



LVMH

2016 ANNUAL REPORT

*Passionate
about creativity*

LVMH

*Passionate
about creativity*

WHO WE ARE

A creative universe of men and women passionate about their profession and driven by the desire to innovate and achieve. A globally unrivalled group of powerfully evocative brands and great names that are synonymous with the history of luxury. A natural alliance between art and craftsmanship, dominated by creativity, virtuosity and quality. A remarkable economic success story with more than 134,000 employees worldwide and global leadership in the manufacture and distribution of luxury goods. A global vision dedicated to serving the needs of every customer. The successful marriage of cultures grounded in tradition and elegance with the most advanced product presentation, industrial organization and management techniques. A singular mix of talent, daring and thoroughness in the quest for excellence. A unique enterprise that stands out in its sector.

Our philosophy: passionate about creativity

LVMH VALUES

INNOVATION AND CREATIVITY

Because our future success will come
from the desire that our new products elicit while
respecting the roots of our Maisons.

EXCELLENCE OF PRODUCTS AND SERVICE

Because we embody what is most noble and
quality-endowed in the artisan world.

ENTREPRENEURSHIP

Because this is the key to our ability to react and
our motivation to manage our businesses as start-ups.



THE LVMH GROUP

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Taking a LONG VIEW

IN 2016, AMID ECONOMIC AND GEOPOLITICAL
UNCERTAINTIES, OUR GROUP DELIVERED RECORD RESULTS.
THE CREATIVITY OF OUR MAISONS, THE QUEST FOR
EXCELLENCE THAT INSPIRES THEM, AND THEIR
ENTREPRENEURIAL SPIRIT ARE THE KEYS TO OUR SUCCESS.

Once again in 2016, strong creative momentum across each of the Group's businesses helped LVMH achieve a new year of growth. The exceptional performances of Louis Vuitton, Fendi and Moët Hennessy, Christian Dior's new market share gains in fragrances, TAG Heuer's return to robust growth, and Sephora's steady advances as it consolidates its position as the top selective beauty retailer in the United States: these are just some of the achievements made possible by the commitment and talent of our teams.

2016: A year replete with new projects and investments

In 2016, the Group reaffirmed its ambition to be at the forefront of innovation and creativity. Louis Vuitton continues to demonstrate its talent for reinventing itself and creating surprises. The announcement of a collection of fragrances, after a seventy-year pause, was one of the year's most highly anticipated events. Louis Vuitton lived up to its promise, with the passion for perfection that imbues everything it does. The new fragrances were an immediate success, rapidly attracting a strong following despite only being available in Louis Vuitton stores.

In the fall of 2016, coinciding with this launch, both Christian Dior's and Louis Vuitton's Master Perfumers set up their creative ateliers in Grasse, the undisputed capital of perfume, at Les Fontaines Parfumées. This newly restored jewel allows our perfumers to work even more closely with rose and jasmine producers, and represents a new phase in the quest for excellence of our perfume houses, while enhancing the economic vitality of this exceptional region.

Bvlgari has also inaugurated a new jewelry manufacturing facility in the northern Italian town of Valenza, combining artisanal excellence with the latest advances in technology and environmental performance, and giving it the production capacity to meet its growth plans.

In Wines and Spirits, Ao Yun's first vintage, made in the Himalayan foothills, has crowned years of research to bring an audacious dream to reality. The singular qualities of this terroir and its expert, highly talented winemaking team leave no doubt that Ao Yun has what it takes to become China's finest wine.

Last but not least, we welcomed Rimowa into our Fashion and Leather Goods business group. Renowned worldwide for the quality, innovative spirit and design of its premium luggage, Rimowa – a jewel in that class of robust, dynamic, family-owned businesses known as the Mittelstand – thus becomes our first German Maison.

Continuity to secure the future

Innovation was a core focus for all our businesses in 2016, but so was continuity, an essential investment for the future of our Maisons. Under the aegis of the Institut des Métiers d'Excellence (IME), our professional training organization dedicated to passing down our expertise to younger generations, which currently has several hundred apprentices, we created a new watchmaking program, the École d'Horlogerie LVMH. We take particular pride in the IME's accomplishments: many of its apprentices obtain the most coveted professional distinctions in their fields, and it is also a valuable talent pool for our Maisons.

At Hennessy, the Master Blender – a member of the same Cognac family that has served in this position for seven generations – will soon hand the reins over to his nephew, after an exceptional career. As he steps into his predecessor's shoes, the new Master Blender gains privileged access to Hennessy's wealth of knowledge about eaux-de-vie, spanning more than two centuries. He will be continuing this long tradition, the art of selecting and blending that gives Hennessy a style all its own.

Sharing and transmission were also the key threads tying together the third edition of our Journées Particulières open days. This event, during which access was provided to more than 50 sites that are usually closed to the public, enjoyed unprecedented popularity. We are pleased to have welcomed over 145,000 visitors to our workshops, allowing them to discover some of the treasures of our heritage and the virtuosity of our artisans, to attend fascinating talks and demonstrations given by creative team members, even acquiring hands-on experience in some of the techniques used in our professions. They thereby gained an understanding from the inside of the passion, talent and creativity driving all of the women and men behind our Group's success, and have no doubt taken away some extraordinary memories.

A decisive step for the Fondation Louis Vuitton's artistic project

Lastly, I would like to mention two major accomplishments by the Fondation Louis Vuitton during the year. The first of these was *Observatory of Light*, an installation by Daniel Buren, who offered an in-situ celebration of color over the building's glass sails, conceived in intimate dialogue with Frank Gehry's architectural language. The second was *Icons of Modern Art: The Shchukin Collection*, a landmark event paying tribute to one of the greatest collectors of the early 20th century, a visionary and exemplary patron of the art of his time, whose approach finds deep resonance with the Fondation Louis Vuitton's artistic project. The Shchukin Collection set a new attendance record for exhibitions in France, attracting more than 1,200,000 visitors

in just over four months, indisputably placing the Fondation Louis Vuitton among the world's foremost cultural institutions.

In this same vein, I put forward a proposal, which has been accepted by the City of Paris, for another major cultural project: to convert the former Musée National des Arts et Traditions Populaires, located near the Fondation Louis Vuitton, into a center for craftsmanship, art and live performance. Frank Gehry will be giving this building designed by Jean Dubuisson a new lease on life.

Prudence and determination for 2017

Despite strong global demand, geopolitical and monetary uncertainties are a significant part of the picture in early 2017. We are therefore viewing the coming months with prudence. There is a clear risk that the world economy will not be able to avoid a serious crisis in the coming months or years, given the imbalances of all kinds it currently faces. But come what may, we can count on the financial strength of LVMH, the appeal of our brands, and the agility of our teams to face the future head-on and further consolidate our global leadership position.

A forward-looking group

LVMH is driven by its long-term vision. All of our avenues for progress – strengthening our supply chains and reinforcing our commitment to protect natural resources; attracting young, creative and talented individuals and giving them the means to fully realize their potential; exploring and conquering new realms in the digital economy; inventing the customer experience of tomorrow – as distinct from any unexpected obstacles that may appear in our paths, depend on the efforts of everyone, throughout the Group. Our teams have their sights set on the future as they continue to focus on the values that have built LVMH's success and that guarantee the longevity of our Maisons.

LVMH is a group with a family spirit. Creativity and innovation are central to everything we do. We are committed to continuing the artisanal traditions that form the cornerstone of all our Maisons. LVMH also aims to ensure that its development remains as sustainable as possible.

Taking a long view – that's what the LVMH Group is all about.

Bernard Arnault
Chairman and Chief Executive Officer





FONDATION LOUIS VUITTON: A NEW, WORLD-CLASS INSTITUTION FOR PARIS

TWO YEARS AFTER ITS INAUGURATION,
THE FONDATION LOUIS VUITTON'S COMMITMENT
TO THE ARTS IS CLEARLY A RESOUNDING
SUCCESS, WITH OVER 2.5 MILLION VISITORS
WELCOMED THROUGH THE END OF 2016.

In the spring of 2016, the Fondation's program focused on "The Observatory of Light", a work in situ by Daniel Buren. The French artist covered each of the building's twelve glass sails in checkerboards of thirteen different colors. This work upends our perception of light as the hours go by and the seasons change, and interacts with Frank Gehry's architecture in a spectacular and unprecedented way.

In the fall, the Fondation presented "Icons of Modern Art. The Shchukin Collection. Hermitage Museum – Pushkin Museum". This exhibition pays tribute to Sergei Shchukin, one of the greatest art patrons of the 20th century and a visionary collector of French modern art, by bringing together 130 masterpieces by Monet, Matisse, Picasso, Gauguin, Cézanne, Le Douanier Rousseau, Derain, and others, loaned by the Pushkin Museum in Moscow and the Hermitage Museum in Saint-Petersburg. The exhibition, which was inaugurated on October 20, 2016, has been unanimously acclaimed as a major artistic event both in

France and abroad. It has been remarkably successful, appealing to French and foreign visitors alike. When it closed on March 5, 2017, the "Shchukin" exhibition had welcomed over 1.2 million visitors, setting a record for an art exhibition in France.

In the spring of 2017, starting on April 26, the exhibition "Art/Afrique, Le nouvel atelier" (Art/Africa, The New Studio) will provide an overview of contemporary African artistic creation, from sub-Saharan Africa to South Africa. It will be organized into three themes: "Les Initiés" (The Initiated), selected works from Jean Pigozzi's collection of African art; "Être là" (Being There), South Africa, a contemporary art scene; and "Africa in the Fondation Louis Vuitton Collection".

As well as the exhibitions, the Fondation Louis Vuitton offers a year-round program of musical excellence with master classes, concerts and recitals by talented young musicians.



Kazimir Malevich, *Woman with a Rake*, 1930-1932, Tretyakov Gallery, Moscow.

Paul Gauguin, *What Are You Jealous Of?*, summer 1892, Pushkin Museum, Moscow.





VIGILANCE, AGILITY AND EXCELLENT EXECUTION

ANTONIO BELLONI,
GROUP MANAGING DIRECTOR



2016 was another year of growth and market share gains for LVMH. How do you explain this performance in times of great uncertainty?

In a context of geopolitical, economic and monetary turmoil, LVMH withstood tough conditions at the beginning of the year, and fully benefited from the better conditions in the second half. In the most unpredictable situations, which involve many challenges, we really feel the full force and benefit of our portfolio of prestigious brands and corporate values: entrepreneurial spirit, creativity and excellence in execution. Our decentralized organization has helped us become more agile and able to constantly adapt to fluctuating market conditions. Our hands-on culture is a key asset, and enables us to detect the earliest signs of change, anticipate emerging opportunities, and understand customers' new expectations. It is also ideal in ensuring a rapid, effective and targeted implementation of our Maisons' initiatives.

You talk of change, and new expectations. Could you elaborate on these issues?

The luxury market is larger and more segmented than in the past both in terms of generations and geographic origins. It is more complex and involves tough, unknown challenges, because of the rapid transformations affecting both our markets and our customers. Major capitals like Paris, New York and Hong Kong are places where different

cultures meet and mix, spawning new trends which then go global, thanks to the Internet. The growth in travel is also a driver for our businesses. Openness to innovation in all its forms is another strong trend. This applies to the products, of course, but also to communication with, for example, the increasingly important role of digital media. Our customers also expect innovative services and new store experiences – in fact, they expect innovation at every point of contact with our Maisons. They are better and better informed, they prefer authenticity and excellence in a relationship and, what is more, they also want to be in tune with our brands' values and social commitments.

How do your Maisons view the contribution of digital technology?

The young, ultra-connected generations are influencing every aspect of society. Before they come into our stores, our customers obtain information and share their opinions on the Internet and social networks. They take an omni-channel approach to shopping, mostly on mobile devices. They want to purchase anywhere, anytime, using any channel. The notion of time is also changing. Our Maisons see digital technology as a tool that creates value, proximity, personalization, and an even better, seamless customer experience. They incorporate it into their strategies with this in mind. Traditional media, stores and the digital ecosystem must be used together to create

a unified, smooth, constantly accessible experience. Whereas, in the past, our Maisons' growth stemmed mostly from the geographic expansion of distribution networks, now our priorities are customer experience, store productivity, online sales, service, and customer engagement and loyalty.

Have your traditional strategic priorities changed as a result of these necessary changes?

Our teams remain guided by our traditional know-how and values while always looking for ways to drive future growth. We continue our investments, with a focus on the most strategic options, which reinforce our brands' long-term appeal. By cultivating proximity with their markets, our Maisons will adapt without sacrificing their founding values. They will have to invest in new talents, accelerate 360-degree innovation, reinforce their corporate responsibility and reinvent themselves so that they continue to reinforce desirability. While other elements – such as our focus on quality suppliers, transmitting know-how and excellence, supporting young designers, and preserving the environment – are less visible on a daily basis, these are vital priorities for the future of LVMH. I will cite just one example. The momentum created by our LIFE program (LVMH Initiatives for the Environment), which was initiated in 2012, now allows our Maisons to measure their progress constantly and focus their efforts on four ambitious objectives for 2020, namely eco-design of products, supply chain standards and the CO₂ emissions as well as the environmental efficiency of our production/administrative sites and our stores. LVMH's development has always been guided by the long-term development of its brands and by the implementation of a business model that combines performance, ongoing innovation and responsibility.



GOVERNANCE AND ORGANIZATION

The Board of Directors has adopted a Charter that sets forth its composition, duties, operating procedures, and responsibilities. Its membership includes ten Directors who meet the criteria to be considered independent and have no interests in the Company as of December 31, 2016.

Board of Directors

Over the course of the 2016 fiscal year, the Board of Directors met four times as convened by its Chairman. The Board approved the parent company and consolidated financial statements and expressed its opinion on subjects including the Group's major strategic guidelines and decisions, its budget, the compensation of company officers, and the establishment of a plan to grant awards of both bonus shares and performance bonus shares. It also approved amendments to various regulated agreements, including with related companies or with companies in which certain Directors hold executive management positions. The Board conducted an evaluation of its capacity to meet the expectations of shareholders, by reviewing its composition, its organization, and its operating procedures. Additionally, it made changes to the composition of the Performance Audit Committee and of the Nominations and Compensation Committee. The Board also established an Ethics and Sustainable Development Committee, appointed this new Committee's members, and adopted the internal rules setting forth its duties, responsibilities and operating procedures.

Performance Audit Committee

The Performance Audit Committee, which comprises three members designated by the Board of Directors, two of whom are Independent Directors, met five times in 2016. In addition to reviewing the annual and interim parent company and consolidated financial statements, together with the detailed analysis of changes in the Group's activities and scope of consolidation, the Committee's work mainly addressed the following issues: internal control and the management of major risks at a number of Group subsidiaries, the management of foreign exchange risk, internal control and the management

of major risks, and issues related to the valuation of brands and goodwill. The Committee also supervised the procedure for the selection of Statutory Auditors whose terms of office were to end in 2016. Lastly, it was informed of the impact of the EU audit reform on the work of the Statutory Auditors and the Committee's role in this regard.

Nominations and Compensation Committee

The Nominations and Compensation Committee, which comprises three members designated by the Board of Directors, all of whom are Independent Directors, met twice in 2016. In these meetings, the Committee issued proposals concerning the fixed and variable components of compensation paid to the Chairman and Chief Executive Officer and the Group Managing Director, performance share awards granted to these same individuals, and the holding requirement pertaining to a portion of any vested performance shares. It expressed its opinion on the compensation, performance share awards, and benefits in kind granted to certain Directors by the Company and its subsidiaries. It also offered an opinion on the renewal of the terms of office of Directors ending in 2016.

Ethics and Sustainable Development Committee

The Ethics and Sustainable Development Committee, which comprises three members designated by the Board of Directors, two of whom are Independent Directors, met once in 2016. During this meeting, the Director of Environmental Affairs presented an overview of the Group's activities in relation to the environment, covering in particular the manner in which strategic issues are being taken into account, recent accomplishments, sources of innovation, and the safeguarding of raw materials and assets. In addition, the Director of Legal Affairs presented the proposed revision of the Group's Code of Conduct.

Further information can be found in the 2016 Reference Document.

Executive
Committee



Bernard Arnault
Chairman and Chief Executive Officer



Antonio Belloni
Group Managing Director



Nicolas Bazire
Development and Acquisitions



Michael Burke
Louis Vuitton



Chantal Gaemperle
Human Resources and Synergies



Jean-Jacques Guiony
Finance



Christopher de Lapuente
Sephora and Beauty



Christophe Navarre
Wines and Spirits



Pierre-Yves Roussel
Fashion Group



Philippe Schaus
DFS



Jean-Baptiste Voisin
Strategy

Board of Directors⁽¹⁾

Bernard Arnault
Chairman and Chief
Executive Officer

Pierre Godé
Vice-Chairman

Antonio Belloni
Group Managing Director

Antoine Arnault⁽³⁾

Delphine Arnault⁽⁵⁾

Nicolas Bazire

Bernadette Chirac⁽²⁾

Charles de Croisset⁽²⁾⁽³⁾⁽⁴⁾

Diego Della Valle⁽²⁾

Albert Frère⁽²⁾

Clara Gaymard⁽²⁾

Marie-Josée Kravis⁽²⁾⁽⁴⁾

Lord Powell of Bayswater

Marie-Laure
Sauty de Chalon⁽²⁾⁽⁵⁾

Yves-Thibault
de Silguy⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾

Natacha Valla⁽²⁾

Hubert Védrine⁽²⁾

Advisory
Board Members

Paolo Bulgari

Patrick Houël

Felix G. Rohatyn

General Secretary

Marc-Antoine Jamet

Statutory
Auditors

Ernst & Young Audit
represented by Jeanne Boillet
and Benoît Schumacher

Mazars
represented by Simon Beillevalaire
and Loïc Wallaert

(1) December 31, 2016.
(2) Independent Director.
(3) Member of the Performance
Audit Committee.
(4) Member of the Nominations
and Compensation Committee.
(5) Member of the Ethics and
Sustainable Development Committee.

OUR BUSINESS GROUPS



WINES & SPIRITS

The LVMH Wines & Spirits business group focuses its growth on the high-end segments of the market. The world leader in champagne, LVMH also produces still and sparkling wines from the world's most famous wine-growing regions. The Group is also the world leader in cognac with Hennessy and is expanding its presence in the luxury spirits segment in addition to its historical business. The portfolio of brands is served by a powerful international distribution network.



FASHION & LEATHER GOODS

Louis Vuitton, Fendi, Loro Piana, Loewe, Marc Jacobs, Céline, Kenzo, Givenchy, Thomas Pink, Pucci, Berluti, Nicholas Kirkwood and Edun are the brands that form the Fashion & Leather Goods business group. This outstanding group of brands from both sides of the Atlantic has 1,508 stores throughout the world. LVMH supports the growth of these brands by providing them with shared resources, while at the same time respecting their identity and their creative positioning. In 2017, the business expanded to include the Group's first German Maison, Rimowa, a leading manufacturer of premium luggage.



PERFUMES & COSMETICS

LVMH, a major player in the perfumes, make-up and skincare sector, relies primarily on a portfolio of brands representing French companies with an international presence: Christian Dior, Guerlain, Givenchy and Kenzo. The Group also supports the development of high-potential brands: Benefit and Fresh, two rapidly-growing American brands; Acqua di Parma, whose perfumes symbolize Italian elegance; Parfums Loewe, one of the leaders in the Spanish market; and Make Up For Ever, a firm favorite of professional make-up artists which has recorded outstanding growth by opening its doors to the general public. Lastly, Kendo serves as an incubator for up-and-coming cosmetics brands including Kat Von D and Marc Jacobs Beauty.



