LVMH

MOËT HENNESSY . LOUIS VUITTON

TRANSLATION OF THE FRENCH
DOCUMENT DE REFERENCE

FISCAL YEAR ENDED
DECEMBER 31, 2009

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# HISTORY

Although the history of the LVMH Group began in 1987 with the merger of Moët Hennessy and Louis Vuitton, the roots of the Group actually stretch back much further, to eighteenth-century Champagne, when a man named Claude Moët decided to build on the work of Dom Pérignon, a contemporary of Louis XIV; and to nineteenth-century Paris, famous for its imperial celebrations, where Louis Vuitton, a craftsman trunk-maker, invented modern luggage. Today, the LVMH Group is the world's leading luxury goods company, the result of successive alliances among companies that, from generation to generation, have successfully combined traditions of excellence and creative passion with a cosmopolitan flair and a spirit of conquest. These companies now form a powerful, global group in which the historic companies share their expertise with the newer brands, and continue to cultivate the art of growing while transcending time, without losing their soul or their image of distinction.

### From the 16th century to the present:

| | | |
|---|---|---|
| **16th century** | 1573 | Wen Jun |
| | 1593 | Château d'Yquem |
| **18th century** | 1729 | Ruinart |
| | 1743 | Moët & Chandon |
| | 1765 | Hennessy |
| | 1772 | Veuve Clicquot |
| | 1780 | Chaumet |
| **19th century** | 1815 | Ardbeg |
| | 1828 | Guerlain |
| | 1832 | Château Cheval Blanc |
| | 1843 | Krug |
| | 1846 | Loewe |
| | 1849 | Royal Van Lent |
| | 1852 | Le Bon Marché |
| | 1854 | Louis Vuitton |
| | 1858 | Mercier |
| | 1860 | TAG Heuer |
| | 1865 | Zenith |
| | 1870 | La Samaritaine |
| | 1891 | Montaudon |
| | 1893 | Glenmorangie |
| | 1895 | Berluti |
| **20th century** | 1908 | Les Echos |
| | 1916 | Acqua di Parma |
| | 1925 | Fendi |
| | 1936 | Dom Pérignon |
| | | Fred |
| | 1942 | Rossimoda |
| | 1945 | Céline |
| | 1947 | Parfums Christian Dior |
| | | Emilio Pucci |
| | 1952 | Givenchy |
| | 1957 | Parfums Givenchy |
| | 1960 | DFS |
| | | Domaine Chandon |
| | 1963 | Miami Cruiseline |
| | 1969 | Sephora |
| | 1970 | Kenzo |
| | 1976 | Cape Mentelle |
| | | Benefit Cosmetics |
| | 1977 | Newton |
| | 1980 | Hublot |
| | 1984 | Thomas Pink |
| | | Marc Jacobs |
| | | Donna Karan |
| | | Make Up For Ever |
| | 1985 | Cloudy Bay |
| | 1988 | Parfums Kenzo |
| | 1991 | Fresh |
| | | StefanoBi |
| | 1993 | Chopin |
| | 1996 | Belvedere |
| | 1998 | Numanthia Termes |
| | 1999 | Terrazas de los Andes |
| **21st century** | 2001 | De Beers Diamond Jewellers |
| | 2003 | Cheval des Andes |
| | 2005 | 10 Cane |

# FINANCIAL HIGHLIGHTS

## Key consolidated data

| *(EUR millions and percentage)* | **2009** | 2008 | 2007 |
|---|---|---|---|
| Revenue | 17,053 | 17,193 | 16,481 |
| Profit from recurring operations | 3,352 | 3,628 | 3,555 |
| Net profit | 1,973 | 2,318 | 2,331 |
| Net profit, Group share | 1,755 | 2,026 | 2,025 |
| Cash from operations before changes in working capital (1) | 3,928 | 4,096 | 4,039 |
| Operating investments | 748 | 1,039 | 990 |
| Total equity | 14,785 | 13,793 (2) | 12,434 (2) |
| Net financial debt (3) | 2,994 | 3,869 | 3,094 |
| Net financial debt/Total equity ratio | 20% | 28% | 25% |

*(1) Before tax and interest paid.*
*(2) Restated to reflect the retrospective application as of January 1, 2007 of IAS 38 Intangible assets as amended. See Note 1.2 of the notes to the consolidated financial statements.*
*(3) Net financial debt does not take into consideration purchase commitments for minority interests included in Other non-current liabilities. See Note 17.1 of the notes to the consolidated financial statements for definition of net financial debt.*

## Data per share

| *(EUR)* | **2009** | 2008 | 2007 |
|---|---|---|---|
| **Earnings per share** | | | |
| Basic Group share of net profit | 3.71 | 4.28 | 4.27 |
| Diluted Group share of net profit | 3.70 | 4.26 | 4.22 |
| **Dividend per share** | | | |
| Interim | 0.35 | 0.35 | 0.35 |
| Final | 1.30 | 1.25 | 1.25 |
| Gross amount paid for fiscal year (4) (5) | 1.65 | 1.60 | 1.60 |

*(4) Excludes the impact of tax regulations applicable to the beneficiary.*
*(5) For fiscal year 2009, amount proposed at the Ordinary Shareholders' Meeting of April 15, 2010.*

## Information by business group

| *(EUR millions)* | **2009** | 2008 | 2007 (6) |
|---|---|---|---|
| **Revenue by business group** | | | |
| Wines and Spirits | 2,740 | 3,126 | 3,226 |
| Fashion and Leather Goods | 6,302 | 6,010 | 5,628 |
| Perfumes and Cosmetics | 2,741 | 2,868 | 2,731 |
| Watches and Jewelry | 764 | 879 | 833 |
| Selective Retailing | 4,533 | 4,376 | 4,164 |
| Other activities and eliminations | (27) | (66) | (101) |
| **Total** | **17,053** | **17,193** | **16,481** |
| **Profit from recurring operations by business group** | | | |
| Wines and Spirits | 760 | 1,060 | 1,058 |
| Fashion and Leather Goods | 1,986 | 1,927 | 1,829 |
| Perfumes and Cosmetics | 291 | 290 | 256 |
| Watches and Jewelry | 63 | 118 | 141 |
| Selective Retailing | 388 | 388 | 426 |
| Other activities and eliminations | (136) | (155) | (155) |
| **Total** | **3,352** | **3,628** | **3,555** |

*(6) Restated after reclassifying La Samaritaine from Selective Retailing to Other activities.*

## Information by geographic region

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| **Revenue by geographic region of delivery** *(%)* | | | |
| France | 14 | 14 | 14 |
| Europe (excluding France) | 21 | 24 | 23 |
| United States | 23 | 23 | 25 |
| Japan | 10 | 10 | 11 |
| Asia (excluding Japan) | 23 | 20 | 19 |
| Other markets | 9 | 9 | 8 |
| **Total** | **100** | **100** | **100** |
| **Revenue by invoicing currency** *(%)* | | | |
| Euro | 30 | 32 | 31 |
| US dollar | 27 | 28 | 30 |
| Yen | 10 | 10 | 11 |
| Hong Kong dollar | 5 | 4 | 4 |
| Other currencies | 28 | 26 | 24 |
| **Total** | **100** | **100** | **100** |
| **Number of stores** | | | |
| France | 353 | 331 | 306 |
| Europe (excluding France) | 620 | 596 | 523 |
| United States | 531 | 531 | 463 |
| Japan | 307 | 256 | 253 |
| Asia (excluding Japan) | 470 | 485 | 409 |
| Other markets | 142 | 115 | 94 |
| **Total** | **2,423** | **2,314** | **2,048** |

# EXECUTIVE AND SUPERVISORY BODIES; STATUTORY AUDITORS

## BOARD OF DIRECTORS

**Members as of December 31, 2009**

Bernard Arnault
*Chairman and Chief Executive Officer*

Antoine Bernheim [(1)]
*Vice-Chairman*

Pierre Godé
*Vice-Chairman*

Antonio Belloni
*Group Managing Director*

Antoine Arnault

Delphine Arnault

Jean Arnault

Nicolas Bazire

Nicholas Clive Worms [(1)]

Charles de Croisset [(1)]

Diego Della Valle [(1)]

Albert Frère

Gilles Hennessy

Patrick Houël

Lord Powell of Bayswater

Felix G. Rohatyn

Yves-Thibault de Silguy [(1)]

Hubert Védrine [(1)]

**Nomination proposed at the Shareholders' Meeting of April 15, 2010**

Hélène Carrère d'Encausse [(1)]

### Advisory Board member

Kilian Hennessy [(1)]

## PERFORMANCE AUDIT COMMITTEE

Antoine Bernheim [(1)]
*Chairman*

Nicholas Clive Worms [(1)]

Gilles Hennessy

## NOMINATIONS AND COMPENSATION COMMITTEE

Antoine Bernheim [(1)]
*Chairman*

Charles de Croisset [(1)]

Albert Frère

(1) Independent Director.

## EXECUTIVE COMMITTEE

Bernard Arnault
*Chairman and Chief Executive Officer*

Antonio Belloni
*Group Managing Director*

Pierre Godé
*Vice-Chairman*

Nicolas Bazire
*Development and Acquisitions*

Ed Brennan
*Travel retail*

Yves Carcelle
*Fashion and Leather Goods*

Chantal Gaemperle
*Human Resources*

Jean-Jacques Guiony
*Finance*

Christophe Navarre
*Wines and Spirits*

Patrick Ouart
*Advisor to the Chairman*

Philippe Pascal
*Watches and Jewelry*

Daniel Piette
*Investment Funds*

Pierre-Yves Roussel
*Fashion*

Mark Weber
*Donna Karan, LVMH Inc.*

## GENERAL SECRETARY

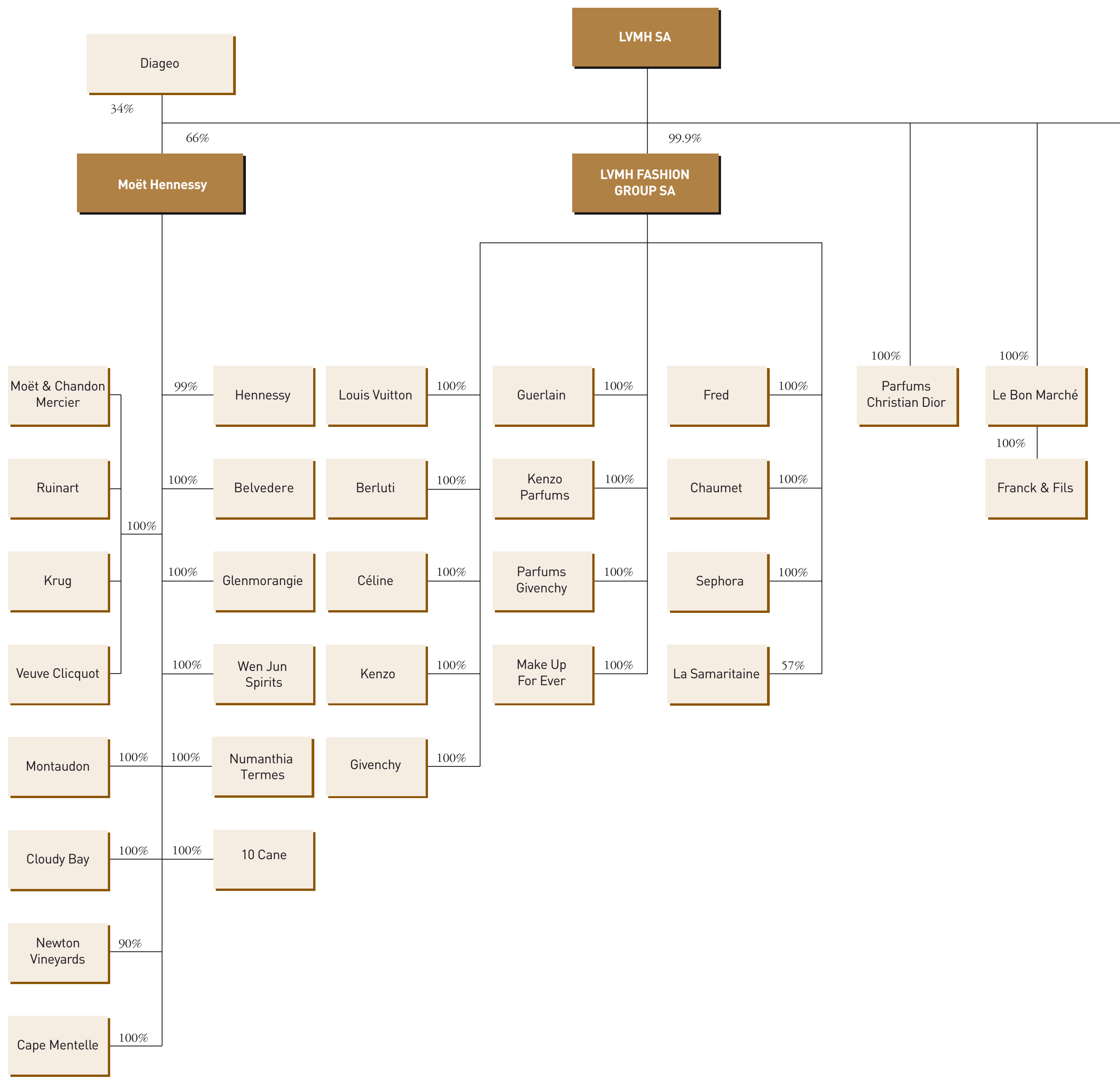
Marc-Antoine Jamet

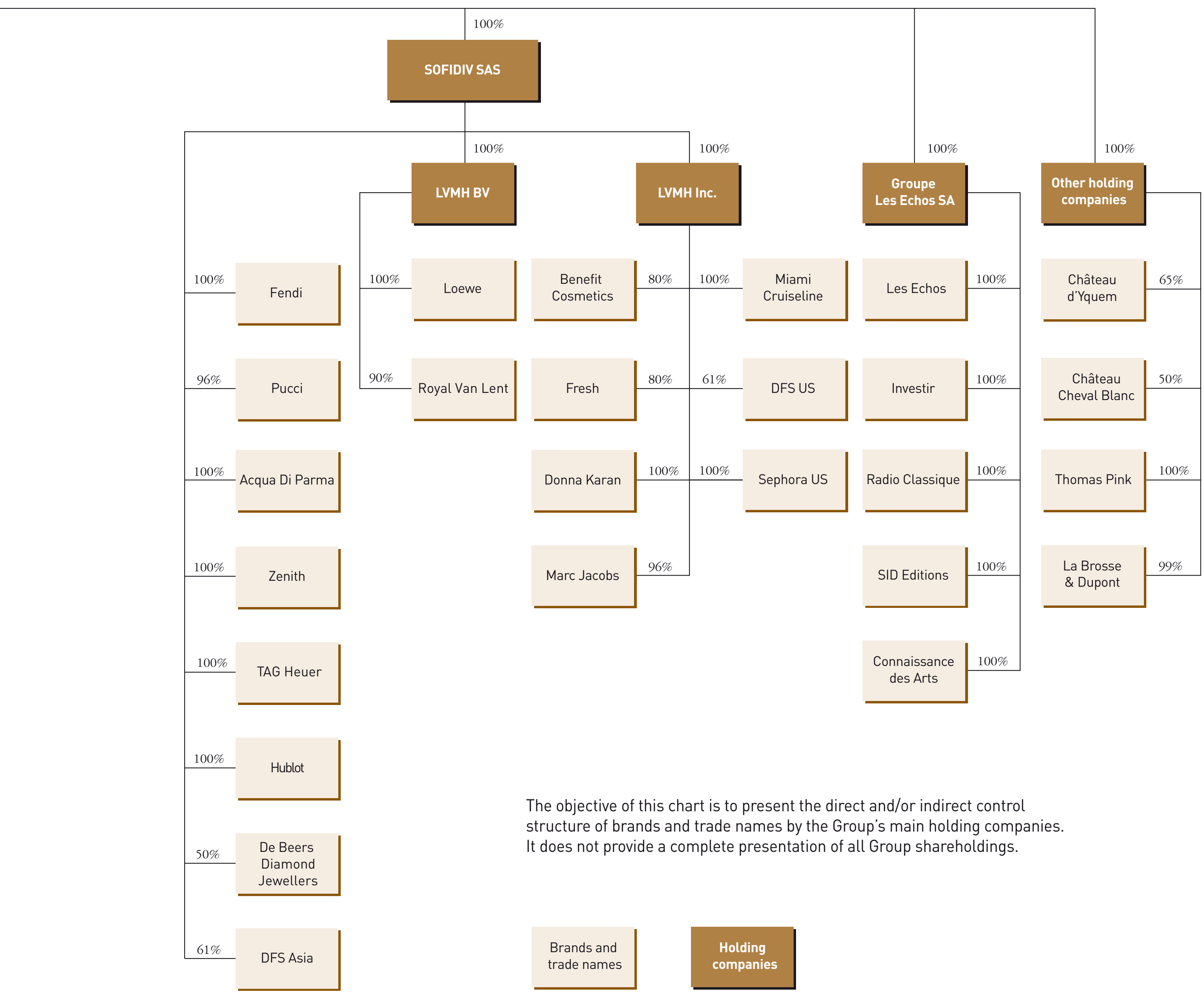
## STATUTORY AUDITORS

DELOITTE & ASSOCIES
represented by Alain Pons

ERNST & YOUNG Audit
represented by Jeanne Boillet and Olivier Breillot

# SIMPLIFIED ORGANIZATIONAL CHART OF THE GROUP AS OF JANUARY 31, 2010






The objective of this chart is to present the direct and/or indirect control structure of brands and trade names by the Group's main holding companies. It does not provide a complete presentation of all Group shareholdings.

# LVMH GROUP

## BUSINESS DESCRIPTION

# BUSINESS DESCRIPTION

## 1. WINES AND SPIRITS

The activities of LVMH in the Wines and Spirits sector are divided between two branches: the Champagne and Wines branch and the Cognac and Spirits branch. The Group's strategy is focused on the high-end segments of the global wine and spirits market.

In 2009, revenue for the Wines and Spirits business group amounted to 2,740 million euros, or 16% of LVMH Group's total revenue.

### 1.1 Champagne and Wines

In 2009, revenue for the Champagne and Wines activities was 1,383 million euros (83% of which was attributable to champagne), representing 50% of the total revenue of the LVMH Wines and Spirits business group.

#### 1.1.1 The champagne and wine brands

LVMH produces and sells a very broad range of high quality Champagne wines. In addition to Champagne, the Group develops and distributes a range of high-end still and sparkling wines from well-known wine regions: France, Spain, California, Argentina, Brazil, Australia and New Zealand. The wines developed by Moët Hennessy are held within the Estates & Wines entity.

LVMH represents the leading portfolio of Champagne brands, which hold complementary market positions. **Dom Pérignon** is a prestigious vintage produced by Moët & Chandon since 1936. **Moët & Chandon** (founded in 1743), the leading wine grower and exporter of Champagne, and **Veuve Clicquot Ponsardin** (founded in 1772), which ranks second in the industry, are two quality internationally-known brands. **Mercier** (founded in 1858) is a brand designed for the French market. **Ruinart** (the oldest of the Champagne Houses, founded in 1729) has a development strategy that is carefully targeted on a number of priority markets, which are currently mainly in Europe. **Krug** (founded in 1843 and acquired by LVMH in January 1999) is a world famous brand, specializing exclusively in high-end vintages. In December 2008, LVMH announced the acquisition of the **Montaudon** Champagne House, established in 1891, an operation which notably enables the Group to bolster its supply sources.

The **Chandon** brand (created in 1960 in Argentina) includes the Moët Hennessy wines developed in California, Argentina, Brazil and Australia by Chandon Estates.

The Group also owns a number of prestigious wines from the New World: **Cape Mentelle** and **Green Point** in Australia, **Cloudy Bay** in New Zealand, and **Newton** in California.

**Château d'Yquem**, which joined LVMH in 1999, is the most prestigious of the Sauternes. It owes its excellent international reputation to its 110 hectare vineyard located on a mosaic of exceptional soils and to the extreme care taken in its preparation throughout the year.

In 2008, LVMH acquired the Spanish wine company **Numanthia Termes**, founded in 1998 and located at the heart of the Toro region.

In 2009, LVMH proceeded with the acquisition of a 50% stake in the prestigious winery **Château Cheval Blanc**, Premier Grand Cru classé "A" Saint-Emilion. Château Cheval Blanc owns a 37 hectare domain within the Saint-Emilion appellation. The strictest respect for the purest traditions of winemaking characterizing the Bordeaux grand crus, a terroir of superior quality, and an atypical blend of grape varietals give its wines their exceptional balance and unique personality. This acquisition was consolidated for the first time on a proportional basis with effect from August 2009.

#### 1.1.2 Competitive position

In 2009, shipments of LVMH Champagne brands decreased in volume by 24% while shipments from the Champagne region were down 9%. Thus, the market share of the LVMH brands was 15.8% of the total shipments from the region, compared to 18.9% in 2008 (source: CIVC).

The breakdown of Champagne shipments by region is as follows:

| *(million bottles and percentage)* | 2009 | | | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Volumes | | Market share (%) | Volumes | | Market share (%) | Volumes | | Market share (%) |
| | Region | LVMH | | Region | LVMH | | Region | LVMH | |
| France | 181.0 | 11.1 | 6.1 | 181.2 | 10.1 | 5.6 | 188.0 | 11.0 | 5.8 |
| Export | 112.4 | 35.4 | 31.5 | 141.2 | 51.0 | 36.1 | 150.8 | 52.4 | 34.7 |
| **Total** | **293.4** | **46.5** | **15.8** | **322.4** | **61.1** | **18.9** | **338.8** | **63.4** | **18.7** |

*(Source: Comité Interprofessionnel des Vins de Champagne – CIVC)*

The geographic breakdown of LVMH champagne sales in 2009 is as follows (as a percentage of total sales expressed in number of bottles):

| (percentage) | 2009 | 2008 | 2007 |
|---|---|---|---|
| Germany | 5 | 5 | 5 |
| United Kingdom | 11 | 12 | 12 |
| United States | 17 | 17 | 20 |
| Italy | 6 | 8 | 7 |
| Switzerland | 2 | 2 | 2 |
| Japan | 6 | 7 | 8 |
| Other export | 30 | 32 | 29 |
| Total export | 77 | 83 | 83 |
| France | 23 | 17 | 17 |
| **Total** | **100** | **100** | **100** |

### 1.1.3 The champagne production method

The name Champagne covers a defined area classified A.O.C. (appellation d'origine contrôlée), which covers the 34,000 hectares that can be legally used for production. Only three types of grape varietals are authorized for the production of champagne: chardonnay, pinot noir and pinot meunier. The preparation method used for wines produced outside the Champagne region, but using the winemaking techniques used for champagne, is called the "champenoise method."

In addition to its effervescence, the primary characteristic of champagne is that it is the result of blending wines from different years and/or different varieties and harvests. The best brands are distinguished by their masterful blend and constant quality which is achieved thanks to the talent of their wine experts.

Weather conditions significantly influence the grape harvest from one year to the next. The production of champagne also requires aging in cellars for two years or more for the "premium" vintages, which are the vintages sold at more than 110% of the average sale price. To protect themselves against crop variations and manage fluctuations in demand, but also to ensure constant quality over the years, the LVMH Champagne Houses have adjusted the quantities available for sale and keep reserve wines in stock. Since a lower harvest can impact sales for two or three years, or more, LVMH constantly maintains significant champagne inventories in its cellars. As of December 31, 2009 these inventories represented approximately 265 million bottles, the equivalent of 4.6 years of sales; in addition, there are also 10 million equivalent bottles of quality reserve held from sale.

### 1.1.4 Grape supply sources and subcontracting

The Group owns 1,675 hectares of champagne under production, which provide a little more than one-fourth of its annual needs. In addition, the Group companies purchase grapes and wines from wine growers and cooperatives on the basis of multi-year agreements; the largest supplier of grapes and wines represents less than 15% of total supplies for the Group's brands. Until 1996, a theoretical price was published by the industry; to this were added specific premiums negotiated individually between wine growers and merchants. After the first four-year agreement signed in 1996, another industry agreement was signed between the Companies and the wine growers of Champagne in the spring of 2000 covering the four harvests from 2000 through 2003, which confirmed the desire to limit upward or downward fluctuations in grape prices. A new industry agreement was signed in the spring of 2004 by the Companies and the wine growers of Champagne covering the five harvests from 2004 to 2009. This agreement sets new rules in order to ensure greater security for payment to wine growers and to achieve better control of price speculation.

For about ten years, wine growers and merchants have established a qualitative reserve that will allow them to cope with variable harvests. The surplus inventories stockpiled this way can be sold in years with a poor harvest. These wines stockpiled in the qualitative reserve provide a certain security for future years with smaller harvests.

For the 2009 harvest, the Institut National des Appellations d'Origine (INAO, the French organization responsible for regulating controlled place names) set the maximum yield for the Champagne appellation at 9,700 kg/ha. This maximum yield represents the maximum harvest level that can be made into wine and sold under the Champagne appellation. In 2006, the INAO redefined the legal framework for the abovementioned stockpiled reserves. It is now possible to harvest grapes beyond the marketable yield within the limits of a ceiling called "plafond limite de classement (PLC)", the highest permitted yield-per-hectare. This ceiling is determined every year within the limits of the maximum total yield now set at 14,000 kg/ha for the 2009 harvest. This additional harvest is stockpiled in reserve, kept in vats and used to complement poorer harvests. The maximum level of this stockpiled reserve is set at 8,000 kg/ha.

The price paid for each kilogram of grapes in the 2009 harvest ranged between 4.60 euros and 5.55 euros depending on the vineyard, a 4% decrease compared to 2008.

Dry materials (bottles, corks, etc.) and all other elements representing containers or packaging are purchased from non-Group suppliers.

The Champagne Houses used subcontractors primarily for bottle handling and storing operations; these operations represented approximately 28 million euros.

## 1.2 Cognac and spirits

In 2009, revenue for the Cognac and Spirits segment totaled 1,357 million euros, or 50% of the total revenue for the Wines and Spirits business group.

### 1.2.1 Cognac and spirits brands

LVMH holds the most powerful brand in the cognac sector with **Hennessy**. The company was founded by Richard Hennessy in 1765. Historically, the leading markets for the brand were Ireland and Great Britain, but Hennessy rapidly expanded its presence in Asia, which represented nearly 30% of its shipments in 1925. The brand became the world cognac leader in 1890. Hennessy created X.O (Extra Old) in 1870 and, since then, has developed a line of high-end cognac that has made its reputation.

In 2002, LVMH acquired 40% of Millennium, a producer and distributor of high-end vodka under the brand names **Belvedere** and **Chopin**; at year-end 2004, LVMH held 70%, and the remaining 30% of the capital was acquired in 2005. Millennium was founded in 1994 to bring to the American market a luxury vodka for connoisseurs. In 1996, Belvedere and Chopin were introduced in this market. The Polmos Zyrardow distillery in Poland, which develops the luxury vodka Belvedere, was founded in 1910 and purchased by Millennium in 2001, when it was privatized. In 1999, the company decided to develop flavored vodkas. In 2007, as a result of an agreement with Belvedere Winery, Moët Hennessy acquired the brand and Belvedere domain name in the United States, thus becoming the owner of this luxury vodka brand worldwide.

Following a friendly take-over bid finalized at the end of December 2004, LVMH acquired in January 2005 99% of the share capital of Glenmorangie plc, a British company listed in London, and the remaining capital in March 2005 as the result of a delisting procedure. The Glenmorangie group holds the single malt whisky brands **Glenmorangie** and **Ardbeg**. The Glen Moray distillery, previously owned by Glenmorangie plc, was sold in 2008.

In the spring of 2005, LVMH launched a handcrafted luxury rum in the American market, under the **10 Cane** brand, which reflects the expertise of Moët Hennessy at every stage of production.

In May 2007, the Group acquired 55% of the share capital of **Wen Jun Spirits** and Wen Jun Spirits Sales, which produce and distribute baijiu (white liquor) in China. The distillery, which prepares one of the most famous and prestigious baijius in the country, has been operating without interruption since the Ming dynasty in the 16th century.

### 1.2.2 Competitive position

The volumes shipped from the Cognac region were down 14% from 2008, while the volumes of Hennessy shipped decreased by 12%. The market share for the business group was 44%, up from 43% in 2008 (source: Bureau National Interprofessionnel du Cognac – BNIC). The company is the world leader in cognac, with particularly strong positions in the United States and Asia.

The leading geographic markets for cognac, both for the industry and for LVMH, on the basis of shipments in millions of bottles, excluding bulk, are as follows:

| *(million bottles and percentages)* | 2009 | | | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Volumes | | Market share (%) | Volumes | | Market share (%) | Volumes | | Market share (%) |
| | Region | LVMH | | Region | LVMH | | Region | LVMH | |
| France | 2.8 | 0.2 | 7.8 | 3.9 | 0.3 | 6.4 | 4.7 | 0.3 | 5.4 |
| Europe (excluding France) | 32.7 | 7.3 | 22.3 | 40.6 | 9.6 | 23.5 | 42.5 | 8.5 | 20.0 |
| United States | 42.2 | 27.1 | 64.3 | 47.6 | 27.0 | 56.7 | 55.6 | 32.9 | 59.2 |
| Japan | 1.2 | 0.6 | 46.9 | 1.7 | 1.0 | 56.1 | 2.7 | 1.6 | 60.0 |
| Asia (excluding Japan) | 36.1 | 14.7 | 40.8 | 40.2 | 19.1 | 47.5 | 36.4 | 16.3 | 44.7 |
| Other markets | 6.2 | 3.1 | 37.1 | 6.8 | 3.2 | 47.1 | 6.2 | 2.6 | 41.9 |
| **Total** | **121.2** | **53.0** | **43.7** | **140.8** | **60.2** | **42.7** | **148.1** | **62.2** | **42.0** |

*(Source: Bureau National Interprofessionnel du Cognac – BNIC)*

The geographic breakdown of LVMH cognac sales, as a percentage of total sales expressed in number of bottles, is as follows:

| *(percentage)* | 2009 | 2008 | 2007 |
|---|---|---|---|
| United States | 51 | 45 | 53 |
| Japan | 1 | 2 | 3 |
| Asia (excluding Japan) | 28 | 32 | 26 |
| Europe (excluding France) | 14 | 16 | 14 |
| Other export | 6 | 5 | 4 |
| Total export | 100 | 100 | 100 |
| France | - | - | - |
| **Total** | **100** | **100** | **100** |

### 1.2.3 The cognac production method

The Cognac region is located around the Charente basin. The vineyard, which currently extends over about 75,000 hectares, consists almost exclusively of the white ugni varietal which yields a wine that produces the best eaux-de-vie.

This region is divided into six vineyards, each of which has its own qualities: Grande Champagne, Petite Champagne, Borderies, Fins Bois, Bons Bois and Bois Ordinaires. Hennessy selects its eaux-de-vie from the first four vineyards, where the quality of the wines is more suitable for the preparation of its cognacs.

Charentaise distillation is unique because it takes place in two stages, a first distillation (première chauffe) and a second distillation (seconde chauffe). The eaux-de-vie obtained are aged in oak barrels. An eau-de-vie at full maturity is not necessarily a good cognac. Cognac results from the gradual blending of eaux-de-vie selected on the basis of vintage, origin and age.

### 1.2.4 Supply sources for wines and Cognac eaux-de-vie and subcontracting

Hennessy owns 179 hectares. The Group's vineyard has remained virtually stable since 2000, after 60 hectares of vines were cleared in 1999 as part of the industry plan implemented in 1998. The objective of the plan was to reduce the production area through premiums offered for clearing and assistance given to wine growers to encourage them to produce wines other than those used in the preparation of cognac.

Most of the wines and eaux-de-vie that Hennessy needs for its production are purchased from a network of approximately 2,500 independent producers, thanks to whom the company ensures that exceptional quality is preserved. Purchase prices for wine and eaux-de-vie are established between the company and each producer based on supply and demand. In 2009, the price of wines from the harvest remained stable compared to the 2008 and 2007 harvests.

With an optimal inventory of eaux-de-vie, the Group can manage the impact of price changes by adjusting its purchases from year to year.

Hennessy continued to control its purchase commitments for the year's harvest, and diversify its partnerships to prepare its future growth in various qualities.

Like the Champagne and Wine businesses, Hennessy obtains its dry materials (bottles, corks and other packaging) from non-Group suppliers. The barrels and casks used to age the cognac are also obtained from non-Group suppliers.

Hennessy makes only very limited use of subcontractors for its core business.

### 1.2.5 The vodka production method, supply sources and subcontracting

Vodka can be obtained from the distillation of various grains or potatoes. Belvedere vodka is the result of the quadruple distillation of Polish rye. The distillery owned by Millennium that prepares Belvedere performs three of these distillations itself in Zyrardow, Poland. It uses water purified using a special process that yields a vodka with a unique taste.

Chopin vodka is prepared in Poland by means of the quadruple distillation of potato juice, giving it a quality recognized by vodka connoisseurs; this process is conducted outside the Group.

Millennium's flavored vodkas are obtained by macerating fruits in a pure vodka prepared using the same process used for Belvedere, and distillation takes place in a Charente-type still.

Overall, Millennium's top raw eaux-de-vie supplier represents less than 25% of the company's supplies.

### 1.2.6 The whisky production method

The legal definition of Scotch Whisky states that the spirit must be produced at a distillery in Scotland from water and malted barley to which other cereals may be added, fermented by yeast, distilled and matured in Scotland in oak casks with a volume of less than 700 liters for a minimum of three years. Single Malt Scotch Whisky is the product of one single distillery. Blended Scotch Whisky is made by mixing malt and grain whiskies together.

Depending on the rules for producing malt whisky, the malt is first ground, which produces a mixture of flour and husks called "grist". This product is then mixed with hot water in large wooden tubes called "wash tuns" in order to extract the sugars from the malted barley. The resulting sugary liquid, known as worsts, is transferred to a fermentation vessel or wash back and yeast is added to allow fermentation to occur and alcohol to be created. This alcoholic liquid, known as wash, then undergoes a double distillation in copper pot stills, known as wash and spirit stills. Every distillery's stills are unique in shape and size and have a huge impact on flavor. Glenmorangie's stills are the highest in Scotland at 5.14 meters and allow only the lightest vapors to ascend and condense. The spirit still at Ardbeg has a unique spirit purifier.

This newly made spirit is filled into American white oak ex-Bourbon barrels and matured in a distillery warehouse for at least three years. Maturation is a very critical part of the production process providing the whiskies' color and additional flavors. Glenmorangie and Ardbeg are normally matured for a minimum of 10 years in very high quality casks.

### 1.2.7 The 10 Cane rum production method

The rum category is not highly regulated. With the exception of "Agricultural Rums", there is no Appellation Contrôlée. It is, however, possible to distinguish two groups based on the method of processing sugar cane: rums made from molasses, a by-product of the sugar refinement process, and rums prepared from a wine with a very diluted cane juice base. This is the case in the French Antilles, for example.

The 10 Cane distillery on the island of Trinidad only uses the juice from the first pressing, and everything else is rejected. After the gradual fermentation of the pure undiluted cane juice, the distillery uses an ancestral and expressive distillation method. Double distillation in Charente stills highlights the qualities of the cane wine and, ultimately, the rum. After distillation, maturation can begin in aged oak barrels from the French Limousin region that are lightly toasted.

For the installation of its production shop, the 10 Cane distillery partnered with Angostura Trinidad Distillers, which has been present on the island for several generations. However, 10 Cane retains control in the most sensitive areas.

### 1.2.8 Production method for Wen Jun spirits

The spirits produced in China by Wen Jun are white liquors of the "Nong" or "aromatic" style, the most popular in the country. They are produced from spring water and various grains, primarily wheat, rice, sorghum, maize and glutinous rice.

The fermentation process is carried out in a pit dug into the ground, measuring three meters on each side and in depth, whose walls are covered with a special putty mixture containing particular enzymes and bacteria beneficial to flavor development. The grains are sealed into the pit with a fermenting agent for about 70 days prior to distilling. The product obtained at the end of the distillation process is then aged for a year in ceramic jars large enough to hold 1,100 liters of the liquid. At the end of this aging process, the product is finally blended and bottled. The fermentation quality of Chinese white spirits is closely linked to the temperature, moisture and alkalinity conditions of the local environment. Sichuan, where the Wen Jun distillery has been located since the 16th century (Ming dynasty) is considered as an ideal environment for the production of "Nong" white spirits. Wen Jun is one of the oldest and most celebrated luxury spirit producers in China.

## 1.3 Wines and Spirits distribution

LVMH's Wines and Spirits are distributed to the world's major markets primarily through a network of international subsidiaries, some of which are joint ventures with the spirits group Diageo. In 2009, 25% of champagne and cognac sales were made through this channel.

Diageo has a 34% stake in Moët Hennessy which is the holding company of LVMH Group's Wines and Spirits businesses.

Beginning in 1987, LVMH and Guinness (prior to the creation of Diageo) signed agreements leading to the creation of 17 joint ventures for the distribution of their top brands, including MHD in France and Schieffelin & Somerset in the United States. This joint network strengthens the positions of the two groups, improves distribution control, enhances customer service, and increases profitability by sharing distribution costs.

At the end of 2004, LVMH and Diageo announced they were separating their sales of the Moët Hennessy and Diageo product lines in the United States within the joint venture Schieffelin & Somerset; this agreement does not change the distribution of the products of the two groups to joint distributors in this market since 2002. Following this agreement, LVMH announced early in 2005 the creation of Moët Hennessy USA, which now markets all the LVMH brands of Wines and Spirits in the United States.

In 2009, LVMH and Diageo announced a reorganization of their product distribution channels in Japan. Moët Hennessy will refocus on the distribution of its own brands of champagnes and spirits together with some of Diageo's ultra-premium spirits brands, while the distribution of Diageo's premium brands will be transferred to a joint venture between Diageo and Kirin.

## 2. FASHION AND LEATHER GOODS

The Fashion and Leather Goods business group includes Louis Vuitton, the world's leading luxury brand, Donna Karan, Fendi, Loewe, Céline, Kenzo, Marc Jacobs, Givenchy, Thomas Pink, Pucci, Berluti, Rossimoda and StefanoBi. This exceptional group of brands, born in Europe and the United States, has 1,164 stores around the world. While respecting the identity and creative positioning of each of its brands, LVMH supports their development by providing shared resources.

In 2009, the Fashion and Leather Goods business group posted revenue of 6,302 million euros, representing 37% of the total revenue of LVMH.

### 2.1 The brands of the Fashion and Leather Goods business group

In the luxury Fashion and Leather Goods sector, LVMH holds a group of brands that are primarily French, but also include Spanish, Italian, British and American companies.

**Louis Vuitton Malletier** (founded in 1854), the star brand of this business group, first focused its development around the art of traveling, creating trunks, rigid or flexible luggage items, innovative, practical and elegant bags and accessories, before expanding its territory and its expertise in other areas of expression. For over 150 years, its product line has continuously expanded with new travel or city models and with new materials, shapes and colors. Famous for its originality and the high quality of its creations, today Louis Vuitton is the world leader in luxury goods and, since 1998, has offered its international customers a full range of products: leather goods, ready-to-wear for men and women, shoes and accessories. Since 2002, the brand has also been present in the watch segment; Louis Vuitton launched its first line of jewelry in 2004 and its first eyewear collection in 2005.

The principal leather goods lines of Louis Vuitton are:

- the *Monogram* line, a historical canvas created in 1896, also available in Monogram vernis, mini, satin, multico and denim;
- the *Damier* line in three colors, ebony, blue azur and the *Damier Graphite* line for men, launched in 2008;
- the *Cuir Epi* line, offered in nine colors;
- the *Taïga* line for men in four colors.

**Fendi**, founded in Rome in 1925, is one of the flagship brands of Italian fashion. Particularly well-known for its skill and creativity in furs, the brand is also present in leather goods, accessories and ready-to-wear fashion.

**Donna Karan** was founded in New York in 1984. Its ready-to-wear lines, the luxury *Collection* line, and *DKNY*, a more casual clothing line, meet the needs of a very modern and international lifestyle.

**Loewe**, the Spanish company created in 1846 and acquired by LVMH in 1996, originally specialized in very high quality leather work. Today it is present in leather goods and ready-to-wear. The Loewe perfumes are included in the LVMH Perfumes and Cosmetics business group.

**Marc Jacobs**, created in New York in 1984, is the brand name of Louis Vuitton's eponymous creative director. It has been majority owned by LVMH since 1997 and is expanding rapidly in fashion for men and women.

**Céline**, founded in 1945 and owned by LVMH since 1996, is developing a ready-to-wear line, leather goods, shoes and accessories.

**Kenzo** has generated rapid international success since it was formed in 1970, and joined the LVMH Group in 1993. Today, the company operates in the areas of ready-to-wear for men and women, fashion accessories, leather goods and home furnishings. Its perfume business is part of the LVMH Perfumes and Cosmetics business group.

**Givenchy**, founded in 1952 by Hubert de Givenchy, a company rooted in a tradition of excellence in haute couture, is also known for its collections of men and women's ready-to-wear and its fashion accessories. The Givenchy perfumes are included in the LVMH Perfumes and Cosmetics business group.

**Thomas Pink**, a brand formed in 1984, is a recognized specialist in high-end shirts in England. Since joining the LVMH Group in 1999, the brand has been accelerating its international growth.

**Emilio Pucci**, an Italian brand founded in 1947, is a symbol of casual fashion in luxury ready-to-wear, a synonym of escape and refined leisure. Emilio Pucci joined LVMH in February 2000.

**Berluti**, an artisan bootmaker established in 1895 and held by LVMH since 1993, designs and markets very high quality men's shoes, both custom made and ready-to-wear and, since 2005, a line of leather goods.

**StefanoBi**, the Italian manufacturer of luxury shoes located in Ferrara since 1991, was acquired by Louis Vuitton Malletier in 1996.

**Rossimoda**, an Italian company founded in 1942, which joined the Group in 2003, specializes in the manufacturing and licensed distribution of luxury women's footwear.

## 2.2 Design

Whether they belong to the world of haute couture or luxury fashion, the LVMH brands have founded their success first and foremost on the quality, authenticity and originality of their designs that must be renewed with each season and each collection. Thus, a strategic priority is to strengthen the design teams, ensure the collaboration of the best designers, and adapt their talent to the spirit of each brand.

LVMH believes that one of its essential assets is its ability to attract a large number of internationally recognized designers to its companies. Marc Jacobs has designed the Louis Vuitton ready-to-wear collections since 1998, supervises the creation of shoes and is successfully recreating the great classics of the brand in leather goods. Phoebe Philo was appointed as Céline's new creative director in 2008. The fashion designer Riccardo Tisci, who has been the creative director of Givenchy Femme's haute couture, ready-to-wear and accessories lines since 2005, was given responsibility for the brand's ready-to-wear line for men in 2008 as well. Stuart Vevers is Loewe's creative director. Antonio Marras serves as creative director for all of the Kenzo collections. Donna Karan continues to create the lines of the company that bears her name. In 2008, Peter Dundas was named as Emilio Pucci's new creative director. Olga Berluti, the heiress of the expertise built up by her predecessors, is perpetuating the unique style and quality of Berluti shoes.

## 2.3 Distribution

Controlling the distribution of its products is a core strategic vector for LVMH, particularly in luxury Fashion and Leather Goods. This control allows the Group to maintain distribution margins, and guarantees strict control of the brand image, sales reception and environment that the brands require. It also gives the Group closer contacts with its customers so that it can better anticipate their expectations.

In order to meet these objectives, LVMH created the first international network of exclusive boutiques under the banner of its Fashion and Leather Goods brands. This network included 1,164 stores as of December 31, 2009.

## 2.4 Supply sources and subcontracting

In Fashion and Leather Goods, manufacturing capacities and the use of subcontracting vary significantly, depending on the brand.

The fifteen leather goods manufacturing shops of Louis Vuitton Malletier, eleven in France, three in Spain and one in the United States, provide most of the brand's production. All development and production processes for Louis Vuitton's entire footwear line are handled at its site in Fiesso d'Artico, Italy. Louis Vuitton uses third parties only to supplement its manufacturing and achieve production flexibility.

Fendi and Loewe also have leather workshops in their country of origin and in Italy for Céline, which cover only a portion of their production needs. Generally, the subcontracting used by the business group is diversified in terms of the number of subcontractors and is located primarily in the country of origin of the brand: France, Italy and Spain.

Overall, the use of subcontractors for Fashion and Leather Goods operations represented about 32% of the cost of sales in 2009.

Louis Vuitton Malletier depends on outside suppliers for most of the leather and raw materials used in manufacturing its products. Even though a significant percentage of the raw materials is purchased from a fairly small number of suppliers, Louis Vuitton believes that these supplies could be obtained from other sources, if necessary. In 2004, recourse to a balanced portfolio of suppliers also limited dependence on specific suppliers. After a diversification program launched in 1998 to Norway and Spain, the portfolio of suppliers was expanded to include Italy in 2000. In 2009, as part of a continued effort to bolster this strategic supply source, Louis Vuitton formed a joint venture with Tannerie Masure, which has been providing the company with premium-quality leathers for many years. This partnership will result in the creation of Tanneries de la Comète, where hides will be tanned exclusively for Louis Vuitton using vegetal extracts. For Louis Vuitton, the leading supplier of hides and leathers represents about 20% of its total supplies of these products.

Fendi is in a similar situation, except for some exotic leathers for which suppliers are rare.

Finally, for the various Houses, the fabric suppliers are often Italian, but on a non-exclusive basis.

The designers and style departments of each House ensure that manufacturing does not generally depend on patents or exclusive expertise owned by third parties.

# 3. PERFUMES AND COSMETICS

LVMH is present in the perfume and cosmetics sector with the major French Houses Christian Dior, Guerlain, Givenchy and Kenzo. In addition to these world-renowned brands, this business group also includes Benefit Cosmetics and Fresh, two young, high-growth American cosmetics companies, the prestigious Italian brand Acqua di Parma, Parfums Loewe, the Spanish brand with strong positions in its domestic market, and Make Up For Ever, a French company initially specializing in professional make-up products. Two new perfumes were launched by Fendi and Pucci at the end of 2007. The *Palazzo* line by Fendi was discontinued in early 2009.

The presence of a broad spectrum of brands within the business group generates synergies and represents a market force. The volume effect means that advertising space can be purchased at better prices and better locations can be negotiated in department stores. In research and development, the group brands have pooled their resources since 1997 with a joint center in Saint-Jean de Braye (France), at the industrial site of Parfums Christian Dior. The use of shared services by international subsidiaries increases the effectiveness of support functions for all brands and facilitates the expansion of the newest brands. These economies of scale permit larger investments in design and advertising, two key factors for success in the Perfumes and Cosmetics sector.

With the exception of the products and services of the La Brosse et Dupont group, the LVMH Perfumes and Cosmetics brands are sold in Selective Retailing circuits (as opposed to general retailing and drugstores).

In 2009, the Perfumes and Cosmetics business group posted revenue of 2,741 million euros, representing 16% of LVMH's total revenue.

## 3.1 The brands of the Perfumes and Cosmetics business group

**Parfums Christian Dior** was born in 1947, the same year as the fashion house, with the introduction of the Miss Dior perfume. While developing its lines of perfumes for men and women over the years, Parfums Christian Dior expanded its activity to the make-up sector in 1955, and to skincare products in 1973. Today, Parfums Christian Dior allocates 1.8% of its revenue to research and is on the cutting edge in innovation.

