LVMH

MOËT HENNESSY . LOUIS VUITTON

TRANSLATION OF THE FRENCH FINANCIAL DOCUMENTS

FISCAL YEAR ENDED DECEMBER 31, 2017

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This document is a free translation into English of the original French “Documents financiers – 31 décembre 2017”, hereafter referred to as the “Financial Documents”. It is not a binding document. In the event of a conflict in interpretation, reference should be made to the French version, which is the authentic text.

EXECUTIVE AND SUPERVISORY BODIES; STATUTORY AUDITORS AS OF DECEMBER 31, 2017

Board of Directors

Bernard Arnault
Chairman and Chief Executive Officer

Antonio Belloni
Group Managing Director

Antoine Arnault

Delphine Arnault

Nicolas Bazire

Bernadette Chirac [a]

Charles de Croisset [a]

Diego Della Valle [a]

Clara Gaymard [a]

Marie-Josée Kravis [a]

Lord Powell of Bayswater

Marie-Laure Sauty de Chalon [a]

Yves-Thibault de Silguy [a]

Natacha Valla [a]

Hubert Védrine [a]

Advisory Board members

Paolo Bulgari

Albert Frère

Pierre Godé

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

Pierre-Yves Roussel
Fashion Group

Philippe Schaus
Wines and Spirits

Jean-Baptiste Voisin
Strategy

General Secretary

Marc-Antoine Jamet

Performance Audit Committee

Yves-Thibault de Silguy [a]
Chairman

Antoine Arnault

Charles de Croisset [a]

Nominations and Compensation Committee

Charles de Croisset [a]
Chairman

Marie-Josée Kravis [a]

Yves-Thibault de Silguy [a]

Ethical and Sustainable Development Committee

Yves-Thibault de Silguy [a]
Chairman

Delphine Arnault

Marie-Laure Sauty de Chalon [a]

Hubert Védrine [a]

Statutory Auditors

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

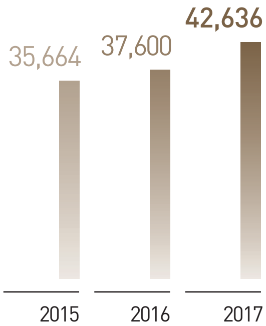
Mazars
represented by Simon Beillevaire
and Loïc Wallaert

(a) Independent Director.

FINANCIAL HIGHLIGHTS

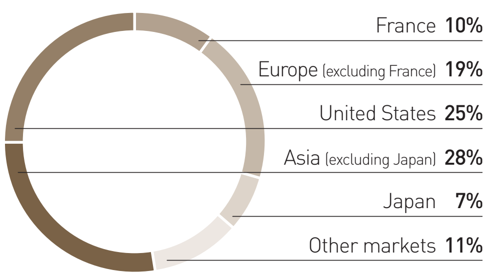
Revenue

(EUR millions)

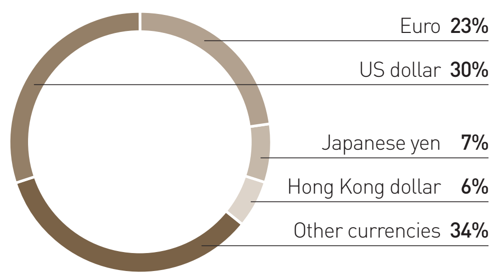


Revenue by business group *(EUR millions)*	2017	2016	2015
Wines and Spirits	5,084	4,835	4,603
Fashion and Leather Goods	15,472	12,775	12,369
Perfumes and Cosmetics	5,560	4,953	4,671
Watches and Jewelry	3,805	3,468	3,308
Selective Retailing	13,311	11,973	11,193
Other activities and eliminations	(596)	(404)	(480)
Total	**42,636**	**37,600**	**35,664**

Revenue by geographic region of delivery

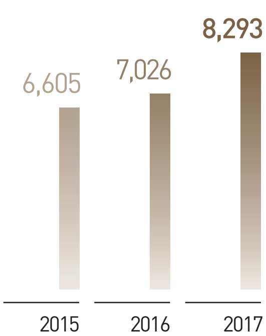


Revenue by invoicing currency



Profit from recurring operations

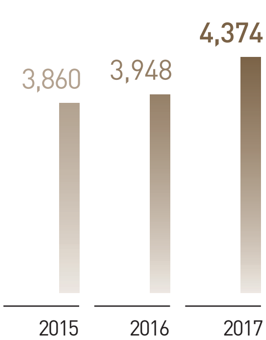
(EUR millions)



Profit from recurring operations by business group *(EUR millions)*	2017	2016	2015
Wines and Spirits	1,558	1,504	1,363
Fashion and Leather Goods	4,905	3,873	3,505
Perfumes and Cosmetics	600	551	524
Watches and Jewelry	512	458	432
Selective Retailing	1,075	919	940
Other activities and eliminations	(357)	(279)	(159)
Total	**8,293**	**7,026**	**6,605**

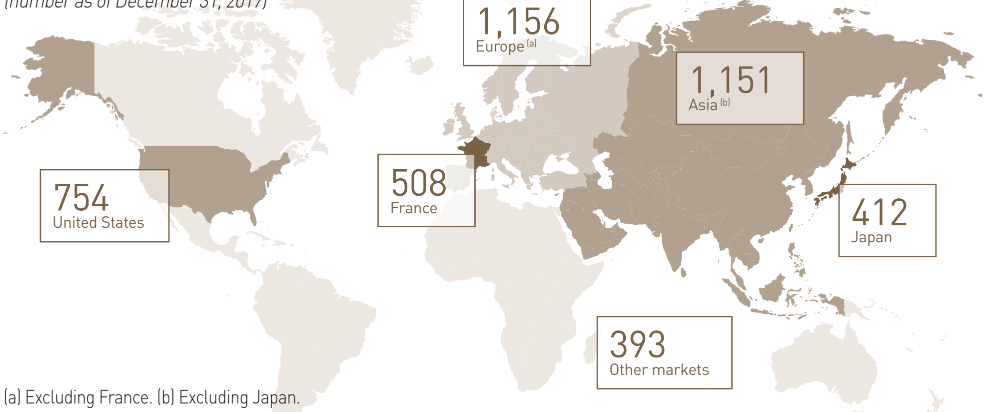
Stores

(number)



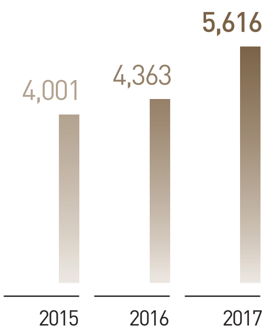
Stores by geographic region

(number as of December 31, 2017)

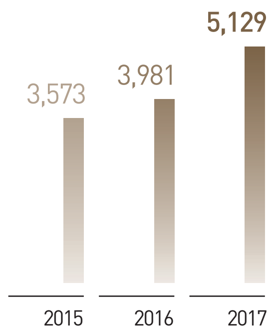


(a) Excluding France. (b) Excluding Japan.

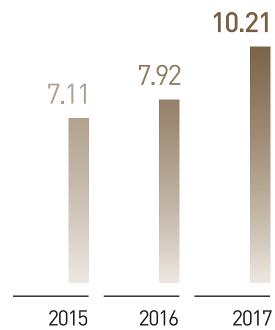
Net profit
(EUR millions)



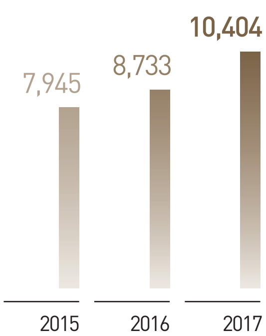
Net profit, Group share
(EUR millions)



Basic Group share of net earnings per share
(EUR)

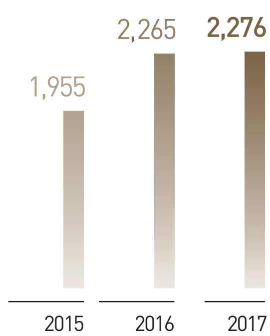


Cash from operations before changes in working capital [a]
(EUR millions)

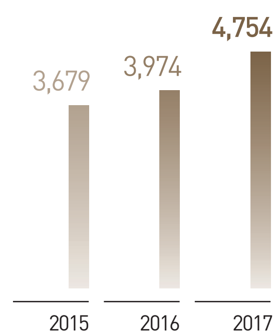


(a) Before interest and tax paid.

Operating investments
(EUR millions)

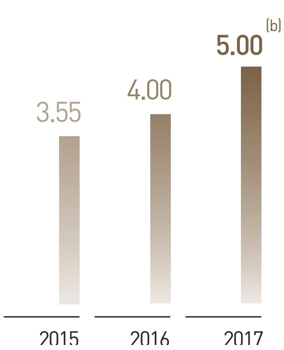


Free cash flow [a]
(EUR millions)



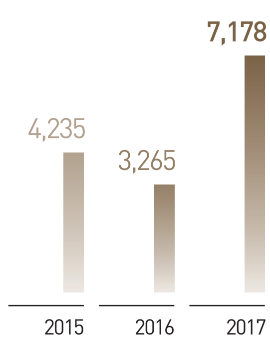
(a) Net cash from operating activities and operating investments.

Dividend per share [a]
(EUR)



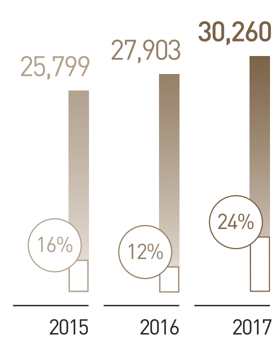
(a) Gross amount paid for fiscal year, excluding the impact of regulations applicable to the recipient.
(b) Amount proposed at the Shareholders' Meeting of April 12, 2018.

Net financial debt [a]
(EUR millions)



(a) Excluding purchase commitments for minority interests included in Other non-current liabilities. See Note 18.1 to the condensed consolidated financial statements for definition of net financial debt.

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



HIGHLIGHTS AND OUTLOOK

Key highlights from 2017 include:

- record revenue and profit from recurring operations;
- growth in Europe, the United States and Asia;
- good performance for Wines and Spirits in all regions;
- the success of both iconic and new products at Louis Vuitton, whose profitability remains at an exceptional level;
- the acquisition of Christian Dior Couture, which is showing excellent performance;
- growth at Fendi and Loro Piana;
- the first year of integration of Rimowa, leader in luggage excellence;
- strong momentum at Parfums Christian Dior, driven by successful product innovations;
- excellent year for Bvlgari and good progress at Hublot and TAG Heuer;
- growth at Sephora, which strengthened its positions in all its markets and in digital;
- free cash flow of 4,754 million euros, up 20%;
- gearing of 24% at the end of December 2017.

SHARE CAPITAL AND VOTING RIGHTS

	Number of shares	Number of voting rights [a]	% of capital	% of voting rights
Arnault Family Group	237,517,765	462,359,566	46.84%	63.13%
Other	269,524,831	270,058,318	53.16%	36.87%
Total as of December 31, 2017	**507,042,596**	**732,417,884**	**100.00%**	**100.00%**

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

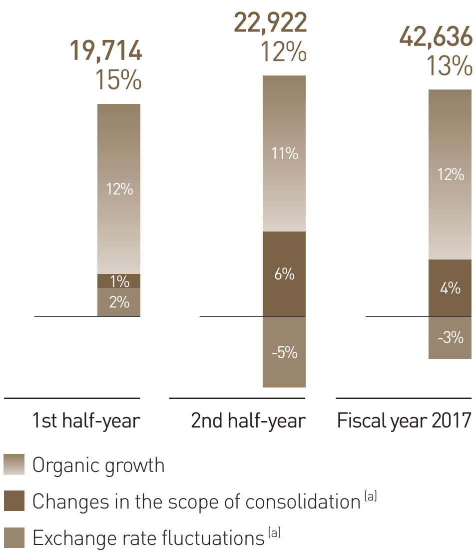
BUSINESS REVIEW AND COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF LVMH GROUP

1. COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

1.1. Analysis of revenue

Change in revenue per half-year period

(EUR millions and percentage)



(a) The principles used to determine the net impact of exchange rate fluctuations on the revenue of entities reporting in foreign currencies and the net impact of changes in the scope of consolidation are described on page 9.

Consolidated revenue for fiscal year 2017 was 42,636 million euros, up 13% over the preceding fiscal year. A number of the Group's invoicing currencies weakened against the euro, notably the US dollar, thus lowering consolidated revenue by 3 points.

The following changes to the Group's consolidation scope have occurred since January 1, 2016: in Fashion and Leather Goods, the Donna Karan brand was sold in December 2016; the Group acquired 80% of high-end luggage manufacturer Rimowa in January 2017; and the entire Christian Dior Couture business segment was integrated into the Group effective July 3, 2017. These changes in the scope of consolidation made a positive contribution of 4 points to revenue growth.

On a constant consolidation scope and currency basis, revenue increased by 12%.

Revenue by invoicing currency

(as %)	2017	2016	2015
Euro	23	23	22
US dollar	30	32	32
Japanese yen	7	7	7
Hong Kong dollar	6	6	7
Other currencies	34	32	32
Total	**100**	**100**	**100**

The breakdown of revenue by invoicing currency evolved somewhat: the contributions of the euro and the Japanese yen remained stable at 23% and 7% respectively, while the contribution of the US dollar fell by 2 points to 30% and that of other currencies rose by 2 points to 40%.

Revenue by geographic region of delivery

(as %)	2017	2016	2015
France	10	10	10
Europe (excluding France)	19	18	18
United States	25	27	26
Japan	7	7	7
Asia (excluding Japan)	28	26	27
Other markets	11	12	12
Total	**100**	**100**	**100**

By geographic region of delivery, the relative contribution of Asia (excluding Japan) to Group revenue rose by 2 points to 28% and that of Europe (excluding France) rose by 1 point to 19%, while the relative contribution of the United States fell by 2 points to 25% and that of Other markets fell by 1 point to 11%. The relative contributions of France and Japan remained stable at 10% and 7%, respectively.

Revenue by business group

(EUR millions)	2017	2016	2015
Wines and Spirits	5,084	4,835	4,603
Fashion and Leather Goods	15,472	12,775	12,369
Perfumes and Cosmetics	5,560	4,953	4,671
Watches and Jewelry	3,805	3,468	3,308
Selective Retailing	13,311	11,973	11,193
Other activities and eliminations	(596)	(404)	(480)
Total	**42,636**	**37,600**	**35,664**

By business group, the breakdown of Group revenue changed appreciably. The contribution of Fashion and Leather Goods rose 2 points to 36%, while the contributions of Wines and Spirits and Selective Retailing both decreased by 1 point to 12% and 31%, respectively. The contributions of Perfumes and Cosmetics and Watches and Jewelry remained stable at 13% and 9%, respectively.

Wines and Spirits saw an increase in revenue of 5% based on published figures. Revenue for this business group increased by 7% on a constant consolidation scope and currency basis, with the net impact of exchange rate fluctuations weighing it down by 2 points. This performance was largely driven by an increase in volumes. Demand remained very strong in the United States and in China, with the latter still the second-largest market for the Wines and Spirits business group.

Fashion and Leather Goods posted organic growth of 13%. The positive consolidation scope impact of 11 points resulting from the integrations of Rimowa and Christian Dior Couture, tempered by the negative impact due to the December 2016 sale of Donna Karan, together with the negative exchange rate impact of 3 points, raised this growth to 21% based on published figures. This business group's performance was driven by the very solid momentum achieved by Louis Vuitton, as well as by Loewe, Kenzo, Fendi, Berluti and Loro Piana, which confirmed their potential for strong growth.

Revenue for Perfumes and Cosmetics increased by 14% on a constant consolidation scope and currency basis, and by 12% based on published figures. This growth confirmed the effectiveness of the value-enhancing strategy resolutely pursued by the Group's brands in the face of competitive pressures. The Perfumes and Cosmetics business group saw very significant revenue growth across all regions and in particular in Asia.

Revenue for Watches and Jewelry increased by 12% on a constant consolidation scope and currency basis, and by 10% based on published figures. This business group benefited from the excellent performance of Bvlgari; Chaumet, Hublot and Fred saw strong gains. Asia and Europe were the most buoyant regions.

Revenue for Selective Retailing increased by 13% on a constant consolidation scope and currency basis and by 11% based on published figures. This performance was driven by Sephora, which saw very appreciable growth in revenue as well as the return of Chinese tourists to areas where DFS has many locations.

1.2. Profit from recurring operations

(EUR millions)	2017	2016	2015
Revenue	42,636	37,600	35,664
Cost of sales	(14,783)	(13,039)	(12,553)
Gross margin	27,853	24,561	23,111
Marketing and selling expenses	(16,395)	(14,607)	(13,830)
General and administrative expenses	(3,162)	(2,931)	(2,663)
Income (loss) from joint ventures and associates	(3)	3	(13)
Profit from recurring operations	**8,293**	**7,026**	**6,605**
Operating margin *(%)*	**19.5**	**18.7**	**18.5**

The Group achieved a gross margin of 27,853 million euros, up 13% compared to the prior fiscal year. As a percentage of revenue, the gross margin was 65%, stable with regard to 2016.

Marketing and selling expenses totaled 16,395 million euros, up 12% based on published figures and up 14% on a constant consolidation scope and currency basis. This increase was mainly due to the development of retail networks but also to higher communications investments, especially in Perfumes and Cosmetics. The level of these expenses as a percentage of revenue fell by 0.3 points to 38%. Among these marketing and selling expenses, advertising and promotion costs amounted to 11% of revenue, increasing by 12% on a constant consolidation scope and currency basis.

The geographic breakdown of stores is as follows:

(number)	2017 [a]	2016 [b]	2015 [b]
France	508	492	482
Europe (excluding France)	1,156	1,061	1,012
United States	754	703	732
Japan	412	387	407
Asia (excluding Japan)	1,151	991	951
Other markets	393	314	276
Total	**4,374**	**3,948**	**3,860**

(a) Including 198 stores for Christian Dior Couture and 57 for Rimowa.
(b) Excluding Rimowa, whose network was integrated in 2017.

General and administrative expenses totaled 3,162 million euros, up 8% based on published figures and up 7% on a constant consolidation scope and currency basis. They amounted to 7% of revenue, down 0.5 points compared to 2016.

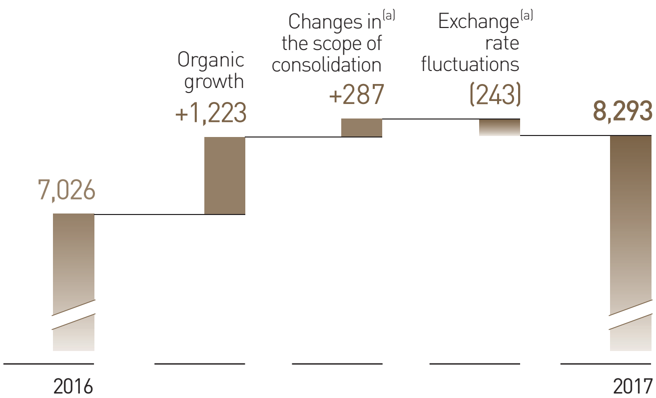
Profit from recurring operations by business group

(EUR millions)	2017	2016	2015
Wines and Spirits	1,558	1,504	1,363
Fashion and Leather Goods	4,905	3,873	3,505
Perfumes and Cosmetics	600	551	524
Watches and Jewelry	512	458	432
Selective Retailing	1,075	919	940
Other activities and eliminations	(357)	(279)	(159)
Total	**8,293**	**7,026**	**6,605**

The Group's profit from recurring operations was 8,293 million euros, up 18%. The Group's operating margin as a percentage of revenue was 19.5%, up almost 1 point compared with December 31, 2016.

Change in profit from recurring operations

(EUR millions)



(a) The principles used to determine the net impact of exchange rate fluctuations on the revenue of entities reporting in foreign currencies and the net impact of changes in the scope of consolidation are described on page 9.

Exchange rate fluctuations had a negative overall impact of 243 million euros on profit from recurring operations compared to the previous fiscal year. This total comprises the following three items: the impact of exchange rate fluctuations on export and import sales and purchases by Group companies, the change in the net impact of the Group's policy of hedging its commercial exposure to various currencies, and the impact of exchange rate fluctuations on the consolidation of profit from recurring operations of subsidiaries outside the eurozone.

On a constant consolidation scope and currency basis, the Group's profit from recurring operations was up 17%.

Wines and Spirits

	2017	2016	2015
Revenue *(EUR millions)*	5,084	4,835	4,603
Profit from recurring operations *(EUR millions)*	1,558	1,504	1,363
Operating margin *(%)*	30.6	31.1	29.6

Profit from recurring operations for Wines and Spirits was 1,558 million euros, up 4% compared to 2016. Champagne and wines contributed 674 million euros while cognacs and spirits accounted for 884 million euros. This performance was the result of both sales volume growth and a policy of significant price increases. The operating margin as a percentage of revenue for this business group decreased by 0.5 points to 30.6%, still a very high level.

Fashion and Leather Goods

	2017	2016	2015
Revenue *(EUR millions)*	15,472	12,775	12,369
Profit from recurring operations *(EUR millions)*	4,905	3,873	3,505
Operating margin *(%)*	31.7	30.3	28.3

Fashion and Leather Goods posted profit from recurring operations of 4,905 million euros, up 27% with respect to 2016. This strong increase was due in part to the consolidation of Christian Dior Couture and Rimowa, along with the very good results turned in by certain brands. Louis Vuitton maintained an exceptional level of profitability and, at the same time, Kenzo, Givenchy, Loro Piana and Fendi confirmed their profitable growth momentum. The business group's operating margin as a percentage of revenue grew by 1.4 points to 31.7%.

