

LVMH

MOËT HENNESSY • LOUIS VUITTON

# First half 2006 results

September 6, 2006



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**Bernard Arnault**



# Strong momentum of LVMH in the first half of 2006

- Revenue grew 13% with all business groups and all regions contributing
- Operating profit rose 35%
- Operating margin improved to 19%
- Group share of net profit increased 46%
- Continued debt reduction since last year

**Gained market share**

# Consistent and effective growth model

- Continued progress of star brands and renewed productivity efforts
- Strong contribution from Fashion and Leather Goods
- Success of innovations in Perfumes and Cosmetics
- Momentum of Wines and Spirits: robust growth in volume and strengthened communication
- Very strong improvement in the profitability of Watches and Jewelry
- Rapid development in major traditional markets and in emerging countries



# 2006: confirmation of objectives

- Well oriented economic environment
- Continued innovation
  - New leather goods lines:  
*Damier Azur*, relaunch of *Lockit* (Louis Vuitton), expansion of *B.Fendi* lines...
  - New perfumes at Kenzo, Givenchy and Guerlain and new makeup at Dior
  - New lines at TAG Heuer and Zenith
- Focused expansion of distribution network

**Objective of very significant growth  
in 2006 results**

# Increase the Group's long-term value

- Continue to develop the principal brands and those with confirmed potential
  - Strength of the brand image
  - Creativity and quality
  - Effective cost control
  - Enter new markets
  - Talent and responsiveness of teams
- Proven resistance to market swings
- Strengthen positions in all business groups and increase our leadership in the luxury market

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**Jean-Jacques Guiony**



# Group share of net profit increased 46 % in H1 2006

In millions of Euros	H1 2005	H1 2006	% change
<b>Revenue</b>	<b>6 173</b>	<b>6 968</b>	<b>+ 13%</b>
<b>Gross margin</b>	<b>4 025</b>	<b>4 463</b>	<b>+ 11%</b>
Selling expenses	(2 313)	(2 539)	+ 10%
Administrative expenses	(622)	(629)	+ 1%
<b>Profit from recurring operations</b>	<b>1 090</b>	<b>1 295</b>	<b>+ 19%</b>
Other income and expenses	(155)	(37)	
<b>Operating profit</b>	<b>935</b>	<b>1 258</b>	<b>+ 35%</b>
Net financial income (expense)	(120)	29	
Income taxes	(220)	(363)	
Equity investment income	1	4	
<b>Net profit</b>	<b>596</b>	<b>928</b>	<b>+ 56%</b>
of which minority interests	37	111	
<b>Group share of net profit</b>	<b>559</b>	<b>817</b>	<b>+ 46%</b>



