Christian Dior

# Translation of the French Interim Financial Report Six-month period ended December 31, 2015

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*This document is a free translation into English of the original French "Rapport financier semestriel", hereafter referred to as the "Interim Financial Report". It is not a binding document. In the event of a conflict in interpretation, reference should be made to the French version, which is the authentic text.*

# Business activity and interim financial statements of the Christian Dior group as of December 31, 2015

# 1 - Consolidated results

## Revenue by business group

| (EUR millions and as %) | December 31, 2015 (6 months) | June 30, 2015 (12 months) | December 31, 2014 (6 months) |
|---|---|---|---|
| Christian Dior Couture | 961 | 1,765 | 854 |
| Wines and Spirits | 2,673 | 4,226 | 2,296 |
| Fashion and Leather Goods | 6,436 | 11,731 | 5,798 |
| Perfumes and Cosmetics | 2,358 | 4,236 | 2,077 |
| Watches and Jewelry | 1,756 | 3,068 | 1,516 |
| Selective Retailing | 5,942 | 10,443 | 5,152 |
| Other activities and eliminations | (223) | (388) | (220) |
| **TOTAL** | **19,903** | **35,081** | **17,473** |

## Profit from recurring operations by business group

| (EUR millions and as %) | December 31, 2015 (6 months) | June 30, 2015 (12 months) | December 31, 2014 (6 months) |
|---|---|---|---|
| Christian Dior Couture | 135 | 226 | 120 |
| Wines and Spirits | 881 | 1,168 | 686 |
| Fashion and Leather Goods | 1,844 | 3,363 | 1,702 |
| Perfumes and Cosmetics | 277 | 459 | 211 |
| Watches and Jewelry | 227 | 381 | 176 |
| Selective Retailing | 506 | 912 | 484 |
| Other activities and eliminations | (92) | (213) | (132) |
| **TOTAL** | **3,778** | **6,296** | **3,247** |

## Revenue by geographic region of delivery

| (as %) | December 31, 2015 (6 months) | June 30, 2015 (12 months) | December 31, 2014 (6 months) |
|---|---|---|---|
| France | 10 | 10 | 11 |
| Europe (excluding France) | 19 | 19 | 20 |
| United States | 25 | 24 | 24 |
| Japan | 7 | 7 | 6 |
| Asia (excluding Japan) | 26 | 28 | 27 |
| Other markets | 13 | 12 | 12 |
| **TOTAL** | **100** | **100** | **100** |

During the half-year period ended December 31, 2015, the Christian Dior group recorded consolidated revenue of 19,903 million euros.

The Group's scope of consolidation has changed as follows since July 1, 2015: in Other activities, acquisition of the daily newspaper Le Parisien/Aujourd'hui en France in October 2015. This change in the scope of consolidation did not have an impact on the change in half-year revenue.

Revenue was up 14% at actual exchange rates and 6% at constant structure and exchange rates.

By geographic region of delivery and compared to December 31, 2014, the relative contributions to Group revenue of Asia (excluding Japan), Europe (excluding France) and France declined by 1 point to 26%, 19% and 10% respectively, whereas the United States, Japan and Other markets saw their relative contributions increase by 1 point to 25%, 7% and 13% respectively.

By business group and compared to December 31, 2014, the breakdown of Group revenue remained nearly unchanged. The contribution of Fashion and Leather Goods fell by 1 point to 32%, while that of Selective Retailing rose by 1 point to 30%. The relative contributions of Christian Dior Couture, Wines and Spirits, Perfumes and Cosmetics, and Watches and Jewelry remained stable, at 5%, 13%, 12% and 9% respectively.

The Group achieved a gross margin of 12,976 million euros, up 15% compared to the first half of the 2014/2015 fiscal year. As a percentage of revenue, the gross margin was 65%, stable with regard to the first half of the previous fiscal year.

Marketing and selling expenses totaled 7,734 million euros, up 15% from the first half of the 2014/2015 fiscal year. This increase was mainly due to the development of retail networks, but also to higher communications investments especially in Perfumes and Cosmetics, and Fashion and Leather Goods. The share of these expenses within revenue rose by 1 point, amounting to 39% of revenue. Among these marketing and selling expenses, advertising and promotion costs amounted to 12% of revenue.

General and administrative expenses totaled 1,458 million euros, up 11%. They amounted to 7% of revenue, down 1 point from the first half of the 2014/2015 fiscal year.

The Group's profit from recurring operations was 3,778 million euros, up 16%. The Group's operating margin as a percentage of revenue was 19%, stable with respect to the first half of the 2014/2015 fiscal year.

The amount of other operating income and expenses was a net expense of 156 million euros, compared to a negative amount of 236 million euros in the first half of the 2014/2015 fiscal year. This amount included 90 million euros in amortization and impairment charges for brands and goodwill. The remainder mainly consisted of costs for the reorganization of manufacturing processes and sales structures, mostly in certain Fashion and Leather Goods and Watches and Jewelry businesses.

The Group's operating profit amounted to 3,622 million euros for the half-year, up 20% compared to the half-year period ended December 31, 2014.

The Group posted a net financial expense of 180 million euros, compared with net financial income of 2,969 million euros in the first half of the 2014/2015 fiscal year. This item comprises:

- the aggregate cost of net financial debt, which amounted to 46 million euros, down 45 million euros compared to the first half of 2014, thanks to the combined impacts of lower interest rates and the decrease in the average amount of debt outstanding;

- other financial income and expenses, which amounted to a net expense of 134 million euros, compared to a net income of 3,060 million euros for the first half of the 2014/2015 fiscal year. This positive result included 3,189 million euros in capital gains arising on the exceptional distributions in kind of Hermès shares.

The expense related to the ineffective portion of foreign exchange derivatives was 145 million euros versus an expense of 173 million euros a year earlier.

The Group's effective tax rate was 33%, up 7 points with respect to the first half of 2014/2015, and down 3 points with respect to the 2014 tax rate adjusted for the specific impact of the exceptional distributions in kind of Hermès shares.

Net profit for the half-year period was 2,294 million euros, versus 4,385 million euros as of December 31, 2014.

Profit attributable to minority interests was 1,431 million euros, compared to 2,681 million euros for the first half of the 2014/2015 fiscal year; this mainly relates to other LVMH shareholders and to minority interests in Moët Hennessy and DFS.

In the first half of the 2015/2016 fiscal year, the Group share of net profit was 863 million euros, compared to 1,704 million euros in the first half of the 2014/2015 fiscal year. Excluding the impact of the exceptional distributions of Hermès shares in December 2014, the Group share of net profit was up 33% compared to the first half of the previous fiscal year.

## 2 - Information by business group

Compared to the first half of the 2014/2015 fiscal year, revenue growth by business group was as follows:

### 2.1. CHRISTIAN DIOR COUTURE

First-half revenue for Christian Dior Couture was 961 million euros, up 12% at actual exchange rates and 5% at constant exchange rates compared with the same period in 2014. Its performance was spurred by the dynamism of Leather Goods, Ready-to-Wear, Accessories and Jewelry. Retail sales revenue growth was up 15% at actual exchange rates and 6% at constant exchange rates. Profit from recurring operations for the first half of the fiscal year was 135 million euros, up 12%.

### 2.2. WINES AND SPIRITS

Wines and Spirits posted revenue of 2,673 million euros, up 16% based on published figures. Revenue for this business group increased by 9% on a constant consolidation scope and currency basis, with the net impact of exchange rate fluctuations raising Wines and Spirits revenue by 7 points.

This performance was mainly driven by higher volumes. Demand remained very strong in the United States and Europe, with China still the second-largest market for the Wines and Spirits business group.

The Wines and Spirits business group had a very good half-year, marked by solid gains in champagne and a strong performance from Hennessy. The rapid development at Glenmorangie, Ardbeg and Belvedere, and in the Estates & Wines portfolio, contributed to the business group's growth. In a mixed global environment, the excellence of the products, the robust innovation policy implemented by the brands, and the responsiveness of Moët Hennessy's distribution network played a key role in these accomplishments.

***Highlights***

For **Moët & Chandon**, it was a period of many innovations, with a new prestige cuvée showcasing the House's winemaking prowess, and a new international communications campaign. Buoyed by solid performances in the United States, Europe and Japan, Moët & Chandon achieved record volumes and strengthened its leading market position.

**Dom Pérignon** continued to develop internationally and roll out its range of premium products. The brand's motto, "The Power of Creation", aimed to elevate the tasting experience offered by its vintage champagnes.

**Ruinart** continued to focus on premium cuvées and its strong ties to contemporary design. The brand strengthened its position in France and accelerated its international expansion with solid growth in all regions.

**Veuve Clicquot** proved as innovative as ever, performing well across its full product range thanks to the strong results of its high-profile Carte Jaune cuvée, the gains made by *Rosé Non Vintage* and the success of *Clicquot Rich*, the first champagne designed specifically for use in mixed drinks. The brand built on its market-leading position in the United States.

**Krug** continued to increase its brand awareness and performance gains. While still pursuing the momentum in the American market, the brand also developed in Europe and made solid progress in Japan and the Asia-Pacific region.

**Estates & Wines** recorded good growth, with excellent performance from the **Chandon** brand and promising developments at newly established estates (China, India). The 2015 harvest was of exceptional quality at all northern-hemisphere vineyards, signaling the arrival of a historic new vintage.

**Hennessy** recorded a substantial increase in sales volumes. Its results in the United States were remarkable across all cognac quality grades thanks to the robust performance of its star product Hennessy *Very Special*, its upmarket strategy and successful communications. In China, the first half of the year saw a rebound in sales, during a period marked by continuous destocking by retailers. Hennessy continued to concentrate its volumes on the highest-performing regions and developed its business not only in its historic markets but also in many new and promising countries such as Indonesia and the Philippines, emerging African and American markets, and travel retail channels.

**Glenmorangie** and **Ardbeg** continued to grow robustly on the back of strong demand for single malt premium whisky and increasing brand awareness. Their quality and innovation policy earned them award recognition and good sales. **Belvedere** vodka received a successful boost due to the high visibility afforded by its sponsorship of SPECTRE, the 24th James Bond film, and enjoyed numerous international distinctions.

## 2.3. FASHION AND LEATHER GOODS

The Fashion and Leather Goods business group posted revenue of 6,436 million euros.

Fashion and Leather Goods posted organic growth of 3%, and 11% based on published figures. This business group's performance continued to benefit from gains made by Louis Vuitton. Fendi, Céline, Kenzo, Givenchy and Berluti confirmed their potential for strong growth.

***Highlights***

**Louis Vuitton** maintained its creative momentum and the influence of its fascinating universe in the first half of the 2015/2016 fiscal year, infusing traditional craftsmanship with an avant-garde mindset. In leather goods – Louis Vuitton's core calling – growth was all the more robust in that it reflected the balance sought between timeless icons like the *Monogram* and recent launches. The *Capucines* model and the new *Petite Malle* performed especially well. Communication was rooted in regular campaigns and compelling events at emblematic locations, dovetailing with specific products and store openings, such as the "Series" exhibitions related to Nicolas Ghesquière's collections, and a presence at various arts and sports events throughout the world. Over the summer, the Fondation Louis Vuitton presented its first "beyond the walls" exhibit in Beijing. Alongside the opening of the Louis Vuitton Galerie in Asnières, the Grand Palais in Paris held the "Volez, Voguez, Voyagez" exhibition tracing the House's globetrotting history, which ran until February 2016. Louis Vuitton continued the quality-driven development of its store network, illustrated in particular by major renovations in Los Angeles, New York and Paris.

**Fendi** achieved a fine performance with an acceleration in revenue growth, the confirmed success of its new boutique concept, and market share gains in all regions. The brand enhanced its desirability, cultivating its image of audacity and refinement. It showed excellent momentum across all business areas, with especially strong demand for its iconic *Selleria* and *Peekaboo* leather goods lines. Several events stood out in the first half of the 2015/2016 fiscal year: the inauguration of the new headquarters at the Palazzo della Civiltà Italiana and the celebration of 50 years of creative collaboration with Karl Lagerfeld.

Driven by the excellence of its fabrics and its creations designed for a discreet and exacting clientele, **Loro Piana** continued to develop internationally with selective boutique openings. The Fashion House continued to invest in its manufacturing capacity, bolstered its supply chain – notably introducing the first Loro Piana Cashmere of the Year Award – and launched a new exceptional fabric called The Blend, combining vicuña down and baby cashmere in a unique palette of colors, which was immediately embraced by its customers.

The momentum of **Céline** was driven by all its product categories. Ready-to-wear and footwear continued to affirm the brand's modernity and quality, while the iconic leather goods lines elicited strong demand.

**Givenchy** and **Kenzo** had a very good half-year. Givenchy's Women's Summer 2016 collection presented in New York generated exceptional media coverage. Kenzo reinforced its positioning from one collection to the next, developed its store network, and cultivated a strong digital dimension.

**Donna Karan** and **Marc Jacobs** continued the strategic repositioning of their collections and consolidated their organizations. Donna Karan entrusted the creative directorship of *DKNY* women's ready-to-wear to New York designers Dao-Yi Chow and Maxwell Osborne. Marc Jacobs grouped its designs under one brand with a singular communications campaign and runway show, and implemented a new store concept.

Under the creative direction of Jonathan Anderson, **Loewe** continued its stylistic evolution and updated its iconic product lines. The launch of the *Puzzle* bag – a perfect illustration of the brand's craftsmanship – is already a great success.

**Berluti** had an eventful half-year, with numerous launches and the opening of a new workshop in Ferrara, which was necessary to accommodate its strong growth.

**Thomas Pink**, which maintained strong growth in its online sales, bolstered its digital strategy with the preparation of a new omni-channel platform.

## 2.4. PERFUMES AND COSMETICS

Revenue for Perfumes and Cosmetics came to 2,358 million euros, up 7% on a constant consolidation scope and currency basis, and up 14% based on published figures. All of this business group's brands performed well. This performance confirmed the effectiveness of the value-enhancing strategy resolutely pursued by the Group's brands in the face of competitive pressures spawned by the economic crisis. The Perfumes and Cosmetics business group saw appreciable revenue growth in the United States and Asia, notably China.

***Highlights***

Perfumes and Cosmetics had an eventful half-year, recording robust growth and new market share gains. The Group's Houses continued to capitalize on the vibrancy of their emblematic product lines and a vigorous innovation policy.

**Parfums Christian Dior** built on its growth and gained market share across the globe. Performance was driven by the unprecedented worldwide success of its new men's fragrance *Sauvage* – as embodied by Johnny Depp – and the buoyancy of its three iconic perfumes: *J'adore*, which offered the new *Touche de Parfum*; *Miss Dior*, driven by a fresh communications campaign and its worldwide success; and *Dior Homme*, which delivered growth in the world's main national markets. Dior developed its collections by re-releasing the iconic amphora bottle and a new exceptional fragrance, *Fève Délicieuse*, designed by its perfumer François Demachy for *La Collection Privée Christian Dior*. Spurred by the creative flair of Peter Philips since 2014, the brand's make-up segment reaffirmed its leading position with even bolder collections and numerous new releases such as *Dior Addict Lipstick*. In skincare, where Dior has achieved some age-fighting scientific breakthroughs, *Dreamskin* performed well, as did the *Prestige* range.

**Guerlain** continued to grow profitably, helped along by the ongoing success of the various incarnations of *La Petite Robe Noire* and the performance of *L'Homme Idéal*, which is well established on its markets. Its skincare lines *Orchidée Impériale* and *Abeille Royale* flourished, and its iconic make-up creations *Terracotta* and *Météorites* posted excellent results. La Ruche, the brand's new skincare and make-up manufacturing site in Chartres, is an asset to cosmetics development and a symbol of Guerlain's long-term commitment to high quality, eco design and the transmission of know-how in France's Cosmetic Valley.

**Parfums Givenchy** made progress with support from all of its product categories. The fragrance *Gentlemen Only*, an embodiment of masculine elegance, continued to record growth alongside the promising success of the new women's fragrance *Live Irrésistible*. Development in make-up was driven notably by the brand's top lipstick, *Le Rouge*.