Perfumes and Cosmetics

	2017	2016	2015
Revenue *(EUR millions)*	5,560	4,953	4,671
Profit from recurring operations *(EUR millions)*	600	551	524
Operating margin *(%)*	10.8	11.1	11.2

Profit from recurring operations for Perfumes and Cosmetics was 600 million euros, up 9% compared to 2016. This growth was driven by Parfums Christian Dior, Kendo and Parfums Givenchy, which posted improved results thanks to the success of their flagship product lines and strong innovative momentum. The business group's operating margin as a percentage of revenue decreased by 0.3 points to 10.8%.

Watches and Jewelry

	2017	2016	2015
Revenue *(EUR millions)*	3,805	3,468	3,308
Profit from recurring operations *(EUR millions)*	512	458	432
Operating margin *(%)*	13.5	13.2	13.1

Profit from recurring operations for Watches and Jewelry was 512 million euros, up 12% with respect to 2016. This increase was the result of strong performance at both Bvlgari and Hublot, with operating margin as a percentage of revenue rising by 0.3 points to 13.5%.

Selective Retailing

	2017	2016	2015
Revenue *(EUR millions)*	13,311	11,973	11,193
Profit from recurring operations *(EUR millions)*	1,075	919	940
Operating margin *(%)*	8.1	7.7	8.4

Profit from recurring operations for Selective Retailing was 1,075 million euros, up 17% compared to 2016. The business group's operating margin as a percentage of revenue rose by 0.4 points to 8.1%, mainly as a result of the improvement in Chinese tourist numbers to destinations where DFS has stores.

Other activities

The net result from recurring operations of Other activities and eliminations was a loss of 357 million euros, a decline with respect to 2016. In addition to headquarters expenses, this heading includes the results of the Media division, Royal Van Lent yachts, and hotel and real estate activities.

1.3. Other income statement items

(EUR millions)	2017	2016	2015
Profit from recurring operations	8,293	7,026	6,605
Other operating income and expenses	(180)	(122)	(221)
Operating profit	8,113	6,904	6,384
Net financial income (expense)	(179)	(432)	(414)
Income taxes	(2,318)	(2,109)	(1,969)
Net profit before minority interests	**5,616**	**4,363**	**4,001**
Minority interests	(487)	(382)	(428)
Net profit, Group share	**5,129**	**3,981**	**3,573**

Other operating income and expenses amounted to a net expense of 180 million euros, compared to a net expense of 122 million euros in 2016. In 2017, Other operating income and expenses included 128 million euros in amortization and impairment charges for brands and goodwill. The remainder mainly consists of gains and losses on disposals, reorganization costs, and expenses relating to acquisitions.

The Group's operating profit was 8,113 million euros, up 18% compared to 2016.

The net financial expense for the fiscal year was 179 million euros, compared with a net financial expense of 432 million euros in 2016. This item comprises:

- the aggregate cost of net financial debt, which totaled 62 million euros, representing a decrease of 21 million euros compared with 2016 mainly due to a change in fair value adjustments of borrowings and interest rate hedges, which were 14 million euros positive in 2017, but 17 million euros negative in 2016;
- other financial income and expenses, which amounted to a net expense of 117 million euros, compared to a net expense of 349 million euros in 2016. The expense related to the ineffective portion of foreign exchange derivatives was 124 million euros, versus an expense of 330 million euros a year earlier, thus a decrease of 206 million euros in this expense, attributable to the change in the market value of derivatives. Lastly, other income from financial instruments, which mainly arose from capital gains on sales and impairment of short-term investments, amounted to net income of 7 million euros, compared to a net expense of 19 million euros in 2016.

The Group's effective tax rate was 29%, down 3 points compared to 2016, mainly as a result of the reimbursement of the dividend tax, sanctioned by the French Constitutional Court, and the exceptional surtax implemented by the French state in order to offset this reimbursement.

Profit attributable to minority interests was 487 million euros, compared to 382 million euros in 2016; this total mainly includes profit attributable to minority interests in Moët Hennessy and DFS.

The Group's share of net profit was 5,129 million euros, compared with 3,981 million euros in 2016. This represented 12% of revenue in 2017, up 1 point with respect to 2016. The Group share of net profit in 2017 was up 29% compared to 2016.

Comments on the determination of the impact of exchange rate fluctuations and changes in the scope of consolidation

The impact of exchange rate fluctuations is determined by translating the accounts for the fiscal year of entities having a functional currency other than the euro at the prior fiscal year's exchange rates, without any other restatements.

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

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

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

2. WINES AND SPIRITS

	2017	2016	2015
Revenue *(EUR millions)*	**5,084**	**4,835**	**4,603**
Of which: Champagne and wines	*2,406*	*2,288*	*2,221*
Cognac and spirits	*2,679*	*2,547*	*2,382*
Sales volume *(millions of bottles)*			
Champagne	65.6	63.2	61.4
Cognac	90.9	83.8	76.0
Other spirits	17.8	19.1	18.6
Still and sparkling wines	43.8	44.2	45.4
Revenue by geographic region of delivery *(%)*			
France	6	6	6
Europe (excluding France)	18	18	19
United States	32	31	30
Japan	6	6	6
Asia (excluding Japan)	22	22	23
Other markets	16	17	16
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**1,558**	**1,504**	**1,363**
Operating margin *(%)*	**30.6**	**31.1**	**29.6**
Operating investments of the period *(EUR millions)*	**292**	**276**	**233**

Highlights

The Wines and Spirits business group performed very well, in keeping with its value-enhancing strategy. Buoyant in Europe and Asia, the business group also saw robust growth in North America. Champagne made steady gains, with volumes up 4%. Hennessy saw an 8% volume increase and exceeded 7.5 million cases in cognac shipments.

Moët & Chandon had another record-setting year, with gains across all regions, thus consolidating its leading position. Alongside *Moët Impérial*'s solid growth, *Ice Impérial* built further on its success, while *Nectar Impérial Rosé* maintained its strong momentum in the United States. The release of the *Grand Vintage 2009* was one of the year's highlights.

Dom Pérignon reaffirmed the business group's value-enhancing strategy with the releases of *Dom Pérignon Rosé 2005* and *Dom Pérignon Blanc 2009*, celebrated through a new collaboration with Japanese artist Tokujin Yoshioka, as well as *Dom Pérignon P2 2000* (Second Plénitude), the ultimate expression of the champagne house's quest for excellence.

Mercier continued the targeted expansion of its accessible prestige champagnes.

Ruinart has further enhanced its value proposition around its premium cuvées. Its commitment to contemporary creation has been borne out with a fresh, immersive approach to its digital communications. Among these creative collaborations, the artist Jaume Plensa has offered a homage to Dom Thierry Ruinart in the form of a monumental sculpture.

Veuve Clicquot expanded its presence in all its key markets thanks to the success of its *Brut Carte Jaune* and *Brut Rosé* as well as its innovations *Rich* and *Rich Rosé*. Long known for its bold moves, Veuve Clicquot has launched *Extra Brut Extra Old*, the first champagne to marry a very low dosage with a composition consisting exclusively of reserve wines.

Growth at **Krug** has been buoyed by the launch of edition numbers for its iconic *Grande Cuvée*. "Les Créations de 2004", a duo comprised of *Krug 2004* and *Krug Grande Cuvée 160th Edition*, paired with a musical tribute, has met with great success.

Estates & Wines continued to develop its range of prestige wines with the release of the 2014 vintage of **Ao Yun** and the creation of the *Termanthia Barrel* in partnership with Loewe. **Chandon** has innovated with *Chandon Me*, the first sparkling wine designed to be enjoyed at room temperature, and *Chandon S Orange Bitters*, blended with fruit.

Hennessy once again achieved revenue growth, confirming the relevance of its strategy. Driven by rising consumer demand, the recovery in China is now reconfirmed for all Hennessy products. The cognac house continued to roll out its range across the rest of Asia, where *Paradis Impérial* has seen strong growth. In its relentless pursuit of quality, Hennessy had to deal with supply constraints, which led to slower growth in the second half of the year. Growth remained robust in the United States where it pursued its upmarket strategy. It also made strong advances in Canada, Mexico and the Caribbean. Results in Europe have been buoyed by momentum in Russia and emerging markets have also performed well. Innovation is an essential driver for the brand – illustrated in particular by the launch of *Master Blender's Selection N°2* – as are its investments in new communication platforms. Showcasing Hennessy's confidence in the future, the new Pont Neuf facility unveiled in the fall masterfully blends artisanal traditions, manufacturing efficiency, the latest technological advances and environmental responsibility.

Glenmorangie and **Ardbeg** have reaffirmed their commitment to innovation in the single malt whisky universe, in particular with the releases of *Glenmorangie Bacalta* and *Ardbeg An Oa*. Affected by destocking in Asia, Glenmorangie's activity levels remained strong in Europe and in travel retail channels.

Belvedere saw further growth in Europe, consolidating its leading position in the ultra-premium vodka segment, with the launch of the *Single Estate Rye Series*, underscoring the importance of vodka's place of origin.

The launch of **Volcán de Mi Tierra** tequila in the United States and Mexico, together with the acquisition of **Woodinville** whiskey, have rounded out the business group's spirits portfolio in high-potential segments. **Colgin Cellars**, an estate producing exceptional wines in California, has also joined the Group.

Through its exclusive products and exceptional experiences, **Clos 19**, an online platform created in 2017, invites consumers to discover an art of entertaining that is closely linked to LVMH's brands.

Outlook

In 2018, the Wines and Spirits business group will continue to draw strength from its value-enhancing strategy and its entrepreneurial spirit, the creativity nurtured by all its companies, and the excellence of their products. Reinforcing production capabilities to support future growth while maintaining exceptional quality remains a key priority. Innovation is the second essential component: product launches, events, ambitious and groundbreaking communication campaigns, and new digital initiatives will be brought to bear to strengthen the image and desirability of each brand in the portfolio, always with a view to better anticipating the needs and expectations of consumers in rapidly changing markets. Against the backdrop of supplies which will remain relatively constrained, **Hennessy** will continue to rely on excellence and innovation. **Moët & Chandon** will accentuate its global reach by further reinforcing its image. In 2018, **Veuve Clicquot** will celebrate the bicentennial of the first ever blended Rosé created by Madame Clicquot, whose heritage can also be found in the launch of the *La Grande Dame 2008* vintage, another tribute to this exceptional woman.

The business group's powerful and agile worldwide distribution network is a major asset, enabling it to seize opportunities to increase market share and adapt its business activities to a still uncertain geopolitical and economic context. The strong involvement of staff who serve a portfolio of exceptional brands will help LVMH further consolidate its leading position in prestige wines and spirits.

3. FASHION AND LEATHER GOODS

	2017	2016	2015
Revenue *(EUR millions)*	**15,472**	**12,775**	**12,369**
Revenue by geographic region of delivery *(%)*			
France	9	8	9
Europe (excluding France)	24	23	22
United States	19	21	22
Japan	11	12	11
Asia (excluding Japan)	29	28	28
Other markets	8	8	8
Total	**100**	**100**	**100**
Type of revenue as a percentage of total revenue (excluding Louis Vuitton and Christian Dior Couture)			
Retail	64	64	60
Wholesale	35	35	37
Licenses	1	1	3
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**4,905**	**3,873**	**3,505**
Operating margin *(%)*	**31.7**	**30.3**	**28.3**
Operating investments of the period *(EUR millions)*	**563**	**506**	**553**
Number of stores	**1,769** [a]	**1,508** [b]	**1,566** [b]

(a) Including 198 stores for Christian Dior Couture and 57 for Rimowa.
(b) Excluding Rimowa, whose network was integrated in 2017.

Highlights

Louis Vuitton continues to make solid progress, reflecting its outstanding creativity and the even balance achieved between innovation and reinforcing its iconic brands. All the businesses contributed to the Maison's remarkable performance, with leather goods and ready-to-wear achieving particularly impressive growth. One of the highlights for 2017 was the collaboration with the American artist Jeff Koons for the *Masters* collection of bags and accessories recreating masterpieces by renowned painters. The two successive lines released in this collection stand as a technical and aesthetic achievement, illustrating the breadth of Louis Vuitton's expertise and the virtuosity of its artisans. In another important event, the Maison Louis Vuitton Vendôme opened its doors. This new Paris flagship store, which looks out onto one of the city's most legendary squares, offers a fascinating new showcase for the brand's spirit and collections. Accompanying these bold initiatives, Louis Vuitton saw strong momentum in all its business lines with a series of creative triumphs: a highly successful capsule collection in collaboration with the New York-based cult streetwear brand Supreme, the *Tambour Horizon* connected watch, the *Blossom BB* jewelry line, the *Conquêtes* fine jewelry collection, and the new *Horizon* luggage models developed in partnership with the designer Marc Newson. The Miho Museum near Kyoto, designed by I. M. Pei, was the backdrop for the 2018 Cruise collection show, underscoring Louis Vuitton's strong ties with Japan. The actresses Léa Seydoux and Alicia Vikander continue to serve as its brand ambassadors. The "Volez, Voguez, Voyagez" ("Fly, Sail, Travel") exhibition added more stops in its round-the-world itinerary, setting down first in Seoul, and then in New York at the end of October where the exhibition added a virtual reality component: a mobile application treating its visitors to an immersive experience of the Louis Vuitton universe.

Christian Dior Couture's excellent performance has further enhanced its strong reputation and appeal. Christian Dior, Designer of Dreams, an exhibition at the Musée des Arts Décoratifs in Paris celebrating the Fashion House's 70th anniversary, was a huge success. In addition, the 2018 Cruise collection made a powerful impact on the runway in Los Angeles. The ready-to-wear and women's shoe collections received great acclaim. In leather goods, sales of the iconic *Lady Dior* bag have continued to grow, accompanied by the release of a special edition *Dior Lady Art* enlisting the creativity of ten of Dior's artist friends. Since July 2017, the Christian Dior Couture business segment has been consolidated by the LVMH group.

Fendi once again made strong advances. Its creative prowess was fully on display with the launch of the new *Kan-I* bag and the shows presenting its ready-to-wear and Haute Fourrure collections. Fendi further expanded the reach of its retail network, with store openings in Australia and Canada, at the Ginza 6 shopping mall in Tokyo, as well as in San Francisco, New York, Singapore, and Chongqing in China. Fendi has also strengthened its ties with the city of Rome by becoming the lead partner of the Galleria Borghese.

Loro Piana has placed renewed emphasis on its premium quality products and a number of iconic standouts. Its communications campaign underscores the excellence of the materials used and the timeless elegance of its creations. Loro Piana recently put the finishing touches to its newly renovated flagship store in London, has expanded into Canada and is reinforcing its presence in Asia. It also opened its first pop-up store in Shanghai.

Céline has shown particularly robust momentum in leather goods, thanks to the excellent performance of its *Belt* handbag and the successful launches of its *Clasp* and *Big Bag* lines. Small leather items, jewelry, and eyewear also saw strong growth. Céline has stepped up its digital efforts, with the launch of online sales in France in December.

Kenzo's impressive results continue to be driven by an ever more assured stylistic vision, helmed by its pair of Creative Directors. In January, Kenzo stepped up its innovative positioning by adopting a new calendar for its runway shows. Fashion Week events in March and September were selected to launch capsule collections *Memento N°1* and *Memento N°2*, celebrating Kenzo's heritage and its bold reinterpretation.

Loewe is seeing a good level of growth in all its markets. Leather goods sales were buoyed by the strong performance of the *Puzzle* and *Hammock* models, and the ready-to-wear collections also achieved rapid growth. The summer capsule collection, *Paula's Ibiza*, was very well received. Loewe's Creative Director Jonathan Anderson was named Accessories Designer of the Year for 2017 at the Fashion Awards in London. The luxury house has strengthened its commitment to preserving know-how by awarding its first Craft Prize celebrating excellence in craftsmanship.

Clare Waight Keller, appointed as **Givenchy**'s new Creative Director, presented her debut collection in October. Other exciting events of the year included the first collections in the new leather goods lines *Infinity* and *Duetto*, the opening of a store in Rome, a revamp for the Givenchy corporate website, and the launch of online sales in France.

Berluti delivered excellent results in all its markets and opened its first store in Australia. Creative Director Haider Ackermann has brought a bold, modern aesthetic to the brand. Berluti's leather goods lines are making strong headway. Footwear saw solid growth and the brand is expanding its range of exceptional products.

Marc Jacobs remains focused on its reorganization and developing its contemporary fashion product lines. **Pucci** added to its sneaker collection, paying tribute to famous cities. **Rimowa**, consolidated for the first time in 2017, opened a flagship store in Paris and has launched its online store. **Thomas Pink** appointed John Ray as its Creative Director.

Outlook

In 2018, growth at **Louis Vuitton** will be spurred by its continuing creative momentum and quest for excellence across all its businesses. Its many upcoming developments, which remain focused on eliciting high levels of desirability, will be supported by regular, global communication efforts. Events hosted by the brand will continue to be associated with emblematic places around the world. Louis Vuitton will continue reinforcing its production capacity and enhancing the quality of its retail network, with the constant aim of offering its customers exceptional shopping venues and unique experiences, both in its physical stores and in the digital realm. Product excellence and creativity will continue to drive growth at **Christian Dior Couture** and will be reflected in its communications, with many high-profile events throughout the year. It will also be targeting the expansion of its network of stores and will continue to explore development opportunities offered by digital tools while maintaining its exclusive image. Momentum at **Fendi**, driven by its sophisticated, bold designs, is expected to accelerate, thanks to a number of launches during the year, additional central locations in key cities, and expansion into new markets. All of the companies in the Fashion and Leather Goods business group will remain focused on the creativity of their collections, building on their iconic lines through innovation while achieving excellence in their retail networks, strengthening their online presence and digital communications.

4. PERFUMES AND COSMETICS

	2017	2016	2015
Revenue *(EUR millions)*	**5,560**	**4,953**	**4,671**
Revenue by product category *(%)*			
Perfumes	36	38	41
Makeup	47	44	40
Skincare products	17	18	19
Total	**100**	**100**	**100**
Revenue by geographic region of delivery *(%)*			
France	11	12	12
Europe (excluding France)	24	25	26
United States	17	18	14
Japan	5	5	4
Asia (excluding Japan)	30	28	29
Other markets	13	12	15
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**600**	**551**	**524**
Operating margin *(%)*	**10.8**	**11.1**	**11.2**
Operating investments of the period *(EUR millions)*	**286**	**268**	**233**
Number of stores	**302**	**248**	**204**

Highlights

The Perfumes and Cosmetics business group recorded robust growth, with particularly strong advances in Asia. All product categories contributed to this performance. Creativity and the quest for excellence, investments in communications, and efforts to boost the digital presence of brands were all central to these achievements and the market share gains achieved.

Parfums Christian Dior continued to show excellent momentum, delivered across all its product categories. Growth in the perfume segment was driven by the vitality of its iconic fragrances *J'adore* and *Miss Dior*, combined with the confirmed success of *Sauvage*. With the new editions *J'adore Injoy* and *Sauvage Very Cool Spray*, as well as the digital launch of an innovative global charitable initiative in connection with *Miss Dior*, called the Dior Love Chain, the brand is expanding its appeal to new generations of consumers. Parfums Christian Dior continues to reaffirm its status as a leading perfume house, driven by François Demachy's vision of excellence, his firm roots in Grasse where he has set up his creative laboratory Les Fontaines Parfumées, and the rebirth of Château de La Colle Noire, Christian Dior's former residence. This ambition has also inspired the development of a new range, Maison Christian Dior, aiming for a unique positioning in terms of its olfactory experiences, and its retail model. Under the creative supervision of Peter Philips, Dior's makeup lines strengthened their leading positions worldwide. Lip cosmetics turned in very strong results, in large part due to recent innovations, including *Rouge Dior Liquid* and *Dior Addict Lip Tattoo*. Also noteworthy are the success of *Forever Perfect Cushion* foundation, in great demand in Asia, and the excellent performance of *Diorshow Pump'n'Volume* mascara. The growing use of the digital realm for communications is playing a key role in makeup's steady advances. The *Prestige* skincare line strengthened its positions with the very promising launch of *Micro-Huile de Rose*. Two standout products, *Dreamskin* and *One Essential*, were relaunched and the new *Dior Hydra Life* line of hydrating products performed well.

Guerlain increased its market shares in France and stepped up its development in China. The year's highlights include significant growth for its perfume segment, driven by the success of *Mon Guerlain*, with Angelina Jolie as the face of its campaign. The initial rollout of the Guerlain Parfumeur retail concept has revealed its potential, with five openings demonstrating both its strong appeal and its value as a highly effective sales model. Guerlain's results were fueled by growth in its *Orchidée Impériale* and *Abeille Royale* skincare lines and the strong advances made by lipsticks. Guerlain celebrated the 10th anniversary of its civic engagement and environmental program, "Au nom de la beauté", through which it has promoted eco-design, biodiversity and social responsibility.

Parfums Givenchy had an excellent year, making further headway in Asia thanks to the success of its makeup lines. *Le Rouge*, its collection of leather-encased lipsticks, continues to show spectacular growth. The brand expanded its range with two key innovations: *Perfecto* and *Rouge Interdit*. In foundations, growth has been driven by *Prisme Libre* face powder, which enjoys a strong following among Chinese customers. Givenchy's classic men's fragrance *Gentleman* met with success in its reinterpretation.

Momentum at **Kenzo Parfums** was driven by the women's fragrance lines *FlowerbyKenzo* and *Kenzo World*, which continued its international rollout. Digital innovations have strengthened the offbeat positioning and free-spirited vision that distinguish the brand.