WATCHES & JEWELRY

Counted among the most dynamic brands on the market, the LVMH Watches & Jewelry Maisons operate in two segments: high-quality watchmaking on the one hand and jewelry and fine jewelry on the other. The watchmaking side capitalizes on the complementary positioning of its Maisons: TAG Heuer's international stature, Hublot's strong dynamic of innovation, Zenith's age-old savoir-faire and Dior's creativity. In jewelry and fine jewelry, Bvlgari, Chaumet, Fred and De Beers employ their bold creativity and perfectly mastered savoir-faire to constantly surprise their customers and offer them the objects of their desire.



SELECTIVE RETAILING

The LVMH Selective Retailing companies operate in Europe, North America, Asia and the Middle East. Their businesses are conducted in two segments: retailing designed for customers who are international travelers ("travel retail"), with DFS and Starboard Cruise Services, major players in their markets; and the selective retailing concepts represented by Sephora, the most innovative company in the beauty segment, and Le Bon Marché Rive Gauche, a department store with a unique atmosphere located in Paris.



OTHER ACTIVITIES

Being ambassadors for culture and a certain *art de vivre* is at the heart of the Maisons in this business group. That approach is part of the quest for excellence pursued by each of these Maisons: from the Les Echos group, which includes key business and cultural press titles, to Royal Van Lent, which specializes in designing and building high-quality yachts under the Feadship name, and Cheval Blanc, which is developing a collection of exceptional hotels.

OUR MAISONS

Though the story of the LVMH Group began in the 20th century with the merger of Moët Hennessy and Louis Vuitton, its roots date back to the 16th century and 1593, when the Group's oldest brand, Château d'Yquem, was founded. Its origins also lie in 18th century Champagne, when a certain Claude Moët decided to continue the work of Dom Pérignon, himself a contemporary of Louis XIV; and in 19th century Paris, during the lavish years of the Second Empire, when Louis Vuitton, an artisan trunk-maker, invented modern luggage. Today, the LVMH Group is the world leader in luxury. It is the result of a series of alliances between companies that, from generation to generation, have successfully combined traditions of excellence and creative passion with an openness to the world and a spirit of conquest. Together, these companies now form part of a powerful, international group. They share their expertise with younger brands and continue to cultivate the art of growing and standing the test of time without losing their souls or their image of exclusivity.

14TH CENTURY

[1365](#) Le Clos des Lambrays

16TH CENTURY

[1593](#) Château d'Yquem

18TH CENTURY

[1729](#) Ruinart

[1743](#) Moët & Chandon

[1765](#) Hennessy

[1772](#) Veuve Clicquot

[1780](#) Chaumet

19TH CENTURY

[1815](#) Ardbeg

[1817](#) Cova

[1828](#) Guerlain

[1832](#) Château Cheval Blanc

[1843](#) Krug

[1843](#) Glenmorangie

[1846](#) Loewe

[1849](#) Royal Van Lent

[1852](#) Le Bon Marché

[1854](#) Louis Vuitton

[1858](#) Mercier

[1860](#) TAG Heuer

[1860](#) Jardin d'Acclimatation

[1865](#) Zenith

[1870](#) La Samaritaine

[1884](#) Bvlgari

[1895](#) Berluti

[1898](#) Rimowa

20TH CENTURY

1908 Les Echos
1916 Acqua di Parma
1923 La Grande Épicerie de Paris
1924 Loro Piana
1925 Fendi
1936 Dom Pérignon
1936 Fred
1942 Rossimoda
1944 Le Parisien-Aujourd'hui en France
1945 Céline
1947 Parfums Christian Dior
1947 Emilio Pucci
1952 Givenchy
1952 Connaissance des Arts
1957 Parfums Givenchy
1958 Starboard Cruise Services
1959 Chandon
1960 DFS
1969 Sephora

1970 Kenzo
1970 Cape Mentelle
1972 Parfums Loewe
1974 Investir-Le Journal des Finances
1975 Montres Dior
1975 Ole Henriksen
1976 Benefit Cosmetics
1977 Newton
1980 Hublot
1983 Radio Classique
1984 Thomas Pink
1984 Marc Jacobs
1984 Make Up For Ever
1985 Cloudy Bay
1988 Kenzo Parfums
1991 Fresh
1993 Belvedere
1998 Bodega Numanthia
1999 Terrazas de los Andes
1999 Cheval des Andes

21ST CENTURY

2001 De Beers Diamond Jewellers
2004 Nicholas Kirkwood
2005 Edun

A RESPONSIBLE MODEL DEDICATED TO EXCELLENCE

Forged over generations by alliances between Maisons – weaving together their traditions of excellence and creative passion –, LVMH has built its leading position on a unique portfolio of iconic brands. These Maisons draw their energy from their exceptional heritage, innovative mindset and receptive outlook. The Group supports their development in a spirit of entrepreneurship, long-term vision and respect for the source of their strength and stature.

As ambassadors of an authentic *art de vivre*, it is our responsibility to set the right example in every aspect of our business, from product design to the experience that customers have throughout their relationships with our brands; from investment choices to social and environmental initiatives. Because what we do requires a diverse range of talent, we are committed to training teams that embody excellence. Because passing on skills is an integral part of our culture, we want to use that opportunity to promote social inclusion and employment. Because our crafts make the most of nature at its purest and most beautiful, we see preserving the environment as a strategic imperative.

The values and actions encompassed by our sustainable development attitude emerge from a tradition that dates back to the origins of our Maisons and forms an integral part of our heritage. Our long-term success depends not only on the Group's solid business model and profitable growth strategy, but also on our unwavering commitment to creativity, excellence and our environmental impact and corporate citizenship.

Business performance

Combining profitable growth and sustainability with commitments to creativity and excellence. Applying our creative passion to the *art de vivre* to which our customers aspire. Strengthening our position as a global leader, and being the benchmark for managing and developing high-quality brands.

Talent development

Encouraging all our employees to reach their full career potential and achieve their aspirations. Developing diversity and the wealth of human resources at our companies in all the countries where we operate, and encouraging initiatives in these areas. Contributing to the knowledge and preservation of our crafts outside our company in addition to our own expertise as artisans and designers.

Environment

Working together to preserve the planet's resources, to design and develop products that are compatible with environmental concerns, reporting on our policies and projects and the progress achieved in meeting our objectives. Contributing to environmental protection above and beyond factors directly related to our operations by entering into active partnerships with cooperating businesses, local authorities and associations.

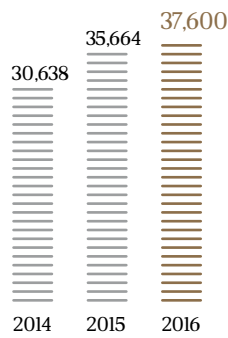
Partnerships and support

Maintaining and strengthening responsible relationships with our partners, suppliers and subcontractors. Implementing a patronage program for the widest possible public benefit which reflects and transmits our fundamental values. Providing active support for major causes, humanitarian projects and public health programs, and developing initiatives in support of art and young people.

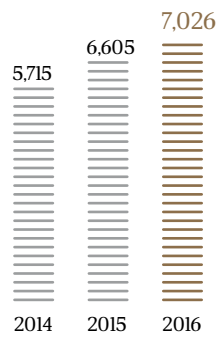


THE WORLD'S LEADING LUXURY GOODS GROUP

REVENUE
(EUR millions)



PROFIT FROM RECURRING
OPERATIONS
(EUR millions)



€37.6 bn
+5%
Revenue

€7 bn
+6%
Profit from
recurring operations

€4 bn
+11%
Net profit
Group share

3,948
stores

70
countries

134,476
employees

70
brands

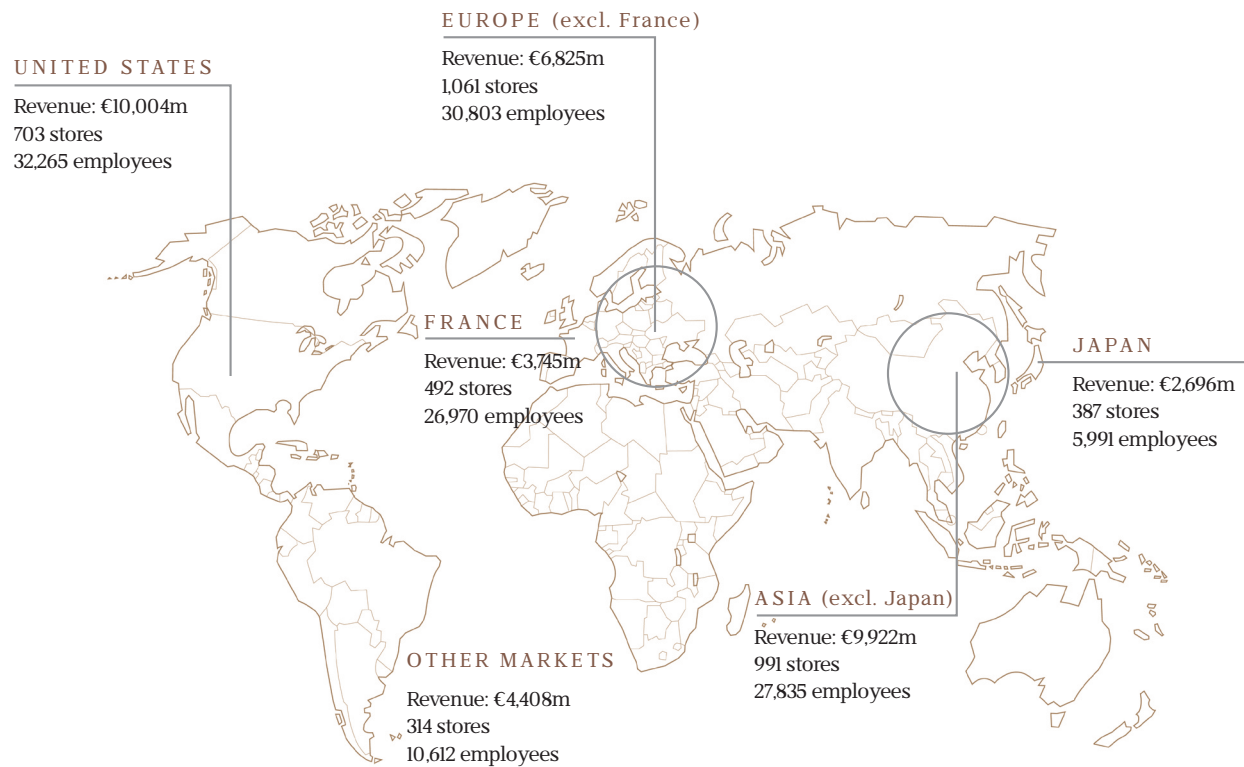
2016 REVENUE BY REGION (in %)



2016 REVENUE BY BUSINESS GROUP (in %)



GEOGRAPHIC FOOTPRINT (at December 31, 2016)





HUMAN RESOURCES: AT THE HEART OF CHANGE

IN A WORLD OF CONSTANT CHANGE – WHERE CONSUMER
BEHAVIOR IS EVOLVING AND NEW USAGE PATTERNS
ARE EMERGING, DRIVEN BY THE YOUNGER GENERATIONS AND
MANIFESTED BY THE EXPECTATION OF AN EVER-RICHER
CUSTOMER EXPERIENCE – A NEW LANDSCAPE IS TAKING SHAPE,
REVEALING A HOST OF OPPORTUNITIES FOR LVMH.

This is an environment where our values of innovation, creativity, excellence and entrepreneurship really come into their own. These values are the very cornerstone of our status as leader and trailblazer. Against this backdrop, Human Resources has a more strategic role to play than ever – as much among our existing 134,000 members of staff as among new hires, wherever they may be in the world. In rallying all our Maisons' Human Resources teams around our values and innovative working practices, the Group's HR leadership helps us face the future together with confidence, setting our sights high, ready to meet the challenges of growth, internationalization and digitalization.

Attracting the most talented people, supporting their career development, preparing them for the challenges ahead, and safeguarding knowledge transfer – through all these undertakings, the Group's HR management maintains the diversity and breadth of our talents, develops agile skills, and fosters creativity at every level and in every part of the business.

Attracting a diverse pool of talent

Identifying and recruiting talented individuals is the mainstay of success for the Group and its Maisons, both in the short term and to secure our future. In a highly competitive industry where the quality of people makes the difference, it is vital to have the best, most promising players on your side.

LVMH is naturally a very attractive employer within the realms of luxury – and indeed in all innovative fields –

thanks to its high-profile Maisons and dynamic growth. Nonetheless, we constantly strive to raise awareness of our ecosystem among various audiences, particularly the younger generations, such as by forging stronger links with world-renowned art schools and universities like Central Saint Martins, The New School Parsons, ESSEC, Bocconi University, Singapore Management University, Centrale Paris and Telecom Paris Tech.

In addition to these partnerships, LVMH has stepped up its communications targeting this audience thanks to a dynamic editorial strategy focused on mainstream and specialized social media.

The Group and its Maisons maintain a strong focus on upholding their image as first-choice employers. These efforts are duly recognized in the Universum rankings, where French business school graduates voted LVMH Most Attractive Employer for the 11th year running.

Identifying and unlocking potential

Broad-ranging and international career development opportunities are a key feature of LVMH's Human Resources philosophy. With our Maisons' business development in fast-moving markets, and with new growth drivers such as digital emerging, the Group is well placed to offer career opportunities to all its staff. Through dedication and close teamwork, the HR teams in our various Maisons around the world enabled 2,500 executives to relocate in 2016 and filled 74% of senior vacancies through internal promotions, with a special focus on retail, digital and supply chain positions.

Our enduring commitment to gender equality and cultural diversity is manifest in the 30 nationalities and 65% female high-potential individuals in our pool of 1,000 managers with key skills. Another figure tells the same story: 38% of members on the Maison's executive committees are currently women, compared to 26% in 2007. The EllesVMH program is a key driver of this positive momentum, with active representatives at our Maisons and throughout the regions where we operate. A wide range of initiatives have been taken, essentially aimed at addressing the most commonly identified areas for improvement regarding women's career development (ambition, self-marketing, mobility and work-life balance).

Training staff to "Make the Difference"

The conviction that "people make the difference" runs deep in our Group, and we see training as a vital tool – not only for helping each of our employees fulfill their professional aspirations, but also for meeting our business objectives. To satisfy this dual imperative, we have put in place a wide-ranging training program that operates at Group level, within the Maisons, and also regionally. Courses cover a broad spectrum, including skills upgrading, cultural adaptation, management and business challenges, and are tailored to suit different levels of responsibility.

This year, for example, new programs were introduced to help us best respond to our business challenges by upgrading our employees' skills, with special emphasis on retail expertise and training for new general managers. Senior executives and high-potential individuals benefit from a dedicated development center in London, LVMH House, which provides customized programs exactly aligned to the Group's strategic needs.

Digital is a key pillar of LVMH's training system. The innovative "LVMH View" platform has enabled more than 6,000 employees to become genuine ambassadors for the Group. This distance learning system gives them the opportunity to familiarize themselves with the culture and history of the Group and its Maisons.

Lastly, we have designed a new Learning Management System so all employees can enjoy optimal access to the various programs on offer.

Respect and commitment

The Group's corporate social responsibility approach is founded on nurturing all our talents, cultivating expertise, fostering quality of life in the workplace, preventing discrimination, respecting difference and supporting local communities and regional development. As part of this approach, LVMH has instituted broad measures ranging from discrimination testing campaigns conducted during recruitment, through partnerships with underprivileged city neighborhoods to promote social inclusion of young people, to providing training opportunities for job seekers with disabilities.

In addition to these initiatives, all the Maisons are actively involved in corporate social responsibility and our aim is to get all staff on board. Every new Group employee is made aware of CSR issues and appropriate behavior, either during orientation training or when they are given the Group's Code of Conduct. The Maisons are encouraged to report on their social responsibility initiatives through the annual CSR reporting process, which helps LVMH track progress made on CSR issues and its main initiatives.

LVMH also holds its Engaged Maisons Dinner once a year, bringing together the Group's main in-house and external CSR stakeholders for a charitable fund-raising event. This year the dinner was attended by Antonio Belloni and Chantal Gaemperle along with representatives of 30 Maisons, 20 Group company Presidents and over 400 guests.

This event exemplifies how the LVMH Group acts responsibly by mobilizing all of its Maisons. We pride ourselves not only on our excellent products and services and the enjoyment and dreams they offer our customers, but also on our exemplary practices and the careful attention we pay to each individual.

Indicators

as of December 31, 2016

33
median age

134,476
employees worldwide

74%
women

EMPLOYEES
BY REGION
(in %)



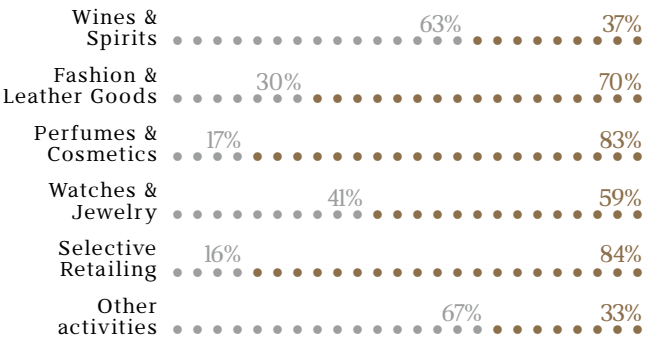
EMPLOYEES
BY BUSINESS GROUP
(in %)



WORKFORCE BY AGE
(in %)



BREAKDOWN OF MEN/WOMEN
BY BUSINESS GROUP (total permanent headcount)



LVMH
ELLESVMH

International Women's Day

March 8th 2016



LVMH's International Women's Day conference: LVMH headquarters in Paris.



“When I joined Sephora, I was excited by the idea of being involved in the launch of Sephora Stands. This program aims to help those who have chosen to pursue projects with a positive social impact, be they entrepreneurs, members of communities in transition or Sephora employees. Sephora Americas works more specifically with female entrepreneurs in the beauty sector, women who are having to tackle the job market after a period of being out of work or employees coping with life’s ups and downs. This initiative has been a hit with the brand’s customers. According to a survey conducted this year, those who know about the brand’s social impact programs like it even more!”

CORRIE CONRAD

Senior Director, Head of Social Impact and Sustainability, Sephora Americas



“Since winning the Young Talent award at the Cultures and Design fashion show in 2013, my future has changed dramatically! Thanks to the Young Talent award, I had the opportunity to take part in the Greenshowroom at Berlin Fashion Week. To prepare, I received support from the Group in the form of a bursary to buy the materials I needed and coaching from LVMH staff. This was a fantastic opportunity to showcase my designs at the fashion show opening the event and on a dedicated stand. This first foray was noticed by industry professionals and resulted in my joining Kenzo for a work-study apprenticeship at the École de la Chambre Syndicale de la Couture Parisienne. Upon graduating, I was spotted by Christian Dior Couture and joined its flou atelier in autumn 2016.”

ANAÏS GUILLE

Cultures and Design fashion show 2013 award winner



“In the space of 20 years, I’ve held various positions within the human resources departments of a number of LVMH Group companies, before taking up the role of head of Human Resources for DFS in Italy in September 2015. One year in, a key part of my role has been setting up a 400 person-strong organization for DFS’s first European store: T Fondaco dei Tedeschi in Venice. In addition to the time allotted and the number of people that had to be hired, this exciting project required understanding a new market for a company that operates primarily in Asia. With my team, we also had to take risks, preferring unique people presenting a complete fit with our quest for excellence over mere qualifications.”

ROBERTA NOVELLO

Human Resources Director, DFS Italy



ENVIRONMENT: SETTING OUR SIGHTS ON LIFE 2020

FOR MORE THAN A QUARTER OF A CENTURY,
LVMH HAS BEEN STEADFASTLY COMMITTED TO PROTECTING
THE ENVIRONMENT, AND IN 2016 IT TOOK THIS COMMITMENT
TO A NEW LEVEL. AFTER GIVING FRESH IMPETUS
TO ITS ENVIRONMENTAL POLICY THROUGH THE LIFE PROGRAM,
THE GROUP HAS DECIDED TO FOCUS ALL
ITS MAISONS' ENERGY ON FOUR KEY OBJECTIVES FOR 2020.