**Kenzo Parfums** successfully launched *Flower by Kenzo L'Élixir*, with a communications campaign embodying the spontaneity and poetry of the brand.

**Benefit** maintained its strong momentum and continued to gain market share in the United States, Europe and the Middle East, with the support of some extremely effective digital communications. The major innovation of the first half of the fiscal year was *Roller Lash* mascara, a high-performance product that also conveys Benefit's signature fun-and-quirky tone, which achieved rapid success.

**Make Up For Ever** expanded rapidly, validating its business development model based on exceptional creativity and the professional quality of its make-up. In the first half of the 2015/2016 fiscal year, new foundation lines *Ultra HD* and *Step 1* were launched and proved highly successful.

**Fresh** maintained a high rate of growth, especially in Asia, propelled by its unique approach to beauty and its ranges of naturally derived products. During the first half of the 2015/2016 fiscal year, the brand also made its debut in Europe, with counters opening at the Galeries Lafayette in Paris and Harrods in London.

**Acqua di Parma** benefited from the excellent performance of its *Colonia* line, which embodies timeless elegance and the Italian art of living.

## 2.5. WATCHES AND JEWELRY

Revenue for Watches and Jewelry totaled 1,756 million euros, up 7% on a constant consolidation scope and currency basis, and up 16% based on published figures. This business group was boosted by the very strong momentum of Bvlgari throughout the world and by the very robust performance delivered by Chaumet and Hublot. For all of the business group's brands, Europe and Japan were the most dynamic regions.

***Highlights***

The Watches and Jewelry business group posted strong growth, with major gains in jewelry. The backdrop of economic and monetary uncertainty continued to make watch retailers prudent in their purchasing decisions. The boutiques achieved solid growth thanks to the success of their iconic product lines and the creativity of new offerings. The brands focused on building their reputations and invested selectively in their distribution networks and manufacturing capabilities.

**Bvlgari** continued to thrive in terms of both revenue and profits, delivering a remarkable performance in jewelry thanks to the success of the emblematic *Serpenti*, *Bvlgari-Bvlgari* and *B.Zero1* product lines and the new *Diva* collection. Fine jewelry made spectacular gains with a contribution from the new *Giardini Italiani* collection, inspired by the creative artistry of Italian gardens and epitomizing the brand's peerless mastery of exceptional colored gemstone arrangements. The watchmaking segment benefited from the success of the new *Lucea* collection, the ongoing progress of *Serpenti*, and the growth of the *Octo* line for men. A thorough campaign of selective store openings and improvements was rewarded with a strong performance by Bvlgari's own stores. In accessories and fragrances, Bvlgari accelerated its move upmarket.

**TAG Heuer** continued to build on its core products. New releases and special series were added to the iconic *Formula 1*, *Aquaracer* and *Carrera* lines, with powerful communications initiatives to support them. The smartwatch unveiled in New York in November, in keeping with the brand's status as a pioneer, generated a lot of interest and made a remarkable start in terms of sales on its first markets. TAG Heuer continued improving its organization and optimizing its store network to build on their quality and profitability. TAG Heuer's visibility for its target audience and its social media presence were enhanced with an extensive network of partners and ambassadors, including the Red Bull Racing team, the German Bundesliga soccer league, the musician David Guetta and the Chinese singer G.E.M.

**Hublot** kept up its high rate of growth, driven by the *Classic Fusion* line and the emblematic *Big Bang*, which turned 10 years old in 2015. The brand illustrated its creativity and value strategy with many new fine timepieces. The opening of a second manufacturing facility in Nyon reinforced Hublot's technical mastery of the fabrication process for its UNICO movements and its complications, and enriched its technological and innovative capacities. The brand's visibility was boosted by lively communications initiatives including events, a digital presence, and prestigious partnerships in the arts and sports. A new store was opened in Chengdu.

**Zenith** celebrated its 150th anniversary, a tribute to its values of craftsmanship and passion for watchmaking. The new *Elite 6150* received a very enthusiastic welcome, while the iconic *El Primero* line continued to thrive. Zenith raised its profile and expanded its network with the opening of a store in Chengdu.

**Chaumet** had a half-year of strong growth, driven by its emblematic lines and a gradual move upmarket. Several new designs enriched the *Hortensia* and *Joséphine* collections. A "Musée Éphémère" pop-up exhibit was opened on the Place Vendôme in Paris, displaying Chaumet's historic and current creations on the theme of naturalism, a hallmark of its heritage.

**De Beers** consolidated its position as the leading reference in the solitaire diamonds segment.

**Fred** was buoyed by its iconic *Force 10* line.

## 2.6. SELECTIVE RETAILING

Revenue for Selective Retailing totaled 5,942 million euros, up 5% on a constant consolidation scope and currency basis, and up 15% based on published figures. This performance was driven by Sephora, which generated very appreciable growth in revenue in North America and the Middle East.

***Highlights***

**Sephora** gained market share worldwide and achieved new double-digit revenue growth. Recently entered markets – Australia in particular – were off to a promising start. Expansion continued with close to 100 openings throughout the world in the first half of the 2015/2016 fiscal year. Several flagship stores such as the Mall of the Emirates store in Dubai and the Powell Street store in San Francisco were renovated to enrich customers' digital and service experience. Online sales kept up their strong growth, accompanied in particular by an upgraded mobile offering. Sephora stepped up the pace of its omni-channel development strategy. Geographic expansion continued with the acquisition of the e-commerce site Luxola, which is present in nine countries in Southeast Asia. Sephora also maintained its focus on innovation in products and services with a reinforced exclusive offering, the launch of the Beauty to Go line of miniature products for everyday use and travel, and the "Play!" initiative in the United States, which lets customers sign up to receive samples of a selection of products.

**Le Bon Marché** had a half-year of strong growth marked by innovation. Its recent renovation helped create remarkable momentum in the Accessories department, which was also boosted by the good results achieved in Watches and Jewelry. The ongoing transformation of the Women's Fashion space generated strong growth in this segment. The success of the "24 Sèvres" loyalty program exceeded expectations, expanding the customer base in France and drawing in a younger clientele. International customers, won over by Le Bon Marché's culturally rich, Parisian atmosphere, also contributed to revenue growth.

Travel retail activities were faced with a combination of unfavorable political, economic and monetary factors in Asia, with the exception of Japan, where **DFS** benefited from high levels of Chinese tourism. In this context, DFS drew on its unique expertise and its enormous capacity for innovation to develop its offering in response to the changing expectations of its globetrotting customers, while continuing to reduce operating costs. The T Beauty concept was launched in Macao and Hong Kong, offering a wide selection of brands and beauty products in an architectural space that is luxurious, modern and accessible. Another initiative, the wines and spirits duplex stores that opened at Changi Airport in Singapore, set a new benchmark for excellence in this category in terms of architecture and customer experience. In parallel, the plan to modernize existing stores continued, backed by a dynamic policy in marketing, events and loyalty building with the expansion of the LoyalT program.

The **Starboard Cruise Services** business on board cruise ships was boosted by the development of cruise routes in Asia and by its strategy of innovating and differentiating its in-store offerings by cruise line and customer base.

# 3 - Comments on the consolidated balance sheet

| *(EUR billions)* | December 31, 2015 | June 30, 2015 | Change |
|---|---|---|---|
| Equity | 27,6 | 26,3 | 1,3 |
| Long-term borrowings | 5,6 | 6,1 | (0,5) |
| Other non-current liabilities | 15,6 | 15,4 | 0,2 |
| **Equity and non-current liabilities** | **48,8** | **47,8** | **1,0** |
| Short-term borrowings | 4,6 | 4,4 | 0,2 |
| Other current liabilities | 9,3 | 7,8 | 1,5 |
| **Current liabilities** | **13,9** | **12,2** | **1,7** |
| **LIABILITIES AND EQUITY** | **62,7** | **60,0** | **2,7** |

| *(EUR billions)* | December 31, 2015 | June 30, 2015 | Change |
|---|---|---|---|
| Equity | 27.6 | 26.3 | 1.3 |
| Long-term borrowings | 5.6 | 6.1 | (0.5) |
| Other non-current liabilities | 15.6 | 15.4 | 0.2 |
| **Equity and non-current liabilities** | **48.8** | **47.8** | **1.0** |
| Short-term borrowings | 4.6 | 4.4 | 0.2 |
| Other current liabilities | 9.3 | 7.8 | 1.5 |
| **Current liabilities** | **13.9** | **12.2** | **1.7** |
| **LIABILITIES AND EQUITY** | **62.6** | **60.0** | **2.7** |

The consolidated balance sheet of the Christian Dior group totaled 62.7 billion euros as of December 31, 2015, representing a 4% increase from June 30, 2015. Non-current assets rose by 1.2 billion euros and represented 69% of total assets, compared with 70% as of June 30, 2015.

Tangible and intangible fixed assets grew by 1.1 billion euros. The net amount of goodwill was up 0.4 billion euros for the half-year, mainly due to the revaluation of purchase commitments for minority interests. Investments for the half-year, net of amortization and depreciation charges as well as disposals, generated an increase in tangible fixed assets of 0.4 billion euros. The comments on the cash flow statement provide further information about investments.

Other non-current assets increased by 0.1 billion euros. This included, for 0.2 billion euros, the increase in investments in joint ventures and associates resulting from the investments in Repossi and L Catterton Management.

Inventories decreased by 0.3 billion euros versus June 30, 2015. The comments on the cash flow statement provide further information on the change in inventories.

Other current assets grew by 1.8 billion euros, mainly due to the 1.1 billion euro increase in the cash balance and the 0.4 billion euro increase in trade receivables; this change was related to the seasonal nature of the business and the Group's revenue growth. Non-current liabilities, totaling 15.6 billion euros, increased by 0.2 billion euros, mainly influenced by the increase in other non-current liabilities for 0.7 billion euros arising from the increase in the value of purchase commitments for minority interests' shares, partially offset by a decrease in provisions for contingencies and losses of 0.4 billion euros. Other current liabilities increased by 1.5 billion euros for the half-year, totaling 9.3 billion euros, mainly comprised of 0.6 billion euros related to the increase in trade accounts payable, 0.5 billion euros to the increase in tax and social charge liabilities and 0.2 billion euros to the increase in income tax payable. These changes are due to the development of the Group's business activities.

## Net financial debt and equity

| *(EUR billions)* | December 31, 2015 | June 30, 2015 | Change |
|---|---|---|---|
| Long-term borrowings | 5.6 | 6.1 | (0.5) |
| Short-term borrowings and derivatives | 4.6 | 4.4 | 0.2 |
| **Gross borrowings after derivatives** | **10.1** | **10.5** | **(0.4)** |
| Cash and cash equivalents and current available for sale financial assets | (4.2) | (3.0) | 1.2 |
| **Net financial debt** | **5.9** | **7.5** | **(1.6)** |
| **Equity** | **27.6** | **26.3** | **1.3** |
| **Net financial debt / Equity ratio** | **21.1%** | **28.4%** | **(7.3)** |

The ratio of net financial debt to equity was 21.1% as of December 31, 2015, down 7.3 points from June 30, 2015, under the combined influence of several factors: the decrease in gross debt for 0.4 billion euros, the sharp increase in cash, cash equivalents and current available for sale financial assets for 1.2 billion euros, and the increase in equity of 1.3 billion euros.

Total equity amounted to 27.6 billion euros at end-2015. The 1.3 billion euro increase from June 30, 2015 primarily reflects the Group's half-year earnings of 2.3 billion euros, less the payment of 0.8 billion euros in dividends. This amount is also reduced by equity, the increase in the amount of purchase commitments for minority interests' shares for 0.2 billion euros and losses recognized in equity for 0.1 billion euros, partially offset by capital increases in subsidiaries for 0.1 billion euros.

As of December 31, 2015, total equity accounted for 44% of the balance sheet total, remaining stable compared to June 30, 2015.

Gross borrowings after derivatives totaled 10.1 billion euros as of December 31, 2015, representing a 0.4 billion euro decrease compared to June 30, 2015.

Cash, cash equivalents and current available for sale financial assets totaled 4.2 billion euros at the end of the half-year, up 1.2 billion euros from 3.0 billion euros as of June 30, 2015.

As of December 31, 2015, undrawn confirmed credit lines amounted to 4.9 billion euros, substantially exceeding the outstanding portion of the commercial paper program, which came to 2.3 billion euros.

# 4 - Comments on the consolidated cash flow statement

The consolidated cash flow statement, presented in the consolidated financial statements, provides details of the main financial flows in the periods presented.

| *(EUR millions)* | December 31, 2015 (6 months) | December 31, 2014 (6 months) | Change |
|---|---|---|---|
| **Cash from operations before changes in working capital** | **4,784** | **4,106** | **678** |
| Cost of net financial debt: interest paid | (35) | (85) | 50 |
| Tax paid on operating activities | (1,079) | (742) | (337) |
| **Net cash from operating activities before changes in working capital** | **3,670** | **3,279** | **391** |
| Change in working capital | 561 | 540 | 21 |
| Operating investments | (1,270) | (1,014) | (256) |
| **Free cash flow** | **2,961** | **2,805** | **156** |
| Financial investments | (530) | (153) | (377) |
| Transactions relating to equity | (748) | (886) | 138 |
| **Change in cash before financing activities** | **1,683** | **1,766** | **(83)** |

Cash from operations before changes in working capital totaled 4,784 million euros for the period, up 17% from the 4,106 million euros recorded in the first half of the 2014/2015 fiscal year. Net cash from operating activities before changes in working capital (i.e. after interest and income taxes paid) was 3,670 million euros, up 12% from the first half of the 2014/2015 fiscal year.

Interest paid came to 35 million euros for the period, considerably less than in the first half of the 2014/2015 fiscal year. This decrease is related to the combined impact of lower interest rates and the decline in the average gross financial debt outstanding.

Tax paid on operating activities was 1,079 million euros for the period, versus 742 million euros for the first half of 2014/2015. The Group's effective tax rate was 33%, up 6 points with respect to 2014, and down 3 points with respect to the 2014 tax rate adjusted for the specific impact of the exceptional distributions of Hermès shares.

The change in working capital requirement was a net inflow of 561 million euros. While the change in trade accounts receivable, essentially in Wines and Spirits and Perfumes and Cosmetics, generated cash requirements of 339 million euros, the increase in trade accounts receivable and other receivables and payables generated resources of 410 and 480 million euros respectively. Lastly, the cash generated by changes in inventories amounted to 10 million euros. This last amount shows a considerable improvement compared to the cash outflow of 54 million euros for the same period in 2014, particularly due to Wines and Spirits and, to a lesser extent, to Perfumes and Cosmetics and Watches and Jewelry.

Operating investments net of disposals resulted in a net cash outflow of 1,270 million euros for the half-year. They consisted mainly of investments by Louis Vuitton, Christian Dior Couture, Sephora, DFS, Bvlgari and Berluti in their retail networks, investments by Parfums Christian Dior in new counters, and investments by the champagne houses in their production facilities, as well as investments in real estate for administrative use, sales operations or rental purposes.

The net cash inflow from operating activities and operating investments (free cash flow) was up 6% and amounted to 2,961 million euros for the first half of fiscal year 2015/2016 versus 2,805 million euros for the first half of fiscal year 2014/2015.

Financial investments accounted for a 530 million euro outflow over the half-year. That included a 250 million euro outflow for tax paid on financial investments. Purchases of consolidated investments accounted for a cash outflow of 249 million euros. They included the acquisition of the daily newspaper Le Parisien/Aujourd'hui en France, a 95% stake in the e-commerce site Luxola, and investments in Repossi and L Catterton Management. Net acquisitions of non-current available for sale financial assets amounted to 31 million euros.

Transactions relating to equity generated an outflow of 748 million euros. A portion of this amount, 782 million euros, corresponds to dividends paid, including 349 million euros for the final cash dividend paid by Christian Dior, with the remaining amount accounted for by the dividends paid to the Group's minority interests.