# Profit from recurring operations increased 19 % in H1 2006

## Profit from recurring operations

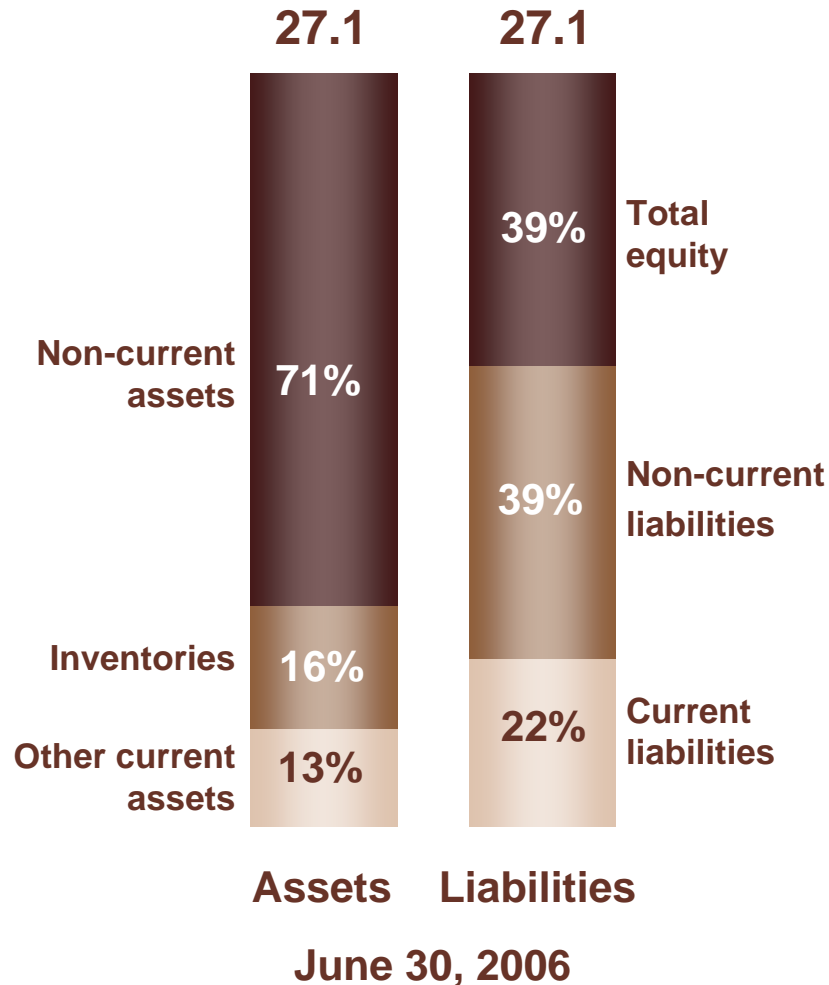
In millions of Euros	H1 2005	H1 2006	% change
<b>Wines &amp; Spirits</b>	<b>321</b>	<b>355</b>	<b>+11%</b>
<b>Fashion &amp; Leather Goods</b>	<b>654</b>	<b>742</b>	<b>+13%</b>
<b>Perfumes &amp; Cosmetics</b>	<b>44</b>	<b>79</b>	<b>+80%</b>
<b>Watches &amp; Jewelry</b>	<b>14</b>	<b>37</b>	<b>+164%</b>
<b>Selective Retailing</b>	<b>119</b>	<b>147</b>	<b>+24%</b>
<b>Others &amp; Eliminations</b>	<b>(62)</b>	<b>(65)</b>	<b>-</b>
<b>LVMH</b>	<b>1 090</b>	<b>1 295</b>	<b>+19%</b>

# Evolution of net financial expense

In millions of Euros	H1 2005	H1 2006	Change in M€
Net borrowing costs	(89)	(90)	-1
Fair value adjustment of borrowings and hedges	(29)	7	+36
Ineffective portion of currency hedges	(36)	15	+51
Dividends received	16	5	-11
Other items - net	18	92	+74
<b>Net financial income (expense)</b>	<b>(120)</b>	<b>29</b>	<b>+149</b>

# Continued improvement of financial structure

In billions of Euros



- Strong growth in equity over one year
- Rise in inventory levels
  - Seasonal changes
  - Reconstituted Wines & Spirits inventories
- Reduction of debt

# Evolution of cash flow from operations

In millions of Euros	H1 2005	H1 2006	% change
<b>Cash from operations before changes in working capital</b>	<b>1 290</b>	<b>1 485</b>	<b>+15%</b>
Cost of net financial debt	(127)	(92)	
Income taxes paid	(229)	(270)	
<b>Net cash from operations before changes in working capital</b>	<b>934</b>	<b>1 123</b>	<b>+20%</b>
Working capital requirements	(407)	(466)	
Operating investments	(310)	(371)	
<b>Free cash flow*</b>	<b>217</b>	<b>286</b>	<b>+32%</b>