Benefit Cosmetics extended its *Brow Collection*, consolidating its position as the world's leading authority in this makeup segment, and is exploring innovative concepts for foundations. **Make Up For Ever** focused on expanding its store network. The success of its new *Water Blend* foundation in Asia and the launch of the *Artist Face Color* blush palette were among the year's highlights. **Fresh** made further strong gains, fueled in particular by the success of its *Black Tea* and *Rose* lines in Asia. **Acqua di Parma** expanded its offerings with *Colonia Pura*, which had a very successful launch. **Kat Von D** and **Marc Jacobs Beauty** continued to expand at a fast pace. The makeup line **Fenty Beauty by Rihanna**, launched worldwide in the fall and available exclusively at Sephora, has already amassed a huge following.

Maison Francis Kurkdjian, an icon of a new generation of exclusive and highly promising perfumers since its creation in 2009, has joined LVMH.

Outlook

In 2018, the Perfumes and Cosmetics business group will continue to make gains, fueled by the creativity of all its companies, the excellence of its research teams, as well as its considerable investments in communications and a strong digital presence. **Parfums Christian Dior** will continue to strengthen and reinterpret its iconic fragrances. Innovations in makeup will showcase its expertise, its mastery of the art of color, and its firm roots in fashion, with further developments in its digital platforms. Dior's skincare lines will be buoyed by the launch of a *Capture Youth* line specifically targeting consumers in their thirties and the extension of the *Prestige Micro-Huile* line. Dior will also be making a strong foray into the Asian markets, which are showing extremely large potential in skincare. **Guerlain** will celebrate 190 years of creativity with an exceptional exhibition at its flagship location on the Champs-Élysées in Paris during the LVMH Journées Particulières open-days event. Reaffirming its top-ranking status among perfumers, **Guerlain** will expand its cosmetics lines and continue to pursue growth internationally, in particular by opening new locations for its Guerlain Parfumeur stores. **Parfums Givenchy** will release new and innovative lip cosmetics and foundation products, and will be revisiting its classic women's fragrance *Irrésistible*. **Kenzo Parfums** will boost growth for its iconic *FlowerbyKenzo* line with a new communications campaign and will introduce a new series in the *Kenzo World* line. **Benefit Cosmetics** will launch a new mascara while continuing to innovate in the brow segment. **Make Up For Ever**, renowned for its expertise in foundations, will draw strength from its singular initiatives in this segment and from the international expansion of its online sales platform. **Fenty Beauty by Rihanna** will continue its rollout in 2018, supported by a robust program of innovations, particularly in the lip segment, with the lipstick *Mattemoiselle*.

5. WATCHES AND JEWELRY

	2017	2016	2015
Revenue *(EUR millions)*	**3,805**	**3,468**	**3,308**
Revenue by geographic region of delivery *(%)*			
France	6	5	7
Europe (excluding France)	25	26	25
United States	9	10	11
Japan	13	14	13
Asia (excluding Japan)	31	28	27
Other markets	16	17	17
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**512**	**458**	**432**
Operating margin *(%)*	**13.5**	**13.2**	**13.1**
Operating investments of the period *(EUR millions)*	**269**	**229**	**204**
Number of stores	**405**	**397**	**395**

Highlights

Growth for the Watches and Jewelry business group was driven by the creativity of its brands, their masterful watch craftsmanship and jewelry-making expertise, alongside the strong performance delivered by their stores. Momentum in the jewelry segment was remarkably robust and the watch business made solid gains despite market conditions which remain challenging, with particularly excellent results for the new products unveiled at Baselworld.

Bvlgari had an excellent year, further increasing its market share. The brand's jewelry lines reaped the full benefit of its creative prowess, wide-reaching reputation and effective event marketing strategy. New additions to the *Serpenti*, *B.Zero1* and *Diva* lines respectively include the *Viper* rings as well as the *Design Legend* and *Diva's Dream* collections. *Festa*, the year's high-end jewelry release, showcases Bvlgari's creative daring and Roman roots. In watches, the *Serpenti Skins*, fully customizable via an application, was highly successful and the *Octo* men's collection built on its breakthrough results, spurred by the launch of *Octo Finissimo*, twice prizewinner at the Grand Prix d'Horlogerie de Genève. Advances made by leather articles include the successful *Serpenti Forever* collection and a capsule collection developed with Nicholas Kirkwood. The spectacular transformation of Bvlgari's New York store on Fifth Avenue illustrates its unstinting commitment to the quality of its retail network. Bvlgari also continued with its program of pop-up store openings, which rounds out and energizes the network. Two new Bvlgari Hotels & Resorts locations were also opened in Beijing and Dubai. The ramp-up of the new manufacturing facility in Valenza is proceeding apace. A new training center for Bvlgari's artisans has opened its doors, propelling its teams to new heights of jewelry-making excellence.

Revenue growth at **TAG Heuer** substantiates the effectiveness of its core product development strategy, with additions to its leading *Carrera*, *Aquaracer* and *Formula 1* lines, and the reinterpretation of its iconic *Autavia* model. A next-generation smartwatch has been launched offering numerous customization options. TAG Heuer has made further improvements in its retail network and recently opened new stores in Melbourne, Las Vegas and London. New brand ambassadors have helped to raise TAG Heuer's profile among its target customers and boost its social media presence. Apart from its many contracts in the world of competitive sports, TAG Heuer has also joined forces with the avant-garde American graffiti artist Alec Monopoly.

Hublot continued its steady growth, driven by its *Classic Fusion* and *Big Bang* lines, but also by *Spirit of Big Bang*'s strong showing, which confirms its status as the brand's third core collection. Hublot once again demonstrated its creativity by releasing a range of extraordinary or highly technical models, including the *Techframe Ferrari 70 Years*, the timepieces in its new *Italia Independent* collection, and the *Spirit of Big Bang Sapphire*. New stores have been opened in Kyoto, Cannes and Las Vegas. Hublot's brand recognition has been further enhanced thanks to its communications, combining prestigious partnerships, a strong digital presence, and sporting and cultural events. Two new partnerships were signed with the Portuguese soccer team Benfica and the International Cricket Council.

Alongside its work on strengthening its organization, **Zenith** introduced additions to its *Chronomaster* and *Elite* collections. Illustrating its capacity for innovation, the new *Defy El Primero 21* displays hundredths of a second and the *Defy Lab* took home the prize in this category in Geneva.

Growth at **Chaumet** was fueled by the successful *Liens* and *Joséphine* collections, along with its ongoing shift further upmarket. *Liens Séduction* and *Insolence* have enhanced Chaumet's legendary collections. The release of its latest high jewelry range, *Chaumet est une fête*, was celebrated by staging an extraordinary event in Paris. Chaumet has raised its profile in China with its successful *Imperial Splendours* exhibition in Beijing and new pop-up stores in several cities across the country.

Fred's *Force 10* line and its new *8°0* collection were its main growth drivers, while new stores were opened in Tokyo, Hong Kong, Shanghai and Seoul.

LVMH has sold to **De Beers** its stake in the joint venture they held together.

Outlook

The Watches and Jewelry business group is actively pursuing its market share growth target. It is therefore paying close attention to market developments and remains highly selective in the allocation of resources. Thanks to the talents of their artisans and their great capacity for innovation, all of the business group's brands will continue to develop their iconic lines and launch new collections with a constant focus on excellence, product innovation and creativity. To this end, increases in production capacity are planned in order to maintain the business group's world-class craftsmanship and technological leadership. All of the brands will pursue sustained and targeted investments to strengthen their visibility and raise their profile in key regions, especially in the digital realm. Improvements in the quality, productivity and profitability of retail networks also remain a strategic priority. Selective new store openings will take place at prestigious, high-footfall locations. **Bvlgari** will continue to focus as a priority on developing women's jewelry and watches, with major initiatives in store for the *B.Zero1*, *Serpenti* and *Lvcea* lines. It will also proceed with its renovation projects for several of its stores, including those in Hong Kong, Shanghai, London and Milan. **Hublot** will step up the targeted expansion of its retail network, with store openings in Geneva and London. **TAG Heuer** plans to open stores on Fifth Avenue in New York City and on Chuo-dori, the main shopping street in Tokyo's famed Ginza district. **Chaumet** will continue rolling out its new store concept.

6. SELECTIVE RETAILING

	2017	2016	2015
Revenue *(EUR millions)*	**13,311**	**11,973**	**11,193**
Revenue by geographic region of delivery *(%)*			
France	12	12	13
Europe (excluding France)	8	8	8
United States	39	41	39
Japan	1	1	2
Asia (excluding Japan)	28	27	29
Other markets	12	11	9
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**1,075**	**919**	**940**
Operating margin *(%)*	**8.1**	**7.7**	**8.4**
Operating investments of the period *(EUR millions)*	**570**	**558**	**395**
Number of stores			
Sephora	1,825	1,726	1,626
Other trade names	55	52	52

Highlights

Sephora once again performed very well, as it continued to win market share in all the countries where it operates. Growth was particularly strong in North America and Asia. Currently operating in 34 countries, with over 1,800 stores and 27 online sales platforms, Sephora serves its customers on every occasion. Sephora further expanded its presence in 2017, opening its first points of sale in Germany and launching online sales in Scandinavia, Mexico and Saudi Arabia. The modernization plan for Sephora's existing stores continues, with renovations completed during the year at its flagship stores in New York City, on 34th Street and on Fifth Avenue, and at the Mirdif shopping mall in Dubai. Thanks to a gradual rollout of new store concepts that dovetail with Sephora's digital ecosystem – including *Beauty Board*, *Virtual Artist*, and *Digital Skincare Guide* – its physical locations offer an unparalleled, highly interactive shopping experience. By expanding the palette of services available at its stores, Sephora continually renews its personalized approach to customers, while at the same time building loyalty. Sephora's omnichannel strategy is a key aspect of this approach: smart mobile applications plug into social networks so that its *Beauty Insiders* can become members of a thriving beauty community. Sephora has continued to expand

and refresh its selection of products, bringing the innovations it offers exclusively to the fore, as illustrated by the launch of Fenty Beauty by Rihanna, which has been a phenomenal worldwide success.

Solid gains and a number of major events were among **Le Bon Marché**'s highlights in 2017. With the completed transformation of its women's fashion department, spanning two floors, the store now offers its female clientele beautiful, reinvented shopping spaces as well as unique personalization services. Among in-store events organized in 2017, an exhibition featuring sculptures by the Japanese artist Chiharu Shiota at the start of the year enjoyed exceptional media coverage. With the June launch of 24 Sèvres, its new digital platform, Le Bon Marché has invented a new online shopping experience, featuring an unequaled selection of women's fashion, innovative virtual storefronts, and expert customer service. Lastly, Le Bon Marché's food hall, La Grande Épicerie de Paris, opened a second location on the city's Right Bank in November, housed in the former premises of the Franck et Fils store. The warm and friendly atmosphere and quality of service offered by Le Bon Marché continue to set it apart from all other department stores for its French and international clientele. Its loyalty program is still as popular as ever.

DFS turned a positive corner in 2017, thanks to more buoyant markets, especially in the second half, while also reaping the rewards of its cost control efforts over the past two years. The recovery in revenue, particularly strong in Hong Kong and Macao, was boosted by high-impact marketing campaigns, continuous improvements in store offerings, and digital initiatives designed to better serve travelers. Investments made in its *T Galleria* stores as well as its airport locations continued, as work was completed at the Sydney store and several renovation projects were launched at stores in Hong Kong and Auckland. The ramp-up of new stores in Cambodia and Venice continued, while a fourth DFS Wines & Spirits store opened its doors at Singapore's Changi Airport. DFS has entered into an agreement to operate luxury boutiques at Kansai International Airport in Japan and the concession held at San Francisco International Airport was renewed for a further 14 years. The expiry of the loss-making concession at Hong Kong International Airport at the end of the year will help to increase profit in 2018.

Starboard Cruise Services is expanding its presence along cruise routes in Asia, while improving the attractiveness of its stores and further refining its offerings for specific lines and different customer segments.

Outlook

In order to improve geographical coverage and serve customers with agility wherever they may be and at any time, **Sephora** will stay focused on its key strategic drivers of success: the dedication and professionalism of its teams at its physical stores and online, increasingly innovative and personalized offerings of both products and services, expanding and renovating its store network, ongoing rollout of its omnichannel strategy, and customer loyalty initiatives. **Le Bon Marché** will continue to cultivate its uniqueness, its creative and exclusive offerings, and its dual identity as both a major trendsetting retail destination and a venue for art and culture. One of the highlights of 2018 will be the transformation of its children's department. The second location of La Grande Épicerie de Paris on the city's Right Bank will attract a new clientele, with the aim of becoming as much of a magnet for food lovers as the original store on the Left Bank. While working to further improve the attractiveness of its stores and their selection of brands and products, **DFS** will move forward with its expansion strategy while strengthening its digital marketing campaigns, in order to reach out and stay close to international travelers wherever they may be. Building on its success, the *Loyal T* rewards program will be rolled out to more destinations. **Starboard Cruise Services** will fine-tune its offerings by cruise route to an even greater extent, as it invests in transforming its stores to win over customers and offer them unique experiences.

7. COMMENTS ON THE CONSOLIDATED BALANCE SHEET

(EUR billions)	Dec. 31, 2017	Dec. 31, 2016	Change
Tangible and intangible fixed assets	43.4	35.9	7.5
Other non-current assets	4.1	4.3	(0.2)
Non-current assets	**47.5**	**40.2**	**7.3**
Inventories	10.9	10.5	0.4
Other current assets	10.2	8.9	1.3
Current assets	**21.1**	**19.4**	**1.7**
Assets	**68.6**	**59.6**	**9.0**

(EUR billions)	Dec. 31, 2017	Dec. 31, 2016	Change
Equity	30.3	27.9	2.4
Long-term borrowings	7.1	3.9	3.2
Other non-current liabilities	16.2	15.0	1.2
Equity and non-current liabilities	**53.6**	**46.8**	**6.8**
Short-term borrowings	4.5	3.4	1.1
Other current liabilities	10.5	9.4	1.1
Current liabilities	**15.0**	**12.8**	**2.2**
Liabilities and equity	**68.6**	**59.6**	**9.0**

LVMH's consolidated balance sheet totaled 68.6 billion euros as of year-end 2017, representing a 15% increase from year-end 2016. Non-current assets rose by 7.3 billion euros and represented 69% of total assets, compared with 67% as of year-end 2016.

Tangible and intangible fixed assets grew by 7.5 billion euros, of which 7.3 billion euros were due to changes in the scope of consolidation during the year, primarily the acquisitions of Christian Dior Couture and Rimowa. The revaluation of purchase commitments for minority interests represented an additional increase of 1.0 billion euros, while investments for the year, net of amortization and depreciation charges as well as disposals, added a further 0.4 billion euros. The comments on the cash flow statement include information on the year's investments. Conversely, exchange rate fluctuations, mainly involving the US dollar, had a negative impact of 1.1 billion euros on the value of tangible and intangible fixed assets.

Other non-current assets decreased by 0.2 billion euros, amounting to 4.1 billion euros. This decline was mainly due to the reduction in deferred tax assets, in particular as a result of the tax reform decided in the United States, which lowers the overall corporate income tax rate from 40% to 27% beginning in 2018, leading to a decrease in the value of deferred tax assets for the entities concerned.

Inventories increased by 0.4 billion euros, of which 0.2 billion euros were related to changes in the scope of consolidation during the fiscal year, and 1.0 billion euros to changes in levels of business activity (the comments on the cash flow statement provide further information on this last aspect). Conversely, exchange rate fluctuations, mainly involving the US dollar, had a negative impact of 0.6 billion euros. Net provisions for inventory impairment represented an additional negative impact of 0.3 billion euros.

Other current assets grew by 1.3 billion euros, including 0.5 billion euros relating to the increase in income tax receivables, 0.2 billion euros resulting from an increase in the market value of derivatives, and 0.2 billion euros due to the increase in the cash balance.

Other non-current liabilities, totaling 16.2 billion euros, grew by 1.2 billion euros, mainly due to the increase of 1.3 billion euros in the liability in respect of purchase commitments for minority interests.

Lastly, other current liabilities increased by 1.1 billion euros, amounting to 10.5 billion euros, of which 0.6 billion euros related to the increase in trade accounts payable and other operating payables, 0.3 billion euros to the increase in income tax payable, and a further 0.3 billion euros to the rise in tax and social charge liabilities.

Net financial debt and equity

(EUR billions or as %)	Dec. 31, 2017	Dec. 31, 2016	Change
Long-term borrowings	7.1	3.9	3.2
Short-term borrowings and derivatives	4.5	3.4	1.1
Gross borrowings after derivatives	**11.6**	**7.3**	**4.3**
Cash and cash equivalents and other	(4.4)	(4.0)	(0.4)
Net financial debt	**7.2**	**3.3**	**3.9**
Equity	**30.3**	**27.9**	**2.4**
Net financial debt/Equity ratio	**24%**	**12%**	**12 pts**

The ratio of net financial debt to equity, which was 12% as of December 31, 2016, increased by 12 points to 24%, with the rise in net financial debt outpacing equity growth due to the acquisitions carried out during the fiscal year, mainly those of Christian Dior Couture and Rimowa.

Total equity amounted to 30.3 billion euros as of year-end 2017, up 2.4 billion euros compared to year-end 2016. This change primarily reflects the strong earnings achieved by the Group, distributed only partially, representing a net increase of 3.0 billion euros. In addition to this, the change in revaluation reserves had a positive impact of 0.6 billion euros, due to the increase in the market value of available for sale financial assets for 0.3 billion euros and to gains relating to hedges of future foreign currency cash flows for 0.2 billion euros. Conversely, exchange rate fluctuations had a negative 1.0 billion euro impact, mainly due to the depreciation of the US dollar and the Swiss franc against the euro as of December 31, 2017. As of December 31, 2017, total equity was equal to 44% of total assets, compared to 47% as of year-end 2016.

Gross borrowings after derivatives totaled 11.6 billion euros as of year-end 2017, representing a 4.3 billion euro increase compared to year-end 2016, 3.9 billion euros of which was due to growth in debt, net of repayments, combined with the 0.7 billion euro increase resulting from changes in the scope of consolidation during the fiscal year. Exchange rate fluctuations, mainly involving the US dollar and the Japanese yen, had a negative impact of 0.3 billion euros on the change in gross borrowings. In connection with the acquisition of Christian Dior Couture, a euro bond issue in four tranches totaling 4.5 billion euros was completed in May 2017, supplemented by a 400 million pound sterling issue completed in June 2017. The 850 million US dollar bond issued in 2012, the 150 million euro bond issued in 2009, and the 350 million pound sterling bond issued in 2014 were repaid during the fiscal year. The outstanding portion of the commercial paper program increased by 0.7 billion euros.

Cash, cash equivalents, and current and non-current available for sale financial assets used to hedge financial debt totaled 4.4 billion euros at the end of the fiscal year, up 0.4 billion euros compared to year-end 2016.

As of year-end 2017, the Group's undrawn confirmed credit lines amounted to 3.8 billion euros, substantially exceeding the outstanding portion of its commercial paper program, which came to 1.8 billion euros as of December 31, 2017.

8. COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENT

(EUR millions)	December 31, 2017	December 31, 2016	Change
Cash from operations before changes in working capital	**10,404**	**8,733**	**1,671**
Cost of net financial debt: interest paid	(70)	(59)	(11)
Income taxes paid	(2,790)	(1,923)	(867)
Net cash from operating activities before changes in working capital	**7,544**	**6,751**	**793**
Change in working capital	(514)	(512)	(2)
Operating investments	(2,276)	(2,265)	(11)
Free cash flow	**4,754**	**3,974**	**780**
Financial investments	**(6,331)**	**(82)**	**(6,249)**
Transactions relating to equity	**(2,104)**	**(2,564)**	**460**
Change in cash before financing activities	**(3,681)**	**1,328**	**(5,009)**

Cash from operations before changes in working capital totaled 10,404 million euros, up 19% from 8,733 million euros a year earlier. Net cash from operating activities before changes in working capital (i.e. after interest and income taxes paid) amounted to 7,544 million euros, up 12% from fiscal year 2016.

Interest paid, which totaled 70 million euros, increased in comparison to its 2016 amount, in line with the rise in the Group's net debt during the fiscal year.

Income taxes paid came to 2,790 million euros, up 45% compared to the 1,923 million euros paid a year earlier, in line with the Group's earnings growth and due to the exceptional surtax affecting French companies.

The 514 million euro increase in the working capital requirement was very close to the 512 million euro increase observed a year earlier. The cash requirement relating to the increase in inventories amounted to 1,006 million euros, versus 819 million euros a year earlier; financing for this slightly higher requirement in 2017 compared with 2016 was provided by the increase in trade account payables and tax and social charge liabilities, which was higher in 2017 than in 2016 (624 million euros in 2017 versus 420 million euros in 2016). The increase in inventories mainly related to Wines and Spirits and Fashion and Leather Goods.

Operating investments net of disposals resulted in an outflow of 2,276 million euros in 2017, compared to 2,265 million euros a year earlier. These mainly included investments by the Group's brands, notably Sephora, Louis Vuitton, Bvlgari, Parfums Christian Dior, Fendi and DFS, in their distribution networks. They also included investments related to the La Samaritaine project, as well as investments by Hennessy, the champagne houses, and LVMH Métiers d'Art in their production equipment.

Non-current available for sale financial assets and transactions in consolidated investments accounted for an outflow of 6,331 million euros in 2017, with 5,782 million euros relating to the acquisition of Christian Dior Couture and 615 million euros relating to the acquisition of Rimowa.