The leading perfumes for women are: *Miss Dior*, *Poison*, *J'Adore*, *Dior Addict*, *Pure Poison*, *Miss Dior Chérie*, and *Midnight Poison* launched in 2007. In 2008, Parfums Christian Dior inaugurated the *Escales* collection with *Escale à Portofino*, joined by *Escale à Pondichéry* in 2009. *Eau Sauvage*, *Fahrenheit*, *Dune pour Homme*, *Higher*, *Dior Homme*, *Dior Homme Sport*, launched in 2008, and *Fahrenheit Absolute*, created in 2009, are the best known fragrances for men.

Dior's top cosmetics lines are: *Capture*, *Diorsnow*, *Hydraction* and *L'Or de Vie*, launched in 2007, for skincare products, and *Dior Addict*, *Diorskin*, *Backstage*, *Rouge Dior* and *Diorshow* for make-up.

**Guerlain**, founded in 1828 by Pierre François Pascal Guerlain, has created more than 700 perfumes since its inception. The brand has an exceptional image in the perfume universe and many of its creations have enjoyed remarkable longevity. Today it is also known for its make-up and skincare lines. *Jicky*, *l'Heure Bleue Mitsouko*, *Shalimar*, *Samsara*, *Aqua Allegoria*, *L'Instant de Guerlain*, *Insolence*, *L'Instant Magic*, launched in 2007, and *Idylle*, created in 2009, for women, *Habit Rouge*, *Vetiver*, *L'Instant de Guerlain pour Homme*, and *Guerlain Homme*, launched in 2008, for men, are the top brand ambassadors.

Guerlain's leading cosmetics lines are *Issima* and *Orchidée Impériale* for skincare products, and *Terracotta* and *KissKiss* for make-up.

**Parfums Givenchy**, founded in 1957, rounds out its presence in the world of fragrances for men and women (*Amarige*, *Organza*, *Very Irresistible Givenchy*, *Ange ou Démon*, and *Ange ou Démon Le Secret*, launched in 2009, *Givenchy pour Homme*, *Very Irresistible pour Homme*, *Play*, launched in 2008) with its activity in cosmetics through the Givenchy skincare products and the make-up line Givenchy *Le Makeup* launched in 2003.

**Parfums Kenzo** appeared in 1988, and recorded strong growth after the success of *FlowerbyKenzo*, launched in 2000. The company began to diversify its activities in the "well-being" segment by launching the *KenzoKi* line the following year. The year 2006 marked the launch of the women's perfume *KenzoAmour*, the men's fragrance *KenzoPower* was launched in 2008, followed by *FlowerbyKenzo Essentielle* in 2009.

**Benefit Cosmetics** (created in 1976 in San Francisco and acquired by LVMH at the end of 1999) owes its rapid success to the high quality of its beauty and make-up products, which convey a true sense of pleasure and are enhanced by the playful aspect of the product names and packaging. Aside from the sales of its seven exclusive boutiques in California, its three boutiques in Chicago, its boutique in the New York metropolitan area and its ten boutiques in Great Britain, the brand is currently distributed in nearly 1,500 points of sale in the United States, Europe and Asia.

**Fresh** (created in 1991 and acquired by LVMH in September 2000) initially built its reputation on creating body care products inspired by ancestral beauty recipes and entirely natural and high quality fragrances, before expanding its concept to make-up and hair care products.

**Loewe** introduced its first perfume in 1972. A major player in Spain, the brand is also developing its international business, primarily in Russia, the Middle East and Latin America.

**Make Up For Ever** (created in 1984) joined LVMH in November 1999. The brand specializes in professional make-up and its applications for consumers. Its products are distributed in its exclusive boutiques in Paris and New York and in a number of Selective Retailing circuits, particularly in France, Europe, the United States (markets developed in partnership with Sephora), in China, South Korea and the Middle East.

**Acqua di Parma**, founded in 1916 in Parma, is a luxury perfume brand and a symbol of Italian high fashion. The brand specializes in perfumes and skincare and has diversified its product line to include home scents and linens. Now based in Milan, Acqua di Parma relies on an exclusive retailing network, including a brand store in Milan.

The **La Brosse et Dupont** group is the French leader in hygiene and beauty product retailing. It was acquired by LVMH at the end of 1998. It has a strong presence in the retail circuits in France and Europe.

## 3.2 Research in Perfumes and Cosmetics

Over the last several years in the Perfumes and Cosmetics sector, there has been a steady increase in the speed at which companies introduce new products into the market. Research and innovation play a major role in LVMH's development strategy for its Perfumes and Cosmetics business group. The establishment of GIE LVMH Recherche, a consortium bringing together the various research entities of the Group's brands, has generated numerous synergies. More than 250 scientists, researchers, chemists, biologists, physicians and pharmacists, now work at the laboratories in Saint-Jean de Braye near Orleans at the heart of Cosmetic Valley on all developments relating to skincare, make-up and perfume products for Parfums Christian Dior, Guerlain and Parfums Givenchy. The laboratories also support product developments for Parfums Kenzo, Make Up For Ever, Loewe, Acqua di Parma, Pucci, and the American companies like Fresh and Benefit, and generally provide regulatory coordination for all products of all LVMH brands involved in perfumes or cosmetics.

This concentration of resources and expertise allows LVMH Recherche, together with French and foreign partners, especially major universities, to conduct research projects supporting product development for all of the Group's brands. Finally, the combination of services associated with these product development processes confirms the expertise of LVMH Recherche in areas such as product safety and ensures that the Group's interests are represented within the industry's numerous international regulatory organizations.

LVMH Recherche is France's second-largest research center in the field of Perfumes and Cosmetics. In 2009, the research and development teams continued their work in key areas of expertise, sensual appeal, pleasure, quality, product safety and performance. Through the recent addition of medical imaging capabilities, LVMH Recherche is well placed to further deepen its knowledge of cell signaling and cell-to-cell communication within the skin.

Worthy of mention are major advances in the fields of biology, molecular biology, neurocosmetics, dosage form innovations, and natural substances thanks to research on new active ingredients of vegetal origin sourced from around the world. The Orchidarium, an international research platform dedicated to orchids, was revealed to the public during the year. The new ingredients developed using technologies respectful of the environment and proposed by the Group's R&D teams reflect a combination of attention to performance and a focus on ethics and sustainability, demonstrated by concrete actions in the field. New evaluation methods, such as in vivo confocal laser scanning microscopy, are providing a finer appreciation of the real potential of anti-aging products. All these activities resulted in numerous scientific papers covering all these areas. Cosmetic Valley, an unparalleled center of excellence for the beauty industry, has given rise to a number of highly innovative research projects, which are expected to have a significant impact on future product development. In addition, LVMH Recherche regularly protects its inventions via patents, thus providing a genuine competitive advantage.

In the skincare field, the Group's main research topics currently relate to anti-aging (prevention and correction), in particular:

- the key role played by protein oxidation in skin aging, with the development of a patented technology for repairing oxidized proteins, since incorporated in several skincare products of Parfums Christian Dior's *Capture Totale* line;
- ongoing research on cell and tissue longevity, which has already resulted in a better understanding of factors regulating cellular life spans in skin tissue, scientific breakthroughs now utilized by Guerlain in its new cream *Orchidée Impériale*;
- demonstrating the beneficial effects of luxury cosmetics products: in September 2009, this focus resulted in a presentation, during an international symposium organized in Paris by LVMH Recherche, of work on the positive correlation between the use of these products and enhanced self-esteem and well-being;
- further work on skin stem cells by an international team of researchers, which gave rise to *Capture XP R60/80 Nuit*, a richly textured wrinkle correction night serum cream.

Research is also ongoing in relation to aquaporins (proteins embedded in the cell membrane that regulate the flow of water), involved in a variety of skin functions, the connective tissue between the corneal layer and the epidermis, and hydration, a major area of interest for consumers. An exclusive blend of natural osmolytes has resulted in the development of *Hydra Sparkling*, a new and exceptional line of moisturizers from Givenchy.

Innovative approaches to the genetics of human pigmentation and the capture of light by skin were incorporated within new whitening creams. These products, which also improve the radiance and transparency of skin tone, are meeting with great success in Asia, where highly competitive cosmetics markets exhibit a distinct propensity for cutting-edge developments and technology (*DiorSnow* by Dior, *Dr White* by Givenchy).

Research on product formulation has resulted in new levels of performance and textures from unexpected (*Le Soin Noir* by Givenchy) to extemporaneous (*Radically No Surgetics Cure* by Givenchy).

In the make-up segment, the priority research areas are the interaction between skin-light-matter, new effect pigments, intelligent materials, and new polymers. Make-up has entered a new era, bringing skin care benefits and new sensations. In lipstick, this has resulted in the launch of Dior's *Serum de Rouge*, a genuine elixir of youth containing 20% skincare ingredients and Guerlain's *Rouge G*, with its mirrored packaging. A highly beneficial dose of skincare ingredients is also found in Dior's *Nude* line of foundation products, and in *Parure Gold*, the compact foundation from Guerlain. In powdered products, the incorporation of new raw materials as well as the use of new manufacturing processes have resulted in especially creamy-textured powders that are more comfortable to wear.

### 3.3 Supply sources and subcontracting

The five French production centers of Guerlain, Givenchy and Dior provide almost all the production for the four major French brands, including Kenzo, both in fragrances, and in make-up and beauty products. Make Up For Ever also has sufficient manufacturing capacities in France to cover its own needs. Only the newer American companies, Loewe perfumes and Acqua di Parma subcontract most of the manufacturing of their products.

In 2009, manufacturing subcontracting represented overall about 5% of the cost of sales for this activity, plus approximately 10 million euros for logistical subcontracting.

Dry materials, such as bottles, stoppers and any other items that form the containers or packaging, are acquired from suppliers outside the Group, as are the raw materials used in the finished products. In certain cases, these materials are available only from a limited number of French or foreign suppliers.

The product formulas are developed primarily in the Saint-Jean de Braye laboratories, but the Group can also acquire or develop formulas from specialized companies, particularly for perfume essences.

## 4. WATCHES AND JEWELRY

The most recent LVMH business group holds a portfolio of quality watch and jewelry brands with highly complementary market positions: TAG Heuer, the world's leading maker of luxury sports watches and chronographs; Zenith, an upscale watchmaker famous for its El Primero movement; Montres Dior, which offers collections inspired by the designs of the fashion house; Chaumet, the prestigious historic jeweler in the Place Vendôme in Paris; Fred, a designer of contemporary jewelry pieces; and De Beers Diamond Jewellers, a joint venture formed in July 2001, which affirms its positioning as a diamond jeweler (the activity of the De Beers brand, previously consolidated in Other Activities, has been consolidated within the Watches and Jewelry business group since 2006). Hublot, a young high-end brand, was acquired in 2008. The Omas brand of writing instruments was sold in October 2007.

The business group has already deployed internationally, strengthened the coordination and pooling of administrative resources, expanded its sales and marketing teams, and progressively began to establish a network of after-sale multi-brand services worldwide to improve customer satisfaction. LVMH Watches and Jewelry has a territorial organization that covers all European markets, the American continent, northern Asia, Japan, and the Asia-Pacific region.

This business group has implemented industrial coordination through the use of shared resources, such as prototype design capacities, and by sharing the best methods for preparing investment plans, improving productivity and negotiating purchasing terms with suppliers.

In 2009, the Watches and Jewelry business group posted revenue of 764 million euros, which represented 4% of total LVMH revenue.

### 4.1 The brands of the Watches and Jewelry business group

**TAG Heuer** (founded in 1860 in Saint-Imier in the Swiss Jura and acquired by LVMH in November 1999) is the undisputed benchmark and world leader in luxury sport watches and chronographs. Partnered with the competitive sports world and its performance values, the brand is recognized for the quality and precision and the leading-edge aesthetic of its watches. The most coveted models for the "professional sport watch" line are: the *Aquaracer*, *Link* and *Formula 1* series; and for traditional watches and chronographs, they are the *Carrera* and *Monaco* models. In 2002, TAG Heuer licensed and launched its first eyewear line. Following the launch in 2007 of its *Grand Carrera* collection of automatic watches and chronographs, in 2008 the brand launched *Meridiist*, its first line of cellular handsets designed in partnership with ModeLabs.

**Hublot**, founded in 1980, has always been an innovative brand, creating the first watch in the industry's history fitted with a natural black rubber strap. Relying on a team of top-flight watchmakers, the brand is widely renowned for its original concept combining noble materials with state-of-the-art technology and for its iconic *Big Bang* model launched in 2005. Along with the many versions of this model, Hublot continues to develop its long-established *Classic* line. In 2008, Hublot launched a line of ladies' watches and opened its first boutiques. *King Power*, a new line of timepieces, was launched in 2009.

**Zenith** (founded in 1865 and established in Le Locle in the Swiss Jura region) joined LVMH in November 1999. Zenith belongs to the very select group of watch movement manufacturers. In the watchmaking sector, the term "manufacture" designates a company that provides the entire design and manufacturing of mechanical movements. The two master movements of Zenith, the automatic chronograph *El Primero* and the automated extra-flat movement *Elite*, absolute benchmarks for Swiss watchmaking, are provided on the watches sold under this brand.

**Montres Dior**, managed since 2008 in the form of a joint venture between the Watches and Jewelry business group and the company Dior Couture, belongs to the category of fashion watches. They are manufactured in Switzerland by Ateliers Horlogers. The collections of Montres Dior, particularly *Christal*, *Chiffre Rouge* and *D de Dior*, are designed in complete harmony with the creative impetus of the fashion house. An important event of 2008 was the launch of *Christal* watches with mechanical movements followed in 2009 by the jewelry version, the *Mini D*, in the *D de Dior* collection.

**Chaumet**, a jeweler established in 1780, has maintained its prestigious expertise for over two centuries, imposing a style that is deliberately modern and is reflected in all its designs, whether luxury jewelry pieces, or jewelry or watch collections. The LVMH Group acquired Chaumet in November 1999.

**Fred** (founded in 1936) is present in high-end jewelry, jewelry and watchmaking. In 1995, LVMH acquired a 71% interest in the company, which it increased to 100% in 1996. Since joining the Group, Fred has completely revamped its design, image and distribution. This revival can be seen in the bold contemporary style of its creations.

**De Beers** is a brand controlled jointly by LVMH and the De Beers group, created in July 2001 and managed by De Beers Diamond Jewellers Ltd. The company, headquartered in London, is progressively rolling out a global network of boutiques offering jewelry under the De Beers brand name. It approaches the diamond market from an original angle, both in its creative jewelry design and its concept of points of sale. In 2007, De Beers launched its first collection of timepieces.

### 4.2 Supply sources and subcontracting

With its five Swiss workshops or *manufactures*, located in Le Locle, in La Chaux de Fonds and in Nyon, the Group provides almost the entire assembly of the watches and chronographs sold under the TAG Heuer, Hublot, Zenith, Christian Dior, Chaumet and Fred brands. In its watchmaking shop, Zenith also designs and manufactures the mechanical movements El Primero and Elite. In 2009, Hublot celebrated the grand opening of its new site in Nyon bringing together all of its activities under one roof, while TAG Heuer inaugurated a new workshop for the manufacture of watch movements in La Chaux de Fonds.

In this business, subcontracting represented overall only 4% of the cost of sales in 2009.

Because of the very high quality requirements, the components assembled are obtained from a limited number of suppliers, primarily Swiss, with the exception of the leather for the watch bands. In 2009, the industrial subsidiary Cortech in Switzerland manufactured a significant portion of the cases meeting the production needs of TAG Heuer and Zenith.

Even though the Group can, in certain cases, use third parties to design its models, they are most often designed in its own studios.

## 5. SELECTIVE RETAILING

The Selective Retailing businesses are organized to promote an environment that is appropriate to the image and status of the luxury brands. These companies are expanding in Europe, North America, Asia and the Middle East, and operate in two segments: travel retail (the sale of luxury products to international travelers), the business of DFS and Miami Cruiseline, and the selective retail concepts represented by Sephora and the Paris department store Le Bon Marché.

In 2009, the Selective Retailing business group posted revenue of 4,533 million euros, or 27% of the total revenue of LVMH.

### 5.1 Travel retail

#### DFS

DFS joined LVMH in 1997 after LVMH acquired 61.25% of the company between December 1996 and February 1997.

This American group is the pioneer and one of the world leaders in the sale of luxury products to international travelers. Its activity is closely linked to tourism cycles.

Since it was formed in 1960 as a duty-free concession in the Kai Tak airport in Hong Kong, DFS has acquired an in-depth knowledge of the needs of traveling customers, built solid partnerships with Japanese and international tour operators, and has significantly expanded its business, particularly in the tourist destinations in the Asia-Pacific region.

The strategy of the DFS group is focused on the development and promotion of its city-center Galleria stores, which account for most of its revenue today.

With an area of 1,000 to 18,000 square meters, the 15 Gallerias are located in the urban centers of major airline destinations in the Asia-Pacific, the United States and Japan. Each space combines in one site, close to the hotels where travelers are lodged, three different, but complementary commercial spaces: a general luxury product offer (Perfumes and Cosmetics, Fashion and Accessories, etc.), a gallery of prestigious boutiques (Louis Vuitton, Hermès, Bulgari, Tiffany, Christian Dior, Chanel, Prada, Fendi, Céline, etc.), and a recreational and souvenir complex.

While focusing on the development of its Gallerias which are its main source of growth, DFS maintains its strategic interest in the airport concessions that can be obtained or renewed under good financial terms. DFS is currently present in some twenty international airport sites in the Asia-Pacific, the United States and Japan.

#### Miami Cruiseline

Miami Cruiseline, acquired by LVMH in January 2000, is an American company founded in 1963, the world leader in the sale of duty-free luxury items on board cruise ships. It provides services to over 80 ships representing several cruise lines. It also publishes tourist reviews, catalogs and advertising sheets available on board.

The acquisition of Miami Cruiseline boosted the travel retail activity's organization of its geographic presence and enhanced the diversity of its customer base, which was previously primarily Asian, and is now supplemented by cruise customers, primarily Americans and Europeans. There are also excellent synergies between the activities of DFS and those of Miami Cruiseline in the areas of management and merchandising.

Miami Cruiseline focused its efforts on improving the quality of its product offer and adapting its product line to each cruise ship to boost the average spending per traveler.

### 5.2 Selective retail

#### Sephora

The Sephora trade name, founded in 1969, has developed over time a perfume and beauty format that combines direct access and customer assistance. This concept led to a new generation of stores with a sober and luxurious architecture, designed in three spaces dedicated to perfumes, make-up and skincare respectively. Based on the quality of this concept, Sephora has gained the confidence of selective perfume and cosmetics brands. The brand has also offered products sold under its own brand name since 1995.

Since it was acquired by LVMH in July 1997, Sephora has recorded rapid growth in Europe by opening new stores and acquiring companies that operated perfume retail chains, including Marie-Jeannne Godard and the Italian companies Laguna, Boidi and Carmen. Sephora has 639 stores today in Europe, located in 13 countries. The Sephora concept also crossed the Atlantic in 1998 and the brand now has 234 stores in the United States, plus an internet site sephora.com, and 20 stores in Canada. Present in China since 2005, Sephora had 76 stores in Asia as of December 31, 2009. Having entered the Middle East in 2007, the brand had 17 stores in six countries at the end of 2009. Also in 2009, Sephora opened its largest Asian store to date in Singapore.

#### Le Bon Marché

Established in 1852, Le Bon Marché was a pioneer of modern marketing in the 19th century. The sole department store located on the left bank in Paris, it was acquired by LVMH in 1998.

Le Bon Marché has a food store, La Grande Épicerie de Paris. Since 1995, it has also owned Franck et Fils, located on rue de Passy in the sixteenth district of Paris. In recent years, a fundamental overhaul that included the renovation and remodeling of its sales spaces, together with moving to a more upscale product offer, strengthened the identity of Le Bon Marché. Famous for its very demanding inventory and service policy, Le Bon Marché is now the most exclusive and creative department store in Paris.

## 6. OTHER ACTIVITIES

The Other Activities segment includes the media division managed by the Les Echos group, La Samaritaine and, since the fourth quarter of 2008, the Dutch luxury yacht maker Royal Van Lent.

#### Les Echos group

In December 2007, LVMH acquired the Les Echos group from London-based Pearson plc. The Les Echos group includes *Les Echos*, France's leading financial newspaper, LesEchos.fr, the top business and financial website in France, the business magazine *Enjeux-Les Echos*, as well as other specialized financial information services. The French financial daily *La Tribune*, previously owned by DI Group, was sold to News Participations in February 2008. Apart from *Les Echos*, the Les Echos group holds several other financial and cultural media titles – *Investir*, *Connaissance des Arts* – as well as the literary publisher Arléa and the French radio station Radio Classique, which were previously owned by DI Group.

### La Samaritaine

La Samaritaine is a riverside real estate complex located in the heart of Paris. It comprised a department store in addition to leased office and retail space until 2005 when the department store was closed for safety reasons. An architectural plan has been drawn up that would transform the building into a hotel, office, shopping mall and social housing complex, subject to administrative authorizations being obtained.

### Royal Van Lent

Founded in 1849, Royal Van Lent designs and builds, according to customers specifications, luxury yachts marketed under the Feadship brand, one of the most prestigious for yachts measuring 50 meters or longer. In 2009, the company launched its 800$^{th}$ yacht, the Trident.

# MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

## LVMH GROUP

# LVMH GROUP

## 1. BUSINESS REVIEW

### 1.1 Comments on the consolidated income statement

#### Revenue by business group

| *(EUR millions)* | 2009 | 2008 | 2007 [1] |
|---|---|---|---|
| Wines and Spirits | 2,740 | 3,126 | 3,226 |
| Fashion and Leather Goods | 6,302 | 6,010 | 5,628 |
| Perfumes and Cosmetics | 2,741 | 2,868 | 2,731 |
| Watches and Jewelry | 764 | 879 | 833 |
| Selective Retailing | 4,533 | 4,376 | 4,164 |
| Other activities and eliminations | (27) | (66) | (101) |
| **Total** | **17,053** | **17,193** | **16,481** |

*(1) Restated after reclassifying La Samaritaine from Selective Retailing to Other activities.*

#### Profit from recurring operations by business group

| *(EUR millions)* | 2009 | 2008 | 2007 [1] |
|---|---|---|---|
| Wines and Spirits | 760 | 1,060 | 1,058 |
| Fashion and Leather Goods | 1,986 | 1,927 | 1,829 |
| Perfumes and Cosmetics | 291 | 290 | 256 |
| Watches and Jewelry | 63 | 118 | 141 |
| Selective Retailing | 388 | 388 | 426 |
| Other activities and eliminations | (136) | (155) | (155) |
| **Total** | **3,352** | **3,628** | **3,555** |

*(1) Restated after reclassifying La Samaritaine from Selective Retailing to Other activities.*

Consolidated revenue for the year ended December 31, 2009 was 17,053 million euros, down nearly 1% from the previous year. It was favorably impacted by the appreciation of the main invoicing currencies against the euro (average 2009 exchange rates), in particular the US dollar, which appreciated by 5%. On a constant currency basis, revenue for the year fell by 3%.

Since January 1, 2008, the following changes were made in the Group's scope of consolidation: in Wines and Spirits, a 50% stake was acquired in Château Cheval Blanc (consolidated on a proportional basis for the first time in August 2009); in Watches and Jewelry, the Hublot brand was consolidated for the first time in the second half of 2008; in Other activities, the Dutch yacht builder Royal Van Lent was consolidated for the first time in the fourth quarter of 2008. These changes in the scope of consolidation contributed 0.4 points to revenue growth for the year.

On a constant consolidation and currency basis, revenue declined by 4%.

#### Revenue by invoicing currency

| *(percentage)* | 2009 | 2008 | 2007 |
|---|---|---|---|
| Euro | 30 | 32 | 31 |
| US dollar | 27 | 28 | 30 |
| Japanese yen | 10 | 10 | 11 |
| Hong Kong dollar | 5 | 4 | 4 |
| Other currencies | 28 | 26 | 24 |
| **Total** | **100** | **100** | **100** |

The breakdown of revenue by invoicing currency changed as follows: the contribution of the euro fell by 2 points to 30%, that of the US dollar dropped by 1 point to 27%, yen-denominated revenue remained stable at 10%, while the contribution of all other currencies rose by 3 points to 33%.

#### Revenue by geographic region of delivery

| *(percentage)* | 2009 | 2008 | 2007 |
|---|---|---|---|
| France | 14 | 14 | 14 |
| Europe (excluding France) | 21 | 24 | 23 |
| United States | 23 | 23 | 25 |
| Japan | 10 | 10 | 11 |
| Asia (excluding Japan) | 23 | 20 | 19 |
| Other markets | 9 | 9 | 8 |
| **Total** | **100** | **100** | **100** |

By geographic region of delivery, the year saw a drop in the relative contribution of Europe (excluding France), from 24% to 21%. France, the United States, Japan and other markets remained stable at 14%, 23%, 10% and 9%, respectively, while Asia (excluding Japan) advanced by 3 points to 23%.

By business group, the breakdown of Group revenue changed slightly. The contribution of Wines and Spirits fell by 2 points to 16%, while the contribution of Perfumes and Cosmetics as well as that of Watches and Jewelry both fell by 1 point, to 16% and 4%, respectively. The contribution of Fashion and Leather Goods as well as that of Selective Retailing both rose by 2 points, to 37% and 27%, respectively.

Wines and Spirits saw a decline in revenue of 12% based on published figures. On a constant consolidation scope and currency basis, revenue decreased by 14%, with the favorable impact of exchange rate fluctuations increasing revenue by nearly 2 points. The economic crisis and substantial destocking at retailers weighed heavily on revenue in the United States, Japan and Europe. Demand remained more robust in the Asian markets, especially in Vietnam. China is still the second largest market for the Wines and Spirits business group.

Fashion and Leather Goods posted organic growth in revenue of 2%, and 5% based on published figures. Louis Vuitton turned in a remarkable performance for the year, again recording double-digit revenue growth based on published figures. The brand has made spectacular headway in Asia (especially in China), and continues to benefit from strong momentum in Europe. Fendi and Marc Jacobs also confirmed their potential, showing a good level of resilience to the economic slowdown in Europe and reporting strong revenue increases in Asia.

Perfumes and Cosmetics saw a decline in revenue of 4% based on published figures. On a constant consolidation scope and currency basis, revenue decreased by 5%, with the favorable impact of exchange rate fluctuations increasing revenue by nearly 1 point. All of this business group's brands reinforced their rigorous management control, meticulously targeting their investments so as to limit the impact of the economic crisis. Despite the difficult economic environment, the Perfumes and Cosmetics business group reported revenue increases across Asia and especially in China.

On a constant consolidation scope and currency basis, Watches and Jewelry saw a decline in revenue of 19%, and 13% based on published figures (a 3-point positive impact of exchange rate fluctuations and a 3-point positive impact due to changes in the scope of consolidation). This business group's performance in all regions was affected by the economic crisis, particularly in its traditional markets, including the United States and Japan.

Selective Retailing posted organic revenue growth of 1%, and 4% based on published figures. This growth was driven by Sephora, whose sales increased strongly due to the expansion of its retail network in Europe, North America, and Asia, particularly in China. Despite weaker performance in tourist regions popular with Japanese travelers, DFS was able to record revenue growth based on published figures thanks to the strong rise in business generated with customers from other parts of Asia, and especially Chinese tourists.

The Group posted a gross margin of 10,889 million euros, down 3% compared to the previous year. The gross margin on revenue was 64%, 1 point lower than in 2008.

This decrease was kept in check thanks to measures taken to control the cost of products sold, higher selling prices, efforts to move brands upmarket resulting in product mix improvements, and the effectiveness of currency hedges.

Marketing and selling expenses totaled 6,051 million euros, remaining stable based on published figures and representing a 3% decrease at constant exchange rates. This decrease resulted mainly from the supervision and control of communications expenditures by the Group's main brands, partially offset by costs related to the continued development of retail networks. Nevertheless, the level of these marketing and selling expenses remained stable as a percentage of revenue, amounting to 35%.

The geographical breakdown of retail network is as follows:

| *(Number)* | **2009** | 2008 | 2007 |
|---|---|---|---|
| France | 353 | 331 | 306 |
| Europe (excluding France) | 620 | 596 | 523 |
| United States | 531 | 531 | 463 |
| Japan | 307 | 256 | 253 |
| Asia (excluding Japan) | 470 | 485 | 409 |
| Other markets | 142 | 115 | 94 |
| **Total** | **2,423** | **2,314** | **2,048** |

General and administrative expenses totaled 1,486 million euros, up 3% based on published figures, and up 1% on a constant currency basis. They represented 9% of revenue, thus increasing by 1 point compared to 2008.

The Group's profit from recurring operations was 3,352 million euros, 8% lower than in 2008. Operating margin as a percentage of consolidated revenue amounted to nearly 20%, 1 point lower than its level a year earlier.

Exchange rate fluctuations had a negative net impact on the Group's profit from recurring operations of 2 million euros compared with the previous year. This total comprises the following three items: the impact of changes in exchange rate parities 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 euro zone. On a constant currency basis excluding changes in the net impact of currency hedges, the Group's profit from recurring operations would still have decreased by 8%.

Profit from recurring operations for Wines and Spirits was 760 million euros, down 28% compared to 2008. Better control of costs and the careful targeting of advertising and promotional expenditure were not able to offset the impact of lower sales volumes. Operating margin as a percentage of revenue for this business group decreased by 6 points to 28%.

Fashion and Leather Goods posted profit from recurring operations of 1,986 million euros, up 3% compared to 2008. Exchange rate fluctuations had a favorable impact on this business group's earnings. Louis Vuitton once again performed remarkably well, while performance by the other brands was more mixed. Nevertheless, operating margin as a percentage of revenue for this business group remained stable at 32%.

Profit from recurring operations for Perfumes and Cosmetics was 291 million euros, remaining stable compared to 2008. Tight control over product costs and other operating expenses once again improved profitability. Operating margin as a percentage of revenue for this business group thus increased by 1 point to 11%.

Profit from recurring operations for Watches and Jewelry decreased to 63 million euros. Against the backdrop of a slowdown in sales, the operating profitability for this business group was 8%.

Profit from recurring operations for Selective Retailing was 388 million euros, remaining stable compared to 2008. Sephora continued to improve its operating margin, despite expenses resulting from its rapid expansion in Europe, North America and China, thus confirming its high-growth momentum. Operating margin as a percentage of revenue for Selective Retailing as a whole remained stable at 9%.

The net result from recurring operations of Other activities and eliminations was a loss of 136 million euros, representing an improvement compared to 2008. In addition to headquarters expenses, this heading includes the results of the Media division and those of the yacht builder Royal Van Lent, acquired in 2008.

Other operating income and expenses amounted to a net expense of 191 million euros, compared to a net expense of 143 million euros in 2008. In 2009, they comprised reorganization costs for commercial and industrial processes in the amount of 98 million euros. The balance of other income and expenses consists of accelerated depreciation and asset impairment in the amount of 88 million euros, as well as various non-recurring expenses or provisions amounting to 5 million euros.

The Group's operating profit was 3,161 million euros, representing a 9% decrease from 2008.

The net financial expense was 342 million euros, compared to 281 million euros in the prior year.

The cost of net financial debt was 187 million euros as of December 31, 2009, down from 257 million euros the previous year. This decrease reflects the combined impact of a favorable interest rate environment and the decline in the average net financial debt outstanding during the year.

Other financial income and expenses amounted to a net expense of 155 million euros, compared to a net expense of 24 million euros in 2008. The financial cost of foreign exchange hedging operations had a negative impact of 46 million euros for 2009; it had a negative impact of 64 million euros in 2008. The net loss on current and non-current available for sale financial assets and other financial instruments amounted to 94 million euros, down from a net gain of 53 million euros the previous year. This change was due both to the market downturn and the recognition of impairment losses on current and non-current available for sale financial assets. Other financial expenses amounted to 25 million euros, compared to 24 million euros in 2008.

The Group's effective tax rate was 30% in 2008, compared to 28% in 2008. The rate in 2008 was primarily attributable to the capitalization of tax loss carryforwards.

Income from investments in associates was 3 million euros in 2009, down from 7 million euros in 2008.

Profit attributable to minority interests was 218 million euros as of December 31, 2009, compared to 292 million euros the previous year. This total mainly includes profit attributable to minority interests in Moët Hennessy and DFS and reflects lower earnings by Moët Hennessy.

The Group's share of net profit was 1,755 million euros, decreasing by 13% compared to 2008. It represented 10% of revenue in 2009, compared to 12% in 2008.

## 1.2 Wines and Spirits

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| **Revenue** *(EUR millions)* | **2,740** | **3,126** | **3,226** |
| **Sales volume** *(millions of bottles)* | | | |
| Champagne | 48.4 | 57.6 | 62.2 |
| Cognac | 54.6 | 57.7 | 60.9 |
| Other spirits | 12.3 | 25.1 | 28.8 |
| Still and sparkling wines | 36.2 | 36.9 | 38.9 |
| **Revenue by geographic region of delivery** *(%)* | | | |
| France | 9 | 8 | 8 |
| Europe (excluding France) | 25 | 31 | 29 |
| United States | 26 | 24 | 29 |
| Japan | 6 | 6 | 8 |
| Asia (excluding Japan) | 22 | 19 | 16 |
| Other markets | 12 | 12 | 10 |
| **Total** | **100** | **100** | **100** |
| **Profit from recurring operations** *(EUR millions)* | **760** | **1,060** | **1,058** |
| **Operating margin** *(%)* | **27.7** | **33.9** | **32.8** |
| **Operating investments** *(EUR millions)* | **103** | **158** | **189** |

### Champagne and Wines

**Moët & Chandon** pursued two objectives in 2009 – to consolidate its positions in traditional markets and win market share in the emerging countries.

In order to enhance its visibility in a particularly difficult market context, the brand launched several new offers, including an elegant gift case, the "Moët Chiller", an invitation to celebrate happy occasions throughout the year, and a luxurious limited edition "Celebration Case" designed to add enchantment to the end of the year festivities.

Moët & Chandon thus reasserted its leadership position and its status as a benchmark in champagne, embodying the spirit of celebration. The brand deployed its communications platform around major film events (the Oscars and Golden Globe awards, and festivals around the world) and designed the event with its new international campaign, symbolized by Scarlett Johansson, the first Hollywood star in history to represent a champagne brand.

By emphasizing its fundamental values tied to the vision of its creator, **Dom Pérignon** reinforced its leadership position in the luxury champagne category and generated the resources to approach the end of the crisis under optimal conditions. As part of this strategy, a major marketing program was launched: the publication of the *Manifesto*, an affirmation of the simple yet strong commitments that form the basis of the aesthetic vision of Dom Pérignon, was the first component. The second component, immersion in the brand universe, retracing the historic path of "Père Pérignon's wine" from the Abbey in Hautvillers to the table of Louis XIV in Versailles, was offered to special guests.

In line with its value strategy and sales policy, **Ruinart** maintained its prices while expanding its promotional events in the field. The brand benefited from the loyalty of its distributor partners and consumers. Innovation, a core priority, was particularly reflected in the *My Sweeter Half* gift box designed for Valentine's Day, and in the creations celebrating the 280 years of the House and the 50 years of its prestigious Dom Ruinart Cuvée. The oldest Champagne brand continued to demonstrate its keen interest in aesthetics, daring ideas and culture by its involvement in major contemporary art events.

**Mercier**, one of the best-loved champagnes in France, continued to expand its territory. The success of its tour circuit contributed to this growth: more than 120,000 visitors came to discover its cellars and champagnes during the year.

The Moët Hennessy network initiated European distribution of the **Montaudon** brand, which joined the Wines and Spirits business group in 2009. Overall the company maintained its positions in the French market.

**Veuve Clicquot Ponsardin** invested more heavily than ever in the fundamentals upon which its success was built: the quality of its wines, enhanced by two excellent harvests in succession, and innovation geared toward the creation of value.

Dominique Demarville, the 10th Cellar Master for Veuve Clicquot since the House was founded, took over from Jacques Peters after a handover period of over three years.

Among other innovations, the *Design Box*, the first box in the "eco-design" market, enhanced the visibility of the brand and its distinctive character. The *Ice Cube*, developed in collaboration with Porsche Design Studio, is a portable cooler for carrying a bottle of Brut Carte Jaune and four exclusive flutes. Veuve Clicquot Rosé, which has continued to grow since it was launched in 2006, was released in *Design Box* and *Ice Dress* versions.

At the same time, Veuve Clicquot continued to dip into the riches its archives have to offer: the yellow ribbon used in 1810 by Madame Clicquot around the neck of bottles is now back on the new boxes and label of the brand's *Vintages*.

In order to support sales in its strategic markets, throughout the year **Krug** increased the number of tasting offers for Grande Cuvée, the emblem of the brand and the vehicle for its values of expertise, authenticity and excellence.

Grande Cuvée was also part of the *Krug Treasure Box*, an exclusive offer at the end of the year. At the same time, the company wrote the second chapter in the saga of Clos d'Ambonnay (a cuvée created in 2008) with the revelation of the 1996 vintage, a new masterpiece available in January 2010.

**Estates & Wines**, the entity that holds the sparkling and still wines of Moët Hennessy, generally performed well in the economic crisis. The Chandon sparkling wines consolidated their leadership position in the super premium category in their domestic markets. They simultaneously pursued their strategy of international expansion. Chandon California's restaurant earned one star from the 2010 Michelin Guide.

The still wines from Cloudy Bay (New Zealand) and Terrazas de los Andes (Argentina) generated solid performances, while the Australian wines were penalized by a decline in demand. Numanthia, acquired by Moët Hennessy in 2008, has progressively been recognized as one of the best wines from Spain and ranked second in the "Wine Spectator" Top 100 in 2009.

The enthusiasm generated by the Premier Cru Supérieur **Château d'Yquem** was maintained with the sale of its Primeur 2008. Invited by "Wine Spectator" to the 2009 edition of the *New York Wine Experience*, Château d'Yquem presented its 1998 vintage at an event eagerly attended by hundreds of wine lovers wanting to discover or rediscover this magnificent classic vintage.

The 2009 harvest, completed between September 7 and October 19 under optimum conditions, offers the potential of a very great vintage.

### Cognac and Spirits

In 2009, **Hennessy** consolidated its market share both in terms of volume and value, remaining the undisputed leader in cognac. After a difficult first half related to inventory reductions by its partners and an unfavorable comparison with an excellent first half in 2008, the main key markets began to stabilize and the brand continued to invest in preparation for the future.

In China, its largest contributing market for the second consecutive year, Hennessy was able to react, when faced with a downturn in revenue early in the year, by implementing effective support programs. Sustained growth returned in the last quarter, and the brand is anticipating a rebound for the Chinese New Year in 2010. The company continued to grow in the other Asian markets, strengthened its positions in Taiwan, and continued its outstanding expansion in Vietnam thanks to the in-depth work completed in the last several years.

In the United States, its second largest market, Hennessy strengthened its leadership position and returned to a positive trend in the second half. Several factors contributed to this change: the introduction of Hennessy *VS 44*, a limited edition in honor of Barack Obama, the 44th President of the United States, the creation of *VS Blending of Art*, the first in a series of collector products designed by artists, and the support of a new promotional campaign. Finally, the success of *Hennessy Black* in the top ten American markets looks very promising for the 2010 national launch of this product which is designed to appeal to the night life segment.

In Russia, the magnitude of the economic crisis affected all cognac sales. Hennessy calmly handled the crisis by relying on the continued strong appeal of its brand. In other European countries like Germany and the United Kingdom, volumes withstood better and stabilized in the second half. In Ireland, its historical market, Hennessy maintained its exceptional market share.

Finally, Hennessy posted an excellent year in the international circuits thanks to a dynamic events policy and the introduction of the new exclusive *Hennessy Privé*.

In a difficult environment, Hennessy relied more than ever on an aggressive strategy in which innovation was a key component. While *Hennessy Black* was one of the major pillars of this policy of winning market share, the company simultaneously strengthened its position as an exceptional brand with the launch of two new prestige products: *Paradis Horus*, designed by Italian designer Ferrucio Laviani, and *X.O Mathusalem* produced in partnership with Berluti. The international development of the *Hennessy Artistry* concerts which bring together a variety of musical genres with different ways of drinking its cognacs was also a very effective vector for promoting the brand with consumers around the world.

**Glenmorangie** continued to deploy the components of its strategy aimed at becoming the leader in single malt Scotch whiskies and making the **Ardbeg** brand the absolute reference for malts produced on the island of Islay.

Glenmorangie posted an encouraging performance in the United States and Continental Europe and won market share in the emerging countries of the Asia-Pacific region. The highly acclaimed launch of Glenmorangie *Sonnalta PX*, the first release from the *Glenmorangie Private Collection*, and the numerous distinctions awarded by the industry in 2009 enhanced the reputation of the brand.

The launch of Ardbeg *Supernova*, named by the Whisky Bible as the Best Scotch of 2009, was extremely successful. The brand itself was named "World Whisky of the Year" for the second consecutive year.

**Belvedere** vodka had a good year with stable revenue in the United States, where it increased market share, and strong growth in Canada, Europe and Asia. Sales were revitalized with an aggressive and effective policy of innovation: the introduction of Belvedere *Intense*, a super premium vodka, Belvedere *IX* targeted for the nightlife segment, an offer of spectacular bottles and packaging, like Belvedere *Silver* at the end of the year, are just a few examples of these innovations.

The rum **10 Cane**, positioned in a growth segment, consolidated its market share in the United States and attracted new consumers. Its international distribution remains very exclusive, targeting the most prestigious bars and hotels in order to build a strong image for future expansion.

There were several highlights during 2009 for the Chinese brand **Wen Jun**: the launch of *Tian Xian*, a new product with very high-end positioning, the start-up of a program of receptions and tours of its Qionglai site in Sichuan, and the opening of a boutique reflecting the new image of the brand.

### Outlook

The improvement in the trend which began at the end of 2009 suggests progressive recovery in 2010, but the environment over the next few months remains very uncertain. For the Wines and Spirits companies, the optimal inventory level within the distribution chain is a positive element as the year begins. In addition to this economic factor, the Group's brands hold the best cards: a clear strategy, solid positions in traditional markets and the emerging countries, a reputation for excellence backed by a zero tolerance image policy, a strong capacity for innovation, strong reactivity, and the contribution of expanded resources in the field. All these assets will allow the brands to seize every opportunity for short-term growth and to continue to build and strengthen their leadership in the longer term.

## 1.3 Fashion and Leather Goods

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| **Revenue** *(EUR millions)* | **6,302** | **6,010** | **5,628** |
| **Revenue by geographic region of delivery** *(%)* | | | |
| France | 8 | 8 | 9 |
| Europe (excluding France) | 21 | 21 | 20 |
| United States | 18 | 19 | 20 |
| Japan | 18 | 20 | 22 |
| Asia (excluding Japan) | 28 | 25 | 23 |
| Other markets | 7 | 7 | 6 |
| **Total** | **100** | **100** | **100** |
| **Type of revenue as a percentage of total revenue (excluding Louis Vuitton)** | | | |
| Retail | 50 | 47 | 49 |
| Wholesale | 42 | 44 | 38 |
| Licenses | 8 | 8 | 8 |
| Other | - | 1 | 5 |
| **Total** | **100** | **100** | **100** |
| **Profit from recurring operations** *(EUR millions)* | **1,986** | **1,927** | **1,829** |
| **Operating margin** *(%)* | **31.5** | **32.1** | **32.5** |
| **Number of stores** | **1,164** | **1,090** | **989** |
| **Operating investments** *(EUR millions)* | **262** | **311** | **246** |

### Louis Vuitton

2009 was another year of double-digit growth for Louis Vuitton. The world's leading luxury brand both confirmed its exceptional appeal and reinforced its leadership position. It recorded excellent performances in both Europe and the Middle East, and weathered a particularly difficult economic context in the United States. In the Asian markets, which continued to be very dynamic (Greater China, South Korea), Louis Vuitton reaped all the benefits of the qualitative work performed over time to establish its legitimacy and its presence and continued its very strong growth.

The revenue increase was generated both by the growth in purchases made by local customers of Louis Vuitton and purchases by tourists; this latter category confirmed the increase in new travelers from China, Eastern Europe, and the Middle East.

New stores were opened in all regions of the world, particularly in the cities of Ekaterinburg (Russia), Las Vegas (City Center), Macao (One Central), Hong Kong (Elements), Seoul and Ulan-Bator, the brand's first location in Mongolia. Louis Vuitton continued its renovation and refurbishing work which improves the quality of its network every year, and implemented major architectural programs for its stores and their façades which give the brand extraordinary visibility while enhancing the cities and streets in which they are located.

All the businesses, from leather goods to ready-to-wear to footwear, contributed to the overall growth of Louis Vuitton in 2009. One of the primary vectors of this dynamic expansion was the deployment of a large number of creative developments. This capacity for innovation is one of the brand's traditional assets.

The first months of the year were very intense with the successful launch of a collection in tribute to Stephen Sprouse, an American artist, now no longer with us, who was the first designer to collaborate with Marc Jacobs. This colorful collection, which includes two leather goods lines, *Monogram Graffiti* and *Monogram Roses*, was reflected in a whole series of products: ready-to-wear, footwear and a large number of accessories. Louis Vuitton expanded its men's *Damier Graphite* line created in 2008, with articles available in all segments. The success of this line reflects the ongoing growth of Louis Vuitton in the men's segment and is a key factor in that growth. New very successful models were added to the historical lines of leather goods. Finally, the second half of the year was highlighted very specifically by the launch of *L'Ame du Voyage*, a collection of daring and exceptional high-end jewelry, the result of the collaboration between Louis Vuitton and the creative talent of Lorenz Bäumer, one of the most talented jewelers of his generation.

Louis Vuitton continued to enhance and expand its advertising and strengthen its media presence. A new collaboration with Madonna for fashion, the participation of three personalities key to the conquest of space in the campaign expressing its founding values linked to travel, the creation of the Louis Vuitton Trophy emphasizing its longstanding partnership with the world of sailing and top-level yacht-racing were just some of the highlights of 2009.

A promotional campaign to illustrate the brand's know-how was developed in coordination with the 150th anniversary of the historical workshop in Asnières. A number of initiatives, including the contemporary art exhibits organized at the Louis Vuitton Cultural Space at its Maison des Champs-Élysées, *Ecritures silencieuses*, *La Confusion des Sens*, were a reminder of Louis Vuitton's ties to culture and the art world. The first exhibition from the Louis Vuitton Foundation for Creation, presented at the Hong Kong Art Museum in May, was the outstanding event of the year.

### Fendi

In 2009, Fendi continued to strengthen all the elements that help to highlight its identity and confirm its positioning, particularly the consistency of its different collections and product lines. The brand also used the year to conduct an in-depth reorganization of its logistics chain, which improved product availability for customers and optimized working capital requirements.

Revenue reflected the impact of weak demand at department stores in the United States and Japan, but was stronger in Europe, the Middle East and Asia, with improvement in the second half.

In leather goods, Fendi benefited from the success of the newly designed *Peekaboo* line, which is already a benchmark and brings together quality and timeless elegance. At the same time, the brand launched the *Mia* line in 2009 and continued to expand the *Roll Bag* and *Forever* lines.

Fendi selectively expanded its distribution network by focusing on the Middle East and Asia. In this region with strong growth potential, the re-opening of Plaza 66 in Shanghai, its new flagship store in China, was a high point of the year. As of December 31, 2009, the Fendi network consisted of 187 stores around the world.

The brand maintained its targeted marketing: it again participated in the Design Miami trade show, an original event that associates its image with the creativity and freedom of expression of contemporary designers. It also continued the Fendi O' concerts during the fashion weeks in Paris: these events are becoming really key events and are a powerful communication vehicle for the brand.

