

Christian Dior

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Christian Dior shows good resilience in the first half of 2020

Paris, July 27, 2020

The Christian Dior group recorded revenue of 18.4 billion euros in the first half of 2020, down 27%. On an organic* basis, revenue declined 28% compared to the same period in 2019. The Group has proven its ability to be resilient in an economic environment severely disrupted by the serious health crisis that has led to the suspension of international travel and the closure of its stores and manufacturing sites in most countries over a period of several months. The Christian Dior group's priority has been and remains the safety of its employees and customers. The Group teams have demonstrated their strong commitment in dealing with this unprecedented situation and efforts to adapt to the current environment are actively underway in order to control costs and ensure a more selective investment policy.

In the second quarter, revenue was down 38% on an organic basis compared to the same period in 2019. Although there were encouraging signs of recovery in June across several of the Group's activities, revenue was notably down in the United States and Europe during the quarter. Asia, however, has seen a marked improvement in trends, with a strong rebound in China in particular.

Profit from recurring operations amounted to 1 669 million euros for the first half of 2020 and current operating margin stood at 9%. The profitability of Louis Vuitton, Christian Dior and Moët Hennessy remained at a high level. Group share of net profit amounted to 202 million euros.

Highlights of the first half of 2020 include:

- Good resilience, notably from the major brands, in an economic environment disrupted by the global health crisis,
- Absolute priority placed on the health and safety of our employees and customers,
- Direct support in the fight against the epidemic,
- Impact of the crisis on revenue worldwide, with however a strong recovery in the second quarter in China,
- Significant acceleration in online sales, only partially offsetting the impact on revenue of several months of store closures,
- Destocking by retailers for Perfumes & Cosmetics and Watches,
- Suspension of international travel, severely penalizing travel retail and hotel activities.

Key figures

<i>Euro millions</i>	First half 2019	First half 2020	% change
Revenue	25 082	18 393	- 27 %
Profit from recurring operations	5 291	1 669	- 68 %
Group share of net profit	1 317	202	- 85 %
Cash from operations before changes in working capital	7 394	4 417	- 40 %
Net cash from operating activities	4 268	840	- 80 %
Net Financial debt	3 435	8 319	-
Total equity	37 890	34 860	- 8 %

Revenue by business group:

<i>Euro millions</i>	First half 2019	First half 2020	% change	
			Reported	Organic*
Wines & Spirits	2 486	1 985	- 20 %	- 23 %
Fashion & Leather Goods	10 425	7 989	- 23 %	- 24 %
Perfumes & Cosmetics	3 236	2 304	- 29 %	- 29 %
Watches & Jewelry	2 135	1 319	- 38 %	- 39 %
Selective Retailing	7 098	4 844	- 32 %	- 33 %
Other activities and eliminations	(298)	(48)	-	-
Total	25 082	18 393	- 27 %	- 28 %

* With comparable structure and constant exchange rates. The currency effect for the Group was + 1% and the structural impact was almost zero.

Profit from recurring operations by business group:

<i>Euro millions</i>	First half 2019	First half 2020	% change
Wines & Spirits	772	551	- 29 %
Fashion & Leather Goods	3 248	1 769	- 46 %
Perfumes & Cosmetics	387	(30)	-
Watches & Jewelry	357	(17)	-
Selective Retailing	714	(308)	-
Other activities and eliminations	(187)	(296)	-
Total	5 291	1 669	- 68 %

Wines & Spirits: good resilience in the United States and encouraging recovery in China

The **Wines & Spirits** business group saw its organic revenue decline by 23% in the first half of 2020. Profit from recurring operations was down 29%. Despite recent improvement, the decline in volumes was noticeable in the second quarter, particularly for the Champagne business. After a start to the year supported by advance orders from distributors, the United States showed good resilience in the second quarter thanks to Hennessy cognac, which saw a strong rebound in June in this market as well as in China. The Château d'Esclans and Château du Galoupet acquisitions, made in 2019, were integrated in the first half of the year, strengthening Moët Hennessy's position in the growing market for high-end rosé wines.