Transactions relating to equity generated an outflow of 2,104 million euros. A portion of this amount, 2,110 million euros, relate to dividends paid during the fiscal year by LVMH SE, excluding the amount attributable to treasury shares, of which 1,306 million euros were for the final dividend payment in respect of fiscal year 2016 and 804 million euros were for the interim dividend payment in respect of fiscal year 2017. Dividends paid out to minority shareholders of consolidated subsidiaries amounted to 259 million euros and acquisitions of minority interests generated an additional outflow of 153 million euros (see Note 2 to the condensed consolidated financial statements). Conversely, taxes on transactions relating to equity generated an inflow of 388 million euros, mainly as a result of the reimbursement by the French state of the dividend tax, in place since 2012, after it was declared invalid by the French Constitutional Court. Share subscription options exercised during the fiscal year and capital increases subscribed by minority shareholders of Group subsidiaries generated a further inflow of 97 million euros.

The financing requirement after all transactions relating to operating activities, investments and equity thus totaled 3,681 million euros, financed in the amount of 4,076 million euros by means of net cash from financing activities, generating a cash surplus of 395 million euros. As the change in the cumulative translation adjustment relating to cash flows was a negative impact of 114 million euros, the cash balance at the end of the fiscal year increased by 281 million euros from its level as of year-end 2016.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(EUR millions, except for earnings per share)	Notes	2017	2016	2015
Revenue	23	**42,636**	**37,600**	**35,664**
Cost of sales		(14,783)	(13,039)	(12,553)
Gross margin		**27,853**	**24,561**	**23,111**
Marketing and selling expenses		(16,395)	(14,607)	(13,830)
General and administrative expenses		(3,162)	(2,931)	(2,663)
Income (loss) from joint ventures and associates	7	(3)	3	(13)
Profit from recurring operations	23-24	**8,293**	**7,026**	**6,605**
Other operating income and expenses	25	(180)	(122)	(221)
Operating profit		**8,113**	**6,904**	**6,384**
Cost of net financial debt		(62)	(83)	(78)
Other financial income and expenses		(117)	(349)	(336)
Net financial income (expense)	26	**(179)**	**(432)**	**(414)**
Income taxes	27	(2,318)	(2,109)	(1,969)
Net profit before minority interests		**5,616**	**4,363**	**4,001**
Minority interests	17	(487)	(382)	(428)
Net profit, Group share		**5,129**	**3,981**	**3,573**
Basic Group share of net earnings per share *(EUR)*	28	**10.21**	**7.92**	**7.11**
Number of shares on which the calculation is based		502,412,694	502,911,125	502,395,491
Diluted Group share of net earnings per share *(EUR)*	28	**10.18**	**7.89**	**7.08**
Number of shares on which the calculation is based		504,010,291	504,640,459	504,894,946

CONSOLIDATED STATEMENT OF COMPREHENSIVE GAINS AND LOSSES

(EUR millions)	Notes	2017	2016	2015
Net profit before minority interests		**5,616**	**4,363**	**4,001**
Translation adjustments		(957)	109	631
Amounts transferred to income statement		18	(32)	-
Tax impact		(49)	(9)	135
	15.4, 17	**(988)**	**68**	**766**
Change in value of available for sale financial assets	8, 13	274	18	(32)
Amounts transferred to income statement	8, 13	(33)	4	(91)
Tax impact		(57)	1	20
		184	**23**	**(103)**
Change in value of hedges of future foreign currency cash flows		371	48	(63)
Amounts transferred to income statement		(104)	(26)	33
Tax impact		(77)	(2)	3
		190	**20**	**(27)**
Gains and losses recognized in equity, transferable to income statement		**(614)**	**111**	**636**
Change in value of vineyard land	6	(35)	30	64
Amounts transferred to consolidated reserves		-	-	-
Tax impact		81	108	(21)
		46	**138**	**43**
Employee benefit commitments: change in value resulting from actuarial gains and losses		58	(86)	42
Tax impact		(22)	17	(16)
		36	**(69)**	**26**
Gains and losses recognized in equity, not transferable to income statement		**82**	**69**	**69**
Comprehensive income		**5,084**	**4,543**	**4,706**
Minority interests		(340)	(434)	(558)
Comprehensive income, Group share		**4,744**	**4,109**	**4,148**

CONSOLIDATED BALANCE SHEET

ASSETS *(EUR millions)*	Notes	2017	2016	2015
Brands and other intangible assets	3	13,714	13,335	13,572
Goodwill	4	16,514	10,401	10,122
Property, plant and equipment	6	13,206	12,139	11,157
Investments in joint ventures and associates	7	639	770	729
Non-current available for sale financial assets	8	789	744	574
Other non-current assets	9	868	777	552
Deferred tax		1,738	2,058	1,945
Non-current assets		**47,468**	**40,224**	**38,651**
Inventories and work in progress	10	10,908	10,546	10,096
Trade accounts receivable	11	2,737	2,685	2,521
Income taxes		780	280	384
Other current assets	12	2,919	2,343	2,355
Cash and cash equivalents	14	3,738	3,544	3,594
Current assets		**21,082**	**19,398**	**18,950**
Total assets		**68,550**	**59,622**	**57,601**

LIABILITIES AND EQUITY *(EUR millions)*	Notes	2017	2016	2015
Share capital	15.1	152	152	152
Share premium account	15.1	2,614	2,601	2,579
Treasury shares and LVMH share-settled derivatives	15.2	(530)	(520)	(240)
Cumulative translation adjustment	15.4	357	1,165	1,137
Revaluation reserves		1,472	1,049	949
Other reserves		19,658	17,965	16,189
Net profit, Group share		5,129	3,981	3,573
Equity, Group share		28,852	26,393	24,339
Minority interests	17	1,408	1,510	1,460
Equity		**30,260**	**27,903**	**25,799**
Long-term borrowings	18	7,046	3,932	4,511
Non-current provisions	19	2,474	2,342	1,950
Deferred tax		3,910	4,137	4,685
Other non-current liabilities	20	9,857	8,498	7,957
Non-current liabilities		**23,287**	**18,909**	**19,103**
Short-term borrowings	18	4,530	3,447	3,769
Trade accounts payable	21.1	4,540	4,184	3,960
Income taxes		763	428	640
Current provisions	19	404	352	421
Other current liabilities	21.2	4,766	4,399	3,909
Current liabilities		**15,003**	**12,810**	**12,699**
Total liabilities and equity		**68,550**	**59,622**	**57,601**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR millions)	Number of shares	Share capital	Share premium account	Treasury shares and LVMH-share settled derivatives	Cumulative translation adjustment	Revaluation reserves				Net profit and other reserves	Total equity		
						Available for sale financial assets	Hedges of future foreign currency cash flows	Vineyard land	Employee benefit commit-ments		Group share	Minority interests	Total
Notes		15.1		15.2	15.4							17	
As of December 31, 2014	**507,711,713**	**152**	**2,655**	**(374)**	**492**	**207**	**14**	**931**	**(133)**	**17,819**	**21,763**	**1,240**	**23,003**
Gains and losses recognized in equity					645	(103)	(25)	33	25	-	575	130	705
Net profit										3,573	3,573	428	4,001
Comprehensive income		**-**	**-**	**-**	**645**	**(103)**	**(25)**	**33**	**25**	**3,573**	**4,148**	**558**	**4,706**
Stock option plan and similar expenses										35	35	2	37
(Acquisition)/disposal of treasury shares and LVMH share-settled derivatives				23						(13)	10	-	10
Exercise of LVMH share subscription options	552,137		35								35	-	35
Retirement of LVMH shares	(1,124,740)		(111)	111							-	-	-
Capital increase in subsidiaries											-	89	89
Interim and final dividends paid										(1,659)	(1,659)	(229)	(1,888)
Changes in control of consolidated entities										(9)	(9)	1	(8)
Acquisition and disposal of minority interests' shares										5	5	(3)	2
Purchase commitments for minority interests' shares										11	11	(198)	(187)
As of December 31, 2015	**507,139,110**	**152**	**2,579**	**(240)**	**1,137**	**104**	**(11)**	**964**	**(108)**	**19,762**	**24,339**	**1,460**	**25,799**
Gains and losses recognized in equity					28	23	19	113	(55)	-	128	52	180
Net profit										3,981	3,981	382	4,363
Comprehensive income		**-**	**-**	**-**	**28**	**23**	**19**	**113**	**(55)**	**3,981**	**4,109**	**434**	**4,543**
Stock option plan and similar expenses										39	39	2	41
(Acquisition)/disposal of treasury shares and LVMH share-settled derivatives				(322)						(21)	(343)	-	(343)
Exercise of LVMH share subscription options	907,929		64								64	-	64
Retirement of LVMH shares	(920,951)		(42)	42							-	-	-
Capital increase in subsidiaries											-	41	41
Interim and final dividends paid										(1,811)	(1,811)	(272)	(2,083)
Changes in control of consolidated entities										(5)	(5)	22	17
Acquisition and disposal of minority interests' shares										(56)	(56)	(35)	(91)
Purchase commitments for minority interests' shares										57	57	(142)	(85)
As of December 31, 2016	**507,126,088**	**152**	**2,601**	**(520)**	**1,165**	**127**	**8**	**1,077**	**(163)**	**21,946**	**26,393**	**1,510**	**27,903**
Gains and losses recognized in equity					(808)	184	171	35	33	-	(385)	(147)	(532)
Net profit										5,129	5,129	487	5,616
Comprehensive income		**-**	**-**	**-**	**(808)**	**184**	**171**	**35**	**33**	**5,129**	**4,744**	**340**	**5,084**
Stock option plan and similar expenses										55	55	7	62
(Acquisition)/disposal of treasury shares and LVMH share-settled derivatives				(50)						(11)	(61)	-	(61)
Exercise of LVMH share subscription options	708,485		53								53	-	53
Retirement of LVMH shares	(791,977)		(40)	40							-	-	-
Capital increase in subsidiaries											-	44	44
Interim and final dividends paid										(2,110)	(2,110)	(260)	(2,370)
Changes in control of consolidated entities										(6)	(6)	114	108
Acquisition and disposal of minority interests' shares										(87)	(87)	(56)	(143)
Purchase commitments for minority interests' shares										(129)	(129)	(291)	(420)
As of December 31, 2017	**507,042,596**	**152**	**2,614**	**(530)**	**357**	**311**	**179**	**1,112**	**(130)**	**24,787**	**28,852**	**1,408**	**30,260**

CONSOLIDATED CASH FLOW STATEMENT

(EUR millions)	Notes	2017	2016	2015
I. OPERATING ACTIVITIES AND OPERATING INVESTMENTS				
Operating profit		8,113	6,904	6,384
Income/(loss) and dividends from joint ventures and associates	7	25	18	27
Net increase in depreciation, amortization and provisions		2,375	2,143	2,081
Other computed expenses		(43)	(177)	(456)
Other adjustments		(66)	(155)	(91)
Cash from operations before changes in working capital		**10,404**	**8,733**	**7,945**
Cost of net financial debt: interest paid		(70)	(59)	(75)
Tax paid		(2,790)	(1,923)	(1,807)
Net cash from operating activities before changes in working capital		**7,544**	**6,751**	**6,063**
Change in working capital	14.3	(514)	(512)	(429)
Net cash from operating activities		**7,030**	**6,239**	**5,634**
Operating investments	14.4	(2,276)	(2,265)	(1,955)
Net cash from operating activities and operating investments (free cash flow)		**4,754**	**3,974**	**3,679**
II. FINANCIAL INVESTMENTS				
Purchase of non-current available for sale financial assets [a]	8, 13	(125)	(28)	(78)
Proceeds from sale of non-current available for sale financial assets	8	87	91	68
Dividends received		13	6	4
Tax paid related to non-current available for sale financial assets and consolidated investments		-	(461)	(265)
Impact of purchase and sale of consolidated investments	2	(6,306)	310	(240)
Net cash from (used in) financial investments		**(6,331)**	**(82)**	**(511)**
III. TRANSACTIONS RELATING TO EQUITY				
Capital increases of LVMH SE	15.1	53	64	35
Capital increases of subsidiaries subscribed by minority interests	17	44	41	81
Acquisition and disposals of treasury shares and LVMH share-settled derivatives	15.2	(67)	(352)	1
Interim and final dividends paid by LVMH SE	15.3	(2,110)	(1,810)	(1,671)
Tax paid related to interim and final dividends paid		388	(145)	(304)
Interim and final dividends paid to minority interests in consolidated subsidiaries	17	(259)	(267)	(228)
Purchase and proceeds from sale of minority interests	2	(153)	(95)	(4)
Net cash from (used in) transactions relating to equity		**(2,104)**	**(2,564)**	**(2,090)**
Change in cash before financing activities		**(3,681)**	**1,328**	**1,078**
IV. FINANCING ACTIVITIES				
Proceeds from borrowings	14.2	5,753	913	1,008
Repayment of borrowings	14.2	(1,766)	(2,134)	(2,443)
Purchase and proceeds from sale of current available for sale financial assets	8, 13	89	(113) [a]	(3)
Net cash from (used in) financing activities	14.2	**4,076**	**(1,334)**	**(1,438)**
V. EFFECT OF EXCHANGE RATE CHANGES		(114)	(47)	(33)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)		**281**	**(53)**	**(393)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	14.1	**3,337**	**3,390**	**3,783**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14.1	**3,618**	**3,337**	**3,390**
TOTAL TAX PAID		**(2,402)**	**(2,529)**	**(2,376)**

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

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1. General framework and environment

The consolidated financial statements for the fiscal year ended December 31, 2017 were established in accordance with the international accounting standards and interpretations (IAS/IFRS) adopted by the European Union and applicable on December 31, 2017. These standards and interpretations have been applied consistently to the fiscal years presented. The 2017 consolidated financial statements were approved for publication by the Board of Directors on January 25, 2018.

The consolidated financial statements presented are "condensed", which means that they only include notes that are significant or facilitate understanding of changes in the Group's business activity and financial position during the year. They are extracted from the consolidated financial statements approved by the Board of Directors, which include all of the notes to the financial statements required under IFRS, as adopted in the European Union.

1.2. Changes in the accounting framework applicable to LVMH

Standards, amendments and interpretations for which application became mandatory in 2017

Only the amendment to IAS 7 requiring a separate presentation of changes in financial debt applies to LVMH for accounting periods beginning on or after January 1, 2017. This presentation is provided in Note 18.1, and the reconciliation between cash flows related to changes in net financial debt and net cash from (used in) financing activities is presented in Note 14.2.

Other changes in the accounting framework and standards for which application will become mandatory later than January 1, 2018

The impact of IFRS 15 on revenue recognition, which enters into effect for accounting periods beginning on or after January 1, 2018, will be marginal for LVMH, given the nature of the Group's business activities.

The impact of the new standard on financial instruments (IFRS 9), which also enters into effect for accounting periods beginning on or after January 1, 2018, will mainly involve the change in the recognition method for the ineffective portion of derivatives, which will be recognized as follows:

- for hedges that are commercial in nature, the changes in the value of forward points associated with forward contracts and in the time value component of options will be included in gains and losses recognized directly in equity until the hedged item is recognized in the balance sheet, on which date the cost of the forward contracts (forward points) and of the options (premiums) will be transferred to net financial income/expense;
- for hedges that are financial in nature or tied to the Group's investment portfolio, expenses and income arising from discounts or premiums will be recognized in net financial income/expense on a pro rata basis over the term of the hedging instruments. The difference between the amounts recognized in net financial income/expense and the change in the value of forward points will be included in gains and losses recognized directly in equity.

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

The inventory of the leases and the gathering of the information required to precisely estimate the balance sheet impact of the initial application of IFRS 16 are underway. The approximate impact on the balance sheet of the first-time adoption of IFRS 16 may be assessed based on the amount of lease commitments as of December 31, 2017, i.e. 11 billion euros (see Note 30). Depending on the assumptions used for the discount rates and lease terms, the definitive amount might range from 13 to 16 billion euros.

The impact of applying IFRS 16 on profit from recurring operations and net profit will not be significant.

The Group is following the ongoing discussions held at IFRIC and IASB related to the recognition of purchase commitments for minority interests' shares and changes in their amount. See Note 1.12 for a description of the recognition method applied by LVMH to these commitments.

1.3. First-time adoption of IFRS

The first accounts prepared by the Group in accordance with IFRS were the financial statements for the year ended December 31, 2005, with a transition date of January 1, 2004. IFRS 1 allowed for exceptions to the retrospective application of IFRS at the transition date. The procedures implemented by the Group with respect to these exceptions are as follows:

- business combinations: the exemption from retrospective application was not applied. The recognition of the merger of Moët Hennessy and Louis Vuitton in 1987 and all subsequent acquisitions were restated in accordance with IFRS 3; IAS 36 Impairment of Assets and IAS 38 Intangible Assets were applied retrospectively as of that date;

- foreign currency translation of the financial statements of subsidiaries outside the eurozone: translation reserves relating to the consolidation of subsidiaries that prepare their accounts in foreign currency were reset to zero as of January 1, 2004 and offset against "Other reserves".

1.4. Presentation of the financial statements

Definitions of Profit from recurring operations and Other operating income and expenses

The Group's main business is the management and development of its brands and trade names. Profit from recurring operations is derived from these activities, whether they are recurring or non-recurring, core or incidental transactions.

"Other operating income and expenses" comprises income statement items, which – due to their nature, amount or frequency – may not be considered inherent to the Group's recurring operations or its profit from recurring operations. This caption reflects in particular the impact of changes in the scope of consolidation, the impairment of goodwill and the impairment and amortization of brands and trade names, as well as any significant amount relating to the impact of certain unusual transactions, such as gains or losses arising on the disposal of fixed assets, restructuring costs, costs in respect of disputes, or any other non-recurring income or expense which may otherwise distort the comparability of profit from recurring operations from one period to the next.

Cash flow statement

Net cash from operating activities is determined on the basis of operating profit, adjusted for non-cash transactions. In addition:

- dividends received are presented according to the nature of the underlying investments; thus, dividends from joint ventures and associates are presented in Net cash from operating activities, while dividends from other unconsolidated entities are presented in Net cash from financial investments;
- tax paid is presented according to the nature of the transaction from which it arises: in Net cash from operating activities for the portion attributable to operating transactions; in Net cash from financial investments for the portion attributable to transactions in available for sale financial assets, notably tax paid on gains from their sale; in Net cash from transactions relating to equity for the portion attributable to transactions in equity, notably distribution taxes arising on the payment of dividends.

1.5. Use of estimates

For the purpose of preparing the consolidated financial statements, the measurement of certain balance sheet and income statement items requires the use of hypotheses, estimates or other forms of judgment. This is particularly true of the valuation of intangible assets (see Note 5), the measurement of purchase commitments for minority interests' shares (see Note 20), and the determination of the amount of provisions for contingencies and losses (see Note 19) or for impairment of inventories (see Note 10) and, if applicable, deferred tax assets (see Note 27). Such hypotheses, estimates or other forms of judgment which are undertaken on the basis of the information available, or situations prevalent at the date of preparation of the financial statements, may prove different from the subsequent actual events.

1.6. Methods of consolidation

The subsidiaries in which the Group holds a direct or indirect *de facto* or *de jure* controlling interest are fully consolidated.

Jointly controlled companies and companies where the Group has significant influence but no controlling interest are accounted for using the equity method. Although jointly controlled, those entities are fully integrated within the Group's operating activities. LVMH discloses their net profit, as well as that of entities using the equity method (see Note 7), on a separate line, which forms part of profit from recurring operations.

The assets, liabilities, income, and expenses of the Wines and Spirits distribution subsidiaries held jointly with the Diageo group are consolidated only in proportion to the LVMH group's share of operations (see Note 1.25).

The Group does not have any unconsolidated subsidiaries whose consolidation would have a significant impact on its main aggregates.

1.7. Foreign currency translation of the financial statements of entities outside the eurozone

The consolidated financial statements are presented in euros; the financial statements of entities presented in a different functional currency are translated into euros:

- at the period-end exchange rates for balance sheet items;
- at the average rates for the period for income statement items.

Translation adjustments arising from the application of these rates are recorded in equity under "Cumulative translation adjustment".

1.8. Foreign currency transactions and hedging of exchange rate risks

Transactions of consolidated companies denominated in a currency other than their functional currencies are translated to their functional currencies at the exchange rates prevailing at the transaction dates.

Accounts receivable, accounts payable and debts denominated in currencies other than the entities' functional currencies are translated at the applicable exchange rates at the fiscal year-end. Gains and losses resulting from this translation are recognized:

- within cost of sales in the case of commercial transactions;
- within net financial income/expense in the case of financial transactions.

Foreign exchange gains and losses arising from the translation or elimination of intercompany transactions or receivables and payables denominated in currencies other than the entity's functional currency are recorded in the income statement unless they relate to long-term intercompany financing transactions, which can be considered as transactions relating to equity. In the latter case, translation adjustments are recorded in equity under "Cumulative translation adjustment."

Derivatives that are designated as hedges of commercial transactions denominated in a currency other than the functional currency of the entity are recognized in the balance sheet at their market value (see Note 1.9) at the fiscal year-end, and any change in the market value of such derivatives is recognized:

- within cost of sales for the effective portion of hedges of receivables and payables recognized in the balance sheet at the end of the period;
- within equity (as "Revaluation reserves") for the effective portion of hedges of future cash flows (this part is transferred to cost of sales at the time of recognition of the hedged assets and liabilities);
- within net financial income/expense for the ineffective portion of hedges; changes in the value of discount and premium associated with forward contracts, as well as in the time value component of options, are systematically considered as ineffective portions.

When derivatives are designated as hedges of subsidiaries' equity denominated in a functional currency other than the euro (net investment hedge), any change in fair value of the derivatives is recognized within equity under "Cumulative translation adjustment" for the effective portion and within net financial income/expense for the ineffective portion.