### Other brands

Demonstrating remarkable responsiveness, **Donna Karan** successfully met the challenge of particularly difficult economic conditions in the American market and, despite lower demand, posted a record year for profits. This performance was achieved by reducing operating costs which the team accomplished at the same time as it launched new successful products.

The creative work achieved on the collections to structure them around iconic models and the brand's best-sellers yielded results. Donna Karan thus benefited from the very warm reception given to its Fall 2009 fashion show, based on a concept in which it excels, a collection of clothing that can be coordinated in an infinite variety of ways to form a complete wardrobe for day and for evening. The company expanded its product offer in its *Modern Icons* collection. It also launched a new *Cashmere* line, an alliance of luxury and comfort especially for moments of leisure. The second line, DKNY, also executed innovations in the same spirit and recorded excellent revenue in ready-to-wear and accessories.

**Marc Jacobs** continued its rapid international growth, driven by the enthusiasm generated by its fashion shows and by the success of its major lines. The brand remained very steady in the face of a difficult economic environment in Europe, recorded strong growth in Asia, and posted a very good end of year in all its distribution channels. One of its primary performance vectors was the substantial success of leather goods and accessories in the *Marc by Marc Jacobs* line which recorded strong growth during the year. The company also gave a significant new look to the accessories in the first *Collection* line. The corresponding ready-to-wear articles were also reworked to include more affordable prices. Marc Jacobs acquired control of its business in Japan in the form of a partnership and grew its revenue in this market which was particularly hard hit by the economic environment.

**Loewe** focused on its area of excellence, leather working, of which it is an absolute master in terms of style and quality, and on the development of accessories, which was vigorously enhanced thanks to the talent of Stuart Vevers, the new Artistic Director. In 2009, the Spanish company continued to expand in Asia and opened a flagship store designed by architect Peter Marino in Valencia, one of the most dynamic cities in its native country.

The relaunch of **Céline** took a major step forward with the presentation of Phoebe Philo's first collection in October 2009. This new style direction with its suggestions of great modernity was greeted enthusiastically by the media and at the commercial level, both in the brand's boutiques and in the most selective American department stores where it aroused considerable new interest.

**Kenzo** continued to strengthen its specific positioning and improve the consistency of its collections under the artistic direction of Antonio Marras, who is now responsible for design for all the lines. The first Men's collections from the designer were highly successful. The company initiated a reorganization of its retail network and, along with the renovation of its flagship stores, increased the number of its franchise boutiques which are a priority distribution channel for the company. Kenzo also launched an online sales site which served all European countries in 2009, and will be expanded to other countries in 2010.

**Givenchy** continued to benefit from the success of its creative renewal and its significant greeting at a commercial level. The women's ready-to-wear line in particular recorded solid results. The year 2009 was marked by the introduction of three capsule collections inspired by the emblematic *Bettina* blouse from Givenchy and by two strong themes from recent fashion shows. These collections were well received by the market and are a good vector for growth. The *Nightingale* line of leather goods continued its success and the new *Pandora* line had a promising start. The store concept inaugurated in Paris in 2008 is progressively being established in all countries. Givenchy continued to expand its distribution, with a focus on China, a market where the brand holds solid positions and has strong potential.

**Thomas Pink** recorded solid performances in its retail network, with a particularly dynamic performance in the Chinese market, solid revenue in London, and improvement that grew stronger over the year in the United States. Online sales continued to grow strongly. The brand opened eight stores and established a presence in Canada and Hong Kong. The introduction of the *Traveller* line of shirts was highly successful.

Following the arrival of Peter Dundas as Artistic Director at the end of 2008, **Pucci** devoted its efforts to implementing the new direction in terms of style and to the corresponding products. The first ready-to-wear shows from the new designer were enthusiastically received with encouraging results. The Italian company, which has excelled in designing sophisticated leisure fashions since it was first formed, successfully inaugurated the pop-up boutique concept in New Hampton in the United States, a very popular vacation resort. This successful experiment, completely in line with the brand's identity, will be repeated in other seashore and mountain locations.

**Berluti** came through 2009 soundly, demonstrating the extent to which the profile and extraordinary loyalty of its customers is a key asset. The brand confirmed its strong appeal in its new markets. Berluti maintained a very strong creative momentum with the launch of *Alberto and Pierre*, two footwear collections, boot designs and new models in its *Démesures* line, and the expansion of its leather goods and travel products.

### Outlook

In 2010, **Louis Vuitton** will implement a dynamic program of new store openings. Future developments include new countries and the company will expand in China with the opening of two stores timed to coincide with its participation in the Shanghai World Expo. A new Louis Vuitton Maison in London is in the preparation stage.

A number of creative developments are also being planned: product launches will animate the major lines from Louis Vuitton, the product offer in the men's segment will be strengthened in leather goods and ready-to-wear, and the leather goods lines will be expanded. A policy of continued steady promotional campaigns will be part of these ambitious programs.

**Fendi** will concentrate on the development of its iconic products to strengthen the cornerstones of its leather goods offer. The brand will very selectively continue to expand its retail network in Europe and Asia while it pursues its efforts to boost the productivity of the existing stores and intensify the message of desirability and excellence conveyed to customers.

As the time line for solid economic recovery is still uncertain, all the fashion brands will maintain a policy of very targeted investments and extremely rigorous management of costs and inventories. They will also continue to rely on the quality of their creative and managerial teams, and to focus on their areas of excellence and develop their best-sellers.

## 1.4 Perfumes and Cosmetics

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| **Revenue** *(EUR millions)* | **2,741** | **2,868** | **2,731** |
| **Revenue by product category** *(%)* | | | |
| Perfumes | 53 | 54 | 55 |
| Cosmetics | 28 | 28 | 26 |
| Skincare products | 19 | 18 | 19 |
| **Total** | **100** | **100** | **100** |
| **Revenue by geographic region of delivery** *(%)* | | | |
| France | 17 | 16 | 16 |
| Europe (excluding France) | 39 | 42 | 43 |
| United States | 8 | 8 | 8 |
| Japan | 7 | 6 | 6 |
| Asia (excluding Japan) | 16 | 14 | 13 |
| Other markets | 13 | 14 | 14 |
| **Total** | **100** | **100** | **100** |
| **Profit from recurring operations** *(EUR millions)* | **291** | **290** | **256** |
| **Operating margin** *(%)* | **10.6** | **10.1** | **9.4** |
| **Operating investments** *(EUR millions)* | **99** | **144** | **115** |
| **Number of stores** | **65** | **62** | **55** |

### Parfums Christian Dior

**Parfums Christian Dior** recorded better than market performance in all its key countries. In a tremendously difficult environment, the brand maintained a consistent and aggressive strategy, highlighting the quality of its products and its vibrant and creative image rooted in the fashion universe. By doing so, Parfums Christian Dior continued to expand its positions.

In the perfume segment, Dior benefits from the exceptional strength of its traditional product lines, true icons, and from its ability to reinvent them so they continue to offer timeless appeal. One of the greatest successes of the year was the launch of *L'Eau de Miss Dior Chérie*. Blended by Dior Perfume Designer François Demachy and brought to life by Sofia Coppola, this new perfume continues and enriches the legend that was born in 1947 as the first perfume from the House, and enhances the brand's legitimacy and its modern feel. *J'adore*, another star perfume, represented by Charlize Theron, recorded remarkable performances and gained market share in all regions. 2009 also saw the highly successful portrayal of the legendary men's fragrance *Eau Sauvage* with a photograph of Alain Delon taken by Jean-Marie Périer in 1966, the year *Eau Sauvage* was born. Parfums Christian Dior also created a second fragrance, inspired by Pondichéry, in its *Escales* collection, and launched a new promotional campaign for *Hypnotic Poison* represented by Monica Bellucci and a new visual identity for the *Fahrenheit* fragrance line to mark the launch of *Fahrenheit Absolute*.

The make-up segment posted outstanding growth, driven by the strength of its core products and many successful new products. Dior recorded significant growth in the strategic foundation segment with the international success of *Diorskin Nude,* which ranks first in its category in most markets. Two new products in 2009 stand out in particular: *Dior Sérum de Rouge* was extremely popular in all markets, and *5 Couleurs Designer*, an eye shadow line that incorporates a technological innovation in the way powder is manufactured.

In the skincare segment, *Capture Totale* recorded strong growth in Europe, Asia and the United States. The line was particularly enhanced by the brand new and extremely innovative *Instant Rescue Eye Treatment*. Another successful launch was that of *XP Nuit*, a skincare product that uses advanced stem cell technology, an area of research in which LVMH is leading the way thanks to its close collaboration with the Universities of Stanford and Modena.

### Guerlain

**Guerlain** worked to reinforce its sound values while deploying a high-end policy of innovation. The brand succeeded in winning market share in its strategic lines. It confirmed its vitality in its priority countries, particularly in France and China, a high-potential market where it improved its position significantly.

The lipstick *Rouge G*, the result of a luxury innovation, was extremely successful. Another highlight of the year was the October launch of the new perfume *Idylle*, in a bottle signed by the young, talented designer Ora Ito – this was given a very good reception. The company's core perfumes *Shalimar* and *Habit Rouge* recorded very solid performances in the French market. The premium skincare line *Orchidée Impériale* recorded its third year of strong growth, and its success makes it the leader of Guerlain franchises in terms of net sales.

Under the creative leadership of Thierry Wasser, the brand's new perfumer working alongside Jean-Paul Guerlain, the brand continued to demonstrate its roots in the world of luxury perfumes, with re-introductions of legendary perfumes and exclusive creations throughout the year bearing witness to its unique expertise.

Guerlain strengthened its highly selective retailing network by opening its twelfth boutique in the Marais district in Paris, thereby allowing it to attract and win over new customers.

### Other brands

**Parfums Givenchy** increased its sales to end customers in its key markets (France, United States and Russia). Its progress was driven by the success of its new products, particularly the fragrance *Play* for men, represented by Justin Timberlake, which posted exceptional scores in the United States, and *Ange ou Démon Le Secret* represented by Uma Thurman, coupled with recent cosmetic innovations such as the mascara *Phenomen'Eyes* and the anti-aging cream *Le Soin Noir*.

Thanks to the solid performance of its principal product lines and the success of the new products launched to expand the lines, **Parfums Kenzo** maintained its market share in 2009. The new cologne *FlowerbyKenzo Essentielle*, the *KenzoAmour* floral eau de toilette and *Eaux par Kenzo Indigo* were blended with beautifully sensual materials, in harmony with the image and the olfactory identity of the brand. The year was highlighted by promotional events organized on the theme of the poppy, its symbolic flower, communicated in original presentations in perfume boutiques.

**Benefit** continued to grow through international expansion. The brand achieved a promising start in Russia and continued its successes in the Asian and Continental European markets. Benefit's innovations included its entry to the perfume segment with the successful launch of the *Crescent Row* collection, designed in the playful, glamorous spirit that is the company's trade mark in cosmetics. It launched the *Hello Flawless* foundation line and also continued to deploy its "Brow Bar" concept in Asia and Europe. As a result, Benefit maintained excellent profitability.

**Make Up For Ever** continued to record exceptional growth and improve profitability. Its momentum was particularly outstanding in the United States and France, as well as in China where it resumed direct sales in 2008. The year 2009 confirmed the enormous consumer success of the *HD* foundation line, originally created to meet the demands of digital television, and the *Aqua* line, initially designed for the world of entertainment. These two flagship lines were enhanced during the year. Make Up For Ever celebrated its 25th birthday in 2009. It was an opportunity for a global tour by designer Dany Sanz, accompanied by major public relations events in Beijing, Dubai, New York, Los Angeles and Paris. The brand also opened a "Make-up School" offering make-up lessons inside the Sephora store on the Champs-Elysées in Paris.

**Acqua di Parma** continued to count on the high quality of its traditional lines, particularly its *Colonia* line of timeless elegance. The company also expanded its presence in the women's perfume segment with the launch of a new fragrance known as *Magnolia Nobile*, marketed along with *Iris Nobile*. **Parfums Loewe** posted very solid performance in Spain, Russia and the Middle East. The brand also introduced a new women's perfume *Aire Loco*, which joins its best-selling *Aire* line.

### Outlook

After succeeding in taking advantage of a difficult period in order to grow, the LVMH brands have set a new objective for greater than market growth in 2010, regardless of the date or magnitude of the expected economic recovery. To meet this objective, they will continue to illustrate their commitment to quality and creativity and maintain an offensive position in terms of innovations and advertising expenditures.

**Parfums Christian Dior** will concentrate its efforts on its priority markets and the development of its exceptional image. Continuing its efforts to showcase its capacity for innovation, the brand will keep on supporting and strengthening its star product lines of perfumes and make-up. The revolutionary launch of *Capture Totale One Essential*, a cutting edge product in terms of technology, will strengthen its position in a skincare segment, that of the high-growth new generation serums.

**Guerlain** will continue its expansion, primarily in France and China. The House will continue to assert its luxury-brand status through its creations, exclusive boutiques and Institutes. It will support its strategic core products *Shalimar*, *Orchidée Impériale* and *Terracotta* as well as its new *Idylle* perfume which offers huge potential.

**Parfums Givenchy** will develop an ongoing program of innovation supported by its three product segments. A major initiative will be launched to develop the *Play* line, and a totally revolutionary anti-aging product, both in concept and in formulation, will also be launched.

In 2010, **Parfums Kenzo** will celebrate the 10th anniversary of *FlowerbyKenzo*, which has become a perfume classic. Two new products and an original film shot on the roofs of Paris will promote this major line. A new communication campaign will highlight the *KenzoAmour* and *Eaux par Kenzo* lines.

**Make Up For Ever** will drive its growth in 2010 primarily with the expansion of its two flagship lines *HD* and *Aqua*, the launch of new gloss and lipstick products, and sustained promotional expenditures.

## 1.5 Watches and Jewelry

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| **Revenue** *(EUR millions)* | **764** | **879** | **833** |
| **Revenue by geographic region of delivery** *(%)* | | | |
| France | 9 | 8 | 7 |
| Europe (excluding France) | 27 | 28 | 24 |
| United States | 18 | 19 | 25 |
| Japan | 12 | 12 | 13 |
| Asia (excluding Japan) | 17 | 16 | 15 |
| Other markets | 17 | 17 | 16 |
| **Total** | **100** | **100** | **100** |
| **Profit from recurring operations** *(EUR millions)* | **63** | **118** | **141** |
| **Operating margin** *(%)* | **8.2** | **13.4** | **16.9** |
| **Operating investments** *(EUR millions)* | **23** | **39** | **28** |
| **Number of stores** | **114** | **104** | **90** |

### TAG Heuer

In 2009, penalized by its exposure in the United States, a market, like Japan, that was particularly impacted by the economic crisis, **TAG Heuer** withstood the economic conditions in Europe well and continued to expand in China. By concentrating on its iconic lines and implementing programs to stimulate demand in retailers, the brand increased its market share in all countries in the segment of watches and chronographs sold between 1,000 to 5,000 euros. A trend toward renewed growth in sales to end users at retailers began in the fourth quarter, including in the United States.

One of the highlights of the year was related to the celebration of the 40th anniversary of the legendary *Monaco* watch, the first square chronograph on the market, which made its movie debut on Steve McQueen's wrist. This anniversary was marked by the launch of several new products that perfectly reflected the skill and technological expertise of TAG Heuer: two exceptional limited series, one of which was scrupulously faithful to the original, a high-tech prototype, the *Monaco Twenty Four*, a new model, the *Monaco LS Chronograph Calibre 12*, which is worn now by Lewis Hamilton. Finally, the marketing of the first models of the *Monaco V4* which, with its belt-driven mechanical movement, made the news when it was introduced as a "concept watch" in 2004, crowned this series of innovations and was a reaffirmation of the company's values of audacity and performance. The *Carrera* and *Grand Carrera* lines, other TAG Heuer icons, recorded very solid performances. In the *Aquaracer* line, 2009 marked the launch of the *Aquaracer 500 M*, the first watch designed in collaboration with Leonardo DiCaprio, TAG Heuer's new ambassador. The high-end *Meridiist* telephone line launched in 2008 made good progress in Asia.

TAG Heuer selectively expanded its presence in strategic markets, opening boutiques and franchises in Tokyo, Osaka, Hong Kong, Beijing, Shanghai, Singapore, Seoul, Sofia, Moscow, Ekaterinburg and Abu Dhabi.

#### Hublot

**Hublot** withstood the economic conditions extremely well. Its unique positioning, coupled with a very strict control of its inventories at retailers, were the two main factors driving its performance.

2009 saw the inauguration of the Hublot manufacturing plant in Nyon, a decisive step in the future development of this high-growth brand. The integration of the various production steps will give greater autonomy to the manufacturing plant. It has begun to produce the highly innovative UNICO automatic chronograph movement, which has been completely designed by the Hublot Research and Development department.

For the third time in five years, Hublot won a first prize in the Geneva Watchmaking Grand Prix with the *Big Bang One Million Dollar Black Caviar* model. This unique piece, which houses a Tourbillon movement, is a symbol of the fusion of watchmaking and jewelry. Its white gold case is covered with an invisible mounting of black diamond baguettes.

In 2009, Hublot continued to demonstrate its strong capacity for product innovation: four years after designing the *Big Bang* line, the *King Power* line pushes the original aesthetics of the *Big Bang* to the edge with an even more powerful and advanced design. The *King Power* will eventually house the UNICO movement. Limited *Big Bang* series were also designed in partnership with auto maker Morgan and yacht builder Wally. The *Big Bang* line was further enhanced with the success of its women's collection.

Hublot opened boutiques with partners in Cannes, Prague, Istanbul, Doha, Saint Martin, Saint Thomas and Macao.

#### Zenith

In the crisis experienced by the watchmaking industry, Manufacture **Zenith** implemented a major program to cut costs and investments and initiated industrial restructuring to lower its breakeven point.

In 2009, the company celebrated the 40th anniversary of its El Primero chronograph movement. A symbol of innovation and the watchmaking precision embodied by Zenith, the El Primero is the only chronograph movement capable of measuring time to a tenth of a second. The anniversary of this movement, which is still unequaled, was celebrated with the release of a *New Vintage* collection of watches inspired by the original model. In order to build on its strong points and its watchmaking values, Zenith began to refocus its collections and marketing campaigns on its traditional models and its El Primero movement, which was once again placed at the center of its product offer.

Two boutiques were opened in Moscow and Dubai in 2009.

#### Other brands

**Chaumet**'s revenue was impacted by retailer's inventory reductions, but remained solid within its own network of boutiques.

In jewelry, the brand benefited from the confirmed success of its *Liens* and *Attrape-Moi si tu m'aimes* lines. The company boldly expanded the lines with the launch of a new *Lune de Miel* collection which melds diamonds and colored stones. In watches, the jewelry watches from Chaumet and the *Dandy Arty* model introduced during the year also performed well.

**Dior Watches** continued to transition to high-end products and strengthen its positioning by combining a Swiss watchmaking tradition, a "couture" spirit, and strong creativity.

The *Christal* line was enhanced with several automatic versions and the creation of the *Dior Christal Mystérieuse* watch. A small, jeweled version, the *Mini D*, was added to the *D de Dior* collection. Development of the *Chiffre Rouge* men's line continued with the introduction of two diving watches, guaranteed waterproof up to 300 meters.

**Fred** posted a very good year in France. The growth achieved in this market is due to the success of the recent re-issue of its legendary *Force 10* line, inspired by the world of sailing and enhanced with jewelry versions in 2009. Fred also launched a *Gladiateur* chronograph that also includes jeweled versions and, continuing a well-established tradition of collaboration with artists, re-issued its *Fredy's* pendants created thirty years ago, and redesigned today by Jean-Paul Goude.

**De Beers**, with a heavy exposure in the United States and in markets where its products are distributed through franchises, faced a difficult year. The company performed better in the economic climate within its own network of boutiques. The option taken in 2009 to give priority to developing its engagement rings and its classic diamond collections brought results. The brand maintained its innovative momentum, illustrated in the launch of the *Lotus* line.

### Outlook

After the impact on revenue from the inventory reductions made by distributors and multi-brand retailers in 2009, the year 2010 should bring progressive recovery, a prospect reinforced by the positive signals given by consumption in recent months. As the LVMH companies have strictly controlled the level of their inventories with retailers, they are well positioned to take advantage of improved market conditions. The global economic context is still uncertain, however, so they will continue to rely primarily on the expansion of their iconic product lines and maintain rigorous control of costs and inventories. Investments will remain highly targeted. They will be primarily devoted to the development of industrial watchmaking capacities for the production of movements and to the opening of a few monobrand boutiques in strategic locations. For retail, ongoing improvement in the network of existing boutiques will remain a priority.

One of the highlights of 2010 will be the 150th anniversary of **TAG Heuer.** To celebrate the occasion, the world leader in luxury sports watches and chronographs is re-issuing one of its most iconic designs, the *Silverstone* chronograph (named after the famous race track) initially launched in 1974. The brand is also releasing a new movement, the TAG Heuer Calibre 1887 chronograph manufactured in house. One of **Hublot**'s top priorities is the industrial manufacture of its UNICO movement developed and fabricated by its manufacturing plant and the opening of some strategic boutiques. **Zenith** will continue to strengthen its product lines and present a new, highly anticipated offer of chronographs equipped with the El Primero movement and displaying a tenth of a second.

## 1.6 Selective Retailing

| | 2009 | 2008 | 2007 (1) |
|---|---|---|---|
| **Revenue** *(EUR millions)* | **4,533** | **4,376** | **4,164** |
| **Revenue by geographic region of delivery** *(%)* | | | |
| France | 24 | 24 | 24 |
| Europe (excluding France) | 10 | 11 | 10 |
| United States | 37 | 38 | 39 |
| Japan | 2 | 3 | 3 |
| Asia (excluding Japan) | 20 | 19 | 20 |
| Other markets | 7 | 5 | 4 |
| **Total** | **100** | **100** | **100** |
| **Profit from recurring operations** *(EUR millions)* | **388** | **388** | **426** |
| **Operating margin** *(%)* | **8.6** | **8.9** | **10.3** |
| **Operating investments** *(EUR millions)* | **183** | **228** | **236** |
| **Number of stores** | | | |
| Sephora | 986 | 898 | 756 |
| Other trade names (2) | 89 | 155 | 153 |

*(1) Restated after reclassifying La Samaritaine from Selective Retailing to Other activities.*
*(2) The method for counting DFS stores was changed as of 2009. Had the new method been applied in 2008, the number of stores for that year would have been 80.*

### DFS

After a first half year penalized both by the consequences of the economic crisis and by concerns related to the H1N1 virus, the second half of the year showed a trend toward improvement for the players in "travel retail".

In a difficult context worldwide, **DFS** posted a solid sales performance and contained its profitability through rigorous control of all operating costs. Excellent inventory management generated cash flow that was significantly improved from 2008.

At the destinations traditionally popular with Japanese travelers, business was impacted by a decline in traffic and the change in DFS revenue was in line with the market. On the other hand, the travel retail leader took advantage of the growth in Chinese tourism, a phenomenon that had long been anticipated and that had been placed at the center of its growth strategy. The stores serving this customer base showed strong improvement. The Galleria in Macao, which opened in 2008 at the Four Seasons Shopping Mall, was an outstanding success. The renovation of the Chinachem Galleria in Hong Kong also had a very positive impact on the appeal and business of the store.

DFS also recorded very strong results for its first full year of operation in Abu Dhabi. It should be noted that this promising store represents the first luxury site in a Middle East airport. Business at the Mumbai airport (Bombay), the first concession in India, which was still modest, grew slowly but steadily.

The success of the new locations and stores which had been expanded and redecorated confirmed the relevance of the investments made by DFS in recent years and reinforces its prospects for future growth.

### Miami Cruiseline

In 2009, the business of **Miami Cruiseline** suffered from the economic slowdown in the cruise market and the decline in purchases made by primarily American customers. Cost-cutting efforts did not totally offset the decline in revenue.

Despite the current difficulties, the cruise market offers excellent prospects over the longer term, driven by an increase in new customers. With this in mind, Miami Cruiseline maintained its efforts to make ongoing improvements in its supply chain and is working, in line with a more targeted purchasing policy, to increasingly differentiate its product offer on the basis of the customer profiles for different cruise ships.

### Sephora

**Sephora** turned in an excellent performance worldwide, with revenue growth and an increase in profit from recurring operations, resulting in market share gains in all its operating regions. Sephora's exceptional commercial vitality was driven by the expansion of its store network in the most profitable markets and by a product offer that is increasingly innovative and unique. The sustained attention paid to the value of this offer, the development of brand new services in the stores, and the very effective customer loyalty programs are all additional assets that continue to be strengthened. Tighter control of operating costs, positive changes in the product mix and ongoing efforts to improve store productivity contributed to the growth in profit from recurring operations.

As of December 31, 2009, Sephora's global network consisted of 986 stores located in 23 countries. Europe had 639 stores, North America 254 stores (234 in the United States and 20 in Canada), Asia 76 and the Middle East 17. Given the economic context in 2009, the rate of new stores opened slowed from the previous year, but reflected steady expansion. Sephora continued to give priority to the most promising markets in terms of revenue and profitability, the most promising emerging markets and the best commercial locations in each city selected. The company opened its largest Asian store in Singapore in the heart of the Ion Orchard shopping center, a flagship store in Beijing near Tiananmen Square, and a store with spectacular architecture in Times Square in New York.

The online store sites sephora.com (United States and Canada), sephora.fr (France) and sephora.cn (China) continued to grow rapidly, driven by a very dynamic promotional policy, increased interactivity, and the attention paid to the quality of customer service.

In line with its positioning perfectly reflected in the slogan "The Beauty Authority", Sephora continued to implement its differentiation policy based on the creativity of its product offer, the large number of events conducted for the selective brands in its stores, and the development of innovative services. A new wave of exclusive and creative brands appeared in 2009, extending the success enjoyed by *StriVectin*, *Bare Escentuals* and others. In Europe, the *Rexaline* hydrating skincare products and *Fred Farrugia* make-up items introduced in the second half of 2009 were both major successes for the year. In the United States, the make-up line inspired by Kat Von D, a celebrity in the area of artistic tattoos, recorded very rapid growth. The *Sephora* brand products continued to be actively developed and posted steady growth in all markets. The brand continued to offer innovative services in the stores: Beauty Bars, Make-Up Studios, make-up lessons, express hair styling – even an innovative "Face Bar" in the new Singapore store, specifically for a customer base that made the foundation product into a cult favorite.

Sephora also strengthened and expanded its loyalty programs, targeting them ever more precisely, so that the programs promote a direct relationship with customers.

This entire strategy significantly accelerated the gains in market share achieved around the world. In France, where its concept first began, Sephora ranked number one in the selective retail market in 2009.

### Le Bon Marché

After a difficult period early in 2009, **Le Bon Marché** gradually returned to moderate growth. The department store ended the year with revenue little changed from 2008, a true performance. This achievement was coupled with a perfectly controlled margin and strong results generated by rigorous management and a consistent policy of offering value.

Significant events in 2009 included the end of the major renovation project to once again highlight the architectural heritage of the building and to unveil the magnificent second-floor windows, a really wonderful light display for the store.

This beautiful project, part of the ongoing investments made by Le Bon Marché in recent years, reinforces the identity and unique atmosphere of the Left Bank department store in the Parisian commercial landscape and positions the store to develop a decisive sales offensive in the coming years.

### Outlook

Based on the improved trend seen in the second half of 2009, **DFS** is facing the year 2010 with confidence. The leader in "travel retail" will continue to implement its strategy to strengthen its presence at the favorite destinations of Asian travelers. Among other positive elements, DFS will benefit from the completion of the work on its flagship store in Hong Kong Sun Plaza, where the Beauty department has already been renovated, and from the progressive opening of City of Dreams, the second Galleria in Macao.

As economic recovery in the United States promises to be gradual, **Miami Cruiseline** will maintain drastic cost management in 2010, while focusing on seizing the best opportunities for growth. Those opportunities include a new, very large ship operated by Royal Caribbean, where Miami Cruiseline has opened more attractive stores in which it can ideally express its expertise.

In order to maintain its global leadership and its positioning as a trend-setting beauty expert, **Sephora** will continue to expand its presence with new openings in profitable markets and will accelerate the rate of its innovations. A major project to develop online sales in Europe will also be initiated in 2010. An increasingly exclusive offer (new brands carried in the stores, previews launched in partnership with selective brands, the development of Sephora product lines), the roll-out of new merchandising and service initiatives and the expansion of customer loyalty programs, etc. are all efforts that will contribute to a new year of growth and win new gains in market share.

In 2010, **Le Bon Marché** will implement a strong and dynamic sales offensive. The store will begin modifications to its sales areas to give greater space to sectors with high profit potential. This change will result in two major events. In the spring, the regrouping of the Home and Leisure departments on the store's second floor will reinforce the unique and inspired character of Le Bon Marché. In the second half of the year, the store will inaugurate a new expanded Balthazar space for men, offering notably a Shoe department that is unique in Paris.

# 2. OPERATIONAL RISK FACTORS AND INSURANCE POLICY

## 2.1 Strategic and operational risks

### 2.1.1 Brand image and reputation

Around the world, LVMH is known for its brands, unrivaled expertise and production methods unique to its products. The reputation of the Group's brands rests on the quality and exclusiveness of its products, their distribution networks, as well as the promotional and marketing strategies applied. Products or marketing strategies not in line with brand image objectives, inappropriate behavior by brand ambassadors, as well as detrimental information circulating in the media might endanger the reputation of the Group's brands and adversely impact sales. The net value of brands and goodwill recorded in the Group's balance sheet as of December 31, 2009 amounted to 12.6 billion euros.

The Group supports and develops the reputations of its brands by working with seasoned and innovative professionals in various fields (creative directors, oenologists, cosmetics research specialists, etc.), with the involvement of the most senior executives in strategic decision-making processes (collections, distribution and communication). In this regard, LVMH's key priority is to respect and bring to the fore each brand's unique personality. Furthermore, all LVMH employees are conscious of the importance of acting at all times in accordance with the ethical guidelines established by the Group. Finally, in order to protect against risks related to an eventual public campaign against the Group or one of its brands, LVMH monitors developments in the media on a constant basis and maintains a permanent crisis management unit.

### 2.1.2 Counterfeit and parallel retail networks

The Group's brands, expertise and production methods can be counterfeited or copied. Its products, in particular leather goods, perfumes and cosmetics, may be distributed in parallel retail networks, including Web-based sales networks, without the Group's consent.

Counterfeiting and parallel distribution have an immediate adverse effect on revenue and profit and may damage the brand image of the relevant products over time. LVMH takes all possible measures to protect itself against these risks.

As a result, the legal protection of its trademarks and brands is an absolute necessity. Thus, brands, product names, trademarks, etc. are always filed or registered to guarantee legal protection both in France and in other countries. In general, the Group takes all measures at the international level to ensure such legal protection is complete.

Furthermore, action plans have been specifically drawn up to address the counterfeiting of products. This involves close cooperation with governmental authorities, customs officials and lawyers specializing in these matters in the countries concerned. The Group also plays a key role in all of the trade bodies representing the major names in the luxury goods industry, in order to promote cooperation and a consistent global message against counterfeiting, all of which are essential in successfully combating the problem.

In addition, the Group takes various measures to fight the sale of its products through parallel retail networks, in particular by developing product traceability, prohibiting direct sales to those networks, and taking specific initiatives aimed at better controlling retail channels. In 2009, the cost of these initiatives was 11 million euros.

### 2.1.3 Contractual commitments

In the context of its business activities, the Group enters into multi-year agreements with its partners and some of its suppliers (especially lease, distribution and procurement agreements). Should any of these agreements be terminated before its expiration date, compensation is usually provided for under the agreement in question, which would represent an expense without any immediate offsetting income item. As of December 31, 2009, the total amount of minimum commitments undertaken by the Group in respect of multi-year lease and procurement agreements amounted to 5.2 billion euros. Detailed descriptions of these commitments may be found in Notes 29.1 and 29.2 to the consolidated financial statements. Considered on an individual basis, no agreement exists whose termination would be likely to result in material liability at the level of the Group.

Any potential agreement that would result in a commitment by the Group over a multi-year period is subjected to an approval process at the Group company involved. The approval and review process implemented prior to engaging any particular agreement is adjusted depending on the related financial and operational risk factors. All agreements are also reviewed by the Group's in-house legal counsel, together with its insurance brokers.

In addition, the Group has entered into commitments to its partners in some of its business activities to acquire the stakes held by the latter in the activities in question should they express an interest in such a sale, according to a contractual pricing formula. As of December 31, 2009, this commitment is valued at 2.8 billion euros and is recognized under Other non-current liabilities (see Note 19 to the consolidated financial statements).

### 2.1.4 Worldwide operations of the Group

The Group conducts business internationally and as a result is subject to various types of risks and uncertainties. These include customer purchasing power and the value of operating assets located abroad, economic changes that are not necessarily simultaneous from one country to another, and provisions of corporate or tax law, customs regulations or import restrictions imposed by some countries that may, under certain circumstances, penalize the Group.

The Group maintains very few operations in politically unstable regions. The legal and regulatory frameworks governing the countries where the Group operates are well established. Furthermore, it is important to note that the Group's activity is spread for the most part between three geographical and monetary regions: Asia, Western Europe and the United States. This geographic balance helps to offset the risk of exposure to any one area.

### 2.1.5 The Group's products

In France, the European Union and all other countries in which the Group operates, many of its products are subject to specific regulations. Regulations apply to production and manufacturing conditions, as well as to sales, consumer safety, product labeling and composition.

In addition to industrial safety, the Group's companies also work to ensure greater product safety and traceability. The HACCP method (Hazard Analysis Critical Control Point) is used by companies in the Wines and Spirits and Perfumes and Cosmetics business groups. This approach aims notably to reinforce the Group's anticipation and responsiveness in the event of a product recall.

A legal intelligence team has also been set up in order to better manage the heightened risk of liability litigation, notably that to which the Group's brands are particularly exposed.

### 2.1.6 Seasonality

Nearly all of the Group's activities are subject to seasonal variations in demand. Historically, a significant proportion of the Group's sales – approximately 30% of the annual total – has been generated during the peak holiday season in the fourth quarter of the year. Unexpected events in the final months of the year may adversely affect the Group's business volume and earnings.

### 2.1.7 Strategic procurement

The attractiveness of the Group's products depends on the availability, in sufficient quantity, of certain raw materials meeting the quality criteria demanded by the Group. This mainly involves the supply of grapes and eaux-de-vie in connection with the activities of the Wines and Spirits business group, as well as leathers, canvases and furs in connection with the activities of the Fashion and Leather Goods business group. In order to guarantee sources of supply corresponding to its demands, the Group sets up preferred partnerships with the suppliers in question. Although the Group enters into these partnerships in the context of long term commitments, it is constantly on the lookout for new suppliers able to meet its requirements.

### 2.1.8 Information systems

The Group is exposed to the risk of information systems failure, as a result of a malfunction or malicious intent. The occurrence of this type of risk event may result in the loss or corruption of sensitive data, including information relating to products, customers or financial data. Such an event may also involve the partial or total unavailability of some systems, impeding the normal operation of the processes concerned. In order to protect against this risk, at each of its companies, the Group puts in place business continuity plans as well as a full set of measures designed to protect sensitive data.

### 2.1.9 Industrial and environmental risks

In the context of its production and storage activities, the Group is exposed to the occurrence of losses such as fires, water damage, or natural catastrophes.

A detailed presentation of the Group's environmental risk factors and of the measures taken to ensure compliance by its business activities with legal and regulatory provisions is provided in the section entitled *LVMH and the environment* of the Management Report of the Board of Directors.

To identify, analyze and provide protection against industrial and environmental risks, the LVMH Group relies on a combination of independent experts and qualified professionals from various Group companies, and in particular safety, quality and environmental managers. The definition and implementation of the Group's risk management policy are handled by the Finance Department.

The Group consistently applies the highest safety standards as part of its policy on industrial risk prevention (NFPA standard). Working with its insurers, LVMH applies HPR (Highly Protected Risks) standards, the objective of which is to significantly reduce fire risk and associated operating losses, and has established an incentive program for risk prevention investments which is taken into account by insurance companies in their risk assessment process.

This approach is combined with an industrial and environmental risk monitoring program. In 2009, engineering consultants devoted about 120 audit days to the program.

In addition, prevention and protection schemes include contingency planning to ensure business continuity.

## 2.2 Insurance policy

LVMH has a dynamic global risk management policy based primarily on the following:

- systematic identification and documentation of risks;
- procedures for risk prevention, occupational safety and protection of persons and industrial assets;
- implementation of international contingency plans;
- a comprehensive risk financing program to limit the consequences of major events on the Group's financial position;
- worldwide optimization and coordination of "master" and centralized insurance programs.

LVMH's global approach is primarily based on transferring its risks to the insurance markets under reasonable financial terms, within the limits of the conditions available in those markets both in terms of scope of coverage and limits. The extent of insurance coverage is directly related either to a quantification of the maximum possible loss, or to the constraints of the insurance market.

Compared with LVMH's financial capacity, the Group's level of self-insurance does not seem significant. The deductibles payable by Group companies in the event of a claim reflect an optimal balance between coverage and the total cost of risk. Insurance costs paid by Group companies are less than 0.30% of consolidated revenue.

The financial ratings of the Group's main insurance partners are reviewed on a regular basis, and if necessary one insurer may be replaced by another.

The main insurance programs coordinated by LVMH are designed to cover property damage and business interruption, transportation, credit, third party liability and product recall.

### 2.2.1 Property and business interruption insurance

Most of the Group's manufacturing operations are covered under a consolidated international insurance program for property damage and associated operating losses.

Property damage insurance limits are provided in line with the values of assets insured. Business interruption insurance limits reflect gross margin exposures of the Group companies for a period of indemnity extending from 12 to 24 months based on actual risk exposures. The coverage limit of this program is 1.1 billion euros, an amount determined on the basis of the Group's maximum possible loss.

Coverage for "natural events" provided under the Group's international damage insurance program is limited to 75 million euros per claim and 150 million euros per year. As a result of a Japanese earthquake risk modeling study performed in 2009, specific coverage in the amount of 150 million euros was taken out against this risk. These limits are in line with the Group companies' risk exposures.

### 2.2.2 Transportation insurance

All Group operating entities are covered by an "Inventory and Transit" transportation insurance contract. The coverage limit of this program (some 60 million euros) corresponds to the maximum transportation liability.

### 2.2.3 Third-party liability

The LVMH Group has implemented a third-party liability and worldwide product recall insurance program for all its subsidiaries throughout the world. This program is designed to provide the most comprehensive coverage for LVMH's known risks, given the insurance capacity and coverage available internationally.

Coverage levels are in line with those of companies with comparable business operations.

Both environmental losses arising from gradual as well as sudden, accidental pollution and environmental liability (Directive 2004/35/EC) are covered under this program.

Specific insurance policies have been implemented for countries where work-related accidents are not covered by state insurance schemes, such as the United States. Coverage levels are in line with the various legal requirements imposed by the different states.

### 2.2.4 Coverage for special risks

Insurance coverage for political risks, directors' and officers' liability, fraud and malicious intent, acts of terrorism, data corruption or data loss or environmental risks, is obtained through specific worldwide or local policies.

## 2.3 Financial risks

### 2.3.1 Credit risk

Because of the nature of its activities, the majority of the Group's sales are not affected by customer risk. Sales are made directly to customers through the Selective Retailing network, the Fashion and Leather Goods stores and, to a lesser extent, the Perfumes and Cosmetics stores. Together, these sales accounted for approximately 59% of total revenue in 2009.

Furthermore, for revenue not included in this figure, the Group's businesses are in no way dependent on a limited number of customers whose default would have a significant impact on Group activity level or earnings. About 78% of requests for credit insurance coverage were fulfilled as of December 31, 2009.

### 2.3.2 Counterparty risk

Banking counterparties are selected based on their ratings and in accordance with the Group's risk diversification strategy.

Banking counterparty risk is monitored on a regular and comprehensive basis, a task facilitated by the centralization of risk management. Whenever possible, the compensation of exposures between banks and LVMH is organized through legal means.

### 2.3.3 Foreign exchange risk

A substantial portion of the Group's sales is denominated in currencies other than the euro, particularly the US dollar and the Japanese yen, while most of its manufacturing expenses are euro-denominated.

Exchange rate fluctuations between the euro and the main currencies in which the Group's sales are denominated can therefore significantly impact its revenue and earnings reported in euros, and complicate comparisons of its year-on-year performance.

The Group actively manages its exposure to foreign exchange risk in order to reduce its sensitivity to unfavorable currency fluctuations by implementing hedges such as forward sales and options. An analysis of the sensitivity of the Group's net profit to fluctuations in the main currencies to which the Group is exposed, as well as a description of the extent of cash flow hedging for 2010 relating to the main invoicing currencies are provided in Note 21.5 to the consolidated financial statements.

Owning substantial assets denominated in currencies other than euros (primarily the US dollar and Swiss franc) is also a source of foreign exchange risk with respect to the Group's net assets. This risk is managed via total or partial funding of these assets with borrowings denominated in the same currency as the corresponding asset. An analysis of the Group's exposure to foreign exchange risk related to its net assets for the main currencies involved is presented in Note 21.5 to the consolidated financial statements.

### 2.3.4 Interest rate risk

The Group's exposure to interest rate risk may be assessed with respect to the amount of its consolidated net financial debt, which totaled 3 billion euros as of December 31, 2009. After hedging, 54% of gross debt was subject to a fixed rate of interest and 46% was subject to a floating interest rate. An analysis of borrowings by maturity and type of rate applicable as well as an analysis of the sensitivity of the cost of net financial debt to changes in interest rates are presented in Notes 17.4 and 17.6 to the consolidated financial statements.

Since the Group's debt is denominated in various different currencies, the Group's exposure to fluctuations in interest rates underlying the main currency-denominated borrowings (euro, US dollar, Swiss franc and Japanese yen) varies accordingly.

This risk is managed using interest rate swaps and purchases of interest rate caps (protections against an increase in interest rate) designed to limit the adverse impact of unfavorable interest rate fluctuations.

### 2.3.5 Equity market risk

The Group's exposure to equity market risk relates in the first place to its treasury shares which are held primarily in coverage of stock option plans and bonus share plans. The Group also holds LVMH share-settled calls to cover these commitments. LVMH treasury shares, as well as call options on LVMH shares, are considered as equity instruments under IFRS, and as such have no impact on the consolidated income statement.

Shares other than LVMH treasury shares may be held by some of the funds in which the Group has invested, or even directly within non-current or current available for sale financial assets.

The Group may use derivatives in order to reduce its exposure to risk. Derivatives may serve as a hedge against fluctuations in share prices. For instance, equity swaps in LVMH shares allow cash-settled compensation plans index-linked to the change in the LVMH share-price to be covered. Derivatives may also be used to build a synthetic long position.

### 2.3.6 Liquidity risk

The Group's local liquidity risks are generally not significant. Its overall exposure to liquidity risk can be assessed with regard to the amount of the short term portion of its net financial debt before hedging net of cash and cash equivalents, nil as of December 31, 2009 and outstanding amounts in respect of its commercial paper program (0.2 billion euros). Should any of these borrowing facilities not be renewed, the Group has access to undrawn confirmed credit lines totaling 3.8 billion euros.

Therefore, the Group's liquidity is based on the large amount of its investments and long term borrowings, the diversity of its investor base (bonds and commercial paper), and the quality of its banking relationships, whether evidenced or not by confirmed credit lines.

In connection with certain long term credit lines, the Group has undertaken to comply with a financial covenant based on the ratio of net financial debt to equity. The current level of this ratio is very far from the critical level, which means that the Group has a degree of financial flexibility with regard to these commitments.

In addition, as is customary, the applicable margin on drawdowns of certain long term credit lines depends on the Group's rating (by Standard & Poor's). As of December 31, 2009, no drawdown had been performed under these schemes. Furthermore, should these clauses be triggered, this would not have a material impact on the Group's cash flow.

Agreements governing financial debt and liabilities are not associated with any specific clause likely to significantly modify their terms and conditions.

The breakdown of financial liabilities by contractual maturity is presented in Note 21.7 to the consolidated financial statements.

**2.3.7 Organization of foreign exchange, interest rate and equity market risk management**

The Group applies an exchange rate and interest rate management strategy designed primarily to reduce any negative impacts of foreign currency or interest rate fluctuations on its business and investments.

This management is primarily centralized at the parent company in Paris.

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

These activities are organized based on a strict 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 in real time.

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

## 3. FINANCIAL POLICY

During the year, the Group's financial policy focused on:

- Improving the Group's financial structure, as evidenced by the key indicators listed below:
  - substantial growth in equity;
  - lower net debt;
  - reinforcement of the financial structure thanks to the increase in the long term portion of net financial debt;
  - a substantial increase in the amount of cash and cash equivalents;
  - the Group's financial flexibility, based on a significant reserve of confirmed credit lines.

Thanks to substantial cash flow from operations, net financial debt was reduced from 3,869 million euros as of December 31, 2008 to 2,994 million euros at year-end 2009.

Equity before appropriation of profit increased by 7% to 14,785 million euros as of December 31, 2009, compared to 13,793 million euros a year earlier. This improvement is attributable both to net profit growth in 2009 despite 934 million euros of dividend payments and the negative change in the translation adjustment due to the depreciation of the US dollar and the Japanese yen against the euro between year-end 2008 and year-end 2009.

- Maintaining a prudent foreign exchange and interest rate risk management policy designed primarily to hedge the risks generated directly and indirectly by the Group's operations and investments.

With regard to foreign exchange risks, the Group continued to hedge the risks of exporting companies using call options or ranges to limit the negative impact of currency depreciation while retaining most of the gains in the event of currency appreciation. This strategy enabled the Group to obtain a better hedging rate than the average annual exchange rate for the US dollar in addition to a significantly better hedging rate for the Japanese yen than 2008 and comparable to its average annual exchange rate.

- Greater use of long term financing and an increase in cash and cash equivalents.

Apart from its cash and cash equivalents, the Group applies a diversified short and long term investment policy. In 2009, available for sale financial assets benefited from the improvement in financial markets, although without necessarily recovering their original levels.

- The decrease in the cost of net financial debt, which was 187 million euros as of December 31, 2009, down from 257 million euros the previous year.

This change is the result of lower short term interest rates and the decline in the average net financial debt during the year, whose impact was limited by widening credit and lending margins. In 2009, the Group benefited from lower interest rates in euros, Swiss francs and US dollars owing to the extent of its floating rate loans denominated in these currencies.

The net financial result was adversely affected by the recognition of changes in the fair value of the ineffective portion of foreign currency hedges and by losses relating to available for sale financial assets and other financial instruments, but partially offset by the amount of dividends received with respect to non-current available for sale financial assets.

- Pursuing a dynamic dividend payout policy to shareholders, to enable them to benefit from the company's excellent performances over the year:
  - an interim dividend for 2009 of 0.35 euros was paid in December 2009;
  - proposal of a total gross dividend of 1.65 euros per share for the period (final dividend of 1.30 euros). As a result, total dividend payments to shareholders by LVMH in respect of 2009 would amount to 809 million euros, before the impact of treasury shares.

### 3.1 Consolidated cash flow

The consolidated cash flow statement, which is shown in the consolidated financial statements, details the main cash flows for the 2009 fiscal year.

Cash from operations before changes in working capital decreased by 4.1%, to 3,928 million euros in 2009 from 4,096 million euros a year earlier.

Net cash from operations before changes in working capital (i.e. after interest and income tax) amounted to 2,843 million euros compared to the amount of 3,008 million euros recorded in 2008.