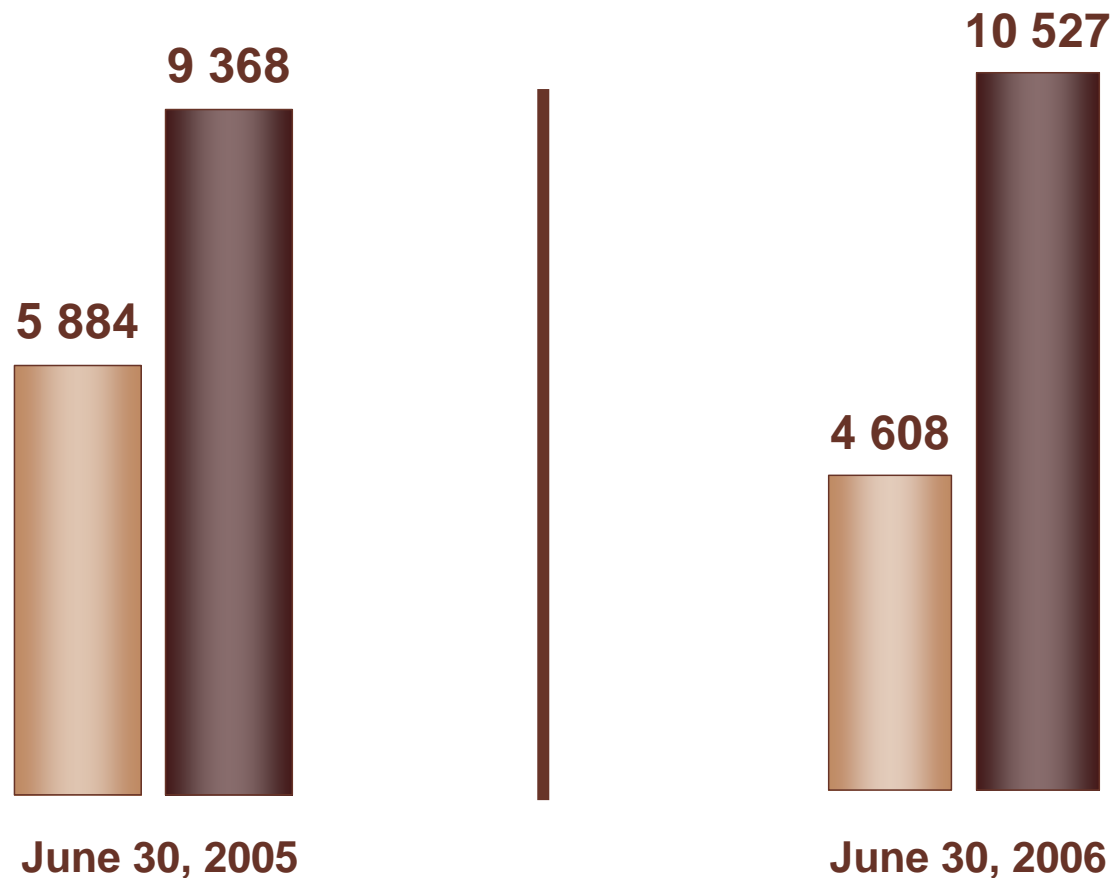
\* Before available for sale financial assets and investments, transactions relating to equity and financing activities