Fashion & Leather Goods: remarkable resilience from Louis Vuitton and Christian Dior

The **Fashion & Leather Goods** business group recorded a 24% decline in organic revenue in the first half of 2020 in an environment marked by the closure of stores in many regions across the world. China recorded a very strong recovery in revenue in the second quarter and there has been a gradual improvement since May in Europe and the United States. The brands' strict cost management made it possible to limit the decline in profit from recurring operations to 46%. Louis Vuitton illustrated its creative force more than ever through its many new products. The Maison is strengthening its ties with its customers through several digital initiatives and maintained its profitability at an exceptional level. Christian Dior, which showed remarkable resistance, has just inaugurated a new boutique on rue Saint-Honoré in Paris. New collections were unveiled online through a portrait by a Ghanaian artist who inspired the Men's Spring-Summer 2021 collection, and a Cruise 2021 show behind closed doors in Lecce, Italy, showcasing the ancestral know-how of local artisans and artists. The other fashion brands, which have been more impacted, continue to strengthen their creativity in order to take advantage of the gradual return to normal.

Perfumes & Cosmetics: pursuing innovation and rapid growth in online sales

The **Perfumes & Cosmetics** business group recorded a 29% decline in organic revenue in the first half of 2020. Profit from recurring operations amounted to (30) million euros. The big brands showed good resistance and high reactivity in a sector marked by the decline in makeup, the reduction in retailer stock levels and by a strong increase in parallel distribution channels in which our brands did not wish to participate. Online sales are growing steadily. Parfums Christian Dior maintained strong momentum for innovation with the very promising launches of *Miss Dior Rose N'Roses* and the new edition of *Dior Homme*, as well as the success of *Capture Totale* anti-aging skincare. Guerlain continued its rapid growth in skincare, thanks to *Abeille Royale*, which is celebrating its 10th anniversary, and *Orchidée Impériale*. The emblematic lines of Parfums Givenchy have been resilient. The Fresh skincare brand is enjoying strong momentum in China.

Watches & Jewelry: rebound in China and growth of e-commerce

The **Watches & Jewelry** business group saw its organic revenue decline by 39% in the first half of 2020. Profit from recurring operations came to (17) million euros. Confronted in January with the decline of the Chinese market, then with the closure of other markets from mid-March, Bvlgari quickly took advantage of the recovery in China in the second quarter. After the launch of the *B.Zero1 Rock* collection, the Maison unveiled a new line of *Barocko* fine jewelry through an augmented reality experience. After a year of renovation, Chaumet inaugurated its historic address on Place Vendôme in Paris and strengthened its presence in

China. After a good start to the year, TAG Heuer and Hublot were impacted by the decline in orders from retailers. The new TAG Heuer smartwatch, which was one of the major innovations of the first half, has been a great success.

Selective Retailing: Sephora market share gains and strong impact of the suspension of international travel on DFS

In **Selective Retailing**, revenue declined 33% on an organic basis in the first half of 2020. Profit from recurring operations amounted to (308) million euros. Sephora has demonstrated good resistance during the health crisis, which led to the closure of almost all of its stores around the world for nearly two months. Sephora gained market share in its main countries, illustrating its inventiveness and the effectiveness of its omnichannel strategy. Online sales grew very strongly over the period. DFS saw a significant decline in its activity in most destinations due to the suspension of international travel. A series of cost reduction measures have been undertaken. Its digital strategy has strengthened the relationship with its customers, particularly in China.

Outlook 2020

In a very turbulent context, the Group will maintain a strategy focused on preserving the value of its brands, based on the exceptional quality of its products and the responsiveness of its teams. In the current situation, the Group will further strengthen its policy of controlling costs and being selective in its investments. The impact of the epidemic on revenue and annual results cannot be precisely assessed at this stage without knowing the timetable for the return to normal business in the different areas where the Group operates. After a second quarter severely affected by the crisis, we can hope that the recovery will materialize gradually in the second half.

Our strategy of focusing on the highest quality across all our activities, combined with the dynamism and unparalleled creativity of our teams, will enable us to reinforce Christian Dior's global leadership position in luxury goods once again in 2020.

The closing date of the planned acquisition of Tiffany & Co depends on the receipt of the final regulatory approvals.

The proposed merger between Christian Dior and its subsidiary Financière Jean Goujon has been approved, subject to customary closing conditions.

The decision to pay an interim dividend will be discussed by the Board of Directors in October and announced, as appropriate, at that time.

This financial release is available on our website www.dior-finance.com.

Limited review procedures have been carried out, the related report will be issued following the Board meeting.

ANNEX

The condensed consolidated financial statements for the first half of 2020 are included in the PDF version of the press release.