Interest paid in 2009 amounted to 185 million euros, down from 222 million euros in 2008, a decrease due mainly to lower interest rates on average over the year and the decline in the average net financial debt outstanding, despite the increase in corporate loan and bond spreads and the Group's recourse to longer term borrowings intended to solidify its financial structure.

Income tax paid in 2009 amounted to 900 million euros, as against 866 million euros in 2008.

Working capital requirements decreased by 91 million euros, a remarkable performance in both absolute and relative terms compared to 2008, when they increased by 730 million euros. In particular, changes in inventories generated cash resources amounting to 69 million euros, mainly as a result of the reduction in purchases of distilled alcohol for cognac and progress made by all brands, especially Louis Vuitton. The change in trade accounts receivable generated cash resources of 206 million euros over the year, notably at Louis Vuitton, Parfums Christian Dior and Moët & Chandon. Reduced trade accounts payable balances consumed 362 million euros, mainly at Sephora, Hennessy, Moët & Chandon and Parfums Christian Dior, due to lower purchasing volumes and, for the French brands, as a result of the entry into effect of the Law on the Modernization of the Economy.

Overall, net cash from operating activities posted a surplus of 2,934 million euros, representing a 29% increase compared to the 2,278 million euros recorded in 2008.

Group operating investments for the year, net of disposals, resulted in net cash outflows of 729 million euros. This amount reflects the Group's growth strategy and that of its flagship brands such as Louis Vuitton, Sephora and Parfums Christian Dior.

Net cash from operating activities and operating investments thus amounted to 2,205 million euros.

Acquisitions of non-current available for sale financial assets, net of disposals, together with the net impact of the purchase and sale of consolidated investments, resulted in an outflow of 322 million euros in 2009, compared to 613 million one year earlier.

Transactions relating to equity generated an outflow of 858 million euros over the year.

Share subscription options exercised by employees during the year raised a total of 30 million euros. The company intends to proceed with the cancellation of a number of shares equivalent to the total issued.

Disposals of LVMH shares and LVMH-share settled derivatives by the Group, net of acquisitions, generated an inflow of 34 million euros.

In the year ended December 31, 2009, LVMH SA paid 758 million euros in dividends, excluding the amount attributable to treasury shares, of which 592 million euros were distributed in May in respect of the final dividend on 2008 profit and 166 million euros in December in respect of the interim dividend for the 2009 fiscal year. Furthermore, the minority shareholders of consolidated subsidiaries received 175 million euros in dividends, mainly corresponding to dividends paid to Diageo with respect to its 34% stake in Moët Hennessy and to minority interests in DFS.

After all operating, investment and equity-related activities, including the dividend payment, the total cash surplus amounted to 1,025 million euros.

Among other cash resources, 321 million euros were divested from current available for sale financial assets and 2,442 million euros were raised through bond issues and new borrowings. In May 2009, LVMH SA issued a five-year public bond in a nominal amount of 1 billion euros. Furthermore, the Group made use of its Euro Medium Term Notes program in June to conclude long term private placements through two issues, the first in the amount of 250 million euros with a maturity of 6 years and the second in the amount of 150 million euros with a maturity of 8 years and, at other times during the year, to diversify its investor base and seize opportunities for private placements.

In 2009, these resources allowed the Group to increase its cash position and to pay down borrowings for an amount of 2,112 million euros. In particular, the Group decreased its recourse to its French commercial paper program by 517 million euros, thus making greater use of long term financial resources.

As of December 31, 2009, cash and cash equivalents net of bank overdrafts amounted to 2,274 million euros.

## 3.2 Financial structure

LVMH's consolidated balance sheet, which is shown in the consolidated financial statements, totaled 32.1 billion euros as of December 31, 2009, representing a year-on-year increase of 2.0%.

Non-current assets amounted to 21.1 billion euros, equivalent to the level recorded as of December 31, 2008, thus corresponding to 66% of total assets, slightly lower than the proportion a year earlier.

Tangible and intangible fixed assets (including goodwill) increased slightly to 19.1 billion euros from 19.0 billion euros at year-end 2008. Brands and other intangible assets amounted to 8.7 billion euros, up from 8.5 billion euros as of December 31, 2008. This increase is primarily attributable to the acquisition of a 50% stake in the prestigious winery Château Cheval Blanc, the valuation of the Royal Van Lent brand, and the impact of exchange rate fluctuations on brands and other intangible assets recognized in US dollars, such as the DFS trade name and the Donna Karan brand.

Goodwill decreased to 4.3 billion euros, from 4.4 billion euros a year earlier. The goodwill recognized on the initial consolidation during the year of Château Cheval Blanc and the Montaudon champagne house did not fully offset the decline in goodwill recognized in relation to purchase commitments for minority interests.

Property, plant and equipment increased slightly to 6.1 billion euros. This growth is chiefly attributable to the levels of the Group's operating investments made by Louis Vuitton, Sephora and DFS in their retail networks as well as those made by Parfums Christian Dior in new display counters and production facilities, together with those made by Hennessy and Veuve Clicquot in their production facilities, and to changes in the scope of consolidation, which exceeded the depreciation charge for the year and the effects of foreign currency fluctuations.

Investments in associates, non-current available for sale financial assets, other non-current assets and deferred tax amounted to 2.0 billion euros and were thus stable compared to 2008.

Inventories and work in progress amounted to 5.6 billion euros, compared to 5.8 billion euros at year-end 2008, reflecting inventory reduction efforts undertaken in 2009 and the impact of exchange rate fluctuations, despite the acquisitions made or initially consolidated in 2009.

Trade accounts receivable amounted to 1.5 billion euros, down from 1.7 billion euros at year-end 2008.

Cash and cash equivalents, excluding current available for sale financial assets, increased significantly from 1.0 billion euros as of December 31, 2008 to 2.4 billion euros.

The Group share of equity before appropriation of profit increased to 13.8 billion euros from 12.8 billion euros at year-end 2008. This improvement is due to the significant amount of the Group's share of net profit for the year, despite the negative change in the cumulative translation adjustment resulting from the fall in the US dollar against the euro, and the payment of dividends in the amount of 0.8 billion euros in 2009.

Minority interests remained stable at 1.0 billion euros as a result of the share of minority interests in the net profit for the year after the distribution of dividends, and the impact of the depreciation of the US dollar on minority interests in DFS.

Total equity thus amounted to 14.8 billion euros and represented 46% of the balance sheet total, compared to 44% a year earlier.

Non-current liabilities amounted to 11.3 billion euros as of December 31, 2009, including 4.1 billion euros in long term borrowings. This compares to 11.1 billion euros at year-end 2008, including 3.7 billion euros in long term borrowings. This increase was primarily due to the increase in long term borrowings, partially offset by the decrease in share purchase commitments, which comprise the bulk of Other non-current liabilities. The proportion of non-current liabilities in the balance sheet total remained unchanged at 35%.

Equity and non-current liabilities thus amounted to 26.1 billion euros, and exceeded total non-current assets.

Current liabilities amounted to 6.1 billion euros as of December 31, 2009, compared to 6.6 billion euros at year-end 2008, owing to reductions in trade accounts payable resulting from the entry into effect of the French Law on the Modernization of the Economy and the repayment of a portion of short term borrowings. Their relative weight in the balance sheet total decreased to 19%.

Long term and short term borrowings, including the market value of interest rate derivatives, and net of cash, cash equivalents and current available for sale financial assets, amounted to 3.0 billion euros as of December 31, 2009, compared to 3.9 billion euros a year earlier, representing a gearing of 20%, compared to 28% at year-end 2008.

Cash and cash equivalents exceeded short term borrowings.

As of December 31, 2009, confirmed credit facilities amounted to 4.0 billion euros, of which only 0.2 billion euros were drawn, which means that the undrawn amount available was 3.8 billion euros. The Group's undrawn confirmed credit lines substantially exceeded the outstanding portion of its commercial paper program, which amounted to 0.2 billion euros as of December 31, 2009.

# 4. OPERATING INVESTMENTS

## 4.1 Communication and promotion expenses

Over the last three fiscal years the Group's total investments in communication, in absolute values and as a percentage of revenue, were as follows:

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Communication and promotion expenses: | | | |
| - millions of euros | 1,809 | 2,031 | 1,953 |
| - as % of revenue | 10.6 | 11.8 | 11.8 |

These expenses mainly correspond to advertising campaign costs, especially for the launch of new products, public relations and promotional events, and expenses incurred by marketing teams responsible for all of these activities.

## 4.2 Research and development costs

The Group's research and development investments in the last three fiscal years were as follows:

| *(EUR millions)* | 2009 | 2008 | 2007 |
|---|---|---|---|
| Research and development costs | 45 | 43 | 46 |

Most of these amounts cover scientific research and development costs for skincare and make-up products of the Perfumes and Cosmetics business group.

## 4.3 Investments in production facilities and retail networks

Apart from investments in communication, promotion and research and development, operating investments are geared towards improving and developing retail networks as well as guaranteeing adequate production capabilities.

Total operating investments (acquisitions of property, plant and equipment and intangible assets) for the last three fiscal years were as follows, in absolute values and as a percentage of cash from operations before changes in working capital:

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Investments in production facilities and retail networks: | | | |
| - EUR millions | 748 | 1,039 | 990 |
| - as % of cash from operations before changes in working capital | 19.0 | 25.4 | 24.5 |

Following the model of the Group's Selective Retailing companies which directly operate their own stores, Louis Vuitton distributes its products exclusively through its own stores. The products of the Group's other brands are marketed by agents, wholesalers, or distributors in the case of wholesale business, and by a network of directly owned stores or franchises for retail sales.

In 2009, operating investments mainly related to point of sale assets, with the total network of the Group's stores increasing from 2,314 to 2,423 stores. In particular, Sephora continued to expand its worldwide retail network, which reached 986 stores at the end of 2009, compared to 898 the previous year. Parfums Christian Dior updated its retail fixtures and fittings to promote the brand's new image. DFS opened its second Galleria in Macao.

In Wines and Spirits, investments in 2009 were strictly limited to necessary replacements of barrels and industrial equipment. An investment program to build a new bottling plant for the Glenmorangie and Ardbeg brands was launched and will be finalized in 2010.

# 5. MAIN LOCATIONS AND PROPERTIES

## 5.1 Production

### Wines and Spirits

The surface areas of vineyards in France and abroad that are owned by the Group are as follows:

| *(in hectares)* | 2009 | | 2008 | |
|---|---|---|---|---|
| | TOTAL | of which under production | TOTAL | of which under production |
| **France:** | | | | |
| Champagne name | 1,809 | 1,675 | 1,805 | 1,684 |
| Cognac name | 245 | 177 | 246 | 179 |
| Vineyards in Bordeaux | 244 | 148 | 190 | 98 |
| **International:** | | | | |
| California (United States) | 469 | 361 | 473 | 364 |
| Argentina | 1,390 | 891 | 1,369 | 903 |
| Australia, New Zealand | 610 | 520 | 594 | 475 |
| Brazil | 232 | 57 | 232 | 59 |
| Spain | 52 | 47 | 51 | 41 |

In the table above, the total number of hectares owned presented is determined exclusive of surfaces not used for viticulture. The difference between the total number of hectares owned and the number of hectares under production represents areas that are planted, but not yet productive, and areas left fallow.

The Group also owns industrial and office buildings, wineries, cellars, warehouses, and visitor and customer centers for each of its main Champagne brands or production operations in France, California, Argentina, Australia, Spain, Brazil and New Zealand, as well as distilleries and warehouses in Cognac, the United Kingdom and Poland. The total surface area is approximately 810,000 square meters in France and 250,000 square meters abroad.

### Fashion and Leather Goods

Louis Vuitton owns eighteen leather goods and shoes production facilities located primarily in France, although some significant workshops are also located near Barcelona in Spain, and in San Dimas, California. The company owns its warehouses in France that represent approximately 190,000 square meters, those located outside France are leased.

Fendi owns its own manufacturing facility near Florence, Italy, as well as its company headquarters, the Fendi Palazzo, in Rome, Italy.

Céline also owns manufacturing and logistics facilities near Florence in Italy.

Berluti's shoe production factory in Ferrare (Italy) is owned by the Group.

Rossimoda owns its office premises and its production facility in Strà and Vigonza in Italy.

The other facilities utilized by this business group are either leased or included within manufacturing subcontracting agreements.

### Perfumes and Cosmetics

Buildings located near Orleans in France housing the Research and Development operations of Perfumes and Cosmetics as well as the manufacturing and distribution of Parfums Christian Dior are owned by Parfums Christian Dior and occupy a surface area of 122,000 square meters.

Guerlain owns its two manufacturing centers in Chartres and Orphin (France), for a total surface area of approximately 27,000 square meters.

Parfums Givenchy owns two plants in France, one in Beauvais and the other in Vervins, which handles the production of both Givenchy and Kenzo product lines, corresponding to a total surface area of 19,000 square meters. The company also owns distribution facilities in Hersham, United Kingdom.

La Brosse et Dupont owns production facilities, warehouses, and office space in France and Poland, for a total surface area of about 50,000 square meters.

### Watches and Jewelry

TAG Heuer leases all of its manufacturing facilities in La Chaux-de-Fonds and the Jura region of Switzerland.

Zenith owns the Manufacture, which houses its movement and watch manufacturing facilities in Le Locle, Switzerland. All of its European warehouses are leased.

Hublot owns its production facilities and its office premises.

The facilities operated by this business group's remaining brands, Chaumet, Fred, De Beers and Montres Dior, are leased.

## 5.2 Retail Distribution

Retail distribution of the Group's products is most often carried out through exclusive stores. Most of the stores in the Group's retail network are leased and only in exceptional cases does LVMH own the buildings that house its stores.

Louis Vuitton owns certain buildings that house its stores in Tokyo, Guam, Hawaii, Seoul, Taipei, Sydney, Rome, Genoa, Cannes, Saint-Tropez, for a total surface area of approximately 10,000 square meters.

Céline and Loewe also own the buildings housing some of their stores in Paris and Spain.

In the Selective Retailing business group:

- Le Bon Marché and Franck et Fils own the buildings in Paris that house their department stores, corresponding to a total sales area of about 70,000 square meters;
- DFS owns its stores in Guam and Saipan.

As of December 31, 2009, the Group's store network breaks down as follows:

| *(in number of stores)* | 2009 | 2008 | 2007 |
|---|---|---|---|
| France | 353 | 331 | 306 |
| Europe (excluding France) | 620 | 596 | 523 |
| United States | 531 | 531 | 463 |
| Japan | 307 | 256 | 253 |
| Asia (excluding Japan) | 470 | 485 | 409 |
| Other markets | 142 | 115 | 94 |
| **Total** | **2,423** | **2,314** | **2,048** |

| *(in number of stores)* | 2009 | 2008 | 2007 |
|---|---|---|---|
| Fashion and Leather Goods | 1,164 | 1,090 | 989 |
| Perfumes and Cosmetics | 65 | 62 | 55 |
| Watches and Jewelry | 114 | 104 | 90 |
| Selective Retailing: Sephora | 986 | 898 | 756 |
| Others, including DFS | 89 | 155 | 153 |
| | 1,075 | 1,053 | 909 |
| Others | 5 | 5 | 5 |
| **Total** | **2,423** | **2,314** | **2,048** |

As of December 31, 2009, DFS harmonized its methodology for counting its stores across all geographic regions, now including only the number of concessions rather than the number of points of sale per concession. If the methodology introduced in 2009 were applied to 2008, the total number of stores would have amounted to 2,239 rather than 2,314.

### 5.3 Administrative sites and investment property

Most of the Group's administrative buildings are leased, with the exception of the headquarters of certain brands, particularly those of Louis Vuitton, Parfums Christian Dior and Zenith.

The Group holds a 40% stake in the company owning the building housing its headquarters on avenue Montaigne in Paris. The Group also owns three buildings in New York (total surface area of about 26,000 square meters) and a building in Osaka (about 5,000 square meters) that house the offices of subsidiaries.

Lastly, the Group owns investment property, for the most part located in Paris and mainly in the vicinity of the Samaritaine and Le Bon Marché department stores, for a total surface area of approximately 50,000 square meters.

The group of properties previously used for the business operations of the Samaritaine department store is subject to a redevelopment project.

## 6. STOCK OPTION PLANS IN FORCE AT SUBSIDIARIES

None.

## 7. LITIGATION AND EXCEPTIONAL EVENTS

As part of its day-to-day management, the Group is 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 net worth being materially impacted in the event of an unfavorable outcome.

Following the decision delivered in March 2006 by the Conseil de la Concurrence (the French antitrust authority) regarding the luxury perfume sector in France, and the judgment rendered on June 26, 2007 by the Paris Court of Appeal, the Group companies concerned took their case to the Cour de Cassation, the highest court in France. In July 2008, the Cour de Cassation overturned the decision of the Paris Court of Appeal and referred the case to the same jurisdiction, formed differently. In November 2009, the Paris Court of Appeal set aside the judgment of the Conseil de Concurrence due to the excessive length of the proceedings. This new decision has been appealed on points of law by the French antitrust authority and the Ministry of Finance.

In 2006, Louis Vuitton Malletier and the French companies of the Perfumes and Cosmetics business group filed lawsuits against eBay in the Paris Commercial Court. Louis Vuitton Malletier demanded compensation for losses caused by eBay's participation in the commercialization of counterfeit products and its refusal to implement appropriate procedures to prevent the sale of such goods on its site. The Perfumes and Cosmetics brands sued eBay for undermining their selective retailing networks. In a decision delivered on June 30, 2008, the Paris Commercial Court ruled in favor of LVMH, ordering eBay to pay 19.3 million euros to Louis Vuitton Malletier and 3.2 million euros to the Group's Perfumes and Cosmetics brands. The court also barred eBay from running listings for perfumes and cosmetics under the Dior, Guerlain, Givenchy and Kenzo brands, failing which it would incur a fine of 50,000 euros per day. eBay filed a petition with the Paris Court of Appeal. On July 11, 2008, the President of the Paris Court of Appeal denied eBay's petition to stay the provisional execution order delivered by the Paris Commercial Court. The case is pending before the Paris Court of Appeal. On November 30, 2009, determining that the systems put in place by eBay to prevent French consumers from accessing listings for the Group's perfumes and cosmetics were insufficient, the Paris Commercial Court ordered eBay to pay 1.7 million euros to LVMH as a fine for failing to comply fully with its earlier decision.

To the best of the Company's knowledge, there are no pending or impending governmental, 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 Company and/or the Group.

## 8. SUBSEQUENT EVENTS

No significant subsequent events occurred between December 31, 2009 and February 4, 2010, the date on which the financial statements were approved for publication by the Board of Directors, as well as between February 4, 2010 and the date of preparation of this reference document.

## 9. RECENT DEVELOPMENTS AND PROSPECTS

Given the uncertainty over the strength of the economic recovery, in 2010 LVMH plans to maintain an extremely rigorous approach to the management of all of its businesses. Persevering in its efforts to build the potential of its competitive advantages, the Group will deliver strong innovative momentum while strengthening its presence in the most promising markets.

Bolstered by the flexibility of its organization and the good balance between its different businesses and geographical presence, LVMH enters 2010 with confidence and has set itself the goal of further increasing its leadership of the worldwide luxury goods market.

# MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

## PARENT COMPANY: LVMH MOËT HENNESSY - LOUIS VUITTON SA

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# PARENT COMPANY: LVMH MOËT HENNESSY - LOUIS VUITTON SA

## 1. COMMENTS ON THE FINANCIAL STATEMENTS

The balance sheet, income statement and notes to the financial statements of LVMH Moët Hennessy-Louis Vuitton SA ("LVMH", "the Company") for the year ended December 31, 2009 have been prepared in accordance with French legal requirements and the same accounting policies and methods as those used in the previous year.

LVMH has applied CNC (*Conseil National de la Comptabilité*) Opinion 08-17 dated November 6, 2008 and CRC Regulation 2008-15 published on December 30, 2008, relating to the accounting treatment of share purchase or share subscription option plans and bonus share plans, beginning with the 2008 fiscal year.

### 1.1 Key events of the year

Until October 2009, LVMH had cash pooling arrangements in euros and foreign currencies with its French subsidiaries and certain European subsidiaries. It also centralized their financing requirements and managed interest rate risk on borrowings.

LVMH also centralized the foreign exchange hedges of its French subsidiaries and certain European subsidiaries. These foreign exchange hedging contracts taken out by LVMH on behalf of its subsidiaries were symmetrically covered in the market in terms of hedge type, currency, amount and maturity.

This role is now assumed by a subsidiary; LVMH continues to manage the Group's long-term borrowings and the associated interest rate risk, as well as its own account foreign exchange operations.

The financial structure as of December 31, 2009 reflects these changes: in October 2009, receivables from controlled entities and borrowings from affiliates resulting from the cash pooling arrangements were settled and the foreign exchange hedging contracts taken out by LVMH on behalf of its subsidiaries were cancelled. The 2009 income statement records the impact of the cash pooling arrangements and of foreign exchange hedges on behalf of the subsidiaries until October 2009.

### 1.2 Comments on the balance sheet

#### 1.2.1 Change in the equity investment portfolio

The gross value of the investment portfolio was 14 billion euros, an increase of 1.3 billion euros compared to year-end 2008. This change corresponds to the amounts of LVMH's subscriptions to the capital increases of its French subsidiaries Sofidiv and LVMH Finance, which were 800 and 500 million euros, respectively; its ownership interests in Sofidiv and LVMH Finance remained unchanged at 100% following these operations.

#### 1.2.2 Financial structure

In 2009, LVMH issued the following bonds:

- a 1 billion euro bond, issued at 99.648% of par value, repayable in 2014, bearing interest at 4.375%;
- a 250 million euro bond, issued at 99.732% of par value, repayable in 2015, bearing interest at 4.5%;
- a 150 million euro bond, repayable in 2017, bearing interest at 4.775%;
- a 5 billion Japanese yen bond, repayable in 2013, bearing interest at 1.229%.

Each bond is redeemable on maturity at par.

Moreover, bonds were redeemed at par on maturity for 103 million euros and a bond issued in 2003 falling due in 2010 was partially redeemed and cancelled for 35 million euros.

Finally, the net amount of the Company's commercial paper outstanding was reduced to nil at year-end 2009.

#### 1.2.3 Hedging transactions

Financial instruments are regularly used by LVMH for its own account to hedge against the foreign exchange or interest rate risks to which its financial assets or liabilities, including dividends receivable from subsidiaries and foreign equity investments, are exposed. Each hedging instrument used is allocated to the balances or transactions hedged.

Given its role within the Group, LVMH may exceptionally use financial instruments that are qualified as foreign currency hedging instruments in the consolidated financial statements but not matched in the parent company financial statements, or that are allocated to underlying amounts maintained at historical exchange rates.

Counterparties for hedging contracts are selected on the basis of their credit rating as well as for reasons of diversification.

### 1.2.4 Share capital

During the fiscal year, 557,204 shares were created by the exercise of subscription options and 88,960 shares were retired. As of December 31, 2009, the share capital comprised 490,405,654 fully paid-up shares and amounted to 147.1 million euros.

### 1.2.5 Information on payment terms

As of December 31, 2009, trade accounts payable amounted to 82 million euros, the major portion of which were not yet due. The average payment term is 45 days.

## 1.3 Results and outlook for the future

Operating income consists chiefly of dividends received from subsidiaries and other investments.

For the most part, financial income is attributable to cash pooling and centralized foreign exchange hedging transactions until October 2009 conducted with the Group's subsidiaries, as described above and in the notes to the financial statements.

Net exceptional income chiefly consists of changes in impairment on equity portfolio investments.

Finally, with regard to the preparation of the company's income tax return, no expenses were considered as non-deductible within the meaning of Articles 39-4, 39-5, 54 quater and 223 quinquies of the French General Tax Code.

# 2. APPROPRIATION OF EARNINGS FOR THE YEAR

The proposed appropriation of the amount available for distribution for the fiscal year is as follows:

| | *(EUR)* |
|---|---|
| Net profit for the year ended December 31, 2009 | 436,107,368.81 |
| Allocation to the legal reserve | (14,047.32) |
| Retained earnings before distribution | 2,943,944,363.54 |
| **Total amount available for distribution** | **3,380,037,685.03** |
| **Proposed appropriation:** | |
| - reserve for long term capital gains | Nil |
| - statutory dividend of 5%, or EUR 0.015 per share | 7,356,084.81 |
| - additional dividend of EUR 1.635 per share | 801,813,244.29 |
| - retained earnings after appropriation | 2,570,868,355.93 |
| | **3,380,037,685.03** |

*For information, as of December 31, 2009, the Company held 16,080,093 of its own shares, corresponding to reserves not available for distribution in the amount of the acquisition cost of the shares, i.e. 818.9 million euros.*

Should this appropriation be approved, the total dividend would be 1.65 euros per share. As an interim dividend of 0.35 euros per share was paid on December 2, 2009, the final dividend per share is 1.30 euros; this will be paid as of May 25, 2010.

With respect to this dividend distribution, individuals whose tax residence is in France will be entitled to the 40% deduction provided under Article 158 of the French Tax Code.

Finally, should the Company hold, at the time of payment of this balance, any treasury shares under prior authorizations, the corresponding amount of unpaid dividends will be allocated to retained earnings.

As required by law, the Board of Directors observes that the dividends per share paid out in respect of the past three fiscal years were as follows:

| Fiscal year | Nature | Number of shares representing share capital | Payment date | Gross dividend (EUR) | Tax deduction [1] (EUR) |
|---|---|---|---|---|---|
| **2008** | Interim | 489,937,410 | December 2, 2008 | 0.35 | 0.14 |
| | Final | " | May 25, 2009 | 1.25 | 0.50 |
| | **Total** | | | **1.60** | **0.64** |
| **2007** | Interim | 489,937,410 | December 3, 2007 | 0.35 | 0.14 |
| | Final | " | May 23, 2008 | 1.25 | 0.50 |
| | **Total** | | | **1.60** | **0.64** |
| **2006** | Interim | 489,937,410 | December 1, 2006 | 0.30 | 0.12 |
| | Final | " | May 15, 2007 | 1.10 | 0.44 |
| | **Total** | | | **1.40** | **0.56** |

*(1) For individuals with tax residence in France.*

## 3. SHAREHOLDERS – SHARE CAPITAL – STOCK OPTION PLANS – ALLOCATION OF BONUS SHARES

### 3.1 Main shareholders

As of December 31, 2009, Arnault Group controlled 47.38% of the Company's capital, compared with 47.42% as of December 31, 2008, and held 63.64% of the voting rights, compared with 63.75% as of December 31, 2008.

### 3.2 Shares held by members of the management and supervisory bodies

As of December 31, 2009, the members of the Board of Directors and Executive Committee held directly, personally and in the form of registered shares, less than 0.1% of the share capital.

### 3.3 Employee share ownership

As of December 31, 2009, the employees of the Company and its affiliates, within the meaning of Article L. 225-180 of the French Commercial Code, held less than 0.1% of the share capital in connection with corporate savings plans.

### 3.4 Share subscription and purchase option plans

Eight share purchase option plans and seven share subscription option plans set up by LVMH SA were in force as of December 31, 2009. The beneficiaries of the option plans are selected in accordance with the following criteria: performance, development potential and contribution to a key position. The exercise price of options is equal to the reference price calculated in accordance with applicable laws for the plans launched since 2007, and to 95% of this same reference price for all earlier plans. Each plan has a term of ten years. Options granted before 2004 may be exercised after the end of a period of three years from the plan's commencement date, while options granted in 2004 and later years may be exercised after the end of a period of four years.

For all plans, one option gives the right to one share.

Apart from conditions relating to attendance within the Group, the exercise of options granted in 2009 is contingent on performance conditions. Options granted to senior executive officers may only be exercised if, in three of the four fiscal years from 2009 to 2012, either profit from recurring operations, net cash from operating activities and operating investments, or the Group's current operating margin rate shows a positive change compared to 2008.

Both senior executive officers and other company officers must also comply with operating restrictions relating to the exercise period for their options.

In relation to options granted under plans set up since 2008, if either the Chairman and Chief Executive Officer or the Group Managing Director decides to exercise his options, he must retain possession, until the conclusion of his term of office, of a number of shares determined on the basis of the exercise date and corresponding to a percentage of his total gross compensation.

### 3.4.1 Share purchase option plans

- **Under the authorization granted by the Meeting held on June 8, 1995**

| Plan commencement date | Number of beneficiaries | Number of options granted | | | Exercise price [2] (EUR) | Number of options exercised in 2009 [2] | Number of options outstanding as of 12/31/2009 [2] |
|---|---|---|---|---|---|---|---|
| | | Total | of which company officers [1] | of which top ten employees [1] | | | |
| January 20, 1999 [3] | 364 | 320,059 | 97,000 | 99,000 | 32.10 | 70,385 | - |
| September 16, 1999 [3] | 9 | 44,000 | 5,000 | 39,000 | 54.65 | 150,000 | - |
| January 19, 2000 | 552 | 376,110 | 122,500 | 81,000 | 80.10 | - | 1,564,450 |
| **Total** | | **740,169** | **224,500** | **219,000** | | **220,385** | **1,564,450** |

*(1) Number of options as of the plan's commencement date, without any restatement for the adjustments related to the June 1999 grant of bonus shares or the July 2000 five-for-one stock split. Number of options allocated to active company officers/employees as of the plan's commencement date.*
*(2) Adjusted for the transactions referred to under (1).*
*(3) Plans expired respectively on January 19 and September 15, 2009.*

#### Number of options granted to company officers [1]

| Plan commencement date | Bernard Arnault | Antoine Arnault | Delphine Arnault | Nicolas Bazire | Antonio Belloni | Pierre Godé | Gilles Hennessy | Patrick Houël |
|---|---|---|---|---|---|---|---|---|
| January 20, 1999 [2] | 70,000 | - | - | - | - | 20,000 | 1,000 | 6,000 |
| September 16, 1999 [2] | - | - | - | 5,000 | - | - | - | - |
| January 19, 2000 | 80,000 | - | - | 6,000 | - | 20,000 | 1,500 | 7,000 |
| **Total** | **150,000** | **-** | **-** | **11,000** | **-** | **40,000** | **2,500** | **13,000** |

*(1) Number of options as of the plan's commencement date, without any restatement for the adjustments related to the June 1999 grant of bonus shares or the July 2000 five-for-one stock split, options granted to active company officers as of December 31, 2009.*
*(2) Plans expired on January 19 and September 15, 2009.*

- **Under the authorization granted by the Meeting held on May 17, 2000**

| Plan commencement date | Number of beneficiaries | Number of options granted | | | Exercise price (EUR) | Number of options exercised in 2009 | Number of options outstanding as of 12/31/2009 |
|---|---|---|---|---|---|---|---|
| | | Total | of which company officers [1] | of which top ten employees [1] | | | |
| January 23, 2001 | 786 | 2,649,075 | 987,500 | 445,000 | 65.12 | 120,550 | 1,684,615 |
| March 6, 2001 | 1 | 40,000 | - | 40,000 | 63.53 | 10,000 | 20,000 |
| May 14, 2001 [2] | 44,669 | 1,105,877 | - | - | 66.00 | - | - |
| May 14, 2001 | 4 | 552,500 | 450,000 | 102,500 | 61.77 | 100,000 | 452,500 |
| September 12, 2001 | 1 | 50,000 | - | 50,000 | 52.48 | - | 50,000 |
| January 22, 2002 | 993 | 3,284,100 | 1,215,000 | 505,000 | 43.30 [3] | 41,520 | 1,827,574 |
| May 15, 2002 | 2 | 8,560 | - | 8,560 | 54.83 | - | 5,560 |
| January 22, 2003 | 979 | 3,213,725 | 1,220,000 | 495,000 | 37.00 [4] | 198,047 | 998,413 |
| **Total** | | **10,903,837** | **3,872,500** | **1,646,060** | | **470,117** | **5,038,662** |

*(1) Options granted to active company officers/employees as of the plan's commencement date.*
*(2) Plan expired on May 13, 2009.*
*(3) The exercise price is 45.70 euros for Italian residents and 43.86 euros for US residents.*
*(4) The exercise price for Italian residents is 38.73 euros.*

### Number of options granted to company officers (1)

| Plan commencement date | Bernard Arnault | Antoine Arnault | Delphine Arnault | Nicolas Bazire | Antonio Belloni | Pierre Godé | Gilles Hennessy | Patrick Houël |
|---|---|---|---|---|---|---|---|---|
| January 23, 2001 | 600,000 | - | - | 115,000 | - | 150,000 | 7,500 | 35,000 |
| May 14, 2001 | - | - | - | - | - | - | 25 | 25 |
| May 14, 2001 | - | - | - | - | 300,000 | - | - | - |
| January 22, 2002 | 600,000 | - | - | 200,000 | 200,000 | 200,000 | 15,000 | 40,000 |
| January 22, 2003 | 600,000 | - | - | 200,000 | 200,000 | 200,000 | 20,000 | 50,000 |
| **Total** | **1,800,000** | **-** | **-** | **515,000** | **700,000** | **550,000** | **42,525** | **125,025** |

*(1) Options granted to active company officers as of December 31, 2009.*

With respect to existing share purchase options, exercise of such options does not lead to any dilution for shareholders.

### 3.4.2 Share subscription option plans

- **Under the authorization granted by the Meeting held on May 15, 2003**

| Plan commencement date | Number of beneficiaries | Number of options granted: Total | of which company officers (1) | of which top ten employees (1) | Exercise price *(EUR)* | Number of options exercised in 2009 | Number of exercisable options as of 12/31/2009 |
|---|---|---|---|---|---|---|---|
| January 21, 2004 | 906 | 2,747,475 | 972,500 | 457,500 | 55.70 (2) | 288,525 | 2,265,400 |
| May 12, 2005 | 495 | 1,924,400 | 862,500 | 342,375 | 52.82 (2) | 268,679 | 1,591,446 |
| **Total** | | **4,671,875** | **1,835,000** | **799,875** | | **557,204** | **3,856,846** |

*(1) Options granted to active company officers/employees as of the plan's commencement date.*
*(2) The exercise prices for Italian residents of plans opened on January 21, 2004 and May 12, 2005 are 58.90 euros and 55.83 euros, respectively.*

### Number of options granted to company officers (1)

| Plan commencement date | Bernard Arnault | Antoine Arnault | Delphine Arnault | Nicolas Bazire | Antonio Belloni | Pierre Godé | Gilles Hennessy | Patrick Houël |
|---|---|---|---|---|---|---|---|---|
| January 21, 2004 | 450,000 | - | 10,000 | 150,000 | 150,000 | 150,000 | 20,000 | 42,500 |
| May 12, 2005 | 450,000 | - | 10,000 | 150,000 | 150,000 | 40,000 | 20,000 | 42,500 |
| **Total** | **900,000** | **-** | **20,000** | **300,000** | **300,000** | **190,000** | **40,000** | **85,000** |

*(1) Options granted to active company officers as of December 31, 2009.*

- **Under the authorization granted by the Meeting held on May 11, 2006**

| Plan commencement date | Number of beneficiaries | Number of options granted: Total | of which company officers (1) | of which top ten employees (1) | Exercise price *(EUR)* | Number of options exercised in 2009 | Number of options outstanding as of 12/31/2009 |
|---|---|---|---|---|---|---|---|
| May 11, 2006 | 520 | 1,789,359 | 852,500 | 339,875 | 78.84 (2) | - | 1,740,109 |
| May 10, 2007 | 524 | 1,679,988 | 805,875 | 311,544 | 86.12 | - | 1,643,555 |
| May 15, 2008 | 545 | 1,698,320 | 766,000 | 346,138 | 72.50 (2) | - | 1,671,245 |
| May 14, 2009 | 653 | 1,301,770 | 541,000 | 327,013 | 56.50 (2) | - | 1,300,245 |
| **Total** | | **6,469,437** | **2,965,375** | **1,324,570** | | **-** | **6,355,154** |

*(1) Options granted to active company officers/employees as of the plan's commencement date.*
*(2) The exercise prices for Italian residents of plans opened on May 11, 2006, May 15, 2008 and May 14, 2009 are 82.41 euros, 72.70 euros and 56.52 euros, respectively.*

### Number of options granted to company officers [1]

| Plan commencement date | Bernard Arnault | Antoine Arnault | Delphine Arnault | Nicolas Bazire | Antonio Belloni | Pierre Godé | Gilles Hennessy | Patrick Houël |
|---|---|---|---|---|---|---|---|---|
| May 11, 2006 | 450,000 | - | 10,000 | 150,000 | 150,000 | 30,000 | 20,000 | 42,500 |
| May 10, 2007 | 427,500 | 9,500 | 9,500 | 142,500 | 142,500 | 15,000 | 19,000 | 40,375 |
| May 15, 2008 | 400,000 | 9,500 | 9,500 | 142,500 | 142,500 | 40,000 | 22,000 | - |
| May 14, 2009 | 200,000 | 9,500 | 9,500 | 100,000 | 100,000 | 100,000 | 22,000 | - |
| **Total** | **1,477,500** | **28,500** | **38,500** | **535,000** | **535,000** | **185,000** | **83,000** | **82,875** |

*(1) Options granted to active company officers as of December 31, 2009.*

- **Under the authorization granted by the Meeting held on May 14, 2009**

| Plan commencement date | Number of beneficiaries | Number of options granted | | | Exercise price *(EUR)* | Number of options exercised in 2009 | Number of options outstanding as of 12/31/2009 |
|---|---|---|---|---|---|---|---|
| | | Total | of which company officers [1] | of which top ten employees [1] | | | |
| July 29, 2009 | 1 | 2,500 | - | 2,500 | 57.10 | - | 2,500 |
| **Total** | | **2,500** | **-** | **2,500** | | **-** | **2,500** |

*(1) Options granted to active company officers/employees as of the plan's commencement date.*

### 3.4.3 Options granted to and exercised by company officers and by the Group's top ten employees during the fiscal year

- **Options granted during the fiscal year to senior executive officers**

| Beneficiaries | Company granting the options | Date of the plan | Type of options | Valuation of options *(EUR)* | Number of options | Exercise price *(EUR)* | Exercise period |
|---|---|---|---|---|---|---|---|
| Bernard Arnault | LVMH | May 14, 2009 | Subscription | 3,420,000 | 200,000 | 56.50 | May 14, 2013 - May 13, 2019 |
| " | Christian Dior | May 14, 2009 | Purchase | 1,732,000 | 100,000 | 52.10 | May 14, 2013 - May 13, 2019 |
| Antonio Belloni | LVMH | May 14, 2009 | Subscription | 1,710,000 | 100,000 | 56.50 | May 14, 2013 - May 13, 2019 |

Options granted to senior executive officers may only be exercised if, in three of the four fiscal years from 2009 to 2012, either profit from recurring operations, net cash from operating activities and operating investments, or the Group's current operating margin rate shows a positive change compared to 2008. The performance condition was met with respect to the 2009 fiscal year.

- **Options granted during the fiscal year to other company officers**

| Beneficiaries | Company granting the options | Date of the plan | Number of options | Exercise price *(EUR)* | Exercise period |
|---|---|---|---|---|---|
| Antoine Arnault | LVMH | May 14, 2009 | 9,500 | 56.50 | May 14, 2013 - May 13, 2019 |
| Delphine Arnault | LVMH | May 14, 2009 | 9,500 | 56.50 | May 14, 2013 - May 13, 2019 |
| " | Christian Dior | May 14, 2009 | 25,000 | 52.10 | May 14, 2013 - May 13, 2019 |
| Nicolas Bazire | LVMH | May 14, 2009 | 100,000 | 56.50 | May 14, 2013 - May 13, 2019 |
| Pierre Godé | LVMH | May 14, 2009 | 100,000 | 56.50 | May 14, 2013 - May 13, 2019 |
| Gilles Hennessy | LVMH | May 14, 2009 | 22,000 | 56.50 | May 14, 2013 - May 13, 2019 |

- **Options exercised during the fiscal year by senior executive officers:**

Neither the Chairman and CEO nor the Group Managing Director exercised any options during the fiscal year.

- Options exercised during the fiscal year by other company officers

| Beneficiaries | Company granting the options | Date of the plan | Number of options | Exercise price *(EUR)* |
|---|---|---|---|---|
| Nicolas Bazire | LVMH | January 21, 2004 | 125,000 | 55.70 |
| " | LVMH | May 12, 2005 | 150,000 | 52.82 |

- Options granted during the fiscal year to the ten employees (1) of the Group, other than company officers, holding the largest number of options

| Company granting the options | Date of the plan | Number of options | Exercise price *(EUR)* |
|---|---|---|---|
| LVMH Moët Hennessy - Louis Vuitton SA | May 14, 2009 | 327,013 | 56.50 (2) |

*(1) Active employees as of the grant date.*
*(2) Exercise price applicable to French residents.*

- Options exercised during the fiscal year by the ten employees (1) of the Group, other than company officers, having exercised the largest number of options

| Company granting the options | Date of the plan | Number of options | Exercise price *(EUR)* |
|---|---|---|---|
| LVMH Moët Hennessy - Louis Vuitton SA | January 20, 1999 | 20,430 | 32.10 |
| " | September 16, 1999 | 90,000 | 54.65 |
| " | January 23, 2001 | 9,500 | 65.12 |
| " | March 6, 2001 | 10,000 | 63.53 |
| " | January 22, 2002 | 2,750 | 43.30 |
| " | January 22, 2003 | 101,600 | 37.00 |
| " | January 21, 2004 | 43,000 | 55.70 |
| " | May 12, 2005 | 31,000 | 52.82 |

*(1) Active employees as of December 31, 2009.*

## 3.5 Allocation of bonus shares

Beneficiaries of bonus shares are selected among the employees of the Group's subsidiaries on the basis of their level of responsibility and their individual performance.

The allocation of bonus shares to their beneficiaries shall be definitive after a two-year vesting period, which is followed by a two-year holding period, after which beneficiaries are free to sell them. Bonus shares allocated in 2009 to beneficiaries who are not French residents for tax purposes shall be definitive after a vesting period of four years and shall be freely transferable at that time.

Bonus shares vested do not involve any dilution for the shareholders, since existing shares are remitted for the settlement.

| Plan commencement date | Number of beneficiaries | Number of bonus shares granted | | | Shares vested | Balance as of 12/31/2009 |
|---|---|---|---|---|---|---|
| | | Initial allocation | of which company officers | of which top ten employees (1) | | |
| **Under the authorization granted by the Meeting held on May 12, 2005** | | | | | | |
| May 10, 2007 (2) | 348 | 152,076 | - | 34,805 | 144,995 | - |
| **Under the authorization granted by the Meeting held on May 15, 2008** | | | | | | |
| May 15, 2008 | 347 | 162,972 | - | 32,415 | 2,284 (3) | 156,446 |
| May 14, 2009 | 642 | 311,209 | - | 48,165 | 2,333 (3) | 307,351 |
| July 29, 2009 | 1 | 833 | - | 833 | - | 833 |

*(1) Active employees as of the grant date.*
*(2) Definitive allocation on May 10, 2009.*
*(3) Anticipated allocation following the death of the beneficiary.*

- **Shares granted during the fiscal year to senior executive officers and other company officers:**

Senior executive officers and other company officers do not benefit from any bonus share allocations.

- **Shares vested during the year to the Group's ten employees [(1)], other than company officers, having received the largest number of shares:**

| Company granting shares | Plan commencement date | Number of shares |
|---|---|---|
| LVMH Moët Hennessy - Louis Vuitton SA | May 10, 2007 | 32,810 |

*(1) Active employees as of December 31, 2009.*

## 3.6 Movements during the fiscal year

### Share purchase option plans

| *(number of options)* | 2009 | 2008 | 2007 |
|---|---|---|---|
| **Options outstanding as of January 1** | **7,862,248** | **8,253,029** | **12,635,926** |
| Options granted | - | - | - |
| Options exercised | (690,502) | (278,226) | (3,838,102) |
| Options expired during the year | (568,634) | (112,555) | (544,795) |
| **Options outstanding as of December 31** | **6,603,112** | **7,862,248** | **8,253,029** |

### Share subscription option plans

| *(number of options)* | 2009 | 2008 | 2007 |
|---|---|---|---|
| **Options outstanding as of January 1** | **9,569,660** | **8,015,393** | **6,426,534** |
| Options granted | 1,304,270 | 1,698,320 | 1,679,988 |
| Options exercised | (557,204) | (92,600) | - |
| Options expired during the year | (102,226) | (51,453) | (91,129) |
| **Options outstanding as of December 31** | **10,214,500** | **9,569,660** | **8,015,393** |

### Allocation of bonus shares

| *(number of shares)* | 2009 | 2008 | 2007 |
|---|---|---|---|
| **Non-vested shares as of January 1** | **311,459** | **311,504** | **261,448** |
| Allocations of non-vested shares during the year | 312,042 | 162,972 | 152,076 |
| Shares vested during the year | (149,612) | (154,090) | (93,059) |
| Expired allocations during the year | (9,259) | (8,927) | (8,961) |
| **Non-vested shares as of December 31** | **464,630** | **311,459** | **311,504** |

# 4. FINANCIAL AUTHORIZATIONS

## 4.1 Status of current delegations and authorizations

### • Share repurchase program

| Type | Authorization date | Expiry/ Duration | Amount authorized | Use as of December 31, 2009 |
|---|---|---|---|---|
| Share repurchase program<br>Maximum purchase price: 130 euros | May 14, 2009<br>(11th resol.) | November 13, 2010<br>(18 months) (1) | 10% of share capital<br>48,993,741 shares | Movements during the fiscal year (2)<br>Purchase: 1,009,246<br>Sale: 1,070,246 |
| Reduction of capital through the retirement of shares purchased under the repurchase program | May 14, 2009<br>(12th resol.) | November 13, 2010<br>(18 months) (1) | 10% of share capital<br>per 24-month period<br>48,993,741 shares | Shares retired in 2009: 88,960 (3) |

*(1) A resolution renewing this authorization will be presented to the Shareholders' Meeting of April 15, 2010. See §4.2 below.*
*(2) Excluding the liquidity contract. For purchases, including calls exercised. See also §5.1 below.*
*(3) As 557,204 shares were created in 2009 through the exercise of subscription options, the share capital totals 147,121,696.20 euros, divided into 490,405,654 shares.*

### • Authorizations to increase the share capital

| Type | Authorization date | Expiry/ Duration | Amount authorized | Issue price determination method | Use as of December 31, 2009 |
|---|---|---|---|---|---|
| Capital increase with preferential subscription rights (ordinary shares, investment securities giving access to the share capital, and incorporation of reserves) | May 14, 2009<br>(13th resol.) | July 13, 2011<br>(26 months) | 50 million euros<br>166,666,667 shares (1) (2) | Free | None |
| Capital increase without preferential subscription rights (ordinary shares and investment securities giving access to the share capital) | May 14, 2009<br>(14th resol.) | July 13, 2011<br>(26 months) | 50 million euros<br>166,666,667 shares (1) (2) | Pursuant to regulations in force | None |
| Capital increase in connection with a public exchange offer | May 14, 2009<br>(16th resol.) | July 13, 2011<br>(26 months) | 50 million euros<br>166,666,667 shares (1) | Free | None |
| Capital increase in connection with in-kind contributions | May 14, 2009<br>(17th resol.) | July 13, 2011<br>(26 months) | 10% of share capital<br>48,993,741 shares (1) | Free | None |

*(1) Maximum nominal amount. The nominal amount of any capital increase decided in application of other delegations of authority would be offset against this amount.*
*(2) Amount may be increased subject to the limit of 15% of the initial issue in the event that the issue is oversubscribed (Meetings of May 14, 2009, 15th resolution).*

### • Employee share ownership

| Type | Authorization date | Expiry/ Duration | Amount authorized | Exercise price determination method | Use as of December 31, 2009 |
|---|---|---|---|---|---|
| Share subscription or purchase options | May 14, 2009<br>(18th resol.) | July 13, 2012<br>(38 months) | 3% of the share capital<br>14,698,122 shares | Average share price over the 20 trading days preceding the grant date | • options granted: 2,500<br>• options available to be granted: 14,695,622 |
| Bonus shares allocation | May 15, 2008<br>(12th resol.) | July 14, 2011<br>(38 months) | 1% of the share capital<br>4,899,374 shares | Not applicable | • shares granted: 475,014<br>• shares available to be granted: 4,424,360 |
| Capital increase reserved for employees who are members of a corporate savings plan | May 14, 2009<br>(19th resol.) | July 13, 2011<br>(26 months) | 3% of the share capital<br>14,698,122 shares | Average share price over the 20 trading days preceding the grant date subject to a maximum discount of 30% | None |

### 4.2 Authorizations to be renewed

#### 4.2.1 Authorization to conduct stock market transactions

The Combined Shareholders' Meeting of May 14, 2009 authorized the Board of Directors to implement a program to repurchase the Company's shares. As part of the present Meeting, you are invited to renew this authorization for a period of eighteen months; shares may thus be acquired, in particular, in order to provide market liquidity services (purchases/sales) under a liquidity contract, to cover stock option plans, employee share ownership operations or any other form of share allocation or payment linked to the share price, to cover securities giving access to the Company's shares, to be retired, or to be held so as to be exchanged or presented as consideration at a later date for external growth operations.