# Net Debt and Equity

In millions of Euros

- Net debt
- Total equity



Gearing

63%

44%

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**Antonio Belloni**



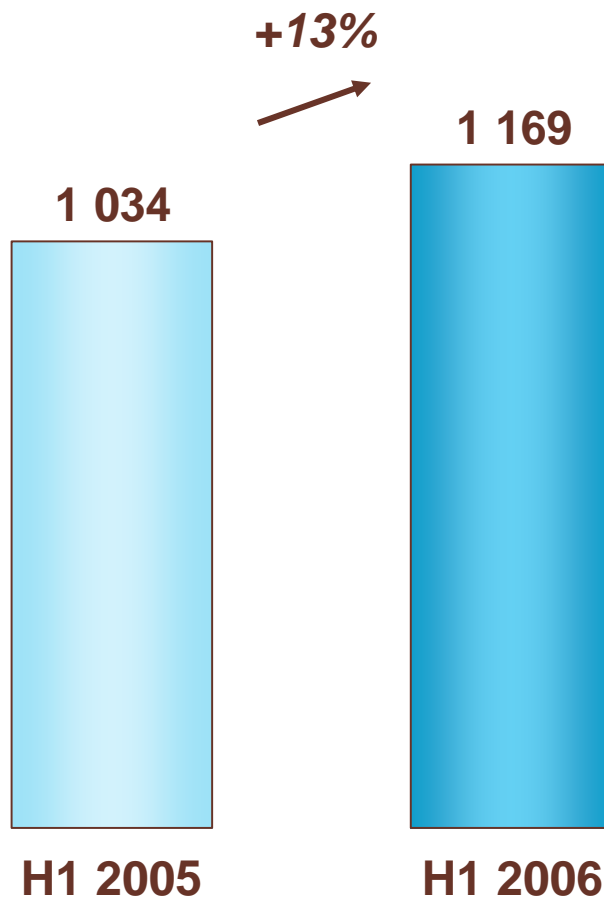
# PERFUMES AND COSMETICS

# PERFUMES AND COSMETICS

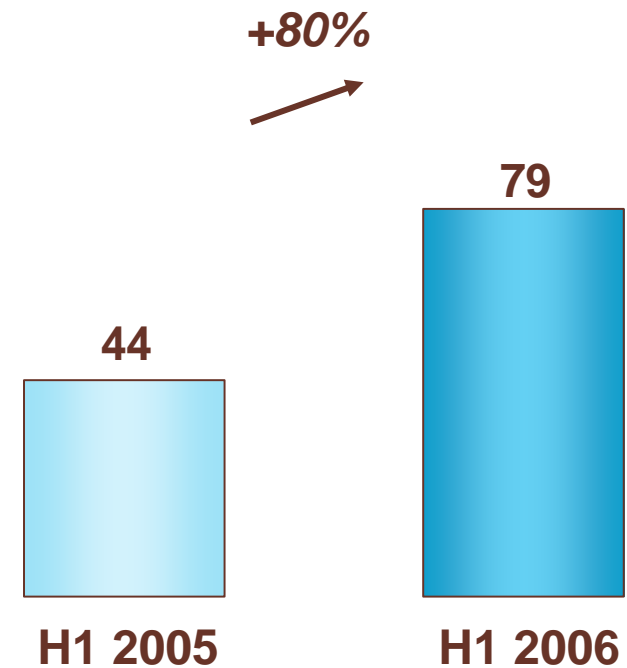
## Key figures

In millions of Euros

### Revenue



### Profit from recurring operations





# PERFUMES AND COSMETICS

## H1 2006 Highlights

- Parfums Christian Dior: strong and profitable growth
  - Market share gains in all regions
  - Successful launch of skincare line *Capture Totale*
  - Continued progress of make-up and perfumes
- Guerlain: continued recovery
  - Rapid advance in Asia and Europe
  - Success of *KissKiss* and *Orchidée Impériale* lines
- Good performance of other brands
  - Parfums Givenchy: strong progress of *Very Irresistible*
  - BeneFit: expansion into new markets

# PERFUMES AND COSMETICS

*Visual*

*KenzoAmour*

# PERFUMES AND COSMETICS

## 2006 Outlook

- Strengthen market share gains
- Continue strong momentum of Parfums Christian Dior
  - Launch of *Rouge Dior* lipstick with Monica Bellucci as ambassador
  - Develop skincare towards high-end
  - Support flagship perfume lines
- New female perfumes for the French brands
  - *Ange ou Démon* by Givenchy
  - *KenzoAmour*
  - *Insolence* by Guerlain
- Continue roll-out of niche brands