A long-standing commitment

At LVMH, we pride ourselves on our culture of rarity, exception and innovation; on our values of excellence, sustainability and passing down the craft; on our responsibilities as an exemplary corporate citizen; and on our ambition to sustain and develop our business. That is why, for more than two decades, we have been unswervingly committed to protecting natural resources. This commitment officially took shape for the first time in 1992, the year of the Rio Earth Summit, with the creation of our Environment Department. It has been growing steadily ever since, reaching milestones within the Group (such as our Environment Charter in 2001 and our Code of Conduct in 2009) and outside it (from joining the UN Global Compact in 2003 to endorsing the Millennium Development Goals in 2007).

Fresh impetus thanks to LIFE

In 2012, LVMH took a decisive step forward with the launch of LVMH Initiatives For the Environment (LIFE), a comprehensive program that guides its environmental initiatives by taking a unified approach and a long-term outlook. LIFE is implemented by each company's Management Committee, and focuses on nine key aspects of the Group's environmental performance. Every year, Group companies revise their strategic plans, which are now required to include LIFE topics along with indicators that let them track their performance in each area. LIFE has given LVMH's environmental policy a firm new footing, and started producing positive results right from the outset. Protecting natural resources is now an integral part of our Maisons' strategies and management processes. All our

employees are aware of these environmental challenges and are actively involved in rising to meet them. The strong group dynamics that have arisen from this common goal encourage us all to engage in dialogue and share best practices, develop new tools to oversee these initiatives and help them succeed, and nurture innovation and creativity.

LIFE 2020 picks up speed with four strategic objectives

In 2016, LVMH took advantage of this positive momentum to step up its progress toward environmental excellence. To streamline and harmonize its Group-wide initiatives, LVMH has set common goals for all its Maisons to reach by 2020, regardless of their field. The process for determining these objectives was launched by Group Managing Director Antonio Belloni in August 2015, and involved the same participative approach used to develop LIFE. Eighty representatives of about thirty Maisons came together for a two-day brainstorming session on the content and wording of each objective, and at the end, LIFE 2020 was born. This new plan lays out a roadmap for LVMH's progress in four strategic areas: products; supply chains and suppliers; efforts to slow global warming; and production sites and stores.

Sustainable product design

Between now and 2020, Group companies will be improving the environmental performance of all their products. LVMH is aiming for the Group-wide adoption of sustainable design principles, which seek to reduce the environmental footprint of products over their entire life

cycle. This is no small feat, considering over 80% of a product's environmental impact can be attributed to choices made in the design phase. And it is not just an environmental challenge: by encouraging us to take a fresh look at the future of luxury, sustainable design is also a constant source of innovation and creativity, which in turn boosts our competitive advantage. The Group is using two main techniques to make progress in this area: systematically calculating the Environmental Performance Index (EPI) of its products, and using sustainable design guidelines based on environmental assessments of typical products.

Suppliers and raw materials

Seeking excellence at every link in the supply chain is vital for LVMH. For several years, the Group has pursued a sustainable supply chain strategy by working closely with suppliers and subcontractors. LVMH pays particular attention to the traceability and compliance of materials and substances used to manufacture its products. All Group companies are redoubling their efforts in this area, and by 2020 their goal is to be able to purchase and produce all of their strategic raw materials in compliance with the highest environmental standards for materials and production sites alike.

Cutting energy-related CO₂ emissions by 25%

As illustrated by its partnership with the COP21 climate conference held in Paris in 2015, LVMH is actively engaged in combating global warming. The Group is responsible

for a number of pioneering approaches in this area, such as taking the initiative to measure its greenhouse gas emissions well before Bilan Carbone® assessments became a widespread practice in France. Now LVMH has decided to set the bar even higher, aiming to cut its energy-related emissions by 25% between 2013 and 2020. To achieve this ambitious goal, the Group will place top priority on improving the energy efficiency of its stores, which total one million square meters worldwide and account for 80% of our emissions. At the same time, our Maisons will continue to increase the share of renewable energies in their energy mix as well as their efforts to reduce the environmental impact of transportation and logistics.

Improving environmental performance at every site and store

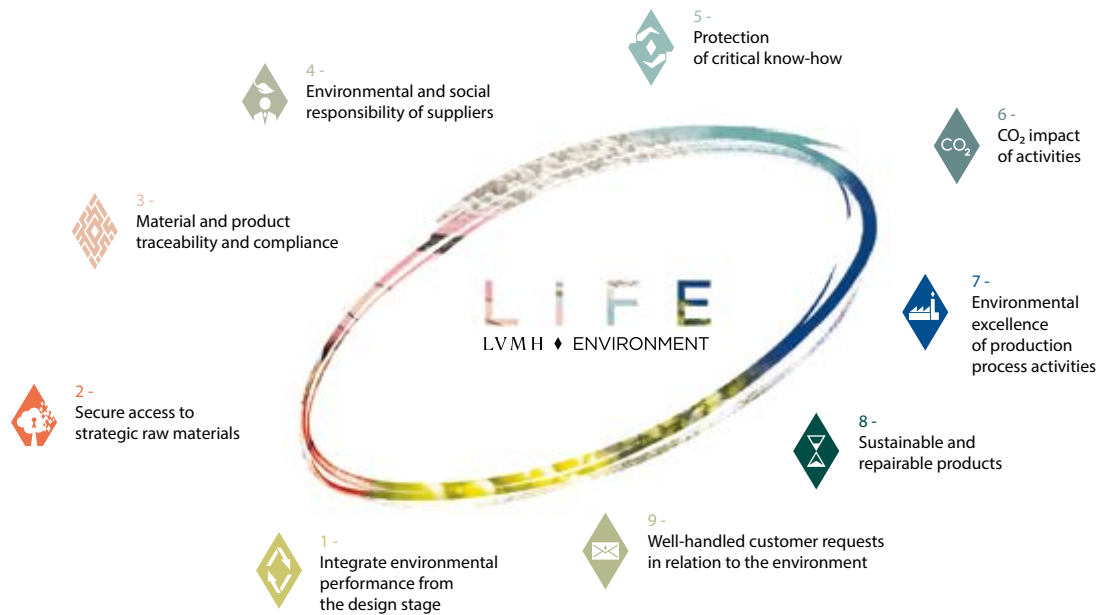
As a major player in the luxury sector, LVMH has a responsibility to lead by example everywhere its products are manufactured and sold. The Group has therefore required all of its Maisons to achieve a 10% improvement in performance between 2013 and 2020, at each of their production sites and stores, in relation to at least one of the following indicators: water consumption, energy consumption and waste production. A minimum target for environmental performance has also been set for new stores. On the environmental management front, by 2020, all LVMH sites must be ISO 14001-certified and must have implemented a system to ensure continuous performance improvement in their operations.

-14%⁽¹⁾
In-store energy consumption
reduction (kWh/sq.m)
(1) Change from 2015 at comparable scope.

€6.2 million
projects financed
from the carbon fund

The dynamics of the LIFE program

In 2015, all of our Maisons incorporated the LIFE program into their strategic plans. LIFE is a source of innovation and creativity, and also a common language that allows our upper-level management to get deeply involved. The Group oversees all of these activities, in cooperation with the LVMH Environment Department.



Goals for 2020

Four key goals, defined in 2016 by a group of 80 people from 27 Maisons, now form the backbone of the Group's Environmental approach:

PRODUCTS:
Improve the environmental performance of all products.

CO₂:
25% reduction in CO₂ emissions attributable to energy consumption.

SUPPLY:
Best practice applied in 70% of our supply chains, to reach 100% in 2025.

SITES:
All manufacturing, administrative and retail sites to achieve at least a 10% improvement in key environmental performance measures.



Clos de Callian, Grasse.



“In 2012, Polmos Zyrardow launched the Raw Spirit Program, a partnership with its farmers, raw spirit suppliers and scientists. The objectives of the program are to secure and improve the quality of Polish rye, promote environmentally friendly agriculture and guarantee local sourcing for the Polish Vodka appellation’s vital ingredient. The quality of the rye and the care with which our farmers cultivate it are key factors behind our partnership. We started a program to work with farmers and scientists on sustainability and quality for rye and raw spirits, going to the fields and the distilleries to review cultivation and production processes and implement the most pioneering new best practices.”

WIESŁAW PILAT

VP Operation Belvedere Vodka
and GM Polmos Zyrardow, Poland



“At Sephora, all of our services are impacted by eco-design. From our products to our stores, it stimulates our entire value chain. That’s how we lightened our latest make-up display cases by 30% and reduced their backlight power. Our peers have recognized us for our efforts, and we even received an R Award for eco-design at the COP21 Solutions exhibition at the Grand Palais in Paris.”

G RALD TOWNSEND

Environment manager
Sephora

“At Louis Vuitton, we are convinced that our environmental performance essentially comes down to our capacity to select the most engaged suppliers. That’s why we decided to do something new and include a pre-selection process based exclusively on environmental criteria in our Global Transport supplier selection procedure. This unprecedented approach is set to become a benchmark procurement practice.”

SANDRINE NOEL

Environment manager
Louis Vuitton



THE LVMH SUPPLY CHAIN

AT LVMH, SUPPLIERS ARE KEY STAKEHOLDERS
IN THE VALUE CHAIN, WHICH IS WHY
WE ARE COMMITTED TO MAINTAINING RESPONSIBLE
RELATIONSHIPS WITH OUR PARTNERS,
SUPPLIERS AND SUBCONTRACTORS,
AND WORK CONTINUOUSLY TO STRENGTHEN
THESE RELATIONSHIPS.

Group commitments and organization

In 2008, the Group implemented a Supplier Code of Conduct which sets out its requirements in the fields of social responsibility, the environment and the fight against corruption. In 2012, the Group implemented a decision-making process to help identify suppliers to audit. The methodology used enables each Maison to identify its at-risk suppliers on the basis of several criteria. Since 2014, the Maisons have integrated LIFE topics into their strategic plans, particularly as regards suppliers and environmental and workforce-related targets. The LVMH Group has also set targets for 2020, one of which is to ensure compliance with environmental best practice in the supply chain.

External and internal support

LVMH maintains regular dialogue with its suppliers and is highly involved in their operations, which has led the Group to help them implement and comply with environmental, workforce-related and societal best practices, while raising awareness and providing training on the corporate social responsibility issues specific to their business. A Supplier Forum has been held every year since 2014, attended by Group Maisons' representatives and their suppliers. It is also vital to raise awareness among internal staff, whether

they are directly or indirectly involved in relations with suppliers (buyers, production teams, etc.). To this end, a Supplier Sustainability Meeting has been held every year since 2005, bringing together the different Maisons' Purchasing, Environment, Legal and Internal Control departments. This meeting is a forum for the Maisons to exchange best practices and to present their plans, projects, actions and progress regarding sustainable, responsible purchasing.

Supplier assessment

LVMH's Maisons take a two-pronged approach to assessing their suppliers, which consists of selecting the priority product categories within each business group and developing an ongoing social and environmental audit program. Each business group has defined the common priorities for all its Maisons. For example, four key product categories have been selected as shared priorities for all Fashion and Leather Goods Maisons: leather, cotton, chemicals (especially in metal parts), and finished and semi-finished products.

At the Group level, 1,205 social and/or environmental audits were carried out in 2016.

As part of their quest for ongoing improvement in 2017, our Maisons will continue their supplier audits programs and follow up on action plans. The Group will also aim to strengthen the working groups for each of its businesses to best reflect their specific characteristics and requirements.



Monumenta 2016: Empires, by Huang Yong Ping.
Exhibition presented in the Nave of the Grand Palais in Paris from May 8 to June 18, 2016.

SUPPORTING CULTURE, YOUTH AND HUMANITARIAN ACTION

FOR OVER TWENTY YEARS, LVMH'S GLOBAL INSTITUTIONAL COMMUNICATION POLICY HAS BEEN BASED ON INNOVATIVE AND ORIGINAL CORPORATE PHILANTHROPY. THIS IS A LEGITIMATE APPROACH BECAUSE IT ALLOWS THE GROUP TO EXPRESS THE CULTURAL, ARTISTIC AND HUMANITARIAN VALUES WHICH UNITE ITS MAISONS AND ARE THE CORNERSTONE OF THEIR SUCCESS, BUT ALSO RESPECTS THEIR OWN INDIVIDUAL COMMUNICATION AND IMAGE STRATEGIES. IT IS ALSO A USEFUL APPROACH BECAUSE IT ENABLES LVMH TO MAKE ITS PATRONAGE OF CULTURE, THE ARTS, EDUCATION, YOUTH AND MAJOR HUMANITARIAN CAUSES A VEHICLE FOR ITS CORPORATE SOCIAL RESPONSIBILITY INITIATIVES.

Culture, heritage and contemporary design

In 2016, LVMH and Christian Dior sponsored Olafur Eliasson's designs at the Château de Versailles. This allowed a very large number of people to witness the interaction between one of the world's greatest contemporary artists and one of the most emblematic settings of French art and culture. LVMH also remains committed to supporting contemporary design and continued to sponsor two signature arts events. First, in the spring, it supported Monumenta, an exhibit in Paris' Grand Palais, and the work by Huang Yong Ping. Then, in the fall, it sponsored Nuit Blanche, the all-night Paris arts festival, with specific patronage of Lebanese composer Zad Moultaka's performance "La Montée des ombres" (The rise of the shadows). To promote the protection of our universal heritage and encourage awareness, at the end of 2016, LVMH also joined forces with Réunion des Musées Nationaux - the Grand Palais and the Louvre Museum, under the patronage of UNESCO, to sponsor the exhibition "Eternal Sites. From Bamiyan to Palmyra". LVMH also continued supporting the Odéon Théâtre de l'Europe in 2016, with its production of "Phaedra(s)", starring Isabelle Huppert; and again in 2017, with Colm Toibin's "The Testament of Mary" directed by Deborah Warner and starring Dominique Blanc. Lastly, in 2017, LVMH will present the fourth edition of the "LVMH Prize - Young Fashion Designer", which is open to fashion designers all over the world. On June 16, 2016, the

trophy for the Prize designed by artist Jean-Michel Othoniel was presented to Grace Wales Bonner by acclaimed French actress Léa Seydoux.

Helping young people

In 2016, LVMH again supported the International Music Academy founded in Switzerland by conductor Seiji Ozawa. It also repeated the "1,000 seats for young people" initiative, which has now been running for 15 years, and allows young musicians from the Paris conservatories to attend the Paris season's most prestigious concerts. Finally, it continued to loan the Stradivarius instruments from the LVMH collection to young virtuosos.

Supporting medical research and certain social causes

The Group continued to support children, the elderly and the disabled and fight key causes of suffering and exclusion. LVMH also pledged support for several scientific foundations and teams involved in cutting-edge research on public health issues. LVMH supported the Institut de la Vision, a Paris-based research center for eye diseases, with the design and implementation of an innovative research program on perception and access to art for the visually impaired, developed in close collaboration with the Musée d'Orsay.

INITIATIVES IN 2016



THE CULTURES AND CREATION FASHION SHOW

As part of its partnership with Paris suburbs Clichy-sous-Bois and Montfermeil, LVMH sponsors the Cultures and Creation fashion show each year.

This fashion event, first held in 2005, showcases the wide-ranging creative talents of local designers. Every year, it attracts an audience of 700 people, and features 50 amateur and semi-professional designers and close to 200 volunteer models.

The prize for the 2016 LVMH Young Talent category was a chance to participate in Greenshowroom, an eco-fashion show held during Berlin Fashion Week. To help prepare for this event, the winner also received a cash prize to purchase the raw materials, personal coaching from the LVMH teams and met with Dior designers.

Our winner presented two designs at the Greenshowroom opening catwalk show: her Guerlain perfume-inspired “little black dress” and a wedding dress for disabled brides. The latter made an impression, garnering surprise and warm approval from attendees when, for the first time ever at this event, a disabled model in a wheelchair graced the catwalk in an end-of-show wedding dress.



LVMH CONNECT

As part of its EllesVMH initiative, LVMH launched a global digital event for the first time in 2016. Women participating in EllesVMH were selected through local networks across the world to become ambassadors for the initiative among their teams. Each of them was tasked with inviting five people – three men and two women – to form a mixed-gender discussion group. These groups then connected to an online platform, where they undertook a workshop on behavioral barriers faced by women in the workplace.

A total of more than 1,800 people took part in the initiative across 22 countries and 43 Maisons.



INSIDE LVMH

On November 22, Inside LVMH offered 220 students drawn from the most prestigious French and European engineering and business schools an unprecedented insight into 16 of the Group's Maisons so they could see for themselves how important innovation is at LVMH.

The day provided a lively platform for exchange and knowledge transfer around innovation and luxury, divided into three main sessions. Students spent the morning in small groups getting a close-up introduction to some of the Group's Maisons, including Berluti, Louis Vuitton, Parfums Christian Dior, Make Up For Ever, Moët Hennessy and Chaumet. In the afternoon they gathered for a shared workshop on innovation at Group headquarters. Finally, an evening masterclass led

by Bernard Arnault and Chantal Gaemperle at the Fondation Louis Vuitton was followed by a chance to visit the exhibition "Icons of Modern Art: The Shchukin Collection."



INSTITUT DES MÉTIERS D'EXCELLENCE

LVMH's Institut des Métiers d'Excellence (IME) has trained nearly 200 apprentices since it opened in 2014, and now offers 16 apprenticeships in jewelry-making, couture, leathercraft, wine-growing and wine-making in Champagne, watchmaking, the culinary arts, retail design and sales.

In 2016, the lineup of IME training programs was expanded internationally, with 12 watchmaking apprenticeships in La Chaux-de-Fonds (Switzerland) initiated by TAG Heuer and Zenith, while in France a new Culinary Arts program was established in partnership with Ferrandi Paris, La Grande Epicerie

and a number of big-name chefs. Once again this year saw a 100% pass rate, with 90% of graduates finding employment – almost half of them staying on with the Group – proving that the IME has done well in achieving its objective: to develop employability through specialization and high-quality training, within the Group or in related vocational occupations.

The most outstanding apprentices were awarded the IME's Certificate of Excellence and congratulated by Bernard Arnault at the orientation ceremony for new apprentices, held at LVMH's headquarters and attended by some 400 students, trainers and tutors.



DISABILITY & RESPONSIBLE PURCHASING TRADE FAIR

The first Disability & Responsible Purchasing trade fair was held at the Palais des Congrès in Paris on March 27, 2016, drawing more than 1,500 attendees. Initiated by LVMH and organized by Groupe Les Echos, this national event aims to bring

together businesses and stakeholders supporting working people with disabilities, and raise awareness of the challenges posed by disability in the workplace.

The first trade fair dedicated to direct employment and responsible purchasing favoring people with disabilities, the Disability & Responsible Purchasing trade fair was a groundbreaking event putting potential buyers in contact with suppliers from sheltered and disability-friendly sectors. Catering, communication, IT, industrial services...

Over 70 sheltered workshops (Établissements et Services d'Aide par le Travail) and disability-friendly employers (Entreprises Adaptées) were represented, organized into thirteen groups covering all sectors. The event was a chance to fight prejudice and showcase the wealth of products and services offered by organizations involving staff with disabilities.

In a bid to promote knowledge transfer and best practice, the program of over 25 workshops and plenary talks was designed to illustrate how positive disability policies can create value and leverage innovation.



SPOTLIGHT ON THE THIRD *JOURNÉES PARTICULIÈRES* EVENT

On May 20, 21 and 22, 2016, the LVMH Group's third *Journées Particulières* open-house event brought together more than 145,000 people. The event gave members of the public a chance to see what goes on behind the scenes at our Maisons in the Paris and Bordeaux regions, in Champagne and Cognac, as well as in Italy, Switzerland, Spain, Poland and the United Kingdom. 53 exceptional venues opened their doors for the special occasion, and artisans from the LVMH Group's Maisons proudly displayed their expertise to the public and shared their love of their craft. Visitors were able to witness the talent, passion and culture of excellence that drives these artisans. They also got a real sense of the vitality of the great tradition of craftsmanship

that contributes to enhancing the image enjoyed worldwide by France and the countries of Europe. The event gained unprecedented media coverage, starting with a collaboration between the LVMH Group and Facebook/Instagram that enabled 12 talented young photographers to cover the event and share it on their Instagram account as well as on LVMH's. Over 40 million Twitter users were reached by the hashtag #JPLVMH. The media plan generated 29 million impressions on social media and other news sites, while the *Journées Particulières* website clocked up 220,000 visitors during the three days.