The maximum number of shares that may be purchased by the Company shall not exceed 10% of the share capital. The purchase price per share shall not exceed 130 euros.

#### 4.2.2 Authorization to reduce the share capital

Pursuant to the provisions of Article L. 225-209 of the French Commercial Code, the Combined Shareholders' Meeting of May 14, 2009 authorized the Board of Directors, if it considers that this would be in the interests of all shareholders, to reduce the share capital of the Company by retiring the shares acquired under share repurchase programs.

You are invited to renew this authorization for a period of eighteen months.

## 5. SHARE REPURCHASE PROGRAMS

### 5.1 Information on share repurchase programs

The purpose of this section is to inform the Shareholders' Meeting of the purchase transactions in treasury shares that were carried out, between January 1, 2009 and December 31, 2009, by the Company as part of the share repurchase programs authorized by the Combined Shareholders' Meetings held on May 15, 2008 and May 14, 2009, respectively.

• Under the liquidity contract concluded by the Company with Oddo & Cie Entreprise d'Investissement and Oddo Corporate Finance on September 23, 2005, the Company acquired 1,905,763 LVMH shares at the average price per share of 56.39 euros and sold 2,185,063 LVMH shares at the average price per share of 56.59 euros.

LVMH also directly acquired 112,276 of its own shares to cover plans

• The transactions listed above generated expenses of 0.3 million euros.

The table below groups by purpose the transactions carried out at value date during the period January 1, 2009 to December 31 2009:

| *(number of shares)* | Liquidity contract | Coverage of plans | Coverage of securities giving access to Company shares | Exchange or payment in connection with acquisitions | Retirement of shares | Total |
|---|---|---|---|---|---|---|
| **Balance as of December 31, 2008** | **355,300** | **15,700,891** | **-** | **-** | **820,000** | **16,876,191** |
| Purchases | 896,517 | 112,276 | - | - | - | 1,008,793 |
| Average price *(EUR)* | 47.14 | 46.88 | | | | 47.11 |
| Sales | (1,114,817) | - | - | - | - | (1,114,817) |
| Average price *(EUR)* | 48.15 | | | | | 48.15 |
| Exercise of purchase options | - | (142,419) | - | - | - | (142,419) |
| Average price *(EUR)* | | 34.58 | | | | 34.58 |
| Exercise of call options | - | 115,000 | - | - | - | 115,000 |
| Average price *(EUR)* | | 36.36 | | | | 36.36 |
| Bonus share allocations | - | (143,834) | - | - | - | (143,834) |
| Reallocations for other purposes | - | - | - | - | - | - |
| Shares retired | - | - | - | - | - | - |
| **Balance as of May 14, 2009** | **137,000** | **15,641,914** | **-** | **-** | **820,000** | **16,598,914** |
| Purchases | 1,009,246 | - | - | - | - | 1,009,246 |
| Average price *(EUR)* | 64.61 | | | | | 64.61 |
| Sales | (1,070,246) | - | - | - | - | (1,070,246) |
| Average price (*EUR*) | 65.39 | | | | | 65.39 |
| Exercise of purchase options | - | (548,083) | - | - | - | (548,083) |
| Average price *(EUR)* | | 53.50 | | | | 53.50 |
| Exercise of call options | - | 185,000 | - | - | - | 185,000 |
| Average price *(EUR)* | | 39.55 | | | | 39.55 |
| Bonus share allocations | - | (5,778) | - | - | - | (5,778) |
| Reallocations for other purposes | - | - | - | - | - | - |
| Shares retired | - | (88,960) | - | - | - | (88,960) |
| **Balance as of December 31, 2009** | **76,000** | **15,184,093** | **-** | **-** | **820,000** | **16,080,093** |

• During this period, the Company exercised call options on 300,000 shares. As of December 31, 2009, given the fact that no call options were acquired during the year, the Company held call options on 2,670,200 shares, in order to cover commitments to stock option plans.

• Between January 1 and December 31, 2009, the Company retired 88,960 shares held to cover share subscription option plans.

## 5.2 Description of the main characteristics of the share repurchase program presented to the Combined Shareholders' Meeting of April 15, 2010 for approval under its seventeenth resolution

• Securities concerned: shares issued by LVMH Moët Hennessy - Louis Vuitton SA.

• Maximum portion of the capital that may be purchased by the Company: 10%.

• Maximum number of its own shares that may be acquired by the Company, based on the number of shares making up share capital as of December 31, 2009: 49,040,565, but taking into account the 16,080,093 shares held as treasury shares and the 2,670,200 call options held as of December 31, 2009, only 30,290,272 treasury shares are available to be acquired.

• Maximum price per share: 130 euros.

• Objectives:

- buy and sell securities under the liquidity contract implemented by the Company;
- buy shares to cover stock option plans, the granting of bonus shares or any other allocation of shares or share-based payment schemes, benefiting employees or company officers of LVMH or an affiliated enterprise as defined under Article L. 225-180 of the French Commercial Code;
- retire the shares acquired;

- buy shares to cover securities giving access to the Company's shares, notably by way of conversion, tendering of a coupon, reimbursement or exchange;
- buy shares to be held and later presented for consideration as an exchange or payment in connection with external growth operations.

• Term of the program: 18 months as from the Ordinary Shareholders' Meeting of April 15, 2010.

### 5.3 Summary table disclosing the transactions performed by the issuer involving its own shares from January 1 to December 31, 2009

The table below, prepared in accordance with the provisions of AMF Instruction No. 2005-06 of February 22, 2005 in application of Article 241-2 of the AMF's General Regulations, provides a summary overview of the transactions performed by the Company involving its own shares from January 1, 2009 to December 31, 2009.

| | |
|---|---|
| Number of shares held in the portfolio as of December 31, 2008: | 16,876,191 |

**As of December 31, 2009:**

| | |
|---|---|
| Percentage of own share capital held directly or indirectly: | 3.28% |
| Number of shares retired in the last 24 months: | 181,560 |
| Number of shares held in the portfolio: | 16,080,093 |
| Book value of the portfolio: | 818,943,000 euros |
| Market value of the portfolio: | 1,260,357,689 euros |

| | Cumulative gross transactions | | Open positions as of December 31, 2009 | | | |
|---|---|---|---|---|---|---|
| | Purchases | Sales/ Transfers | Open buy positions | | Open sell positions | |
| | | | Purchased call options | Forward purchases | Sold call options | Forward sales |
| Number of shares | 2,318,039 | 3,114,137 | 2,670,200 | - | - | - |
| of which: | | | | | | |
| • liquidity contract | 1,905,763 | 2,185,063 | | | | |
| • purchases to cover plans | 112,276 | | | | | |
| • exercise of purchase options | | 690,502 | | | | |
| • exercise of call options | 300,000 | | | | | |
| • bonus share awards | | 149,612 | | | | |
| • purchases of shares to be retired | | | | | | |
| • share retirements | | 88,960 | | | | |
| Average maximum maturity | | | 29 months | - | - | - |
| Average trading price (1) *(EUR)* | 55.86 | 56.59 | | | | |
| Average exercise price *(EUR)* | 38.33 | 49.59 | 41.14 | - | - | - |
| Amounts *(EUR)* | 124,231,920 | 157,906,397 | | | | |

*(1) Excluding bonus share awards and share retirements.*

# 6. REMUNERATION OF COMPANY OFFICERS

## 6.1 Summary of the remuneration, options and bonus shares granted to senior executive officers [1]

| **Senior executive officers** *(EUR)* | **Remuneration due in respect of the fiscal year** | | **Valuation of options granted during the fiscal year** [2] | | **Valuation of bonus shares granted during the fiscal year** | |
|---|---|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| Bernard Arnault | 3,879,396 | 3,879,396 | 5,152,000 | 12,516,000 | - | - |
| Antonio Belloni | 5,325,703 | 5,325,703 | 1,710,000 | 2,912,700 | - | - |

*(1) Gross remuneration and benefits in kind paid or borne by the Company and companies controlled, in addition to remuneration and benefits in kind paid or borne by Financière Jean Goujon and Christian Dior, subject to the provisions of Article L. 225-102-1 of the French Commercial Code. Excludes directors' fees.*
*(2) The breakdown of equity securities or securities conferring entitlement to capital granted to members of the Board of Directors during the fiscal year is presented in §3.4.3.*

## 6.2 Summary of the remuneration of each senior executive officer [1]

### Bernard Arnault

| **Compensation** *(EUR)* | **Amounts due for the fiscal year** | | **Amounts paid in the fiscal year** | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| Fixed compensation | 1,679,396 | 1,679,396 | 1,704,672 | 1,679,396 |
| Variable compensation | 2,200,000 [2] | 2,200,000 | 2,200,000 [3] | 2,300,000 [3] |
| Exceptional compensation | - | - | - | - |
| Directors' fees | 119,695 | 119,060 | 119,060 | 119,060 |
| Benefits in kind | Company car | Company car | Company car | Company car |
| **Total** | **3,999,091** | **3,998,456** | **4,023,732** | **4,098,456** |

### Antonio Belloni

| **Compensation** *(EUR)* | **Amounts due for the fiscal year** | | **Amounts paid in the fiscal year** | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| Fixed compensation | 3155,153 | 3,155,153 | 3,170,243 | 3,178,768 |
| Variable compensation | 2,170,550 [4] | 2,170,550 | 2,170,550 [3] | 2,315,251 [3] |
| Exceptional compensation | - | - | - | - |
| Directors' fees | 87,245 | 87,245 | 87,245 | 87,245 |
| Benefits in kind | Company car | Company car | Company car | Company car |
| **Total** | **5,412,948** | **5,412,948** | **5,428,038** | **5,581,264** |

*(1) Gross remuneration and benefits in kind paid or borne by the Company and companies controlled, in addition to remuneration and benefits in kind paid or borne by Financière Jean Goujon and Christian Dior, subject to the provisions of Article L. 225-102-1 of the French Commercial Code. The differences between the amounts due and the amounts paid are attributable to changes in foreign exchange rates.*
*(2) 50% based on the achievement of qualitative objectives and 50% based on the following equally-weighted quantitative criteria: revenue, operating profit and cash flow.*
*(3) Amounts paid in respect of the prior fiscal year.*
*(4) One-third based on the achievement of qualitative objectives and two-thirds based on the following equally-weighted quantitative criteria: revenue, operating profit and cash flow.*

## 6.3 Work contract, specific pension, leaving indemnities and non-competition clause in favor of senior executive officers

| Senior executive officers | Work contract | | Supplementary pension [1] | | Indemnities or benefits due or likely to become due on the cessation or change of functions | | Indemnities relating to a non-competition clause | |
|---|---|---|---|---|---|---|---|---|
| | Yes | No | Yes | No | Yes | No | Yes | No |
| Bernard Arnault<br>Chairman and Chief Executive Director | | X | X | | | X | | X |
| Antonio Belloni<br>Group Managing Director | X | | X | | | X | X [2] | |

*(1) This supplementary pension is only acquired if the potential beneficiary has been present for at least six years on the Group's Executive Committee and simultaneously asserts his rights to his standard legal pension entitlement. It is determined on the basis of a reference remuneration that is equal to the annual remuneration received over the last three calendar years preceding the retirement year, subject to a maximum of thirty-five times the annual social security ceiling. The annual supplementary pension is equal to the difference between 60% of the reference remuneration and all pension amounts paid by the general social security regime and the additional ARRCO and AGIRC regimes.*
*Amount of commitments as of December 31, 2009:*
*– Bernard Arnault: 17,339,603 euros;*
*– Antonio Belloni: 8,413,105 euros.*

*(2) Covenant not to compete for a twelve-month period included in the employment contract – suspended during the term of the mandate of Group Managing Director – giving rise to the payment of a monthly compensation equal to the monthly remuneration on the termination date of his functions, supplemented by one twelfth of the last bonus received.*

## 6.4 Summary of compensation, benefits in kind and commitments given to other company officers [1]

| Members of the Board of Directors *(EUR unless otherwise stated)* | Fixed compensation paid in the fiscal year | | Variable compensation paid in the fiscal year | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Antoine Arnault [2] | 170,000 | 162,000 | 53,000 | 50,000 |
| Delphine Arnault [2] | 90,000 | 90,000 | 30,000 | 30,000 |
| Jean Arnault | - | - | - | - |
| Nicolas Bazire [2] [3] [6] | 1,235,000 | 1,235,000 | 2,450,000 | 2,350,000 |
| Antoine Bernheim | - | - | - | - |
| Nicholas Clive Worms | - | - | - | - |
| Charles de Croisset | - | | - | - |
| Diego Della Valle | - | - | - | - |
| Albert Frère | - | - | - | - |
| Pierre Godé [2] | 1,500,000 | 1,155,000 | 2,000,000 | 200,000 |
| Gilles Hennessy [2] [3] [6] | 525,000 | 525,000 | 336,315 | 381,756 |
| Patrick Houël [2] | 383,333 [4] | 235,490 [4] [5] | - | 393,106 |
| Arnaud Lagardère | - | - | - | - |
| Lord Powell of Bayswater *(GBP)* | 205,000 | 205,000 | - | - |
| Felix G. Rohatyn *(USD)* | 300,000 | 300,000 | - | - |
| Yves-Thibault de Silguy | - | - | - | - |
| Hubert Védrine | - | - | - | - |

*(1) Gross remuneration and/or fees and benefits in kind paid or borne by the Company and the companies controlled, in addition to remuneration and benefits in kind paid or borne by Financière Jean Goujon and Christian Dior, subject to the provisions of Article L. 225-102-1 of the French Commercial Code.*
*(2) The breakdown of equity securities or securities conferring entitlement to capital granted to members of the Board of Directors during the fiscal year is presented in §3.4.3.*
*(3) Benefits in kind: company car.*
*(4) Contract as a consultant.*
*(5) Excluding retirement indemnity paid in 2008: 310,474 euros.*
*(6) Other benefits: supplementary pension.*

## 6.5 Breakdown of equity shares or securities granting access to capital allocated to member of the Board of Directors during the fiscal year

This breakdown appears in §3.4.3. above.

## 6.6 Directors' fees paid to company officers [1]

| Members of the Board of Directors *(EUR)* | Directors' fees paid in | |
|---|---|---|
| | **2009** | 2008 |
| Bernard Arnault | 119,060 | 119,060 |
| Antoine Arnault | 45,000 | 45,000 |
| Delphine Arnault | 58,158 | 58,158 |
| Jean Arnault | 50,208 | 54,600 |
| Nicolas Bazire | 55,000 | 55,000 |
| Antonio Belloni | 87,245 | 87,245 |
| Antoine Bernheim | 930,060 | 279,530 |
| Nicholas Clive Worms | 67,500 | 67,500 |
| Charles de Croisset | 67,500 | 45,000 |
| Diego Della Valle | 45,000 | 45,000 |
| Albert Frère | 67,500 | 67,500 |
| Pierre Godé | 146,414 | 127,144 |
| Gilles Hennessy | 67,500 | 67,500 |
| Patrick Houël | 74,245 | 77,050 |
| Arnaud Lagardère | 15,000 | 45,000 |
| Lord Powell of Bayswater | 45,000 | 45,000 |
| Felix G. Rohatyn | 45,000 | 45,000 |
| Yves-Thibault de Silguy | 30,000 | - |
| Hubert Védrine | 45,000 | 45,000 |

*(1) Directors' fees paid by the Company and the companies controlled, as well as by the companies Financière Jean Goujon and Christian Dior.*

## 7. SUMMARY OF TRANSACTIONS INVOLVING LVMH SHARES DURING THE FISCAL YEAR BY DIRECTORS AND RELATED PERSONS

| Directors | Type of transaction | Number of shares/ other securities | Average price |
|---|---|---|---|
| Company(-ies) related to the family of Bernard Arnault | Purchase of other types of financial instruments | 3,139,200 | 4.88 |
| " | Disposal of other types of financial instruments | 3,139,200 | 8.98 |
| " | Purchase of other types of financial instruments | 3,139,200 | 7.82 |
| " | Transactions index-linked to the LVMH share price (prorogation) | 500,000 | - |
| " | Transactions index-linked to the LVMH share price | 500,000 | 69.43 |
| Nicolas Bazire | Sale of calls | 150,000 | 1.07 |
| " | Purchase of puts | 150,000 | 1.07 |
| " | Purchase of shares (1) | 275,000 | 54.13 |
| Persons related to Nicolas Bazire | Sale of shares | 80,032 | 74.50 |
| Gilles Hennessy | Sale of shares | 3,000 | 73.60 |
| Patrick Houël | Sale of shares | 3,000 | 74.95 |
| Company(-ies) related to Albert Frère | Sale of shares | 57,000 | 74.25 |
| Yves-Thibault de Silguy | Purchase of shares | 500 | 57.95 |

*(1) Exercise of share purchase or share subscription options.*

## 8. ADMINISTRATIVE MATTERS

### 8.1 List of positions and offices held by the Directors

The list of all positions and offices held by each Director, currently and during the last five years, is provided in the "Corporate Governance" section of the reference document.

### 8.2 Board of Directors

It is recommended that you:

- renew the terms of office as Directors of Mrs. Delphine Arnault and Messrs. Bernard Arnault, Nicholas Clive Worms, Patrick Houël, Felix G. Rohatyn and Hubert Védrine;
- appoint Mrs. Hélène Carrère d'Encausse as Director;
- renew the term of office of Mr. Kilian Hennessy as Advisory Board Member.

### 8.3 Statutory Auditors

It is recommended that you:

- reappoint Deloitte & Associés as principal Statutory Auditor, and Mr. Denis Grison as alternate Statutory Auditor;
- appoint Ernst & Young et Autres as principal Statutory Auditor and Auditex as alternate Statutory Auditor.

## 9. INFORMATION THAT COULD HAVE A BEARING ON A TAKEOVER BID OR EXCHANGE OFFER

Pursuant to the provisions of Article L. 225-100-3 of the French Commercial Code, information that could have a bearing on a takeover bid or exchange offer is presented below:

• capital structure of the Company: the Company is controlled by Arnault Group, which controlled 47.38% of the capital and 63.64% of the voting rights as of December 31, 2009;

• share issuance and buybacks: under various resolutions, the Shareholders' Meeting has delegated to the Board of Directors full powers to:

- increase the share capital, with or without shareholders' preferential rights, in a total nominal amount not to exceed 50 million euros, or 34% of the Company's current share capital,
- grant share subscription options, within the limit of 3% of the share capital, and
- allocate bonus shares, to be issued, within the limit of 1% of the share capital,
- acquire Company shares up to 10% of the share capital.

Any delegation whose application would be likely to cause the operation to fail is suspended during the period of a takeover bid or exchange offer.

# MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

## HUMAN RESOURCES

# HUMAN RESOURCES

## 1. GROUP REPORTING ON EMPLOYEE-RELATED ISSUES

In 2009, the Human Resources Division continued its efforts aimed at reinforcing the quality and reliability of social reporting within the Group.

The close relationship between organizational and legal entities ensures consistency between the social and financial reporting systems. Accordingly, the scope of social reporting covers all staff employed by Group companies consolidated on a full or proportional basis, but does not include equity-accounted associates.

A descriptive sheet is produced for each social indicator specifying its relevance, the elements of information tracked, the procedure to be applied to gather information, and the various controls to be performed when entering data. In addition, information system controls are in place throughout reporting procedures in order to verify the reliability and consistency of data entered.

Workforce information provided below relates to all consolidated companies, including LVMH's share in joint ventures.

Other social indicators were calculated for a scope of 513 organizational entities covering more than 99% of the worldwide workforce and encompass all staff employed during the year, including those employed by joint ventures.

Since the 2007 fiscal year, the Group's employee-related disclosures have been audited each year by one of the Group's statutory auditors, Deloitte & Associés, assisted by its Sustainable Development team.

### 1.1 Analysis and development of the workforce

#### 1.1.1 Breakdown of the workforce

LVMH Group's total workforce as of December 31, 2009 amounted to 77,302 employees. Of this total, 69,896 employees worked under permanent contracts (CDI) and 7,406 worked under fixed-term contracts (CDD). Part-time employees represented 17% of the total workforce, or 13,040 individuals. The portion of staff outside France remains at 75% of the workforce worldwide.

The Group's average Full Time Equivalent (FTE) workforce in 2009 comprised 70,003 employees, a slight rise of 0.8% on 2008. The main changes are due to expansion in emerging markets with the opening of new stores, mainly in China, Macao, India and Turkey. The Fashion and Leather Goods and Perfumes and Cosmetics business groups thus saw average workforce increases of between 2% and 3%. Wines and Spirits and Watches and Jewelry were hit harder by the economic crisis, with average workforce decreases of 4% and 1%, respectively. Among the changes in the scope of consolidation in 2009, we should note the acquisition of the Montaudon champagne house.

The tables below show the breakdown of the workforce, by business group, geographic region and professional category.

## Breakdown by business group

| Total headcount as of December 31 (1) | 2009 | % | 2008 | % | 2007 | % |
|---|---|---|---|---|---|---|
| Wines and Spirits | 6,032 | 8 | 6,438 | 8 | 6,313 | 9 |
| Fashion and Leather Goods | 23,012 | 30 | 22,467 | 29 | 20,803 | 29 |
| Perfumes and Cosmetics | 17,374 | 22 | 17,163 | 22 | 15,719 | 22 |
| Watches and Jewelry | 2,091 | 3 | 2,261 | 3 | 2,014 | 3 |
| Selective Retailing | 27,389 | 35 | 27,347 | 36 | 26,323 | 36 |
| Other | 1,404 | 2 | 1,411 | 2 | 713 | 1 |
| **Total** | **77,302** | **100** | **77,087** | **100** | **71,885** | **100** |
| **Average headcount during the period (2)** | | | | | | |
| Wines and Spirits | 6,230 | 9 | 6,470 | 9 | 6,780 | 11 |
| Fashion and Leather Goods | 21,414 | 31 | 20,793 | 30 | 19,028 | 30 |
| Perfumes and Cosmetics | 16,269 | 23 | 15,908 | 23 | 14,275 | 23 |
| Watches and Jewelry | 2,133 | 3 | 2,161 | 3 | 1,994 | 3 |
| Selective Retailing | 22,587 | 32 | 22,945 | 33 | 20,494 | 32 |
| Other | 1,370 | 2 | 1,202 | 2 | 893 | 1 |
| **Total** | **70,003** | **100** | **69,479** | **100** | **63,464** | **100** |

*(1) Total permanent and fixed-term headcount.*
*(2) Average permanent and fixed-term headcount on full-time equivalent basis.*

## Breakdown by geographic region

| Total headcount as of December 31 (1) | 2009 | % | 2008 | % | 2007 | % |
|---|---|---|---|---|---|---|
| France | 19,310 | 25 | 19,737 | 26 | 19,044 | 26 |
| Europe (excluding France) | 16,793 | 22 | 17,226 | 22 | 16,245 | 23 |
| United States | 16,567 | 21 | 16,723 | 22 | 16,136 | 23 |
| Japan | 4,798 | 6 | 4,929 | 6 | 4,929 | 7 |
| Asia (excluding Japan) | 15,996 | 21 | 14,831 | 19 | 13,084 | 18 |
| Other | 3,838 | 5 | 3,641 | 5 | 2,447 | 3 |
| **Total** | **77,302** | **100** | **77,087** | **100** | **71,885** | **100** |
| **Average headcount during the period (2)** | | | | | | |
| France | 18,590 | 26 | 18,980 | 27 | 18,538 | 29 |
| Europe (excluding France) | 15,360 | 22 | 15,060 | 22 | 13,771 | 22 |
| United States | 13,000 | 19 | 13,666 | 20 | 12,203 | 19 |
| Japan | 4,855 | 7 | 4,937 | 7 | 5,008 | 8 |
| Asia (excluding Japan) | 14,642 | 21 | 13,717 | 20 | 11,775 | 19 |
| Other | 3,556 | 5 | 3,119 | 4 | 2,169 | 3 |
| **Total** | **70,003** | **100** | **69,479** | **100** | **63,464** | **100** |

*(1) Total permanent and fixed-term headcount.*
*(2) Average permanent and fixed-term headcount on full-time equivalent basis.*

## Breakdown by professional category

| Total headcount at December 31 (1) | 2009 | % | 2008 | % | 2007 | % |
|---|---|---|---|---|---|---|
| Managers | 13,022 | 17 | 12,809 | 17 | 11,233 | 15 |
| Technicians and team leaders | 8,075 | 10 | 8,036 | 10 | 7,050 | 10 |
| Office and sales personnel | 45,075 | 58 | 44,616 | 58 | 43,667 | 61 |
| Labor and production workers | 11,130 | 15 | 11,626 | 15 | 9,935 | 14 |
| **Total** | **77,302** | **100** | **77,087** | **100** | **71,885** | **100** |
| **Average headcount during the period (2)** | | | | | | |
| Managers | 12,910 | 18 | 12,230 | 17 | 11,244 | 18 |
| Technicians and team leaders | 7,979 | 11 | 7,673 | 11 | 6,689 | 10 |
| Office and sales personnel | 38,180 | 55 | 38,622 | 56 | 35,927 | 57 |
| Labor and production workers | 10,934 | 16 | 10,954 | 16 | 9,604 | 15 |
| **Total** | **70,003** | **100** | **69,479** | **100** | **63,464** | **100** |

*(1) Total permanent and fixed-term headcount.*
*(2) Average permanent and fixed-term headcount on full-time equivalent basis.*

## Average age and breakdown by age

The average age of staff employed under permanent contracts worldwide is 36 years and the median age is 34 years. The youngest age ranges are found among sales personnel, mainly in the Asia-Pacific region and the United States.

| (%) | | Global workforce | France | Europe (1) | USA | Japan | Asia (2) | Other markets |
|---|---|---|---|---|---|---|---|---|
| **Age:** | less than 25 years | 12.4 | 6.5 | 10.0 | 16.7 | 7.6 | 18.6 | 15.5 |
| | 25-29 years | 20.1 | 14.3 | 18.2 | 20.5 | 21.8 | 27.6 | 23.0 |
| | 30-34 years | 18.5 | 16.1 | 20.5 | 15.3 | 30.2 | 18.6 | 21.0 |
| | 35-39 years | 15.2 | 16.0 | 18.2 | 12.4 | 19.3 | 12.8 | 14.6 |
| | 40-44 years | 11.7 | 14.5 | 13.1 | 10.0 | 10.0 | 9.2 | 10.8 |
| | 45-49 years | 9.2 | 13.1 | 8.9 | 8.5 | 6.1 | 6.5 | 6.8 |
| | 50-54 years | 6.6 | 10.6 | 5.9 | 6.7 | 3.2 | 3.8 | 4.5 |
| | 55-59 years | 4.4 | 7.6 | 3.6 | 5.1 | 1.6 | 2.0 | 2.6 |
| | 60 years and over | 1.9 | 1.3 | 1.6 | 4.8 | 0.2 | 0.9 | 1.2 |
| | | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| **Average age** | | **36** | **39** | **37** | **37** | **34** | **33** | **35** |

*(1) Excluding France.*
*(2) Excluding Japan.*

### Average length of service and breakdown by length of service

The average length of service within the Group is 11 years in France and about five to six years in the other geographic regions. This difference is mainly due to the predominance in these other regions of retail activities characterized by a high turnover rate. It is also the result of recent expansion by Group companies into emerging markets, where there is a greater fluidity of employment.

| *(%)* | | Global workforce | France | Europe (1) | USA | Japan | Asia (2) | Other markets |
|---|---|---|---|---|---|---|---|---|
| **Length of service:** | less than 5 years | 57.6 | 36.0 | 57.5 | 70.9 | 48.8 | 71.2 | 74.1 |
| | 5-9 years | 20.5 | 23.7 | 24.4 | 17.4 | 33.3 | 13.8 | 13.0 |
| | 10-14 years | 8.8 | 11.7 | 9.1 | 5.7 | 9.8 | 7.7 | 6.9 |
| | 15-19 years | 5.0 | 8.5 | 4.4 | 2.6 | 4.6 | 4.0 | 2.0 |
| | 20-24 years | 3.9 | 8.8 | 2.1 | 1.9 | 2.4 | 2.2 | 2.1 |
| | 25-29 years | 2.0 | 5.3 | 1.0 | 0.8 | 0.7 | 0.6 | 0.8 |
| | 30 years and over | 2.2 | 6.0 | 1.5 | 0.7 | 0.4 | 0.5 | 1.1 |
| | | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| **Average length of service** | | **7** | **11** | **6** | **5** | **6** | **5** | **5** |

*(1) Excluding France.*
*(2) Excluding Japan.*

#### 1.1.2 Recruitment policy

Identifying and attracting talent is a key strategic objective of LVMH's recruitment policy. In this connection, LVMH decided to promote its "employer brand" in 2009, thus taking its human resources communications strategy in a new direction. The aim of this new approach is to emphasize, in all regions where the Group has operations, the ways in which LVMH's unparalleled portfolio of brands in the luxury sector and the wide variety of professions represented make it a truly unique environment for career development. Comprising more than 60 prestigious Group companies, the Group offers opportunities not found with any other employer. This determination to give the Group the means to continually reinforce its image as an ideal employer is already very widely recognized in France. In 2009, LVMH once again was voted as the most preferred employer by upcoming graduates of leading French business schools in two major surveys: Universum and Trendence.

LVMH has developed solid partnerships overseas with a view to building awareness of the Group, its professions, and the types of profiles most in demand for prospective employees. More than a hundred events were organized along these lines in 2009, together with schools and universities across various professions, regions, and levels of qualification. Furthermore, the Group nurtures close ties with the world's leading specialized institutions grooming the next generation of top designers, such as the Institut Français de la Mode in Paris, Central Saint Martins College of Arts and Design in London, Parsons the New School for Design in New York, or The Hong Kong Polytechnic University School of Design, as much in the area of continuous training for its employees as in the recruitment of graduates from these institutions. In order to attract the brightest young talent in all countries, the Group is also a privileged partner of CEMS, a strategic global alliance of leading business schools and multinational companies, and takes part in this network's many actions targeting students at these top educational institutions in over twenty countries worldwide. The LVMH Chair in Luxury Brand Marketing at ESSEC, whose aim is to transmit and develop practical and theoretical knowledge in the area of luxury brand management, is another key initiative. In 2009, the students participating in this program had the opportunity to meet Group managers, acquire hands-on experience through field projects, or complete internships at Group companies.

In order to communicate better about the management of its brands, its values and its professions, LVMH organized "LVMH Rendez-Vous" events in 2009 with a number of its partner MBA programs, including those of IMD in Lausanne, the London Business School and the Harvard Business School. Privileged relationships are also maintained with many other prestigious MBA programs in Europe (INSEAD, HEC, IESE), the United States (Stanford, Columbia, Northwestern, Wharton), and Japan (Waseda, Keio, Tokyo). Additional partnerships in the Asia-Pacific region gave rise to more than 30 presentations and seminars during the year, in conjunction with "LVMH Days" organized for MBA students: Tsinghua University in Beijing, National University of Singapore, INSEAD, Beijing University's Beijing International MBA (BiMBA), Hong Kong University.

The Group's FuturA program, an international initiative to nurture and recruit talented individuals following a first substantial and successful career experience, offered a number of innovative events in 2009 designed to communicate LVMH's creative passion to the world's MBA graduates. FuturA had an especially successful year in 2009, as some 90 individuals were recruited worldwide by the Group based on their potential for serving as senior executives in the medium term. The desired profiles were identified and selections were based on the outcome of the "Recruitment Days", using evaluation techniques designed to be as objective as possible, consisting in large part of simulation exercises. The integration of these new management-level staff members is the focus of special efforts so that these individuals, in joining other young, high-potential managers already identified within the Group, are entrusted with assignments permitting them to demonstrate and develop their talents and enjoy good visibility at LVMH. In this way, LVMH strives on a constant basis to serve as a breeding ground for talent of the highest quality, of exemplary diversity in terms of nationalities, skills and professions, in order to create the senior management teams of the future.

LVMH aims to serve as a model corporate citizen in terms of its human resources practices, especially with regard to the recruitment of future staff members. LVMH's recruitment practices must reflect the Group's values and the highest standards of responsibility and respect for all, on a daily basis everywhere in the world. To this end, the Group's human resources teams developed a code of conduct for recruitment in 2009. Intended to be applied by all recruitment process participants, this charter reflects the goals, standards and best practices to be observed by each company in terms of the respect for applicants and the effectiveness of methods, regardless of the type of position, the profession or the country involved. Various initiatives have also been implemented to foster greater professionalism in terms of the identification and selection of future staff members: for example, reinforcement of the offer of training in the context of recruitment, sharing of evaluation tools and methods to be used in interviews in order to ensure the objectivity of the evaluation to the greatest extent possible, and the development of recruitment days.

### 1.1.3 Movements during the year: joiners, leavers and internal mobility

Worldwide in 2009, nearly 12,131 individuals were hired under permanent contracts, including 1,416 in France. A total of 4,650 people were recruited in France under fixed-term contracts. The seasonal sales peaks, at the end of year holiday season and the harvest season, are the two main reasons for using fixed-term contracts.

Departures from Group companies in 2009 (all causes combined) affected a total of 12,671 employees working under permanent contracts, of which almost 44% were employed within the Selective Retailing business group, which traditionally experiences a high turnover rate. The leading causes for departure were resignations (62.7% of total departures), individual layoffs (19.1% of total departures) and layoffs due to economic conditions (9.6% of total departures). The unprecedented sweep of the worldwide economic crisis significantly reduced movements by personnel in 2009. Compared to 2008, volumes of joiners and leavers dropped by 47% and 28%, respectively.

The overall turnover rate as of December 31, 2009 thus decreased by 27% from its level a year earlier and continues to show marked differences across geographic regions: the highest rates are recorded in North America and Asia, where labor markets are more fluid.

## Turnover by geographic region

| *(%)* | 2009 | France | Europe (4) | USA | Japan | Asia (5) | Other markets | 2008 | 2007 |
|---|---|---|---|---|---|---|---|---|---|
| Total turnover (1) | 18.2 | 9.0 | 17.6 | 29.0 | 12.0 | 21.9 | 18.8 | 25.0 | 22.4 |
| o/w: voluntary turnover (2) | 11.4 | 4.0 | 9.8 | 19.0 | 9.9 | 15.5 | 12.7 | 18.5 | 17.4 |
| involuntary turnover (3) | 6.3 | 4.1 | 7.4 | 9.7 | 1.9 | 6.2 | 5.9 | 5.9 | 4.4 |

*(1) All reasons.*
*(2) Resignations.*
*(3) Redundancies/end of trial period.*
*(4) Excluding France.*
*(5) Excluding Japan.*

### Breakdown of movements [1] of employees working under permanent contracts by business group and geographic region

| *(number)* | Joiners | | | Leavers | | |
|---|---|---|---|---|---|---|
| | **2009** | 2008 | 2007 | **2009** | 2008 | 2007 |
| Wines and Spirits | 242 | 868 | 983 | 623 | 750 | 742 |
| Fashion and Leather Goods | 3,267 | 5,427 | 4,811 | 3,221 | 3,693 | 3,512 |
| Perfumes and Cosmetics | 2,709 | 4,283 | 3,064 | 2,665 | 2,812 | 2,635 |
| Watches and Jewelry | 294 | 459 | 440 | 482 | 339 | 295 |
| Selective Retailing | 5,509 | 11,607 | 9,420 | 5,557 | 9,713 | 7,071 |
| Other | 110 | 151 | 106 | 123 | 376 | 79 |
| **Total** | **12,131** | **22,795** | **18,824** | **12,671** | **17,683** | **14,334** |
| France | 1,416 | 2,814 | 2,714 | 1,679 | 2,424 | 2,051 |
| Europe (excluding France) | 2,086 | 4,126 | 3,573 | 2,616 | 2,835 | 2,675 |
| United States | 3,198 | 8,417 | 6,144 | 3,869 | 7,092 | 5,079 |
| Japan | 370 | 691 | 654 | 510 | 560 | 616 |
| Asia (excluding Japan) | 4,271 | 5,943 | 5,009 | 3,327 | 4,316 | 3,517 |
| Other | 790 | 804 | 730 | 670 | 456 | 396 |
| **Total** | **12,131** | **22,795** | **18,824** | **12,671** | **17,683** | **14,334** |

*(1) Under permanent contract, including conversions of fixed-term contracts to permanent contracts and excluding internal mobility within the Group.*

LVMH encourages mobility among its staff, from one geographic region to another, or from one Group company to another. The wide range of companies making up the Group, their unique corporate identities as well as their expertise in a variety of business segments, lend favor to these two forms of mobility. Around 40% of all managerial positions are filled by means of internal mobility and in 2009 about 600 of these movements were from one Group company to another.

LVMH also fosters mobility between professional categories by encouraging its employees to acquire new skills, especially by pursuing qualifying training or degree programs. A total of 3,265 staff members were promoted in 2009, representing about 4.7% of the workforce employed under permanent contract.

## 1.2 Work time

### 1.2.1 Work time organization

Worldwide, 15% of employees benefit from variable or adjusted working hours and 38% work as a team or alternate their working hours.

### Global workforce affected by various forms of working hours adjustment: breakdown by geographic region

| **Employees affected** [1] *(as %)* | Global workforce | France | Europe [2] | USA | Japan | Asia [3] | Other markets |
|---|---|---|---|---|---|---|---|
| Variable/adjusted schedules | 15 | 36 | 13 | 5 | 16 | 2 | 2 |
| Part-time | 17 | 11 | 21 | 35 | 1 | 7 | 17 |
| Teamwork or alternating hours | 38 | 15 | 10 | 69 | 82 | 56 | 36 |

*(1) Percentages are calculated on the basis of the total headcount in France (employees under both permanent and fixed-term contracts). For the other regions, they are calculated in relation to the number of employees under permanent contracts, except for part-time workers, in which case the percentages are calculated with respect to the total headcount.*
*(2) Excluding France.*
*(3) Excluding Japan.*

### Global workforce in France affected by various forms of working hours adjustment: breakdown by professional category

| Employees affected (1) *(as %)* | Workforce France | Managers | Technicians and team leaders | Office and sales personnel | Labor and production workers |
|---|---|---|---|---|---|
| Variable/adjusted schedules | 36 | 34 | 57 | 50 | 2 |
| Part-time | 11 | 3 | 6 | 23 | 7 |
| Teamwork or alternating hours | 15 | 10 | 9 | 17 | 22 |
| Employees benefiting from time off in lieu | 19 | 0 | 24 | 18 | 38 |

*(1) Percentages are calculated on the basis of the total headcount (employees under both permanent and fixed-term contracts).*

#### 1.2.2 Overtime

The cost of the volume of overtime is 31.6 million euros, or an average of 1.4% of the worldwide payroll. This cost varies between 1.2% and 1.7% of the payroll depending on the geographic region.

### Percentage of overtime by region

| *(% of payroll)* | Global workforce | France | Europe (1) | USA | Japan | Asia (2) | Other markets |
|---|---|---|---|---|---|---|---|
| Overtime | 1.4 | 1.2 | 1.5 | 1.2 | 1.7 | 1.7 | 1.2 |

*(1) Excluding France.*
*(2) Excluding Japan.*

#### 1.2.3 Absenteeism

The worldwide absentee rate of the Group for employees working under permanent and fixed-term contracts is 5.2%. It increased by 13% compared with previous years (4.5% in 2008 and 4.7% in 2007). The two main causes of absence are illness (2.4%) and maternity leave (1.6%). The overall absentee rate of the European entities is twice as high as that recorded in other geographic regions.

### Absentee rate (1) by region and by reason

| *(as %)* | Global workforce | France | Europe (2) | USA | Japan | Asia (3) | Other markets |
|---|---|---|---|---|---|---|---|
| Illness | 2.4 | 3.8 | 3.5 | 1.4 | 0.5 | 1.4 | 1.3 |
| Work/work-travel accidents | 0.2 | 0.4 | 0.2 | 0.2 | 0.0 | 0.0 | 0.2 |
| Maternity | 1.6 | 1.5 | 2.9 | 0.7 | 2.5 | 1.0 | 0.7 |
| Paid absences (family events) | 0.5 | 0.3 | 0.4 | 0.2 | 0.2 | 1.2 | 0.9 |
| Unpaid absences | 0.5 | 0.5 | 0.4 | 0.3 | 0.2 | 0.7 | 0.5 |
| **Overall absenteeism rate** | **5.2** | **6.5** | **7.4** | **2.8** | **3.4** | **4.3** | **3.6** |

*(1) Number of days absent divided by the theoretical number of days worked.*
*(2) Excluding France.*
*(3) Excluding Japan.*

## 1.3 Compensation

Group companies seek at all times to offer attractive and motivating compensation packages. International salary surveys, carried out in relation to specific professions and sectors, are used to ensure that the Group maintains a favorable position against the market on a permanent basis. Most of the Group's French companies pay all of their employees very substantial amounts in profit sharing and/or incentives. By means of variable pay components based on both individual performance and that of the Group, managers have a vested interest in the success of its companies. Finally, in 2009 LVMH maintained its program for granting stock options and bonus shares, to encourage the loyalty of staff members making the greatest contribution to its performance.

### 1.3.1 Average salary

The table below shows the gross average monthly compensation paid to Group employees in France under permanent contracts who were employed throughout the year:

| Employees concerned *(as %)* | 2009 | 2008 | 2007 |
|---|---|---|---|
| Less than 1,500 euros | 7.8 | 10.7 | 12.7 |
| 1,501 to 2,250 euros | 33.3 | 29.3 | 38.5 |
| 2,251 to 3,000 euros | 21.6 | 23.5 | 17.9 |
| Over 3,000 euros | 37.3 | 36.5 | 30.9 |
| **Total** | **100.0** | **100.0** | **100.0** |

### 1.3.2 Personnel costs

Worldwide personnel costs break down as follows:

| *(EUR millions)* | 2009 | 2008 | 2007 |
|---|---|---|---|
| Gross payroll - Fixed term or permanent contracts | 2,295.8 | 2,210.5 | 2,077.1 |
| Employers' social security contributions | 592.9 | 573.4 | 550.8 |
| Temporary staffing costs | 85.5 | 128.2 | 101.7 |
| **Total personnel costs** | **2,974.2** | **2,912.1** | **2,729.6** |

Outsourcing and temporary staffing costs decreased appreciably compared to previous years, accounting for 5.8% of the total payroll worldwide, including employer's social security contributions.

### 1.3.3 Incentive schemes, profit sharing and company savings plans

All companies in France with at least 50 employees have an incentive scheme, profit sharing or company savings plan. These plans accounted for a total expense of 104.7 million euros in 2009, remaining stable compared to 2008.

| *(EUR millions)* | 2009 | 2008 | 2007 |
|---|---|---|---|
| Profit sharing | 67.7 | 62.3 | 50.5 |
| Incentive | 31.5 | 36.9 | 35.2 |
| Employer's contribution to company savings plans | 5.5 | 5.6 | 5.4 |
| **Total** | **104.7** | **104.8** | **91.1** |

## 1.4 Equality and diversity

LVMH is a signatory of the United Nations Global Compact and, in France, of the Diversity Charter and the Enterprise Charter for Equal Opportunity in Education.

These commitments were concretely expressed by human resources teams across the Group's companies through a systematic review of hiring practices so as to reinforce their objectivity. As a complement to the efforts of human resources personnel, special training sessions are organized in order to raise the awareness of executive-level staff in relation to these issues and encourage vigilance against all forms of discrimination.

In this regard, since 2008 the Group has employed the services of an independent firm to test the responses of the Group's human resources personnel. This firm submits applications designed to appear legitimate to the Group's personnel on the basis of job opportunities posted on its Web site, including specific characteristics in the applicants' profiles that might tend to result in discrimination. In the context of this operation, an internal committee comprising the Group's human resources Directors monitors compliance with ethical principles.

### 1.4.1 Equality of opportunity for men and women

The proportion of women within the Group workforce has remained broadly unchanged for several years and now amounts to 73%. This proportion is also reflected in new hires, 77% of whom were women in 2009. The significant percentage of female employees is explained in part by the nature and attractiveness of LVMH's business segments. Women are particularly prominent in Perfumes and Cosmetics (82%), Selective Retailing (80%) and Fashion and Leather Goods (73%). Conversely, the majority of staff in Wines and Spirits are men, representing 65% of the workforce in this business group.

### Proportion of female employees in new joiners (1) and in the Group's active workforce

| *(% women)* | Joiners | | | Group employees | | |
|---|---|---|---|---|---|---|
| | **2009** | 2008 | 2007 | **2009** | 2008 | 2007 |
| **Breakdown by business group** | | | | | | |
| Wines and Spirits | 40 | 44 | 45 | 35 | 35 | 34 |
| Fashion and Leather Goods | 67 | 70 | 71 | 73 | 73 | 74 |
| Perfumes and Cosmetics | 87 | 83 | 83 | 82 | 82 | 81 |
| Watches and Jewelry | 64 | 57 | 57 | 57 | 55 | 56 |
| Selective Retailing | 82 | 70 | 77 | 80 | 80 | 79 |
| Other | 45 | 60 | 54 | 47 | 57 | 53 |
| **Breakdown of personnel by professional category** | | | | | | |
| Managers | 58 | 57 | 59 | 60 | 59 | 57 |
| Technicians and team leaders | 71 | 66 | 67 | 69 | 69 | 69 |
| Office and sales personnel | 82 | 76 | 79 | 81 | 81 | 80 |
| Labor and production workers | 54 | 58 | 58 | 63 | 63 | 62 |
| **Breakdown by geographic region** | | | | | | |
| France | 71 | 70 | 71 | 67 | 67 | 67 |
| Europe (excluding France) | 76 | 79 | 76 | 75 | 76 | 76 |
| United States | 80 | 66 | 72 | 76 | 74 | 73 |
| Japan | 79 | 78 | 79 | 77 | 77 | 77 |
| Asia (excluding Japan) | 78 | 73 | 76 | 75 | 76 | 75 |
| Other | 77 | 73 | 69 | 63 | 62 | 61 |
| **LVMH Group** | **77%** | **71%** | **74%** | **73%** | **73%** | **72%** |

*(1) Under permanent contracts, including internal mobility and transfers from fixed-term to permanent contract.*

An increasing number of management positions are also being filled by women, who make up 60% of managers. Equality of opportunity also prevails in career advancement. Accordingly, 70% of staff promoted in 2009 were women.