# SELECTIVE RETAILING

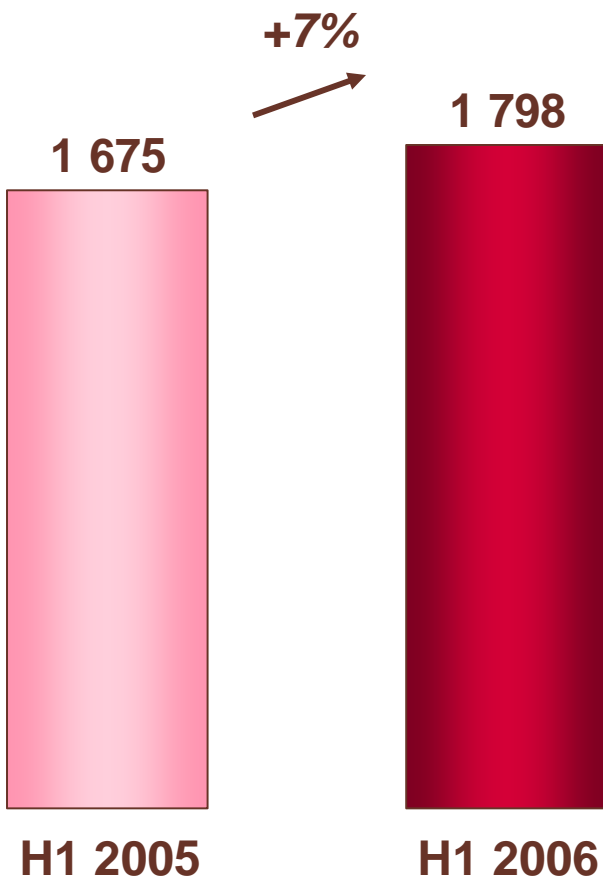


# SELECTIVE RETAILING

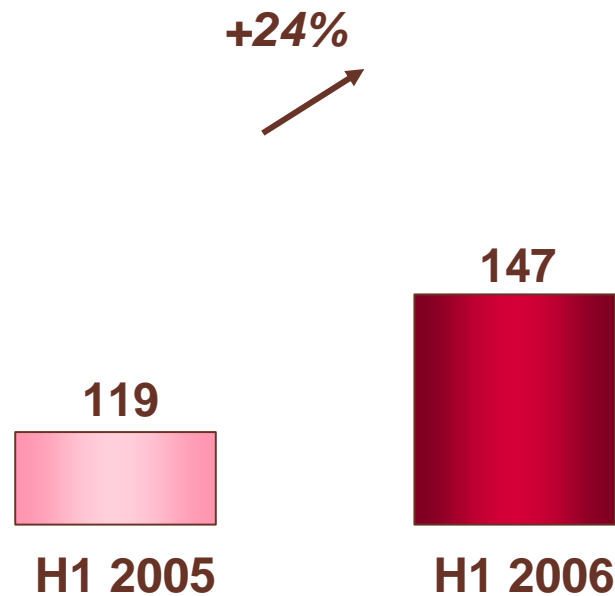
## Key figures

In millions of Euros

### Revenue



### Profit from recurring operations



# SELECTIVE RETAILING

## H1 2006 Highlights

### DFS

- Accelerated development of Chinese clientele
- Continued store renovations: Guam, Hong Kong
- Effective cost control

### MIAMI CRUISELINE

- Increased passenger purchases thanks to better adapted and more qualitative offer

# SELECTIVE RETAILING

## H1 2006 Highlights

### SEPHORA

- Increased market share in all regions
- Strong internet sales in the US and France
- Continued improvement in operating margin
- First store in Beijing added to the 4 stores in Shanghai

### LE BON MARCHE

- Excellent first half, led by success of new women's fashion floor

# SELECTIVE RETAILING

*Visual*

*Sephora*

# SELECTIVE RETAILING

## 2006 Outlook

### **DFS:** Continue development

- Minimise impact of new security standards
- Adapt product and services offer to benefit from expansion of Chinese clientele; focus on Taiwan and Singapore
- Continue to upgrade offer towards high-end

### **SEPHORA:** Continue strong profitable growth

- Focus on service innovation and exclusive products
- Continue to open stores in markets with strongest potential
- Launch in the Middle East