Market value changes of derivatives not designated as hedges are recorded within net financial income/expense.

See also Note 1.21 regarding the definition of the concepts of effective and ineffective portions.

1.9. Fair value measurement

Fair value (or market value) is the price that would be obtained from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants.

The assets and liabilities measured at fair value at each balance sheet date are as follows:

	Approaches to determining fair value	Amounts recorded at balance sheet date
Vineyard land	Based on recent transactions in similar assets. See Note 1.13.	Note 6
Grape harvests	Based on purchase prices for equivalent grapes. See Note 1.16.	Note 10
Derivatives	Based on market data and according to commonly used valuation models. See Note 1.21.	Note 22
Borrowings hedged against changes in value due to interest rate fluctuations	Based on market data and according to commonly used valuation models. See Note 1.20.	Note 18
Liabilities in respect of purchase commitments for minority interests' shares priced according to fair value	Generally based on the market multiples of comparable companies See Note 1.12.	Note 20
Available for sale financial assets	Quoted investments: price quotations at the close of trading on the balance sheet date. Non-quoted investments: estimated net realizable value, either according to formulas based on market data or based on private quotations. See Note 1.15.	Note 8, Note 13
Cash and cash equivalents (SICAV and FCP funds)	Based on the liquidation value at the balance sheet date. See Note 1.18.	Note 14

No other asset or liability has been remeasured at market value at the balance sheet date.

1.10. Brands and other intangible assets

Only acquired brands and trade names that are well known and individually identifiable are recorded as assets based on their market values at their dates of acquisition.

Brands and trade names are chiefly valued using the forecast discounted cash flow method or based on comparable transactions (i.e. using the revenue and net profit coefficients employed for recent transactions involving similar brands) or stock market multiples observed for related businesses. Other complementary methods may also be employed: the relief from royalty method, involving equating a brand's value with the present value of the royalties required to be paid for its use; the margin differential method, applicable when a measurable difference can be identified in the amount of revenue generated by a branded product in comparison with a similar unbranded product; and finally the equivalent brand reconstitution method involving, in particular, estimation of the amount of advertising and promotion expenses required to generate a similar brand.

Costs incurred in creating a new brand or developing an existing brand are expensed.

Brands, trade names and other intangible assets with finite useful lives are amortized over their estimated useful lives. The classification of a brand or trade name as an asset of definite or indefinite useful life is generally based on the following criteria:

- the brand or trade name's overall positioning in its market expressed in terms of volume of activity, international presence and reputation;
- its expected long-term profitability;
- its degree of exposure to changes in the economic environment;
- any major event within its business segment liable to compromise its future development;
- its age.

Amortizable lives of brands and trade names with definite useful lives range from 8 to 20 years, depending on their estimated period of utilization.

Impairment tests are carried out for brands, trade names and other intangible assets using the methodology described in Note 1.14.

Research expenditure is not capitalized. New product development expenditure is not capitalized unless the final decision has been made to launch the product.

Intangible assets other than brands and trade names are amortized over the following periods:

- leasehold rights, key money: based on market conditions, generally over the lease period;
- rights attached to sponsorship agreements and media partnerships: over the life of the agreements, depending on how the rights are used;
- development expenditure: three years at most;
- software, websites: one to five years.

1.11. Changes in ownership interests in consolidated entities

When the Group takes *de jure* or *de facto* control of a business, its assets, liabilities and contingent liabilities are estimated at their market value as of the date when control is obtained and the difference between the cost of taking control and the Group's share of the market value of those assets, liabilities and contingent liabilities is recognized as goodwill.

The cost of taking control is the price paid by the Group in the context of an acquisition, or an estimate of this price if the transaction is carried out without any payment of cash, excluding acquisition costs, which are disclosed under "Other operating income and expenses".

The difference between the carrying amount of minority interests purchased after control is obtained and the price paid for their acquisition is deducted from equity.

Goodwill is accounted for in the functional currency of the acquired entity.

Goodwill is not amortized but is subject to annual impairment testing using the methodology described in Note 1.14. Any impairment expense recognized is included within "Other operating income and expenses".

1.12. Purchase commitments for minority interests' shares

The Group has granted put options to minority shareholders of certain fully consolidated subsidiaries.

Pending specific guidance from IFRSs regarding this issue, the Group recognizes these commitments as follows:

- the value of the commitment at the balance sheet date appears in "Other non-current liabilities", or in "Other current liabilities" if the minority shareholder has provided notice of exercising its put option before the fiscal year-end";
- the corresponding minority interests are cancelled;

- for commitments granted prior to January 1, 2010, the difference between the amount of the commitments and cancelled minority interests is maintained as an asset on the balance sheet under goodwill, as well as subsequent changes in this difference. For commitments granted as from January 1, 2010, the difference between the amount of the commitments and minority interests is recorded in equity, under "Other reserves".

This recognition method has no effect on the presentation of minority interests within the income statement.

1.13. Property, plant and equipment

With the exception of vineyard land, the gross value of property, plant and equipment is stated at acquisition cost. Any borrowing costs incurred prior to the placed-in-service date or during the construction period of assets are capitalized.

Vineyard land is recognized at the market value at the balance sheet date. This valuation is based on official published data for recent transactions in the same region. Any difference compared to historical cost is recognized within equity in "Revaluation reserves". If market value falls below acquisition cost the resulting impairment is charged to the income statement.

Buildings mostly occupied by third parties are reported as investment property, at acquisition cost. Investment property is thus not remeasured at market value.

Assets acquired under finance leases are capitalized on the basis of the lower of their market value and the present value of future lease payments.

The depreciable amount of property, plant and equipment comprises the acquisition cost of their components less residual value, which corresponds to the estimated disposal price of the asset at the end of its useful life.

Property, plant and equipment is depreciated on a straight-line basis over its estimated useful life; the estimated useful lives are as follows:

- buildings including investment property	20 to 50 years;
- machinery and equipment	3 to 25 years;
- leasehold improvements	3 to 10 years;
- producing vineyards	18 to 25 years.

Expenses for maintenance and repairs are charged to the income statement as incurred.

1.14. Impairment testing of fixed assets

Intangible and tangible fixed assets are subject to impairment testing whenever there is any indication that an asset may be impaired (particularly following major changes in the asset's operating conditions), and in any event at least annually in the case of intangible assets with indefinite useful lives (mainly brands, trade names and goodwill). When the carrying amount of assets with indefinite useful lives is greater than the higher of their value in use or market value, the resulting impairment loss is recognized within "Other operating income and expenses", allocated on a priority basis to any existing goodwill.

Value in use is based on the present value of the cash flows expected to be generated by these assets. Market value is estimated by comparison with recent similar transactions or on the basis of valuations performed by independent experts for the purposes of a disposal transaction.

Cash flows are forecast for each business segment, defined as one or several brands or trade names under the responsibility of a dedicated management team. Smaller-scale cash-generating units, such as a group of stores, may be distinguished within a particular business segment.

The forecast data required for the cash flow method is based on annual budgets and multi-year business plans prepared by management of the related business segments. Detailed forecasts cover a five-year period, which may be extended in the case of certain brands undergoing strategic repositioning, or which have a production cycle exceeding five years. An estimated terminal value is added to the value resulting from discounted forecast cash flows, which corresponds to the capitalization in perpetuity of cash flows most often arising from the last year of the plan. Discount rates are set for each business group with reference to companies engaged in comparable businesses. Forecast cash flows are discounted on the basis of the rate of return to be expected by an investor in the applicable business and an assessment of the risk premium associated with that business. When several forecast scenarios are developed, the probability of occurrence of each scenario is assessed.

1.15. Available for sale financial assets

Financial assets are classified as current or non-current based on their nature.

Non-current available for sale financial assets comprise strategic and non-strategic investments whose estimated period and form of ownership justify such classification.

Current available for sale financial assets (presented in "Other current assets"; see Note 12) include temporary investments in shares, shares of SICAVs, FCPs and other mutual funds, excluding investments made as part of the daily cash management, which are accounted for as "Cash and cash equivalents" (see Note 1.18).

Available for sale financial assets are measured at their listed value at the fiscal year-end date in the case of quoted investments, and in the case of unquoted investments at their estimated net realizable value, assessed either according to formulas based on market data or based on private quotations at the fiscal year-end date.

Positive or negative changes in value are taken to equity within "Revaluation reserves". In the event of a lasting, significant impairment loss, an impairment is recognized and charged to net financial income/expense; the impairment is only reversed through the income statement at the time of sale of the underlying available for sale financial assets.

1.16. Inventories and work in progress

Inventories other than wine produced by the Group are recorded at the lower of cost (excluding interest expense) and net realizable value; cost comprises manufacturing cost (finished goods) or purchase price, plus incidental costs (raw materials, merchandise).

Wine produced by the Group, including champagne, is measured on the basis of the applicable harvest market value, which is determined by reference to the average purchase price of equivalent grapes, as if the grapes harvested had been purchased from third parties. Until the date of the harvest, the value of grapes is calculated *pro rata temporis* on the basis of the estimated yield and market value.

Inventories are valued using the weighted average cost or FIFO method, depending on the type of business.

Due to the length of the aging process required for champagne and spirits (cognac, whisky), the holding period for these inventories generally exceeds one year. However, in accordance with industry practices, these inventories are classified as current assets.

Provisions for impairment of inventories are chiefly recognized for businesses other than Wines and Spirits. They are generally required because of product obsolescence (end of season or collection, expiration date approaching, etc.) or lack of sales prospects.

1.17. Trade accounts receivable, loans and other receivables

Trade accounts receivable, loans and other receivables are recorded at their face value. A provision for impairment is recorded if their net realizable value, based on the probability of their collection, is less than their carrying amount.

The amount of long-term loans and receivables (i.e. those falling due in more than one year) is subject to discounting, the effects of which are recognized under net financial income/expense, using the effective interest rate method.

1.18. Cash and cash equivalents

Cash and cash equivalents comprise cash and highly liquid money-market investments subject to an insignificant risk of changes in value over time.

Money-market investments are measured at their market value, based on price quotations at the close of trading and on the exchange rate prevailing at the fiscal year-end date, with any changes in value recognized as part of net financial income/expense.

1.19. Provisions

A provision is recognized whenever an obligation exists towards a third party resulting in a probable disbursement for the Group, the amount of which may be reliably estimated. See also Notes 1.23 and 19.

When execution of its obligation is expected to occur in more than one year, the provision amount is discounted, the effects of which are recognized in net financial income/expense using the effective interest rate method.

1.20. Borrowings

Borrowings are measured at amortized cost, i.e. nominal value net of premium and issue expenses, which are charged progressively to net financial income/expense using the effective interest method.

In the case of hedging against fluctuations in the value of borrowings resulting from changes in interest rates, both the hedged amount of borrowings and the related hedging instruments are measured at their market value at the balance sheet date, with any changes in those values recognized within net financial income/expense. Market value of hedged borrowings is determined using similar methods to those described in Note 1.21 below.

In the case of hedging against fluctuations in future interest payments, the related borrowings remain measured at their amortized cost while any changes in value of the effective hedge portions are taken to equity as part of revaluation reserves.

Changes in value of non-hedging derivatives, and of the ineffective portions of hedges, are recognized within net financial income/expense.

Net financial debt comprises short- and long-term borrowings, the market value at the balance sheet date of interest rate derivatives, less the amount at the balance sheet date of non-current available for sale financial assets used to hedge financial debt, current available for sale financial assets, cash and cash equivalents, in addition to the market value at that date of foreign exchange derivatives related to any of the aforementioned items.

See also Note 1.21 regarding the definition of the concepts of effective and ineffective portions.

1.21. Derivatives

The Group enters into derivative transactions as part of its strategy for hedging foreign exchange, interest rate and gold price risks.

IAS 39 subordinates the use of hedge accounting to demonstration and documentation of the effectiveness of hedging relationships when hedges are implemented and subsequently throughout their existence. A hedge is considered effective if the ratio of changes in the value of the derivative to changes in the value of the hedged underlying remains within a range of 80% to 125%.

Derivatives are recognized in the balance sheet at their market value at the balance sheet date. Changes in their value are accounted for as described in Note 1.8 in the case of foreign exchange hedges, and as described in Note 1.20 in the case of interest rate hedges.

Market value is based on market data and commonly used valuation models.

Derivatives with maturities in excess of twelve months are disclosed as non-current assets and liabilities.

1.22. Treasury shares and LVMH share-settled derivatives

LVMH shares and options to purchase LVMH shares that are held by the Group are measured at their acquisition cost and recognized as a deduction from consolidated equity, irrespective of the purpose for which they are held.

In the event of disposal, the cost of the shares disposed of is determined by allocation category (see Note 15.2) using the FIFO method with the exception of shares held under stock option plans for which the calculation is performed for each plan using the weighted average cost method. Gains and losses on disposal, net of income taxes, are taken directly to equity.

1.23. Pensions, contribution to medical costs and other employee benefit commitments

When retirement indemnity plans, pension plans, contribution to medical costs and other commitments entail the payment by the Group of contributions to third-party organizations which assume the exclusive responsibility for subsequently paying the retirement indemnities, pensions or contribution to medical costs, these contributions are expensed in the period in which they fall due with no liability recorded on the balance sheet.

When retirement indemnity plans, pension plans, contribution to medical costs and other commitments are to be borne by the Group, a provision is recorded in the balance sheet in the amount of the corresponding actuarial commitment for the Group. Changes in this provision are recognized as follows:

- the portion related to the cost of services rendered by employees and net interest for the fiscal year is recognized in profit from recurring operations for the fiscal year;
- the portion related to changes in actuarial assumptions and to differences between projected and actual data (experience adjustments) is recognized in gains and losses taken to equity.

If this commitment is partially or wholly funded by payments made by the Group to external financial organizations, these dedicated funds are deducted from the actuarial commitment recorded in the balance sheet.

The actuarial commitment is calculated based on assessments that are specifically designed for the country and the Group company concerned. In particular, these assessments include assumptions regarding discount rates, salary increases, inflation, life expectancy and staff turnover.

1.24. Current and deferred tax

The tax expense comprises current tax payable by consolidated companies and deferred tax resulting from temporary differences.

Deferred tax is recognized in respect of temporary differences arising between the value of assets and liabilities for purposes of consolidation and the value resulting from application of tax regulations.

Deferred tax is measured on the basis of the income tax rates enacted at the balance sheet date; the effect of changes in rates is recognized during the periods in which changes are enacted.

Future tax savings from tax losses carried forward are recorded as deferred tax assets on the balance sheet which are impaired if they are deemed not recoverable; only amounts for which future use is deemed probable are recognized.

Deferred tax assets and liabilities are not discounted.

Taxes payable in respect of the distribution of retained earnings of subsidiaries give rise to provisions if distribution is deemed probable.

1.25. Revenue recognition

Definition of revenue

Revenue mainly comprises retail sale within the Group's store network (including e-commerce websites) and sales through agents and distributors. Sales made in stores owned by third parties are treated as retail transactions if the risks and rewards of ownership of the inventories are retained by the Group.

Direct sales to customers are made through retail stores in Fashion and Leather Goods and Selective Retailing, as well as certain Watches and Jewelry and Perfumes and Cosmetics brands. These sales are recognized at the time of purchase by retail customers.

Wholesale sales essentially concern Wines and Spirits, as well as certain Perfumes and Cosmetics and Watches and Jewelry brands. The Group recognizes revenue when title transfers to third-party customers.

Revenue includes shipment and transportation costs re-billed to customers only when these costs are included in products' selling prices as a lump sum.

Revenue is presented net of all forms of discount. In particular, payments made in order to have products referenced or, in accordance with agreements, to participate in advertising campaigns with the distributors, are deducted from related revenue.

Provisions for product returns

Perfumes and Cosmetics and, to a lesser extent, Fashion and Leather Goods and Watches and Jewelry companies may accept the return of unsold or outdated products from their customers and distributors.

Where this practice is applied, revenue and the corresponding trade receivables are reduced by the estimated amount of such returns, and a corresponding entry is made to inventories. The estimated rate of returns is based on statistics of historical returns.

Businesses undertaken in partnership with Diageo

A significant proportion of revenue for the Group's Wines and Spirits businesses is generated within the framework of distribution agreements with Diageo generally taking the form of shared entities which sell and deliver both groups' products to customers; the income statement and balance sheet of these entities is apportioned between the Group and Diageo based on distribution agreements. According to those agreements, the assets, liabilities, income, and expenses of such entities are consolidated only in proportion to the Group's share of operations.

1.26. Advertising and promotion expenses

Advertising and promotion expenses include the costs of producing advertising media, purchasing media space, manufacturing samples and publishing catalogs, and in general, the cost of all activities designed to promote the Group's brands and products.

Advertising and promotion expenses are recorded within marketing and selling expenses upon receipt or production of goods or upon completion of services rendered.

1.27. Stock option and similar plans

Share purchase and subscription option plans give rise to the recognition of an expense based on the amortization of the expected gain for the recipients calculated according to the Black & Scholes method on the basis of the closing share price on the day before the board meeting at which the plan is instituted.

For bonus share plans, the expected gain is calculated on the basis of the closing share price on the day before the board meeting at which the plan is instituted, less the amount of dividends expected to accrue during the vesting period. A discount may be applied to the value of the bonus shares thus calculated to account for a period of non-transferability, where applicable.

For all plans, the amortization expense is apportioned on a straight-line basis in the income statement over the vesting period, with a corresponding impact on reserves in the balance sheet.

For cash-settled compensation plans index-linked to the change in LVMH share price, the gain over the vesting period is estimated at each balance sheet date based on the LVMH share price at that date, and is charged to the income statement on a pro rata basis over the vesting period, with a corresponding balance sheet impact on provisions. Between that date and the settlement date, the change in the expected gain resulting from the change in the LVMH share price is recorded in the income statement.

1.28. Earnings per share

Earnings per share are calculated based on the weighted average number of shares in circulation during the period, excluding treasury shares.

Diluted earnings per share are calculated based on the weighted average number of shares before dilution and adding the weighted average number of shares that would result from the exercise of existing subscription options during the period or any other diluting instrument. It is assumed for the purposes of this calculation that the funds received from the exercise of options, plus the amount not yet expensed for stock option and similar plans (see Note 1.27), would be employed to repurchase LVMH shares at a price corresponding to their average trading price over the fiscal year.

2. CHANGES IN OWNERSHIP INTERESTS IN CONSOLIDATED ENTITIES

2.1. Fashion and Leather Goods

Rimowa

On January 23, 2017, pursuant to the transaction agreement announced on October 4, 2016, LVMH acquired an 80% stake in Rimowa, the luggage and leather goods maker founded in Cologne in 1898 and known for its innovative, high-quality luggage, with effect from January 2, 2017 and for consideration of 640 million euros. The 20% of the share capital that has not been acquired is covered by a put option granted by LVMH, exercisable from 2020. The difference in value of 71 million euros between the purchase commitment (recorded in Other non-current liabilities; see Note 20) and the minority interests was deducted from consolidated reserves. Rimowa has been fully consolidated within the Fashion and Leather Goods business group since January 2017.

The following table lays out the definitive allocation of the price paid by LVMH:

(EUR millions)	**Definitive purchase price allocation**
Brand	475
Intangible and tangible fixed assets	145
Other non-current assets	5
Non-current provisions	(31)
Current assets	119
Current liabilities	(62)
Net financial debt	(57)
Deferred tax	(150)
Net assets acquired	**444**
Minority interests (20%)	(89)
Net assets, Group share (80%)	**355**
Goodwill	285
Carrying amount of shares held as of January 2, 2017	**640**

In 2017, Rimowa had consolidated revenue of 417 million euros and its profit from recurring operations totaled 9 million euros.

The Rimowa brand, amounting to 475 million euros, was valued using the relief from royalty method. Goodwill, recognized in the amount of 285 million euros, is representative of Rimowa's expertise and capacity to innovate, for which it is internationally renowned in the sector of high-quality luggage.

The acquisition costs for Rimowa were recognized in "Other operating income and expenses"; in 2017, these totaled 1 million euros, in addition to acquisition costs totaling 3 million euros recognized in 2016 (see Note 25).

In 2017, the Rimowa acquisition generated an outflow of 615 million euros, net of cash acquired in the amount of 25 million euros.

Loro Piana

In February 2017, following the partial exercise of the put option held by the Loro Piana family for Loro Piana shares, LVMH acquired an additional 5% stake in the company, bringing its ownership interest to 85%. The difference between the acquisition price and minority interests was deducted from equity.

Christian Dior Couture

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

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

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

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

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

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

(EUR millions)	**Provisional purchase price allocation**
Brand	257
Other intangible fixed assets	104
Tangible fixed assets	952
Other non-current assets	59
Non-current provisions	(32)
Current assets	649
Current liabilities	(519)
Net financial debt	(385)
Deferred tax	69
Net assets acquired	**1,154**
Indirect minority interests	(9)
Net assets, Group share	**1,145**
Provisional goodwill	4,855
Carrying amount of shares held as of July 3, 2017	**6,000**

Work is underway to determine the allocation of the acquisition price paid by LVMH as of the date on which a controlling interest was acquired. The main items that may be revalued are the brand, whose value disclosed in the table above is the same as that presented in the consolidated financial statements of Christian Dior SE, and real estate holdings.

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

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

See also Note 32.

2.2. Other activities

See Note 32.