In addition, 30% of management committee members are women and seven Group companies are chaired by women: Krug, Fred, Loewe, Montres Dior, Kenzo Parfums, Parfums Luxe International and Acqua di Parma.

#### 1.4.2 Management of older staff

Access to employment by older staff and their retention are areas of constant concern for the Group. At LVMH, all references to the age of employees have been eliminated, notably in the employee replacement chart for succession planning, on the pages of the Group's Web site where job opportunities are posted, and in the career development documents circulated by Group companies. A workgroup has been formed in order to help Group companies anticipate changes related to older staff in their workforces and a training module is in the process of being developed to provide human resources Directors with a better understanding of the new methods and best practices for the conduct of mid-career interviews.

By way of example, measures in favor of the employment of older staff have already been implemented in several Group companies: Parfums Givenchy, Moët & Chandon and Veuve Clicquot have signed agreements relating to the anticipatory management of jobs and skills with union representatives in order to organize and develop the career prospects of older employees. Givenchy Couture has introduced a mentor system to facilitate the transfer of know-how, pairing the *premier d'atelier* (the head of the design studio) or the *second d'atelier* (the former's deputy) with a tutor or an apprentice. Kenzo has adopted the use of systematic career development interviews for employees over the age of 50, as well as a procedure for preventing discrimination on the basis of age during the recruitment process. Since 2007, Moët Hennessy has been working with a recruitment consultancy specializing in the placement of older employees. All Group companies have developed specific plans in relation to older staff.

Worldwide, 12.9% of the LVMH Group's active workforce are over the age of 50. In France, this population accounts for 19.5% of employees.

### 1.4.3 Employment of disabled persons

Mission Handicap LVMH, a joint initiative by 31 Group companies, has provided added impetus for the promotion of policies facilitating the employment of disabled persons. In 2009, LVMH signed a partnership agreement with Agefiph, a private organization commissioned by the French government to help the disabled attain access to private sector employment, and human resources personnel have been trained in the recruitment and management of disabled employees. Special training sessions are organized on a regular basis, to facilitate the utilization of these staff members in all areas of activity. By way of example, Hennessy has trained its executive-level staff in the integration of disabled employees and DFS Group has developed a program intended to guarantee equality of opportunity. All employees of the Guerlain Spa on the Champs-Elysées in Paris have been trained to address the special needs of disabled customers. This action was recognized by OCIRP, a French association of pension funds, in the 2009 edition of its "Acteurs économiques et Handicap" prizes, awarding Guerlain top honors in the "Coup de cœur" category.

In the area of recruitment, 20 Group companies took part this year in operations targeting disabled applicants: speed recruitment events, events organized by the French association for the social and professional integration of disabled people (ADAPT), HandiChat, use of video CVs, etc. Several partnerships with specialized institutions have been developed with a view to facilitating access for disabled applicants to the Group's professions. Notable examples in 2009 included: the "Vis Ma Vie!" event, in which Sephora, Parfums Givenchy and Guerlain participated alongside the Cap Emploi disabled employment agency for the Paris region; "Les métiers insolites", a presentation for disabled junior high school students by Louis Vuitton; and "Delta Insertion", a program that helps persons with mental disabilities find employment and successfully perform in the workplace.

In anticipation of recruitment needs, the Group conducted several actions designed to enhance the qualifications of disabled persons: the creation of two professionalization programs tailored for these job seekers targeting skills used in sales and office positions, and the creation of ARPEJEH, founded in part by LVMH, whose aim is to offer advice and guidance to disabled junior and senior high school students.

LVMH is particularly attentive to the need to ensure that employees who become disabled are able to continue working, as illustrated by the specially designed facilities at Moët & Chandon and Parfums Christian Dior, which allow staff members with medical limitations to continue to work in their jobs under appropriate conditions.

In keeping with the international reach of its business activities, LVMH sees to it that its policies with respect to the employment of persons with disabilities are consistently applied outside France as well: in Brazil, the entities of the Wines and Spirits and Perfumes and Cosmetics business groups make determined efforts to recruit disabled persons to positions in both support and production functions. In Spain, Loewe has forged three alliances with protected workshops, for the manufacture of its professional work clothes and the supply of consumable items.

Disabled staff represent 1.0% of the Group's global workforce. In 2009, this rate was 2.4% for France, with a total of 4.4 million euros in services sub-contracted to ESATs (assisted employment centers) or disabled-friendly companies, nearly identical to the rate the previous year. The Group thus helps provide support to disabled people who wish to be oriented to these institutions thanks to its involvement in the Delta Insertion project.

## 1.5 Career development and training

Group companies offer a broad range of training programs intended to develop the professional skills of their employees, perpetuate traditions and know-how built by generations of artisans and creators, and share a common cultural heritage. Consistent with the Group's organizational philosophy, each company is given complete latitude to develop its own initiatives in this area, specifically tailored to its professions.

The Group offers an environment particularly conducive to career development. The Group's breadth and size make possible a wide range of career trajectories, across varied sectors and professions, a broad spectrum of brands and companies, and a multitude of geographical locations. Thanks to internal mobility, LVMH's managers take on new responsibilities, enhance their professional skill sets, develop their personalities and fulfill their aspirations. In order to facilitate mobility within the Group, systematic and regular reviews are organized in order to align opportunities for new positions with individuals interested in developing their careers. To this end, committees meet on a monthly, and sometimes bimonthly, basis at all levels of the organization with a view to optimizing the allocation of managerial resources.

Training serves as a powerful career-building driver, enabling the acquisition or enhancement of skills and favoring exchanges both inside and outside the Group. In this regard, the Forums held at LVMH House in London make a novel contribution to the sharing of knowledge across the Group in terms of the management of brands, product creativity and innovation as well as customer relations in the luxury goods industry. Over the last several months, special emphasis has been given to the development of leadership qualities. In order to better reflect the Group's international diversity, LVMH House Forums are now organized in the United States and in Asia. Many orientation seminars organized by the Group are also offered to new hires in their destination country or region. In 2009, the Group introduced a new international orientation seminar targeting high-potential managers and involving the participation of a number of LVMH's senior executives and creative Directors as trainers.

Furthermore, the Group continues to offer a wide range of both internal and external training programs to its employees in order to fine-tune their managerial skills. In 2009, nearly 1,800 management-level staff participated in internships and in-house seminars offered at the Group's four main training centers in France, Asia, Japan and the United States.

A substantial portion of training also takes place on the job on a daily basis and is not factored into the indicators presented below:

| Global workforce | 2009 | 2008 (1) | 2007 |
|---|---|---|---|
| Training investment *(EUR millions)* | 53.7 | 57.9 | 54.7 |
| Portion of total payroll *(as %)* | 2.3 | 2.6 | 2.7 |
| Number of days training per employee | 2.4 | 2.7 | 3.8 |
| Average cost of training per employee *(in euros)* | 689 | 751 | 759 |
| Employees trained during the year *(as %)* | 59.1 | 63.5 | 70.0 |

*(1) In 2008, a new more restrictive definition of training initiatives was applied for global social reporting purposes.*
*Note: Indicators are calculated on the basis of the total headcount (employees under both permanent and fixed-term contracts) present at the workplace during the year, with the exception of the percentage of employees trained during the year, which is calculated on the basis of those employed under permanent contracts and present at the workplace as of December 31 of the fiscal year.*

In 2009, training expenses incurred by the Group's companies throughout the world represented a total of 53.7 million euros, or 2.3% of total payroll. Indicators relating to the overall training effort register the impact of the economic climate, with an average decline of 10% compared to 2008.

The average training investment per full-time equivalent person amounts to nearly 690 euros. In 2009, the total number of training days amounted to 184,275 days, representing an equivalent of around 840 people receiving full-time training for the entire year.

Other indicators, such as the training penetration date and the average number of days training per employee were also impacted. Thus a total of 59.1% of employees received at least one day of training during the year and the average number of days training came to 2.4 days per employee. The training investment is spread across all professional categories and geographic regions in accordance with the table below.

### Breakdown of training investment by geographic region and professional category

| | France | Europe (1) | USA | Japan | Asia (2) | Other markets |
|---|---|---|---|---|---|---|
| Training investment *(EUR millions)* | 23.3 | 7.8 | 10.5 | 4.9 | 6.1 | 1.1 |
| Portion of total payroll *(as %)* | 3.1 | 1.6 | 2.0 | 2.6 | 2.1 | 1.8 |
| Employees trained during the year *(as %)* | 64.2 | 55.5 | 41.4 | 84.4 | 65.7 | 57.2 |
| o/w: Executives and managers | 70 | 61 | 57 | 73 | 69 | 55 |
| Technicians and team leaders | 67 | 52 | 30 | 87 | 59 | 64 |
| Office and sales personnel | 56 | 50 | 37 | 86 | 66 | 55 |
| Labor and production workers | 66 | 67 | 37 | 74 | 60 | 75 |

*(1) Excluding France.*
*(2) Excluding Japan.*
*Note: Indicators are calculated on the basis of the total headcount (employees under both permanent and fixed-term contracts) present at the workplace during the year, with the exception of the percentage of employees trained during the year, which is calculated on the basis of those employed under permanent contracts and present at the workplace as of December 31 of the fiscal year..*

Moreover, LVMH organizes integration and awareness seminars for new hires focusing on the culture of the Group, its brands, its values as well as its key management principles. Over 13,700 employees attended seminars of this type in 2009.

## 1.6 Health and safety

In 2009, there were a total of 811 work accidents resulting in leave of absence which resulted in 18,230 lost working days. A total of 297 work-travel related accidents were also noted, leading to 7,522 lost working days.

Lost time accidents by business group and geographic region break down as follows:

| | | Number of accidents | Frequency rate (1) | Severity rate (2) |
|---|---|---|---|---|
| **Breakdown by business group** | | | | |
| Wines and Spirits | | 189 | 14.63 | 0.35 |
| Fashion and Leather Goods | | 140 | 3.23 | 0.07 |
| Perfumes and Cosmetics | | 136 | 4.12 | 0.08 |
| Watches and Jewelry | | 16 | 3.67 | 0.10 |
| Selective Retailing | | 321 | 6.71 | 0.15 |
| Other | | 9 | 3.17 | 0.05 |
| **Breakdown by geographic region** | | | | |
| France | | 374 | 12.86 | 0.33 |
| Europe (excluding France) | | 128 | 4.09 | 0.07 |
| United States | | 113 | 4.18 | 0.13 |
| Japan | | 2 | 0.21 | 0.00 |
| Asia (excluding Japan) | | 139 | 4.40 | 0.05 |
| Other | | 55 | 7.57 | 0.18 |
| **LVMH Group** | **2009** | **811** | **5.98** | **0.13** |
| | 2008 | 971 | 7.07 | 0.14 |
| | 2007 (4) | 989 | 9.17 | 0.23 |

*(1) The Frequency rate is equal to the number of accidents resulting in leave of absence, multiplied by 1,000,000 and divided by the total number of hours worked (3).*
*(2) The Severity rate is equal to the number of workdays lost, multiplied by 1,000 and divided by the total number of hours worked (3).*
*(3) For companies located outside France, the total number of hours worked per employee is estimated at 2,000 on a full-time equivalent basis.*
*(4) 2007 data combines workplace accidents and work-travel accidents without distinction.*
*Note: Health and safety data for Starboard Cruise Services' employees under fixed-term contracts (900 persons) are not able to be collected to a satisfactory extent, given the nature of the work performed by these individuals. For this reason, they are excluded from the summary table shown above.*

LVMH invested over 11.9 million euros in Health and Safety in 2009. This includes expenses for occupational medical services, small protective equipment as well as programs for improving personal safety and health, such as compliance, the posting of warnings, replacement of protective devices, fire prevention training, noise reduction.

The total amount of expenditure and investments promoting health and safety in the workplace and improvements in working conditions amounted to almost 47 million euros in 2009, representing 2.0% of the Group's gross payroll worldwide.

Almost 15,750 Group company employees received safety training worldwide.

Workgroups bringing together human resources managers from all Group companies have built and implemented training modules addressing the causes of workplace stress. These workgroups benefited considerably from the contributions of invited experts: psychologists, victimologists, and other specialized medical practitioners. By way of example, in collaboration with IFAS (Institut Français d'Action sur le Stress) and OMSAD (Observatoire Médical du Stress de l'Anxiété et de la Dépression), Hennessy introduced a procedure that aims to measure the overall level of excess stress in the company and to involve the entire workforce in the identification of sectors and populations most prone to stress so as to implement preventive actions.

Additionally, training modules relating to the prevention of harassment in the workplace are offered to human resources staff and to operational managers at Group companies. Some fifty staff members have already taken part in these training programs.

## 1.7 Employee relations

### 1.7.1 Status of collective agreements

In France, Group companies have works councils, employee representatives, as well as health and safety committees. The Group Committee was formed in 1985.

In 2009, employee representatives attended more than 1,665 meetings:

| Nature of the meetings | Number |
|---|---|
| Works council | 623 |
| Employee representatives | 461 |
| Health and Safety Committee | 133 |
| Other | 448 |
| **Total** | **1,665** |

As a result of these meetings, 117 company-wide agreements were signed (such as annual negotiations on wages and work schedules, incentive and profit sharing agreements and company savings plans). Specific agreements related to the employment of disabled persons, professional equality between women and men, anticipatory management of jobs and skills, and labor-management dialogue have been signed at Group companies.

### 1.7.2 Social and cultural activities

In 2009, in France, the Group allocated a budget of over 14.4 million euros, or 1.9% of total payroll expenses, to social and cultural activities in France via contributions to works councils.

Total catering costs for all Group employees represent a budget of 11.5 million euros.

## 1.8 Relations with third parties

### 1.8.1 Relations with suppliers

LVMH places a priority on promoting and maintaining stable relations with ethical and responsible partners (suppliers, distributors, sub-contractors, etc.).

Since 2008, all of the Group's brands have adopted and promulgated the Supplier Code of Conduct which sets forth the Group's requirements in terms of social responsibility (forced labor, discrimination, harassment, child labor, compensation, hours of work, freedom of association and collective bargaining, health and safety, etc.), the environment (impact reduction, use of green technologies, waste reduction, compliance with regulations and standards), and the fight against corruption. Relations with any partner necessitate the latter's commitment to comply with all ethical principles enunciated in this Code. This Code of Conduct also sets forth the principle and procedures for the control and audit of compliance with these guidelines.

Among many initiatives by Group companies illustrating this commitment, Moët & Chandon, for example, establishes a specifications document presented for signature to its subcontractors that addresses respect for the environment and fundamental labor law compliance, among other issues. Audits are also carried out on suppliers. In its supplier specifications documents, Sephora includes clauses dealing with the individual rights of employees, child labor prevention, equality of opportunity and treatment, working time policy, and the protection of the environment. Louis Vuitton has put in place an ethical system of preliminary audits founded on compliance with local regulations as well as the SA 8000 social accountability standard, which is based on international workplace norms included in the ILO conventions: no child labor, no forced labor, providing a safe and healthy work environment, freedom of association and the right to collective bargaining, no discrimination, disciplinary practices, compliance with working hour and wage regulations. To ensure that they will be able to perform preliminary audits independently, Louis Vuitton's buyers receive theoretical training covering the approach and criteria as well as practical training in the field in the company of an SA 8000 auditor. Donna Karan International has developed a Vendor Code of Conduct designed to ensure respect for fundamental principles of industrial relations and labor law and for the highest ethical standards. It has also developed a Vendor Profile Questionnaire, a document signed by the subcontractor when the pre-approval request is submitted. The company has also introduced a Vendor Compliance Agreement, which calls for independent audits of suppliers to ensure that commitments have been observed. Similarly, TAG Heuer requires that all new foreign suppliers submit a written pledge indicating their compliance with the SA 8000 standard. The same is true for Parfums Christian Dior, Parfums Givenchy, and Guerlain, who have introduced specifications documents including compliance with the SA 8000 standard among their provisions.

As a result of heightened controls on compliance with the Supplier Code of Conduct, 2009 saw an increase in the number of social and environmental audits conducted at LVMH's suppliers. A quick survey of the five largest Group companies highlighted the fact that more than 200 social audits were conducted at their suppliers in 2009.

In the interest of continued improvement in this area, the Group's procurement managers, with the encouragement of the executive management team, have taken on ambitious goals, particularly with regard to verifying proper compliance with these fundamental requirements.

### 1.8.2 Impact of the business on local communities in terms of employment and regional development

LVMH follows a policy of maintaining and developing employment. Thanks to the strong and consistent growth achieved by its brands, many sales positions are created in all countries where the Group is present, particularly as a result of the expansion of the brands' retail networks.

Non-disciplinary layoffs, including those due to economic conditions, represent 9.6% of total departures.

A number of the Group's companies have been established for many years in specific regions of France and play a major role in creating jobs in their respective regions: Parfums Christian Dior in Saint-Jean de Braye (near Orleans), Veuve Clicquot Ponsardin and Moët & Chandon in the Champagne region, and Hennessy in the Cognac region have developed long-standing relationships with local authorities, covering cultural and educational aspects as well as employment. Sephora, which has stores throughout France (two-thirds of its workforce is employed outside the Paris region), regularly carries out a range of measures encouraging the development of job opportunities at the local level.

### 1.8.3 Relations with educational institutions and apprenticeship associations

Throughout the world, Group companies have developed a number of partnerships with management schools and engineering schools, but also with fashion design schools and schools specializing in areas specific to the businesses of the Group. Key companies give presentations on the campuses of these schools several times a year. A number of the classes taught feature lectures by the Group's senior executives.

Many initiatives to promote the occupational integration of young people are undertaken to allow all employees to participate actively in the Group's commitment to society.

As a signatory of the Apprenticeship Charter, the Group devotes considerable efforts to the development of apprenticeship opportunities, which facilitate young people's access to qualifications. As of December 31, 2009, there were 526 young people working under apprenticeship or professionalization contracts in all the Group's French companies. Among the various events scheduled throughout the year, "open door" days or orientation programs are often offered to young apprentices by Group companies (notably Hennessy, Parfums Givenchy, Louis Vuitton, Le Bon Marché and TAG Heuer) so as to introduce them to their professions and products. Mentors are also prized by companies such as Givenchy Couture and Le Bon Marché for their involvement in the transfer of know-how. Similar initiatives are undertaken abroad, particularly in Brazil, where young people from disadvantaged backgrounds are recruited through the "Menor Aprendiz" program.

Illustrating the Group's partnership with the Institut d'Etudes Politiques de Paris in conjunction with its affirmative-action program "Conventions d'Education Prioritaire", LVMH managers served on the admissions jury for youths from schools located in underprivileged areas and the Group funds second-year internships abroad for disadvantaged youths from the outlying areas of French cities through the apprenticeship tax. Always with the aim of furthering access to employment based only on merit and commitment, LVMH is a participating member of the French corporate-sponsored equal educational opportunity network (Réseau national des entreprises pour l'égalité des chances dans l'éducation). This association arranges actions by companies in schools located in underprivileged areas and welcomes their graduates as interns.

Contacts and partnerships with training institutions as well as local actions in secondary schools have been developed further, particular with middle schools singled out for the "Ambition Réussite" priority education program (Céline) and other companies are also spearheading the creation of curricula in the regions where they maintain operations.

In partnership with "Nos Quartiers ont des Talents", Guerlain, Parfums Givenchy and La Grande Épicerie de Paris, together with other Group companies stepped up their operation to assist young graduates from disadvantaged backgrounds in finding their first jobs. Experienced senior-level staff or senior executives at these companies participating as sponsors in this program provide individualized assistance to job seekers and help them crystallize their career plans.

Finally, in order to promote the integration of young people through education regardless of their background or origin, LVMH funds ten scholarships offered by the association "Promotion des Talents".

### 1.9 Compliance with international conventions

Taking each individual, his or her freedom and dignity, personal growth and health into consideration in each decision is the foundation of a doctrine of responsibility to which all LVMH companies adhere.

Accordingly, all LVMH companies have policies for equal opportunity and treatment irrespective of gender, race, religion and political opinion, etc. as defined in the standards of the International Labor Organization. This culture and these practices also generate respect for freedom of association, respect for the individual, and the prohibition of child and forced labor.

## 2. REPORT ISSUED BY ONE OF THE STATUTORY AUDITORS ON CERTAIN SOCIAL INDICATORS

Pursuant to your request and in our capacity as one of the Statutory Auditors of the LVMH group, we have performed a review with the aim of providing moderate assurance on certain social indicators (1) for fiscal year 2009 (the "Data") selected by the Group in the 2009 reference document (Human Resources section of the Management Report of Board of Directors). The conclusions expressed below relate solely to these Data and not to all social indicators published in the 2009 reference document.

These Data have been prepared under the responsibility of the Human Resources Department, in accordance with the internal measurement and reporting criteria for social data that is available for consultation at the Human Resources Department (the "Reporting Criteria"). It is our responsibility, based on the procedures performed, to express a conclusion on the selected Data.

### Nature and scope of our procedures

We have conducted our procedures in accordance with the applicable professional guidelines.

We conducted the following procedures in order to provide moderate assurance that the selected Data does not contain any material misstatements. A higher level of assurance would have required more extensive work.

For the selected Data, we have:

- assessed the Reporting Criteria with respect to its relevance, reliability, objectivity, clarity and completeness;
- conducted interviews with individuals responsible for the application of the Reporting Criteria in the Human Resources Department and at selected subsidiaries (2);
- examined, on a sampling basis, the application of the Reporting Criteria in the selected subsidiaries and conducted consistency tests with respect to their consolidation. This selection of subsidiaries represented on average 29% of total Group employees.

To assist us in conducting our work, we referred to the sustainable development experts of our firm under the responsibility of Mr. Eric Dugelay.

### Comments on the procedures

During the performance of our work, we noted the following:

- the internal control system has been strengthened with respect to the data consolidation process at Group level, however, the supervision within the subsidiaries themselves should be reinforced in order to limit the risk of errors not being detected at local level;
- the collection of certain data relating to training (number of individuals trained and number of training hours) and health & safety (number of work-related accidents with sick leave, number of days of sick leave) needs to be improved in certain subsidiaries.

### Conclusion

Based on our work, we have no matters to report on the fact that the selected Data have been prepared, in all material respects, in accordance with the above-mentioned Reporting Criteria.

Neuilly-sur-Seine, March 3, 2010

One of the Statutory Auditors

DELOITTE & ASSOCIES

Alain Pons
Partner

*(1) The verification covered the "Total Group" value of the following social indicators for 2009: total employees, number of executives, voluntary employee turnover, involuntary employee turnover, new hirings, percentage of women executives, employees trained during the year, average number of days of training per employee, work-related accidents with sick leave, accidents to and from work, number of working days lost, frequency and severity rates.*

*(2) Subsidiaries: Sephora USA (USA), Louis Vuitton Malletier (France, USA), Sephora SA (France), Parfums Christian Dior SA (France), Fendi (Italy), Glenmorangie (UK), Parfums Givenchy (France), Starboard Cruise Services (USA).*

# LVMH AND THE ENVIRONMENT

# 1. EFFECTS OF OPERATIONS ON THE ENVIRONMENT

The reporting scope for environmental indicators included the following sites in 2009:

• Production facilities, warehouses and administrative sites: 173 of the 188 sites owned and/or operated by companies controlled by the Group are covered. The 15 sites that are not covered correspond primarily to the production facilities of Hublot, StefanoBi, Royal Van Lent and Wen Jun Distillery, in addition to the administrative sites of Benefit, Berluti, Donna Karan, Emilio Pucci, Fresh, Marc Jacobs, and Thomas Pink.

• Stores: The French stores of Céline and Guerlain, the French stores and certain international stores of Louis Vuitton and Le Bon Marché, DFS stores, the Spanish stores of Loewe, the French, US and Canadian stores of Sephora and the main stores of Fendi are covered. The reporting scope concerned can vary significantly for the various environmental indicators:

- energy consumption and greenhouse gas emissions: the reporting scope covered is the same as that described above;
- water consumption: the US and Canadian stores of Sephora are not covered;
- waste production: the stores of Céline and Fendi, the Spanish stores of Loewe, the French, US and Canadian stores of Sephora and the stores of Louis Vuitton (with the exception of certain Japanese stores) are not covered;
- for stores, no other environmental indicator is concerned.

In 2009 the reporting scope for stores covers 50% of the sales area for energy consumption and 28% for water consumption. The environmental indicators of the stores that are not covered are deduced by extrapolation, based on the average of the actual ratios per unit of sales area.

The reporting scope of the stores does not cover the stores operated under franchise by the Group's Perfumes and Cosmetics, and its Fashion and Leather Goods companies.

The changes in the reporting scope with respect to 2008 relate to the integration of Les Echos, new Sephora and DFS stores, the Spanish stores of Loewe, the new administrative sites of Moët Hennessy, a manufacturing shop and the administrative sites of Louis Vuitton and the disposal of Glen Moray.

Pursuant to Decree No. 2002-221 of February 20, 2002, known as the "NRE decree" (nouvelles régulations économiques), the following sections provide information concerning the nature and importance of the elements that have a relevant and significant impact on operations. The indicators retained were selected by the Group's environmental department and validated by the Environment and Sustainable Development Department of Ernst & Young. Since fiscal year 2002, the Group's annual environmental data reporting has been verified each year by Ernst & Young, one of the Group's statutory auditors, assisted by its Environment and Sustainable Development Department.

## 1.1 Water, raw material and energy consumption requirements

### 1.1.1 Water consumption

Water consumption analyzed based on the following:

- process requirements: use of water for cleaning purposes (tanks, products, equipment, floors), air conditioning, employees, product manufacturing, etc; such water consumption generates waste water;
- agricultural requirements: water consumption for vine irrigation outside France, as irrigation is not practiced in France. As such, water is taken directly from its natural environment for irrigation purposes. Its consumption varies each year according to changes in weather conditions. However, it is worth noting that water consumption for agricultural purposes is measured by the sites, producing less precise estimates than for process water consumption.

| *(in $m^3$)* | 2009 | 2008 | Change (%) |
|---|---|---|---|
| Process requirements | 2,074,369 | 2,358,267 | (12) [(1)] |
| Agricultural requirements (vine irrigation) | 6,539,212 | 6,813,268 | (4) |

*(1) Decline due to the decrease in business volumes.*

Water consumption used for the process requirements of the Group's companies decreased 12% in absolute terms between 2008 and 2009 and amounted to approximately 2.07 million cubic meters. Water consumption by retail sales areas excluded from the reporting scope (72% of water consumption attributable to retail space) is estimated at 729,243 cubic meters. By way of comparison, for the manufacturing sector in France, water consumption amounts to about 2.9 billion cubic meters (IFEN, 2006).

### Water consumption by business group

| *(Process requirements in m³)* | 2009 | 2008 | Change (%) |
|---|---|---|---|
| Wines and Spirits | 1,141,986 | 1,384,662 | (18) (1) |
| Fashion and Leather Goods | 253,682 | 192,282 | 32 (2) |
| Perfumes and Cosmetics | 283,711 | 364,483 | (22) (1) |
| Watches and Jewelry | 8,687 | 12,895 | (33) (1) |
| Selective Retailing | 366,516 | 386,080 | (5) |
| Other activities | 19,787 | 17,865 | 11 (3) |
| **Total** | **2,074,369** | **2,358,267** | **(12)** |

*(1) Decline due to the decrease in business volumes and to the disposal of Glen Moray for the Wines and Spirits business group.*
*(2) Change due to the increase in business volumes and the integration of new Loewe and Louis Vuitton sites.*
*(3) Change related to the integration of Les Echos and new Moët Hennessy buildings.*

Water consumption for vineyard irrigation purposes is essential for the preservation of vines in California, Argentina, Australia and New Zealand due to the climate in these areas. This practice is closely supervised by the local authorities that deliver authorizations. The Group has also taken measures to limit consumption:

- recovery of rain water by Domaine Chandon California, Domaine Chandon Australia, Bodegas Chandon Argentina; reuse of treated waste water by Domaine Chandon Carneros, California; recovery of water run-off by the creation of artificial lakes by Newton and Cape Mentelle;
- drafting of agreements on measures and specifications with respect to water requirements: analyses of ground humidity, leaves, visual vine inspections, adaptation of supplies according to the requirements of each land plot (Domaine Chandon Australia);
- standardized drip method of irrigation: between 73% and 100% of wine-producing regions have now adopted this method;
- weather forecasts for optimized irrigation (weather stations at Domaine Chandon California);
- periodical inspections of irrigation systems to avoid the risk of leakage;
- adoption of the “reduced loss irrigation” technique, which reduces water consumption and actually improves the quality of the grapes, the size of the vine, yielding an enhanced concentration of aroma and color.

#### 1.1.2 Energy consumption

Energy consumption corresponds to the combined internal (combustion on a Group site, such as fuel oil for electricity generators, butane, propane and natural gas) and external (combustion does not occur on site) energy sources.

In 2009, the subsidiaries included in the reporting scope consumed 535,938 MWh provided by the following sources: 64% electricity, 19% natural gas, 8% heavy fuel oil, 6% fuel, 2% butane-propane, 1% steam, and less than 1% renewable energies. This represents an increase of 7% compared to 2008.

This consumption corresponds, in decreasing order of use to Selective Retailing (37%), Wines and Spirits (31%), Fashion and Leather Goods (16%), and Perfumes and Cosmetics (13%). The remaining 3% is generated by Watches and Jewelry and the administrative activities of the holding structure.

Energy consumption by retail sales areas excluded from the reporting scope (50% of total retail space) is estimated at 180,638 MWh.

By way of comparison, for the manufacturing sector in France, electricity and natural gas consumption amount to 123,000,000 MWh and 154,000,000 MWh, respectively (French Ministry of Finance, 2007).

### Energy consumption by business group

| *(in MWh)* | **2009** | 2008 | Change (%) |
|---|---|---|---|
| Wines and Spirits | 167,769 | 193,318 | (13) [1] |
| Fashion and Leather Goods | 83,180 | 77,473 | 7 [2] |
| Perfumes and Cosmetics | 67,167 | 74,177 | (9) [1] |
| Watches and Jewelry | 7,546 | 7,661 | (2) |
| Selective Retailing | 197,841 | 144,432 | 37 [3] |
| Other activities | 12,435 | 5,735 | 117 [4] |
| **Total** | **535,938** | **502,796** | **7** |

*(1) Decline due to the decrease in business volumes and to the disposal of Glen Moray for the Wines and Spirits business group.*
*(2) Change due to the increase in business volumes and the integration of new Loewe and Louis Vuitton sites.*
*(3) Change due to the integration of new DFS stores and new Sephora North America stores.*
*(4) Change due to the integration of Les Echos and new Moët Hennessy buildings.*

### Consumption by energy source in 2009

| *(in MWh)* | Electricity | Natural gas | Heavy fuel oil | Fuel oil | Butane Propane | Steam |
|---|---|---|---|---|---|---|
| Wines and Spirits | 62,493 | 39,654 | 42,416 | 15,636 | 7,570 | - |
| Fashion and Leather Goods | 61,327 | 17,050 | - | 1,114 | 2,837 | 852 |
| Perfumes and Cosmetics | 36,020 | 29,757 | 37 | 223 | - | 680 |
| Watches and Jewelry | 4,057 | 2,777 | - | 712 | - | - |
| Selective Retailing | 167,943 | 10,118 | - | 14,952 | - | 4,828 |
| Other activities | 11,134 | 383 | 3 | 34 | - | 881 |
| **Total** | **342,974** | **99,739** | **42,456** | **32,671** | **10,407** | **7,241** |

*Also including 450 MWh of solar thermal energy for the Perfumes and Cosmetics business group.*

Two key areas are targeted in particular by LVMH: the transportation of both raw materials and finished products as well as the buildings used by the Group. For example, Sephora has decided to progressively adopt the use of electric-powered vehicles for deliveries to all of its 250 stores in France. By December 2009, 80% of its stores were already receiving their deliveries via this type of transport.

Following in the footsteps of Louis Vuitton, which expanded its inland waterway shipments in 2008, and Guerlain, which continues to increase its maritime ratio (61.7% in 2009 compared to 50% in 2008), Hennessy has switched to piggyback shipping, using a combination of rail and road transport, for goods leaving Cognac in May. This method will eventually be used for 50% of shipped goods, which will allow Hennessy to decrease its carbon footprint related to shipments by one third.

Buildings are an important driver of energy savings. At Le Bon Marché, efforts made in the area of lighting and other energy consumption items resulted in savings of 6% for the three buildings in Paris (Le Bon Marché, La Grande Epicerie, Franck & Fils) and 9% for Le Bon Marché alone.

#### 1.1.3 Raw material consumption

Given the variety of the Group's operations and the multiplicity of the raw materials used, the only significant, relevant criterion used by all of the Group's brands retained for the analysis of raw material consumption is the quantity, measured in metric tons, of primary and secondary packaging used for consumer goods placed on the market:

- Wines and spirits: bottles, boxes, caps, etc.
- Fashion and Leather Goods: boutique bags, pouches, cases, etc.
- Perfumes and Cosmetics: bottles, cases, etc.
- Watches and Jewelry: cases and boxes, etc.
- Selective Retailing: boutique bags, pochettes, cases, etc.

The packaging used for transport is excluded from this analysis.

### Packaging placed on the market

| *(in metric tons)* | 2009 | 2008 | Change (%) |
|---|---|---|---|
| Wines and Spirits | 115,950 | 147,728 | (22) |
| Fashion and Leather Goods | 4,764 | 5,266 | (10) |
| Perfumes and Cosmetics | 20,800 | 23,887 | (13) |
| Watches and Jewelry | 386 | 421 | (8) |
| Selective Retailing | 1327 | 1,538 | (14) |
| **Total** | **143,227** | **178,840** | **(20)** (1) |

*(1) Decline due to eco-design approaches applied by all business groups and the decrease in business volumes.*

### Breakdown of the total weight of packaging placed on the market, by type of material, in 2009

| *(in metric tons)* | Glass | Paper-cardboard | Plastic | Metal | Other packaging material |
|---|---|---|---|---|---|
| Wines and Spirits | 98,905 | 13,159 | 1,468 | 1,449 | 969 |
| Fashion and Leather Goods | - | 4,082 | 6 | 16 | 660 |
| Perfumes and Cosmetics | 9,750 | 4,498 | 4,933 | 426 | 1,193 |
| Watches and Jewelry | - | 156 | - | - | 230 |
| Selective Retailing | 232 | 140 | 871 | 49 | 35 |
| **Total** | **108,887** | **22,035** | **7,278** | **1,940** | **3,087** |

The LVMH Group takes an active part in the development of environmental product labeling, both in France and worldwide. Intended to provide information to the public about the environmental impact of products, the data included, such as the greenhouse gas emissions generated during the product's life cycle, will eventually play a greater role in consumer decision-making processes. Group companies have steadily made advances in the area of eco-design, with specific tools and methodologies to integrate environmental aspects in the product development process. This involves reductions in packaging weight and volume, the selection of ingredients and raw materials, the use of more energy-efficient production processes, and efforts to ensure compliance with the European Union's REACH Regulation. At the companies of the Perfumes and Cosmetics business group, the use of an environmental performance indicator (EPI) developed in-house is gaining ground. Created to assess, compare and improve the environmental performance of packaging, this indicator takes into account, from the very outset of the development process, the separability of materials, volume, weight, the use of refills, and the preference for materials that are more respectful of the environment. A score is given to each product's packaging, which may cause some decisions to be reconsidered. Remarkable eco-designed packaging initiatives this year include Hennessy's Fine Cognac $H_2O$ project and Bodegas Chandon Argentina's switch to lighter-weight bottles, each using 5–20% less glass. Lastly, Parfums Christian Dior now offers refills for the products in its Or de Vie range.

## 1.2 Soil use conditions, emissions into the air, water and soil

### 1.2.1 Soil use

Soil pollution from old manufacturing facilities (cognac and champagne production; trunk production) is insignificant. The more recent production facilities are generally located on farmland with no history of pollution. Finally, the Group's manufacturing operations require very little soil use, except for wine production.

Integrated grape growing (viticulture raisonnée) is an advanced method that combines cutting-edge technology with traditional methods, covering all stages of the wine producing process. This method, used for several years by Wines and Spirits, was developed further this year. Thanks to equipment allowing for highly localized application, Moët & Chandon continues to reduce the use of plant protection products and cover planting is now employed for a third of vineyard land, with special emphasis on resource protection areas. Reductions in the use of fungicides are being made gradually, by assessing qualitative indicators and delivering innovative solutions using new materials.

For Veuve Clicquot in 2009, partial or controlled cover planting is being used for 80% of its total vineyard surface area. Pheromone confusion (an alternative to the use of insecticides) has also been implemented for 70% of the total surface area. The Group continues to promote sustainable grape-growing practices among its grape suppliers, which now account for 90% of grape supplies.

Integrated grape-growing practices are increasingly being used by all of the Group's Estate & Wines businesses. Cloudy Bay has focused in particular on the area of soil management and protection and is testing new solutions to boost disease resistance. 4 hectares have already received organic certification for grape growing and the Australian winery allows sheep to graze in its vineyards during the winter to reduce the use of herbicides. This year, Domaine Chandon California and Newton applied their "Mow & Blow" program to 60 hectares, in order to significantly reduce their use of pesticides and insecticides. This program involved the installation of new nest boxes for owls and birds of prey in 2009, thus enhancing natural protection against undesirable species.

### 1.2.2 Greenhouse gas emissions

Given the nature of the Group's operations, the only emissions that have a significant impact on the environment are greenhouse gas emissions.

Estimated greenhouse gas emissions in tons of $CO_2$ (carbon dioxide) equivalent correspond to the site energy consumption emissions, as defined in section 1.1.2. These include direct emissions (on-site combustion) and indirect emissions (from the generation of electricity and vapor used by the sites). $CO_2$ emission factors are updated every year for each energy source, notably for electricity. This update may lead to significant changes.

#### Breakdown of emissions by business group in 2009

| *(in metric tons of $CO_2$ equivalent)* | $CO_2$ emissions in 2009 | Of which: Direct $CO_2$ emissions | Indirect $CO_2$ emissions | $CO_2$ emissions in 2008 | Change (%) |
|---|---|---|---|---|---|
| Wines and Spirits | 46,226 | 29,161 | 17,065 | 49,087 | (6) |
| Fashion and Leather Goods | 20,222 | 4,935 | 15,287 | 17,463 | 16 (1) |
| Perfumes and Cosmetics | 11,432 | 6,953 | 4,479 | 12,023 | (5) |
| Watches and Jewelry | 887 | 736 | 151 | 879 | 1 |
| Selective Retailing | 76,186 | 6,838 | 69,348 | 45,992 | 66 (2) |
| Other activities | 1,318 | 100 | 1,218 | 676 | 95 (3) |
| **Total** | **156,271** | **48,723** | **107,548** | **126,120** | **24** |

*(1) Change due to the increase in business volumes and the integration of new Loewe and Louis Vuitton sites.*
*(2) Change due to the integration of new DFS stores and new Sephora North America stores.*
*(3) Change due to the integration of Les Echos and new Moët Hennessy buildings.*

Greenhouse gas emissions generated by retail sales areas excluded from the reporting scope (50% of total retail space) are estimated at 97,119 metric tons of $CO_2$ equivalent.

LVMH has long stressed the importance of addressing climate change in its business activities. A true pioneer in this area, the Group carried out its first Bilan Carbone assessments in 2002. Today, all of the Group's main brands have used this method to assess their environmental performance and are putting in place priority measures relating to the production of packaging, the shipment of products, and energy consumption by stores.

The Carbon Disclosure Project, an independent nonprofit organization, sends companies a questionnaire each year on the integration of climate change awareness within their strategies and their progress in limiting greenhouse gas emissions. Its Carbon Disclosure Leadership Index brings together companies having demonstrated the greatest transparency and the highest quality response to this annual questionnaire: LVMH received a score of 72/100 and is listed in the Carbon Disclosure Leadership Index for France (the average score obtained by SBF 120 companies is 56/100).

Veuve Clicquot, Moët & Chandon and Hennessy have nearly completed their updated Bilan Carbone assessments, while Le Bon Marché, DFS and Sephora completed theirs this year. Le Bon Marché has set itself specific objectives for the next few years and plans to monitor its emissions on a nearly continuous basis using a software tool. Make Up For Ever launched a similar initiative in September 2009. In the same vein, Domaine Chandon Australia is calculating its greenhouse gas emissions with the aim of offering carbon-neutral products. As a reminder, it is worth noting that Guerlain, Parfums Christian Dior, Parfums Kenzo, Parfums Givenchy and Louis Vuitton have all already carried out their Bilan Carbone assessments.

As stated above, the LVMH Group remains committed to reducing its energy consumption and two key areas are targeted in particular: the transportation of both raw materials and finished products as well as the buildings used by the Group (see §1.1.2 Energy consumption). For example, Sephora has decided to progressively adopt the use of electric-powered vehicles for deliveries to all of its 250 stores in France. By December 2009, 80% of its stores were already receiving their deliveries via this type of transport. Following in the footsteps of Louis Vuitton, which expanded its inland waterway shipments in 2008, and Guerlain, which continues to increase its maritime ratio (61.7% in September compared to 50% in 2008), Hennessy switched to piggyback shipping for goods leaving Cognac in May. This method will eventually be used for 50% of shipped goods, which will allow Hennessy to decrease its carbon footprint related to shipments by one third. Buildings are an important driver of energy savings. At Le Bon Marché, efforts made in the area of lighting and other energy consumption items resulted in savings of 6% for the three buildings in Paris (Le Bon Marché, La Grande Epicerie, Franck & Fils) and 9% for Le Bon Marché alone.

### 1.2.3 Discharges to water

The most significant and relevant emissions of note are the discharges of substances causing eutrophization by Wines and Spirits and Perfumes and Cosmetics operations. The Group's other business groups have a very limited impact on water quality. Eutrophization is the excessive build-up of algae and aquatic plants caused by excess nutrients in the water (particularly phosphorus), which reduces water oxygenation and adversely impacts the environment. The parameter used is the Chemical Oxygen Demand (COD) calculated after treatment of the discharges in the Group's own plants or external plants with which the Group has partnership agreements. The following operations are considered as treatment: city and county waste water collection and treatment, independent collection and treatment (aeration basin) and land application. In 2009, COD discharges increased by 134%.

| **COD after treatment** *(metric tons/year)* | **2009** | 2008 | Change (%) |
|---|---|---|---|
| Wines and Spirits | 3,291.2 | 1,395.9 | 136 (1) |
| Perfumes and Cosmetics | 14.2 | 16.1 | (12) (2) |
| **Total** | **3,305.4** | **1,412** | **134** |

*(1) Change due to the increase in business volumes and the improvement in the measurement of discharges at a Glenmorangie site.*
*(2) Change due to the decrease in business volumes and the improvement in the monitoring of discharges.*

As a particularly precious resource for the Group's businesses, and especially for the activities of its Wines and Spirits and Perfumes and Cosmetics business groups, water is the focus of considerable attention: each year, ambitious goals are set to limit consumption and renewed efforts are made to curtail discharges into water. All of this requires that the best technologies available be employed, whether in relation to water reuse systems, more economical processes and/or closed-loop cycle technologies, or even zero-discharge systems. For instance, Bodegas Chandon in Argentina has installed a new wastewater treatment facility, reclaiming water to be used for irrigation. Thanks to this new technology, water consumption was reduced by 54% in 2009.

### 1.2.4 Waste

Group companies continued their efforts with respect to the sorting and recovery of waste. On average, 92% of the waste was recovered in 2009 compared to 88% in 2008. In parallel, waste production fell 26% in 2009.

Recovered waste is waste for which the final use corresponds to one of the following channels:

- reuse, i.e. the waste is used for the same purpose for which the product was initially designed;
- recycling, i.e. the direct reintroduction of waste into its original manufacturing cycle resulting in the total or partial replacement of an unused raw material, controlled composting or land treatment of organic waste to be used as fertilizer;
- incineration for energy production, i.e. the recovery of the energy in the form of electricity or heat by burning the waste.

In order to decrease the need for incineration, whose costs are rising, the Group's Perfumes and Cosmetics companies have set up a recycling program for waste consisting of spent perfume testers as well as unsold goods and those rejected for quality reasons, at a shared facility located at the heart of Cosmetic Valley. A first in the luxury sector, this recycling program is part of the environmental and societal commitments undertaken by the Group at the signing of the Charter for an Eco-Responsible Cosmetic Valley in October 2009.

## Waste produced

| *(in metric tons)* | Waste produced in 2009 | Of which: Hazardous waste produced in 2009 (1) | Waste produced in 2008 | Change in waste produced (%) |
|---|---|---|---|---|
| Wines and Spirits | 38,482 | 146 | 57,446 | (33) (3) |
| Fashion and Leather Goods | 6,391 | 61 | 6,304 | 1 |
| Perfumes and Cosmetics | 6,301 | 767 (2) | 7,143 | (12) (3) |
| Watches and Jewelry | 214 | 14 | 222 | (4) |
| Selective Retailing | 3,978 | 17 | 4,266 | (7) |
| Other activities | 647 | - | 706 | (8) |
| **Total** | **56,013** | **1,005** | **76,087** | **(26)** |

*(1) Waste to be sorted and treated separately from other "common" waste (boxes, plastic, wood, paper, etc.).*
*(2) Some products that are removed from the manufacturing cycle are treated in the same way as hazardous waste to prevent counterfeiting attempts.*
*(3) Decline due to the decrease in business volumes and to the disposal of Glen Moray for the Wines and Spirits business group.*

## Waste recovery in 2009

| *(in %)* | Re-used | Material recovery | Energy recovery | Total recovery |
|---|---|---|---|---|
| Wines and Spirits | 40 | 55 | 3 | 98 |
| Fashion and Leather Goods | 2 | 42 | 20 | 64 |
| Perfumes and Cosmetics | 5 | 56 | 33 | 94 |
| Watches and Jewelry | - | 37 | 37 | 74 |
| Selective Retailing | 6 | 42 | 35 | 83 |
| Other activities | - | 7 | 93 | 100 |
| **Total** | **29** | **52** | **11** | **92** |

### 1.3 Limitation of damage to ecosystem balance, natural habitats, animal and plant species

Fashion and Leather Goods, and Watches and Jewelry implemented procedures to improve compliance with the convention on international trade in endangered species (CITES). Through a system of import-export permits, this convention was set up to prevent certain species of endangered fauna and flora against overexploitation in the course of international trade.

Perfumes and Cosmetics' laboratories request that their partners provide information on the bio-diversity and bio-availability of every new plant studied. Companies in this business group have undertaken not to use any protected, rare or endangered plants in their operations. They favor plants that are commonly used or grown specifically to meet their activity's requirements.

Recent efforts by LVMH in the field of ethnobotany and the conservation of biocultural diversity are in keeping with a long-standing commitment, since the R&D teams of the Perfumes and Cosmetics business group have been working in this area for several years. For example, in Madagascar, the partnership forged in 2006 with an association representing individuals who gather longoza, a species of wild ginger used as one of the ingredients in the eye care product Capture Totale, continues apace: a portion of the profits are used to finance large-scale initiatives, such as the creation of a Maison du Riz and improvements in school facilities. Through the Orchidarium, its worldwide orchid research platform, Guerlain participates in a reforestation program in Laos, as tropical forests are the preferred habitat of these flowers. In this connection, Guerlain is behind the creation of a nature preserve supplemented by a research facility and cultural center called the Réserve Exploratoire. In 2009, the protection of wild populations of Vanda coerulae, was the focus of special efforts. Hundreds of young plants were reintroduced and will be followed by thousands more. Guerlain also strives to ensure that it can continue to gather the orchids used in its products in their natural environment.