Christian Dior group – Revenue by business group and by quarter

Revenue first half 2020 (Euro millions)

2020	Wines & Spirits	Fashion & Leather Goods	Perfumes & Cosmetics	Watches & Jewelry	Selective Retailing	Other activities and eliminations	Total
First quarter	1 175	4 643	1 382	792	2 626	(22)	10 596
Second quarter	810	3 346	922	527	2 218	(26)	7 797
First half	1 985	7 989	2 304	1 319	4 844	(48)	18 393

Revenue first half 2020 (organic growth compared to the first half of 2019)

2020	Wines & Spirits	Fashion & Leather Goods	Perfumes & Cosmetics	Watches & Jewelry	Selective Retailing	Other activities and eliminations	Total
First quarter	-14%	-10%	-19%	-26%	-26%	-	-17%
Second quarter	-33%	-37%	-40%	-52%	-38%	-	-38%
First half	-23%	-24%	-29%	-39%	-33%	-	-28%

Revenue first half 2019 (Euro millions)

2019	Wines & Spirits	Fashion & Leather Goods	Perfumes & Cosmetics	Watches & Jewelry	Selective Retailing	Other activities and eliminations	Total
First quarter	1 349	5 111	1 687	1 046	3 510	(165)	12 538
Second quarter	1 137	5 314	1 549	1 089	3 588	(133)	12 544
First half	2 486	10 425	3 236	2 135	7 098	(298)	25 082

*This document is a free translation into English of the original French financial release dated July 27, 2020.
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.*

1. Consolidated income statement

<i>(EUR millions, except for earnings per share)</i>	June 30, 2020	Dec. 31, 2019	June 30, 2019
Revenue	18,393	53,670	25,082
Cost of sales	(7,002)	(18,123)	(8,447)
Gross margin	11,391	35,547	16,635
Marketing and selling expenses	(7,999)	(20,206)	(9,563)
General and administrative expenses	(1,703)	(3,877)	(1,793)
Income/(loss) from joint ventures and associates	(21)	28	12
Profit from recurring operations	1,669	11,492	5,291
Other operating income and expenses	(154)	(231)	(54)
Operating profit	1,515	11,261	5,237
Cost of net financial debt	(47)	(116)	(56)
Interest on lease liabilities	(149)	(290)	(145)
Other financial income and expenses	(268)	(170)	(13)
Net financial income/(expense)	(464)	(577)	(214)
Income taxes	(518)	(2,874)	(1,448)
Net profit before minority interests	532	7,810	3,575
Minority interests	330	4,872	2,258
Net profit, Group share	202	2,938	1,317
Basic Group share of net earnings per share (EUR)	1.12	16.29	7.31
Number of shares on which the calculation is based	180,410,580	180,318,638	180,284,470
Diluted Group share of net earnings per share (EUR)	1.12	16.27	7.29
Number of shares on which the calculation is based	180,410,580	180,318,638	180,348,502

2. Consolidated statement of comprehensive gains and losses

<i>(EUR millions)</i>	June 30, 2020	Dec. 31, 2019	June 30, 2019
Net profit before minority interests	532	7,810	3,575
Translation adjustments	(149)	298	100
Amounts transferred to income statement	-	1	1
Tax impact	4	11	4
	(144)	309	105
Change in value of hedges of future foreign currency cash flows	(39)	(16)	(12)
Amounts transferred to income statement	(7)	25	25
Tax impact	11	(3)	(3)
	(35)	6	10
Change in value of the ineffective portion of hedging instruments	(51)	(211)	(81)
Amounts transferred to income statement	119	241	109
Tax impact	(26)	(7)	(8)
	42	23	20
Gains and losses recognized in equity, transferable to income statement	(157)	338	135
Change in value of vineyard land	-	42	-
Amounts transferred to consolidated reserves	-	-	-
Tax impact	-	(11)	-
	-	31	-
Employee benefit obligations: change in value resulting from actuarial gains and losses	5	(167)	(78)
Tax impact	-	39	25
	5	(128)	(53)
Gains and losses recognized in equity, not transferable to income statement	5	(97)	(53)
Gains and losses recognized in equity	(132)	240	82
Comprehensive income	400	8,050	3,657
Minority interests	256	5,019	2,307
COMPREHENSIVE INCOME, GROUP SHARE	144	3,031	1,350