Income taxes paid in connection with dividend payments amounted to 50 million euros for the period. The exercise of Christian Dior share purchase options, net of purchases of Christian Dior shares, generated a cash outflow of 9 million euros. Capital increases subscribed by minority interests in consolidated subsidiaries generated an inflow of 78 million euros, while acquisitions and disposals of minority interests, including the exercise of LVMH subscription options and acquisitions of LVMH shares, led to a net inflow of 15 million euros over the period.

The change in cash after all operating and equity-related activities thus amounted to a net inflow of 1,683 million euros for the half-year, versus 1,766 million euros for the first half of the previous fiscal year.

With financing activities generating a cash outflow of 359 million euros, and the negative impact of the change in the cumulative translation adjustment coming in at 130 million euros, the cash balance at the end of the half-year was up 1,194 million euros compared to the level as of June 30, 2015.

# Condensed consolidated financial statements for the six-month period ended December 31, 2015

# Financial highlights

## Key consolidated data

| *(EUR millions and as %)* | **Dec. 31, 2015** (6 months) | **June 30, 2015** (12 months) | **Dec. 31, 2014** (6 months) |
|---|---|---|---|
| Revenue | 19,903 | 35,081 | 17,473 |
| Profit from recurring operations | 3,778 | 6,296 | 3,247 |
| Net profit | 2,294 | 6,165 [a] | 4,385 [a] |
| Net profit, Group share | 863 | 2,378 | 1,704 |
| Cash from operations before changes in working capital [b] | 4,784 | 7,611 | 4,106 |
| Operating investments arising from change in net cash position | 1,270 | 1,947 | 1,014 |
| Free cash flow [c] | 2,961 | 3,481 | 2,805 |
| Equity [d] | 27,638 | 26,320 | 24,662 |
| Net financial debt [e] | 5,841 | 7,478 | 6,318 |
| Net financial debt / Equity ratio | 21% | 28% | 26% |

(a) Including 2,623 million euros as of June 30, 2015 and 2,621 million euros as of December 31, 2014 resulting from the Hermès distributions.
(b) Before tax and interest paid.
(c) Net cash from operating activities and operating investments.
(d) Including minority interests.
(e) Excluding purchase commitments for minority interests included in Other non-current liabilities.

## Data per share

| *(EUR)* | **Dec. 31, 2015** (6 months) | **June 30, 2015** (12 months) | **Dec. 31, 2014** (6 months) |
|---|---|---|---|
| **Earnings per share** | | | |
| Basic Group share of earnings per share | 4.82 | 13.29 [f] | 9.53 |
| Diluted Group share of earnings per share | 4.78 | 13.18 [f] | 9.44 |
| **Cash dividend per share** | | | |
| Exceptional distributions in kind in the form of Hermès shares | - | 4.20 [g] | 11.67 [h] |
| Interim dividend approved in cash | 1.35 | 1.25 | 1.25 |
| Final dividend approved in cash | - | 1.95 | - |
| **Gross amount approved for the period** [i] [j] | **1.35** | **3.20** | **1.25** |

(f) Of which 6.07 euros per share before dilution (6.01 euros per share after dilution) resulting from the distributions of Hermès shares.
(g) Exceptional interim dividend in kind.
(h) Exceptional distribution in kind of reserves and issue premiums under the seventh resolution of the Shareholders' Meeting of December 9, 2014.
(i) For the 2015/2016 fiscal year, amount approved by the Board of Directors on February 11, 2016 and payment on April 21, 2016.
(j) Excluding the impact of tax regulations applicable to the beneficiaries.

# Consolidated income statement

| *(EUR millions, except for earnings per share)* | *Notes* | Dec. 31, 2015 (6 months) | June 30, 2015 (12 months) | Dec. 31, 2014 (6 months) |
|---|---|---|---|---|
| **Revenue** | *23* | **19,903** | **35,081** | **17,473** |
| Cost of sales | | (6,927) | (12,307) | (6,197) |
| **Gross margin** | | **12,976** | **22,774** | **11,276** |
| Marketing and selling expenses | | (7,734) | (13,828) | (6,713) |
| General and administrative expenses | | (1,458) | (2,647) | (1,317) |
| Income (loss) from investments in joint ventures and associates | *7* | (6) | (3) | 1 |
| **Profit from recurring operations** | *23-24* | **3,778** | **6,296** | **3,247** |
| Other operating income and expenses | *25* | (156) | (298) | (236) |
| **Operating profit** | | **3,622** | **5,998** | **3,011** |
| Cost of net financial debt | | (46) | (164) | (91) |
| Other financial income and expenses | | (134) | 2,849 | 3,060 |
| **Net financial income (expense)** | *26* | **(180)** | **2,685** | **2,969** |
| Income taxes | *27* | (1,148) | (2,518) | (1,595) |
| **Net profit before minority interests** | | **2,294** | **6,165** | **4,385** |
| Minority interests | *17* | 1,431 | 3,787 | 2,681 |
| **Net profit, Group share** | | **863** | **2,378** | **1,704** |
| **Basic Group share of net earnings per share** *(EUR)* | *28* | **4.82** | **13.29** | **9.53** |
| Number of shares on which the calculation is based | | 179,089,375 | 178,928,184 | 178,744,103 |
| **Diluted Group share of net earnings per share** *(EUR)* | *28* | **4.78** | **13.18** | **9.44** |
| Number of shares on which the calculation is based | | 179,941,664 | 179,684,869 | 179,604,149 |

# Consolidated statement of comprehensive gains and losses

| *(EUR millions)* | Dec. 31, 2015 (6 months) | June 30, 2015 (12 months) | Dec. 31, 2014 (6 months) |
|---|---|---|---|
| **Net profit before minority interests** | **2,294** | **6,165** | **4,385** |
| Translation adjustments | (80) | 1,183 | 457 |
| Tax impact | 7 | 220 | 90 |
| | **(73)** | **1,403** | **547** |
| Change in value of available for sale financial assets | (56) | 397 | 373 |
| Amounts transferred to income statement | (2) | (3,406) | (3,317) |
| Tax impact | 2 | 212 | 191 |
| | **(56)** | **(2,797)** | **(2,753)** |
| Change in value of hedges of future foreign currency cash flows | (69) | (3) | (10) |
| Amounts transferred to income statement | 39 | (16) | (11) |
| Tax impact | - | 14 | 15 |
| | **(30)** | **(5)** | **(6)** |
| **Gains and losses recognized in equity, transferable to income statement** | **(159)** | **(1,399)** | **(2,212)** |
| Change in value of vineyard land | 64 | (20) | (20) |
| Amounts transferred to consolidated reserves | - | 3 | - |
| Tax impact | (21) | 8 | 10 |
| | **43** | **(9)** | **(10)** |
| Employee benefit commitments: change in value resulting from actuarial gains and losses | 42 | (148) | (147) |
| Tax impact | (16) | 47 | 47 |
| | **26** | **(101)** | **(100)** |
| **Gains and losses recognized in equity, not transferable to income statement** | **69** | **(110)** | **(110)** |
| **Gains and losses recognized in equity** | **(90)** | **(1,509)** | **(2,322)** |
| **Comprehensive income** | **2,204** | **4,656** | **2,063** |
| Minority interests | 1,399 | 2,960 | 1,353 |
| **COMPREHENSIVE INCOME, GROUP SHARE** | **805** | **1,696** | **710** |

# Consolidated balance sheet

| ASSETS<br>*(EUR millions)* | *Notes* | Dec. 31, 2015 | June 30, 2015 | Dec. 31, 2014 |
|---|---|---|---|---|
| Brands and other intangible assets | *3* | 16,324 | 16,242 | 15,731 |
| Goodwill | *4* | 10,768 | 10,365 | 9,449 |
| Property, plant and equipment | *6* | 11,958 | 11,418 | 11,038 |
| Investments in joint ventures and associates | *7* | 726 | 521 | 514 |
| Non-current available for sale financial assets | *8* | 582 | 632 | 590 |
| Other non-current assets | *9* | 592 | 561 | 532 |
| Deferred tax | | 2,030 | 2,031 | 1,504 |
| **Non-current assets** | | **42,980** | **41,770** | **39,358** |
| Inventories and work in progress | *10* | 10,426 | 10,704 | 9,757 |
| Trade accounts receivable | *11* | 2,610 | 2,173 | 2,355 |
| Income taxes | | 400 | 436 | 366 |
| Other current assets | *12* | 2,431 | 2,176 | 2,004 |
| Cash and cash equivalents | *14* | 3,839 | 2,771 | 4,332 |
| **Current assets** | | **19,706** | **18,260** | **18,814** |
| **TOTAL ASSETS** | | **62,686** | **60,030** | **58,172** |

| LIABILITIES AND EQUITY<br>*(EUR millions)* | *Notes* | Dec. 31, 2015 | June 30, 2015 | Dec. 31, 2014 |
|---|---|---|---|---|
| Share capital | *15.1* | 361 | 361 | 363 |
| Share premium account | *15.1* | 194 | 194 | 357 |
| Christian Dior shares | *15.2* | (126) | (116) | (278) |
| Cumulative translation adjustment | *15.4* | 507 | 554 | 223 |
| Revaluation reserves | | 401 | 412 | 432 |
| Other reserves | | 8,526 | 6,490 | 6,700 |
| Net profit, Group share | | 863 | 2,378 | 1,704 |
| **Equity, Group share** | | **10,726** | **10,273** | **9,501** |
| Minority interests | *17* | 16,912 | 16,047 | 15,161 |
| **Equity** | | **27,638** | **26,320** | **24,662** |
| Long-term borrowings | *18* | 5,571 | 6,130 | 6,339 |
| Non-current provisions | *19* | 1,982 | 2,377 | 2,311 |
| Deferred tax | | 5,602 | 5,738 | 5,307 |
| Other non-current liabilities | *20* | 7,967 | 7,262 | 6,451 |
| **Non-current liabilities** | | **21,122** | **21,507** | **20,408** |
| Short-term borrowings | *18* | 4,560 | 4,425 | 4,671 |
| Trade accounts payable | | 4,157 | 3,602 | 3,780 |
| Income taxes | | 677 | 431 | 640 |
| Current provisions | *19* | 423 | 323 | 349 |
| Other current liabilities | *21* | 4,109 | 3,422 | 3,662 |
| **Current liabilities** | | **13,926** | **12,203** | **13,102** |
| **TOTAL LIABILITIES AND EQUITY** | | **62,686** | **60,030** | **58,172** |

# Consolidated statement of changes in equity

| (EUR millions) | Share capital: Number of shares | Share capital | Share premium account | Christian Dior shares | Cumulative translation adjustment | Revaluation reserves: Available for sale financial assets | Revaluation reserves: Hedges of future foreign currency cash flows | Revaluation reserves: Vineyard land | Revaluation reserves: Employee benefit commitments | Net profit and other reserves | Total equity: Group share | Total equity: Minority interests | Total equity: Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Notes* | | *15.1* | *15.1* | *15.2* | *15.4* | | | | | | | *17* | |
| **As of June 30, 2014** | **181,727,048** | **363** | **2,205** | **(288)** | **37** | **1,226** | **6** | **390** | **(9)** | **8,040** | **11,970** | **18,367** | **30,337** |
| Gains and losses recognized in equity | | | | | 517 | (1,159) | (1) | (3) | (36) | - | **(682)** | (827) | **(1,509)** |
| Net profit | | | | | - | - | - | - | - | 2,378 | **2,378** | 3,787 | **6,165** |
| **Comprehensive income** | | | | | **517** | **(1,159)** | **(1)** | **(3)** | **(36)** | **2,378** | **1,696** | **2,960** | **4,656** |
| Stock option plan and similar expenses | | | | | | | | | | 24 | **24** | 23 | **47** |
| (Acquisition) / disposal of Christian Dior shares | | | | 172 | - | - | - | - | - | (6) | **166** | - | **166** |
| Capital increase in subsidiaries | | | | | | | | | | - | **-** | 6 | **6** |
| Interim and final dividends paid | | | | | | | | | | (564) | **(564)** | (1,215) | **(1,779)** |
| Distributions of Hermès shares | | | (1,848) | | - | - | - | - | - | (991) | **(2,839)** | (4,016) | **(6,855)** |
| Retirement of Christian Dior shares | (1,219,532) | (2) | (163) | | - | - | - | - | - | - | **(165)** | - | **(165)** |
| Changes in control of consolidated entities | | | | | | | | | | (6) | **(6)** | - | **(6)** |
| Acquisition and disposal of minority interests' shares | | | | | - | (1) | - | (1) | - | (2) | **(4)** | 31 | **27** |
| Purchase commitments for minority interests' shares | | | | | - | - | - | - | - | (5) | **(5)** | (109) | **(114)** |
| **As of June 30, 2015** | **180,507,516** | **361** | **194** | **(116)** | **554** | **66** | **5** | **386** | **(45)** | **8,868** | **10,273** | **16,047** | **26,320** |
| Gains and losses recognized in equity | | | | | (47) | (23) | (12) | 14 | 10 | - | **(58)** | (32) | **(90)** |
| Net profit | | | | | | | | | | 863 | **863** | 1,431 | **2,294** |
| **Comprehensive income** | | | | | **(47)** | **(23)** | **(12)** | **14** | **10** | **863** | **805** | **1,399** | **2,204** |
| Stock option plan and similar expenses | | | | | | | | | | 11 | **11** | 12 | **23** |
| (Acquisition) / disposal of Christian Dior shares | | | | (10) | | | | | | - | **(10)** | - | **(10)** |
| Capital increase in subsidiaries | | | | | | | | | | - | **-** | 86 | **86** |
| Interim and final dividends paid | | | | | | | | | | (349) | **(349)** | (430) | **(779)** |
| Changes in control of consolidated entities | | | | | | | | | | - | **-** | 1 | **1** |
| Acquisition and disposal of minority interests' shares | | | | - | - | - | - | - | - | 3 | **3** | 16 | **19** |
| Purchase commitments for minority interests' shares | | | | | | | | | | (7) | **(7)** | (219) | **(226)** |
| **As of December 31, 2015** | **180,507,516** | **361** | **194** | **(126)** | **507** | **43** | **(7)** | **400** | **(35)** | **9,389** | **10,726** | **16,912** | **27,638** |

| (EUR millions) | Number of shares | Share capital | Share premium account | Treasury shares | Cumulative translation adjustment | Revaluation reserves: Available for sale financial assets | Revaluation reserves: Hedges of future foreign currency cash flows | Revaluation reserves: Vineyard land | Revaluation reserves: Employee benefit commitments | Net profit and other reserves | Total equity: Group share | Total equity: Minority interests | Total equity: Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Notes* | | *15.1* | *15.1* | *15.2* | *15.4* | | | | | | | *17* | |
| **As of June 30, 2014** | **181,727,048** | **363** | **2,205** | **(288)** | **37** | **1,226** | **6** | **390** | **(9)** | **8,040** | **11,970** | **18,367** | **30,337** |
| Gains and losses recognized in equity | | | | | 186 | (1,138) | (3) | (3) | (36) | | **(994)** | (1,328) | **(2,322)** |
| Net profit | | | | | | | | | | 1,704 | **1,704** | 2 681 | **4,385** |
| **Comprehensive income** | | | | | **186** | **(1,138)** | **(3)** | **(3)** | **(36)** | **1,704** | **710** | **1,353** | **2,063** |
| Stock option plan and similar expenses | | | | | | | | | | **12** | **12** | 12 | **24** |
| (Acquisition)/disposal of Christian Dior shares | | | | 10 | | | | | | | **10** | | **10** |
| Capital increase in subsidiaries | | | | | | | | | | | **-** | 4 | **4** |
| Interim and final dividends paid | | | | | | | | | | (340) | **(340)** | (433) | **(773)** |
| Distributions of Hermès shares | | | (1,848) | | | | | | | (991) | **(2,839)** | (4,016) | **(6,855)** |
| Changes in control of consolidated entities | | | | | | | | | | (2) | **(2)** | 7 | **5** |
| Acquisition and disposal of minority interests' shares | | | | | | (1) | - | - | - | (3) | **(4)** | 4 | **-** |
| Purchase commitments for minority interests | | | | | | | | | | (16) | **(16)** | (137) | **(153)** |
| **As of December 31, 2014** | **181,727,048** | **363** | **357** | **(278)** | **223** | **87** | **3** | **387** | **(45)** | **8,404** | **9,501** | **15,161** | **24,662** |