In addition, following the example of Parfums Christian Dior, which publicly announced its decision to refrain from testing the safety of its cosmetic products on animals in 1989, all of the Group's other Perfumes and Cosmetics brands have discontinued this practice, launching a joint investment program to develop alternative testing solutions, particularly in the area of allergies in collaboration with partners in fundamental research, and in the area of systemic toxicity under the auspices of Colipa, the European federation of cosmetic product manufacturers.

## 1.4 Environmental protection methods within the Group

### 1.4.1 Organization

LVMH has had an environment management team since 1992. In 2001 it established an "Environment Charter" signed by the Chairman of the Group, which requires that each company undertakes to set up an effective environment management system, create think-tanks to assess the environmental impacts of the Group's products, manage risks and adopt the best environmental practices. In 2003, Bernard Arnault joined the United Nations' Global Compact program. In 2007, he also endorsed Gordon Brown's Millennium Development Goals.

The Group undertakes to adopt the following environmental measures:

- apply precaution to all issues impacting the environment;
- undertake initiatives to promote greater environmental responsibility;
- favor the development and distribution of environmentally-friendly technologies.

The Group's environment management team was set up with the following objectives:

- implement the environmental policies of the Group companies, based on the LVMH Charter;
- conduct audits to assess Group companies' environmental performance;
- monitor regulatory and technical issues;
- create management tools;
- help companies anticipate risks;
- train employees and increase environmental awareness at all management levels;
- define and consolidate the environmental indicators;
- work alongside the various key players (associations, rating agencies, government authorities, etc.).

LVMH's Environmental Charter requires that all Group companies adapt this document for their internal purposes so as to reflect the nature of their own operations. Not only have all the companies begun implementing their own environmental management systems, but an ever increasing number of them have established their own environmental committees to supervise the deployment of this approach across their organizations.

Each Group company has appointed an environmental management representative. They meet as part of the LVMH Environment Commission coordinated by the Group's environment management team once every three months and post their conclusions on the Group's Environment Extranet page, LVMH Mind, which is accessible to all employees.

Almost all of the companies, in all of the Group's business groups, stepped up their employee training and awareness programs this year. In 2009, these programs resulted in 17,260 training hours, a 7% decrease compared to 2008 (18,489 hours). This decrease is explained by the large number of ISO 14001 certifications attained in 2008, necessitating an increase in awareness campaigns.

New executives at LVMH are briefed in the Group's environmental policy, the available tools and its environmental safety network as part of their orientation seminar.

Apart from these initiatives, the Group's companies also disseminate written information concerning the environment. Over the years, awareness of the relevant issues has been raised successfully among most of the Group's employees. In 2009, Guerlain conducted a vast operation across its entire workforce, at its production sites as well as its headquarters. Five conferences were organized, during which the company's Chairman presented the key environmental and sustainable development challenges as well as Guerlain's ongoing objectives, which include a 12% reduction in greenhouse gas emissions between 2007 and 2012.

At Le Bon Marché, the Cosmos environmental committee set itself twelve objectives in three main areas: people- and planet-friendly lifestyles, the environment, and sustainable economic development. These objectives have resulted in concrete actions, including the organization of donation programs—clothing for the charity Emmaüs, eyeglasses for African countries—and assistance provided to a dispensary in Vietnam.

Louis Vuitton has raised the awareness of its employees through various communication campaigns focusing on national or international events. During the nationwide Sustainable Development Week, all personnel at the Paris headquarters participated in a Sustainable Development Challenge. In honor of European Mobility Week, the Group issued 900 copies of the first Green Transport Guide for Paris. From a wider perspective, 2009 saw updates and enhancements to existing systems, the launch of new awareness campaigns (waste sorting, ISO 14001 certification, etc.) and the posting of water, energy and waste indicators in workshops.

In conjunction with Sustainable Development Week, apart from the inauguration of its Intranet site on the environment and food safety, Hennessy invited 140 of its employees, together with their children, to attend a special film screening. They viewed the feature-length documentary Nous resterons sur Terre (Here to Stay), which was followed for the adults by a discussion on water management and eco-citizenship principles and for the children by the projection of animated short features entitled Ma petite planète chérie (My Little Planet). In association with the Cognac mayor's office, Hennessy extended this operation, organizing screenings open to the town's entire population.

### 1.4.2 Evaluation and certification programs

In accordance with the LVMH Environment Charter, each company is responsible for designing and implementing its own environment management system, in particular for defining goals, and more precisely for drafting its own environmental policy. Each company has access to an LVMH self-assessment guide and can, if it wishes, apply for ISO 14001 or EMAS certification for its system.

The Group requires all companies to put in place environmental management systems. All of the Group's cognac, champagne and vodka producers have now attained ISO 14001 certification. In Perfumes and Cosmetics, Guerlain began the process for acquiring this certification at its two sites and Parfums Christian Dior has attained certification for its logistics facility in Saint-Jean de Braye. Eole, Louis Vuitton's worldwide logistics site, was granted certification in July and the results of the follow-up audits conducted at its Barbera workshop in Spain, its Paris headquarters, and its European warehouse were all positive. The company is also developing an ISO 14001 project encompassing all of its production workshops.

LVMH is particularly proactive in terms of the management of environmental risks: systematic identification, prevention efforts, protection of people and property, and a crisis management system are the four mainstays of its policy in this area. The storage and transport of raw materials are targeted in particular. After Veuve Clicquot and Moët & Chandon in 2008, Krug was granted ISO 22000 certification in June and Belvedere's distillery in Zyrardow, already OSHAS certified, adjusted its system in 2009 so as to be in compliance with the latest version of the standard.

Since the 2002 fiscal year, the Group's annual environmental data reporting has been audited by the Environment and Sustainable Development department of Ernst & Young, one of the Group's statutory auditors.

### 1.4.3 Measures to ensure compliance with applicable laws and regulations

Group companies are audited on a regular basis, either by third parties, insurers or internal auditors, which enables them to keep their compliance monitoring plan up-to-date. In 2009, 23% of all manufacturing, logistics and administrative sites were audited, for a total of 42 external audits and 71 internal audits. These audits correspond to an inspection of one or more sites of the same company based on all relevant environmental issues – waste, water, energy, and environmental management – and are documented in a written report including recommendations.

This figure does not include the numerous compliance controls that may be performed on a specific environmental regulation topic, i.e., a waste sorting inspection, performed periodically by the Group companies on their sites. Since 2003, a review of environmental regulatory compliance is also performed by the insurance companies, which now includes an environmental inspection during their fire safety visits to Group company sites. A total of 30 visits were performed in 2009.

The main environmental legal and regulatory measures introduced by the Group during 2009 include the implementation of the European Union's new REACH Regulation for all of the Group's businesses as well as the establishment of financial contributions to authorized bodies for the funding of recovery systems for textile products placed on the French market and for unsolicited advertising materials in France. LVMH continues to put in place its action plans and makes every effort to anticipate future developments in the REACH Regulation. The workgroup set up by the Group's environmental department promotes the collection of feedback and exchanges on best practices between all parties. With respect to this regulation, all LVMH entities have prepared and/or made the necessary changes to contractual and commercial documents and have sent questionnaires to their suppliers. Each company has established a REACH committee to raise awareness among staff members so that they are able to give precise answers to any questions that may be posed.

### 1.4.4 Expenses incurred to anticipate the effects of operations on the environment

Amounts were recognized under the relevant environmental expense headings in accordance with the recommendations of the CNC (French National Accounting Council). Operating expenses and capital expenditure were recognized for each of the following headings:

- air and climate protection;
- waste water management;
- waste management;
- protection and purification of the ground, underground water and surface water;
- noise and vibration reduction;
- biodiversity and landscape protection;
- radiation protection;
- research and development;
- other environmental protection measures.

Environmental protection expenses in 2009 break down as follows:

- operating expenses: 5.6 million euros;
- capital expenditure: 2.3 million euros.

### 1.4.5 Provisions and guarantees given for environmental risks, and compensation paid during the year pursuant to a court decision

No provision was established for environmental risks in fiscal year 2009.

### 1.4.6 Objectives assigned by the Group to its subsidiaries abroad

The Group requests that each subsidiary, regardless of its geographic location, applies the Group's environmental policy as set forth in the Charter, which stipulates that each subsidiary defines its own environmental objectives and communicates the annual indicators included in this section.

### 1.4.7 Consumer safety

Protecting human health by carefully selecting the ingredients used in manufacturing products, prior to any production processes, and by determining alternative production methods where required is a priority for the LVMH Group.

Cosmetics manufactured or sold in Europe are regulated by Council Directive 76/768/EEC. Considered by experts as one of the most stringent texts throughout the world, this directive governs all substances used by the cosmetics industry and requires that a risk assessment be performed before any product may be marketed taking into consideration their conditions of use. Furthermore, the European Commission's Scientific Committee on Consumer Products (SCCP) evaluates risks related to substances used in cosmetic products on an ongoing basis.

LVMH is particularly vigilant in enforcing compliance with regulations, and also monitors the opinions of scientific committees and the recommendations of professional associations. Apart from their attention to these texts, the Group's toxicologists, who assume responsibility for product safety, determine the necessary guidelines for Group suppliers and the development teams.

The Group's experts participate regularly in the workgroups of national and European authorities and are very active in professional organizations.

The Group cosmetics products give customers unbeatable safety guarantees. LVMH prohibits the use of any ingredient whose safety is not completely assured. Beyond applying the strictest international regulations in force, all the Group's Perfumes and Cosmetics brands anticipate and implement future regulations before being required to do so. For example, the Group's Perfumes and Cosmetics companies do not develop products containing triclosan, phthalates or formaldehyde-releasing preservatives. Moreover, following the example of Parfums Christian Dior, which publicly announced its decision in 1989, LVMH Group's various Perfumes and Cosmetics brands no longer conduct tests on animals for the purpose of assessing the safety of cosmetics products and are making dynamic investments together in alternative test research, particularly in the area of allergies with fundamental research partners, and in the area of systemic toxicity under the auspices of Colipa, the European federation of cosmetic product manufacturers.

With respect to its activities in the area of Wines and Spirits, LVMH promotes the responsible consumption of alcohol: drink less but better. The Group's Wines and Spirits brands continue to raise awareness among visitors to their business premises. In particular, the display of a responsible consumption message will be made more visible in areas accessible to these individuals so as to prompt them to follow the recommendations of public health authorities. This encouragement is also conveyed through the Web sites of Moët Hennessy's brands, nearly all of which incorporate a minimum age requirement for the viewing of their pages, as well as a responsible consumption message and links to sites providing information on health issues.

## 2. REPORT ISSUED BY ONE OF THE STATUTORY AUDITORS ON CERTAIN ENVIRONMENTAL INDICATORS

Dear Sir/Madam,

In our capacity as one of the Statutory Auditors of LVMH Moët Hennessy - Louis Vuitton, we have performed procedures to obtain reasonable assurance that certain environmental indicators (1) for fiscal year 2009 (the "Indicators") have been prepared in all material respects in accordance with the LVMH Environmental Reporting Protocol, Version 6, dated September 30, 2009 (the "Criteria").

These Indicators are presented in the reference document, in paragraph 1 of the "LVMH and the environment" section of the Management Report of the Board of Directors. They are also presented in the LVMH environmental report available on the LVMH website.

The Criteria are summarized in the section of the LVMH environmental report entitled "Methodological note on environmental reporting".

The LVMH Environment Department is responsible for preparing the Indicators and the Criteria, and for ensuring that they are made available.

Our role is to express an opinion on the Indicators based on our procedures. We conducted our procedures pursuant to ISAE 3000 (International Standard on Assurance Engagements), respecting the principle of independence defined by applicable laws and regulations, and the code of ethics governing our profession.

The opinion presented below applies only to these Indicators and does not apply to the entire set of environmental indicators included in the reference document, in paragraph 1 of the "LVMH and the environment" section of the Management Report of the Board of Directors or in the LVMH environmental report. This opinion does not apply to retail activities that are not directly integrated in the environmental indicator reporting scope and are estimated by extrapolation.

### 2.1 Nature and scope of our procedures

In order to formulate our opinion, we performed the following procedures:

- We assessed the Criteria for their accuracy, clarity, objectivity, completeness and relevance having regard to the Group's activities and reporting practices of the sector.
- At Group level:
  - we conducted interviews with managers responsible for reporting the Indicators,
  - we analyzed the risk of misstatements and of their significance,
  - we assessed the application of the Criteria, implemented analytical procedures and consistency checks, and verified, on a test basis, the consolidation of the Indicators.
- We selected a sample of sites representative of the activities and geographical locations, based on their contribution to the Indicators and previously identified risks of misstatement:
  - the selected sites represent an average of 65% of the total value of the Indicators (2) published by LVMH,
  - at this level, we have verified the understanding and application of the Criteria, and conducted detailed verifications on a test basis which consisted in checking the calculation formulas and reconciling the data with the supporting documents.
- We reviewed the presentation of the Indicators listed in the reference document in paragraph 1 of the "LVMH and the environment" section of the Management Report of the Board of Directors as well as in the LVMH environmental report.

To assist us in conducting our work, we referred to the sustainable development experts of our firm under the responsibility of Mr. Eric Duvaud.

In view of the work carried out at the Group's major entities over the last seven fiscal years and the measures conducted by LVMH to improve the understanding and application of the Criteria by the sites, we consider that our procedures provide a reasonable basis for the opinion expressed below.

*(1) Percentage of sites audited for environmental purposes (%); total water consumption for process needs ($m^3$); total COD after treatment (metric tons/year); total waste produced (metric tons); total hazardous waste produced (metric tons); percentage waste recovery (%); total energy consumption (MWh); total $CO_2$ emissions (metric tons of $CO_2$ equivalent); total packaging used for consumer goods placed on the market (metric tons).*

*(2) The contributions per indicator are as follows: percentage of sites audited for environmental purposes: 55%; total water consumption for process needs ($m^3$): 69%; total COD after treatment: 98; total waste produced: 68%; total hazardous waste produced: 78%; percentage waste recovery: 72%; total energy consumption: 48%; total $CO_2$ emissions: 46%; total packaging used for consumer goods placed on the market: 53%.*

### 2.2 Information about the Criteria

We have the following comments concerning the Criteria:

- with regard to retail sales activities, LVMH distinguishes between data obtained from the Indicators collection process and data estimated by extrapolation. The proportion attributable to estimated data is progressively decreasing, but their contribution still represents a significant proportion for certain Indicators.
- in order to further enhance the reliability of the environmental indicators, the efforts to strengthen internal controls applied to the Indicators' collection process that have been made over the last fiscal years, should be continued.

### 2.3 Opinion

Regarding the Indicator "Percentage waste recovery", we did not obtain all the supporting documents to ensure the appropriate categorization of the waste destinations.

In our opinion, except for this matter, the Indicators have been established, in all material respects, in compliance with the Criteria imposed by LVMH.

Paris-La Défense, March 3, 2010

One of the Statutory Auditors

ERNST & YOUNG Audit

Jeanne Boillet                    Olivier Breillot

# REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

This report, which has been drawn up in accordance with the provisions of Article L. 225-37 of the French Commercial Code, was approved by the Board of Directors at its meeting on February 4, 2010.

Its purpose is to give an account of the membership of the Board of Directors of LVMH Moët Hennessy - Louis Vuitton SA, the preparation and organization of its work, as well as the compensation policy applied and the internal control procedures established by the Board.

# 1. CORPORATE GOVERNANCE

## 1.1 Board of Directors

The Board of Directors is the strategic body of the Company which is primarily responsible for enhancing the Company's value and for defending the corporate interests. Its main missions involve ensuring that the underlying strategy of the Company and the Group is adopted and overseeing its implementation, verifying the truth and fairness of information concerning the Company and the Group and protecting its assets.

The Board of Directors of LVMH Moët Hennessy - Louis Vuitton acts as guarantor of its rights of each of the shareholders and ensures that shareholders fulfill all their duties.

The AFEP/MEDEF Code of Corporate Governance for Listed Companies is applied by the Company. This document may be viewed on the AFEP/MEDEF site : www.code-afep-medef.com.

The Board of Directors has adopted a Charter that sets forth, in particular, rules governing its membership, its missions, its procedures, and its responsibilities.

Two Committees, the Performance Audit Committee and the Nominations and Compensation Committee, whose membership, roles and missions are defined by internal rules, have been established by the Board.

Any candidate for appointment as Director as well as any permanent representative of a legal entity shall receive a copy of the Board of Directors' Charter and of the internal rules governing the Committees prior to assuming his or her duties.

Pursuant to the provisions of the Board of Directors' Charter, Directors must bring to the attention of the Chairman any instance, even potential, of a conflict of interest between their duties and responsibilities to the Company and their private interests and/or other duties and responsibilities. They must also provide him with details of any conviction in relation to fraudulent offenses, any official public incrimination and/or sanctions, any disqualifications from acting as a member of an administrative or management body imposed by a court as well as of any bankruptcy, receivership or liquidation proceedings to which they have been a party. No information has been communicated to the Chairman with respect to this obligation.

## 1.2 Membership and missions

• The Board of Directors consisted of eighteen members at December 31, 2009: Mrs. Delphine Arnault, Messrs. Bernard Arnault, Antoine Arnault, Jean Arnault, Nicolas Bazire, Antonio Belloni, Antoine Bernheim, Nicholas Clive Worms, Charles de Croisset, Diego Della Valle, Albert Frère, Pierre Godé, Gilles Hennessy, Patrick Houël, Felix G. Rohatyn, Yves-Thibault de Silguy, Hubert Védrine and Lord Powell of Bayswater. Six of whom: Messrs. Antoine Bernheim, Nicholas Clive Worms, Charles de Croisset, Diego Della Valle, Yves-Thibault de Silguy and Hubert Védrine are considered as independent and hold no interests in the Company.

During its meeting of February 4, 2010, the Board of Directors proposed renewals of the appointments as Directors of Mrs. Delphine Arnault and Messrs. Bernard Arnault, Nicholas Clive Worms, Patrick Houël, Felix G. Rohatyn and Hubert Védrine as Directors as well as the appointment of Mrs. Hélène Carrère d'Encausse as Director.

The Board of Directors reviewed the status of each Director currently in office as well as that of the proposed appointee, in particular with respect to the independence criteria set forth in the AFEP/MEDEF Code of Governance of Listed Companies, and made the following determinations:

(i) Messrs. Charles de Croisset, Diego Della Valle, Yves-Thibault de Silguy, Hubert Védrine and Mrs. Hélène Carrère d'Encausse, whose appointment will be submitted for the approval of the Annual Shareholders' Meeting to be held on April 15, 2010, satisfy all of these criteria;

(ii) Mr. Antoine Bernheim is to be considered, given his personal situation, as an independent Director, despite having served as a member of the Company's Board of Directors for more than twelve years and of the Boards of Directors of other companies that are subsidiaries of Arnault Group and LVMH Group;

(iii) Mr. Nicholas Clive Worms is to be considered, given his personal situation, as an independent Director, despite having served as a member of the Company's Board of Directors for more than twelve years.

The Company's bylaws require that each Director hold, directly and personally, at least 500 of its shares.

• Over the course of the 2009 fiscal year, the Board of Directors met four times as convened by its Chairman, by written notice sent to each of the Directors at least one week in advance of the meeting. The average attendance rate of Directors at these meetings was 79%.

The Board approved the annual and half-yearly financial statements and reviewed the Group's major strategic guidelines, its budget, the establishment of share subscription plans and the granting of bonus shares, the authorization for third party guarantees and various agreements with affiliated companies, the adoption of the LVMH Code of Conduct and the appointment of a Vice-

Chairman. It also conducted an evaluation of its capacity to meet the expectations of shareholders by reviewing its membership, its organization, and its procedures, making the necessary changes to its Charter as well as the internal rules and regulations for its various committees.

In its meeting of February 4, 2010, the Board of Directors reviewed its membership, organization and procedures, amending the Charter of the Board of Directors and the internal rules and regulations of the Performance Audit Committee accordingly.

The Board came to the conclusion that its membership may be considered as balanced, with regard to its percentage of external Directors, the breakdown of share capital, and with respect to the diversity and the complementarity of the skills and experiences of its members.

The Board noted that it had received the information required for the fulfillment of its missions in timely fashion and that each Director had been able, in addition to any discussions during Board meetings, to ask questions of executive management and obtain the requested details and explanations.

The Group's financial position was presented in a clear and detailed manner when the annual and half-yearly financial statements were submitted for the Board's approval.

The annual budget and a three-year strategic plan were presented to the Directors and discussed with the Board.

The ways in which the Group may respond to changes in the economic and financial environment gave rise to exchanges between Directors and Executive Management.

Lastly, the broad outlines of the Group's financial reporting and the improvements that may be made in these processes were the subject of discussions by the Board.

## 1.3 Executive Management

The Board of Directors decided not to assign the roles of Chairman and Chief Executive Officer to different persons. It made no change in the powers vested in the Chief Executive Officer.

In response to the proposal of the Chairman and Chief Executive Officer, the Board of Directors appointed a Group Managing Director, Mr. Antonio Belloni, who is granted the same powers as the Chief Executive Officer.

## 1.4 Performance Audit Committee

The main tasks of the Performance Audit Committee are to ensure that the Company and the Group's accounting policies comply with generally accepted accounting principles, to review the individual company and consolidated financial statements before they are submitted to the Board of Directors, and to ensure the effective implementation of the Group's internal controls.

It currently consists of three members, two of whom are independent, appointed by the Board of Directors. The current members of the Performance Audit Committee are Messrs. Antoine Bernheim (Chairman), Nicholas Clive Worms and Gilles Hennessy.

The Performance Audit Committee met four times in 2009. All of these meetings were attended by all of the members of the Committee, with the exception of one meeting where one of the members of the Committee was unable to participate. Attendees at these meetings also include the Statutory Auditors, Director of Operations, Chief Financial Officer, Management Control Director, Internal Audit Director, Accounting Director, Tax Director, Legal Director, and depending on the issues discussed, the Financing Director, the Treasury Director and the Risk and Insurance Director.

In addition to reviewing the annual and half-yearly parent company and consolidated financial statements, the Committee's work included examining the results of Internal Audit's missions, the Group's currency hedging policy, brand valuations, and the procedure for renewing appointments of statutory auditors. In addition, the Committee kept abreast of developments in regulatory frameworks and the work of the Autorité des Marchés Financiers (French market regulator – AMF) concerning the implementation of the Ministerial Order of December 8, 2008, transposing the European Union's 8th Company Law Directive 2006/43/EC into French law. In a presentation made to the Committee's Meeting held in May 2009, the Risk and Insurance Director discussed the Group's current management of major risks.

## 1.5 Nominations and Compensation Committee

The main responsibilities of the Nominations and Compensation Committee are to issue:

• proposals on compensation, benefits in kind and subscription or purchase options for the Chairman of the Board of Directors, the Chief Executive Officer and the Group Managing Director(s) of the Company, as well as on the allocation of directors' fees paid by the Company;

• opinions on candidates for the positions of Director, Advisory Board member, Group Executive Committee member or member of Executive Management of the Company's main subsidiaries.

It currently consists of three members, two of whom are independent, appointed by the Board of Directors. The current members of the Nominations and Compensation Committee are Messrs. Antoine Bernheim (Chairman), Charles de Croisset and Albert Frère.

The Committee met twice during the 2009 fiscal year, with all members in attendance. It issued proposals on compensation and the allocation of share subscription options to the Chairman and Chief Executive Officer and to the Group Managing Director and gave its opinion on compensation, share subscription options and benefits in kind granted by the Company and its subsidiaries to certain Directors. It also issued an opinion on the proposed appointment of Mr. Yves-Thibault de Silguy as Director and on the Directors whose terms in office were due to expire in 2009.

In addition, the Committee issued an opinion on the status of all members with regard to the independence criteria set forth within the AFEP/MEDEF Code, in particular.

Prior to the Board of Directors' Meeting of February 4, 2010, the Committee issued recommendations, among others:

• on the variable portion of compensation to be received for 2009 by the Chairman and Chief Executive Officer, the Group Managing Director, and other Directors receiving compensation from the Company or any of its subsidiaries, as well as on that to be received by these same individuals for 2010;

• on the rules for determining the amount of directors' fees;

• on the setting of "blackout periods" during which no transactions involving the Company's shares by members of the Board of Directors are permitted.

It reviewed all of the terms of office due to expire in 2010 and expressed a favorable opinion on the appointment of Mrs. Hélène Carrère d'Encausse as Director.

## 1.6 Advisory Board

Advisory Board members are invited to meetings of the Board of Directors and are consulted for decision-making purposes, although their absence cannot undermine the validity of the Board of Directors' deliberations.

They are appointed by the Shareholders' Meeting on the proposal of the Board of Directors and are chosen from shareholders on the basis of their competencies.

The Advisory Board currently has one member: Mr. Kilian Hennessy.

## 1.7 Participation in Shareholders' Meetings

The terms and conditions of participation by shareholders in Shareholders' Meetings, and in particular the conditions for the attribution of double voting rights to registered shares, are defined in Article 23 of the bylaws (see the "Corporate Governance" section of the reference document).

## 1.8 Information that might have an impact on a takeover bid or exchange offer

Information that might have an impact on a takeover bid or exchange offer, as required by Article L. 225-100-3 of the French Commercial Code, is published in the "Management report of the Board of Directors - LVMH Moët Hennessy - Louis Vuitton" section of the reference document.

## 1.9 Compensation policy for company officers

### Directors' fees paid to the members of the Board of Directors

The Shareholders' Meeting sets the total amount of Directors' fees to be paid to the members of the Board of Directors.

This amount is divided among the members of the Board of Directors and members of the Advisory Board, in accordance with the rule defined by the Board of Directors, based on the proposal of the Directors' Nominations and Compensation Committee, namely:

(i) two units for each Director or member of the Advisory Board;

(ii) one additional unit for serving as a Committee member;

(iii) two additional units for serving as both a Committee member and a Committee Chairman;

(iv) two additional units for serving as either Vice-Chairman or Chairman of the Company's Board of Directors;

with the understanding that the amount corresponding to one unit is obtained by dividing the overall amount allocated to be paid as directors' fees by the total number of units to be distributed.

At its meeting of February 4, 2010, the Board of Directors decided that a portion of Directors' fees to be paid to its members would be contingent upon their attendance at meetings of the Board of Directors and, where applicable, at those of the Committees to which they belong. A reduction in the amount to be paid is applied to two-thirds of the units described under (i) above, proportional to the number of Board Meetings the Director in question does not attend. In addition, for committee members, a reduction in the amount to be paid is applied to the additional fees mentioned under (ii) and (iii) above, proportional to the number of meetings by Committee including the Director in question as a member which he or she does not attend.

In respect of the 2009 fiscal year, LVMH paid a total of 1,136,250 euros in Directors' fees to the members of its Board of Directors.

### Other compensation

Compensation and benefits awarded to company officers are mainly determined on the basis of the degree of responsibility ascribed to their missions, their individual performance, as well as the Group's performance and the attainment of targets. This determination also takes into account compensation paid by similar companies with respect to their size, industry segment and extent of international operations.

A portion of the compensation paid to senior executive officers of the Company is based on the attainment of both financial and qualitative targets. The financial criteria are growth in revenue, operating profit and cash flow, with each of these items representing one-third of the total determination. The variable portion is capped at 180% of the fixed portion for the Chairman and Chief Executive Officer and at 120% of the fixed portion for the Group Managing Director.

Pursuant to the provisions of Article L.225-42-1 of the French Commercial Code, at its meeting of February 4, 2010, the Board of Directors approved the inclusion in Mr. Antonio Belloni's employment contract – suspended during the term of his mandate as Group Managing Director – of a covenant not to compete for a twelve-month period, giving rise to the payment of a monthly compensation equal to the monthly remuneration on the termination date of his functions, supplemented by one twelfth of the last bonus received.

Notwithstanding this clause, no other senior executive officer of the Company would benefit from provisions derogating from the option plan rules governing the exercise of options or granting them a specific compensation payment should they leave the Company.

Upon their retirement, members of the Executive Committee, and where applicable company officers, may receive a supplemental retirement benefit provided they have been members of the Executive Committee of the Group for a period of at least six years and that they assert at the same time their entitlement to their basic retirement benefits under compulsory pension schemes. This supplemental retirement benefit is determined based on a reference remuneration amount equal to the average annual remuneration received over the three civil years preceding the retirement year, capped at 35 times the annual social security ceiling. The annual supplemental retirement benefit is equal to the difference between 60% of the reference remuneration amount and all pension payments made by the general social security regime and the additional ARRCO and AGIRC regimes. Provisions recognized in 2009 for these supplemental retirement benefits are included in the amount shown for post-employment benefits under Note 30 of the consolidated financial statements.

An exceptional bonus may be awarded to certain Directors with respect to any specific mission with which they have been entrusted. The amount of this bonus shall be determined by the Board of Directors and reported to the Company's Statutory Auditors.

## 2. IMPLEMENTATION OF INTERNAL CONTROL PROCEDURES AND RISK MANAGEMENT

### 2.1 Definition

The Group uses an internal reference guide which is consistent with COSO principles (Committee of Sponsoring Organizations of the Treadway Commission) and which the Autorité des Marchés Financiers (French market regulator – AMF) has taken as the basis for its Reference Framework. At the behest of the Board of Directors, the Performance Audit Committee, Executive Management and other senior managers of the parent companies and subsidiaries, internal control, in conformity with the reference guide, is designed to provide reasonable assurance that the following objectives be met:

- the control of activities and processes, the efficiency of operations and the efficient utilization of resources;
- the reliability of financial and accounting information;
- compliance with applicable laws and regulations.

Moreover, in its reference guide, LVMH has defined two further goals:

- the safeguarding of assets and the value of capital;
- the application of the instructions and orientations decided by the Executive Management of the Group and of the operational units, i.e. the Houses/brands and their subsidiaries.

The internal control mechanism thus comprises a range of control procedures and activities in addition to those directly connected to the financial and accounting system; because it aims to ensure the control and continuity of all existing and new activities, the mechanism must enable the management of the Houses and subsidiaries to focus fully on the strategy, development and growth of the Group.

#### Limits of internal control

No matter how well designed and applied, the internal control mechanism cannot provide an absolute guarantee that the company's objectives will be achieved. All internal control systems have their limits due notably to the uncertainties of the outside world, individual judgment or malfunctions resulting from human or other errors.

### 2.2 Scope and formalization

With luxury as the unifying concept, LVMH is comprised of five main business groups: Wines and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics, Watches and Jewelry and Selective Retailing. The business groups are themselves composed of companies of varying sizes owning prestige brands, which in turn are divided into subsidiaries operating worldwide.

As well as guaranteeing brand independence, this type of organization also allows synergies to be brought into play between companies belonging notably to the same business line.

The internal control policy applied across the Group is based on the following organizational principle:

- the parent company, LVMH SA, is responsible for its own internal control, while also acting as leader and coordinator for all other internal control systems within the Group;
- the President of a brand is responsible for the internal control of all the subsidiaries that contribute to development of the brand worldwide;
- each subsidiary's President is similarly responsible for its own operations.

The internal control mechanism, which has been formalized since 2003 to comply with the LSF (French Financial Security Act), has adopted a similar structure; it is both:

- decentralized at business group and brand level: the guidance and management of the internal control process is the responsibility of the Executive Management of the operational and legal entities;
- unified around a shared methodology and a single reference guide, both of which are coordinated centrally by the LVMH SA holding company and rolled-out to all Group companies.

The first stage of formalization is a process of self-assessment. It is part of an approach based on ongoing improvement that in the long run will help appraise the adequacy and efficiency of the Group's internal control system. Self-assessment is based on the LVMH internal control reference guide. This reference guide covers 12 key processes (Sales, Retail Sales, Purchases, Licenses, Travel and Entertainment, Inventory, Production, Cash Management, Fixed Assets, Human Resources, Information Systems and Financial Statements Closing) together with control activities across the five COSO components; it is supported by SWITCH, an internal control management and modeling tool that has also been adopted by other CAC 40 members.

The self-assessment approach tailored to the LVMH Group's configuration and culture consists of:

- defining the scope of the LSF project, encompassing the Group's most significant companies, and for each of them:
- sending detailed instructions from the Executive Management of the Group to the Chairmen of the companies concerned;
- a review of the general control environment, in order to allow each company's Chairman to assess his or her entity's general control environment;
- a detailed review of key business processes in relation to the materiality of these processes and the expected level of risk coverage;
- the submission by the Management Committee of each selected entity of a letter of representation signed by its Chairman and its Chief Financial Officer, confirming their acceptance of responsibility for internal control in connection with the disclosure of information on areas of weakness and the remediation needed.

The detailed review of key processes is carried out on the basis of a standard questionnaire listing the main risks and related controls, with each company adapting the document to its own business environment. Specific processes were developed and evaluated to reflect the particular needs of certain activities (Distilled Alcohol and Vineyard Land for Wines and Spirits, Creation for Fashion and Leather Goods).

The letters of representation on internal control are passed on by the subsidiaries to the parent companies which in turn forward them to the Group.

In 2009, over one hundred entities (parent companies and subsidiaries) accounting for more than 80% of consolidated Group revenue undertook self-appraisal.

Furthermore, in order to supplement this self-appraisal system, an introductory training program on the assessment of internal control procedures (efficiency testing) was offered to the largest Group companies. The controls involved were those having a financial impact on the Group's most representative processes (Sales, Retail Sales, Purchases, Financial Statements Closing, Inventory).

Lastly, in 2009, nine key processes (Treasury, Finance, Tax, Consolidation, Financial Statements Closing, Cash Flows, Information Systems, Financial Communication, Insurance) were analyzed at the Group level and at that of the parent company, LVMH SA, to determine the related risks. Upon completion of this analysis, action plans were established setting out procedures to correct deficiencies when detected.

**Due diligence and assessments by Executive Management**

These internal control formalization procedures are carried out on an internal basis, with independent external validation. This approach maximizes the involvement of operational managers, capitalizing on their knowledge and facilitating the maintenance of a permanent perspective on improving internal control over time within the Group. The Group's Statutory Auditors are kept informed on the progress of this initiative, as was the Performance Audit Committee, by means of regular reports.

## 2.3 Internal control components

In accordance with COSO guidelines, the Group's internal control system includes five closely interrelated components:

- a general control environment;
- a risk assessment system;
- appropriate controls;
- an information and communications system that enables responsibilities to be exercised efficiently and effectively;
- and a performance monitoring system.

All of these elements are centrally managed and coordinated, but they are also reviewed each year by the Group's significant entities through the established self-assessment procedure in force.

### 2.3.1 The general control environment

The internal control mechanism, which applies to all of LVMH's operations, aims primarily to create appropriate conditions for a general internal control environment tailored to the Group's specificities. It also aims to anticipate and control the risk of errors and fraud, without however guaranteeing their complete elimination.

The Group has always expressed its determination with regard to these fundamentals, which are the management's commitment to integrity and ethical behavior, the principle of honesty in relations with customers, suppliers, employees and other business partners, clear organizational structures, responsibilities and authorities defined and formalized according to the principle of the segregation of duties, regular monitoring of staff performance, and a commitment to skills management and professional development.

Ethical and good governance principles have been widely disseminated. The Group recommends codes of conduct, supplier charters and formalized procedures for declaring and monitoring conflicts of interest, the implementation of which it oversees at company level.

Skills management is a significant aspect of internal control. LVMH pays special attention to adjusting job profiles and corresponding responsibilities, formalizing annual performance reviews at individual and organizational level, and developing skills through training programs custom-designed for each level of seniority as well as by encouraging internal mobility. Personnel reports are produced monthly by the Group's Human Resources Department, presenting changes in staff and related analyses as well as vacancies and internal movements. A dedicated Intranet site is also available for the Group's Human Resources.

### 2.3.2 Risk management

The Group's risk management procedures serve to identify and evaluate the main risks with a potential impact on the achievement of operational and financial objectives as well as those likely to affect compliance with applicable laws and regulations. These procedures initially draw upon the internal control self-assessment process, conducted by about a hundred significant entities corresponding to more than 80% of the Group's consolidated revenue, and are supplemented by an additional mapping of purely operational and business-specific risks that would not be captured by the self-assessment process. In order to provide greater consistency and enhance the effectiveness of its Operating Units, the Group is considering the implementation of an integrated approach for the assessment and management of major risks of various types, whether related to internal control or operations. A pilot program was launched in 2009. Feedback gathered will be used to determine whether or not such a system should be deployed.

Certain risks to which the Group is exposed are monitored separately (foreign exchange risk, environmental risk, counterfeiting, etc.). These risks are detailed separately in the "Report of the Board of Directors on Group management" within the section entitled "The LVMH Group", under paragraph 2 Operational risk factors and insurance policy, as well as in the section "LVMH and the environment".

#### Response to risk

Risk mitigation (in frequency and severity) is achieved through preventive actions (industrial risks), internal control (risks associated with processes), or through the implementation of business continuity plans or operational action plans. Depending on the types of risk to which a particular brand or entity is exposed, the latter may decide, in collaboration with the Group, to transfer residual risk to the insurance market or instead to assume this risk.

#### Personnel with an active role in risk management

Apart from the operational managers, who are responsible for the risks inherent to their businesses, the Risk and Insurance Department ensures that all Group companies have access to tools and methodologies for the identification and evaluation of risks, promotes effective loss prevention practices, and advises on risk coverage/transfer and financing strategies. The Management Committees of brands or entities are responsible for the implementation of action plans for the management of the major risks they identify and evaluate in the course of internal control self-assessment for their scope of operations. The Internal Audit team collaborates with the Risk and Insurance Department on the definition and implementation of evaluation methods and processes for handling certain major or large-scale risks. The Audit Director and the Risk and Insurance Director jointly informed the Audit Committee as to the status of current risk management procedures at the meeting of this Committee held in May 2009.

### 2.3.3 Control activities, procedures and documentation

Internal control practices and procedures are implemented by the companies' internal control managers under the responsibility of their Management Committees.

In 2007, on the occasion of the launch of a new Finance Intranet, the Group undertook a revision of all the procedures contributing to accounting and financial information and applicable to all the consolidated companies. It covered accounting and financial procedures available via the Group's Intranet, dealing mainly with accounting policies and standards, consolidation, taxation, investments, financial reporting (including budgetary procedures and strategic plans), cash flow and financing (including cash pooling, foreign exchange and interest rate hedging). The management reporting function also details the format, content and frequency of financial reports.

At the same time, the internal control manual was revamped, entitled "The Essentials of Internal Control", and made available on the Intranet. The guide describes the bases of the general environment and the salient features of the main processes: Sales, Retail Sales, Purchases, Inventory, Financial Statements Closing and Information Systems (general IT controls).

As well as this manual, the LVMH internal control reference guide covering a number of business processes has also been made available. This reference guide details, for each risk arising from a given process, the key control activities expected. In 2010, this guide was updated to include the definition of rules concerning the segregation of duties and the associated conflicts of interest involving sensitive transactions.

As regards the controls that are essential to achieving the key process internal control objectives, the Group and its internal control managers in the Houses ensure their implementation, where necessary. The managers are asked to make a special effort to document the key activities in the form of a procedure in order to ensure consistent quality over time, regardless of who carries them out.

The activities relating to the control and remediation of internal control weaknesses are reflected, documented and tracked by the "Switch" computerized self-assessment system, which is installed in the most significant entities of the Group.

An introductory training program on the assessment of internal control procedures (efficiency testing) was offered in 2009 to the largest companies within the Group, focusing only on key financial controls. Feedback from this experience will provide additional assurances to the Operating Units on the relevance and efficiency of the controls established.

The Group's "Risk Management Guidelines" may also be found on the Finance Intranet, together with specially designed tools for the evaluation, prevention and coverage of risks. These materials may be accessed by all personnel involved in the application of the Group's risk management procedures.

#### 2.3.4 Information and communication systems

The strategic plans in terms of information and communication systems are coordinated by the Group Finance Department, which ensures the standardization of the SAP ERPs in operation as well as business continuity. Aspects of internal control such as the segregation of duties and access rights are integrated at the time of implementation of new information systems.

The information and telecommunications systems and their associated risks (physical, technical, internal and external security, etc.) are also subject to special procedures: a Business Continuity Plan methodology kit has been distributed within the Group in order to define for each significant entity the broad outlines of such a plan as well as those of an IT Disaster Recovery Plan. A plan of each type has been developed for the parent company LVMH SA.

#### 2.3.5 Monitoring of the internal control systems

There are several levels of monitoring, the main ones being:

**Ongoing monitoring of the processes:**
It is organized by the Operating Units in order to anticipate or detect incidents as soon as possible. Exception reports are used to determine whether corrective actions are required based on a departure from normal operating conditions, as a complement to preventive measures, such as the segregation of duties.

**Periodic monitoring of the mechanism:**

- by management or operational staff under the responsibility of the internal control managers. The final deliverable of this supervision is the letter of representation on internal control signed by the Chairman and CFO of each significant entity;
- by LVMH Internal Audit and the Statutory Auditors, who provide management of the entities and the Executive Management of the Group with the results of their review work and their recommendations.

### 2.4 Internal control stakeholders

In addition to the contribution of all Group employees to the success of the internal control system, the following participants fulfill specific roles with respect to internal control:

#### At Group level

**Board of Directors**
As part of its responsibilities described above, the Board of Directors contributes to the general control environment through its underlying professional principles: the savoir-faire and responsibility of its members, the clarity and transparency of its decisions, and the efficiency and effectiveness of its controls. The Company refers to the AFEP/MEDEF Code of Corporate Governance for Listed Companies.

**Executive Committee**
The Executive Committee comprises executive, operational and functional directors and defines strategic objectives on the basis of the orientations decided by the Board of Directors, coordinates their implementation, ensures that the organization adapts to changes in the business environment, and oversees both the definition and the accomplishment of the responsibilities and delegations of authority of executive management.

**Performance Audit Committee**
As part of its responsibilities described above, the Performance Audit Committee controls the existence and application of internal control procedures. It also examines the results of the work of Internal Audit and approves annual and mid term internal auditing orientation in terms of resources and geographic, business and risk coverage. The Committee also receives information on the management of major risks.

**Legal Department**
The Group's Legal Department is responsible for monitoring the proper application of laws and regulations in force in each of the countries where LVMH Group has operations. It also fulfils a central legal review function and provides advice on legal matters as required by each of LVMH Group's business groups.

**Audit and Internal Control Department**
The Group's multidisciplinary Internal Audit team, with some 20 members whose supervision is centralized but operate out of two offices in Paris and Hong Kong, is active throughout the Group, applying a multi-year audit plan which is revised every year.

Between 40 and 50 assignments are carried out each year, including regular reviews of entities and assessments of cross-cutting risks.

The multi-year audit plan allows the degree to which the internal control system has been understood and assimilated to be monitored and reinforced where necessary. The audit plan is prepared on the basis of an analysis of potential risks, either existing or emerging, by type of business (such as size, contribution to profits, geographical positioning and quality of local management) and inputs from the operational managers concerned. Internal Audit intervenes in all Group companies, both in operational and financial matters. A review of the self-assessment process and its results is performed systematically for the significant entities involved.

The plan can be modified in response to changes to the political and economic environment or internal strategy.

Internal Audit reports on its work to management of the entity concerned and to Executive Management of the Group through a summary report and a detailed report explaining its recommendations and setting out Management's commitment to apply them within a reasonable period of time. Internal Audit sends copies of the reports that it issues to the Statutory Auditors and meets with them periodically to discuss current internal control issues.

The main features of the annual and multi-year audit plan, together with the main conclusions of the year under review, are presented to the Performance Audit Committee and to the business groups concerned. In 2009, Internal Audit carried out 39 assignments dealing with the key processes of audited companies, representing 22% of the Group's sales. These covered global themes corresponding to cross-cutting risks such as Customer Credit and Cash Management. Monitoring of the implementation of the recommendations has been enhanced by systematic on-site visits to companies with the most significant issues.

Moreover, since 2003, Internal Audit has coordinated the Group's compliance with LSF (French Financial Security Act) internal control measures, and devoted a specific team to internal controls. This team monitors and anticipates regulatory changes so that the internal control system can be adapted as required.

It coordinates a network of entity-level internal controllers responsible for ensuring compliance with the Group's internal control procedures and for preparing internal controls tailored to their businesses. These internal control managers are responsible for the various projects related to the internal control system and promote the dissemination and application of guidelines.

#### At subsidiary level

##### Management Committees

The Management Committee within each subsidiary is responsible for implementing the procedures necessary to ensure an efficient internal control mechanism for its scope of operations. The fact that operational managers are personally accountable for internal controls in each company and in each of the key business processes is a cornerstone of the internal control system.

## 2.5 Internal controls related to financial and accounting information

### 2.5.1 Organization

Internal controls of accounting and financial information are organized based on the cooperation and control of the following departments: Accounting and Consolidation, Management Control, Information Systems, Finance and Treasury, Tax and Financial Communication.

***Accounting and Consolidation*** is responsible for preparing and producing the individual company accounts of the holding companies and the consolidated financial statements, in particular the financial statements and financial documents published as of June 30 (the interim report) and as of December 31 (the reference document) in addition to the management reporting process.

To this end, Accounting and Consolidation defines and disseminates the Group's accounting policies, monitors and enforces their application and organizes any related training programs that may be deemed necessary. Accounting and Consolidation also ensures that an appropriate financial reporting information system is maintained and coordinates the audit work of the Statutory Auditors.

***Management Control*** is responsible for coordinating the budget process and its revisions during the year as well as for the five-year strategic plan. It produces the monthly operating report and all reviews required by Executive Management; it also tracks capital expenditures and cash flow, as well as producing statistics and specific operational indicators.

In conjunction with subsidiaries, ***Information Systems*** draws up a three-year plan for information systems, by business group and company. It disseminates the Group's technical standards, which are indispensable given the decentralized structure of the Group's equipment, applications, networks, etc., and identifies any potential synergies that may be achieved between businesses and regions while respecting brand independence. It develops and maintains a telecommunications system shared by the Group. Finally, it coordinates policy for system and data security and preparation of emergency contingency plans.

***Finance and Treasury*** are responsible for applying the Group's financial policy, efficiently managing the balance sheet and financial debt, improving financial structure and executing a prudent policy for managing foreign exchange and interest rate risks, the primary objective of which is to mitigate all related risks that are directly or indirectly generated by Group companies.

***Treasury*** focuses particularly on Group cash pooling, ensuring optimal efficiency and preparing forecasts on the basis of quarterly updates prepared by the companies involved. It is also responsible for applying a centralized foreign exchange and interest rate risk management strategy designed to limit the negative impact of foreign exchange and interest rate fluctuations on businesses and investments. To this end, a management policy and strict procedures have been established to measure, manage and consolidate these market risks. This organization relies on an integrated computerized system allowing real-time controls on hedging transactions. The hedging mechanism is periodically presented to the Performance Audit Committee. Hedging decisions are taken by means of a clearly established process that includes regular presentations to the Group's Executive Committee and detailed documentation.

***Tax*** coordinates the preparation of tax returns and ensures compliance with applicable tax laws and regulations, provides advice to the different business groups and companies and defines tax planning strategy based on the Group's operational requirements. It organizes appropriate training courses in response to major changes in tax law and coordinates the uniform reporting system for tax data ("SyRUS Tax").

***Financial Communication*** is responsible for coordinating all information issued to the financial community to enable it to acquire a clear, transparent and precise understanding of the Group's performance and prospects. It also provides Executive Management with the perceptions of the financial community on the Group's strategy and its positioning within its competitive environment. It defines the key messages to be communicated in close collaboration with Executive Management and the business groups. It harmonizes and coordinates the distribution of corporate messages through various channels (publications such as the annual and half-yearly reports, financial presentations, meetings with shareholders and analysts, the website, etc.)

