impact of changes in tax rates on deferred income taxes	(9)	50	(1)
Deferred income taxes	**(38)**	**187**	**21**
Total tax expense per income statement	**(1,264)**	**(2,214)**	**(1,185)**
Tax on items recognized in equity	**110**	**(103)**	**(120)**

The effective tax rate is as follows:

(EUR millions)	June 30, 2018	Dec. 31, 2017	June 30, 2017
Profit before tax	4,556	8,054	3,526
Total income tax expense	(1,264)	(2,214)	(1,185)
Effective tax rate	**27.7%**	**27.5%**	**33.6%**

The effective tax rate used as of June 30 is the forecast effective tax rate for the fiscal year.

The Group's effective tax rate was 28%, down 6 points from the first half of 2017. This decrease primarily reflects the Group's earnings growth amid a downward trend in corporate tax rates worldwide. In particular, the lower tax rate in the United States beginning in 2018 accounted for 1.5 points of the decline. Furthermore, the cancellation of the dividend tax in France at the end of 2017 led to an additional reduction of 1.1 points. The remaining impact is related to various non-recurring items.

28. EARNINGS PER SHARE

	June 30, 2018	Dec. 31, 2017	June 30, 2017
Net profit, Group share *(EUR millions)*	**3,004**	**5,365**	**2,127**
Average number of shares in circulation during the fiscal year	506,624,444	507,172,381	507,277,480
Average number of treasury shares owned during the fiscal year	(3,807,863)	(4,759,687)	(5,035,580)
Average number of shares on which the calculation before dilution is based	**502,816,581**	**502,412,694**	**502,241,900**
Basic earnings per share *(EUR)*	**5.97**	**10.68**	**4.24**
Average number of shares in circulation on which the above calculation is based	502,816,581	502,412,694	502,241,900
Dilution effect of stock option and bonus share plans	1,286,090	1,597,597	1,807,466
Other dilution effects	-	-	-
Average number of shares on which the calculation after dilution is based	**504,102,671**	**504,010,291**	**504,049,366**
Diluted earnings per share *(EUR)*	**5.96**	**10.64**	**4.22**

29. OFF-BALANCE SHEET COMMITMENTS

The Group's off-balance sheet commitments, which amounted to 14.9 billion euros as of December 31, 2017, rose by 0.6 billion euros in the first half of 2018 due essentially to purchase commitments for raw materials, grapes and *eaux-de-vie* for 0.3 billion euros and to foreign exchange fluctuations for 0.2 billion euros.

30. EXCEPTIONAL EVENTS AND LITIGATION

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

31. RELATED-PARTY TRANSACTIONS

No significant related-party transactions occured during the six-month period.

32. SUBSEQUENT EVENTS

No significant subsequent events occurred between June 30, 2018 and July 24, 2018, the date on which the financial statements were approved for publication by the Board of Directors.

STATUTORY AUDITORS' REVIEW REPORT ON THE HALF-YEARLY FINANCIAL INFORMATION

To the Shareholders' Meeting of LVMH Moët Hennessy - Louis Vuitton,

In compliance with the assignment entrusted to us by the Shareholder's Meeting and in accordance with the requirements of the 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-yearly consolidated financial statements of LVMH Moët Hennessy - Louis Vuitton ("LVMH"), for the period from January 1 to June 30, 2018;
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the Board of Directors' responsibility. 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 less 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-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to the matter set out in Note 1.2 to the condensed half-yearly consolidated financial statements regarding the impacts related to the first application of IFRS 9 on financial instruments and IFRS 15 on revenue recognition.

II. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Courbevoie and Paris-La Défense, July 24, 2018

The Statutory Auditors

French original signed by

Mazars		Ernst & Young Audit	
Loïc Wallaert	Simon Beillevaire	Jeanne Boillet	Patrick Vincent-Genod

This is a translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report.

This report should be read in conjunction with, and construed in accordance with, French law and professional 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 24, 2018

Under delegation from the Chairman and Chief Executive Officer

Jean-Jacques GUIONY

Chief Financial Officer, Member of the Executive Committee

Design and production: Agence Marc Praquin

LVMH

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