3. Consolidated balance sheet

Assets

<i>(EUR millions)</i>	June 30, 2020	Dec. 31, 2019	June 30, 2019
Brands and other intangible assets	16,319	16,335	16,015
Goodwill	11,952	14,500	14,872
Property, plant and equipment	17,891	17,878	15,574
Right-of-use assets	13,229	12,409	12,138
Investments in joint ventures and associates	1,053	1,074	715
Non-current available for sale financial assets	789	915	910
Other non-current assets	934	1,546	1,454
Deferred tax	2,332	2,274	2,077
Non-current assets	64,499	66,932	63,755
Inventories and work in progress	14,078	13,717	13,561
Trade accounts receivable	2,378	3,450	3,004
Income taxes	1,042	406	334
Other current assets	4,161	3,264	4,708
Cash and cash equivalents	14,793	6,062	8,116
Current assets	36,452	26,898	29,723
TOTAL ASSETS	100,951	93,830	93,478

Liabilities and equity

<i>(EUR millions)</i>	June 30, 2020	Dec. 31, 2019	June 30, 2019
Equity, Group share	10,555	10,880	14,883
Minority interests	24,306	24,837	23,007
Equity	34,860	35,717	37,890
Long-term borrowings	14,932	5,450	5,938
Non-current lease liabilities	11,159	10,373	10,139
Non-current provisions and other liabilities	3,252	3,811	3,729
Deferred tax	5,049	5,094	4,719
Purchase commitments for minority interests' shares	8,198	10,735	9,989
Non-current liabilities	42,589	35,462	34,514
Short-term borrowings	9,021	7,627	7,908
Current lease liabilities	2,337	2,172	2,029
Trade accounts payable	4,201	5,814	5,163
Income taxes	566	729	808
Current provisions and other liabilities	7,377	6,308	5,166
Current liabilities	23,502	22,651	21,074
TOTAL LIABILITIES AND EQUITY	100,951	93,830	93,478

4. Consolidated statement of changes in equity

<i>(EUR millions)</i>	Number of shares	Share capital	Share premium account	Christian Dior Treasury shares	Cumulative translation adjustment	Revaluation reserves				Total equity		
						Hedges of future foreign currency cash flows and cost of hedging	Vineyard land	Employee benefit commitments	Net profit and other reserves	Group share	Minority interests	Total
As of January 1, 2019^(a)	180,507,516	361	194	(34)	243	(53)	462	(35)	13,090	14,228	22,115	36,343
Gains and losses recognized in equity					119	10	10	(46)	-	93	147	240
Net profit					-	-	-	-	2,938	2,938	4,872	7,810
Comprehensive income					119	10	10	(46)	2,938	3,031	5,019	8,050
Expenses related to bonus share and similar plans									34	34	42	76
(Acquisition)/disposal of Christian Dior treasury shares				17					(12)	6	-	6
Capital increase in subsidiaries									-	-	95	95
Interim and final dividends paid									(6,386)	(6,386)	(2,263)	(8,649)
Changes in control of consolidated entities									1	1	26	27
(Acquisition)/disposal of minority interests' shares					-	-	(1)	-	(30)	(30)	9	(21)
Purchase commitments for minority interests' shares					-	-	-	-	(2)	(2)	(206)	(208)
As of December 31, 2019	180,507,516	361	194	(17)	362	(43)	471	(81)	9,632	10,880	24,837	35,717
Gains and losses recognized in equity					(61)	2	-	1	-	(58)	(74)	(132)
Net profit					-	-	-	-	202	202	330	532
Comprehensive income					(61)	2	-	1	202	144	256	400
Expenses related to bonus share and similar plans				-	-	-	-	-	16	16	22	38
(Acquisition)/disposal of Christian Dior treasury shares				-					-	-	-	-
Capital increase in subsidiaries					-				-	-	28	28
Interim and final dividends paid									(469)	(469)	(784)	(1,253)
Changes in control of consolidated entities					-				-	-	(2)	(2)
Acquisition and disposal of minority interests' shares					-	-	1	-	(77)	(77)	(31)	(107)
Purchase commitments for minority interests' shares					-	-	-	-	61	61	(22)	39
AS OF JUNE 30, 2020	180,507,516	361	194	(17)	301	(41)	472	(79)	9,365	10,555	24,306	34,860