3. BRANDS, TRADE NAMES AND OTHER INTANGIBLE ASSETS

(EUR millions)			2017	2016	2015
	Gross	Amortization and impairment	Net	Net	Net
Brands	10,941	(669)	10,272	9,773	10,204
Trade names	3,692	(1,516)	2,176	2,440	2,370
License rights	91	(77)	14	16	18
Leasehold rights	858	(460)	398	338	334
Software, websites	1,661	(1,202)	459	362	319
Other	898	(503)	395	406	327
Total	**18,141**	**(4,427)**	**13,714**	**13,335**	**13,572**
Of which: assets held under finance leases	*14*	*(14)*	-	-	-

Movements during the fiscal year ended December 31, 2017 in the net amounts of brands, trade names and other intangible assets were as follows:

Gross value *(EUR millions)*	Brands	Trade names	Software, websites	Leasehold rights	Other intangible assets	Total
As of December 31, 2016	**10,365**	**4,157**	**1,423**	**690**	**970**	**17,605**
Acquisitions	-	-	180	31	245	456
Disposals and retirements	-	-	(37)	(19)	(113)	(169)
Changes in the scope of consolidation	760	-	49	168	27	1,004
Translation adjustment	(184)	(465)	(60)	(13)	(41)	(763)
Reclassifications	-	-	106	1	(99)	8
As of December 31, 2017	**10,941**	**3,692**	**1,661**	**858**	**989**	**18,141**

Amortization and impairment (EUR millions)	Brands	Trade names	Software, websites	Leasehold rights	Other intangible assets	Total
As of December 31, 2016	**(592)**	**(1,717)**	**(1,061)**	**(352)**	**(548)**	**(4,270)**
Amortization expense	(26)	(1)	(177)	(47)	(149)	(400)
Impairment expense	(50)	-	(2)	-	(1)	(53)
Disposals and retirements	-	-	36	16	113	165
Changes in the scope of consolidation	(22)	-	(36)	(83)	(14)	(155)
Translation adjustment	21	202	37	6	21	287
Reclassifications	-	-	1	-	(2)	(1)
As of December 31, 2017	**(669)**	**(1,516)**	**(1,202)**	**(460)**	**(580)**	**(4,427)**
Carrying amount as of December 31, 2017	**10,272**	**2,176**	**459**	**398**	**409**	**13,714**

Changes in the scope of consolidation were mainly related to the acquisitions of Christian Dior Couture and Rimowa. See Note 2.

Translation adjustments arose mainly on intangible assets recognized in US dollars, and to a lesser extent on brands recognized in Swiss francs, due to fluctuations against the euro by the close of the fiscal year.

4. GOODWILL

(EUR millions)			2017	2016	2015
	Gross	Impairment	Net	Net	Net
Goodwill arising on consolidated investments	12,833	(1,618)	11,215	6,115	6,223
Goodwill arising on purchase commitments for minority interests' shares	5,299	-	5,299	4,286	3,899
Total	**18,132**	**(1,618)**	**16,514**	**10,401**	**10,122**

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

(EUR millions)			2017	2016	2015
	Gross	Impairment	Net	Net	Net
As of January 1	**12,083**	**(1,682)**	**10,401**	**10,122**	**8,810**
Changes in the scope of consolidation	5,284	(2)	5,282	(44)	111
Changes in purchase commitments for minority interests' shares	1,008	-	1,008	348	1,195
Changes in impairment	-	(51)	(51)	(97)	(116)
Translation adjustment	(243)	117	(126)	72	122
As of December 31	**18,132**	**(1,618)**	**16,514**	**10,401**	**10,122**

Changes in the scope of consolidation in 2017 were mainly attributable to the acquisition of Christian Dior Couture and Rimowa (see Note 2).

The impact of changes in the scope of consolidation in 2016 mainly arose from the sale of Donna Karan International. Changes in the scope of consolidation in fiscal year 2015 were mainly related to the acquisition of the daily newspaper Le Parisien-Aujourd'hui en France and the 95% stake in Luxola.

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

5. IMPAIRMENT TESTING OF INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Brands, trade names, and other intangible assets with indefinite useful lives were subject to impairment testing as of December 31, 2017, according to which no significant risk of impairment was identified. See Note 25 regarding the impairment and amortization expense recorded during the fiscal year.

6. PROPERTY, PLANT AND EQUIPMENT

(EUR millions)			2017	2016	2015
	Gross	Depreciation and impairment	Net	Net	Net
Land	1,796	(78)	1,718	1,305	1,236
Vineyard land and producing vineyards [a]	2,538	(106)	2,432	2,474	2,441
Buildings	3,716	(1,664)	2,052	1,735	1,685
Investment property	819	(56)	763	855	562
Leasehold improvements, machinery and equipment	11,747	(7,776)	3,971	3,417	3,176
Assets in progress	787	(2)	785	950	755
Other tangible fixed assets	1,932	(447)	1,485	1,403	1,302
Total	**23,335**	**(10,129)**	**13,206**	**12,139**	**11,157**
Of which: assets held under finance leases	*463*	*(196)*	*267*	*307*	*92*
historical cost of vineyard land and producing vineyards	*753*	*(105)*	*648*	*646*	*642*

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

Movements in property, plant and equipment during the fiscal year break down as follows:

Gross value *(EUR millions)*	Vineyard land and producing vineyards	Land and buildings	Investment property	Leasehold improvements, machinery and equipment			Assets in progress	Other tangible fixed assets	Total
				Stores	Production, logistics	Other			
As of December 31, 2016	**2,580**	**4,709**	**908**	**6,875**	**2,225**	**1,230**	**958**	**1,851**	**21,336**
Acquisitions	9	150	-	556	157	85	800	132	1,889
Change in the market value of vineyard land	(35)	-	-	-	-	-	-	-	(35)
Disposals and retirements	(3)	(79)	-	(341)	(77)	(105)	(13)	(16)	(634)
Changes in the scope of consolidation	-	679	-	840	96	52	67	30	1,764
Translation adjustment	(19)	(210)	(59)	(529)	(46)	(68)	(33)	(48)	(1,012)
Other movements, including transfers	6	263	(30)	488	217	92	(992)	(17)	27
As of December 31, 2017	**2,538**	**5,512**	**819**	**7,889**	**2,572**	**1,286**	**787**	**1,932**	**23,335**

Depreciation and impairment *(EUR millions)*	Vineyard land and producing vineyards	Land and buildings	Investment property	Leasehold improvements, machinery and equipment			Assets in progress	Other tangible fixed assets	Total
				Stores	Production, logistics	Other			
As of December 31, 2016	**(106)**	**(1,669)**	**(53)**	**(4,479)**	**(1,544)**	**(890)**	**(8)**	**(448)**	**(9,197)**
Depreciation expense	(7)	(172)	(5)	(858)	(179)	(135)	-	(66)	(1,422)
Impairment expense	1	(1)	-	(4)	-	-	(1)	-	(5)
Disposals and retirements	3	76	-	338	74	103	2	22	618
Changes in the scope of consolidation	-	(57)	-	(533)	(40)	(15)	(1)	(9)	(655)
Translation adjustment	3	82	2	350	29	51	-	26	543
Other movements, including transfers	-	(1)	-	(21)	(29)	6	6	28	(11)
As of December 31, 2017	**(106)**	**(1,742)**	**(56)**	**(5,207)**	**(1,689)**	**(880)**	**(2)**	**(447)**	**(10,129)**
Carrying amount as of December 31, 2017	**2,432**	**3,770**	**763**	**2,682**	**883**	**406**	**785**	**1,485**	**13,206**

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

Purchases of property, plant and equipment mainly include investments by the Group's brands, notably Sephora, Louis Vuitton, Bvlgari, Parfums Christian Dior, Fendi and DFS, in their retail networks. They also included investments related to the La Samaritaine project, in addition to investments by Hennessy, the champagne houses and Parfums Christian Dior in their production equipment.

Translation adjustments arose mainly on property, plant and equipment recognized in US dollars, due to fluctuations against the euro by the close of the fiscal year.

Changes in the scope of consolidation were mainly attributable to the acquisition of Christian Dior Couture and Rimowa (see Note 2).

The impact of marking vineyard land to market was 1,785 million euros as of December 31, 2017 (1,829 million euros as of December 31, 2016; 1,799 million euros as of December 31, 2015). See Notes 1.9 and 1.13 on the measurement method for vineyard land.

7. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

(EUR millions)	2017				2016		2015	
	Gross	Impairment	Net	*Of which joint arrangements*	Net	*Of which joint arrangements*	Net	*Of which joint arrangements*
Share of net assets of joint ventures and associates as of January 1	**770**	**-**	**770**	***362***	**729**	***353***	**519**	***351***
Share of net profit (loss) for the period	5	(8)	(3)	*2*	3	*4*	(13)	*(4)*
Dividends paid	(22)	-	(22)	*(8)*	(21)	*(8)*	(14)	*(6)*
Changes in the scope of consolidation	(82)	-	(82)	*(84)*	27	*-*	212	*-*
Capital increases subscribed	5	-	5	*3*	4	*3*	3	*3*
Translation adjustment	(33)	-	(33)	*(7)*	7	*(1)*	5	*4*
Other, including transfers	4	-	4	*5*	21	*11*	17	*5*
Share of net assets of joint ventures and associates as of December 31	**647**	**(8)**	**639**	***273***	**770**	***362***	**729**	***353***

Changes in the scope of consolidation were mainly related to the disposal of the stake in De Beers Diamond Jewellers and to the change in the consolidation method for Les Ateliers Horlogers Dior SA, which is now fully consolidated, due to the acquisition of Christian Dior Couture. See Notes 2 and 32.

As of December 31, 2017, investments in joint ventures and associates consisted primarily of:

- For joint arrangements, a 50% stake in the Château Cheval Blanc wine estate (Gironde, France), which produces the eponymous Saint-Émilion Grand Cru Classé A;
- For other companies:
  - a 40% stake in Mongoual SA, the real estate company that owns the office building in Paris, France serving as the head office of LVMH Moët Hennessy - Louis Vuitton;
  - a 45% stake in PT. Sona Topas Tourism Industry Tbk (STTI), an Indonesian retail company, which notably holds duty-free sales licenses in airports;
  - a 46% stake in JW Anderson, a London-based ready-to-wear brand;
  - a 41.7% stake in Repossi, an Italian jewelry brand, acquired in November 2015;
  - a 40% stake in L Catterton Management, an investment fund management company created in December 2015 in partnership with Catterton.

8. NON-CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

(EUR millions)			2017	2016	2015
	Gross	Impairment	Net	Net	Net
Total	1,021	(232)	789	744	574

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

(EUR millions)	2017	2016	2015
As of January 1	**744**	**574**	**580**
Acquisitions	125	147	74
Disposals at net realized value	(85)	(44)	(68)
Changes in market value	116	2	(3)
Changes in impairment	(15)	(22)	(22)
Changes in the scope of consolidation	5	67	-
Translation adjustment	(43)	20	31
Reclassifications	(58)	-	(18)
As of December 31	**789**	**744**	**574**

Acquisitions in fiscal year 2017 include, for 64 million euros, the impact of subscription in investment funds.

Acquisitions in fiscal year 2016 included the 120 million euro impact of non-current available for sale financial assets used to hedge cash-settled convertible bonds issued during the period. The impact of changes in the scope of consolidation corresponded to the stake in G-III Apparel Group received as partial payment of the selling price of Donna Karan International.

The market value of non-current available for sale financial assets is determined using the methods described in Note 1.8. Impairment of non-current available for sale financial assets is determined in accordance with the accounting policies described in Note 1.15.

9. OTHER NON-CURRENT ASSETS

(EUR millions)	2017	2016	2015
Warranty deposits	320	295	273
Derivatives [a]	246	168	60
Loans and receivables	264	288	187
Other	38	26	32
Total	**868**	**777**	**552**

(a) See Note 22.

In fiscal year 2016, the increase in loans and receivables included the vendor loan granted to G-III Apparel Group as part of the sale of Donna Karan International.

10. INVENTORIES AND WORK IN PROGRESS

(EUR millions)			2017	2016	2015
	Gross	Impairment	Net	Net	Net
Wines and *eaux-de-vie* in the process of aging	4,529	(12)	4,517	4,281	4,213
Other raw materials and work in progress	1,765	(395)	1,370	1,225	1,135
	6,294	(407)	5,887	5,506	5,348
Goods purchased for resale	1,987	(220)	1,767	1,819	1,572
Finished products	4,146	(892)	3,254	3,221	3,176
	6,133	(1,112)	5,021	5,040	4,748
Total	**12,427**	**(1,519)**	**10,908**	**10,546**	**10,096**

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

(EUR millions)			2017	2016	2015
	Gross	Impairment	Net	Net	Net
As of January 1	**11,967**	**(1,421)**	**10,546**	**10,096**	**9,475**
Change in gross inventories	1,006	-	1,006	819	569
Impact of provision for returns [a]	11	-	11	(4)	(2)
Impact of marking harvests to market	(21)	-	(21)	(19)	(16)
Changes in provision for impairment	-	(339)	(339)	(377)	(317)
Changes in the scope of consolidation	398	(139)	259	(62)	6
Translation adjustment	(650)	99	(551)	93	381
Other, including reclassifications	(284)	281	(3)	-	-
As of December 31	**12,427**	**(1,519)**	**10,908**	**10,546**	**10,096**

(a) See Note 1.25.

Changes in the scope of consolidation mainly related to the acquisition of Christian Dior Couture and Rimowa (see Note 2), as well as the disposal of a Royal Van Lent subsidiary (see Note 32).

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

The impact of marking harvests to market on Wines and Spirits' cost of sales and value of inventory is as follows:

(EUR millions)	2017	2016	2015
Impact of marking the period's harvest to market	5	13	18
Impact of inventory sold during the fiscal year	(26)	(32)	(34)
Net impact on cost of sales of the fiscal year	**(21)**	**(19)**	**(16)**
Net impact on the value of inventory as of December 31	**110**	**131**	**150**

See Notes 1.9 and 1.16 on the method of marking harvests to market.

11. TRADE ACCOUNTS RECEIVABLE

(EUR millions)	2017	2016	2015
Trade accounts receivable, nominal amount	3,080	2,979	2,820
Provision for impairment	(78)	(66)	(64)
Provision for product returns [a]	(265)	(228)	(235)
Net amount	**2,737**	**2,685**	**2,521**

(a) See Note 1.25.

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

(EUR millions)			2017	2016	2015
	Gross	Impairment	Net	Net	Net
As of January 1	**2,751**	**(66)**	**2,685**	**2,521**	**2,274**
Changes in gross receivables	134	-	134	122	46
Changes in provision for impairment	-	(11)	(11)	(1)	-
Changes in provision for product returns [a]	(43)	-	(43)	5	(20)
Changes in the scope of consolidation	148	(5)	143	(16)	141
Translation adjustment	(157)	2	(155)	46	88
Reclassifications	(19)	3	(16)	8	(8)
As of December 31	**2,814**	**(77)**	**2,737**	**2,685**	**2,521**

(a) See Note 1.25.

The trade accounts receivable balance is comprised essentially of receivables from wholesalers or agents, who are limited in number and with whom the Group maintains ongoing relationships for the most part. As of December 31, 2017, coverage of customer credit risk had been requested from insurers for the majority of trade receivables, approximately 91% of the amount of which was granted, versus 90% as of December 31, 2016 and 88% as of December 31, 2015.

12. OTHER CURRENT ASSETS

(EUR millions)	**Dec. 31, 2017**	**Dec. 31, 2016**	**Dec. 31, 2015**
Current available for sale financial assets [a]	515	374	385
Derivatives [b]	496	261	297
Tax accounts receivable, excluding income taxes	747	620	602
Advances and payments on account to vendors	203	191	159
Prepaid expenses	396	379	357
Other receivables	562	518	555
Total	**2,919**	**2,343**	**2,355**

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

The present value of other current assets is identical to their carrying amount.

13. CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

(EUR millions)	**2017**	**2016**	**2015**
Unlisted securities, shares in non-money market SICAVs and funds	-	-	-
Listed securities and term deposits	515	374	385
Total	**515**	**374**	**385**
Of which: historical cost of current available for sale financial assets	*344*	*351*	*393*

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

(EUR millions)	**2017**	**2016**	**2015**
As of January 1	**374**	**385**	**253**
Acquisitions	112	151	377
Disposals at net realized value	(181)	(181)	(241)
Changes in market value	156	19	(29)
Changes in impairment	-	-	7
Changes in the scope of consolidation	-	-	-
Translation adjustment	(4)	-	-
Reclassifications	58	-	18
As of December 31	**515**	**374**	**385**

The market value of current available for sale financial assets is determined using the methods described in Note 1.9. See also Note 1.15 for the method used to determine impairment losses on current available for sale financial assets.

14. CASH AND CHANGE IN CASH

14.1. Cash and cash equivalents

(EUR millions)	2017	2016	2015
Term deposits (less than 3 months)	708	520	808
SICAV and FCP funds	194	668	577
Ordinary bank accounts	2,836	2,356	2,209
Cash and cash equivalents per balance sheet	**3,738**	**3,544**	**3,594**

The reconciliation between cash and cash equivalents as shown in the balance sheet and net cash and cash equivalents appearing in the cash flow statement is as follows:

(EUR millions)	2017	2016	2015
Cash and cash equivalents	3,738	3,544	3,594
Bank overdrafts	(120)	(207)	(204)
Net cash and cash equivalents per cash flow statement	**3,618**	**3,337**	**3,390**

14.2. Net cash from (used in) financing activities

For fiscal year 2017, the reconciliation of the cash impact of the change in net financial debt presented in Note 18.1 and net cash from (used in) financing activities is as follows:

(EUR millions)	Notes	2017
Impact on cash of the change in net financial debt	18.1	**3,816**
Elimination of the change in positive bank balances and bank overdrafts [a]		199
Change in cash related to derivatives and other assets not included in net financial debt		61
Net cash from (used in) financing activities		**4,076**

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

14.3. Change in working capital

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

(EUR millions)	Notes	2017	2016	2015
Change in inventories and work in progress	10	(1,006)	(819)	(569)
Change in trade accounts receivable [a]	11	(132)	(113)	(49)
Change in trade accounts payable	21	257	235	93
Change in other receivables and payables		367	185	96
Change in working capital [b]		**(514)**	**(512)**	**(429)**

(a) Including a negative impact of 2 million euros related to amounts owed to customers (versus a positive impact of 9 million euros as of December 31, 2016 and a negative impact of 3 million euros as of December 31, 2015).
(b) Increase/(Decrease) in cash and cash equivalents.

14.4. Operating investments

Operating investments comprise the following elements for the fiscal years presented:

(EUR millions)	Notes	2017	2016	2015
Purchase of intangible fixed assets	3	(456)	(440)	(316)
Purchase of tangible fixed assets [a]	6	(1,889)	(2,150)	(1,739)
Deduction of purchase under finance lease		6	204	-
Changes in accounts payable related to fixed asset purchases		40	125	81
Net cash used in purchases of fixed assets		**(2,299)**	**(2,261)**	**(1,974)**
Net cash from fixed asset disposals		26	6	41
Guarantee deposits paid and other cash flows related to operating investments		(3)	(10)	(22)
Operating investments [b]		**(2,276)**	**(2,265)**	**(1,955)**

(a) Including finance lease acquisitions.
(b) Increase/(Decrease) in cash and cash equivalents.

15. EQUITY

15.1. Share capital and share premium account

As of December 31, 2017, the share capital consisted of 507,042,596 fully paid-up shares (507,126,088 as of December 31, 2016 and 507,139,110 as of December 31, 2015), with a par value of 0.30 euros per share, including 229,656,385 shares with double voting rights (229,432,106 as of December 31, 2016 and 229,780,453 as of December 31, 2015). Double voting rights are attached to registered shares held for more than three years.

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

(Number of shares or EUR millions)				2017	2016	2015
	Number			Amount	Amount	Amount
		Share capital	Share premium account	Total		
As of January 1	**507,126,088**	**152**	**2,601**	**2,753**	**2,731**	**2,807**
Exercise of share subscription options	708,485	-	53	53	64	35
Retirement of shares	(791,977)	-	(40)	(40)	(42)	(111)
As of December 31	**507,042,596**	**152**	**2,614**	**2,766**	**2,753**	**2,731**

15.2. LVMH treasury shares

The portfolio of LVMH treasury shares is allocated as follows:

(Number of shares or EUR millions)		2017	2016	2015
	Number	Amount	Amount	Amount
Share subscription option plans	1,242,989	57	98	140
Bonus share plans	993,148	122	90	86
Shares held for stock option and similar plans [a]	**2,236,137**	**179**	**188**	**226**
Liquidity contract	92,000	23	15	14
Shares pending retirement	1,952,960	328	317	-
LVMH treasury shares	**4,281,097**	**530**	**520**	**240**

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

The market value of LVMH shares held under the liquidity contract as of December 31, 2017 amounts to 23 million euros.

The portfolio movements of LVMH treasury shares in fiscal year 2017 were as follows:

(Number of shares or EUR millions)	Number	Amount	Impact on cash
As of December 31, 2016	**5,097,122**	**520**	
Share purchases [a]	935,466	203	(203)
Vested bonus shares	(335,567)	(24)	-
Retirement of shares	(791,977)	(40)	-
Disposals at net realized value [a]	(623,947)	(136)	136
Gain/(loss) on disposal	-	7	-
As of December 31, 2017	**4,281,097**	**530**	**(67)**

(a) Purchases and sales of LVMH shares mainly related to the management of the liquidity contract.

15.3. Dividends paid by the parent company LVMH SE

In accordance with French regulations, dividends are taken from the profit for the fiscal year and the distributable reserves of the parent company, after deducting applicable withholding tax and the value attributable to treasury shares.

As of December 31, 2017, the distributable amount was 14,824 million euros; after taking into account the proposed dividend distribution in respect of the 2017 fiscal year, it was 13,100 million euros.