VIVA TECHNOLOGY – A RESOUNDING SUCCESS

The successful inaugural edition of Viva Technology, a conference co-organized by Groupe Les Echos and Publicis Groupe, took place in Paris from June 30, to July 2, 2016.

More than 45,000 people attended the event which brought together major corporations from France and beyond, including companies leading the digital sector and start-ups like those partnered by LVMH and other firms. The Group hosted the LVMH Luxury Lab, a hub welcoming young entrepreneurs and representatives from the Group and its Maisons. 44 start-ups from around the world pitched their ideas and the Maisons showcased a selection of their key innovations including Sephora's Beauty Board, the Krug ID and TAG Heuer's Connected Watch. Viva Technology was also a forum for exchanges and laboratory for new ideas and the Group's senior executives contributed to the debates and conferences on offer. This event allowed us to shine a spotlight on the Group's values of innovation, creativity, entrepreneurship and excellence, appealing to participants who were already impressed with LVMH's key role in shaping the major changes we are witnessing in today's world.



FIRST ANNIVERSARY OF THE GROUP'S INTERNAL CARBON FUNDING PROGRAM

In November 2015, while France was preparing for COP21, LVMH announced it was setting up an internal carbon fund. This unprecedented initiative in the luxury sector reaffirmed the Group's pioneering role in the fight against climate change. The fund was a runaway success, and by November 2016 it had raised €6.7 million for eligible projects, up from the €5 million initially planned. Our Maisons were highly engaged in this initiative, submitting proposals to the funding program for some thirty projects, 70% of which related to stores. These projects – aimed at reducing energy consumption, shifting toward renewable energies and improving the way energy consumption is tracked – will help avoid several tens of thousands of tons of greenhouse gas emissions.

This first year was also an opportunity for LVMH to set out the fund's operating procedures. Projects are funded on the basis of €15 for every metric ton of CO₂ emitted. They are selected on the basis of five criteria: the carbon footprint, the carbon effectiveness of the investment, the knock-on effect, the exemplary nature of the project, and its innovation component.

Spurred on by this success, LVMH renewed its carbon fund in 2017, making further progress toward the LIFE program's goal of cutting energy-related emissions by 25% by 2020.



FIRST EDITION OF THE LVMH STORE ENVIRONMENT AWARDS

In 2016, LVMH decided to recognize the best practices for environmental protection put in place by its Maisons at their points of sale by inaugurating the LVMH Store Environment Awards. These prizes are based on eight of the best-known certification systems worldwide (including LEED in the United States and HQE in the European

Union), and share a common goal: having environmental considerations built into all store projects right from the outset, when the design brief is being drafted. The first edition of the LVMH Store Environment Awards recognized the achievements of six companies. Loewe was awarded two prizes for its Calle de Goya store in Madrid: one for the store's refit featuring high-performance insulation and the other for using rail transportation for some of its construction materials. Louis Vuitton was also a double winner: its Santa Monica store in California was recognized for its air quality management and for its efforts to limit the presence of volatile organic compounds (VOCs) in indoor air. Bvlgari received a prize for installing a system at its New Bond Street store in London to remotely monitor and control energy and water consumption. Other winners were Sephora, for the very low power consumption per square meter of lighting at its Huntington Beach store in California, and Le Bon Marché, for setting up sixteen waste management programs. A special "Lighting" prize was also awarded to the T Galleria Beauty by DFS on Causeway Bay in Hong Kong, whose lighting system has set a record for the lowest power consumption per square meter.

WINES & SPIRITS

A sustainably designed case for Krug

Krug updated its Vintage, Rosé and Grande Cuvée cases with an environmentally friendly, single-material design. The new cases are unique, customizable and made of entirely FSC-certified fibers. Krug also rolled out new sustainably designed cases for the transport of packaging. This approach is part of the Maisons' broader pro-active sustainable design policy for Wines & Spirits packaging driven by systematically calculating the Environmental Performance Index (EPI), a system for assessing the environmental impact of all packaging based on predefined criteria, including packaging material type, weight, volume, production and transport.



Sustainable winegrowing is gaining ground

In 2015, the champagne houses obtained sustainable winegrowing certification for all of their vineyards

and official recognition of this new certification at the national level. In 2016, they began implementing this certification with their grape suppliers. In the space of one year, the share of certified champagne vineyards increased significantly.

An advocate of rigorous environmental standards for nearly 20 years, Hennessy has also made sustainable winegrowing a priority. For over five years, Hennessy has been a member of the DEPHY farm network, which aims to promote the introduction of farming systems reducing the use of pesticides. In 2016, Hennessy increased the area of its vineyard belonging to DEPHY from 12.5 to 30 hectares.

FASHION & LEATHER GOODS

Third edition of the LVMH Prize

In 2014, the Group reaffirmed its commitment to supporting the creative talent of tomorrow with the creation of the LVMH Prize for Young Fashion Designers. Each year, the prize is awarded to a designer in recognition of their skills and creative talent; the winner is chosen by a prestigious jury principally composed of the Maisons' artistic directors. On June 16, 2016, the Prize Trophy, created by the artist

Jean-Michel Othoniel, was awarded to Grace Wales Bonner. The young designer won a grant of €300,000 and a year-long mentorship from a specific team within the Group. A special prize also went to Vejas Kruszewski. In addition to the main category, three fashion graduates were recognized: Francesca Richiardi from Accademia Costume & Moda in Rome; Ayo Keys from Parsons School of Design in New York; and Beth Hall from Westminster University in London. Each was awarded a €10,000 grant and they will now be placed at one of LVMH's creative studios for one year: in Fendi, Marc Jacobs and Loewe, respectively.

PERFUMES & COSMETICS

“Bold is Beautiful” by Benefit Cosmetics

Benefit Cosmetics set up the Bold is Beautiful initiative with the aim of empowering women to make bold moves and believe in their dreams. In 2016, for the second year in a row, Benefit ran its Bold is Beautiful beauty fundraising event. During the month of May, all the proceeds generated by the brand's Brow Bars were donated to charities that empower women and girls around the world. This year again saw a sizeable turnout from Benefit

Cosmetics staff rallying to the cause in Australia, Canada, France, Ireland, Singapore, Spain, the Middle East, the United Kingdom and the United States. Even more countries will join them in 2017.

Altogether, Bold is Beautiful has raised over 6 million dollars since it launched in 2015.

Sustainable design for Parfums Christian Dior products and boutiques

Parfums Christian Dior is improving its global environmental footprint by driving forward sustainable design not only in products – as illustrated for instance by the rechargeable packaging used to sell *Dreamskin Perfect Skin Cushion* – but also at its points of sale. The new boutique opened in Warsaw in 2016 is a case in point. The Maison's Merchandising and Architecture teams opted for high-performance LED technology in lighting, delivering energy savings of 70%, compared to halogen lights without compromising on quality.

WATCHES & JEWELRY



Bulgari: Certified responsible purchasing

Bulgari has always striven to protect the most precious gemstones and materials, along with the rarest plants and woods, with the aim of perpetually improving its offer and the desire to contribute to sustainable development in all its materials' source regions. It participates in the work of the Responsible Jewellery Council (RJC) to promote responsible practices throughout the jewelry supply chain, from mine to boutique. Bulgari has already obtained RJC certification for members who work with gold and diamonds. In 2015, the Maison was also the first company in the industry to be awarded the RJC's Chain of Custody (CoC) traceability certification for its gold jewelry production lines. To achieve this, the company deployed an in-house and external environmental management system enabling it to track metal at each stage

of the production process, as well as upstream at its suppliers' facilities. Bulgari successfully passed its first surveillance audit in 2016.

SELECTIVE RETAILING

After France and China, Sephora's electric delivery trucks arrive in Italy

To keep its stores well stocked while minimizing pollution, Sephora has been using electric trucks to supply its downtown stores for the past few years. Launched in France in 2009, this good practice offering both environmental and economic efficiency gains has since been rolled out worldwide. After adopting this initiative in China in 2015, the Maison teamed up with FM Logistics to do the same in Italy in 2016. Sephora's delivery trucks now switch to 100% electric mode as soon as they enter Rome and Milan, two of the Italian peninsula's largest urban areas.

LVMH

*Business group
insights*





LVMH

Wines & Spirits

2016

Hennessy 8

RESOLUTELY FUTURE-FACING

We develop a unique portfolio of exceptional brands that combine authenticity, tradition and innovation. Our Maisons are resolutely future-facing, and they all share a quest for excellence mixed with a craving for challenge and a constant supply of fresh, new ideas.

A quest for excellence

Thanks to our inspired teams, each brand cultivates its singular qualities and generates the momentum needed to move forward while remaining true to its heritage. Supported by our value-enhancing strategy, these outstanding brands once again demonstrated their dynamism in 2016, a year that stood out through our business group's intense creativity and excellent performance.

Passing on savoir-faire

Hennessy is a perfect example of creative energy. After celebrating its 250th anniversary in 2015, 2016 was a year for passing on savoir-faire. Crowning a long apprenticeship, the eighth generation of Master Blenders from the same family is now on the cusp of carrying on a saga that began in 1800. This stands out as a record in the annals of cognac production. Hennessy-8 is a peerless, exceptional cognac that symbolizes the passing of the torch and a Maison in perpetual motion. It will leave an enduring mark on the company's history.

Strong innovative momentum, unprecedented experiences

Products, marketing and distribution: in the shift toward new types of consumers, innovation has become a key



CHRISTOPHE NAVARRE
President,
Wines and Spirits

value everywhere. It helps to promote new ways of consuming, and new styles and moments of celebration. While Moët & Chandon has just launched its first rosé champagne designed to be enjoyed over ice, Veuve Clicquot Rich, designed specifically for mixology, offers unparalleled champagne experiences and flavors. Another 2016 highlight is the Estates & Wines launch of its first Ao Yun vintage, the fruit of an exciting challenge and a daring adventure: creating China's greatest wine in the foothills of the Himalayas, a terroir and ecosystem 2,680 meters above sea level, and absolutely unlike any other.

Creating value, sustainable growth

The balanced, selective roll-out of our brand portfolio worldwide will continue in line with our value-enhancing strategy. We are fulfilling our ambitions by strengthening our distribution team in high-potential markets and investing extensively in communications, including digital media, to continue boosting our brands' image and desirability across the globe. To support our future growth while maintaining the superior quality that distinguishes our products, we continue to expand our supply chain and production capacities. As we acknowledge that the richness of nature is our most precious resource, we also place high priority on protecting the environment. Our future depends on it.



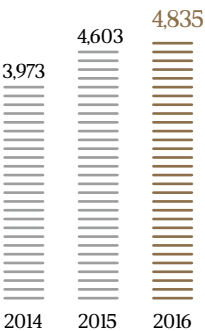
Key figures

Wines & Spirits

2016 REVENUE BY GEOGRAPHIC REGION OF DELIVERY (in %)



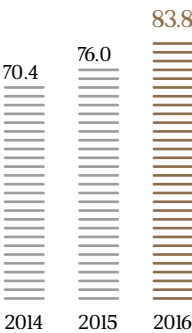
REVENUE (EUR millions)



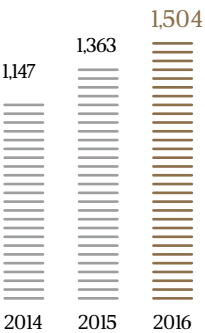
SALES VOLUMES CHAMPAGNE (in millions of bottles)



SALES VOLUMES COGNAC (in millions of bottles)



PROFIT FROM RECURRING OPERATIONS (EUR millions)



Major strategic priorities

- Pursue value creation strategy.
- Develop production capacities to ensure sustainable growth.
- Further strengthen efficiency of distribution in key markets.

OPERATING INVESTMENTS (EUR millions)



2016 at a glance

Good year with progress in the United States and rebound in shipments to China.

The Wines & Spirits business group recorded an increase in organic revenue of 7%. On a reported basis, revenue growth was 5%. Profit from recurring operations increased by 10%.

The business group had a very good year. Champagne made solid gains, with volumes up 3% and prestige cuvées performing especially well. **Hennessy** achieved excellent results, with volumes increasing by 10%. The robust momentum demonstrated by **Glenmorangie** and **Ardbeg** whiskies, together with the continued expansion of **Belvedere** vodka, the **Chandon** brand and the wines of the **Estates & Wines** collection, also contributed to the progress made in 2016. Driven by its commitment to excellence and innovation and backed by its powerful and agile distribution network, LVMH's Wines and Spirits business group won market share in all its key countries. Strong growth was recorded in the US market, even though the distribution contract for Grand Marnier products expired in the second half of the year. Momentum improved in China, while revenue rose in Europe despite the less-than-favorable economic climate.

Outlook

In line with its strategic vision, 2017 will be an eventful year, with many new product launches further enhancing the appeal of the LVMH Wines and Spirits brands. This approach will be accompanied by an ambitious and creative communications strategy aimed at consolidating the leading positions held in the business group's main export markets and winning over new consumers. The Wines and Spirits business group will continue to invest in its production capacities, essential to maintaining the unparalleled quality of its products. Among other highlights, the year will see the entry into operation of two new facilities for **Hennessy**, one for aging its eaux-de-vie and the other for bottling and shipping. Faced with an uncertain global landscape, the agility of Moët Hennessy's distribution network represents a major asset for successful adaptation in a shifting environment while making the most of the geographic diversity of its business activities. Its highly dedicated staff, exceptional portfolio of brands and efficient distribution will enable the business group to retain its leading position in the highest-quality wines and spirits.

2016 HIGHLIGHTS



Krug

Delivering its third consecutive year of record revenue, **Moët & Chandon** reaffirmed its leading position. Building on the strength of its innovations, including *Moët Ice Impérial Rosé*, the first rosé champagne designed to be enjoyed over ice, and the launch of its 2008 vintages, the brand saw solid growth particularly in North America. **Dom Pérignon** continued to develop internationally and roll out its range of premium products. The brand made

further inroads with its value-enhancing strategy, increasing its desirability by showcasing its Second Plénitude series, *Dom Pérignon P2*.

Mercier expanded its product range, focusing in particular on its *Blanc de Noirs* and *Brut Réserve* lines.

Ruinart achieved growth at historic levels, driven by its iconic cuvées. The brand further consolidated



Dom Pérignon

its positions in France and continued to expand rapidly around the globe. Ruinart's close ties with the contemporary art scene were reaffirmed by its collaboration with the photographer Erwin Olaf.

Veuve Clicquot kept up its momentum. The success of its *Brut Rosé* as well as innovations including *Vintage 2008*, *Rich* and *Rich Rosé* spurred the brand's growth in its mature markets, while *Carte Jaune* made

considerable headway in the key markets of Japan, the United States and Australia.

Moving ahead on a solid growth trajectory, **Krug** saw its momentum improve considerably in 2016, invigorated by the remarkable success of *Krug 2002*. An original brand image strategy, combined with innovative digital communications, helped raise its profile.

Estates & Wines was buoyed by the upturn in the US



Hennessy

market and expanded its portfolio of *Icons* wines with the launch of **Ao Yun** in China and a new *Single Vineyards* range for **Newton** in California. **Chandon** continued its expansion efforts in its main markets, backed by its innovation policy and its partnership with the McLaren-Honda Formula 1 team.

Hennessy once again recorded a strong increase in its sales volumes, fueled by the solid results achieved

in all its key markets. The brand saw unprecedented growth in the United States, driven by its *Hennessy Very Special* cognac and thanks to its highly successful communications campaign. This strong momentum was seen across all of North America and the Caribbean. In China and in other Asian markets like South Korea and Singapore, shipping levels continued to recover, while distributor stocking levels remained healthy.



Hennessy forged ahead with its strategy to move its product portfolio upscale, reinventing its fundamentals through iconic limited-edition releases like *Hennessy-8*, a tribute to the expertise handed down through eight successive generations of Master Blenders since 1800. **Glenmorangie** and **Ardbeg** continued their advances in the United States, Europe and the Asia-Pacific region. Glenmorangie reaffirmed its leadership position as an

innovator in the single malt category. Both brands received a number of international awards.

Belvedere remained on a steady growth track, reinforcing its position in ultra-premium vodka with innovations such as *Belvedere Bespoke*, offering customers the option to create their own personalized bottles.



LVMH

Fashion & Leather Goods

2016

UNDER THE BANNER OF CREATIVITY

Louis Vuitton's leadership position, its development of a set of high-potential brands and the active support provided to young designers are what drive LVMH's momentum and appeal in fashion and leather goods worldwide. In 2017, it was strengthened by the arrival of its first German brand: Rimowa, a leader in high-quality luggage.

Each season is a reinvention

From well-established names with unique know-how celebrating years of rich heritage to younger brands brimming with talent and full of promise, all of the business group's companies draw upon their deep reserves of creativity. Remaining true to their calling while reinventing themselves each season to fuel dreams and desires, offering their customers unique shopping experiences – these are the kinds of challenges they meet head-on which drive their success.

Creative freedom, well-managed growth

Since 1854, innovation and a talent for anticipating the desires of its contemporaries have shaped the history of Louis Vuitton. Synonymous with the art of travel around the world, over the years it has built up an impressive universe of products, across a spectrum of creative realms, making it a leading global luxury brand. Aiming for the exceptional in everything it does, the Maison pursues a strategy of well-managed and extremely profitable growth, driven by its creative freedom and its rare talent for revisiting its iconic models to make them ever more desirable. Its worldwide retail network is the focus of a continuous improvement program, to ensure that every customer who enters one of its stores finds the inspiration, the unrivaled service and the unique shopping experience they are looking for.

Olfactory journeys inspired by excellence

In 2016, Louis Vuitton celebrated its return to the world of perfume, in a move culminating several years of development, marking a new adventure and a new quest for excellence. For Vuitton, Jacques Cavallier Belletud, one of the world's finest master perfumers, crisscrossed the planet in search of rare ingredients. Ensnared in his laboratory at Les Fontaines Parfumées in Grasse, he then poured countless hours into designing and composing seven olfactory journeys, seven fragrances made from extraordinary ingredients. These treasured perfumes – like precious seeds holding the promise of future fruit – are presented in bottles emphasizing absolute purity, conceived by the designer Marc Newson.

Renewed momentum

The other Fashion and Leather Goods houses are at varying stages of their expansion process. Each one pursues its own specific strategy and business excellence model, backed by its star lines and specific expertise and applying rigorous guidelines for selecting suppliers and supply sources. Celebrating its 90th anniversary in 2016, Fendi crowned its success by crossing the symbolic billion-euro mark in revenue. Céline, Kenzo and Berluti have gained new momentum, which will help them grow more rapidly. With a view to sustainable, profitable growth, all of the Maisons have been fine-tuning their stylistic development by bolstering their creative teams, optimizing their collections, and expanding their digital presence, while making their retail locations more productive and attractive. Donna Karan was sold to US group G-III in December 2016.



Key figures

Fashion & Leather Goods

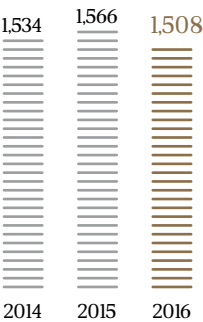
2016 REVENUE BY GEOGRAPHIC REGION
OF DELIVERY
(in %)



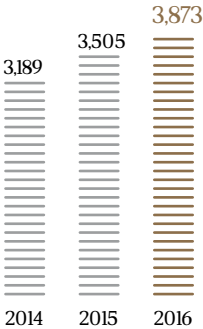
REVENUE
(EUR millions)



NUMBER
OF STORES



PROFIT FROM RECURRING
OPERATIONS
(EUR millions)



OPERATING
INVESTMENTS
(EUR millions)



Major strategic priorities

- Continue strategic development of Louis Vuitton.
- Strengthen image and profitable growth of other fashion brands.
- Integrate Rimowa.