<i>(EUR millions)</i>	Number of shares	Share capital	Share premium account	Christian Dior Treasury shares	Cumulative translation adjustment	Revaluation reserves				Total equity		
						Hedges of future foreign currency cash flows and cost of hedging	Vineyard land	Employee benefit commitments	Net profit and other reserves	Group share	Minority interests	Total
As of January 1, 2019^(a)	180,507,516	361	194	(34)	243	(53)	462	(35)	13,090	14,228	22,115	36,343
Gains and losses recognized in equity					42	11	-	(20)	-	33	49	82
Net profit					-	-	-	-	1,317	1,317	2,258	3,575
Comprehensive income					42	11	-	(20)	1,317	1,350	2,307	3,657
Expenses related to bonus share and similar plans									16	16	20	36
(Acquisition)/disposal of Christian Dior treasury shares				7					(1)	6	-	6
Capital increase in subsidiaries									-	-	49	49
Interim and final dividends paid									(721)	(721)	(1,540)	(2,261)
Changes in control of consolidated entities									2	2	4	6
Acquisition and disposal of minority interests' shares						(1)	(1)	2	(2)	(2)	31	29
Purchase commitments for minority interests' shares									4	4	21	25
AS OF JUNE 30, 2019	180,507,516	361	194	(27)	285	(43)	461	(53)	13,705	14,883	23,007	37,890

(a) After the application of IFRS 16.

5. Consolidated cash flow statement

<i>(EUR millions)</i>	June 30, 2020	Dec. 31, 2019	June 30, 2019
I – OPERATING ACTIVITIES			
Operating profit	1,515	11,261	5,237
(Income)/loss and dividends received from joint ventures and associates	25	(10)	(9)
Net increase in depreciation, amortization and provisions	1,635	2,700	1,192
Depreciation of right-of-use assets	1,294	2,408	1,171
Other adjustments and computed expenses	(52)	(266)	(197)
Cash from operations before changes in working capital	4,417	16,092	7,594
Cost of net financial debt: interest paid	(45)	(137)	(47)
Lease liabilities: interest paid	(142)	(239)	(109)
Tax paid	(1,383)	(2,845)	(1,095)
Change in working capital	(2,008)	(1,154)	(1,875)
Net cash from operating activities	840	11,718	4,268
II – INVESTING ACTIVITIES			
Operating investments	(1,414)	(3,294)	(1,423)
Purchase and proceeds from sale of consolidated investments	(45)	(2,478)	(1,885)
Dividends received	1	8	1
Tax paid related to non-current available for sale financial assets and consolidated investments	-	(1)	-
Purchase and proceeds from sale of non-current available for sale financial assets	(33)	(104)	(81)
Net cash from (used in) investing activities	(1,491)	(5,869)	(3,588)
III – FINANCING ACTIVITIES			
Interim and final dividends paid	(64)	(8,796)	(2,315)
Purchase and proceeds from sale of minority interests	(133)	(48)	28
Other equity-related transactions	14	88	51
Proceeds from borrowings	13,633	2,837	2,988
Repayment of borrowings	(2,712)	(2,310)	(1,456)
Repayment of lease liabilities	(1,157)	(2,187)	(1,071)
Purchase and proceeds from sale of current available for sale financial assets	(188)	2,060	492
Net cash from (used in) financing activities	9,393	(8,358)	(1,283)
IV – EFFECT OF EXCHANGE RATE CHANGES	31	39	15
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV)	8,773	(2,469)	(388)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5,886	8,355	8,355
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14,659	5,886	7,967
TOTAL TAX PAID	(1,441)	(2,997)	(1,174)

Alternative performance measure

The following table presents the reconciliation between “Net cash from operating activities” and “Operating free cash flow” for the periods presented:

<i>(EUR millions)</i>	June 30, 2020	Dec. 31, 2019	June 30, 2019
Net cash from operating activities	840	11,718	4,268
Operating investments	(1,414)	(3,294)	(1,423)
Repayment of lease liabilities	(1,157)	(2,187)	(1,071)
OPERATING FREE CASH FLOW^(a)	(1,732)	6,237	1,774

(a) Under IFRS 16, fixed lease payments are treated partly as interest payments and partly as principal repayments. For its own operational management purposes, the Group treats all lease payments as components of its “Operating free cash flow”, whether the lease payments made are fixed or variable. In addition, for its own operational management purposes, the Group treats operating investments as components of its “Operating free cash flow”.