# Consolidated cash flow statement

| (EUR millions) | Notes | Dec. 31, 2015 (6 months) | June 30, 2015 (12 months) | Dec. 31, 2014 (6 months) |
|---|---|---|---|---|
| **I OPERATING ACTIVITIES AND OPERATING INVESTMENTS** | | | | |
| Operating profit | | 3,622 | 5,998 | 3,011 |
| Adjustment for income/(loss) and dividends from joint ventures and associates | | 15 | 17 | 10 |
| Net increase in depreciation, amortization and provisions | | 1,304 | 2,136 | 1,244 |
| Other computed expenses | | (100) | (473) | (120) |
| Other adjustments | | (57) | (67) | (39) |
| **Cash from operations before changes in working capital** | | **4,784** | **7,611** | **4,106** |
| Cost of net financial debt: interest paid | | (35) | (164) | (85) |
| Tax paid on operating activities | | (1,079) | (1,551) | (742) |
| **Net cash from operating activities before changes in working capital** | | **3,670** | **5,896** | **3,279** |
| Change in working capital | 14.1 | 561 | (468) | 540 |
| **Net cash from operating activities** | | 4,231 | **5,428** | **3,819** |
| Operating investments | 14.2 | (1,270) | (1,947) | (1,014) |
| **Net cash from operating activities and operating investments (free cash flow)** | | **2,961** | **3,481** | **2,805** |
| **II FINANCIAL INVESTMENTS** | | | | |
| Purchase of non-current available for sale financial assets | | (60) | (41) | (27) |
| Proceeds from sale of non-current available for sale financial assets | | 29 | 178 | 139 |
| Dividends received | | - | - | - |
| Income tax related to financial investments | | (250) | (252) | (237) |
| Impact of purchase and sale of consolidated investments | | (249) | (55) | (28) |
| **Net cash from (used in) financial investments** | | **(530)** | **(170)** | **(153)** |
| **III TRANSACTIONS RELATING TO EQUITY** | | | | |
| Capital increases of subsidiaries subscribed by minority interests | | 78 | 7 | 4 |
| Acquisitions and disposals of Christian Dior treasury shares | 15.2 | (9) | 1 | 10 |
| Interim and final dividends paid by Christian Dior | | (349) | (575) [a] | (348) [a] |
| Interim and final dividends paid to minority interests in consolidated subsidiaries | | (433) | (1,271) [a] | (486) [a] |
| Income taxes paid related to interim and final dividends paid by Group companies | | (50) | (392) | (50) |
| Purchase and proceeds from sale of minority interests | | 15 | 1 | (16) |
| **Net cash from (used in) transactions relating to equity** | | **(748)** | **(2,229)** | **(886)** |
| **Change in cash before financing activities** | | **1,683** | **1,082** | **1,766** |
| **IV FINANCING ACTIVITIES** | | | | |
| Proceeds from borrowings | | 426 | 2,637 | 2,357 |
| Repayment of borrowings | | (1,022) | (3,223) | (2,171) |
| Purchase and proceeds from sale of current available for sale financial assets | 13 | 237 | (355) | (126) |
| **Net cash from (used in) financing activities** | | **(359)** | **(941)** | **60** |
| **V EFFECT OF EXCHANGE RATE CHANGES** | | **(130)** | **115** | **17** |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)** | | 1,194 | 256 | 1,843 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD** | 14 | **2,319** | **2,063** | **2,063** |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | 14 | **3,513** | **2,319** | **3,906** |
| **TOTAL TAX PAID** | | **(1,379)** | **(2,195)** | **(1,029)** |
| Transactions included in the table above, generating no change in cash: | | | | |
| - acquisition of assets by means of finance leases | | 2 | 6 | 4 |

(a) The distributions in kind of Hermès shares had no impact on cash, excluding tax impacts. See Note 8.

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# 1. ACCOUNTING POLICIES

## 1.1 General framework and environment

The condensed consolidated financial statements for the first half-year of fiscal year 2015/2016 covering the period from July 1, 2015 to December 31, 2015 were approved for publication by the Board of Directors on February 11, 2016.

The 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 calendar year than in the first six months.

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 applicable on December 31, 2015; these standards and interpretations have been applied consistently to the periods presented. The interim financial statements were prepared based on the same policies and methods used for the preparation of the annual financial statements.

## 1.2 Changes in the accounting framework applicable to the Group

### *Standards, amendments and interpretations for which application became mandatory as of July 1, 2015*

The following amendment applied to the Group as of July 1, 2015:
- IAS 19 amendment on the accounting of employees' contributions to post-employment plans.

The application of this amendment did not have a material impact on the Group's consolidated financial statements.

### *Other changes in the accounting framework which will be applied later than July 1, 2016*

The amendments to IAS 16 and 41 for biological assets are the only new standards applicable to the Group with effect from July 1, 2016. The application of these amendments will not have any impact on the Group's consolidated financial statements since the Group does not revalue these assets, given that their market value differs little from their historical cost (see Note 1.13 to the annual consolidated financial statements as of June 30, 2015).

The Group receives information on the progress of ongoing discussions held at IFRIC and IASB related to the recognition of purchase commitments for minority interests' shares and changes in their amount.

The impact of the application of IFRS 15 on revenue recognition with effect from January 1, 2018 is being assessed. It should be of little significance in light of the nature of the Group's business activities.

The impact of the application of IFRS 9 on financial instruments with effect from January 1, 2018 is also being assessed.

The impact of the application of IFRS 16 Leases with effect from January 1, 2019 (subject to its adoption by the European Union) will be assessed in 2016.

# 2. CHANGES IN THE PERCENTAGE INTEREST IN CONSOLIDATED ENTITIES

## 2.1 Selective Retailing

In July 2015, Sephora acquired a 95% equity interest in the e-commerce site Luxola, which is present in nine countries of Southeast Asia.

## 2.2 Other activities

In October 2015, the Group acquired a 100% equity interest in the daily newspaper Le Parisien/Aujourd'hui en France. The acquisition comprises the publishing, printing and sales activities of this daily newspaper and the weekly Le Parisien Magazine.

See also Note 7 regarding in the percentage interest in joint ventures and associates.

## 3. BRANDS, TRADE NAMES AND OTHER INTANGIBLE ASSETS

| (EUR millions) | December 31, 2015 Gross | Amortization and impairment | Net | June 30, 2015 Net | December 31, 2014 Net |
|---|---|---|---|---|---|
| Brands | 13,468 | (611) | 12,857 | 12,892 | 12,609 |
| Trade names | 4,033 | (1,663) | 2,370 | 2,315 | 2,155 |
| License rights | 25 | (25) | - | 1 | 1 |
| Leasehold rights | 807 | (391) | 416 | 428 | 397 |
| Software, websites | 1,277 | (946) | 331 | 289 | 285 |
| Other | 758 | (408) | 350 | 317 | 284 |
| **TOTAL** | **20,368** | **(4,044)** | **16,324** | **16,242** | **15,731** |
| Of which: | | | | | |
| Assets held under finance leases | 14 | (14) | - | - | - |

Movements during the half-year 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 June 30, 2015** | **13,491** | **3,935** | **1,160** | **798** | **713** | **20,097** |
| Acquisitions | - | - | 91 | 14 | 116 | 221 |
| Disposals and retirements | - | - | (14) | (6) | (32) | (52) |
| Changes in the scope of consolidation | 27 | - | 17 | 4 | 9 | 57 |
| Translation adjustment | (48) | 98 | 3 | (4) | (6) | 43 |
| Other movements, including transfers | (2) | - | 20 | 1 | (17) | 2 |
| **AS OF DECEMBER 31, 2015** | **13,468** | **4,033** | **1,277** | **807** | **783** | **20,368** |

| **Accumulated amortization and impairment** *(EUR millions)* | Brands | Trade names | Software, websites | Leasehold rights | Other intangible assets | TOTAL |
|---|---|---|---|---|---|---|
| **As of June 30, 2015** | **(599)** | **(1,620)** | **(871)** | **(370)** | **(395)** | **(3,855)** |
| Amortization | (9) | - | (72) | (26) | (66) | (173) |
| Impairment | - | - | (1) | (2) | - | (3) |
| Disposals and retirements | - | - | 14 | 7 | 33 | 54 |
| Changes in the scope of consolidation | - | - | (14) | - | (4) | (18) |
| Translation adjustment | (5) | (43) | (1) | 1 | 2 | (46) |
| Other movements, including transfers | 2 | - | (1) | (1) | (3) | (3) |
| **AS OF DECEMBER 31, 2015** | **(611)** | **(1,663)** | **(946)** | **(391)** | **(433)** | **(4,044)** |
| **Net carrying amount as of December 31, 2015** | **12,857** | **2,370** | **331** | **416** | **350** | **16,324** |

The translation adjustment relates mainly to values of intangible assets recognized in US dollars and Swiss francs, given changes in exchange rates between these currencies and the euro during the six-month period. This affected in particular the DFS Galleria trade name and the Donna Karan brand, as regards fluctuations relative to the US dollar, and the TAG Heuer and Hublot brands as regards fluctuations relative to the Swiss franc.

## 4. GOODWILL

| (EUR millions) | December 31, 2015 Gross | December 31, 2015 Impairment | December 31, 2015 Net | June 30, 2015 Net | December 31, 2014 Net |
|---|---|---|---|---|---|
| Goodwill arising on consolidated investments | 8,602 | (1,733) | 6,869 | 6,874 | 6,758 |
| Goodwill arising on purchase commitments for minority interests | 3,899 | - | 3,899 | 3,491 | 2,691 |
| **TOTAL** | **12,501** | **(1,733)** | **10,768** | **10,365** | **9,449** |

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

| (EUR millions) | December 31, 2015 (6 months) Gross | December 31, 2015 (6 months) Impairment | December 31, 2015 (6 months) Net | June 30, 2015 (12 months) Net | December 31, 2014 (6 months) Net |
|---|---|---|---|---|---|
| **At beginning of period** | **11,993** | **(1,628)** | **10,365** | **9,626** | **9,626** |
| Changes in the scope of consolidation (See Note 2) | 114 | - | 114 | 26 | 23 |
| Changes in purchase commitments for minority interests | 374 | - | 374 | 775 | (46) |
| Changes in impairment | - | (80) | (80) | (215) | (179) |
| Translation adjustment | 20 | (25) | (5) | 153 | 25 |
| Reclassifications | - | - | - | - | - |
| **AT END OF PERIOD** | **12,501** | **(1,733)** | **10,768** | **10,365** | **9,449** |

Changes in the scope of consolidation in the first half of the 2015/2016 fiscal year were mainly related to the acquisition of the daily newspaper Le Parisien/Aujourd'hui en France and the 95% stake in the e-commerce site Luxola.

Translation adjustments arose mainly on goodwill recognized in US dollars and Swiss francs, based on the appreciation of these currencies relative to the euro during the half-year. This affected Benefit, Starboard Cruise Services and Donna Karan as regards US dollars, and TAG Heuer and Hublot as regards Swiss francs.

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

## 5. IMPAIRMENT TESTING OF INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Brands, trade names, and other intangible assets with indefinite useful lives, as well as goodwill, were subject to impairment testing as of December 31, 2015, according to which no significant risk of impairment was identified. See Note 25 regarding the impairment and amortization expense recorded during the half-year.

## 6. PROPERTY, PLANT AND EQUIPMENT

| (EUR millions) | December 31, 2015 Gross | Depreciation and impairment | Net | June 30, 2015 Net | December 31, 2014 Net |
|---|---|---|---|---|---|
| Land | 1,517 | (75) | 1,442 | 1,437 | 1,304 |
| Vineyard land and producing vineyards | 2,538 | (97) | 2,441 | 2,370 | 2,364 |
| Buildings | 3,300 | (1,544) | 1,756 | 1,660 | 1,504 |
| Investment property | 612 | (48) | 564 | 566 | 634 |
| Leaseholds improvements, machinery and equipment | 10,304 | (6,786) | 3,518 | 3,389 | 3,275 |
| Assets in progress | 871 | (4) | 867 | 715 | 739 |
| Other tangible fixed assets | 1,825 | (455) | 1,370 | 1,281 | 1,218 |
| **TOTAL** | **20,967** | **(9,009)** | **11,958** | **11,418** | **11,038** |
| Of which: | | | | | |
| Assets held under finance leases | 294 | (200) | 94 | 103 | 100 |
| Historical cost of vineyard land and producing vineyards | 739 | (97) | 642 | 634 | 631 |

Movements in property, plant and equipment during the six-month period break down as follows:

| Gross value (EUR millions) | Vineyard land and producing vineyards | Land and buildings | Investment property | Leasehold improvements, machinery and equipment: Stores | Production, logistics | Other | Assets in progress | Other tangible fixed assets | TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| **As of June 30, 2015** | **2 465** | **4 670** | **610** | **6 231** | **2 086** | **1 387** | **719** | **1 810** | **19 978** |
| Acquisitions | 3 | 154 | 1 | 343 | 67 | 48 | 439 | 168 | **1 223** |
| Change in the market value of vineyard land | 64 | - | - | - | - | - | - | - | **64** |
| Disposals and retirements | - | (38) | - | (230) | (39) | (38) | - | (12) | **(357)** |
| Changes in the scope of consolidation | - | 1 | - | 1 | 39 | 15 | (1) | - | **55** |
| Translation adjustment | (3) | 16 | 1 | 11 | (17) | 3 | 3 | (5) | **9** |
| Other movements, including transfers | 9 | 14 | - | 553 | 37 | (193) | (289) | (136) | **(5)** |
| **AS OF DECEMBER 31, 2015** | **2 538** | **4 817** | **612** | **6 909** | **2 173** | **1 222** | **871** | **1 825** | **20 967** |

| Depreciation and impairment (EUR millions) | Vineyard land and producing vineyards | Land and buildings | Investment property | Leasehold improvements, machinery and equipment: Stores | Production, logistics | Other | Assets in progress | Other tangible fixed assets | TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| **As of June 30, 2015** | **(95)** | **(1 573)** | **(44)** | **(3 947)** | **(1 443)** | **(925)** | **(4)** | **(529)** | **(8 560)** |
| Amortization | (3) | (87) | (1) | (485) | (67) | (52) | - | (28) | **(723)** |
| Impairment | - | (14) | - | (1) | - | - | (1) | - | **(16)** |
| Disposals and retirements | - | 39 | - | 227 | 35 | 37 | 1 | 12 | **351** |
| Changes in the scope of consolidation | - | (1) | - | - | (37) | (13) | - | - | **(51)** |
| Translation adjustment | 1 | (11) | (1) | (14) | 11 | (3) | - | 1 | **(16)** |
| Other movements, including transfers | - | 28 | (2) | (216) | (2) | 109 | - | 89 | **6** |
| **AS OF DECEMBER 31, 2015** | **(97)** | **(1 619)** | **(48)** | **(4 436)** | **(1 503)** | **(847)** | **(4)** | **(455)** | **(9 009)** |
| **Net carrying amount as of December 31, 2015** | **2 441** | **3 198** | **564** | **2 473** | **670** | **375** | **867** | **1 370** | **11 958** |

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

The impact of marking vineyard land to market, compared to the acquisition price, was 1,799 million euros as of December 31, 2015 (1,737 million euros as of June 30, 2015; 1,733 million euros as of December 31, 2014).

The market value of investment property, according to appraisals by independent third parties, was around 1 billion euros as of December 31, 2015. The valuation methods used are based on market data.

Purchases of property, plant and equipment include investments by Louis Vuitton, Christian Dior Couture, Sephora, DFS and Bvlgari in their retail networks, investments by Parfums Christian Dior in new counters, and investments by the champagne houses in their production equipment, as well as investments in real estate for administrative use, sales operations or rental purposes.

The translation adjustment relates mainly to values of property, plant and equipment recognized in US dollars, given changes in exchange rates between the US dollar and the euro between June 30, 2015 and December 31, 2015.