# **WINES AND SPIRITS**

**Christophe Navarre**

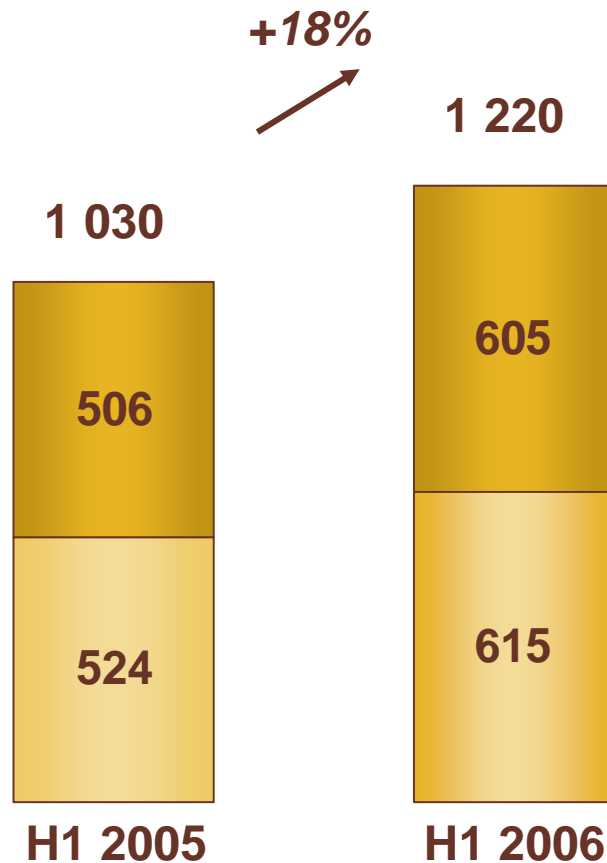
# WINES AND SPIRITS

## Key figures

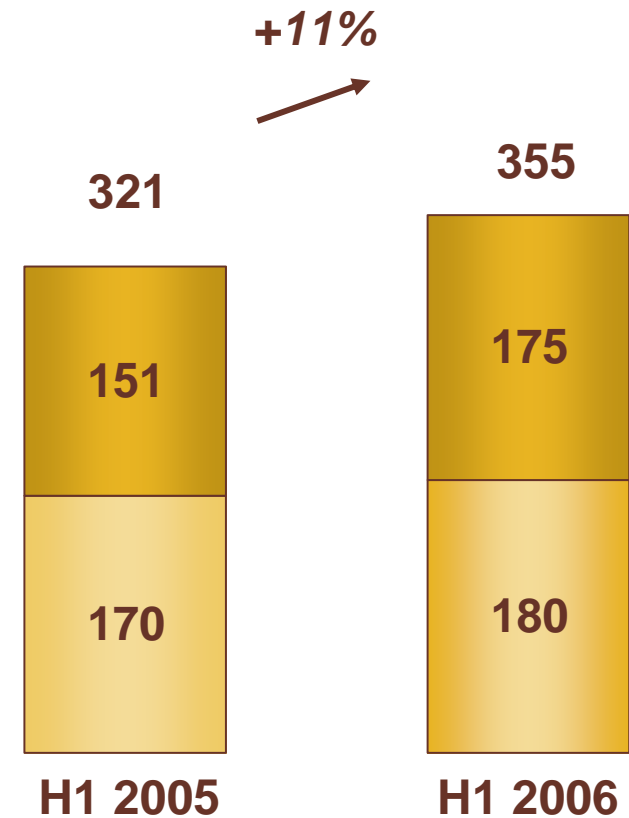
In millions of Euros

- Champagne and Wines
- Cognac and Spirits

### Revenue



### Profit from recurring operations





# WINES AND SPIRITS

## H1 2006 Highlights

- Robust growth in volumes
- Improved product mix and increasing price policy
- Strong innovation program and sustained communication
- Supply costs increased in Champagne
- Acceleration of growth in China in a more aggressive competitive environment

# CHAMPAGNE AND WINES

## H1 2006 Highlights

- Rapid progress of **Moët & Chandon** in Japan and Europe, strengthened communication in the US
- Excellent performance of **Dom Pérignon** in Japan
- Continued growth of **Veuve Clicquot** in its key markets
  - Worldwide launch of a non-vintage *brut rosé*
- Strong growth momentum for **Krug** and **Ruinart**
- Double-digit revenue growth in **Wine** business

# CHAMPAGNE AND WINES

*Visuals*

*Dom Pérignon*

*Ruinart*

# COGNAC AND SPIRITS

*Visual*

*Hennessy*

# COGNAC AND SPIRITS

## H1 2006 Highlights

- Momentum confirmed at **Hennessy**
  - Excellent performance of superior qualities
  - Continued growth in the US
  - Exceptional progress in China
- Continued repositioning of **Glenmorangie** in markets with strong potential
- Acceleration of **Belvedere**'s development and double-digit revenue growth

# WINES AND SPIRITS 2006 Outlook

- Strengthen international presence of business group in Russia and China, in particular
- Pursue value strategy
  - Increase influence of brands through sustained communication
  - Improve product mix
  - Maintain increasing price policy
  - Capitalize on teams know-how
  - Continue strong innovation program
- Further strengthen LVMH's world leadership in the luxury wine and spirits market