2016 at a glance

Good performance of Louis Vuitton, other brands strengthened their positions.

The Fashion & Leather Goods business group recorded organic revenue growth of 4% in 2016. On a reported basis, revenue growth was 3%. Profit from recurring operations increased by 10%.

Louis Vuitton had a good year driven by the level of creativity across all its businesses. The continued success of its iconic product range and the strong demand for recent creations such as the new luggage designed by Marc Newson and the Louis Vuitton fragrances, all contributed to this growth. **Fendi** recorded robust growth, crossing the symbolic revenue threshold of 1 billion euros during the year. **Loro Piana** continued to expand its distribution network and opened a flagship store in Paris. **Céline**, **Loewe** and **Kenzo** all continued to grow. **Marc Jacobs** continued to work on changes to its collection. **Donna Karan** was sold in December to the American G-III group. **Rimowa**, world leader in luggage of excellence, joined the LVMH Group.

Outlook

In 2017, **Louis Vuitton** will seek to maintain its creative momentum and continue with its quest for excellence across all its businesses. With different initiatives, the brand will continue to strengthen and revisit its iconic and timeless product lines. Growth will be supported by communications that revolve around key events in the year and by continued exhibitions around the world focusing on Louis Vuitton's history and universe. Quality improvements in the retail network will continue, with the constant aim of offering customers a unique experience and unparalleled service. To continue its developments, **Fendi** will place innovation center stage with a number of product launches that will help reinforce the sophisticated style of its products. It will continue to expand geographically, moving into key cities and new markets. **Loro Piana** will expand its collections with an emphasis on its iconic products as well as continuing to develop its store network, particularly in Asia. Each of the business group's brands will pursue its strategic goals and continue to strengthen its business model, with the key drivers of growth being creativity in collections, product desirability and retail excellence.

2016 HIGHLIGHTS



Céline

Buoyed by the creative approach adopted in everything it does, **Louis Vuitton** had an impressive year marked by abundant innovation and development. In leather goods, there was strong demand for the *Twist* model and for the iconic *Capucines*. Small leather goods collections also posted solid growth. The new *Horizon* luggage range, designed for Louis Vuitton by Marc Newson, highlights the House's pioneering spirit thanks to its high levels of functionality and travel convenience. In jewelry, the new *Blossom* collection pays tribute

to the flowers of the House's iconic *Monogram*. The high point of the year was the September launch of Louis Vuitton perfumes, a collection of seven fragrances. As is the case in everything it does, Louis Vuitton set its sights on excellence by entrusting the design of its perfumes to Jacques Cavallier Belletrud and establishing its design laboratory in Grasse, the cradle and beating heart of the perfume world. Actress Léa Seydoux, the new icon of ready-to-wear fashion, is also ambassador for this new Louis Vuitton business. The communications approach



Louis Vuitton

included campaigns and key events at iconic locations, including in particular the Niterói Contemporary Art Museum, Oscar Niemeyer's architectural masterpiece on the bay of Rio, chosen for the third Louis Vuitton Cruise Fashion Show and the campaign featuring actress Alicia Vikander. Louis Vuitton continued the quality-driven development of its retail network, including the renovation of flagship stores in Hong Kong (Canton Road and Landmark). **Fendi** had another remarkable year, with revenue exceeding the symbolic billion-euro mark thanks

to sustained growth, new market share gains and the expansion of its international presence. A highlight of 2016 was the Rome-based fashion House's 90th birthday, culminating in an Haute Couture show at the Trevi Fountain in July. With its increasingly confident style, ready-to-wear fashion went from strength to strength. The leather goods business was buoyed by strong demand for the iconic *Peekaboo*. Driven by its constant pursuit of excellence, **Loro Piana** continued to grow, expressing itself



through a campaign celebrating its passion for the treasures of nature. It expanded its offering with its new *Gift of Kings* womenswear collection and developed its *The Blend* collection, combining vicuña down and baby cashmere. In 2016, Loro Piana also opened a flagship store on Avenue Montaigne in Paris. Momentum at **Céline** was driven by development across its product categories. The brand's footwear and ready-to-wear lines made strong contributions to the company's excellent performance. Céline continued to expand its network of boutiques,

re-opening its flagship store in Milan and opening its first store in Spain, in Barcelona.

Kenzo had a good year, with revenue up and visibility boosted by an adapted communications and digital strategy. The brand strengthened its positioning and developed its range of footwear and accessories. In the latter part of the year, the collection born out of the "Kenzo x H&M" cooperation, launched in 80 countries and online, met with good success. Reflecting the success of its stylistic evolution, business accelerated at **Loewe** in 2016. Two years after its



Berluti

launch, the *Puzzle* bag confirmed its best-seller status. At the same time as gradually developing its ready-to-wear offering, the company continued to improve its store network, as witnessed by the opening of its new Casa Loewe store in Madrid.

Givenchy focused its efforts on women's ready-to-wear fashion and leather goods and continued to selectively develop its retail network.

Berluti made progress across all its markets by strengthening its top-end collections and successfully launching new products in the "casual" segment,

including the new *Fast Track* sneaker. Haider Ackermann joined Berluti as creative director in September.

Marc Jacobs continued with the strategic repositioning of its collections. **Thomas Pink** recorded growth in online revenue. **Pucci** enriched its collection of silk scarves, celebrating several iconic cities of the world.

Donna Karan was sold to US group G-III in December. LVMH announced the acquisition of a majority stake in Rimowa, a leader in high-quality luggage.

This makes **Rimowa** the first German brand to join the LVMH Group.



A woman's profile is visible on the left side of the image, wearing a black jacket with a silver zipper. The background is a solid red color. In the foreground, a red lipstick with a silver band is shown. The text is contained within a white rectangular box with a red border in the upper right quadrant.

LVMH

Perfumes & Cosmetics

2016

AIMING FOR EXCELLENCE, CELEBRATING DIFFERENCE

The global market is increasingly competitive. Our perfumes and cosmetics teams are rising to this challenge, and raising the bar when it comes to creativity and excellence.

Growing our market share

Our Perfumes and Cosmetics division is committed to growing its market share. And they are succeeding, through the efforts of our flagship French Maisons, our younger brands that are proving their potential year after year, and the startup spirit of our US-based Kat Von D and Marc Jacobs make-up lines. All of these brands have an excellent growth outlook and are developing in complementary niches.

Unique alchemy and ongoing creative spirit

Our flagship brand, Parfums Christian Dior, is a perfect example of our commitment to excellence in perfumes and cosmetics. This commitment is what has driven the success of iconic fragrances like *J'adore* as well as more recent creations like *Sauvage* for men. In the unique alchemy between our treasured heritage and our rich creativity, each Dior product expresses the spirit of the Maison. Perfumer-Creator François Demachy and creative and image director Peter Philips continue to draw inspiration from Monsieur Dior's bold vision and uncompromising standards.

Living legacy

Two projects on opposite sides of the Atlantic stand out as highlights in 2016. The first is in Provence, where we are breathing new life into Château de la Colle Noire,

Christian Dior's former residence and haven of peace. In Grasse, Perfumer-Creator François Demachy has set up the Dior perfume laboratory at the Les Fontaines Parfumées estate, purchased and restored by LVMH. Dior is recommitting to its roots, and to the land where its enduring partnerships with some of its most committed producers began. Through this initiative, Dior is helping to ensure that the influence and expertise of master growers and fine perfumers will continue to thrive in the 21st century. The second highlight is in New York, where we have launched a new concept boutique. It spotlights the bond between our beauty and fashion collections, giving customers the immersive experience of a runway fashion show and offering a variety of innovative and interactive digital experiences. A resolutely modern take on our vital heritage.

Meeting a new generation's expectations

Alongside Dior, all of our Maisons celebrate what makes them unique, while committing to continuous innovation as a core strategy. LVMH's Hélios research center is an integral part of this commitment. Through media campaigns, creative communications initiatives and online strategies, our Maisons have raised brand awareness and expanded their customer base by appealing to millennials. Benefit's new Brow Collection was a runaway success, thanks to an intensive social media launch campaign. Our Maisons have also placed a priority on modernizing their points of sale, deploying expert consultants and ensuring excellent customer service to meet their 21st-century customers' expectations.



A woman with dark hair and blue eyes is the central figure, wearing a vibrant green sleeveless dress. Her hands are raised, framing her face with fingers spread. The background is a blurred mix of blue and yellow, suggesting foliage. Overlaid on the lower part of the image is a stylized graphic of a woman's eye, with a black, ribbed upper eyelid and a light blue lower eyelid. A small, round, metallic object is positioned within the eye's pupil area.

KENZO WORLD

THE NEW FRAGRANCE

Key figures

Perfumes & Cosmetics

2016 REVENUE BY GEOGRAPHIC REGION OF DELIVERY
(in %)



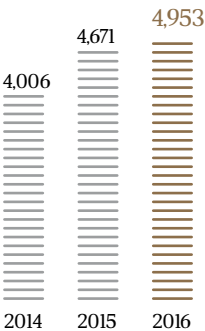
REVENUE BY PRODUCT CATEGORY
(in %)



NUMBER
OF STORES



REVENUE
(EUR millions)



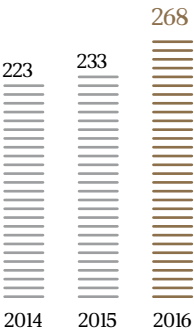
PROFIT FROM RECURRING
OPERATIONS
(EUR millions)



Major strategic priorities

- Aggressively pursue innovation and communications.
- Focus on developing Parfums Christian Dior in liaison with Couture.
- Pursue the global expansion of our other brands.

OPERATING
INVESTMENTS
(EUR millions)



2016 at a glance

Continued success of innovations; excellent performance in makeup.

The Perfumes & Cosmetics business group recorded organic revenue growth of 8%. On a reported basis, revenue growth was 6%. Profit from recurring operations increased by 5%. The inauguration of the new atelier for the creation of fragrances, Les Fontaines Parfumées, at Grasse was a highlight of the year. **Parfums Christian Dior** grew market share in all regions, driven by the worldwide success of *Sauvage* and the vitality of its iconic perfumes *J'adore* and *Miss Dior*. The progress of makeup also contributed to the Maison's excellent performance. **Guerlain** benefited from the successful launch of its new makeup collection inspired by its fragrance *La Petite Robe Noire*. **Benefit Cosmetics** experienced strong growth driven by the success of its new collection for eyebrows. **Make Up For Ever**, **Fresh** and **Kat Von D** performed well.

Outlook

Going into 2017, LVMH's Perfumes and Cosmetics brands are setting new targets for market share gains and will again make innovation a core pillar of their accomplishments. **Parfums Christian Dior** will place special emphasis on strengthening its products, *J'adore*, *Miss Dior* and *Sauvage*, and will focus on making *Poison Girl* and *Dior Homme Sport* more attractive to young generations. Makeup will benefit from major innovations and the increased use of digital communications. *Prestige* and *Capture Totale* will be given a boost to drive growth in the skincare sector. The brand will continue to cultivate its aura in synergy with Couture Dior as well as its reputation as one of the world's great perfume houses, while continuing to invest in boutiques and sales counters devoted to excellence and contemporary trends. In addition to supporting *La Petite Robe Noire*, its iconic skincare lines and lip and foundation segments in the makeup sector, Guerlain will launch a women's fragrance in March. **Parfums Givenchy** will take advantage of major innovations to accelerate the development of its makeup business, while launching a new communications campaign for its perfumes. **Kenzo Parfums** will continue the global roll-out of *Kenzo World* and will launch a new version of *Flower by Kenzo*. **Benefit Cosmetics** will continue its international expansion while striving to strengthen its global leadership position in the eyebrow segment. **Make Up For Ever** will maintain its strong innovation policy in the complexion, lip and eye segment. **Kat Von D** will begin its international expansion with the French market. Lastly, a new full makeup line will be launched in collaboration with the singer Rihanna.

2016 HIGHLIGHTS



Parfums Christian Dior

Parfums Christian Dior posted robust performances and continued to gain market share in all regions worldwide. Momentum in the perfume category was driven by the success of the men's fragrance *Sauvage*, which already ranks among the world's market leaders, and by the strong vitality of its women's fragrances. The launch of *Poison Girl* reenergized the entire product line, while *J'adore* reinvented itself with a new eau de toilette and *Miss Dior* gained ever

further in popularity due to the success of its *Absolutely Blooming* version. The brand reaffirmed its reputation as one of the world's great perfume brands by expanding its presence in Grasse, particularly with the opening of its new fragrance-creation laboratory, Les Fontaines Parfumées, where François Demachy, the House's perfumer designer, will create Dior's future fragrances. Inspired by the creative flair of Peter Philips, makeup maintained its leadership



Parfums Christian Dior

position thanks to its bold collections and the reinvention of certain core Dior products, such as *Diorskin Forever* foundation and *Rouge Dior*, whose icon is Natalie Portman. Skincare benefited from major innovations in the premium *Prestige* line, a number of launches in the cushions product category and the continued international success of *Dreamskin*. **Guerlain's** development was driven by the success of the new makeup collection inspired by its fragrance

La Petite Robe Noire, with the global rollout of a line of lipsticks and nail polish. A new version of the fragrance - *Intense* - was also launched. The *Orchidée Impériale* and *Abeille Royale* lines ensure Guerlain's growth in the skincare industry and illustrate its efforts to protect biodiversity. A new boutique concept exclusively dedicated to perfumes was created in Paris, giving Guerlain an opportunity to showcase its reputation as one of France's iconic



perfume houses and demonstrate an ever-changing customer experience.

Parfums Givenchy's growth is striking in Asia. Its makeup posted strong growth, driven by the success of the *Le Rouge* lipstick line and *Prisme Libre* face powder. **Kenzo Parfums** benefited from the launch of its new women's fragrance, *Kenzo World*, designed in collaboration with Kenzo's creative directors Carol Lim and Humberto Leon, and promoted by

a commercial that received extensive attention.

Benefit Cosmetics maintained its momentum.

The success of its *Brow Collection*, the largest launch of the brand, earned Benefit the leading position in this high-growth makeup segment. The year was marked by the launch of a new website in 24 countries, with a version in each local language perfectly adapted for mobile devices. Revenue of **Make Up For Ever** recorded growth in every region in the world,



Benefit Cosmetics

a momentum largely driven by the *Ultra HD* and *Artist Rouge* lines. It accelerated its digital strategy and opened its first interactive space in the Sephora store on the Champs-Élysées, the first space allowing customers to learn makeup techniques interactively. **Fresh** recorded solid gains, opened two points of sale in Paris and introduced a highly innovative skincare line named *Vitamin Nectar*. **Acqua di Parma** celebrated its 100th anniversary by feting its

hometown of Parma, Italy and launching three *Note di Colonia* fragrances. The **Kat Von D** and **Marc Jacobs Beauty** makeup lines made very strong progress. **Parfums Loewe** did well in Asian markets with the launch of *Loewe 001*, in close collaboration with the couture house.



A close-up photograph of several high-end jewelry pieces, including diamond-encrusted bracelets and pendants with large green emeralds and blue sapphires, set against a textured, light-colored background. The jewelry is arranged in a way that highlights its intricate design and the quality of the gemstones.

LVMH

Watches & Jewelry

2016

MARKET SHARE GAINS

The collection of complementary brands that make up the Watches and Jewelry business group is delivering solid market share gains. This trend was spurred in particular by Bvlgari's jewelry-making virtuosity and its quintessentially Italian style, the avant-garde spirit of TAG Heuer and its close ties with sports, Hublot's exceptional creativity and its powerful "Art of Fusion" concept, and Chaumet's reinvention of its magnificent historic and creative heritage.

An aggressive innovation strategy

Against a backdrop of lower Swiss watch exports, the firm growth achieved by the business group's brands in 2016 was above all due to their aggressive innovation strategy and their highly original creativity, both of which helped maintain or enhance the vitality of their iconic lines. Bvlgari's additions to its legendary collections *Serpenti*, *B.zero1* and *Diva* made particularly strong contributions to its growth. TAG Heuer's growth was fueled by its core models and the hugely successful launch of the industry's first high-end smartwatch, not only a fun, easy-to-use and intuitive device, but also a winning combination of Swiss watchmaking expertise and the aesthetic values that have built the brand's renown.

Enhanced visibility

All the business group's brands are working to raise their profiles through targeted and fruitful partnerships, like TAG Heuer's partnerships in the world of soccer with the English Premier League and the Chinese Football Association Super League, and Hublot's partnership with

Ferrari. The Maisons' visibility is also boosted by celebrity ambassadors selected for their international renown and representing fields with which they have close ties, as well as through efforts to reinforce their digital presence and communications.

A constant focus on store quality

Meticulous efforts are focused on retail networks across the business group to ensure optimal performance, by improving the quality, attractiveness and productivity of directly owned stores. Both Bvlgari and Chaumet rolled out new retail concepts in 2016. Alongside major renovations of existing stores, openings have been concentrated in the key cities of the most promising regions. Bvlgari's renovation of its New York flagship store on Fifth Avenue is expected to be completed for a reopening at the end of 2017.

Maintaining artisanal excellence and a technological edge

Further synergies are being unlocked across the business group while pursuing investments to increase production capacity and optimize manufacturing processes in order to maintain artisanal excellence, robust performance, and a technological edge. To accompany its growth, Bvlgari has opened a new manufacturing facility, which will eventually employ 300 people. TAG Heuer and Zenith have joined forces to create a watchmaking academy under the aegis of LVMH's Institut des Métiers d'Excellence, which aims to preserve the Group's expertise, the key ingredient of its success.



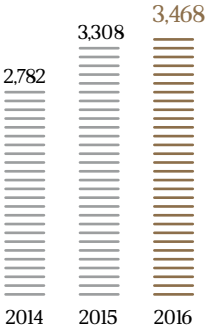
Key figures

Watches & Jewelry

2016 REVENUE BY GEOGRAPHIC REGION OF DELIVERY (in %)



REVENUE (EUR millions)



NUMBER OF STORES



PROFIT FROM RECURRING OPERATIONS (EUR millions)



OPERATING INVESTMENTS (EUR millions)



Major strategic priorities

- Reinforce Maisons' image with expert craftsmanship and distribution.
- Continue momentum of Bvlgari and refocusing of TAG Heuer on core product ranges.
- Optimally develop manufacturing facilities.

2016 at a glance

Market share gains for Bvlgari and TAG Heuer.

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

Bvlgari continued to gain market share with enhancements to its *Serpenti*, *Diva* and *B.zero1* lines. Growth continued in China, Korea and the Middle East. **TAG Heuer** grew despite a difficult market for watches, gained market share and benefited from the success of its new collections and its connected watch. **Hublot** accelerated its development in Asia and recorded the best year in its history. **Chaumet** continued to move its product lines upmarket and inaugurated a new boutique concept in Hong Kong.

Outlook

The Watches and Jewelry business group is actively pursuing its market share growth target. Over the coming months, LVMH will focus on boosting its brands' visibility and reputation for excellence in the most buoyant regions through sustained investment, particularly in the digital arena. Selective new store openings will take place at prestigious, high-traffic locations. **Bvlgari** plans to open its new Fifth Avenue boutique in New York in late 2017. **Hublot** will accelerate the targeted expansion of its own stores, while **Chaumet** will continue rolling out the new store concept it launched in Hong Kong at the end of 2016. As well as their masterful watchmaking and jewelry-making expertise, the brands' innovation – a key driver of growth – will remain at center stage, allowing them to enhance their collections while maintaining a constant focus on excellence and creativity. **TAG Heuer** will continue to develop its smartwatch, in particular. In an uncertain economic and geopolitical environment, this strategy will go hand-in-hand with a highly attentive approach to markets and strict control over costs. Investment will be targeted at improving the quality, productivity and profitability of retail networks. Production capacity will be developed to enable the Group to maintain its world-class craftsmanship and technological leadership. Bvlgari's growth will be supported by its new jewelry manufacturing facility in Valenza, which started operating in January 2017. The facility will eventually create more than 300 new jobs for craftspeople, reflecting Bvlgari's focus on developing skilled jobs in the jewelry profession.