## 7. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

| | December 31, 2015 (6 months) | | | | June 30, 2015 (12 months) | | December 31, 2014 (6 months) | |
|---|---|---|---|---|---|---|---|---|
| *(EUR millions)* | 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 at beginning of period** | **521** | **-** | **521** | ***354*** | **498** | ***342*** | **497** | ***342*** |
| Share of net profit (loss) for the period | (6) | - | (6) | *(4)* | (3) | *2* | 1 | *(2)* |
| Dividends recognized for the period | (4) | - | (4) | *-* | (21) | *(11)* | (11) | *(5)* |
| Changes in the scope of consolidation | 212 | - | 212 | *-* | 7 | *-* | 7 | *-* |
| Capital increases subscribed | - | - | - | *-* | 15 | *9* | 12 | *7* |
| Translation adjustment | - | - | - | *-* | 12 | *9* | 7 | *4* |
| Other movements, including transfers | 3 | - | 3 | *(2)* | 13 | *3* | 1 | *(3)* |
| **SHARE OF NET ASSETS OF JOINT VENTURES AND ASSOCIATES AS OF PERIOD-END** | **726** | **-** | **726** | ***348*** | **521** | ***354*** | **514** | ***343*** |

As of December 31, 2015, investments in joint ventures and associates consisted primarily of:

### *For joint arrangements:*

- a 50% equity stake in the Château Cheval Blanc wine estate (Gironde, France), which produces the eponymous Saint-Émilion Grand Cru Classé A;
- a 50% equity stake in De Beers Diamond Jewellers, whose network of boutiques sells the De Beers brand jewelry.

### *For other companies:*

- a 40% equity stake in Mongoual SA, a real estate company which owns an office building in Paris (France), which is the head office of LVMH Moët Hennessy - Louis Vuitton;
- a 46% equity stake in J.W.Anderson, a London-based ready-to-wear brand, acquired in September 2013;
- a 45% equity stake in PT. Sona Topas Tourism Industry Tbk (STTI), an Indonesian retail company, which notably holds duty-free sales licenses in airports;
- a 41.7% equity stake in Repossi, an Italian jewelry brand, acquired in November 2015;
- a 35.8% equity stake in L Catterton Management, an investment fund management company created in December 2015 in partnership with Catterton Management.

## 8. NON-CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

| (EUR millions) | December 31, 2015 Gross | Impairment | Net | June 30, 2015 Net | Dec. 31, 2014 Net |
|---|---|---|---|---|---|
| **TOTAL** | **786** | **(204)** | **582** | **632** | **590** |

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

| (EUR millions) | Dec. 31, 2015 (6 months) | June 30, 2015 (12 months) | Dec. 31, 2014 (6 months) |
|---|---|---|---|
| **At beginning of period** | **632** | **7,200** | **7,200** |
| Acquisitions | 58 | 38 | 20 |
| Disposals at net realized value | (29) | (179) | (139) |
| Distributions in kind of Hermès shares | - | (6,785) | (6,785) |
| Changes in market value | (45) | 388 | 347 |
| Changes in impairment | (22) | (10) | (10) |
| Changes in the scope of consolidation | - | - | - |
| Translation adjustment | 6 | 55 | 32 |
| Reclassifications | (18) | (75) | (75) |
| **AT END OF PERIOD** | **582** | **632** | **590** |

As of June 30, 2014, non-current available for sale assets mainly included an investment in Hermès International SCA ("Hermès") with a gross and net amount of 6,595 million euros. This shareholding was distributed to the shareholders of LVMH and Christian Dior during the fiscal year ended June 30, 2015 as described below.

On September 2, 2014, under the aegis of the President of the Paris Commercial Court, Hermès International on the one side and LVMH, Christian Dior and Financière Jean Goujon on the other entered into a settlement agreement (the "Agreement") under the terms of which:

- LVMH agreed to distribute to its shareholders all of the Hermès shares it owned, namely 24,473,545 shares equal to 23.18% of the share capital and 16.56% of the voting rights of Hermès. Christian Dior, which as of the date of the distribution held 40.9% of LVMH's share capital through its wholly owned subsidiary Financière Jean Goujon, also agreed to distribute the Hermès shares received from LVMH to its own shareholders;

- LVMH, Financière Jean Goujon, Christian Dior and Mr. Bernard Arnault undertook not to acquire any Hermès shares for a period of five years.

In accordance with the terms of the Agreement, LVMH and Christian Dior distributed the Hermès shares to their shareholders on December 17, 2014, in the form of exceptional distributions in kind. LVMH decided at its Combined Shareholders' Meeting of November 25, 2014 on a distribution in kind of 2 Hermès shares for every 41 LVMH shares. Christian Dior decided at its Combined Shareholders' Meeting of December 9, 2014 on a distribution in kind of one Hermès share for every 24 Christian Dior shares and at its Board of Directors meeting of December 11, 2014 on an interim dividend in kind of 3 Hermès shares for every 200 Christian Dior shares.

The amount of the distributions in kind carried out by the Group, 6.9 billion euros, was determined on the basis of the opening Hermès share price on December 17, 2014, which was 280.10 euros. Because fractional shares were made neither tradable nor assignable, shareholders whose allocation based on the distribution ratio was not a whole number of Hermès shares received the next lower whole number of Hermès shares, plus a cash equalization payment.

After the distributions of Hermès shares to the shareholders, the Group's remaining stake in Hermès, corresponding to shares not distributed in respect of remainders and fractional shares, was reclassified under current available for sale financial assets for an amount of 70 million euros. In accordance with the terms of the Agreement entered into with Hermès, the companies of the Group sold their remaining shares for a total of 74 million euros.

The impact of the Hermès share distribution on consolidated equity as of June 30, 2015 is as follows:

**Impacts on equity, of which:**

| | Revaluation reserves as of June 30, 2014 | Profit | | Other reserves | Total | Group share | Minority interests |
|---|---|---|---|---|---|---|---|
| Distributions in kind of Hermès shares | (2,948) | 3,193 | (a) | (6,855) | (6,610) | (2,737) | (3,873) |
| Related tax [(b)] | 191 | (570) | - | - | (379) | (157) | (222) |
| **Net** | **(2,757)** | **2,623** | | **(6,855)** | **(6,989)** | **(2,894)** | **(4,095)** |

(a) See also Note 26.

(b) Including the impact of the 3% tax on dividends paid by Group companies.

The net impact on consolidated equity is a reduction of 7.0 billion euros, corresponding to the value of the Hermès stake as of June 30, 2014, plus the tax impacts resulting from this distribution. The gain (excluding tax impacts) recorded in the income statement is 3.2 billion euros, corresponding to the difference between the value of the stake as measured using the Hermès opening share price on December 17, 2014, i.e. 6.9 billion euros, and the total cost price of the shares for accounting purposes, which is 3.7 billion euros (2.7 billion euros in cash after deduction of the gain recognized in 2010 on the unwinding of equity-linked swaps covering 12.8 million shares).

## 9. OTHER NON-CURRENT ASSETS

| *(EUR millions)* | Dec. 31, 2015 | June 30, 2015 | Dec. 31, 2014 |
|---|---|---|---|
| Warranty deposits | 315 | 309 | 274 |
| Derivatives (see Note 22) | 60 | 66 | 75 |
| Loans and receivables | 186 | 158 | 161 |
| Other | 31 | 28 | 22 |
| **TOTAL** | **592** | **561** | **532** |

## 10. INVENTORIES AND WORK IN PROGRESS

| | December 31, 2015 | | | June 30, 2015 | Dec. 31, 2014 |
|---|---|---|---|---|---|
| *(EUR millions)* | Gross | Impairment | Net | Net | Net |
| Wines and eaux-de-vie in the process of aging | 4,224 | (11) | 4,213 | 4,089 | 4,002 |
| Other raw materials and work in progress | 1,533 | (359) | 1,174 | 1,301 | 1,310 |
| | **5,757** | **(370)** | **5,387** | **5,390** | **5,312** |
| Goods purchased for resale | 1,774 | (194) | 1,580 | 1,568 | 1,336 |
| Finished products | 4,288 | (829) | 3,459 | 3,746 | 3,109 |
| | **6,062** | **(1,023)** | **5,039** | **5,314** | **4,445** |
| **TOTAL** | **11,819** | **(1,393)** | **10,426** | **10,704** | **9,757** |

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

| | December 31, 2015 (6 months) | | | June 30, 2015 (12 months) | Dec. 31, 2014 (6 months) |
|---|---|---|---|---|---|
| *(EUR millions)* | Gross | Impairment | Net | Net | Net |
| **At beginning of period** | **12,074** | **(1,370)** | **10,704** | **9,593** | **9,593** |
| Change in gross inventories | (10) | - | (10) | 683 | 64 |
| Effect of provision for returns | (2) | - | (2) | - | - |
| Impact of marking harvests to market | (16) | - | (16) | (9) | (9) |
| Changes in provision for impairment | - | (211) | (211) | (300) | (193) |
| Changes in the scope of consolidation | 2 | - | 2 | (3) | (4) |
| Translation adjustment | (54) | 13 | (41) | 740 | 305 |
| Other, including reclassifications | (175) | 175 | - | - | 1 |
| **AT END OF PERIOD** | **11,819** | **(1,393)** | **10,426** | **10,704** | **9,757** |

The translation adjustment relates mainly to inventories recognized in US dollars, given the appreciation of this currency with respect to the euro during the six-month period.

The effects of marking harvests to market on Wines and Spirits' cost of sales and value of inventory are as follows for the periods presented:

| *(EUR millions)* | Dec. 31, 2015 (6 months) | June 30, 2015 (12 months) | Dec. 31, 2014 (6 months) |
|---|---|---|---|
| Effect of marking the period's harvest to market | 7 | 23 | 11 |
| Effect of inventory sold during the period | (23) | (32) | (20) |
| **NET EFFECT ON COST OF SALES OF THE PERIOD** | **(16)** | **(9)** | **(9)** |
| **NET EFFECT ON THE VALUE OF INVENTORY AS OF PERIOD-END** | **150** | **166** | **166** |

## 11. TRADE ACCOUNTS RECEIVABLE

| *(EUR millions)* | Dec. 31, 2015 | June 30, 2015 | Dec. 31, 2014 |
|---|---|---|---|
| Trade accounts receivable, nominal amount | 2,917 | 2,456 | 2,636 |
| Provision for impairment | (69) | (72) | (73) |
| Provision for product returns | (238) | (211) | (208) |
| **NET AMOUNT** | **2,610** | **2,173** | **2,355** |

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

| | Dec. 31, 2015 (6 months) | | | June 30, 2015 (12 months) | Dec. 31, 2014 (6 months) |
|---|---|---|---|---|---|
| *(EUR millions)* | Gross | Impairment | Net | Net | Net |
| **At beginning of period** | **2,456** | **(283)** | **2,173** | **2,008** | **2,008** |
| Changes in gross receivables | 358 | - | 358 | 15 | 325 |
| Changes in provision for impairment | - | (1) | (1) | (7) | (10) |
| Changes in provision for product returns | - | (28) | (28) | (33) | (41) |
| Changes in the scope of consolidation | 139 | (1) | 138 | 15 | 5 |
| Translation adjustment | (35) | 3 | (32) | 172 | 51 |
| Reclassifications | (1) | 3 | 2 | 3 | 17 |
| **AT END OF PERIOD** | **2,917** | **(307)** | **2,610** | **2,173** | **2,355** |

The trade accounts receivable balance is comprised primarily of receivables from wholesalers or agents, who are limited in number and with whom the Group maintains ongoing relationships for the most part. As of December 31, 2015, the majority of trade accounts receivable were covered by trade credit insurance provided by insurers.

As of December 31, 2015, the breakdown of the nominal amount of trade receivables and of impairment by age was as follows:

| *(EUR millions)* | | Nominal amount of receivables | Impairment | Net amount of receivables |
|---|---|---|---|---|
| Not due: | - less than 3 months | 2,321 | (15) | 2,306 |
| | - more than 3 months | 296 | (4) | 292 |
| | | 2,617 | (19) | 2,598 |
| Overdue: | - less than 3 months | 181 | (7) | 174 |
| | - more than 3 months | 119 | (43) | 76 |
| | | 300 | (50) | 250 |
| **TOTAL** | | **2,917** | **(69)** | **2,848** |

For each of the periods presented, no single customer accounted for more than 10% of the Group's consolidated revenue.

There is no difference between the present value of trade accounts receivable and their carrying amount.

## 12. OTHER CURRENT ASSETS

| *(EUR millions)* | Dec. 31, 2015 | June 30, 2015 | Dec. 31, 2014 |
|---|---|---|---|
| Current available for sale financial assets | 385 | 257 | 266 |
| Derivatives | 297 | 394 | 304 |
| Tax accounts receivable, excluding income taxes | 646 | 524 | 479 |
| Advances and payments on account to vendors | 168 | 142 | 168 |
| Prepaid expenses | 377 | 403 | 330 |
| Other receivables | 558 | 456 | 457 |
| **TOTAL** | **2,431** | **2,176** | **2,004** |

Please also refer to Note 13 "Current available for sale financial assets" and Note 22 "Financial instruments and market risk management".

## 13. CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

| *(EUR millions)* | Dec. 31, 2015 | June 30, 2015 | Dec. 31, 2014 |
|---|---|---|---|
| Unlisted securities, shares in non-money market SICAVs and funds | - | - | - |
| Listed securities | 385 | 257 | 266 |
| **TOTAL** | **385** | **257** | **266** |
| Of which: historical cost of current available for sale financial assets | 393 | 272 | 192 |

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

| *(EUR millions)* | Dec. 31, 2015 (6 months) | June 30, 2015 (12 months) | Dec. 31, 2014 (6 months) |
|---|---|---|---|
| **At beginning of period** | **257** | **184** | **184** |
| Acquisitions | 121 | 256 | - |
| Disposals at net realized value | - | (267) | (15) |
| Changes in market value | (11) | 7 | 27 |
| Changes in impairment | - | 7 | - |
| Translation adjustment | - | - | - |
| Reclassifications [(a)] | 18 | 70 | 70 |
| **AT END OF PERIOD** | **385** | **257** | **266** |

(a) See Note 8.

## 14. CASH FLOW STATEMENT

### 14.1 Cash and cash equivalents

| *(EUR millions)* | Dec. 31, 2015 | June 30, 2015 | Dec. 31, 2014 |
|---|---|---|---|
| Fixed-term deposits (less than 3 months) | 816 | 516 | 1,270 |
| SICAV and FCP money market funds | 577 | 325 | 784 |
| Ordinary bank accounts | 2,446 | 1,930 | 2,278 |
| **CASH AND CASH EQUIVALENTS PER BALANCE SHEET** | **3,839** | **2,771** | **4,332** |

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)* | Dec. 31, 2015 | June 30, 2015 | Dec. 31, 2014 |
|---|---|---|---|
| Cash and cash equivalents | 3,839 | 2,771 | 4,332 |
| Bank overdrafts | (326) | (452) | (426) |
| **NET CASH AND CASH EQUIVALENTS PER CASH FLOW STATEMENT** | **3,513** | **2,319** | **3,906** |

### 14.2 Change in working capital

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

| *(EUR millions)* | Dec. 31, 2015 (6 months) | June 30, 2015 (12 months) | Dec. 31, 2014 (6 months) |
|---|---|---|---|
| Change in inventories and work in progress | 10 | (670) | (54) |
| Change in trade accounts receivable [(a)] | (339) | (12) | (303) |
| Change in trade accounts payable | 410 | 209 | 512 |
| Change in other receivables and payables | 480 | 5 | 385 |
| **CHANGE IN WORKING CAPITAL [(b)]** | **561** | **(468)** | **540** |

(a) Including a negative effect of 19 million euros related to amounts owed to customers (3 million euros as of June 30, 2015; 22 million euros as of December 31, 2014).