# WATCHES AND JEWELRY

Philippe Pascal

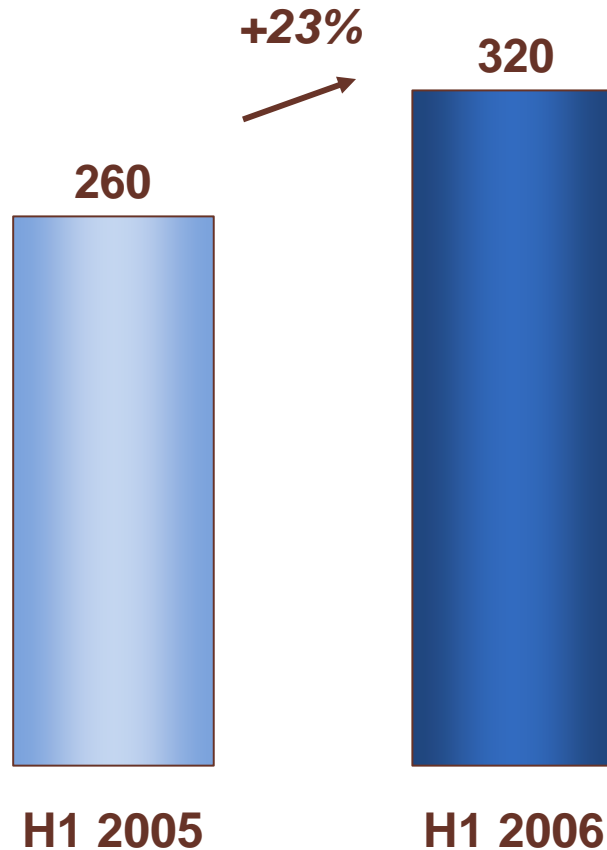


# WATCHES AND JEWELRY

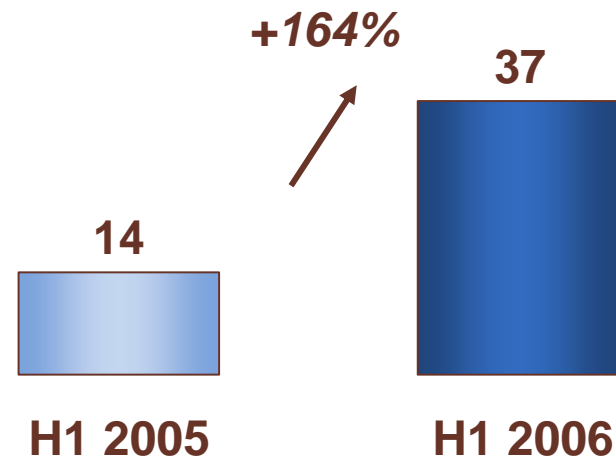
## Key figures

In millions of Euros

### Revenue



### Profit from recurring operations



# WATCHES AND JEWELRY

## H1 2006 Highlights

- Gained market share
- Increased profitability (11.5% vs 5.4%)
- Exceptional growth of TAG Heuer
  - Increased high-end offer of *Carrera*, *Link* and *Aquaracer* lines
  - Launched Golf Watch supported by Tiger Woods
  - Sports and elegance positioning supported by strong communication campaign

# WATCHES AND JEWELRY

## H1 2006 Highlights

- Zenith growth in its key markets and launch of *Class Open*
- Confirmed success of *Christal* line by Dior
- Chaumet: launch of *Dandy* chrono and presentation of the jewelry collection *Attrape-moi*
- De Beers: new collection «*Secrets of the Rose* »

# WATCHES AND JEWELRY

## 2006 Outlook

- Gain market share and improve profitability
- Several launches in second half of models presented at the Basel Watch Fair

- TAG Heuer

Monaco 69 and Carrera Calibre 360

- Zenith

Defy (Sports line)

- Dior

Black Time (Chiffre Rouge)

- Focus on the development of TAG Heuer, Zenith and Dior in China by targeting new points of sale and strengthening distribution agreements

# WATCHES AND JEWELRY

## 2006 Outlook

- Selective jewelry developments
  - Chaumet: launch *Attrape-Moi* collection and open Hong Kong
  - Fred: Coral collection for 70th anniversary
  - De Beers: open Taipei and Las Vegas and new publicity campaign