2016 HIGHLIGHTS



TAG Heuer

Revenue growth at **Bvlgari** outpaced the market, with progress in China, South Korea and the Middle East, especially in jewelry. Jewelry continued to benefit from the company's creative momentum. Enhanced by various new models, the *Diva* and *B.zero1* lines maintained their success. The *Diva* and *Lvcea* watches confirmed their growth potential, while in the challenging market for men's watches *Octo* continued to make progress following a record year in 2015. Leather goods

continued to post solid growth thanks to the *Serpenti* collection. The recent *Serpenti Seduttori* collection also contributed to business growth. Store performance was boosted by the program of selective boutique openings and major renovations, as seen in the Washington D.C., London New Bond Street and Moscow Petrovskaya boutiques. Bvlgari's Italian excellence and deep reserves of creativity were illustrated by new exhibitions around the world and events designed



around key company themes such as *Roman Heritage* and *Mediterranean Eden*.

The revenue growth reported by **TAG Heuer** in a challenging overall watch market underscored the relevance of the brand's strategy of developing its core product range. The brand's momentum was buoyed by product launches adding to its iconic *Carrera*, *Aquaracer* and *Formula 1* lines. Highlighting TAG Heuer's reputation as a pioneer, the brand continued

to successfully roll out its connected watch across all markets. The company continued to improve its store network, opening new stores in Melbourne, Kuala Lumpur, Tianjin and Macao. The brand's visibility among its target customers and its social media presence were strengthened by new ambassadors and a number of partnerships, including those with the BMC cycling team, the Red Bull Racing Team and, in soccer, the English Premier League and the Chinese Super League.



Hublot

Hublot continued to expand, particularly in Japan, China and the Middle East. Brand performance was driven by the *Classic Fusion* line, which continued to grow alongside the iconic *Big Bang* range. The company expressed its creative flair through a variety of new models, some surprising and others highly technical. Combined with its expertise and manufacturing capability, this ability to innovate puts it among the leading high-end Swiss watchmakers.

A new flagship store was opened on Fifth Avenue in New York. Brand awareness was boosted by a busy communications calendar including prestigious partnerships, a strong digital presence, and sporting and cultural events.

Zenith maintained its focus on models in its iconic *El Primero* collection and will soon unveil its revolutionary new *El Primero 21* movement. The brand continued to consolidate its organization while benefiting from



Chaumet

the synergies offered by the Group and its other watchmaking businesses.

Growth at **Chaumet**, particularly in Asia, was stimulated by the success of its *Joséphine* and *Lien* lines and its continued shift further upmarket. New designs were added to flagship lines. Fine jewelry was boosted by the launch of a new *Nature de Chaumet* collection, whose products were presented in a traveling exhibition in Europe and Asia.

De Beers consolidated its position as industry leader in the solitaire diamonds segment. **Fred** continued to grow, buoyed by its iconic *Force 10* line. The brand opened two stores in South Korea.





LVMH

Selective Retailing

2016

REINVENTING THE CUSTOMER EXPERIENCE

Keeping the shopping experience fresh and exciting is the top priority for our Selective Retailing staff around the world, who center their strategies and full attention on satisfying our brands' customers every day. Innovation, differentiation and digital excellence are all keys to staying one step ahead of constantly changing expectations.

Inventing the shopping experience of tomorrow

This focus on breaking new ground has been sparking a radical revolution in the world of beauty, garnering immense success across every continent and steady growth momentum. Staffed by contagiously enthusiastic beauty advisors, its stores are places customers love to explore, where they can sample a unique selection of products and enjoy an innovative range of services.

Digital, local and connected

With its avant-garde digital offering, Sephora has continued to develop its online shopping websites and its in-store digital initiatives, boosting its omni-channel strategy and its social media presence to grow ever closer and more connected to its customers. In parallel, the brand has pursued its environmental responsibility policy, illustrated in particular by its store under La Canopée, the redesigned glass ceiling of Paris' Les Halles shopping center. The store opened in 2016 and meets the very strict criteria required to obtain BREEAM "Excellent" certification for sustainability performance in buildings.

A sublimely creative department store

Its unique atmosphere and refined selection of high-end products and services make Le Bon Marché a sublimely creative department store. A front-runner, a trend-setter, it is the Parisian place to be for a cosmopolitan French and international clientele. Le Bon Marché has cultivated its unique identity by developing a cultural dimension, as can be seen in its collection of artwork and frequent exhibitions. The works of Japanese artist Chiharu Shiota, known for her intricately woven thread and yarn installations, graced the store in early 2017.

Two high-potential openings in Cambodia and Italy

Leading the field in luxury travel retail, taking innovation as its guiding principle and backed by its extensive expertise in this market, DFS offers travelers a consummate shopping experience at its downtown T Galleria stores and airports. As a sector in constant flux, buoyed by the steady growth in air travel but exposed to changes in the economic environment, travel retail requires a high level of business agility. DFS has reinvented its offering and retail spaces to meet new expectations and diversify its geographic coverage in response to an unfavorable tourism context in Hong Kong. 2016 saw two high-potential openings near the temples of Angkor in Cambodia and by the Grand Canal in Venice, its first location in Europe. To guarantee that visitors enjoy an unforgettable experience, these two T Gallerias were designed in homage to culture and the finest local craftsmanship.



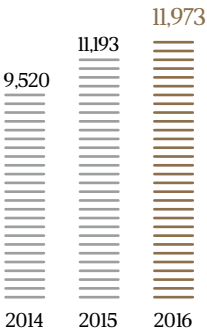
Key figures

Selective Retailing

2016 REVENUE BY GEOGRAPHIC REGION OF DELIVERY (in %)



REVENUE (EUR millions)



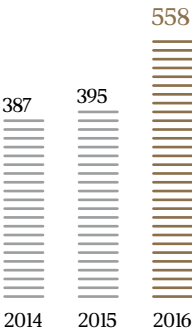
NUMBER OF STORES



PROFIT FROM RECURRING OPERATIONS (EUR millions)



OPERATING INVESTMENTS (EUR millions)



Major strategic priorities

- Continue Sephora’s dynamic innovation in stores and digital content.
- Complete renovation of Le Bon Marché Rive Gauche store and prepare for the opening of the new La Grande Epicerie on the Right Bank.
- Adapt development of DFS to geopolitical context and diversify clientele and geographic coverage.

2016 at a glance

Good performance at Sephora, DFS impacted by a difficult tourism context in Asia.

The Selective Retailing business group recorded organic revenue growth of 8%. On a reported basis, revenue growth was 7%. Profit from recurring operations declined by 2%.

Sephora gained market share across all regions and once again recorded double-digit growth in both revenue and profits. More than a hundred stores were opened in 2016 including notably a flagship store in the World Trade Center in New York and major renovations in Boston and Singapore. Its online offer accelerated with the launch in six new countries. **DFS** continued to face a difficult environment, notably in Hong Kong. The expansion into new destinations continued. The opening of the T Galleria in Angkor in Cambodia and one in Venice, Italy were the highlights of the year.

Outlook

Driven by the ambition to offer its customers a fresh new experience in the world of beauty, **Sephora** continued to focus on the strategic foundations on which it has built its success: highly dedicated, expert staff; an innovative selection of products; a growing range of exclusive, customized services; and more and more digital initiatives. It will go on opening new stores and renovating its network at a sustained pace. **Le Bon Marché** will continue to cultivate its uniqueness, its identity as a major trendsetter and its cultural agenda. This year's highlights will include the completed transformation of the Women's Fashion department and, at the end of the year, a new Grande Épicerie de Paris on the city's Right Bank. At **DFS**, the concession at Hong Kong International Airport is expected to post another loss. However, DFS will benefit from the ramp-up of its new stores in Cambodia, Macao and Venice. The expanded Loyal T program, the launch of its new e-commerce platform and the renovation of its historic stores in Auckland and Sydney will help DFS continue its transformation while raising the profile and enhancing the appeal of the T Galleria brand. **Starboard Cruise Services** will continue fine-tuning its offerings by cruise route and investing in the transformation of its boutiques to win over customers and provide them with unique experiences.

2016 HIGHLIGHTS



Sephora

Sephora achieved new double-digit revenue growth and gained market share worldwide. Its particularly remarkable performance in the United States propelled the brand to highest echelon of the selective beauty market. Sephora currently has over 1,700 stores in 33 countries and is growing steadily. In 2016, it opened its first stores in Switzerland and inaugurated several iconic locations, including La Canopée in Paris and the World Trade Center in New York City. Sephora

continued to upgrade its existing network to provide an enhanced customer experience focused on digital engagement and services. The ION Orchard store in Singapore and the Prudential store in Boston in particular were fully renovated. The brand's strategy was more omni-channel than ever, with efforts focused on developing mobile applications, offering in-store digital features and reducing delivery time. The online sales offering rapidly expanded its scope, with six new



Sephora

countries including Spain and the United Arab Emirates. Sephora continued to focus on selecting an innovative array of products, adding more exclusive brands to its range and offering a new line-up aimed at younger customers. These initiatives were amplified by a strong social media presence. A selective offering combined with excellent customer service helped **Le Bon Marché** achieve strong growth, especially in accessories. 2016 witnessed the

transformation of its Women's Fashion department, which is now dotted with trees beneath its magnificent glass ceilings. The launch of La Grande Épicerie de Paris' own-label products was a great success. On the agenda were several exciting events: the first half of the year featured exhibitions by Chinese artist Ai Weiwei and Iris Apfel, which enjoyed exceptional media coverage, followed by the "Paris!" event in September. The "24 Sèvres" loyalty program continued to win over



Le Bon Marché

customers, helping expand and strengthen ties with the store's French clientele. International customers, won over by the store's culturally rich, Parisian atmosphere, also contributed to its growth. In 2016, the challenging tourism context in Asia continued to affect the travel retail sector, causing a drop in revenue for **DFS** and other businesses operating in the Hong Kong and Macao tourist markets. DFS responded to this situation by stepping

up its efforts to adapt to fluctuating customer levels and changing purchasing behavior. Stores have tailored their offerings in particular by introducing new brands and enriching their ranges with new product categories. These initiatives were accompanied by expansion to new destinations, which are essential for future growth. In Cambodia, the T Galleria near the ruins of Angkor is the destination for visitors wishing to combine a shopping experience with their



DFS

exploration of this fabulous site. In Macao, the T Galleria City of Dreams underwent an innovative expansion that included creating the largest luxury shoe salon in Southeast Asia. A new two-story wines and spirits boutique was opened at Changi Airport in Singapore. Lastly, the inauguration of a T Galleria in an iconic, historic building by the Grand Canal in Venice – a first in Italy – marked the beginning of DFS's expansion into Europe.

Starboard Cruise Services was buoyed by the development of cruise routes in Asia, and continued to enhance its boutiques and fine-tune its selection of products to best serve each cruise line's specific customers.

LVMH

LVMH
stories

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HENNESSY

A blend close to perfection

For more than two centuries, the history of Hennessy has been indelibly linked to that of the Fillioux family, whose members have taken on the august title of Master Blender, with all its responsibilities, for several generations. In 2016, this saga took on a new dimension, when Yann Fillioux, representing the seventh generation of Master Blenders, officially confirmed the final stage of the training of his nephew Renaud Fillioux de Gironde, to whom he is preparing to pass the torch after 50 years spent safeguarding the future of Hennessy cognacs.

Convinced that the eminence of a great tradition rests most of all in its ability to be handed down and enhanced by its heirs, Yann was keen to mark this handing over of the reins with an exceptional flourish by composing an equally exceptional blend: Hennessy·8. This unique masterpiece is crafted



from a meticulous marriage of eight eaux-de-vie, one of which was selected by Renaud, as one of his first creative steps toward becoming the next “guardian of the temple” at the creative helm of Hennessy.

The number 8 thus serves as the thread tying together the creation of this nectar. As Yann puts it, this blend is nothing less than “a Master Blender’s dream come true, the embodiment of simplicity and absolute perfection” – a fitting culmination to his half-century of service. Both timeless and contemporary, a beacon for a new generation of Master Blenders, Hennessy·8 also resonates as an homage to freedom and singularity, since its crea-



tors had complete liberty in bringing it into being. To give this magnificent cognac a presentation worthy of its prestige, Hennessy asked artist and designer Arik Levy to dream up a distinctive jewel case. Each Hennessy-8 carafe is made of hand-blown Baccarat crystal, its design featuring eight inset rings, evoking perpetual movement and renewal. Crowned by its engraved crystal stopper, the bottle is safely ensconced in a custom jewel case made from 25 layers of oak barrel staves, each symbolizing a 10-year layer of Hennessy's history. A work of art inspired by the beauty of nature, it is also a slice of history and an ode to human creativity.

Ingeniously designed, they are the ideal accompaniment for an equally unique blend, and together they offer an especially beautiful tribute to Hennessy, its heritage, its expertise and its values.

*A Master Blender's dream turned
into a masterpiece*

LES FONTAINES PARFUMÉES

A laboratory for creation

You need to climb the steep, winding streets of Grasse to reach Les Fontaines Parfumées. Once past its elegant wrought iron gate, you follow a long lane, at the end of which you catch a glimpse of an old stone fountain and the Bastide's sun-drenched ochre façade interspersed by green shutters. This is the place that, since June 2016, François Demachy and Jacques Cavallier Belletrud – Master Perfumers of Christian Dior and Louis Vuitton respectively – have chosen as their atelier: a unique source of inspiration, where they can both fully pursue their art and their creative process in a way that befits the identity and universe of their two Maisons.

Their creative atelier nestles at the heart of an ecosystem that is unique to the world, featuring the entire range of skills and expertise used in fine perfume-making, from flower to flacon. Thousands of these vials are meticulously arranged, in alphabetical order, along the walls or on rotating carousels. They contain essences and absolutes of various flowers, spices like vanilla and cardamom, sandalwood and other woods, and precious materials like amber. Some of these raw materials are so fragile that they need to be refrigerated or placed in incubators to be kept in the storehouse behind the atelier. High-precision scales are used to meticulously weigh each ingredient down to the



milligram, ensuring the utmost accuracy in the blends designed by the two Master Perfumers. The LVMH Group site dedicated to creating perfumes in Grasse is a testament to its commitment to cultivating the finest skills and expertise right at the source, by supporting young growers and promoting innovation at production sites. As a creative epicentre, Les Fontaines Parfumées aims to stand out as an exemplary site, sharing and handing down exceptional skills. Every year, François Demachy and Jacques Cavallier Belletrud will welcome apprentices from Grasse to Les Fontaines Parfumées, in order to introduce them to the art of creation, a tradition from which they themselves were beneficiaries.

From the materials selected to the lighting, nothing has been left to chance in this high-tech creative workshop, where tomorrow's fragrances are brought to life.



AO YUN

A Chinese wine at the peak of excellence

Ao Yun means “flying above the clouds” in Chinese: a name that invites you on a journey to discover this premium Chinese wine. For this singular project, the journey was taken by Christophe Navarre, President of Moët Hennessy. He traveled to the north of the province of Yunnan, not far from the mythical city of Shangri La, to locate the vineyard where this one-of-a-kind wine is produced, between the banks of the Mekong and the summits of the Himalayas. With its rich culture and breathtaking landscapes, the Yunnan region provides the best natural environment to create this new wine. It was a daring move, to develop and grow at an altitude of 2,600 meters a French grape variety that had never experienced the thrill of such high altitudes.

But the vision of Moët Hennessy proved to be right: plentiful sunshine combined with cool nights provide the ideal conditions for Cabernet Sauvignon. In the foothills of the sacred Meili Mountain, which culminates in a summit nearly 7,000 meters above sea level, Ao Yun draws on the artisanal and natural traditions of the local population to realize its full potential in cultivating this new wine. The grape grows on small parcels of vines spread out over 30 hectares and four villages, over terraces carved out over the centuries to adapt to the region's sheer landscapes. It is then transformed into wine following a process of harvesting and production by hand, carried out by people from surrounding villages.



An exceptional wine originating from above the clouds... Reinventing notions of luxury and delicacy, Ao Yun's first vintage (2013) is a rare and truly special wine.

*Between the banks of the Mekong and
the summits of the Himalayas, an unparalleled
terroir for a one-of-a-kind wine.*

LOUIS VUITTON

Voyage to the land of perfume

Guided by the spirit of travel and discovery, Louis Vuitton has explored a new territory: the world of perfume. Inspired by emotion and suspended moments, Louis Vuitton perfume includes seven intensely feminine creations designed for a journey that begins on bare skin. Firmly anchored in the House's history, this olfactory path is inspired by the trunk-maker's legendary fondness for the sophisticated vanity cases, travel flasks and fragrances stamped Louis Vuitton that were created throughout the 20th century. Names like *Heures d'Absence*, *Réminiscences* and *Eau de Voyage* are engraved on bottles from which the fragrance has long since evaporated, offering the Maison Louis Vuitton *carte blanche* to reinvent its world of perfume.

To open this new chapter, Louis Vuitton has called on Jacques Cavallier Belletrud, a perfumer born in Grasse, situated in the Provence region of France, birthplace of both perfume and leatherwork. When Jacques Cavallier Belletrud was named Master Perfumer of Louis Vuitton in 2012, he spent months travelling across five continents and getting to the heart of Louis Vuitton, spending time in its workshops, seeking out new scents and unexpected emotions. His discoveries have resulted in seven olfactory journeys: Les Parfums Louis



Vuitton. *Rose des Vents* captures the airiness of the most iconic flowers, the rose, with the exceptional trio of Turkish rose, Bulgarian rose and Centifolia absolute in a CO₂ extraction – a first in the perfume industry and exclusive to the Maison Louis Vuitton. The next step of this olfactory journey is *Turbulences*, a creation based on the enchanting tuberose and jasmine. *Dans la Peau*, a unique blend of flowers and an exclusive infusion of natural leather from Louis Vuitton's workshops, invites you to take a sensual moment of rest, before discovering *Apogée*, an ode to nature embodied by the symbol of renewal: the lily-of-the-valley. The adventure continues with the duo of



Contre Moi, with its fresh, delicate vanilla scent, and *Matière Noire*, emphasizing the dark tones of precious Laos agarwood. The voyage ends with *Mille Feux*, an emotional explosion, where the infusion of natural leather coalesces with raspberry and sweet Chinese osmanthus to reach an olfactory climax. The bottles for these precious perfumes were created by designer Marc Newson who plunged into absolute purity, combining clean lines with a few touches, reminiscent of old perfume bottles.

Les Parfums Louis Vuitton have been available since September 1, 2016 and are sold exclusively at Louis Vuitton stores and on its website.

A collection of seven scents designed to accompany women to any destination they choose, on a journey that begins on bare skin.



LOUIS VUITTON

Horizon: luggage for the 21st century

Louis Vuitton forged its reputation creating trunks tailor-made for the travelling life. One hundred and sixty years later, it is continuing the tradition with Horizon, its new collection of ultra-lightweight rolling suitcases in bright colors, designed in collaboration with Australian designer Marc Newson. Renowned for his innovative style and versatility, Newson had been using Louis Vuitton luggage for twenty or so years, well before he knew that he would be working with the brand. He approached the challenge of creating an outstanding new line of luggage with gusto and enthusiasm. Today widely acclaimed as the most influential industrial designer of his generation, Newson has worked in a variety of fields ranging from aerospace to technology, as well as furniture and fashion. After working with Louis Vuitton in

2014 on the "Icons and Iconoclasts" project, designing a playful backpack combining the Monogram canvas with colored shearling, the designer has now come up with a new range of luggage that breaks new ground in terms of functionality and travel comfort.