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

### 14.3 Operating investments

Operating investments comprise the following elements for the periods presented:

| *(EUR millions)* | Notes | Dec. 31, 2015 (6 months) | June 30, 2015 (12 months) | Dec. 31, 2014 (6 months) |
|---|---|---|---|---|
| Purchase of intangible fixed assets | 3 | (221) | (354) | (206) |
| Purchase of tangible fixed assets | 6 | (1,223) | (1,663) | (954) |
| Changes in accounts payable related to fixed asset purchases | | 149 | 104 | 163 |
| **Net cash used in purchases of fixed assets** [(a)] | | **(1,295)** | **(1,913)** | **(997)** |
| Net cash from fixed asset disposals [(a)] | | 25 | 10 | 5 |
| Guarantee deposits paid and other cash flows related to operating investments [(a)] | | - | (44) | (22) |
| OPERATING INVESTMENTS | | **(1,270)** | **(1,947)** | **(1,014)** |

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

## 15. EQUITY

### 15.1 Share capital and share premium account

As of December 31, 2015, issued and fully paid-up shares totaled 180,507,516 (180,507,516 as of June 30, 2015 and 181,727,048 as of December 31, 2014), with a par value of 2 euros; 126,133,269 shares with double voting rights, granted to registered shares held for more than three years (126,090,731 as of June 30, 2015 and 126,051,763 as of December 31, 2014).

Changes in the share capital and share premium account, in value and in terms of number of shares, break down as follows:

| *(EUR millions)* | | | | Dec. 31, 2015 | June 30, 2015 | Dec. 31, 2014 |
|---|---|---|---|---|---|---|
| | Number of shares | | | Amount | Amount | Amount |
| | | Share capital | Share premium account | Total | | |
| **At beginning of period** | **180,507,516** | 361 | 194 | 555 | 2,568 | 2,568 |
| Distributions in kind of Hermès shares [(a)] | - | - | | - | (1,848) | (1,848) |
| Retirement of shares | - | - | | - | (165) | - |
| **At end of period** | **180,507,516** | **361** | **194** | **555** | **555** | **720** |

(a) See Note 8.

### 15.2 Christian Dior shares

The portfolio of Christian Dior shares, and their allocation, is as follows:

| | December 31, 2015 | | June 30, 2015 | Dec. 31, 2014 |
|---|---|---|---|---|
| *(EUR millions)* | Number | Amount | Amount | Amount |
| Share purchase option plans | 1,134,610 | 87 | 88 | 84 |
| Bonus share plans | 271,930 | 34 | 22 | 26 |
| Future plans | 29,979 | 5 | 6 | 3 |
| Other | - | - | - | 1 |
| Shares pending retirement | - | - | - | 164 |
| **CHRISTIAN DIOR SHARES** | **1,436,519** | **126** | **116** | **278** |

The portfolio movements of Christian Dior shares during the first half of fiscal year 2015/2016 were as follows:

| *(EUR millions)* | Number of shares | Amount | Effect on cash |
|---|---|---|---|
| **As of July 1, 2015** | **1,399,764** | **116** | |
| Share purchases | 65,343 | 11 | (11) |
| Exercise of share purchase options | (28,588) | (1) | 2 |
| Vested bonus shares and performance shares | - | - | - |
| **AS OF DECEMBER 31, 2015** | **1,436,519** | **126** | **(9)** |

## 15.3 Dividends paid in cash by the parent company Christian Dior

| *(EUR millions, except for data per share in EUR)* | Dec. 31, 2015 (6 months) | June 30, 2015 (12 months) | Dec. 31, 2014 (6 months) |
|---|---|---|---|
| Interim dividend for the current fiscal year (June 30, 2015: 1.25 euros) | - | 226 | - |
| Exceptional distribution in kind in the form of Hermès shares | - | 751 | - |
| Impact of treasury shares | - | (2) | - |
| | **-** | **975** | **-** |
| Final dividend for the previous fiscal years (June 30, 2015: 1.95 euros; June 30, 2014: 1.90 euros) | 352 | 345 | 345 |
| In-kind distribution of Hermès shares | - | 2,088 | - |
| Impact of treasury shares | (3) | (5) | (5) |
| | **349** | **2,428** | **340** |
| **Total gross amount disbursed during the period** [(a)] | **349** | **3,403** | **340** |

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

The final cash dividend for the fiscal year ended June 30, 2015, of 1.95 euros per share, was paid on December 15, 2015, in accordance with the resolutions of the Shareholders' Meeting of December 1, 2015, representing a total amount of 352 million euros, excluding the amount to be deducted in relation to treasury shares held as of the ex-dividend date. The Board of Directors met on February 11, 2016 and decided on the payment, on April 21, 2016, of an interim cash dividend of a gross amount of 1.35 euros per share for fiscal year 2015/2016.

## 15.4 Cumulative translation adjustment

The change in the translation adjustment recognized under equity, Group share and the closing balance, net of hedging effects of net assets denominated in foreign currency, breaks down as follows by currency:

| *(EUR millions)* | Dec. 31, 2015 | Change | June 30, 2015 | Dec. 31, 2014 |
|---|---|---|---|---|
| US dollar | 188 | 34 | 154 | 55 |
| Swiss franc | 305 | (35) | 340 | 187 |
| Japanese yen | 22 | (30) | 52 | 14 |
| Hong Kong dollar | 211 | 38 | 173 | 104 |
| Pound sterling | 22 | (9) | 31 | - |
| Other currencies | (26) | (40) | 14 | (13) |
| Foreign currency net investment hedges | (215) | (5) | (210) | (124) |
| **TOTAL, GROUP SHARE** | **507** | **(47)** | **554** | **223** |

# 16. STOCK OPTION AND SIMILAR PLANS

## 16.1 Share purchase option plans

For all plans, one option entitles the holder to purchase one share.

The number of unexercised options relating to plans remaining in effect on December 31, 2015 is attributable to the changes detailed below:

| | December 31, 2015 (6 months) | |
|---|---|---|
| | Number | Weighted average exercise price *(EUR)* |
| **Share purchase options outstanding as of July 1, 2015** | **1,163,198** | **66.12** |
| Allocated | - | - |
| Options expired | - | - |
| Options exercised | (28,588) | 66.05 |
| **2015** | **1,134,610** | **66.12** |

## 16.2 Bonus share and performance share allocation plans

| *(number of shares)* | December 31, 2015 (6 months) |
|---|---|
| **Non-vested shares as of July 1, 2015** | **202,419** |
| Non-vested allocations during the period | 69,511 |
| Allocations vested during the period | - |
| Allocations expired during the period | - |
| **NON-VESTED SHARES AS OF DECEMBER 31, 2015** | **271,930** |

A bonus share and performance share allocation plan was set up during the six-month period, on December 1, 2015, covering 69,551 shares.

## 16.3 Expense for the period

| *(EUR millions)* | Dec. 31, 2015 (6 months) | June 30, 2015 (12 months) | Dec. 31, 2014 (6 months) |
|---|---|---|---|
| Bonus share plans - Christian Dior | 5 | 9 | 4 |
| Share subscription option and bonus share plans - LVMH | 18 | 38 | 20 |
| **EXPENSE FOR THE PERIOD** | **23** | **47** | **24** |

The following data were applied for the purposes of determining the expense recognized for the six-month period:

### *For LVMH*

The LVMH share price on the day before the grant date of the plans was 158.05 euros for the plan dated October 22, 2015.

At the time of these grants, the average unit value of non-vested bonus shares granted in the first half of the 2015/2016 fiscal year was 144.11 euros for beneficiaries who are French residents for tax purposes and 142.91 euros for beneficiaries with tax residence outside France.

### *For Christian Dior*

The Christian Dior share price on the day before the grant date of the plan dated December 1, 2015 was 173.20 euros.

The average unit value of non-vested bonus shares granted in the period was 162.66 euros for beneficiaries.

## 17. MINORITY INTERESTS

| *(EUR millions)* | Dec. 31, 2015 (6 months) | June 30, 2015 (12 months) | Dec. 31, 2014 (6 months) |
|---|---|---|---|
| **At beginning of period** | **16,047** | **18,367** | **18,367** |
| Minority interests' share of net profit | 1,431 | 3,787 | 2,681 |
| Dividends paid to minority interests | (430) | (1,215) | (433) |
| Distributions in kind of Hermès shares | - | (4,016) | (4,016) |
| Effects of changes in control of consolidated entities: | | | |
| other movements | 1 | - | 7 |
| Effects of acquisition and disposal of minority interests' shares: | | | |
| movements in LVMH SE share capital and treasury shares | 16 | 30 | 13 |
| other movements | - | 1 | (9) |
| **Total effects of changes in the percentage interest in consolidated entities** | **17** | **31** | **11** |
| Capital increases subscribed by minority interests | 86 | 6 | 4 |
| Minority interests' share in gains and losses recognized in equity | (32) | (827) | (1,328) |
| Minority interests' share in stock option plan expenses | 12 | 23 | 12 |
| Effects of changes in minority interests subject to purchase commitments | (219) | (109) | (137) |
| **AT END OF PERIOD** | **16,912** | **16,047** | **15,161** |

The change in minority interests' share in gains and losses recognized in equity breaks down as follows:

| *(EUR millions)* | Cumulative translation adjustment | Available for sale financial assets | Hedges of future foreign currency cash flows | Vineyard land | Revaluation adjustments of employee benefits | Total share of minority interests |
|---|---|---|---|---|---|---|
| **As of June 30, 2015** | 873 | 93 | 11 | 758 | (82) | **1,653** |
| Gains and losses recognized in equity | (25) | (32) | (19) | 28 | 16 | **(32)** |
| Changes due to treasury shares and related derivatives | - | - | - | - | - | **-** |
| **AS OF DECEMBER 31, 2015** | **848** | **61** | **(8)** | **786** | **(66)** | **1,621** |

Minority interests mainly comprise:

- shareholders of LVMH SE (59%) other than Financière Jean Goujon, the controlling shareholder;
- minority interests composed of Diageo's 34% stake in Moët Hennessy. Diageo's stake in Moët Hennessy may be assessed using the revenue, operating profit and core assets of the Wines and Spirits business group, which are presented in Note 23. Since the 34% stake held by Diageo in Moët Hennessy is subject to a purchase commitment, it is reclassified under "Other non-current liabilities" and is therefore excluded from the total amount of minority interests at the period-end. See Note 20.
- a minority interest of 39% held by Mr. Miller in DFS, which is part of the Selective Retailing business group. Mr. Miller's rights are not deemed to have the potential to interfere with the implementation of the Group's strategy for DFS.

## 18. BORROWINGS

### 18.1 Net financial debt

| *(EUR millions)* | **Dec. 31, 2015** | **June 30, 2015** | **Dec. 31, 2014** |
|---|---|---|---|
| Bonds and Euro Medium-Term Notes (EMTNs) | 4,699 | 5,390 | 5,590 |
| Bank borrowings and finance leases | 872 | 740 | 749 |
| **Long-term borrowings** | **5,571** | **6,130** | **6,339** |
| Bonds and Euro Medium-Term Notes (EMTNs) | 1,010 | 299 | 925 |
| Commercial paper | 2,281 | 2,432 | 2,004 |
| Bank overdrafts | 326 | 452 | 426 |
| Other short-term borrowings | 943 | 1,242 | 1,316 |
| **Short-term borrowings** | **4,560** | **4,425** | **4,671** |
| **Gross borrowings** | **10,131** | **10,555** | **11,010** |
| Interest rate risk derivatives | (66) | (49) | (94) |
| **Gross borrowings after derivatives** | **10,065** | **10,506** | **10,916** |
| Current available for sale financial assets | (385) | (257) | (266) |
| Cash and cash equivalents | (3,839) | (2,771) | (4,332) |
| **Net financial debt** | **5,841** | **7,478** | **6,318** |

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 after derivatives

| (EUR millions) | | Gross borrowings Fixed rate | Gross borrowings Floating rate | Gross borrowings Total | Effects of derivatives Fixed rate | Effects of derivatives Floating rate | Effects of derivatives Total | Gross borrowings after derivatives Fixed rate | Gross borrowings after derivatives Floating rate | Gross borrowings after derivatives Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Maturity | December 31, 2016 | 3,086 | 1,474 | 4,560 | 1 | (6) | (5) | 3,087 | 1,468 | 4,555 |
| | December 31, 2017 | 1,443 | 158 | 1,601 | (1,408) | 1,384 | (24) | 35 | 1,542 | 1,577 |
| | December 31, 2018 | 596 | 146 | 742 | - | (5) | (5) | 596 | 141 | 737 |
| | December 31, 2019 | 1,212 | 577 | 1,789 | (351) | 339 | (12) | 861 | 916 | 1,777 |
| | December 31, 2020 | 607 | 40 | 647 | (401) | 394 | (7) | 206 | 434 | 640 |
| | December 31, 2021 | 664 | - | 664 | (650) | 637 | (13) | 14 | 637 | 651 |
| | Thereafter | 122 | 6 | 128 | - | - | - | 122 | 6 | 128 |
| **TOTAL** | | **7,730** | **2,401** | **10,131** | **(2,809)** | **2,743** | **(66)** | **4,921** | **5,144** | **10,065** |

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) | Dec. 31, 2015 | June 30, 2015 | Dec. 31, 2014 |
|---|---|---|---|
| Euro | 7,726 | 8,003 | 8,361 |
| US dollar | 458 | 258 | 319 |
| Swiss franc | 909 | 944 | 1,015 |
| Japanese yen | 354 | 329 | 338 |
| Other currencies | 618 | 972 | 883 |
| **Total** | **10,065** | **10,506** | **10,916** |

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

## 19. PROVISIONS

| (EUR millions) | Dec. 31, 2015 | June 30, 2015 | Dec. 31, 2014 |
|---|---|---|---|
| Provisions for pensions, medical costs and similar commitments | 647 | 687 | 653 |
| Provisions for contingencies and losses | 1,314 | 1,642 | 1,625 |
| Provisions for reorganization | 21 | 48 | 33 |
| **Non-current provisions** | **1,982** | **2,377** | **2,311** |
| Provisions for pensions, medical costs and similar commitments | 5 | 4 | 4 |
| Provisions for contingencies and losses | 354 | 303 | 328 |
| Provisions for reorganization | 64 | 16 | 17 |
| **Current provisions** | **423** | **323** | **349** |
| **TOTAL** | **2,405** | **2,700** | **2,660** |

The changes in provisions during the period were as follows:

| *(EUR millions)* | June 30, 2015 | Increases | Amounts used | Amounts released | Changes in the scope of consolidation | Other items (including translation adjustment) | Dec. 31, 2015 |
|---|---|---|---|---|---|---|---|
| Provisions for pensions, medical costs and similar commitments | 691 | 68 | (65) | (9) | 10 | (43) | 652 |
| Provisions for contingencies and losses | 1,945 | 354 | (580) | (70) | 9 | 10 | 1,668 |
| Provisions for reorganization | 64 | 44 | (32) | (4) | 12 | 1 | 85 |
| **TOTAL** | **2,700** | **466** | **(677)** | **(83)** | **31** | **(32)** | **2,405** |
| Of which: | | | | | | | |
| Profit from recurring operations | | 265 | (95) | (61) | | | |
| Net financial income (expense) | | 2 | 1 | - | | | |
| Other | | 199 | (583) | (22) | | | |

Provisions for contingencies and losses correspond to the estimate of the impact on assets and liabilities of risks, disputes, or actual or probable litigation arising from the Group's activities; such activities are carried out worldwide, within what is often an imprecise regulatory framework that is different for each country, changes over time, and applies to areas ranging from product composition to the tax computation.

In particular, the Group's entities in France and abroad may be subject to tax inspections and, in certain cases, to rectification claims from local administrations. These rectification claims, together with any uncertain tax positions that have been identified but not yet officially reassessed, give rise to appropriate provisions, the amount of which is regularly reviewed in accordance with the criteria of IAS 37 Provisions and IAS 12 Income Taxes.

Changes in provisions notably reflect the resolution of certain discussions with the tax authorities, customs or other administrations, both in France and abroad.