(EUR millions, except for data per share in EUR)	2017	2016	2015
Interim dividend for the current fiscal year (2017: 1.60 euros; 2016: 1.40 euros; 2015: 1.35 euros)	811	710	685
Impact of treasury shares	(7)	(6)	(6)
Gross amount disbursed for the fiscal year	**804**	**704**	**679**
Final dividend for the previous fiscal year (2016: 2.60 euros; 2015: 2.20 euros)	1,319	1,115	998
Impact of treasury shares	(13)	(9)	(18)
Gross amount disbursed for the previous fiscal year	**1,306**	**1,106**	**980**
Total gross amount disbursed during the period [a]	**2,110**	**1,810**	**1,659**

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

The final dividend for fiscal year 2017, as proposed at the Shareholders' Meeting of April 12, 2018, is 3.40 euros per share, representing a total of 1,724 million euros before deduction of the amount attributable to treasury shares held at the ex-dividend date.

15.4. Cumulative translation adjustment

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

(EUR millions)	2017	Change	2016	2015
US dollar	135	(373)	508	486
Swiss franc	527	(235)	762	733
Japanese yen	72	(24)	96	79
Hong Kong dollar	315	(178)	493	454
Pound sterling	(107)	(22)	(85)	36
Other currencies	(164)	(70)	(94)	(133)
Foreign currency net investment hedges [a]	(421)	94	(515)	(518)
Total, Group share	**357**	**(808)**	**1,165**	**1,137**

(a) Including -130 million euros with respect to the US dollar (-169 million euros as of December 31, 2016 and -186 million euros as of December 31, 2015), and -117 million euros with respect to the Hong Kong dollar (-135 million euros as of December 31, 2016 and -130 million euros as of December 31, 2015). These amounts include the tax impact.

16. STOCK OPTION AND SIMILAR PLANS

16.1. Share subscription option plans

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

	2017		2016		2015	
	Number	Weighted average exercise price *(EUR)*	Number	Weighted average exercise price *(EUR)*	Number	Weighted average exercise price *(EUR)*
Share subscription options outstanding as of January 1	**1,903,010**	**65.17**	**2,821,150**	**66.79**	**3,384,313**	**66.15**
Options expired	(13,833)	74.67	(10,211)	68.07	(11,026)	55.46
Options exercised	(708,485)	74.33	(907,929)	70.19	(552,137)	63.06
Share subscription options outstanding as of December 31	**1,180,692**	**59.56**	**1,903,010**	**65.17**	**2,821,150**	**66.79**

16.2. Bonus share plans

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

(number of shares)	2017	2016	2015
Non-vested shares as of January 1	**1,312,587**	**1,456,068**	**1,492,627**
Shares initially awarded during the period	455,252	360,519	388,794
Shares vested during the period	(335,567)	(465,660)	(386,709)
Shares expired during the period	(36,921)	(38,340)	(38,644)
Non-vested shares as of December 31	**1,395,351**	**1,312,587**	**1,456,068**

Vested share allocations were settled in existing shares held.

16.3. Expense for the fiscal year

(EUR millions)	2017	2016	2015
Expense for the period for share subscription option and bonus share plans	62	41	37

See Note 1.27 regarding the method used to determine the accounting expense.

The LVMH closing share price the day before the grant date of the plans was 208.85 euros for the plan dated April 13, 2017, it was 218.85 euros for the plan dated July 26, 2017 and 240.80 euros for the plan dated October 25, 2017.

The average unit value of non-vested bonus shares awarded under this plan during the fiscal year was 218.64 euros.

17. MINORITY INTERESTS

(EUR millions)	2017	2016	2015
As of January 1	**1,510**	**1,460**	**1,240**
Minority interests' share of net profit	487	382	428
Dividends paid to minority interests	(260)	(272)	(229)
Impact of changes in control of consolidated entities	114	22	1
Of which: Rimowa	*89*	-	-
Other	*25*	*22*	*1*
Impact of acquisition and disposal of minority interests' shares	(56)	(35)	(3)
Of which: Loro Piana	*(58)*	-	-
Other	*2*	*(35)*	*(3)*
Total impact of changes in the ownership interests in consolidated entities	**58**	**(13)**	**(2)**
Capital increases subscribed by minority interests	44	41	89
Minority interests' share in gains and losses recognized in equity	(147)	52	130
Minority interests' share in stock option plan expenses	7	2	2
Impact of changes in minority interests with purchase commitments	(291)	(142)	(198)
As of December 31	**1,408**	**1,510**	**1,460**

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

(EUR millions)	Cumulative translation adjustment	Hedges of future foreign currency cash flows	Vineyard land	Revaluation adjustments of employee benefits	Total share of minority interests
As of December 31, 2014	**59**	**1**	**213**	**(22)**	**251**
Changes for the fiscal year	121	(2)	10	1	130
As of December 31, 2015	**180**	**(1)**	**223**	**(21)**	**381**
Changes for the fiscal year	40	1	25	(14)	52
As of December 31, 2016	**220**	**-**	**248**	**(35)**	**433**
Changes for the fiscal year	(180)	19	11	3	(147)
As of December 31, 2017	**40**	**19**	**259**	**(32)**	**286**

Minority interests are composed primarily of Diageo's 34% stake in Moët Hennessy SAS and Moët Hennessy International SAS ("Moët Hennessy") and the 39% stake held by Robert Miller in DFS, which is part of the Selective Retailing business group. Since the 34% stake held by Diageo in Moët Hennessy is subject to a purchase commitment, it is reclassified at year-end under Other non-current liabilities and is therefore excluded from the total amount of minority interests at the fiscal year-end date. See Notes 1.12 and 20.

Dividends paid to Diageo during fiscal year 2017 in respect of fiscal year 2016 amounted to 150 million euros. Net profit attributable to Diageo for fiscal year 2017 was 340 million euros, and its share in minority interests (before recognition of the purchase commitment granted to Diageo) came to 3,072 million euros as of December 31, 2017. Please refer also to Note 23 regarding the revenue, operating profit and main assets of Wines and Spirits, which relate primarily to Moët Hennessy's business activities.

18. BORROWINGS

18.1. Net financial debt

(EUR millions)	2017	2016	2015
Bonds and Euro Medium Term Notes (EMTNs)	6,557	3,476	4,202
Bank borrowings and finance leases	489	456	309
Long-term borrowings	**7,046**	**3,932**	**4,511**
Bonds and Euro Medium Term Notes (EMTNs)	1,753	1,377	710
Commercial paper	1,855	1,204	2,281
Bank overdrafts	120	207	205
Other short-term borrowings	802	659	573
Short-term borrowings	**4,530**	**3,447**	**3,769**
Gross borrowings	**11,576**	**7,379**	**8,280**
Interest rate risk derivatives	(28)	(65)	(66)
Gross borrowings after derivatives	**11,548**	**7,314**	**8,214**
Current available for sale financial assets [a]	(515)	(374)	(385)
Non-current available for sale financial assets used to hedge financial debt [b]	(117)	(131)	-
Cash and cash equivalents [c]	(3,738)	(3,544)	(3,594)
Net financial debt	**7,178**	**3,265**	**4,235**

(a) See Note 13.
(b) See Note 8 to the 2016 consolidated financial statements.
(c) See Note 14.1.

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

(EUR millions)	Dec. 31, 2016	Impact on cash [a]	Translation adjustment	Impact of market value changes	Changes in the scope of consolidation	Reclass-ifications and Other	Dec. 31, 2017
Long-term borrowings	3,932	4,798	(203)	-	402	(1,883)	7,046
Short-term borrowings	3,447	(922)	(147)	(36)	303	1,893	4,530
Total gross borrowings	**7,379**	**3,876**	**(350)**	**(36)**	**705**	**10**	**11,576**
Interest rate risk derivatives	(65)	-	-	35	-	2	(28)
Gross borrowings after derivatives	**7,314**	**3,876**	**(350)**	**(1)**	**705**	**12**	**11,548**
Current available for sale financial assets	(374)	69	5	(158)	-	(57)	(515)
Non-current available for sale financial assets used to hedge financial debt	(131)	-	17	(3)	-	-	(117)
Cash and cash equivalents	(3,544)	(129)	190	-	(259)	4	(3,738)
Net financial debt	**3,265**	**3,816**	**(138)**	**(162)**	**446**	**(41)**	**7,178**

(a) See Note 14.2.

In May 2017, LVMH carried out a bond issue divided into four tranches totaling 4.5 billion euros, comprised of 3.25 billion euros in fixed-rate bonds and 1.25 billion euros in floating-rate bonds.

In addition, in June 2017, LVMH issued 400 million pounds sterling in fixed-rate bonds maturing in June 2022. At the time these bonds were issued, swaps were entered into that converted them into euro-denominated borrowings.

The main characteristics of these issues were as follows:

Nominal amount *(in currency)*	Maturity	Initial effective interest rate *(%)*
EUR 1,250,000,000	November 2018	floating
EUR 1,250,000,000	May 2020	0.13
EUR 800,000,000	May 2022	0.46
EUR 1,200,000,000	May 2024	0.82
GBP 400,000,000	June 2022	1.09

These transactions occurred in connection with the acquisition of Christian Dior Couture (see Note 2), completed in July, 2017.

During the fiscal year, LVMH repaid the 850 million US dollar bond issued in 2012, the 150 million euro bond issued in 2009 and the 350 million pounds sterling bond issued in 2014.

Net financial debt does not take into consideration purchase commitments for minority interests' shares, which are classified as "Other non-current liabilities" (see Note 20).

18.2. Analysis of gross borrowings by payment date and by type of interest rate

(EUR millions)		Gross borrowings			Impact of derivatives			Gross borrowings after derivatives		
		Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
Maturity:	December 31, 2018	3,001	1,529	4,530	1	(4)	(3)	3,002	1,525	4,527
	December 31, 2019	747	314	1,061	(348)	340	(8)	399	654	1,053
	December 31, 2020	1,895	4	1,899	(401)	394	(7)	1,494	398	1,892
	December 31, 2021	1,289	4	1,293	(650)	634	(16)	639	638	1,277
	December 31, 2022	1,262	4	1,266	(313)	317	4	611	659	1,270
	December 31, 2023	17	3	20	-	-	-	17	3	20
	Thereafter	1,463	44	1,507	(300)	302	2	1,163	346	1,509
Total		**9,674**	**1,902**	**11,576**	**(2,011)**	**1,983**	**(28)**	**7,325**	**4,223**	**11,548**

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

The breakdown by quarter of gross borrowings falling due in 2018 is as follows:

(EUR millions)	Falling due in 2018
First quarter	2,529
Second quarter	654
Third quarter	16
Fourth quarter	1,331
Total	**4,530**

18.3. Analysis of gross borrowings by currency after derivatives

(EUR millions)	2017	2016	2015
Euro	9,380	5,491	6,302
US dollar	833	634	366
Swiss franc	583	639	909
Japanese yen	395	281	228
Other currencies	357	269	409
Total	**11,548**	**7,314**	**8,214**

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

19. PROVISIONS

(EUR millions)	2017	2016	2015
Provisions for pensions, medical costs and similar commitments	625	698	632
Provisions for contingencies and losses	1,840	1,626	1,297
Provisions for reorganization	9	18	21
Non-current provisions	**2,474**	**2,342**	**1,950**
Provisions for pensions, medical costs and similar commitments	4	4	4
Provisions for contingencies and losses	366	319	353
Provisions for reorganization	34	29	64
Current provisions	**404**	**352**	**421**
Total	**2,878**	**2,694**	**2,371**

In fiscal year 2017, the changes in provisions were as follows:

(EUR millions)	Dec. 31, 2016	Increases	Amounts used	Amounts released	Changes in the scope of consolidation	Other [a]	Dec. 31, 2017
Provisions for pensions, medical costs and similar commitments	702	110	(130)	(3)	19	(69)	629
Provisions for contingencies and losses	1,945	890	(178)	(490)	52	(13)	2,206
Provisions for reorganization	47	34	(32)	(1)	-	(5)	43
Total	**2,694**	**1,034**	**(340)**	**(494)**	**71**	**(87)**	**2,878**
Of which: profit from recurring operations		*481*	*(321)*	*(101)*			
net financial income (expense)		*1*	*-*	*-*			
other		*552*	*(19)*	*(393)*			

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

Provisions for contingencies and losses correspond to the estimate of the impact on assets and liabilities of risks, disputes (see Note 31), or actual or probable litigation arising from the Group's activities; such activities are carried out worldwide, within what is often an imprecise regulatory framework that is different for each country, changes over time and applies to areas ranging from product composition and packaging to the tax computation and relations with the Group's partners (distributors, suppliers, shareholders in subsidiaries, etc.).

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

20. OTHER NON-CURRENT LIABILITIES

(EUR millions)	2017	2016	2015
Purchase commitments for minority interests' shares	9,177	7,877	7,421
Derivatives [a]	216	134	2
Employee profit sharing	94	91	93
Other liabilities	370	396	441
Total	**9,857**	**8,498**	**7,957**

(a) See Note 22.

As of December 31, 2017, purchase commitments for minority interests' shares mainly include the put option granted by LVMH to Diageo plc for its 34% share in Moët Hennessy, for 80% of the fair value of Moët Hennessy at the exercise date of the option. This option may be exercised at any time subject to a six-month notice period. With regard to this commitment's valuation, the fair value was determined by applying the share price multiples of comparable firms to Moët Hennessy's consolidated operating results.

Moët Hennessy SAS and Moët Hennessy International SAS ("Moët Hennessy") hold the LVMH group's investments in the Wines and Spirits businesses, with the exception of the equity investments in Château d'Yquem, Château Cheval Blanc and Clos des Lambrays, and excluding certain champagne vineyards.

Purchase commitments for minority interests' shares also include commitments relating to minority shareholders in Loro Piana (15%), Rimowa (20%), Fresh (20%) and distribution subsidiaries in various countries, mainly in the Middle East.

In 2017, the put option granted to the Loro Piana family in the eponymous company was partially exercised. Put options granted to minority interests in Ile de Beauté (35%) and Heng Long (35%) were exercised in 2016. See Note 2.

21. TRADE ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

21.1. Trade accounts payable

The change in trade accounts payable for the fiscal years presented breaks down as follows:

(EUR millions)	2017	2016	2015
As of January 1	**4,184**	**3,960**	**3,606**
Changes in trade accounts payable	257	235	93
Changes in amounts owed to customers	2	9	(3)
Changes in the scope of consolidation	315	(36)	129
Translation adjustment	(198)	46	133
Reclassifications	(20)	(30)	2
As of December 31	**4,540**	**4,184**	**3,960**

21.2. Other current liabilities

(EUR millions)	2017	2016	2015
Derivatives [a]	58	207	185
Employees and social institutions	1,530	1,329	1,260
Employee profit sharing	101	103	98
Taxes other than income taxes	634	574	553
Advances and payments on account from customers	354	237	205
Deferred payment for non-current assets	548	590	504
Deferred income	255	251	208
Other liabilities	1,286	1,108	896
Total	**4,766**	**4,399**	**3,909**

(a) See Note 22.

22. FINANCIAL INSTRUMENTS AND MARKET RISK MANAGEMENT

22.1. Organization of foreign exchange, interest rate and equity market risk management

Financial instruments are mainly used by the Group to hedge risks arising from Group activity and protect its assets.

The management of foreign exchange and interest rate risk, in addition to transactions involving shares and financial instruments, is centralized.

The Group has implemented a stringent policy and rigorous management guidelines to manage, measure, and monitor these market risks.

These activities are organized based on a segregation of duties between risk measurement, hedging (front office), administration (back office) and financial control.

The backbone of this organization is an integrated information system which allows hedging transactions to be monitored quickly.

The Group's hedging strategy is presented to the Audit Committee. Hedging decisions are made according to an established process that includes regular presentations to the Group's Executive Committee and detailed documentation.

Counterparties are selected based on their rating and in accordance with the Group's risk diversification strategy.

22.2. Summary of derivatives

Derivatives are recorded in the balance sheet for the amounts and in the captions detailed as follows:

(EUR millions)			Notes	2017	2016	2015
Interest rate risk	Assets:	non-current		33	53	57
		current		9	17	14
	Liabilities:	non-current		(8)	-	-
		current		(6)	(5)	(5)
			22.3	**28**	**65**	**66**
Foreign exchange risk	Assets:	non-current		34	46	3
		current		485	244	283
	Liabilities:	non-current		(29)	(65)	(2)
		current		(52)	(199)	(178)
			22.4	**438**	**26**	**106**
Other risks	Assets:	non-current		179	69	-
		current		2	-	-
	Liabilities:	non-current		(179)	(69)	-
		current		-	(3)	(2)
			22.5	**2**	**(3)**	**(2)**
Total	Assets:	non-current	9	246	168	60
		current	12	496	261	297
	Liabilities:	non-current	20	(216)	(134)	(2)
		current	21	(58)	(207)	(185)
				468	**88**	**170**

22.3. Derivatives used to manage interest rate risk

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

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

Derivatives used to manage interest rate risk outstanding as of December 31, 2017 break down as follows:

(EUR millions)	Nominal amounts by maturity				Market value [a] [b]		
	Less than one year	One to five years	More than five years	Total	Fair value hedges	Not allocated	Total
Interest rate swaps in euros, floating-rate payer	-	2,349	-	2,349	29	-	29
Interest rate swaps in euros, fixed-rate payer	-	343	-	343	1	-	1
Foreign currency swaps	57	1,100	-	1,157	(2)	-	(2)
Other interest rate risk derivatives	-	167	-	167	-	-	-
Total					**28**	**-**	**28**

(a) Gain/(Loss).
(b) See Note 1.9 regarding the methodology used for market value measurement.

22.4. Derivatives used to manage foreign exchange risk

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

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

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

Derivatives used to manage foreign exchange risk outstanding as of December 31, 2017 break down as follows:

(EUR millions)	Nominal amounts by fiscal year of allocation [a]				Market value [b][c]				
	2017	2018	Thereafter	Total	Fair value hedges	Future cash flow hedges	Foreign currency net investment hedges	Not allocated	Total
Options purchased									
Put USD	257	39	-	296	1	1	-	1	3
Put JPY	21	21	-	42	1	1	-	-	2
Put GBP	-	21	-	21	-	-	-	-	-
	278	**81**	**-**	**359**	**2**	**2**	**-**	**1**	**5**
Collars									
Written USD	288	4,360	56	4,704	18	319	-	-	337
Written JPY	10	875	28	913	2	75	-	-	77
Written GBP	11	220	-	231	-	4	-	-	4
	309	**5,455**	**84**	**5,848**	**20**	**398**	**-**	**-**	**418**
Forward exchange contracts									
USD	4	(102)	-	(98)	-	(5)	-	-	(5)
JPY	26	-	-	26	-	-	-	-	-
CHF	(33)	(294)	-	(327)	-	(7)	-	-	(7)
GBP	24	82	-	106	-	(4)	-	-	(4)
RUB	33	-	-	33	-	-	-	-	-
Other	118	46	-	164	1	(1)	-	-	-
	172	**(268)**	**-**	**(96)**	**1**	**(17)**	**-**	**-**	**(16)**
Foreign exchange swaps									
USD	1,486	4	-	1,490	12	-	8	-	20
CHF	145	-	-	145	3	-	2	-	5
GBP	738	-	-	738	(5)	-	-	-	(5)
JPY	335	2	-	337	6	-	1	-	7
Other	423	5	-	428	-	-	4	-	4
	3,127	**11**	**-**	**3,138**	**16**	**-**	**15**	**-**	**31**
Total					**39**	**383**	**15**	**1**	**438**

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

22.5. Financial instruments used to manage other risks

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

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

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

The Group – mainly through its Watches and Jewelry business group – may be exposed to changes in the prices of certain precious metals, such as gold. In certain cases, in order to ensure visibility with regard to production costs, hedges may be implemented. This is achieved either by negotiating the forecast price of future deliveries of alloys with precious metal refiners, or the price of semi-finished products with producers; or directly by purchasing hedges from top-ranking banks. In the latter case, gold may be purchased from banks, or future and/or options contracts may be taken out with a physical delivery of the gold. Derivatives outstanding relating to the hedging of precious metal prices as of December 31, 2017 have a positive market value of 2 million euros. Considering nominal values of 170 million euros for those derivatives, a uniform 1% change in their underlying assets' prices as of December 31, 2017 would have a net impact on the Group's consolidated reserves in an amount of less than 1 million euros. These instruments mature in 2018.

23. SEGMENT INFORMATION

The Group's brands and trade names are organized into six business groups. Four business groups – Wines and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics and Watches and Jewelry – comprise brands dealing with the same category of products that use similar production and distribution processes. Information on Louis Vuitton and Bvlgari is presented according to the brand's main business, namely the Fashion and Leather Goods business group for Louis Vuitton and the Watches and Jewelry business group for Bvlgari. The Selective Retailing business group comprises the Group's own-label retailing activities. Other activities and holding companies comprise brands and businesses that are not associated with any of the above-mentioned business groups, particularly the media division, the Dutch luxury yacht maker Royal Van Lent, hotel operations and holding or real estate companies.

Rimowa and Christian Dior Couture were consolidated as part of the Fashion and Leather Goods business group as of January 2017 and July 2017, respectively. The acquisition of Christian Dior Couture has not had any impact on the presentation of Parfums Christian Dior, which continues to be consolidated as part of the Perfumes and Cosmetics business group.