# FASHION AND LEATHER GOODS

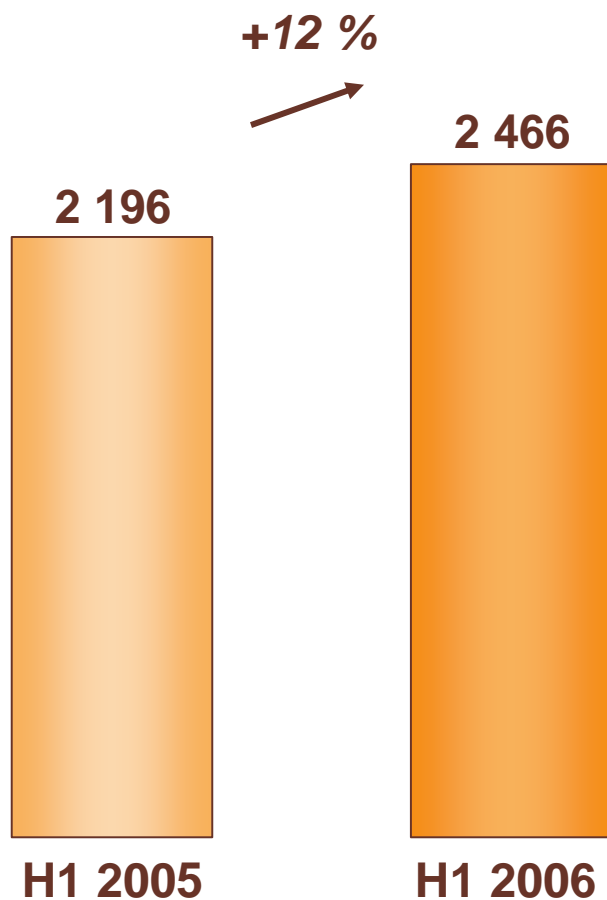
Yves Carcelle

# FASHION AND LEATHER GOODS

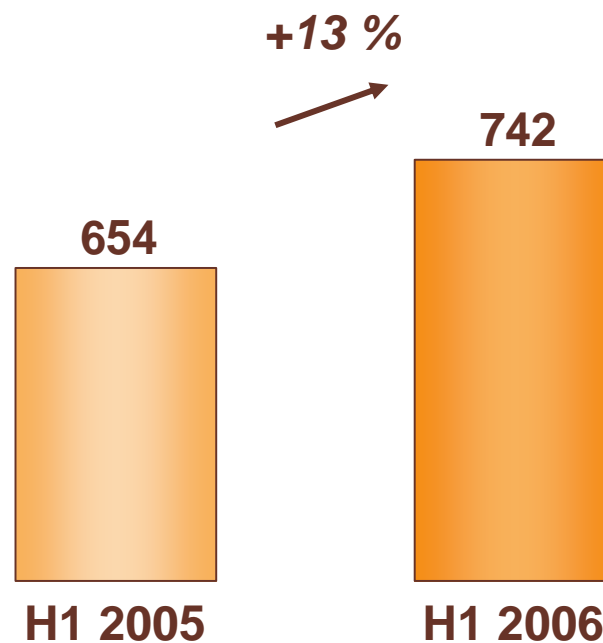
## Key figures

In millions of Euros

### Revenue



### Profit from recurring operations





# LOUIS VUITTON

## H1 2006 Highlights

- Further double-digit organic revenue growth
- Strengthened its worldwide leadership
- Excellent performance in Europe and very strong progress in Asia
- 353 stores at end June 2006 (8 net openings and 25 renovations)
  - Exceptional momentum around Champs Elysées “Maison”
  - Main openings : Taipei “Maison”, Beijing Peninsula Palace Hotel, Guam, Harrods London ...
- Success of new products: *Monogram perforé* and *Suede*, new colors of *Denim*
- Expansion of traditional *Monogram* product line (*Tikal* and *Tulum*)
- Strong advance of sunglasses collection and successful development for watches
- Opening of cultural space in Louis Vuitton’s “Maison” on Champs Elysées

# FASHION AND LEATHER GOODS

*Visuals*

*Louis Vuitton in Budapest and Taipei*

# FASHION AND LEATHER GOODS

*Visuals*

*Berluti*

*Loewe*

# FASHION AND LEATHER GOODS

## 2006 Outlook

- Pursue profitable growth at Fendi
  - Continue innovation program
  - Launch promising new « cruise » line
  - Further store renovations
  - Establish presence in Switzerland, India and Macao
- Focus on the development of brands with high potential:
  - Marc Jacobs, Loewe, Celine and Pucci
- Further strengthen identity of other brands

- Continue growth, reinforce leadership in existing territories (China) and develop new territories (Oslo, Kiev, Aruba)
- Important program of « starisation » of our fundamental values : *iconic bags, Nomade leather* (open *Icons* exhibition on September 15)
- Launch of new iconic product line: *Damier Azur*
- Louis Vuitton Classic Bohemia Run (Budapest, Vienna, Prague)

# FASHION AND LEATHER GOODS

*Visual*

*Damier Azur line - Louis Vuitton*