## 20. OTHER NON-CURRENT LIABILITIES

| *(EUR millions)* | Dec. 31, 2015 | June 30, 2015 | Dec. 31, 2014 |
|---|---|---|---|
| Purchase commitments for minority interests' shares | 7,421 | 6,823 | 6,008 |
| Derivatives (see Note 22) | 2 | 12 | 16 |
| Employee profit sharing | 93 | 79 | 88 |
| Other liabilities | 451 | 348 | 339 |
| **TOTAL** | **7,967** | **7,262** | **6,451** |

As of December 31, 2015, purchase commitments for minority interests 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 SNC and Moët Hennessy International SAS ("Moët Hennessy") hold the LVMH group's investments in the Wines and Spirits businesses, with the exception of the equity investments in Château d'Yquem, Château Cheval Blanc and Clos des Lambrays, and excluding certain Champagne vineyards.

Purchase commitments for minority interests also include commitments relating to minority shareholders in Loro Piana (20%), Ile de Beauté (35%), Heng Long (35%) and distribution subsidiaries in various countries, mainly in the Middle East.

## 21. OTHER CURRENT LIABILITIES

| *(EUR millions)* | Dec. 31, 2015 | June 30, 2015 | Dec. 31, 2014 |
|---|---|---|---|
| Derivatives (see Note 22) | 185 | 278 | 274 |
| Employees and social institutions | 1,328 | 1,091 | 1,174 |
| Employee profit sharing | 98 | 57 | 75 |
| Taxes other than income taxes | 570 | 390 | 476 |
| Advances and payments on account from customers | 228 | 171 | 202 |
| Deferred payment for tangible and financial non-current assets | 546 | 415 | 458 |
| Deferred income | 208 | 221 | 190 |
| Other liabilities | 946 | 799 | 813 |
| **TOTAL** | **4,109** | **3,422** | **3,662** |

## 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 at each level.

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 information systems that allow hedging transactions to be monitored quickly.

Hedging decisions are made according to a clearly established process that includes regular presentations to the management bodies concerned and detailed supporting 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* | Dec. 31, 2015 | June 30, 2015 | Dec. 31, 2014 |
|---|---|---|---|---|---|
| **Interest rate risk** | | | | | |
| Assets: | non-current | | 57 | 45 | 61 |
| | current | | 14 | 16 | 42 |
| Liabilities: | non-current | | - | (1) | (3) |
| | current | | (5) | (11) | (6) |
| | | *22.3* | **66** | **49** | **94** |
| **Foreign exchange risk** | | | | | |
| Assets: | non-current | | 3 | 21 | 14 |
| | current | | 283 | 378 | 217 |
| Liabilities: | non-current | | (2) | (11) | (13) |
| | current | | (178) | (266) | (268) |
| | | *22.4* | **106** | **122** | **(50)** |
| **Other risks** | | | | | |
| Assets: | non-current | | - | - | - |
| | current | | - | - | 45 |
| Liabilities: | non-current | | - | - | - |
| | current | | (2) | (1) | - |
| **Total** | | | **(2)** | **(1)** | **45** |
| Assets: | non-current | *9* | 60 | 66 | 75 |
| | current | *12* | 297 | 394 | 304 |
| Liabilities: | non-current | *20* | (2) | (12) | (16) |
| | current | *21* | (185) | (278) | (274) |
| | | | **170** | **170** | **89** |

## 22.3 Derivatives used to manage interest rate risk

The aim of the Group's debt management policy is to adapt the debt maturity profile to the characteristics of the assets held, to contain borrowing costs, and to protect net profit from the effects of significant changes in interest rates.

For these purposes, the Group uses interest rate swaps and options.

Derivatives used to manage interest rate risk outstanding as of December 31, 2015 break down as follows:

| | Nominal amounts by maturity | | | | Market value (a) | | |
|---|---|---|---|---|---|---|---|
| *(EUR millions)* | Less than 1 year | One to five years | More than five years | Total | Fair value hedges | Not allocated | Total |
| Interest rate swaps in euros: floating-rate payer | - | 2,808 | - | 2,808 | 62 | - | 62 |
| Foreign currency swaps | 332 | 1,242 | - | 1,574 | 2 | 1 | 3 |
| Other interest rate risk derivatives | 500 | 184 | - | 684 | - | 1 | 1 |
| **TOTAL** | | | | | **64** | **2** | **66** |

(a) Gain / (Loss).

## 22.4 Derivatives used to manage foreign exchange risk

A significant part of Group companies' sales to customers and to their own retail subsidiaries as well as certain purchases are denominated in currencies other than their functional currency; the majority of these foreign currency-denominated cash flows are inter-company cash flows. Hedging instruments are used to reduce the risks arising from the fluctuations of currencies against the exporting and importing companies' functional currencies and are allocated to either accounts receivable or accounts payable (fair value hedges) for the fiscal year, or to transactions anticipated for future periods (cash flow hedges).

Future foreign currency-denominated cash flows are broken down as part of the budget preparation process and are hedged progressively over a period not exceeding one year unless a longer period is justified by probable commitments. As such, and according to market trends, identified foreign exchange risks are hedged using forward contracts or options.

In addition, the Group may also use appropriate financial instruments to hedge the net worth of subsidiaries outside the euro zone, in order to limit the impact of foreign currency fluctuations against the euro on consolidated equity.

Derivatives used to manage foreign exchange risk outstanding as of December 31, 2015 break down as follows:

| | Nominal amounts by allocation period | | | | Market value [(a)] | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *(EUR millions)* | **2015** | **2016** | **Beyond** | **Total** | **Fair value hedges** | **Future cash flow hedges** | **Foreign currency net investment hedges** | **Not allocated** | **TOTAL** |
| **Options purchased** | | | | | | | | | |
| Put USD | 86 | 136 | - | 222 | - | 1 | - | - | 1 |
| Put JPY | 19 | - | - | 19 | - | - | - | - | - |
| Put GBP | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - |
| | **105** | **136** | **-** | **241** | **-** | **1** | **-** | **-** | **1** |
| **Collars** | | | | | | | | | |
| Written USD | 7 | 4,069 | - | 4,076 | - | 19 | - | - | 19 |
| Written JPY | 9 | 747 | - | 756 | - | 8 | - | - | 8 |
| Written Other | 30 | 179 | - | 209 | (1) | 7 | - | - | 6 |
| | **46** | **4,995** | **-** | **5,041** | **(1)** | **34** | **-** | **-** | **33** |
| **Forward exchange contracts** [(b)] | | | | | | | | | |
| USD | (7) | 16 | (2) | 7 | 2 | 2 | - | - | 4 |
| CHF | (37) | (15) | - | (52) | 3 | 2 | - | 1 | 6 |
| GBP | 4 | 14 | - | 18 | 1 | - | - | - | 1 |
| Other | 56 | 58 | - | 114 | 2 | - | - | - | 2 |
| | **16** | **73** | **(2)** | **87** | **8** | **4** | **-** | **1** | **13** |
| **Foreign exchange swaps** [(b)] | | | | | | | | | |
| USD | 3,402 | 26 | - | 3,428 | (47) | - | 103 | - | 56 |
| CHF | 425 | 9 | - | 434 | (2) | - | (27) | - | (29) |
| GBP | 287 | - | - | 287 | 10 | - | 37 | - | 47 |
| JPY | 302 | - | - | 302 | (5) | 1 | (1) | - | (5) |
| HKD | 180 | - | - | 180 | - | - | (9) | - | (9) |
| Other | 847 | 73 | 12 | 932 | 2 | - | (3) | - | (1) |
| | **5,443** | **108** | **12** | **5,563** | **(42)** | **1** | **100** | **-** | **59** |
| **TOTAL** | | | | | **(35)** | **40** | **100** | **1** | **106** |

(a) Gain / (Loss).
(b) Sale / (Purchase).

## 22.5 Financial instruments used to manage other risks

The Group's investment policy is designed to take advantage of a long-term investment horizon. Occasionally, the Group may invest in equity-based financial instruments with the aim of enhancing the dynamic management of its investment portfolio.

The Group is exposed to risks of share price changes either directly, as a result of its holding of subsidiaries, equity investments and current available for sale financial assets, or indirectly, as a result of its holding of funds which are themselves partially invested in shares.

The Group may also use equity-based derivatives to synthetically create economic exposure to certain assets, or to hedge cash-settled compensation plans index-linked to the LVMH share price. The carrying amount of these unlisted financial instruments corresponds to the estimate of the amount, provided by the counterparty, of the valuation at the period-end. The valuation of financial instruments thus takes into consideration market parameters such as interest rates and share prices.

The Group, mainly through its Watches and Jewelry business group, may be exposed to changes in the prices of certain precious metals, such as gold. In certain cases, in order to ensure visibility with regard to production costs, hedges may be implemented. This is achieved either by negotiating the forecast price of future deliveries of alloys with precious metal refiners, or the price of semi-finished products with producers, or directly by purchasing hedges from top-ranking banks. In the latter case, gold may be purchased from banks, or future and/or options contracts may be taken out with a physical delivery of the gold. Derivatives outstanding relating to the hedging of precious metal prices as of December 31, 2015 have a negative market value of 2 million euros. Considering nominal values of 145 million euros for those derivatives, a uniform 1% change in their underlying assets' prices as of December 31, 2015 would have a net impact on the Group's consolidated reserves in an amount of less than 1.5 million euros. These instruments mature in 2016.

# 23. SEGMENT INFORMATION

The Group's brands and trade names are organized into seven business groups. Five business groups – Christian Dior Couture, Wines and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics, Watches and Jewelry – comprise brands dealing with the same category of products that use similar production and distribution processes, in addition to a specific management team. 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 abovementioned business groups, most often relating to the Group's new businesses and holding or real estate companies.

## 23.1 Information by business group

### *December 31, 2015 (6 months)*

| *(EUR millions)* | Christian Dior Couture | 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 | 959 | 2,657 | 6,418 | 2,026 | 1,726 | 5,924 | 193 | - | 19,903 |
| Intra-group sales | 2 | 16 | 18 | 332 | 30 | 18 | 21 | (437) | - |
| **TOTAL REVENUE** | **961** | **2,673** | **6,436** | **2,358** | **1,756** | **5,942** | **214** | **(437)** | **19,903** |
| Profit from recurring operations | 135 | 881 | 1,844 | 277 | 227 | 506 | (92) | - | 3,778 |
| Other operating income and expenses | - | (9) | (108) | (4) | (32) | (5) | 2 | - | (156) |
| Depreciation and amortization expense | (64) | (69) | (339) | (98) | (109) | (192) | (25) | - | (896) |
| Impairment expense | - | (15) | (71) | - | - | (3) | (10) | - | (99) |
| Intangible assets and goodwill [(b)] | 193 | 6,932 | 7,278 | 1,950 | 5,862 | 3,560 | 1,317 | - | 27,092 |
| Property, plant and equipment | 783 | 2,484 | 2,114 | 525 | 501 | 1,550 | 4,001 | - | 11,958 |
| Inventories | 342 | 4,795 | 1,566 | 447 | 1,361 | 1,909 | 237 | (231) | 10,426 |
| Other operating assets | 228 | 1,392 | 873 | 778 | 728 | 758 | 915 | 7,538 [(c)] | 13,210 |
| **TOTAL ASSETS** | **1,546** | **15,603** | **11,831** | **3,700** | **8,452** | **7,777** | **6,470** | **7,307** | **62,686** |
| Equity | - | - | - | - | - | - | - | 27,638 | 27,638 |
| Liabilities | 445 | 1,426 | 2,451 | 1,380 | 920 | 2,425 | 1,140 | 24,861 [(d)] | 35,048 |
| **TOTAL LIABILITIES AND EQUITY** | **445** | **1,426** | **2,451** | **1,380** | **920** | **2,425** | **1,140** | **52,499** | **62,686** |
| Operating investments [(e)] | (130) | (146) | (273) | (128) | (102) | (259) | (232) | - | (1,270) |

## *June 30, 2015* *(12 months)*

| *(EUR millions)* | Christian Dior Couture | Wines and Spirits | Fashion and Leather Goods | Perfumes and Cosmetics | Watches and Jewelry | Selective Retailing | Other and holding companies | Eliminations and not allocated [a] | TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Sales outside the Group | 1,760 | 4,197 | 11,695 | 3,624 | 3,004 | 10,407 | 394 | - | 35,081 |
| Intra-group sales | 5 | 29 | 36 | 612 | 64 | 36 | 42 | (824) | - |
| **TOTAL REVENUE** | **1,765** | **4,226** | **11,731** | **4,236** | **3,068** | **10,443** | **436** | **(824)** | **35,081** |
| Profit from recurring operations | 226 | 1,168 | 3,363 | 459 | 381 | 912 | (196) | (17) | 6,296 |
| Other operating income and expenses | - | (34) | (136) | (14) | 2 | (74) | (42) | - | (298) |
| Depreciation and amortization expens | (112) | (127) | (613) | (168) | (180) | (330) | (35) | - | (1,565) |
| Impairment expense | - | (22) | (72) | (10) | (1) | (84) | (40) | - | (229) |
| Intangible assets and goodwill [b] | 179 | 6,647 | 7,407 | 1,923 | 5,918 | 3,362 | 1,171 | - | 26,607 |
| Property, plant and equipment | 693 | 2,387 | 2,186 | 497 | 461 | 1,441 | 3,753 | - | 11,418 |
| Inventories | 334 | 4,814 | 1,695 | 458 | 1,500 | 1,895 | 244 | (236) | 10,704 |
| Other operating assets | 232 | 1,133 | 895 | 716 | 693 | 681 | 493 | 6,458 [c] | 11,301 |
| **TOTAL ASSETS** | **1,438** | **14,981** | **12,183** | **3,594** | **8,572** | **7,379** | **5,661** | **6,222** | **60,030** |
| Equity | - | - | - | - | - | - | - | 26,320 | 26,320 |
| Liabilities | 465 | 1,189 | 2,338 | 1,248 | 792 | 1,970 | 871 | 24,837 [d] | 33,710 |
| **TOTAL LIABILITIES AND EQUITY** | **465** | **1,189** | **2,338** | **1,248** | **792** | **1,970** | **871** | **51,157** | **60,030** |
| Operating investments [e] | (205) | (189) | (591) | (230) | (200) | (352) | (180) | - | (1,947) |

## *December 31, 2014* *(6 months)*

| *(EUR millions)* | Christian Dior Couture | 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 | 851 | 2,280 | 5,784 | 1,786 | 1,480 | 5,134 | 158 | - | 17,473 |
| Intra-group sales | 3 | 16 | 14 | 291 | 36 | 18 | 18 | (396) | - |
| **TOTAL REVENUE** | **854** | **2,296** | **5,798** | **2,077** | **1,516** | **5,152** | **176** | **(396)** | **17,473** |
| Profit from recurring operations | 120 | 686 | 1,702 | 211 | 176 | 484 | (115) | (17) | 3,247 |
| Other operating income and expenses | - | (28) | (90) | (15) | 1 | (71) | (33) | - | (236) |
| Depreciation and amortization expense | (53) | (64) | (312) | (83) | (90) | (160) | (16) | - | (778) |
| Impairment expense | - | (21) | (47) | (9) | (1) | (82) | (30) | - | (190) |
| Intangible assets and goodwill [b] | 137 | 5,789 | 7,313 | 1,902 | 5,646 | 3,161 | 1,232 | - | 25,180 |
| Property, plant and equipment | 622 | 2,339 | 2,165 | 477 | 425 | 1,415 | 3,595 | - | 11,038 |
| Inventories | 279 | 4,567 | 1,561 | 398 | 1,240 | 1,668 | 239 | (195) | 9,757 |
| Other operating assets | 210 | 1,340 | 781 | 659 | 632 | 668 | 601 | 7,306 [c] | 12,197 |
| **TOTAL ASSETS** | **1,248** | **14,035** | **11,820** | **3,436** | **7,943** | **6,912** | **5,667** | **7,111** | **58,172** |
| Equity | - | - | - | - | - | - | - | 24,662 | 24,662 |
| Liabilities | 368 | 1,461 | 2,265 | 1,310 | 741 | 2,053 | 956 | 24,356 [d] | 33,510 |
| **TOTAL LIABILITIES AND EQUITY** | **368** | **1,461** | **2,265** | **1,310** | **741** | **2,053** | **956** | **49,018** | **58,172** |
| Operating investments [e] | (88) | (102) | (311) | (129) | (98) | (212) | (74) | - | (1,014) |

(a) Eliminations correspond to sales between business groups; these generally consist of sales from business groups other than Selective Retailing to Selective Retailing. Selling prices between the different business groups correspond to the prices applied in the normal course of business for sales transactions to wholesalers or distributors outside the Group.