After eighteen months of development and three patent applications, a highly innovative range of rolling suitcases is here. From the Monogram canvas to a rainbow of seven colors of Epi leather, the contemporary "trunks" are available in two cabin sizes, 50 cm and 55 cm. Made using an exceptionally thin and elastic new composite material, the luggage is shock-absorbent and more lightweight.



Even the Monogram canvas has been made almost 50% lighter, while still respecting its original qualities. In a nod to the classic Louis Vuitton trunks, the corners and handles of the new cases are covered in natural leather. Structural elements have been moved outside, allowing for more room inside the case. This well-thought-out design makes the new Louis Vuitton case sturdier and roomier, offering 15% more volume while dropping in weight. The luggage is designed for those who – like Marc Newson – are obsessed with the possibility of packing everything they need into a given space. The lighter, more resilient new Louis Vuitton suitcase has been tailored to the needs of the 21st-century traveler.

After eighteen months of development and three patent applications, a highly innovative range of rolling luggage is here.



BERLUTI

Craftsmanship for sports elegance

When, in 1895, Alessandro Berluti designed his first lace-up shoe made from a single piece of leather with no visible stitching, he had no idea that the Maison that would take his name was destined one day to become a benchmark of elegance in luxury footwear. From the Duke of Windsor to Jean Cocteau, some of the world's most famous names have chosen to wear Berluti shoes, inspired by their timeless elegance. Although Berluti is quintessentially a shoemaker, the Maison is constantly exploring new markets, developing leather goods and prêt-à-porter ranges that embody its sense of boldness. Footwear, however, remains the preeminent line and one that Berluti embraces in a permanent quest for audacity. The Fast Track, the most recent addition to the

collection, embodies the dual culture of innovation and tradition that characterizes Berluti. It is a hybrid smart sneaker, inspired by the running shoe, combining traditional leather craftsmanship with urban fashion in a successful marriage of two seemingly incompatible worlds.

The upper of the shoe is crafted from the Maison's new leather, Vitello Unico, and features brogue detailing which showcases the three-eyelet lacing. The British-inspired, perforated flower tip and this new shape give the shoe a unique, modern style. The sporty sole is ribbed and curves up over the front of the shoe. The bold interplay of colors around the welt and heel are inspired by contem-



porary sports fashion. For Autumn-Winter 2016, nylon was combined with glazed calfskin to create a unique, understated design.

With great panache and outstanding style, Berluti continues its quest for sporting elegance with a perfectly crafted shoe. A new must-have for the discerning man's wardrobe...

*A bold fusion of fine leather craftsmanship
and the sports world.*

FENDI

90 years of unique expertise

In 1926, Fendi opened its very first boutique in Rome. In 2016, the Italian fashion house celebrated ninety years of know-how and reaffirmed its ties to its native city. 2016 saw a program of high-profile events, including a stunning anniversary fashion show staged at the Trevi Fountain. The breathtaking and stylish creations of Karl Lagerfeld – who has served as creative director of Fendi's women's collections for more than 50 years – and Silvia Venturini Fendi, Creative Director of Accessories, were presented by models striding down a runway built as a clear platform over the basin of this legendary monument, giving the impression that the models walking on water. The restoration had been completed with Fendi's support in 2015. Christened *Legends and Fairy Tales*, this couture collection was offered as a chance to escape into fairyland, inspired by the famous Norwegian collection of tales *East of the Sun and West of the Moon*, with particular homage to the illustrations by Kay Nielsen in the edition first published in 1914. Lagerfeld thus sought to bring to life cherished stories from his childhood and, in particular, fairy tales from the North. Also in honor of its 90th anniversary, Fendi held an



exhibition to celebrate the craftsmanship and creativity that have been part of its DNA from the very beginning. Presented on the first floor of the Palazzo della Civiltà Italiana, *Fendi Roma: The Artisans of Dreams* was conceived to explore the duality and complementarity of heritage and innovation, values that define the artisanal approach to production passed on for generations by the fashion house. Through films, tactile and audiovisual experiences, and optical illusions, this nine-part exhibition offers lyrical and sensory explorations that delve into the traditions and history of Fendi in Rome. The close ties between Fendi and the Eternal City are also celebrated in a new book,





Fendi Roma. Its pages contain a wealth of historic photographs, editorials and colorful drawings celebrating the epic 90-year history of the Fendi family's artistic and creative productions. It also recounts the story of a fashion house immensely proud of its Roman identity. The importance of the Italian capital for Fendi's strategy is evident from its logo, which now features the city's name, and also through its considerable involvement in the cultural life of Rome. In addition to the renovation of the Trevi Fountain (via its Fendi for Fountains program), Fendi has spearheaded the refurbishment of the Palazzo Fendi and the Palazzo della Civiltà Italiana, where its new head office is located. Rome is a key component of the brand's identity and remains a vital source of inspiration for Karl Lagerfeld and Silvia Venturini Fendi.

*A once in a lifetime défilé that
marked fashion history.*

•

DFS

First European venture in Venice

DFS, a key retail player for a clientele of international travelers, has set its course to the City of the Doges for its first European store. Since launching the first Duty Free Shoppers store at Hong Kong airport, the company has continued to explore new regions, rolling out its "T Galleria by DFS" concept all over the world, from Hawaii to Sydney, via Singapore. For its first steps in Europe, DFS has chosen the breathtaking setting of Venice at the heart of an iconic building in the historic center of the city, alongside the Grand Canal. The Fondaco dei Tedeschi, which houses the new department store, was built in the 13th century. Over the years it has become the city's retail trade hub, where merchants



from around the world have traded their finest wares from Europe and the Far East.

DFS offers an authentic Venetian experience at its store. Restored and revitalized by architects Rem Koolhaas who handled the global architectural renovation and Jamie Fobert in charge of interior design, Fondaco dei Tedeschi is home to a selection of items from prestigious brands, including a majority of Italian design houses as well as local artisans – with exceptional quality guaranteed.

The store also epitomizes the Venetian art of living as does AMO, a restaurant run by the Alajmo brothers: Massimiliano – the youngest chef in the world to be awarded three Michelin stars – and

Raffaele. Finally, the Fondaco is steeped in culture, with an entire floor dedicated to exhibitions and events open to the general public, changing with the seasons. High quality, Italian lifestyle, art and gastronomy... DFS has put the magic back into that essential travel destination: a Venetian stopover.

A prestige store in an enchanting location, combining high quality, art of living and culture.

SEPHORA

A 360-degree in-store experience

“Teach, Inspire, Play” is the motto behind Sephora’s latest retail concept, Beauty TIP Workshop, unveiled at four recently opened locations in San Francisco, Boston, Toronto and Chicago. More than just a store, the new concept offers a 360-degree shopping experience with a strong educational component and next-level customer service that breaks down the boundaries between physical and digital environments. Every purchase becomes a learning moment tailored to the needs of each customer. Taking a refined and contemporary approach, the architectural design for the new concept emphasizes simple materials to facilitate learning and play at every turn.

The focal point of the experience is the Beauty Workshop itself, the beating heart of this new type of store: a large table divided into individual interactive stations, each equipped with a large screen, an iPad, USB ports and WiFi. Here, stories are shared and customers discover new ways to reveal their beauty. The Workshop serves as a genuine social hub for discussing and experimenting with looks, products and techniques. At any time of day, customers can view demonstrations and tutorials

as they become expert users of Sephora Virtual Artist. The terminals all offer access to the Beauty Board, where store visitors can draw inspiration from a gallery of looks submitted by other users. Thanks to its innovative and interactive design, the Beauty TIP Workshop seamlessly combines individual learning, discovery, live events and a full program of classes led by Sephora’s facilitators. The new concept also includes Sephora’s Beauty Studio service, to help customers get a makeover in a matter of minutes. In addition, they can use Sephora + Pantone Color IQ touch-screen devices to try out different products together or even book appointments for Premium Services. Each





Let's
Beauty



Together

area of the store is specifically designed to help customers find exactly what they need from Sephora's continually evolving range of products. The Beauty TIP Workshop concept represents a major step forward for Sephora's stores, transforming them into state-of-the-art learning centers for the entire beauty community, a place where customers are taken on a 360-degree journey to discover the products and looks that work best for them. This next-generation store concept, rooted in discovery and innovation, has set the retail world on its ear and will soon be rolled out to additional locations.

*The beating heart of the new retail concept
is the Beauty Workshop itself,
a genuine social hub for discussing and experimenting
with looks, products and techniques.*

•

CASA LOEWE

Reinventing a flagship store

Reconnecting with its roots and its history, Loewe has opened Casa Loewe Madrid, its very first flagship store in its home country. The store on Calle de Goya was unveiled in 2016, following a complete makeover in line with the brand's new concept, conceived by its creative director Jonathan Anderson.

Housed in one of Madrid's historic buildings, the nearly 1,000-square-meter space reveals every aspect of the Loewe universe.

The men's and women's collections and fashion accessories share the spotlight with lifestyle items, and there is even an in-store florist whose creations draw inspiration from the work of British author Constance Spry.

With the opening of this new Madrid flagship store, Loewe celebrates 170 years of existence. In

honor of this milestone, Anderson's design is a vision on a grand scale. Reflections from the Spanish limestone and light wood interior play up natural light to illuminate the works of art on display, all meticulously hand-picked by the young designer especially for the store. Edmund de Waal's porcelain vessels converse with pieces by Richard Smith, Gloria Garcia Lorca and Sir Howard Hodgkin, among other artists.

As part of the celebrations, Loewe also offered a program of public events at other venues throughout the city, in homage and with gratitude to the Spanish capital, including an immersive exhibition, *Past, Present and Future*, curated by Anderson



and presented at Madrid's Royal Botanical Garden. Retracing Loewe's entire history, including the brand's resolutely future-facing outlook, the exhibition featured exceptional objects from the Loewe archives, and also spectacular photographs of flower arrangements by Steven Meisel. A photographic album, produced in collaboration with the magazine publisher and editor Luis Venegas, was released to coincide with the program of events. It takes readers on a free-ranging, inspired voyage through Loewe's creative existence. Just 170 years young, Loewe is truly dazzling.

Loewe unveils a spectacular flagship store, where history engages with art, inspiring visitors to soak in the Maison's rich Spanish heritage.

BVLGARI

The power of seduction

The new *Serpenti Seduttori* collection reinterprets a symbol of wisdom, life and eternity: the serpent, deeply rooted in the history of mankind and entwined with Bvlgari's heritage. A symbol of seduction dating back to ancient Greek and Roman mythology, the winding form of the serpent has charmed exotic beauties from Cleopatra to Bvlgari muses, empowering them with its magnetism. The early jewelry pieces and jewelry watches of the 1950s served as an inspiration for the new models of the 21st century, transforming enamels and precious stones into modern, dazzling pieces of beauty. Serpents, with the captivating glint in their eyes, are endowed with new power. The lines they draw create an even more beautiful and captivating figure. Tracing the interlacing of the fingers, the undulations of the wrist, the curve of the neck, dangling gently from the ears: with its bright colors and delicate curves, the *Serpenti* jewelry collection for women is elegant



and sensual, fitting for a modern-day Queen of the Nile.

Bvlgari continues to innovate while remaining loyal to its unique and original style with its update of the emblematic *Serpenti* collection. Its dazzling allure is captured in a line of accessories as precious as jewels, and an enchanting line of watches that brings the captivating movement of precious stones to the sublime art of watchmaking. For centuries, legend has bowed down before the coiled serpent, a symbol of time that for 2,700 years has been linked to the history of Rome – the home of Bvlgari. Whether the serpent motif is interpreted realistically or in a geometri-



cally abstract form, each *Serpenti* watch combines all of the Bvlgari hallmarks: love of color; juxtaposition of materials and innovative artisanal techniques, a union of reptilian sinuosity and the wearability of Bvlgari's legendary *Serpenti Tubogas* bracelet.

Bvlgari's exceptional know-how, associated with the most distinctive designs, has created these elegant symbols that have firmly established themselves in the history of luxury jewelry. All those who look into the eyes of this dazzling new queen are sure to succumb to her power.

*The Serpenti jewelry collection for women
is elegant and sensual, fitting
for a modern-day Queen of the Nile.*



RIMOWA

Luggage-making excellence

Over the course of the 20th century, Rimowa – the suitcase and leather goods manufacturer founded in Cologne in 1898 – became one of the leading names in high-quality innovative luggage. In 2016, Dieter Morszeck, grandson of Rimowa's founder, decided to join forces with the LVMH Group in order to perpetuate the spirit of excellence and long-term vision that have driven his family and the company's employees for over a century. Dieter Morszeck has sold a majority stake in the company to LVMH, while continuing to hold an equity interest and remaining in the role of joint managing director of the company alongside Alexandre Arnault. This makes Rimowa the Group's first German brand. Rimowa has built its reputation on designing suitcases that are lightweight and comfortable to use. The German quality of Rimowa's suitcases sets the global standard for the sector today. Since it



was founded by Paul Morszeck, innovation has been central to the company's strategy. In 1937, his son Richard launched the market's first aluminum suitcase. Starting in 1950, the parallel-grooved aluminum structure made the luggage instantly recognizable and has helped to grow its reputation among a sophisticated international customer base. The launch of the first waterproof metal case in 1976 helped make Rimowa's luggage the travel companion to leading filmmakers, photographers and journalists. The luggage maker made a technological breakthrough with the launch of the first polycarbonate suitcase in 2000. A patented system of ball bearings ensures optimum stability

and mobility. More recently, in partnership with several major airlines, Rimowa launched the Rimowa Electronic Tag, which simplifies baggage check-in by letting users complete the entire process on their smartphones. Rimowa has a unique heritage and shares the Group's passion for innovation. The acquisition of Rimowa illustrates the LVMH Group's desire to offer premium-quality products that draw on Europe's artisanal traditions.

*Rimowa has built its reputation
on designing parallel-grooved
aluminum suitcases that are lightweight
and comfortable to use.*

•

TAG HEUER

Time connected to eternity

True to its avant-garde tradition, in late 2015 TAG Heuer unveiled the first luxury smartwatch designed by a Swiss watchmaker, in collaboration with Google and Intel. This groundbreaking pairing of tradition and innovation subtly combines Swiss craftsmanship with cutting-edge Silicon Valley expertise. Using state-of-the-art technology without sacrificing the aesthetics of the brand's image, the TAG Heuer Connected constitutes a technical achievement in itself, merging the best of the worlds of watchmaking and digital technology. It looks like a classic watch, with all the distinctive hallmarks of a TAG Heuer Carrera: the titanium case, the bezel, the strap with its clasp, the watch dial with its hands, index, counters, date window and minute track – it's all there. Behind these timeless and instantly recognizable features lie a number of electronic and digital innovations. Connectivity options include Bluetooth and WiFi to access thousands of apps via Google Play. Compatible with Android and iOS, the TAG



Heuer Connected also offers a series of micro-applications, such as an alarm and stopwatch, to help users in their everyday lives.

This is a smartwatch that stands out from the crowd. With 4 GB of memory, all-day battery life thanks to the latest-generation lithium battery and a microphone that allows you to communicate with the watch using Google Voice control, it becomes a true miniature assistant for the wearer, for living, travelling, getting information and staying connected. It charges in a short time simply by placing the watch on top of a contact charger.

With the elegance, characteristics and level of finish of a luxury watch, it is part of a line of pres-

tige high-precision sports watches designed by TAG Heuer for over 150 years. Its cutting-edge chronograph design and sapphire crystal touch-screen encapsulate the brand's expertise and sense of aesthetics. It is available in 18k rose gold and more than 15 different original dial designs, designed in collaboration with prestigious brand ambassadors from Cristiano Ronaldo to David Guetta.

Elegant, intelligent, unique, the TAG Heuer Connected takes the Swiss watchmaker's bold creativity one step further.

*Pairing tradition and innovation,
combining craftsmanship
with cutting-edge technology.*

PARFUMS CHRISTIAN DIOR

A home reborn under the skies of Grasse

On May 9, 2016, the House of Dior opened the restored Château de la Colle Noire, Christian Dior's former residence, in a ceremony attended by celebrities including actress Charlize Theron, Paris Opera Ballet director Aurélie Dupont and model Bella Hadid. The designer and perfumer's cherished Provençal bastide is located in Montauroux near Grasse, a region that inspired him to create his most iconic fragrances. Having fallen under the region's spell when he first sought refuge there during the Second World War, Christian Dior bought Château de la Colle Noire in 1951, which was at the height of his career. This splendid manor house, set amid acres of rolling hills, would become the designer's hideaway, far from the hustle and bustle of the city, and where he immersed himself in the land of Provence. Little by little, Monsieur Dior transformed the property

into a place alive with creativity, art and friendship. He decorated all its rooms with his signature elegance and grace, and threw himself into the planning of a sumptuous garden. Well known for his love of flowers, Christian Dior planted large beds of fragrant roses, jasmine and lavender, and also enjoyed tending to his grapevines, olive trees and other plants.

After the restoration of the property, which began in 2013, Dior's treasured haven has now been reborn just as he imagined it in the 1950s. With the assistance of landscape artists, interior decorators and architects, the House of Dior has given the rooms of the residence and its gardens a new







lease of life by replanting the designer-perfumer's favorite flowers. To celebrate this rebirth, the Provençal bastide gives its name to La Colle Noire, a new fragrance created by François Demachy, paying tribute to the Grasse region and the May rose specifically, which has been entwined with Maison Dior's history from its very beginnings.

*Christian Dior's cherished Provençal home
is reborn as first imagined by
the designer-perfumer in the 1950s.*



LA SAMARITAINE

A new chapter in architectural history

Redevlopment work on La Samaritaine, which started in the fall of 2015, will transform it into a city within the city of Paris by the end of 2018. The iconic former department store takes up an entire block delineated by the Quai du Louvre, the Rue de Rivoli, the Rue de la Monnaie and the Rue de l'Arbre-Sec. The 70,000-square-meter renovation project will see its buildings transformed into exemplary, eco-friendly premises remodeled for new uses.

The complex will include housing for 250 residents, and a day care center for 80 children, while the retail areas of the former Art Nouveau department store building designed by Frantz Jourdain on Rue de la Monnaie will continue to house shops. Some of the top floors will provide office space for up to 900 people.

The project also features a new, glass and steel building on the Rue de Rivoli with an innovative, contemporary design by Japanese architectural firm SANAA. On the other side of the block on the Quai du Louvre, the Art Deco building designed

by Henri Sauvage will be refurbished by Peter Mariano and turned into a Cheval Blanc luxury hotel offering prestige rooms and suites with a view of the Seine River.

Architects Kazuyo Sejima and Ryue Nishizawa want to "continue the architectural history of La Samaritaine by embracing and prolonging the work of our talented predecessors, Frantz Jourdain and Henri Sauvage, but also exploring ways of remodelling the buildings for new uses. The architectural identity of the new La Samaritaine will draw on the interaction between creation and conservation and on the blend of old and new." Ernest Cognacq and Marie-Louise Jaÿ, the depart-



ment store's founders who were well-known for their commitment to philanthropy and the arts, would definitely have approved of this approach. The redevelopment project is exceptional because of its size, of the technological prowess required to carry it out, and of the painstaking restoration work needed to revive its Art Nouveau and Art Deco decors. All this makes it one of the major architectural projects that will add to Paris' international aura in the early 21st century.

*Embracing and prolonging the work
of Frantz Jourdain and Henri Sauvage,
while also introducing new uses.*

DOM PÉRIGNON P2, energy at its peak

The Dom Pérignon vintages are unique because of how they evolve. They do not mature in a linear fashion, but in a series of stages, producing windows of expression. We refer to these special moments as "Plénitudes". They are instants when the wine reveals itself with greater intensity. P2, Dom Pérignon's Second Plénitude, is the result of at least sixteen years of elaboration.