23.1. Information by business group

Fiscal year 2017

(EUR millions)	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Eliminations and not allocated [a]	Total
Sales outside the Group	5,051	15,422	4,534	3,722	13,272	635	-	42,636
Intra-Group sales	33	50	1,026	83	39	16	(1,247)	-
Total revenue	**5,084**	**15,472**	**5,560**	**3,805**	**13,311**	**651**	**(1,247)**	**42,636**
Profit from recurring operations	1,558	4,905	600	512	1,075	(309)	(48)	8,293
Other operating income and expenses	(18)	(29)	(8)	(90)	(42)	7	-	(180)
Depreciation and amortization expense	(159)	(669)	(254)	(223)	(452)	(65)	-	(1,822)
Impairment expense	1	-	-	(50)	(58)	(2)	-	(109)
Intangible assets and goodwill [b]	6,277	12,583	1,280	5,684	3,348	1,056	-	30,228
Property, plant and equipment	2,740	3,058	607	537	1,701	4,570	(7)	13,206
Inventories	5,115	1,905	634	1,420	2,111	16	(293)	10,908
Other operating assets	1,449	1,235	1,108	598	845	1,279	7,694 [c]	14,208
Total assets	**15,581**	**18,781**	**3,629**	**8,239**	**8,005**	**6,921**	**7,394**	**68,550**
Equity	-	-	-	-	-	-	30,260	30,260
Liabilities	1,544	3,529	1,706	895	2,839	1,223	26,554 [d]	38,290
Total liabilities and equity	**1,544**	**3,529**	**1,706**	**895**	**2,839**	**1,223**	**56,814**	**68,550**
Operating investments [e]	(292)	(563)	(286)	(269)	(570)	(297)	1	(2,276)

Fiscal year 2016

(EUR millions)	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Eliminations and not allocated[a]	Total
Sales outside the Group	4,805	12,735	4,083	3,409	11,945	623	-	37,600
Intra-Group sales	30	40	870	59	28	15	(1,042)	-
Total revenue	**4,835**	**12,775**	**4,953**	**3,468**	**11,973**	**638**	**(1,042)**	**37,600**
Profit from recurring operations	1,504	3,873	551	458	919	(244)	(35)	7,026
Other operating income and expenses	(60)	10	(9)	(30)	(64)	31	-	(122)
Depreciation and amortization expense	(148)	(601)	(212)	(208)	(399)	(54)	-	(1,622)
Impairment expense	(4)	(34)	(1)	(32)	(62)	(1)	-	(134)
Intangible assets and goodwill[b]	5,185	6,621	1,305	5,879	3,692	1,054	-	23,736
Property, plant and equipment	2,613	2,143	585	529	1,777	4,499	(7)	12,139
Inventories	4,920	1,501	581	1,403	2,172	235	(266)	10,546
Other operating assets	1,419	974	948	720	908	980	7,252[c]	13,201
Total assets	**14,137**	**11,239**	**3,419**	**8,531**	**8,549**	**6,768**	**6,979**	**59,622**
Equity	-	-	-	-	-	-	27,903	27,903
Liabilities	1,524	2,641	1,593	918	2,924	1,178	20,941[d]	31,719
Total liabilities and equity	**1,524**	**2,641**	**1,593**	**918**	**2,924**	**1,178**	**48,844**	**59,622**
Operating investments[e]	(276)	(506)	(268)	(229)	(558)	(434)	6	(2,265)

Fiscal year 2015

(EUR millions)	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Eliminations and not allocated[a]	Total
Sales outside the Group	4,575	12,333	3,907	3,250	11,166	433	-	35,664
Intra-Group sales	28	36	764	58	27	15	(928)	-
Total revenue	**4,603**	**12,369**	**4,671**	**3,308**	**11,193**	**448**	**(928)**	**35,664**
Profit from recurring operations	1,363	3,505	524	432	940	(154)	(5)	6,605
Other operating income and expenses	(15)	(154)	(4)	(31)	(7)	(10)	-	(221)
Depreciation and amortization expense	(132)	(641)	(184)	(199)	(365)	(42)	-	(1,563)
Impairment expense	(15)	(96)	(1)	-	(5)	(19)	-	(136)
Intangible assets and goodwill[b]	4,900	7,207	1,283	5,850	3,508	946	-	23,694
Property, plant and equipment	2,484	2,125	528	501	1,547	3,972	-	11,157
Inventories	4,795	1,566	502	1,361	1,873	230	(231)	10,096
Other operating assets	1,392	874	812	731	755	920	7,170[c]	12,654
Total assets	**13,571**	**11,772**	**3,125**	**8,443**	**7,683**	**6,068**	**6,939**	**57,601**
Equity	-	-	-	-	-	-	25,799	25,799
Liabilities	1,426	2,451	1,440	922	2,408	1,131	22,024[d]	31,802
Total liabilities and equity	**1,426**	**2,451**	**1,440**	**922**	**2,408**	**1,131**	**47,823**	**57,601**
Operating investments[e]	(233)	(553)	(233)	(204)	(395)	(337)	-	(1,955)

(a) Eliminations correspond to sales between business groups; these generally consist of sales to Selective Retailing from other business groups. Selling prices between the different business groups correspond to the prices applied in the normal course of business for sales transactions to wholesalers or distributors outside the Group.
(b) Intangible assets and goodwill correspond to the net carrying amounts shown under Notes 3 and 4.
(c) Assets not allocated include available for sale financial assets, other financial assets, and both current and deferred tax assets.
(d) Liabilities not allocated include financial debt and both current and deferred tax liabilities.
(e) Increase/(Decrease) in cash and cash equivalents.

23.2. Information by geographic region

Revenue by geographic region of delivery breaks down as follows:

(EUR millions)	2017	2016	2015
France	4,172	3,745	3,552
Europe (excluding France)	8,000	6,825	6,408
United States	10,691	10,004	9,345
Japan	2,957	2,696	2,487
Asia (excluding Japan)	11,877	9,922	9,636
Other countries	4,939	4,408	4,236
Revenue	**42,636**	**37,600**	**35,664**

Operating investments by geographic region are as follows:

(EUR millions)	2017	2016	2015
France	921	807	633
Europe (excluding France)	450	375	385
United States	393	491	336
Japan	51	65	66
Asia (excluding Japan)	309	314	411
Other countries	152	213	124
Operating investments	**2,276**	**2,265**	**1,955**

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

23.3. Quarterly information

Quarterly revenue by business group break down as follows:

(EUR millions)	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Eliminations	Total
First quarter	1,196	3,405	1,395	879	3,154	163	(308)	9,884
Second quarter	1,098	3,494 [a]	1,275	959	3,126	163	(285)	9,830
Third quarter	1,220	3,939	1,395	951	3,055	146	(325)	10,381
Fourth quarter	1,570	4,634	1,495	1,016	3,976	179	(329)	12,541
Total for 2017	**5,084**	**15,472**	**5,560**	**3,805**	**13,311**	**651**	**(1,247)**	**42,636**
First quarter	1,033	2,965	1,213	774	2,747	154	(266)	8,620
Second quarter	1,023	2,920	1,124	835	2,733	161	(228)	8,568
Third quarter	1,225	3,106	1,241	877	2,803	145	(259)	9,138
Fourth quarter	1,554	3,784	1,375	982	3,690	178	(289)	11,274
Total for 2016	**4,835**	**12,775**	**4,953**	**3,468**	**11,973**	**638**	**(1,042)**	**37,600**
First quarter	992	2,975	1,129	723	2,648	90	(234)	8,323
Second quarter	938	2,958	1,099	829	2,627	153	(220)	8,384
Third quarter	1,199	2,939	1,143	852	2,603	83	(238)	8,581
Fourth quarter	1,474	3,497	1,300	904	3,315	122	(236)	10,376
Total for 2015	**4,603**	**12,369**	**4,671**	**3,308**	**11,193**	**448**	**(928)**	**35,664**

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

24. EXPENSES BY NATURE

(EUR millions)	2017	2016	2015
Advertising and promotion expenses	4,831	4,242	4,017
Lease expenses	3,783	3,422	3,388
Personnel costs	7,618	6,575	6,249
Research and development expenses	130	111	97

Advertising and promotion expenses mainly consist of the cost of media campaigns and point-of-sale advertising, and also include personnel costs dedicated to this function.

As of December 31, 2017, a total of 4,374 stores were operated by the Group worldwide (3,948 in 2016; 3,860 in 2015), particularly by Fashion and Leather Goods and Selective Retailing.

In certain countries, leases for stores entail the payment of both minimum amounts and variable amounts, especially for stores with lease payments indexed to revenue. The total lease expense for the Group's stores breaks down as follows:

(EUR millions)	2017	2016	2015
Fixed or minimum lease payments	1,847	1,669	1,619
Variable portion of indexed leases	791	620	604
Airport concession fees – fixed portion or minimum amount	550	580	594
Airport concession fees – variable portion	595	553	571
Commercial lease expenses	**3,783**	**3,422**	**3,388**

Personnel costs consist of the following elements:

(EUR millions)	2017	2016	2015
Salaries and social charges	7,444	6,420	6,122
Pensions, contribution to medical costs and expenses in respect of defined-benefit plans [a]	112	114	90
Stock option plan and related expenses [b]	62	41	37
Personnel costs	**7,618**	**6,575**	**6,249**

(a) See Note 29.
(b) See Note 16.3.

25. OTHER OPERATING INCOME AND EXPENSES

(EUR millions)	2017	2016	2015
Net gains (losses) on disposals	(15)	39	1
Restructuring costs	(15)	3	(98)
Remeasurement of shares acquired prior to their initial consolidation	(12)	-	-
Transaction costs relating to the acquisition of consolidated companies	(13)	(3)	(2)
Impairment or amortization of brands, trade names, goodwill and other property	(128)	(155)	(136)
Other items, net	3	(6)	14
Other operating income and expenses	**(180)**	**(122)**	**(221)**

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

In 2016, net gains (losses) on disposals included the gain related to the sale of Donna Karan International to G-III Apparel Group.

26. NET FINANCIAL INCOME/(EXPENSE)

(EUR millions)	2017	2016	2015
Borrowing costs	(110)	(92)	(111)
Income from cash, cash equivalents and current available for sale financial assets	34	26	33
Fair value adjustment of borrowings and interest rate hedges	14	(17)	-
Cost of net financial debt	**(62)**	**(83)**	**(78)**
Dividends received from non-current available for sale financial assets	13	6	4
Ineffective portion of foreign exchange derivatives	(124)	(330)	(437)
Net gain/(loss) related to available for sale financial assets and other financial instruments	25	6	129
Other items, net	(31)	(31)	(32)
Other financial income and expenses	**(117)**	**(349)**	**(336)**
Net financial income/(expense)	**(179)**	**(432)**	**(414)**

Income from cash, cash equivalents and current available for sale financial assets comprises the following items:

(EUR millions)	2017	2016	2015
Income from cash and cash equivalents	21	14	18
Income from current available for sale financial assets	13	12	15
Income from cash, cash equivalents and current available for sale financial assets	**34**	**26**	**33**

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

(EUR millions)	2017	2016	2015
Ineffective portion of commercial foreign exchange derivatives	(46)	(267)	(378)
Ineffective portion of foreign exchange derivatives related to net investments denominated in foreign currency	(8)	(6)	(2)
Ineffective portion of other foreign exchange derivatives	(70)	(57)	(57)
Ineffective portion of foreign exchange derivatives	**(124)**	**(330)**	**(437)**

In 2017, 2016 and 2015, the net gain/(loss) related to available for sale financial assets and other financial instruments was mainly due to capital gains arising on the sale of available for sale financial assets.

27. INCOME TAXES

(EUR millions)	2017	2016	2015
Current income taxes for the fiscal year	(2,876)	(2,653)	(2,245)
Current income taxes relating to previous fiscal years	474	(16)	32
Current income taxes	**(2,402)**	**(2,669)**	**(2,213)**
Change in deferred income taxes	34	278	137
Impact of changes in tax rates on deferred income taxes	50	282	107
Deferred income taxes	**84**	**560**	**244**
Total tax expense per income statement	**(2,318)**	**(2,109)**	**(1,969)**
Tax on items recognized in equity	**(124)**	**115**	**121**

In October 2017, the French Constitutional Court declared invalid the French system for taxing dividends, introduced in 2012, which required French companies to pay a tax in an amount equivalent to 3% of dividends paid. In order to finance the corresponding reimbursement, an exceptional surtax was introduced, which raised the income tax payable by French companies in respect of fiscal year 2017 by 15% or 30%, depending on the revenue threshold reached. The reimbursement received including interest on arrears and net of the exceptional surtax, represents income in the amount of 228 million euros.

In 2017, the impact of changes in tax rates on deferred income taxes mainly involved two opposing trends. First, the 2018 Budget Act in France continued the gradual reduction of the corporate tax rate initiated by the 2017 Budget Act, lowering the tax rate to 25.83% from 2022; long-term deferred taxes of the Group's French entities, mainly relating to acquired brands, were thus revalued based on the rate applicable from 2022. Moreover, the tax reform signed into law in the United States lowered the overall corporate income tax rate from 40% to 27% beginning in fiscal year 2018; deferred taxes of entities that are taxable in the United States were thus revalued.

In 2016, the impact of changes in tax rates on deferred taxes essentially resulted from the reduction in the tax rate in France passed in the 2017 Budget Act, which brings the tax rate to 28.92% starting in 2020. As a result, long-term deferred taxes – essentially related to acquired brands – were revalued based on the rate applicable as of 2020.

In 2015, this impact resulted from the reduction in the tax rate in Italy starting in 2017, which was applied to deferred taxes, mainly deferred taxes related to acquired brands.

The effective tax rate is as follows:

(EUR millions)	2017	2016	2015
Profit before tax	7,934	6,472	5,970
Total income tax expense	(2,318)	(2,109)	(1,969)
Effective tax rate	**29.2%**	**32.6%**	**33.0%**

28. EARNINGS PER SHARE

	2017	2016	2015
Net profit, Group share *(EUR millions)*	**5,129**	**3,981**	**3,573**
Average number of shares in circulation during the fiscal year	507,172,381	507,210,806	507,543,064
Average number of treasury shares owned during the fiscal year	(4,759,687)	(4,299,681)	(5,147,573)
Average number of shares on which the calculation before dilution is based	**502,412,694**	**502,911,125**	**502,395,491**
Basic earnings per share *(EUR)*	**10.21**	**7.92**	**7.11**
Average number of shares in circulation on which the above calculation is based	502,412,694	502,911,125	502,395,491
Dilution effect of stock option and bonus share plans	1,597,597	1,729,334	2,499,455
Other dilution effects	-	-	-
Average number of shares on which the calculation after dilution is based	**504,010,291**	**504,640,459**	**504,894,946**
Diluted earnings per share *(EUR)*	**10.18**	**7.89**	**7.08**

As of December 31, 2017, all of the instruments in circulation that may dilute earnings per share have been taken into consideration when determining the impact of dilution, given that all of the outstanding subscription options are considered to be available to be exercised at that date, since the LVMH share price is higher than the exercise price of these options.

No events occurred between December 31, 2017 and the date at which the financial statements were approved for publication that would have significantly affected the number of shares outstanding or the potential number of shares.

29. PROVISIONS FOR PENSIONS, CONTRIBUTION TO MEDICAL COSTS AND OTHER EMPLOYEE BENEFIT COMMITMENTS

The expense recognized in the fiscal years presented for provisions for pensions, contribution to medical costs and other employee benefit commitments is as follows:

(EUR millions)	2017	2016	2015
Service cost	110	100	98
Net interest cost	12	13	15
Actuarial gains and losses	-	1	3
Changes in plans	(10)	-	(20)
Total expense for the period for defined-benefit plans	**112**	**114**	**96**

30. OFF-BALANCE SHEET COMMITMENTS

30.1. Purchase commitments

(EUR millions)	2017	2016	2015
Grapes, wines and *eaux-de-vie*	1,925	1,962	2,043
Other purchase commitments for raw materials	123	87	94
Industrial and commercial fixed assets	525	613	808
Investments in joint venture shares and non-current available for sale financial assets	205	953	132

Some Wines and Spirits companies have contractual purchase arrangements with various local producers for the future supply of grapes, still wines and *eaux-de-vie*. These commitments are valued, depending on the nature of the purchases, on the basis of the contractual terms or known fiscal year-end prices and estimated production yields.

As of December 31, 2017, the maturity schedule of these commitments is as follows:

(EUR millions)	Less than one year	One to five years	More than five years	Total
Grapes, wines and *eaux-de-vie*	660	1,226	39	1,925
Other purchase commitments for raw materials	94	28	1	123
Industrial and commercial fixed assets	441	84	-	525
Investments in joint venture shares and non-current available for sale financial assets	46	159	-	205

30.2. Lease and similar commitments

In connection with its business activities, the Group enters into agreements for the rental of premises or airport concession contracts. The Group also finances a portion of its equipment through long-term operating leases.

The fixed or minimum portions of commitments in respect of the irrevocable period of operating lease or concession contracts were as follows as of December 31, 2017:

(EUR millions)	2017	2016	2015
Less than one year	2,172	2,024	1,860
One to five years	5,595	4,965	4,599
More than five years	3,677	3,107	3,021
Commitments given for operating leases and concessions	**11,444**	**10,096**	**9,480**
Less than one year	15	14	18
One to five years	35	17	14
More than five years	13	6	2
Commitments received for sub-leases	**63**	**37**	**34**

In 2017, commitments given for operating leases and concessions increased by 1.3 billion euros. This increase was mainly attributable, in the amount of 1 billion euros, to the integration of Christian Dior Couture which has a network of 198 stores, in addition to the renewal and conclusion of new contracts by DFS for a total amount of 0.8 billion euros; conversely, the net impact of exchange rate fluctuations reduced the amount of these commitments by 0.9 billion euros as of the fiscal year-end.

In addition, the Group may enter into operating leases or concession contracts that have variable guaranteed amounts. For example, the concession agreement obtained by DFS at Hong Kong International Airport in June 2012 provides for the payment of a variable concession fee, which depends in particular on the number of passengers using the airport. In 2017, the last year of this contract, this fee was approximately 430 million euros.

30.3. Collateral and other guarantees

As of December 31, 2017, these commitments break down as follows:

(EUR millions)	2017	2016	2015
Securities and deposits	379	400	455
Other guarantees	274	132	136
Guarantees given	**653**	**532**	**591**
Guarantees received	**40**	**34**	**28**

The maturity dates of these commitments are as follows:

(EUR millions)	Less than one year	One to five years	More than five years	Total
Securities and deposits	247	120	12	379
Other guarantees	52	85	137	274
Guarantees given	**299**	**205**	**149**	**653**
Guarantees received	**13**	**18**	**9**	**40**

30.4. Other commitments

The Group is not aware of any significant off-balance sheet commitments other than those described above.

31. EXCEPTIONAL EVENTS AND LITIGATION

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

In September 2017, hurricanes Harvey, Irma and Maria battered the Caribbean and the southern United States, causing major damage to two of the Group's hotels in St. Barthélemy and affecting, to a lesser extent, the stores in the areas where the storms made landfall. As the losses incurred, in terms of both physical damage and the interruption of business, were covered in large part by the Group's insurance policies, the impact of these events on the consolidated financial statements for the fiscal year ended December 31, 2017 was not material.

At the end of October 2017, following the discovery of production batches not meeting its quality standards, Benefit ordered a worldwide recall of one of its lines and launched a communications campaign. As a significant portion of the costs related to this event were covered by the Group's civil liability insurance policy, the remaining financial impact on the financial statements for the fiscal year ended December 31, 2017 was not material. An investigation is underway at the company's subcontractors to identify responsibility.

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

32. RELATED PARTIES

The LVMH group is consolidated in the accounts of Christian Dior SE, a public company listed on the Eurolist by Euronext Paris and controlled by Groupe Arnault SE via its subsidiary Financière Agache SA.

In the first half of 2017, LVMH and Christian Dior Couture maintained the usual relations between their two groups; no unusual transactions occurred during this period and the total value of transactions concluded during the first half of 2017 was not significant.

On July 3, 2017, LVMH acquired the entire Christian Dior Couture business segment for consideration of 6 billion euros (see Note 2). This purchase price reflects an enterprise value of 6.5 billion euros, determined using a multi-criteria approach, confirmed by independent experts, and approved by the Boards of Directors of LVMH SE and Christian Dior SE, after duly noting the opinions of their respective ad hoc committees, the valuation reports of independent experts and the work of their respective banking advisors. The acquisition contract contains the customary representations and warranties for this type of transaction. The payment was made during the course of July 2017, giving rise to the payment of financial interest in the amount of 4 million euros.

Since July 2017, following this acquisition, all relations between LVMH and Christian Dior Couture have been considered as intercompany transactions and are therefore eliminated in LVMH's consolidated financial statements. In particular, Les Ateliers Horlogers Dior SA, previously owned in equal shares by Christian Dior Couture and LVMH, is now wholly owned by LVMH and fully consolidated as part of the Fashion and Leather Goods business group. See also Note 23.

In February 2017, the entirety of the share capital of a Royal Van Lent subsidiary, the owner and operator of a vessel for business use, was sold to a subsidiary of Groupe Arnault for consideration of 54 million euros. Groupe Arnault has assumed all liabilities and commitments incurred and entered into by the company prior to the sale.

Groupe Arnault SE, which has specialist teams, provides assistance to the LVMH group, primarily in the areas of financial engineering, strategy, development, and corporate and real estate law. Groupe Arnault SE also leases office premises to the LVMH group.

Conversely, the LVMH group provides various administrative and operational services and leases real estate and movable property assets to Groupe Arnault SE and some of its subsidiaries.

33. SUBSEQUENT EVENTS

No significant subsequent events occurred between December 31, 2017 and January 25, 2018, the date at which the financial statements were approved for publication by the Board of Directors.

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