(b) Intangible assets and goodwill correspond to the net carrying amounts shown under Notes 3 and 4.

(c) Assets not allocated include available for sale financial assets, other financial assets, and income tax receivables.

(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)* | Dec. 31, 2015 (6 months) | June 30, 2015 (12 months) | Dec. 31, 2014 (6 months) |
|---|---|---|---|
| France | 2,037 | 3,662 | 1,896 |
| Europe (excluding France) | 3,813 | 6,491 | 3,488 |
| United States | 5,066 | 8,334 | 4,187 |
| Japan | 1,372 | 2,332 | 1,119 |
| Asia (excluding Japan) | 5,085 | 9,958 | 4,761 |
| Other countries | 2,530 | 4,304 | 2,022 |
| **REVENUE** | **19,903** | **35,081** | **17,473** |

Operating investments by geographic region are as follows:

| *(EUR millions)* | Dec. 31, 2015 (6 months) | June 30, 2015 (12 months) | Dec. 31, 2014 (6 months) |
|---|---|---|---|
| France | 390 | 614 | 307 |
| Europe (excluding France) | 252 | 378 | 188 |
| United States | 220 | 315 | 169 |
| Japan | 29 | 79 | 39 |
| Asia (excluding Japan) | 296 | 430 | 238 |
| Other countries | 83 | 131 | 73 |
| **OPERATING INVESTMENTS** | **1,270** | **1,947** | **1,014** |

No geographic breakdown of segment assets is provided since a significant portion of these assets consists of brands and goodwill, which must be analyzed on the basis of the revenue generated by these assets in each region, and not in relation to the region of their legal ownership.

## 23.3 Quarterly information

Quarterly sales by business group break down as follows over the six-month period:

| *(EUR millions)* | Christian Dior Couture | Wines and Spirits | Fashion and Leather Goods | Perfumes and Cosmetics | Watches and Jewelry | Selective Retailing | Other and holding companies | Eliminations | TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| First quarter (July-Sept. 2015) | 471 | 1 199 | 2 939 | 1 102 | 852 | 2 614 | 88 | (219) | 9 046 |
| Second quarter (Oct.-Dec. 2015) | 490 | 1 474 | 3 497 | 1 256 | 904 | 3 328 | 126 | (218) | 10 857 |
| **TOTAL FIRST-HALF 2015/2016** | **961** | **2 673** | **6 436** | **2 358** | **1 756** | **5 942** | **214** | **(437)** | **19 903** |

| *(EUR millions)* | Christian Dior Couture | Wines and Spirits | Fashion and Leather Goods | Perfumes and Cosmetics | Watches and Jewelry | Selective Retailing | Other and holding companies | Eliminations | TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| First quarter (July-Sept. 2014) | 417 | 948 | 2 647 | 961 | 706 | 2 234 | 74 | (188) | 7 799 |
| Second quarter (Oct.-Dec. 2014) | 437 | 1 348 | 3 151 | 1 116 | 810 | 2 918 | 102 | (208) | 9 674 |
| **TOTAL FIRST-HALF 2014/2015** | **854** | **2 296** | **5 798** | **2 077** | **1 516** | **5 152** | **176** | **(396)** | **17 473** |
| Third quarter (Jan.-Mar. 2015) | 433 | 992 | 2 975 | 1 094 | 723 | 2 656 | 96 | (218) | 8 751 |
| Fourth quarter (Apr.-June 2015) | 478 | 938 | 2 958 | 1 065 | 829 | 2 635 | 164 | (210) | 8 857 |
| **TOTAL SECOND-HALF 2014/2015** | **911** | **1 930** | **5 933** | **2 159** | **1 552** | **5 291** | **260** | **(428)** | **17 608** |
| **TOTAL FISCAL YEAR 2014/2015** | **1 765** | **4 226** | **11 731** | **4 236** | **3 068** | **10 443** | **436** | **(824)** | **35 081** |

## 24. EXPENSES BY NATURE

Profit from recurring operations includes the following expenses:

| *(EUR millions)* | Dec. 31, 2015 (6 months) | June 30, 2015 (12 months) | Dec. 31, 2014 (6 months) |
|---|---|---|---|
| Advertising and promotion expenses | 2,228 | 4,007 | 1,981 |
| Commercial lease expenses | 1,875 | 3,326 | 1,546 |
| Personnel costs | 3,433 | 6,357 | 3,023 |
| Research and development expenses | 57 | 86 | 42 |

## 25. OTHER OPERATING INCOME AND EXPENSES

| *(EUR millions)* | Dec. 31, 2015 (6 months) | June 30, 2015 (12 months) | Dec. 31, 2014 (6 months) |
|---|---|---|---|
| Net gains (losses) on disposals | 2 | (1) | 1 |
| Restructuring costs | (68) | (65) | (38) |
| Transaction costs relating to the acquisition of consolidated companies | (2) | - | - |
| Impairment or amortization of brands, trade names, goodwill and other property | (90) | (251) | (205) |
| Other items, net | 2 | 19 | 6 |
| **OTHER OPERATING INCOME AND EXPENSES** | **(156)** | **(298)** | **(236)** |

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

Restructuring costs mainly concern certain activities in Fashion and Leather Goods and Watches and Jewelry.

## 26. NET FINANCIAL INCOME (EXPENSE)

| *(EUR millions)* | Dec. 31, 2015 (6 months) | June 30, 2015 (12 months) | Dec. 31, 2014 (6 months) |
|---|---|---|---|
| Borrowing costs | (69) | (184) | (101) |
| Income from cash, cash equivalents and current available for sale financial | 18 | 30 | 15 |
| Remeasurement of financial debt and interest rate instruments | 5 | (10) | (5) |
| **Cost of net financial debt** | **(46)** | **(164)** | **(91)** |
| Dividends received from non-current available for sale financial assets | - | 5 | - |
| Ineffective portion of foreign currency hedges | (145) | (473) | (173) |
| Net gain/(loss) related to available for sale financial assets and other financial instruments | 30 | 3,355 | 3,256 |
| Other items, net | (19) | (38) | (23) |
| **Other financial income (expense)** | **(134)** | **2,849** | **3,060** |
| **NET FINANCIAL INCOME (EXPENSE)** | **(180)** | **2,685** | **2,969** |

As of December 31, 2015, the net gain/(loss) related to available for sale financial assets and other financial instruments was mainly due to capital gains arising on the sale of available for sale financial assets.

As of June 30, 2015 and December 31, 2014, income from available for sale financial assets and other financial instruments consisted mainly of the pre-tax capital gain recognized following the exceptional distributions in kind of Hermès shares, for 3,189 million euros as of December 31, 2014 and 3,193 million euros as of June 30, 2015.

## 27. INCOME TAXES

| *(EUR millions)* | Dec. 31, 2015 (6 months) | June 30, 2015 (12 months) | Dec. 31, 2014 (6 months) |
|---|---|---|---|
| Current income taxes for the period | (1,316) | (2,736) | (1,691) |
| Current income taxes relating to previous periods | 13 | 50 | 30 |
| **Current income taxes** | **(1,303)** | **(2,686)** | **(1,661)** |
| Change in deferred income taxes | 51 | 184 | 85 |
| Impact of changes in tax rates on deferred taxes | 104 | (16) | (19) |
| **Deferred income taxes** | **155** | **168** | **66** |
| **TOTAL TAX EXPENSE PER INCOME STATEMENT** | **(1,148)** | **(2,518)** | **(1,595)** |
| **TAX ON ITEMS RECOGNIZED IN EQUITY** | **(28)** | **501** | **352** |

As of June 30, 2015 and December 31, 2014, the current income tax expense included taxes relating to the distribution in kind of Hermès shares in the form of exceptional distributions of in-kind interim and final dividends, for 568 million euros as of December 31, 2014 and 570 million euros as of June 30, 2015. See Note 8.

The effective tax rate is as follows:

| *(EUR millions)* | Dec. 31, 2015 (6 months) | June 30, 2015 (12 months) | Dec. 31, 2014 (6 months) |
|---|---|---|---|
| Profit before tax | 3,442 | 8,683 | 5,980 |
| Total income tax expense | (1,148) | (2,518) | (1,595) |
| **EFFECTIVE TAX RATE** | **33.4%** | **29.0%** | **26.7%** |

## 28. EARNINGS PER SHARE

| | Dec. 31, 2015 (6 months) | June 30, 2015 (12 months) | Dec. 31, 2014 (6 months) |
|---|---|---|---|
| **Net profit, Group share** *(EUR millions)* | **863** | **2,378** | **1,704** |
| Impact of diluting instruments on the subsidiaries *(EUR millions)* | (3) | (10) | (8) |
| **NET PROFIT, DILUTED GROUP SHARE** *(EUR millions)* | **860** | **2,368** | **1,696** |
| Average number of shares in circulation during the period | 180,507,516 | 181,117,282 | 181,727,048 |
| Average number of Christian Dior treasury shares owned during the period | (1,418,141) | (2,189,098) | (2,982,945) |
| **Average number of shares in circulation on which the calculation before dilution is based** | **179,089,375** | **178,928,184** | **178,744,103** |
| **BASIC GROUP SHARE OF NET EARNINGS PER SHARE** *(EUR)* | **4.82** | **13.29** | **9.53** |
| Average number of shares in circulation on which the above calculation is based | 179,089,375 | 178,928,184 | 178,744,103 |
| Dilution effect of stock option plans | 852,289 | 756,685 | 860,046 |
| **AVERAGE NUMBER OF SHARES IN CIRCULATION AFTER DILUTION** | **179,941,664** | **179,684,869** | **179,604,149** |
| **DILUTED GROUP SHARE OF NET EARNINGS PER SHARE** *(EUR)* | **4.78** | **13.18** | **9.44** |

No events occurred between December 31 and the date on which the financial statements were approved for publication that would have significantly affected the number of shares outstanding or the potential number of shares.

## 29. OFF-BALANCE SHEET COMMITMENTS

During the six-month period, the Group's off-balance sheet commitments increased essentially as a result of commitments given in respect of purchases of grapes and wines as well as operating leases and concessions, which increased by approximately 1.4 billion euros.

## 30. EXCEPTIONAL EVENTS AND LITIGATION

As part of its day-to-day management, the Group may be party to various legal proceedings concerning trademark rights, the protection of intellectual property rights, the protection of Selective Retailing networks, licensing agreements, employee relations, tax audits, and any other matters inherent to its business. The Group believes that the provisions recorded in the balance sheet in respect of these risks, litigation proceedings and disputes that are in progress and any others of which it is aware at the period-end, are sufficient to avoid its consolidated financial position being materially impacted in the event of an unfavorable outcome.

On September 2, 2014, under the aegis of the President of the Paris Commercial Court, LVMH Moët Hennessy - Louis Vuitton, Christian Dior, Financière Jean Goujon and Hermès entered into a settlement agreement aimed at definitively ending the litigation to which LVMH's acquisition of an equity stake in Hermès had given rise, and at restoring a climate of positive relations between them. According to the terms of this agreement, (i) in December 2014, LVMH distributed to its shareholders all of the Hermès shares held by the LVMH group, and Christian Dior, which at that date held 40.9% of LVMH's share capital via Financière Jean Goujon, distributed the Hermès shares received from LVMH, and (ii) LVMH and Hermès ceased all proceedings and actions undertaken against one another. See Note 8 for the impacts of this transaction on the consolidated financial statements as of June 30, 2015.

On December 17, 2012, the Mayor of Paris granted two distinct building permits authorizing the architectural project for the restructuring and reconstruction of the former La Samaritaine department stores 2 (Seine block) and 4 (Rivoli block). Both of these permits were the subject of an action for cancellation before the Paris Administrative Court (Tribunal administratif de Paris). On April 11, 2014, the Paris Administrative Court rejected the action for cancellation filed against the building permit authorizing the restructuring of former department store 2, which is registered as a Historic Monument (Seine block). That first permit thereby became definitive. On May 13, 2014, the Paris Administrative Court cancelled the second building permit order authorizing the partial demolition of former department store 4 and the reconstruction of a contemporary building designed by the architectural firm SANAA (Rivoli block). The company Grands Magasins de La Samaritaine and the City of Paris appealed this judgment. On January 5, 2015, the Paris Administrative Court of Appeal (Cour administrative d'appel de Paris) dismissed their appeals. La Samaritaine and the City of Paris filed a cassation appeal before the Council of State (Conseil d'État), which, in a judgment dated June 19, 2015, overturned the judgment of the Administrative Court of Appeal, thereby definitively validating the second building permit.

In the first half of 2011, Christian Dior Couture SA dismissed Mr. John Galliano and terminated the consulting agreement it had entered into with Cheyenne Freedom SARL, a company owned by Mr. Galliano. John Galliano SA, a subsidiary of Christian Dior Couture, also terminated Mr. Galliano's employment contract. Mr. Galliano brought legal proceedings against these two Group companies. The claims lodged by Cheyenne Freedom against Christian Dior Couture were definitively dismissed by the Paris Court of Appeal on May 7, 2015. Furthermore, on November 4, 2014, the Paris Labor Court (Conseil de Prud'hommes) dismissed all of the claims lodged by Mr. Galliano, who appealed this decision. The appeal process is ongoing.

To the best of the Company's knowledge, there are no pending or impending administrative, judicial or arbitration procedures that are likely to have, or have had over the six-month period under review, any significant impact on the financial position or profitability of the Company and/or the Group.

## 31. SUBSEQUENT EVENTS

No significant subsequent events occurred between December 31, 2015 and February 11, 2016, the date on which the financial statements were approved for publication by the Board of Directors.

# Statutory Auditors' report on the half-year financial information from July 1 to December 31, 2015

| ERNST & YOUNG et Autres<br>1/2, place des Saisons<br>F-92400 Courbevoie – Paris-La Défense 1<br>S.A.S. with variable share capital<br><br>Statutory Auditors<br>Member of the Compagnie Régionale de Versailles | MAZARS<br>Tour Exaltis<br>61, rue Henri-Regnault<br>F-92400 Courbevoie – Paris-La Défense 1<br>S.A. with share capital of 8,320,000 euros<br><br>Statutory Auditors<br>Member of the Compagnie Régionale de Versailles |
|---|---|

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meeting and in accordance with Article L. 451-1-2 III of the French Monetary and Financial Code (Code monétaire et financier), we hereby report to you on:

- the limited review of the accompanying condensed half-year consolidated financial statements of Christian Dior, for the period from July 1 to December 31, 2015;
- the verification of the information contained in the interim management report.

These condensed half-year consolidated financial statements are the responsibility of the Board of Directors. Our role is to express our conclusion on these financial statements based on our limited review.

## 1. Conclusion on the financial statements

We conducted our review in accordance with the professional standards applicable in France. A limited review essentially consists of making inquiries, primarily of members of management responsible for financial and accounting matters, and applying analytical procedures. This work is less extensive than that required for an audit conducted in accordance with the professional standards applicable in France. Therefore, the level of assurance obtained from a limited review that the financial statements, taken as a whole, are free from significant anomalies, is lower than that obtained from an audit.

Based on our limited review, we did not note any material misstatements that may have called into question the compliance of the condensed half-year financial statements with IAS 34 – IFRS as adopted by the European Union applicable to interim financial information.

## 2. Specific verification

We have also verified the information provided in the interim management report in respect of the condensed consolidated half-year financial statements that were covered by our limited review.

We have no matters to report on the fairness and consistency of this information with the condensed consolidated half-year financial statements.

Paris-La Défense, March 22, 2016
The Statutory Auditors

French original signed by

| ERNST & YOUNG et Autres<br>Benoit Schumacher | MAZARS<br>Simon Beillevaire |
|---|---|

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

# Statement of 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 Company and of all consolidated companies, and that the interim management report presented on page 3 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, of 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, March 23, 2016

**Under delegation from the Chief Executive Officer**

**Florian Ollivier**
Chief Financial Officer

Christian Dior