This name reflects the wine's character. At its peak, P2 is dynamic and bursting with energy, revealing an abundance of aromas on the palate. Dom Pérignon's dark, mineral, iodine, spicy personality resonates with more intensity and clarity than ever.

The champagne house collaborated with contemporary artist Michael Riedel to create a bold new design for P2, which reflects the transformation potential of each Dom Pérignon vintage and the capacity to metamorphose from the First into the Second Plénitude. The artist's work symbolizes the fundamental ideas of abstraction and the concept



of progress, and he extends this universe to explore the nature of Dom Pérignon P2 champagne. Riedel was inspired by the organic essence of Dom Pérignon P2 1998, the current Second Plénitude, and his design explores superposition and deconstruction. By transforming the words and logos, layering and amassing identifiable graphic features to convey a conceptual message, he truly reflects the nature of Dom Pérignon champagne.

Dom Pérignon's Second Plénitude is a wine for champagne lovers who seek the exceptional. It is for connoisseurs who appreciate the benefits of aging and waiting until the moment is right for



tasting. To promote this Second Plénitude internationally, the Maison also invited Christoph Waltz to feature in a short black-and-white film by Billy Kidd. The film captures Dom Pérignon P2's fine subtleness perfectly. P2 is a high-definition experience, the ultimate expression of Dom Pérignon.

Dom Pérignon's dark, mineral, iodic, spicy personality resonates with more intensity and clarity than ever.

GUERLAIN

The wonders of the world of perfumery

Located at 392 Rue Saint-Honoré in Paris, the new Guerlain boutique pays tribute to the profession to which the Maison has owed its renown since 1828: the profession of Perfumer. This exceptional place invites visitors to plunge into the mysterious world of perfume in a spectacular setting, made possible by drawing from Guerlain's unpublished archives. Signature creations such as *L'Eau de Cologne Impériale*, *Jicky*, *L'Heure Bleue*, *Mitsouko*, *Shalimar*, *Habit Rouge*, *L'Homme Idéal* and *La Petite Robe Noire* take the imagination on a journey through both time and space.

Echoing this magical quality of perfume, the Saint-Honoré Boutique bridges the past and the present, letting visitors discover 19th-century demijohns (large glass bottles that were used to hold ingredients) and determine their scent profile through an innovative digital consultation.

At this store dedicated to the art of perfumery, customers can choose a color for their very own Bee bottle – the Maison's historic signature – from a new specially designed collection. Next, the refillable bottle is filled from one of eighteen perfume fountains containing Guerlain's signature fragrances. The customer then creates their



own personalized packaging, selecting a ribbon and bow with the option of having their name engraved on the bottle.

The Saint-Honoré Boutique is a hive of creation, colors and materials. It offers an exclusive perfumery experience which the Maison aims to deploy internationally, opening up Guerlain's marvelous world of perfume-making to fragrance enthusiasts everywhere.

The Saint-Honoré Boutique bridges the past and the present, letting visitors discover 19th-century demijohns and determine their scent profile through an innovative digital consultation.

LVMH

*Performance
measures*

USEFUL INFORMATION FOR SHAREHOLDERS

SHAREHOLDERS' CLUB

The LVMH Shareholders' Club was set up in 1994 to give individual shareholders who are particularly interested in the life of the Group a better understanding of LVMH, its businesses and its brands.

LATEST NEWS ABOUT OUR MAISONS

We send Club members several publications (by email or post as they prefer), such as the twice yearly Letter to Shareholders and the annual issue of Apartés, our Club magazine. The Annual Report is sent to those who request it using a reply coupon or online.

EXCLUSIVE OFFERS FOR THE GROUP'S PRODUCTS

In addition to special offers on a selection of the Group's Wines and Spirits, Club members can purchase discounted subscriptions to Group media publications – Les Échos, Investir and Connaissance des Arts – and order priority-access tickets for the Fondation Louis Vuitton.

DEDICATED ONLINE STORE

Once they have activated their account, Club members can access exclusive offers for the Group's Wines and Spirits using a private shopping space at their dedicated online store: www.clublvmh-eboutique.fr. Delivery can only be made in France. Members can also order products using the order form enclosed in Apartés magazine.

VISITS TO EXCEPTIONAL SITES

Club members can visit exceptional sites where they receive an especially warm welcome: from Hennessy's centuries' old cellars to the magnificent Crayères at Veuve Clicquot Ponsardin. They also get the opportunity to discover our Maisons at unique locations such as the Louis Vuitton workshops in Asnières.

INFORMATION ABOUT LVMH SHARES

Listed on: Eurolist by Euronext Paris

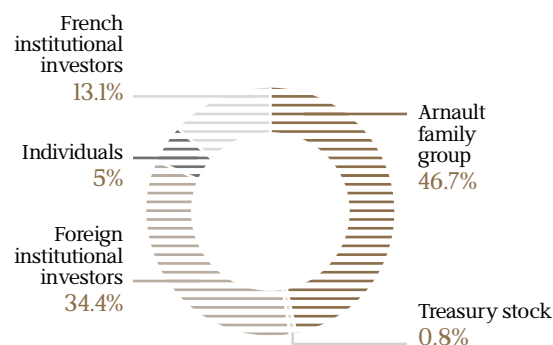
Stock market capitalization: **€92 bn** as of 12/31/2016
(4th largest capitalization on the Paris stock market)

Number of shares: **507,126,088** as of 12/31/2016

Member of indices: CAC 40, Dow Jones Euro Stoxx 50, MSCI Europe, FTSE Eurotop 100, Global Dow and FTSE4Good.

SHAREHOLDER STRUCTURE⁽¹⁾

(Euroclear France survey of bearer shares, December 2016)



(1) Voting rights: Arnault family group 63.07%; Other 36.93%.

AGENDA

Thursday, January 26, 2017: Publication of 2016 annual revenue and results

April 2017: Publication of 2017 first-quarter revenue

Thursday, April 13, 2017: Shareholders' Meeting

Friday, April 21, 2017: Payment of the final dividend for fiscal year 2016

July 2017: Publication of 2017 half-year revenue and results

October 2017: Publication of 2017 third-quarter revenue

CONTACTS

Investor and Shareholder Relations

Tel.: +33 (0)1 44 13 27 27

Shareholders' Club

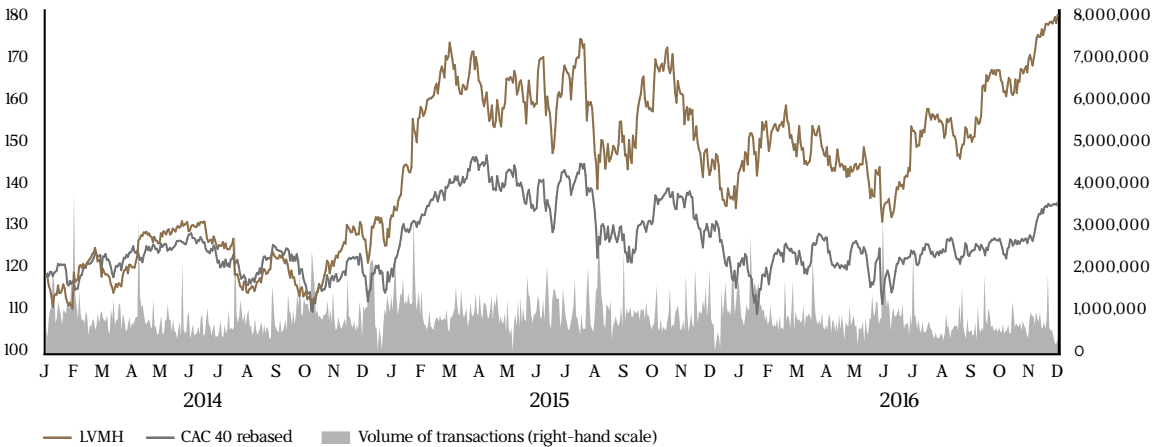
Tel.: +33 (0)1 44 13 21 50

STOCK MARKET PERFORMANCE MEASURES

LVMH STOCK MARKET DATA (in euros)				CHANGE IN THE DIVIDEND			
	2014 ⁽¹⁾	2015	2016		2014	2015	2016
High (mid-session)	132.80	176.60	181.40	Gross dividend (in euros)	3.20	3.55	4.00 ⁽¹⁾
Low (mid-session)	109.50	123.50	130.55	Growth for the year	3%	11%	13%
Year-end share price	132.25	144.90	181.40	Payout ratio	29% ⁽²⁾	50%	51%
Change during the year (%)	11%	10%	25%	Basic Group share of net earnings per share (in euros)	11.27 ⁽³⁾	7.11	7.92
Change in the CAC 40 (%)	-1%	9%	5%	(1) Amount to be proposed at the Shareholders' Meeting of April 13, 2017. (2) Excluding the exceptional distribution of Hermès International shares, this percentage would have been 55%. (3) Of which €5.34 per share resulting from the distribution of Hermès shares.			
Market capitalization at Dec. 31 (EUR bn)	67.1	73.6	92.0				

(1) Data restated for the exceptional distribution of Hermès International shares.

COMPARISON BETWEEN THE LVMH SHARE PRICE AND THE CAC 40 INDEX SINCE JANUARY 2, 2014
(in euros)



2016 was another turbulent year for stock markets. At first preoccupied by tumbling oil prices and the slowdown in the Chinese economy, investors quickly turned their attention to the upcoming referendum in the United Kingdom followed by the election in the United States. In both cases, the results of these elections took markets by surprise, but their reactions to these events also confounded expectations. These shocks were quickly absorbed, with investors eventually seeing Brexit as an extended process with more remote effects on the UK economy, and finding factors that would support growth and inflation in Donald Trump's economic plan for the United States. Higher interest rates – which favor banking stocks in particular – and year-end oil prices also helped fuel a recovery, enabling stock markets to end 2016 in positive territory. Against this backdrop, the CAC 40 and Euro Stoxx 50 indices ended 2016 up 4.9% and 0.7%, respectively. The LVMH share price was up 25.2%, ending the year at a historic high of €181.40.

FINANCIAL PERFORMANCE MEASURES

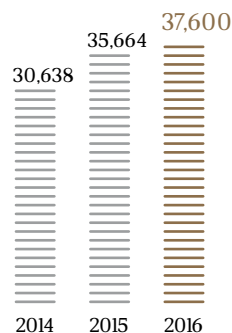
2016 REVENUE BY REGION
(in %)



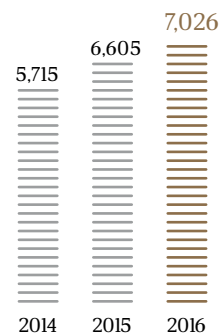
STORES
(number)



REVENUE
(EUR millions)



PROFIT FROM RECURRING OPERATIONS
(EUR millions)



REVENUE BY BUSINESS GROUP
(EUR millions)

	2016	Change 2016/2015	Organic growth ⁽¹⁾
Wines & Spirits	4,835	+5%	+7%
Fashion & Leather Goods	12,775	+3%	+4%
Perfumes & Cosmetics	4,953	+6%	+8%
Watches & Jewelry	3,468	+5%	+5%
Selective Retailing	11,973	+7%	+8%
Other activities and eliminations	(404)	-	-
TOTAL LVMH	37,600	+5%	+6%

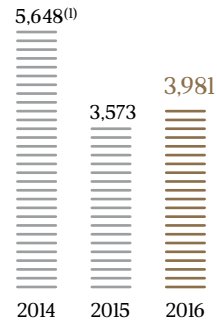
(1) At constant structure and exchange rates.

PROFIT FROM RECURRING OPERATIONS BY BUSINESS GROUP
(EUR millions)

	2016	Change 2016/2015	Operating margin ⁽¹⁾
Wines & Spirits	1,504	+10%	31.1%
Fashion & Leather Goods	3,873	+10%	30.3%
Perfumes & Cosmetics	551	+5%	11.1%
Watches & Jewelry	458	+6%	13.2%
Selective Retailing	919	-2%	7.7%
Other activities and eliminations	(279)	-	-
TOTAL LVMH	7,026	+6%	18.7%

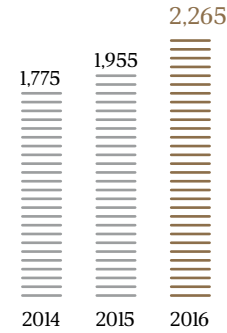
(1) As % of revenue of each business group.

NET PROFIT, GROUP SHARE
(EUR millions)

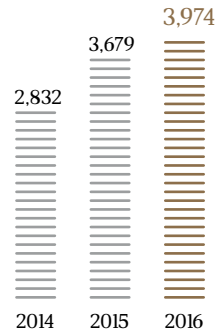


(1) Of which 2,677 million euros resulting from the distribution of Hermès shares.

OPERATING INVESTMENTS
(EUR millions)

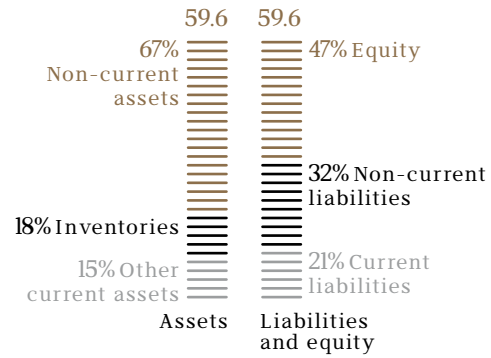


FREE CASH FLOW⁽²⁾
(EUR millions)

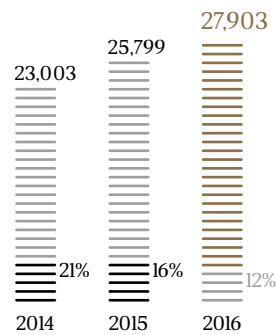


(2) Net cash from (used in) operating activities and operating investments.

SIMPLIFIED BALANCE SHEET AS OF 12/31/2016
(EUR billions and % of balance sheet total)



TOTAL EQUITY AND RATIO
OF NET FINANCIAL DEBT
TO TOTAL EQUITY
(EUR millions and percentage)



NET FINANCIAL DEBT⁽³⁾
(EUR millions)



(3) Excluding purchase commitments for minority interests included in Other non-current liabilities.

Further information can be found in the 2016 Reference Document.

NON-FINANCIAL PERFORMANCE MEASURES

BREAKDOWN OF EMISSIONS BY BUSINESS GROUP
(in metric tons of CO₂ equivalent)

	CO ₂ emissions in 2015	CO ₂ emissions in 2016 pro forma ⁽¹⁾	Change ⁽¹⁾
Wines & Spirits	43,482	42,714	-2%
Fashion & Leather Goods	104,120	103,079	-1%
Perfumes & Cosmetics	12,187	8,938	-27% ⁽²⁾
Watches & Jewelry	3,762	3,513	-6%
Selective Retailing	132,106	128,605	-3%
Other activities	2,842	2,529	-11%
TOTAL	298,499	289,378	-3%

(1) Value and change at constant scope.

(2) Change related to the switch to renewable energy at a manufacturing site in France.

ENERGY CONSUMPTION BY BUSINESS GROUP
(in MWh)

	2015	2016 pro forma ⁽¹⁾	Change ⁽¹⁾
Wines & Spirits	199,484	204,085	+2%
Fashion & Leather Goods	311,768	321,496	+3%
Perfumes & Cosmetics	83,316	82,968	-1%
Watches & Jewelry	27,856	27,918	-
Selective Retailing	300,554	294,572	-2%
Other activities	19,120	18,351	-4%
TOTAL	942,098	949,390	+1%

(1) Value and change at constant scope.

WATER CONSUMPTION BY BUSINESS GROUP
(process requirements in m³)

	2015	2016 pro forma ⁽¹⁾	Change ⁽¹⁾
Wines & Spirits	1,320,571	1,287,429	-3%
Fashion & Leather Goods	1,352,015	1,436,758	+6% ⁽²⁾
Perfumes & Cosmetics	166,870	170,764	+2%
Watches & Jewelry	50,834	46,137	-9% ⁽³⁾
Selective Retailing	480,304	520,315	+8%
Other activities	41,338	275,869	+567% ⁽⁴⁾
TOTAL	3,411,932	3,737,272	+10%

(1) Value and change at constant scope.

(2) Change related to business activity.

(3) Change related to improvement of production processes.

(4) Change related to installation of new equipment at one site.

SOCIAL AND/OR ENVIRONMENTAL AUDITS AND
MONITORING OF OUR SUPPLIERS BY REGION IN 2016

	Breakdown of suppliers (as %)	Breakdown of audits ⁽¹⁾ (as %)
Europe	71%	60%
Asia	17%	36%
North America	9%	2%
Other markets ⁽²⁾	3%	2%
TOTAL	100%	100%
Nombre total	942	1,205

(1) Of which 58% initial audits, and 42% follow-up audits.

(2) Including Africa.

Scope: Wines & Spirits, Perfumes & Cosmetics, Louis Vuitton, Loro Piana, Berluti, Fendi, Givenchy Couture, Loewe, Marc Jacobs, Celine, Thomas Pink, Rossimoda, Bvlgari, Fred, Hublot, TAG Heuer, Zenith, De Beers, DFS, Sephora, Le Bon Marché.

EMPLOYEES⁽¹⁾

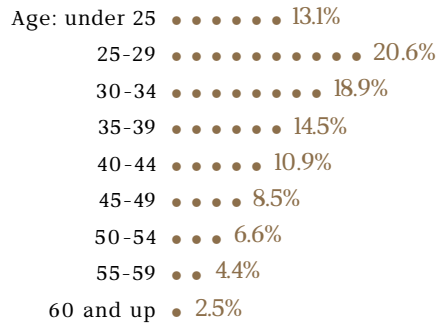

(1) Total permanent and fixed-term headcount.

BREAKDOWN BY BUSINESS GROUP (as of December 31, 2016)

	2016 ⁽¹⁾	As % of total	% women ⁽²⁾
Wines & Spirits	6,938	5%	37%
Fashion & Leather Goods	32,887	24%	70%
Perfumes & Cosmetics	24,170	18%	83%
Watches & Jewelry	7,937	6%	59%
Selective Retailing	57,428	43%	84%
Other activities	5,116	4%	33%
TOTAL	134,476	100%	74%

(1) Total permanent and fixed-term headcount.

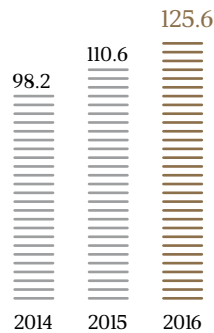
(2) Under permanent contracts, including internal mobility and conversions of fixed-term contracts to permanent contracts.

BREAKDOWN BY AGE
(Median age: 33 years)

BREAKDOWN OF PERSONNEL BY
PROFESSIONAL CATEGORY (as of December 31, 2016)

	2016 ⁽¹⁾	As % of total	% women ⁽²⁾
Executives and managers	23,279	17%	64%
Technicians and supervisors	12,823	10%	68%
Administrative and sales employees	81,632	61%	82%
Production workers	16,742	12%	56%
TOTAL	134,476	100%	74%

(1) Total permanent and fixed-term headcount.

(2) Under permanent contracts, including internal mobility and conversions of fixed-term contracts to permanent contracts.

TRAINING INVESTMENT
(EUR millions)


BREAKDOWN BY REGION (as of December 31, 2016)

	2016 ⁽¹⁾	As % of total	% women ⁽²⁾
France	26,970	20%	64%
Europe (excl. France)	30,803	23%	74%
United States	32,265	24%	80%
Japan	5,991	4%	76%
Asia (excl. Japan)	27,835	21%	76%
Other markets	10,612	8%	74%
TOTAL	134,476	100%	74%

(1) Total permanent and fixed-term headcount.

(2) Under permanent contracts, including internal mobility and conversions of fixed-term contracts to permanent contracts.

Further information can be found in the 2016 Reference Document.

Photographs

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