Each of these departments coordinates the financial aspects of the Group's internal control in its own area of activity via the financial departments of business groups, main companies and their subsidiaries, which are in charge of similar functions in their respective entities. In this way, each of the central departments runs its control mechanism through its functional chain of command (controller, chief accountant, treasurer, etc.).

The Financial Departments of the main companies of the Group and the Departments of the parent company, LVMH, described above periodically organize joint finance committees. Run and coordinated by the Central Departments, these committees deal particularly with applicable standards and procedures, financial performance and any corrective action needed, together with internal controls applied to accounting and management data. A progress report on the LSF project is systematically provided to these committees.

### 2.5.2 Accounting and management policies

Subsidiaries adopt the accounting and management policies considered by the Group as appropriate for the individual company and consolidated financial statements. A consistent set of accounting standards is applied throughout, together with consistent formats and tools to submit data to be consolidated. Accounting and management reporting is also carried out through the same system, thus ensuring the consistency of internal and published data.

### 2.5.3 Consolidation process

The consolidation process is laid out in a detailed set of instructions and has a specially adapted data submission system designed to facilitate complete and accurate data processing, based on a consistent methodology and within suitable timeframes. The Chairman and CFO of each company undertake to ensure the quality and completeness of financial information sent to the Group – including off-balance sheet items – in a signed letter of representation which gives added weight to the quality of their financial information.

There are sub-consolidations at business unit and business group level, which also act as primary control filters and help ensure consistency.

At Group level, the teams in charge of consolidation are specialized by type of business and are in permanent contact with the business groups and companies concerned, thereby enabling them to better understand and validate the reported financial data and anticipate the treatment of complex transactions.

### 2.5.4 Management reporting

Each year, all of the Group's consolidated entities produce a five-year plan, a complete budget and annual forecasts. Detailed instructions are sent to the companies for each process.

These key steps represent opportunities to perform detailed analyses of actual data compared with budget, and to foster ongoing communication between companies and the Group – an essential feature of the financial internal control mechanism.

A team of controllers at Group level, specialized by business, is in permanent contact with the business groups and companies concerned, thus ensuring better knowledge of performance and management decisions as well as appropriate control.

The half-yearly and annual financial statements are closed out at special results presentation meetings, in the presence of the Group's financial representatives and the companies concerned, during which the Statutory Auditors present their conclusions with regard to the quality of financial and accounting information and the internal control environment of the different companies of the Group, on the basis of the work that they performed during their audit assignments.

This report, the result of the contribution of the various internal control and risk management practitioners mentioned in the first part of this document, was conveyed in its draft form to the Performance Audit Committee for its opinion and approved by the Board of Directors at its meeting of February 4, 2010.

## Conclusions

LVMH Group is pursuing its policy of constantly improving its internal controls, which it has carried out since 2003, by bolstering the self-appraisal system and its adoption by the main stakeholders.

In 2009, each of the Group's key entities carried out a review of its internal control system, including the description and formalization of established controls as well as their appropriateness in relation to incurred risks.

## 3. STATUTORY AUDITORS' REPORT, PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE (*CODE DE COMMERCE*), ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

To the Shareholders,

In our capacity as Statutory Auditors of LVMH Moët Hennessy - Louis Vuitton and in accordance with Article L. 225-235 of the French Commercial Code (Code de commerce), we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 of the French Commercial Code for the year ended December 31, 2009.

It is the Chairman's responsibility to prepare and to submit for the Board of Director's approval a report on internal control and risk management procedures implemented by the Company and to provide the other information required by Article L. 225-37 of the French Commercial Code relating to matters such as corporate governance.

Our role is to:

- report on the information contained in the Chairman's report in respect of the internal control procedures relating to the preparation and processing of the accounting and financial information,
- confirm that the report also includes the other information required by Article L. 225-37 of the French Commercial Code. It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

**Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information**

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control procedures relating to the preparation and processing of the accounting and financial information. These procedures consist mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and of the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;
- determining if any material weakness in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our work is properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L. 225-37 of the French Commercial Code.

**Other information**

We confirm that the report prepared by the Chairman of the Board of Directors also contains the other information required by Article L. 225-37 of the French Commercial Code.

Neuilly-Sur-Seine and Paris-La Défense, March 3, 2010

The Statutory Auditors

| DELOITTE & ASSOCIÉS | ERNST & YOUNG Audit | |
|---|---|---|
| Alain Pons | Jeanne Boillet | Olivier Breillot |

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

# FINANCIAL STATEMENTS

## CONSOLIDATED FINANCIAL STATEMENTS

# CONSOLIDATED INCOME STATEMENT

| *(EUR millions, except for earnings per share)* | Notes | 2009 | 2008 | 2007 |
|---|---|---|---|---|
| **Revenue** | **22-23** | **17,053** | **17,193** | **16,481** |
| Cost of sales | | (6,164) | (6,012) | (5,786) |
| **Gross margin** | | **10,889** | **11,181** | **10,695** |
| Marketing and selling expenses | | (6,051) | (6,104) | (5,752) |
| General and administrative expenses | | (1,486) | (1,449) | (1,388) |
| **Profit from recurring operations** | **22-23** | **3,352** | **3,628** | **3,555** |
| Other operating income and expenses | **24** | (191) | (143) | (126) |
| **Operating profit** | | **3,161** | **3,485** | **3,429** |
| Cost of net financial debt | | (187) | (257) | (207) |
| Other financial income and expenses | | (155) | (24) | (45) |
| **Net financial income (expense)** | **25** | **(342)** | **(281)** | **(252)** |
| Income taxes | **26** | (849) | (893) | (853) |
| Income (loss) from investments in associates | **7** | 3 | 7 | 7 |
| **Net profit before minority interests** | | **1,973** | **2,318** | **2,331** |
| Minority interests | | (218) | (292) | (306) |
| **Net profit, Group share** | | **1,755** | **2,026** | **2,025** |
| **Basic Group share of net earnings per share** *(in euros)* | **27** | **3.71** | **4.28** | **4.27** |
| Number of shares on which the calculation is based | | 473,597,075 | 473,554,813 | 474,327,943 |
| **Diluted Group share of net earnings per share** *(in euros)* | **27** | **3.70** | **4.26** | **4.22** |
| Number of shares on which the calculation is based | | 474,838,025 | 475,610,672 | 479,891,713 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE GAINS AND LOSSES

| *(EUR millions)* | **2009** | 2008 | 2007 |
|---|---|---|---|
| **Net profit before minority interests** | **1,973** | **2,318** | **2,331** |
| Translation adjustments | (128) | 257 | (575) |
| Tax impact | (20) | 25 | - |
| | **(148)** | **282** | **(575)** |
| Change in value of available for sale financial assets | 114 | (186) | 8 |
| Amounts transferred to income statement | (11) | (66) | (29) |
| Tax impact | (26) | 21 | 18 |
| | **77** | **(231)** | **(3)** |
| Change in value of hedges of future foreign currency cash flows | 133 | 138 | 228 |
| Amounts transferred to income statement | (125) | (206) | (168) |
| Tax impact | (2) | 43 | (33) |
| | **6** | **(25)** | **27** |
| Change in value of vineyard land | (53) | 172 | 80 |
| Tax impact | 18 | (59) | (26) |
| | **(35)** | **113** | **54** |
| **Gains and losses recognized in equity** | **(100)** | **139** | **(497)** |
| **Comprehensive gains and losses** | **1,873** | **2,457** | **1,834** |
| Minority interests | (189) | (352) | (239) |
| **Comprehensive gains and losses, Group share** | **1,684** | **2,105** | **1,595** |

# CONSOLIDATED BALANCE SHEET

| ASSETS<br>*(EUR millions)* | Notes | 2009 | 2008 (1) | 2007 (1) |
|---|---|---|---|---|
| Brands and other intangible assets - net | 3 | 8,697 | 8,523 | 7,986 |
| Goodwill - net | 4 | 4,270 | 4,423 | 4,824 |
| Property, plant and equipment - net | 6 | 6,140 | 6,081 | 5,412 |
| Investments in associates | 7 | 213 | 216 | 129 |
| Non-current available for sale financial assets | 8 | 540 | 375 | 823 |
| Other non-current assets | | 750 | 841 | 586 |
| Deferred tax | 26 | 521 | 670 | 532 |
| **Non-current assets** | | **21,131** | **21,129** | **20,292** |
| Inventories and work in progress | 9 | 5,644 | 5,764 | 4,809 |
| Trade accounts receivable | 10 | 1,455 | 1,650 | 1,595 |
| Income taxes (2) | | 217 | 229 | 151 |
| Other current assets | 11 | 1,213 | 1,698 | 1,884 |
| Cash and cash equivalents | 13 | 2,446 | 1,013 | 1,559 |
| **Current assets** | | **10,975** | **10,354** | **9,998** |
| **Total assets** | | **32,106** | **31,483** | **30,290** |

| LIABILITIES AND EQUITY<br>*(EUR millions)* | Notes | 2009 | 2008 (1) | 2007 (1) |
|---|---|---|---|---|
| Share capital | | 147 | 147 | 147 |
| Share premium account | | 1,763 | 1,737 | 1,736 |
| Treasury shares and LVMH-share settled derivatives | | (929) | (983) | (877) |
| Revaluation reserves | | 871 | 818 | 976 |
| Other reserves | | 10,684 | 9,430 | 8,098 |
| Cumulative translation adjustment | | (495) | (371) | (608) |
| Net profit, Group share | | 1,755 | 2,026 | 2,025 |
| Equity, Group share | 14 | 13,796 | 12,804 | 11,497 |
| Minority interests | 16 | 989 | 989 | 937 |
| **Total equity** | | **14,785** | **13,793** | **12,434** |
| Long term borrowings | 17 | 4,077 | 3,738 | 2,477 |
| Provisions | 18 | 990 | 971 | 976 |
| Deferred tax | 26 | 3,117 | 3,113 | 2,843 |
| Other non-current liabilities | 19 | 3,089 | 3,253 | 4,147 |
| **Non-current liabilities** | | **11,273** | **11,075** | **10,443** |
| Short term borrowings | 17 | 1,708 | 1,847 | 3,138 |
| Trade accounts payable | | 1,911 | 2,292 | 2,095 |
| Income taxes (2) | | 221 | 304 | 332 |
| Provisions | 18 | 334 | 306 | 296 |
| Other current liabilities | 20 | 1,874 | 1,866 | 1,552 |
| **Current liabilities** | | **6,048** | **6,615** | **7,413** |
| **Total liabilities and equity** | | **32,106** | **31,483** | **30,290** |

*(1) The balance sheets as of December 31, 2008 and 2007 have been restated to reflect the retrospective application as of January 1, 2007 of IAS 38 Intangible assets as amended. See Note 1.2.*
*(2) Since December 31, 2008, the Group's income tax liability with respect to the French tax consolidation structure is presented after offsetting advance tax payments. The balance sheet for the year ended December 31, 2007 was restated for comparability purposes.*

# CONSOLIDATED CASH FLOW STATEMENT

| *(EUR millions)* | Notes | 2009 | 2008 | 2007 |
|---|---|---|---|---|
| **I. OPERATING ACTIVITIES AND INVESTMENTS** | | | | |
| Operating profit | | 3,161 | 3,485 | 3,429 |
| Net increase in depreciation, amortization and provisions, excluding tax and financial items | | 826 | 695 | 638 |
| Other computed expenses, excluding financial items | | (37) | (42) | (39) |
| Dividends received | | 21 | 17 | 33 |
| Other adjustments | | (43) | (59) | (22) |
| **Cash from operations before changes in working capital** | | **3,928** | **4,096** | **4,039** |
| Cost of net financial debt: interest paid | | (185) | (222) | (191) |
| Income taxes paid | | (900) | (866) | (916) |
| **Net cash from operating activities before changes in working capital** | | **2,843** | **3,008** | **2,932** |
| Change in inventories and work in progress | | 69 | (826) | (565) |
| Change in trade accounts receivable | | 206 | (29) | (197) |
| Change in trade accounts payable | | (362) | 135 | 222 |
| Change in other receivables and payables | | 178 | (10) | 66 |
| **Total change in working capital** | | **91** | **(730)** | **(474)** |
| **Net cash from operating activities** | | **2,934** | **2,278** | **2,458** |
| Purchase of tangible and intangible fixed assets | | (748) | (1,039) | (990) |
| Proceeds from sale of tangible and intangible fixed assets | | 26 | 100 | 58 |
| Guarantee deposits paid and other operating investments | | (7) | (8) | (20) |
| **Operating investments** | | **(729)** | **(947)** | **(952)** |
| **Net cash from (used in) operating activities and investments** | | **2,205** | **1,331** | **1,506** |
| **II. FINANCIAL INVESTMENTS** | | | | |
| Purchase of non-current available for sale financial assets | **8** | (93) | (155) | (45) |
| Proceeds from sale of non-current available for sale financial assets | **8** | 49 | 184 | 33 |
| Impact of purchase and sale of consolidated investments | **2.4** | (278) | (642) | (329) |
| **Net cash from (used in) financial investments** | | **(322)** | **(613)** | **(341)** |
| **III. TRANSACTIONS RELATING TO EQUITY** | | | | |
| Capital increases of LVMH | **14** | 30 | 5 | - |
| Capital increases of subsidiaries subscribed by minority interests | **16** | 11 | 4 | 1 |
| Acquisition and disposal of treasury shares and LVMH-share settled derivatives | **14.2** | 34 | (143) | 14 |
| Interim and final dividends paid by LVMH | **14.3** | (758) | (758) | (686) |
| Interim and final dividends paid to minority interests in consolidated subsidiaries | **16** | (175) | (188) | (156) |
| **Net cash from (used in) transactions relating to equity** | | **(858)** | **(1,080)** | **(827)** |
| **IV. FINANCING ACTIVITIES** | | | | |
| Proceeds from borrowings | | 2,442 | 2,254 | 2,006 |
| Repayment of borrowings | | (2,112) | (2,301) | (1,700) |
| Purchase and proceeds from sale of current available for sale financial assets | **12** | 321 | (47) | (278) |
| **Net cash from (used in) financing activities** | | **651** | **(94)** | **28** |
| **V. EFFECT OF EXCHANGE RATE CHANGES** | | **(120)** | **87** | **(44)** |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)** | | **1,556** | **(369)** | **322** |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD** | **13** | **718** | **1,087** | **765** |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | **13** | **2,274** | **718** | **1,087** |
| Transactions included in the table above, generating no change in cash: | | | | |
| - acquisition of assets by means of finance leases | | 12 | 11 | 6 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| *(EUR millions)* | Number of shares | Share capital | Share premium account | Treasury shares and LVMH-share settled derivatives | Translation and revaluation reserves | | | | | Net profit and other reserves | Total equity | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Cumulative translation adjustment | Available for sale financial assets | Hedges of future foreign currency cash flows | Vineyard land | Total | | Group share | Minority interests | Total |
| Notes | | 14.1 | | 14.2 | 14.4 | | | | | | | 16 | |
| **As of December 31, 2006** | **489,937,410** | **147** | **1,736** | **(1,019)** | **(119)** | **370** | **56** | **491** | **798** | **8,941** | **10,603** | **991** | **11,594** |
| Impact of application of IAS 38 as amended. See Note 1.2 | | | | | | | | | | (93) | (93) | (1) | (94) |
| **As of December 31, 2006, after restatement** | **489,937,410** | **147** | **1,736** | **(1,019)** | **(119)** | **370** | **56** | **491** | **798** | **8,848** | **10,510** | **990** | **11,500** |
| Gains and losses recognized in equity | | | | | (489) | (3) | 20 | 42 | (430) | | (430) | (67) | (497) |
| Net profit | | | | | | | | | | 2,025 | 2,025 | 306 | 2,331 |
| **Comprehensive gains and losses** | | **-** | **-** | **-** | **(489)** | **(3)** | **20** | **42** | **(430)** | **2,025** | **1,595** | **239** | **1,834** |
| Stock option plan and similar expenses | | | | | | | | | | 40 | 40 | 4 | 44 |
| (Acquisition)/disposal of treasury shares and LVMH-share settled derivatives | | | | 142 | | | | | | (104) | 38 | - | 38 |
| Capital increase in subsidiaries | | | | | | | | | | | - | 1 | 1 |
| Interim and final dividends paid | | | | | | | | | | (686) | (686) | (156) | (842) |
| Changes in consolidation scope | | | | | | | | | | | - | (15) | (15) |
| Effects of purchase commitments for minority interests | | | | | | | | | | | - | (126) | (126) |
| **As of December 31, 2007** | **489,937,410** | **147** | **1,736** | **(877)** | **(608)** | **367** | **76** | **533** | **368** | **10,123** | **11,497** | **937** | **12,434** |
| Gains and losses recognized in equity | | | | | 237 | (231) | (17) | 90 | 79 | | 79 | 60 | 139 |
| Net profit | | | | | | | | | | 2,026 | 2,026 | 292 | 2,318 |
| **Comprehensive gains and losses** | | **-** | **-** | **-** | **237** | **(231)** | **(17)** | **90** | **79** | **2,026** | **2,105** | **352** | **2,457** |
| Stock option plan and similar expenses | | | | | | | | | | 41 | 41 | 3 | 44 |
| (Acquisition)/disposal of treasury shares and LVMH-share settled derivatives | | | | (110) | | | | | | 24 | (86) | - | (86) |
| Exercise of share subscription options | 92,600 | | 5 | | | | | | | | 5 | - | 5 |
| Retirement of LVMH shares | (92,600) | | (4) | 4 | | | | | | | - | - | - |
| Capital increase in subsidiaries | | | | | | | | | | | - | 4 | 4 |
| Interim and final dividends paid | | | | | | | | | | (758) | (758) | (188) | (946) |
| Changes in consolidation scope | | | | | | | | | | | - | 20 | 20 |
| Effects of purchase commitments for minority interests | | | | | | | | | | | - | (139) | (139) |
| **As of December 31, 2008** | **489,937,410** | **147** | **1,737** | **(983)** | **(371)** | **136** | **59** | **623** | **447** | **11,456** | **12,804** | **989** | **13,793** |

| *(EUR millions)* | Number of shares | Share capital | Share premium account | Treasury shares and LVMH-share settled derivatives | Translation and revaluation reserves | | | | | Net profit and other reserves | Total equity | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Cumulative translation adjustment | Available for sale financial assets | Hedges of future foreign currency cash flows | Vineyard land | Total | | Group share | Minority interests | Total |
| Notes | | 14.1 | | 14.2 | 14.4 | | | | | | | 16 | |
| **As of December 31, 2008** | **489,937,410** | **147** | **1,737** | **(983)** | **(371)** | **136** | **59** | **623** | **447** | **11,456** | **12,804** | **989** | **13,793** |
| Gains and losses recognized in equity | | | | | (124) | 77 | 4 | (28) | (71) | | (71) | (29) | (100) |
| Net profit | | | | | | | | | | 1,755 | 1,755 | 218 | 1,973 |
| **Comprehensive gains and losses** | | **-** | **-** | **-** | **(124)** | **77** | **4** | **(28)** | **(71)** | **1,755** | **1,684** | **189** | **1,873** |
| Stock option plan and similar expenses | | | | | | | | | | 43 | 43 | 3 | 46 |
| (Acquisition)/disposal of treasury shares and LVMH-share settled derivatives | | | | 50 | | | | | | (57) | (7) | - | (7) |
| Exercise of share subscription options | 557,204 | | 30 | | | | | | | | 30 | - | 30 |
| Retirement of LVMH shares | (88,960) | | (4) | 4 | | | | | | | - | - | - |
| Capital increase in subsidiaries | | | | | | | | | | | - | 11 | 11 |
| Interim and final dividends paid | | | | | | | | | | (758) | (758) | (176) | (934) |
| Changes in consolidation scope | | | | | | | | | | | - | 3 | 3 |
| Effects of purchase commitments for minority interests | | | | | | | | | | | - | (30) | (30) |
| **As of December 31, 2009** | **490,405,654** | **147** | **1,763** | **(929)** | **(495)** | **213** | **63** | **595** | **376** | **12,439** | **13,796** | **989** | **14,785** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. ACCOUNTING POLICIES

### 1.1 General framework and environment

The consolidated financial statements for the year ended December 31, 2009 were established in accordance with international accounting standards and interpretations (IAS/IFRS) adopted by the European Union and applicable on December 31, 2009. These standards and interpretations have been applied consistently to the fiscal years presented. The 2009 consolidated financial statements were approved for publication by the Board of Directors on February 4, 2010.

Fiscal year 2009 was affected by the consequences of the economic and financial crisis which started in 2008. The Group's consolidated financial statements for the year ended December 31, 2009 were prepared taking into consideration this context, particularly with respect to the valuation of current and non-current available for sale financial assets and financial instruments, the expected level of inventory turnover and the recoverability of trade receivables. Assets whose value is assessed with reference to longer term prospects, especially intangible or real estate assets, have been valued using assumptions taking into account a progressive recovery of economic activity in 2010, and moderate growth rates in the following years.

### 1.2 Changes in the accounting framework in 2009

#### Standards, amendments and interpretations for which application is mandatory in 2009

The standards, amendments and interpretations applicable to the LVMH group that have been implemented since January 1, 2009 relate to:

- IFRS 8 Operating segments;
- amendments to IAS 1 Presentation of financial statements;
- amendment to IAS 38 Intangible assets, relating to the recognition of advertising and promotion expenses;
- amendments to IAS 23 on the capitalization of borrowing costs;
- amendments to IFRS 2 relating to the vesting conditions of share-based payments and the treatment of cancellations;
- interpretation IFRIC 14 IAS 19 on the minimum funding requirements of defined benefit plans and their interaction with the limit on a defined benefit asset;
- amendments to IFRS 7 relating to disclosures of financial instruments.

These standards, amendments and interpretations do not have a material impact on the Group's consolidated financial statements. The application of IFRS 8 does not alter the structure of published figures nor the amount of goodwill allocated to each business segment. The IAS 23 standard as amended has no impact on the determination of Wines and Spirits' inventories' production cost, given that assets produced in large quantities on a repetitive basis are outside its application scope. The impacts of IAS 38 as amended are described below.

#### Impacts of the amendment to IAS 38 Intangible assets

As of fiscal year 2009, advertising and promotion expenses are recorded upon the receipt or production of goods or upon completion of services rendered. Previously, such costs were recognized as expenses for the period in which they were incurred, the cost of media campaigns in particular was time-apportioned over the duration of these campaigns and the cost of samples and catalogs was recognized when they were made available to customers. The impact of this change in accounting policy on consolidated equity amounts to 94 million euros as of January 1, 2007; this amount breaks down as follows:

| *(EUR millions)* | Impact as of January 1, 2007 |
|---|---|
| Intangible assets | (13) |
| Goodwill | 6 |
| Property, plant and equipment | (7) |
| Deferred tax | 40 |
| Inventories and work in progress | (3) |
| Other current assets | (117) |
| Consolidated equity | (94) |
| of which: Group share | (93) |
| minority interests | (1) |

Other current assets relate to prepaid expenses recognized in respect of samples and advertising materials (primarily for Perfumes and Cosmetics).

Net profit for fiscal years 2007 and 2008 was not restated, as the impact of applying IAS 38 as amended was considered not significant, when compared to the impact as of January 1, 2007.

#### Standards, amendments and interpretations for which application is optional in 2009

The following standards, amendments and interpretations applicable to LVMH, whose mandatory application date is January 1, 2010, were not applied early in 2009; they relate to:

- IFRS 3 (Revised) on business combinations;
- IAS 27 (Revised) on consolidated and separate financial statements;
- amendment to IAS 17 relating to land leases.

The application of these standards, amendments and interpretations in 2010 is not expected to have a material impact on the Group's consolidated financial statements. In particular, since IAS 27 (Revised) and IFRS 3 (Revised) will be applied prospectively, goodwill recognized as of December 31, 2009 in relation to purchase commitments for minority interests will be maintained in the balance sheet assets. See Note 1.10.

### 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 listed below:

- 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 this date;
- measurement of property, plant and equipment and intangible assets: the option to measure these assets at fair value at the date of transition was not applied;
- employee benefits: actuarial gains and losses previously deferred under French GAAP at the date of transition were recognized;
- foreign currency translation of the financial statements of foreign subsidiaries: 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";
- share-based payment: IFRS 2 Share-Based Payment was applied to all share subscription and share purchase option plans that were open at the date of transition, including those created before November 7, 2002, the date before which application is not mandatory.

### 1.4 Use of estimates

For the purpose of preparing the consolidated financial statements, 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, purchase commitments for minority interests and of the determination of the amount of provisions for contingencies and losses or for impairment of inventories and, if applicable, deferred tax assets. 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 accounts, may prove different from the subsequent actual events.

### 1.5 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 are consolidated on a proportionate basis.

For distribution subsidiaries operating in accordance with the contractual distribution arrangements with the Diageo Group, only the portion of assets and liabilities and results of operations relating to LVMH Group activities is included in the consolidated financial statements (see Note 1.23).

Companies where the Group has significant influence but no controlling interest are accounted for using the equity method.

### 1.6 Foreign currency translation of the financial statements of foreign subsidiaries

The consolidated financial statements are stated in euros; the financial statements of subsidiaries stated 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".

### 1.7 Foreign currency transactions and hedging of exchange rate risks

Foreign currency transactions of consolidated companies are translated to their functional currencies at the exchange rates prevailing at the transaction dates.

Accounts receivable, accounts payable and debts denominated in foreign currencies are translated at the applicable exchange rates at the balance sheet date. Unrealized 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 of inter-company transactions or receivables and payables denominated in foreign currencies, or from their elimination, are recorded in the income statement unless they relate to long term inter-company 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 which are designated as hedges of commercial foreign currency transactions are recognized in the balance sheet at their market value at the balance sheet date 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 a revaluation reserve) 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 the time value component of options, are systematically considered as ineffective portions.

When derivatives are designated as hedges of subsidiaries' equity in foreign currency (net investment hedge), any change in market 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.

## 1.8 Brands, trade names and other intangible assets

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

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 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 positioning in its market expressed in terms of volume of activity, international presence and notoriety;
- 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, depending on their estimated longevity, range from 15 to 40 years.

Amortization and any impairment expense of brands and trade names are recognized within "Other operating income and expenses".

Impairment tests are carried out for brands, trade names and other intangible assets using the methodology described in Note 1.12.

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

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

- leasehold rights, key money: based on market conditions generally between 100% and 200% of the lease period;
- development expenditure: 3 years at most;
- software: 1 to 5 years.

## 1.9 Goodwill

When the Group takes de jure or de facto control of an enterprise, its assets, liabilities and contingent liabilities are estimated at their fair value and the difference between the cost of taking exclusive control and the Group's share of the fair 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.

Pending specific guidance from standards applicable as of December 31, 2009, the difference between the cost and carrying amount of minority interests purchased after control is acquired is recognized as goodwill. Starting January 1, 2010, in accordance with IAS 27 (Revised), this difference will be 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 1.12. Any impairment expense recognized is included within "Other operating income and expenses".

## 1.10 Purchase commitments for minority interests

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

Since IFRSs do not specifically address this issue, the Group recognizes such commitments as follows:

- the contractual value of the commitment at closing date appears in "Other non-current liabilities";
- the corresponding minority interests are reclassified and included in the above amount;
- the difference between the amount of the commitment and the reclassified minority interests is recorded as goodwill.

This accounting policy has no effect on the presentation of minority interests within the income statement.

Pursuant to IAS 27 (Revised), as of January 1, 2010, fluctuations between the amount of the commitment and that of minority interests will be recognized as a deduction from equity. Since this provision will be applied prospectively, goodwill recognized as of December 31, 2009 for commitments existing at that date will be maintained as assets on the balance sheet and the impact of any subsequent fluctuations in such commitments, net of minority interests, will continue to be recorded as goodwill.

### 1.11 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, or on independent appraisals. 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.

Vines for champagnes, cognacs and other wines produced by the Group, are considered as biological assets as defined in IAS 41 Agriculture. As their valuation at market value differs little from that recognized at historical cost, no revaluation is undertaken for these assets.

Investment property is measured at cost.

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.

Property, plant and equipment is depreciated on a straight-line basis over its estimated useful life:

| | |
|---|---|
| - buildings including investment property | 20 to 50 years |
| - machinery and equipment | 3 to 25 years |
| - store improvements | 3 to 10 years |
| - producing vineyards | 18 to 25 years |

The depreciable amount of property, plant and equipment comprises its acquisition cost less estimated residual value.

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

### 1.12 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, 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 such assets is greater than the higher of their value in use or net selling price, the resulting impairment loss is recognized within "Other operating income and expenses", allocated in priority to any existing goodwill.

Value in use is based on the present value of the cash flows expected to be generated by these assets. Net selling price is estimated by comparison with recent similar transactions or on the basis of valuations performed by independent experts.

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

Brands and goodwill are chiefly valued on the basis of the present value of forecast cash flows, or of comparable transactions (i.e. using the revenue and net profit coefficients employed for recent transactions involving similar brands), or of stock market multiples observed for related businesses. Other complementary methods may also be employed: the 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 between the amount of revenue generated by a branded product in comparison with an unbranded product; and finally the equivalent brand reconstitution method involving, in particular, estimation of the amount of advertising required to generate a similar brand.

The forecast data required for the cash flow methods is based on budgets and business plans prepared by management of the related business segments. Detailed forecasts cover a five-year period, a period which may be extended in the case of certain brands undergoing strategic repositioning, or which have a production cycle exceeding five years. Moreover, a final value is also estimated, which corresponds to the capitalization in perpetuity of cash flows most often arising from the last year of the plan. When several forecast scenarios are developed, the probability of occurrence of each scenario is assessed. Forecast cash flows are discounted on the basis of the rate of return to be expected by an investor in the applicable business and include assessment of the risk factor associated with each business.

### 1.13 Available for sale financial assets

Available for sale financial assets are classified as current or non-current based on their nature and the estimated period for which they will be held.

Non-current available for sale financial assets mainly include participating investments (strategic and non-strategic).

Current available for sale financial assets include temporary investments in shares, shares of "SICAV", "FCP" 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 1.16).

Available for sale financial assets are measured at their listed value at balance sheet date in the case of quoted investments, and at their net realizable value at that date in the case of unquoted investments.

Positive or negative changes in value are taken to equity within "Revaluation reserves". If an impairment loss is judged to be definitive, 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 corresponding available for sale financial assets.

### 1.14 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, especially champagne, is measured at the applicable harvest market value, as if the harvested grapes 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 methods.

Due to the length of the aging process required for champagne and cognac, the holding period for these inventories generally exceeds one year. However, in accordance with industry practices, these inventories are nevertheless 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 (date of expiry, end of season or collection, etc.) or lack of sales prospects.

### 1.15 Trade accounts receivable, loans and other receivables

Trade accounts receivable 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.

### 1.16 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and highly liquid monetary investments subject to an insignificant risk of changes in value.

Monetary investments are measured at their market value and at the exchange rate prevailing at the balance sheet date, with any changes in value recognized as part of net financial income/expense.

### 1.17 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.

When execution of its obligation is expected to be deferred by 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.

### 1.18 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 capital amount of borrowings resulting from changes in interest rates, both the hedged amount of borrowings and the related hedges are measured at their market value at the balance sheet date, with any changes in those values recognized within net financial income/expense for the period. Market value of hedged borrowings is determined using similar methods as those described hereafter in Note 1.19.

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

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

Financial debt bearing embedded derivatives is measured at market value; changes in market value 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 value of current available for sale financial assets, other current financial assets, in addition to the market value at the balance sheet date of related foreign exchange derivatives, and cash and cash equivalents at that date.

### 1.19 Derivatives

The Group enters into derivative transactions as part of its strategy for hedging foreign exchange and interest rate 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 to be 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 1.7 in the case of foreign exchange hedges, and as described in Note 1.18 in the case of interest rate hedges.

Market value is based on market data and on commonly used valuation models, and may be confirmed in the case of complex instruments by reference to values quoted by independent financial institutions.

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

### 1.20 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.

The cost of disposals of shares is determined by allocation category (see Note 14.2) 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.

### 1.21 Pensions, medical costs and other employee or retired employee commitments

When payments are made by the Group in respect of retirement benefits, pensions, medical costs and other commitments to third party organizations which assume the payment of benefits or medical expense reimbursements, these contributions are expensed in the period in which they fall due with no liability recorded on the balance sheet.

When retirement benefits, pensions, 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, and any changes in this commitment are expensed within profit from recurring operations over the period, including effects of discounting.

When this commitment is either partially or wholly funded by payments made by the Group to external financial organizations, these payments 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 salary increases, inflation, life expectancy, staff turnover and the return on plan assets.

Cumulative actuarial gains or losses are amortized if, at the year-end, they exceed 10% of the higher of the total commitment or the market value of the funded plan assets. These gains or losses are amortized in the period following their recognition over the average residual active life of the relevant employees.

### 1.22 Current and deferred tax

Deferred tax is recognized in respect of temporary differences arising between the amounts of assets and liabilities for purposes of consolidation and the amounts 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 and impaired where appropriate; 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 are provided for if distribution is deemed probable.

## 1.23 Revenue recognition

### Revenue

Revenue mainly comprises direct sales to customers and sales through 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 for Fashion and Leather Goods, certain Perfumes and Cosmetics, certain Watches and Jewelry brands and Selective Retailing. These sales are recognized at the time of purchase by retail customers.

Wholesale sales through distributors are made for Wines and Spirits, and certain Perfumes and Cosmetics and Watches and Jewelry brands. The Group recognizes revenue when title transfers to third party customers, generally upon shipment.

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 are achieved within the framework of distribution agreements with Diageo generally taking the form of shared entities which sell and deliver both groups' brands to customers. On the basis of the distribution agreements, which provide specific rules for allocating these entities' net profit and assets and liabilities between LVMH and Diageo, LVMH only recognizes the portion of their revenue and expenses attributable to its own brands.

## 1.24 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 upon receipt or production of goods or upon completion of services rendered.

## 1.25 Stock option and similar plans

Share purchase and subscription option plans give rise to recognition of an expense based on the expected benefit granted to beneficiaries calculated, using the Black & Scholes method, at the date of the Board Meeting that granted the options.

For bonus share plans, the expected benefit is calculated on the basis of the closing share price on the day before the Board Meeting at which the plan is instituted, and dividends expected to accrue during the vesting period.

For cash-settled compensation plans index-linked to the change in LVMH share price, the gain over the vesting period is estimated based on the type of plan as described above.

For all plans, the expense is apportioned on a straight-line basis over the vesting period, with a corresponding impact on reserves for share purchase and subscription option plans, and on provisions for cash-settled plans.

After the vesting period has expired, only cash-settled plans have an impact on the income statement, in the amount of the change in the LVMH share price.

## 1.26 Definition 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 as inherent to the Group's recurring operations. This caption reflects in particular the impact of changes in the scope of consolidation and the impairment of brands and goodwill, as well as any significant amount of 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.

### 1.27 Earnings per share

Earnings per share are calculated based on the weighted average number of shares outstanding 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 all 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, supplemented by the expense to be recognized for stock option and similar plans (see Note 1.25), would be employed to re-purchase LVMH shares at a price corresponding to their average trading price over the period.

## 2. CHANGES IN THE SCOPE OF CONSOLIDATION

### 2.1 Fiscal year 2009

#### Wines and Spirits

In August 2009, the Group acquired from Groupe Arnault for 238 million euros a 50% stake in the wine estate Château Cheval Blanc (Gironde, France), producer of the eponymous premium Saint-Emilion wine classified as premier grand cru classé A. Château Cheval Blanc has been consolidated on a proportionate basis since August 2009. The table below summarizes the provisional purchase price allocation, on the basis of Château Cheval Blanc's balance sheet as of August 12, 2009:

| *(EUR millions)* | Allocation of purchase price | Carrying amount |
|---|---|---|
| Brand | 183 | - |
| Vines and vineyard land | 35 | - |
| Other tangible assets | 3 | 4 |
| Inventories | 9 | 4 |
| Working capital, excluding inventories | (11) | (8) |
| Net financial debt | 8 | 8 |
| Deferred taxes | (76) | - |
| Net assets acquired (50%) | 151 | 8 |
| Goodwill | 87 | |
| **Total cost of acquisition** | **238** | |

Goodwill corresponds to Château Cheval Blanc's winemaking know-how, together with the synergies generated by its integration within the Wines and Spirits business group.

### 2.2 Fiscal year 2008

#### Wines and Spirits

In February 2008, the Group acquired the entire share capital of the Spanish winery Bodega Numanthia Termes, a producer of wines from the Toro region, for total consideration of 27 million euros. This acquisition was consolidated with effect from March 2008.

In December 2008, the Group acquired the entire share capital of the Montaudon champagne house, owner of its eponymous brand, for total consideration of 30 million euros, including earnout payments estimated at 4 million euros. This acquisition has been consolidated with effect from January 1, 2009.

#### Watches and Jewelry

In April 2008, the Group acquired the entire share capital of the Swiss watchmaker Hublot for total consideration of 306 million euros (486 million Swiss francs), including 2 million euros in acquisition costs. Hublot was fully consolidated with effect from May 2008. The table below summarizes the final purchase price allocation, on the basis of Hublot's balance sheet as of May 1, 2008:

| *(EUR millions)* | Allocation of purchase price | Carrying amount |
|---|---|---|
| Brand | 219 | - |
| Property, plant and equipment | 7 | 7 |
| Other non-current assets | 1 | 2 |
| Inventories | 39 | 43 |
| Working capital, excluding inventories | (3) | (5) |
| Net financial debt | (3) | (3) |
| Deferred taxes | (54) | (6) |
| Provisions | (22) | - |
| Net assets acquired | 184 | 38 |
| Goodwill | 122 | |
| **Total cost of acquisition** | **306** | |

The goodwill mainly represents the company's expertise in designing and manufacturing timepieces, and the synergies arising from the brand's integration into the distribution network of the Watches and Jewelry business group.

#### Other activities

The equity stake in the Les Echos media group, acquired in December 2007 and recognized under non-current available for sale financial assets as of December 31, 2007, was fully consolidated with effect from January 1, 2008. The total consideration paid in 2007 for 100 percent of the share capital was 244 million euros, including 4 million euros in acquisition costs and excluding the assumption by LVMH of Pearson's financial debt with respect to the Les Echos group, which amounted to 107 million euros. The table below summarizes the purchase price allocation, on the basis of the balance sheet for the Les Echos group as of January 1, 2008:

| *(EUR millions)* | **Allocation of purchase price** | **Carrying amount** |
|---|---|---|
| Brands and other intangible assets | 147 | 5 |
| Property, plant and equipment | 4 | 4 |
| Other non-current assets | 2 | 2 |
| Working capital | (29) | (26) |
| Receivable vis-à-vis Pearson, assigned to LVMH | 107 | 107 |
| Cash and cash equivalents | 21 | 21 |
| Deferred taxes | (48) | (1) |
| Provisions | (14) | (8) |
| Net assets acquired | 190 | 104 |
| Goodwill | 161 | |
| **Total cost of acquisition** | **351** | |

Brands and other intangible assets essentially comprise the financial daily *Les Echos* and subscriber databases. These intangible assets are amortized over periods of no more than fifteen years. The amount recognized for goodwill mainly represents the human capital formed by the editorial teams of the Les Echos group, which cannot be isolated on the balance sheet.

The business of the financial daily *La Tribune*, sold in February 2008, was deconsolidated with effect from this date.

In October 2008, the Group acquired a 90% equity stake in Royal Van Lent, the Dutch designer and builder of yachts sold under the Royal Van Lent-Feadship brand, with the remaining 10% stake of the share capital being subject to a purchase commitment. Royal Van Lent was fully consolidated with effect from October 2008. The table below summarizes the final allocation of the purchase price of 362 million euros, including acquisition costs in the amount of 3 million euros, on the basis of Royal Van Lent's balance sheet as of October 1, 2008:

| *(EUR millions)* | **Allocation of purchase price** | **Carrying amount** |
|---|---|---|
| Brands and other intangible assets | 92 | - |
| Non-current assets | 5 | 5 |
| Work in-process | 47 | 47 |
| Other current assets | 18 | 18 |
| Non-current liabiities | (11) | (9) |
| Current liabilities | (15) | (16) |
| Deferred taxes | (23) | - |
| Minority interests | (14) | (14) |
| Net assets acquired | 99 | 31 |
| Goodwill | 263 | |
| **Total cost of acquisition** | **362** | |

Goodwill represents the company's know-how in the design and building of luxury yachts, as well as its relations with customers forged over time.

## 2.3 Fiscal year 2007

### Wines and Spirits

• In May 2007, the Group acquired for 25 million euros 55% of the share capital of Wen Jun Spirits and Wen Jun Spirits Sales, which produce and distribute baijiu (white liquor) in China. Wen Jun group was fully consolidated as of the second half of the year.

• In May 2007, the Group increased its investment in Newton Vineyards from 80% to 90%, for a total amount of 5 million US dollars.

### Fashion and Leather Goods

In May 2007, the Group increased its investment in Fendi from 94% to 100%, for an amount of 66 million euros.

### Watches and Jewelry

Omas was divested in October 2007.

### Selective Retailing

In September 2007, the Group acquired a distribution license in Vietnam for local duty free operators on a joint-venture basis; the acquisition price, 52 million US dollars, represents the value of the distribution rights and inventories.

## 2.4 Impact of changes in the scope of consolidation on cash and cash equivalents

| *(EUR millions)* | **2009** | 2008 | 2007 |
|---|---|---|---|
| Purchase price of consolidated investments | (287) | (757) | (352) |
| Positive cash balance/(net overdraft) of companies acquired | 9 | 156 | 16 |
| Proceeds from sale of consolidated investments | - | 2 | 9 |
| (Positive cash balance)/net overdraft of companies sold | - | (43) | (2) |
| **Impact of changes in the scope of consolidation on cash and cash equivalents** | **(278)** | **(642)** | **(329)** |

• In 2009, the main impacts of acquisitions of consolidated investments on the Group's cash and cash equivalents break down as follows:

- 238 million euros for the acquisition of 50% of Cheval Blanc;
- 24 million euros for the acquisition of minority interests in certain subsidiaries of Sephora Europe.

• In 2008, the main impacts of acquisitions of consolidated investments on the Group's cash and cash equivalents broke down as:

- 303 million euros for the acquisition of Hublot group;
- 236 million euros for the acquisition of Royal Van Lent;
- 29 million euros for the acquisition of Montaudon;
- 27 million euros for the acquisition of Bodega Numanthia Termes;
- lastly, cash and cash equivalents of the Les Echos group in the amount of 21 million euros.

Amounts in respect of the sale of consolidated investments mainly correspond to impacts of the disposal of La Tribune.

• In 2007, the impact on the Group's cash and cash equivalents of acquisitions of consolidated investments was related to:

- the acquisition of Les Echos group for 240 million euros, not consolidated as of this date;
- the acquisition of minority interests in Fendi for 66 million euros;
- 20 million euros paid during the year for the acquisition in Vietnam of a local duty-free operator's distribution license;
- and finally to the acquisition of 55% of the Wen Jun group for 8 million euros.

## 2.5 Impact of acquisitions on period net profit

Acquisitions had no material impact on net profit for the years 2009 and 2007.

If the 2008 acquisitions had been carried out as of January 1, the impact on the consolidated income statement would have been as follows:

| *(EUR millions)* | **2008 - Published consolidated income statement** | **Pro forma restatements** | **2008 - Pro forma consolidated income statement** |
|---|---|---|---|
| Revenue | 17,193 | 100 | 17,293 |
| Profit from recurring operations | 3,628 | 9 | 3,637 |
| Net profit, Group share | 2,026 | 8 | 2,034 |

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

| *(EUR millions)* | 2009 | | | 2008 (1) | 2007 (1) |
|---|---|---|---|---|---|
| | Gross | Amortization and impairment | Net | Net | Net |
| Brands | 6,874 | (385) | 6,489 | 6,244 | 5,867 |
| Trade names | 3,119 | (1,266) | 1,853 | 1,909 | 1,819 |
| License rights | 105 | (64) | 41 | 43 | 46 |
| Leasehold rights | 255 | (164) | 91 | 102 | 101 |
| Software | 405 | (295) | 110 | 110 | 83 |
| Other | 238 | (125) | 113 | 115 | 70 |
| **Total** | **10,996** | **(2,299)** | **8,697** | **8,523** | **7,986** |
| Of which: assets held under finance leases | 14 | (14) | - | - | - |

*(1) See Note 1.2 Application of IAS 38 as amended.*

### 3.1 Movements in the year

Movements during the year ended December 31, 2009 in the net amounts of brands, trade names and other intangible assets were as follows:

| **Gross value** *(EUR millions)* | Brands | Trade names | Other intangible assets | Total |
|---|---|---|---|---|
| **As of December 31, 2008 (1)** | **6,599** | **3,218** | **955** | **10,772** |
| Acquisitions | - | - | 81 | 81 |
| Disposals and retirements | - | - | (23) | (23) |
| Changes in the scope of consolidation | 277 | - | (4) | 273 |
| Translation adjustment | (2) | (99) | (6) | (107) |
| **As of December 31, 2009** | **6,874** | **3,119** | **1,003** | **10,996** |

*(1) See Note 1.2 Application of IAS 38 as amended.*

| **Accumulated amortization and impairment** *(EUR millions)* | Brands | Trade names | Other intangible assets | Total |
|---|---|---|---|---|
| **As of December 31, 2008 (1)** | **(355)** | **(1,309)** | **(585)** | **(2,249)** |
| Amortization expense | (32) | - | (97) | (129) |
| Impairment expense | - | - | - | - |
| Disposals and retirements | - | - | 23 | 23 |
| Changes in the scope of consolidation | - | - | 6 | 6 |
| Translation adjustment | 2 | 43 | 5 | 50 |
| **As of December 31, 2009** | **(385)** | **(1,266)** | **(648)** | **(2,299)** |
| **Net carrying amount as of December 31, 2009** | **6,489** | **1,853** | **355** | **8,697** |

*(1) See Note 1.2 Application of IAS 38 as amended.*

Changes in the scope of consolidation are mainly attributable to the acquisition of a 50% stake in Château Cheval Blanc in the amount of 183 million euros, and the recognition of the Royal Van Lent-Feadship brand in the amount of 92 million euros.

The translation adjustment is mainly attributable to intangible assets recognized in US dollars, following the change in the exchange rate of this currency with respect to the euro during the fiscal year. The DFS trade name and the Donna Karan brand were particularly affected.

The gross value of amortized brands was 752 million euros as of December 31, 2009.

## 3.2 Movements in prior years

| **Net carrying amount** *(EUR millions)* | Brands | Trade names | Other intangible assets | Total |
|---|---|---|---|---|
| **As of December 31, 2006 (1)** | **5,768** | **2,003** | **443** | **8,214** |
| Acquisitions | 60 | - | 105 | 165 |
| Disposals | - | - | (6) | (6) |
| Changes in the scope of consolidation | - | - | - | - |
| Amortization expense | (7) | - | (77) | (84) |
| Impairment expense | (10) | - | (1) | (11) |
| Translation adjustment | (103) | (184) | (16) | (303) |
| Other movements | 159 | - | (148) | 11 |
| **As of December 31, 2007** | **5,867** | **1,819** | **300** | **7,986** |
| Acquisitions | - | - | 111 | 111 |
| Disposals | (3) | - | (2) | (5) |
| Changes in the scope of consolidation | 337 | - | 35 | 372 |
| Amortization expense | (21) | - | (93) | (114) |
| Impairment expense | - | - | - | - |
| Translation adjustment | 64 | 90 | 9 | 163 |
| Other movements | - | - | 10 | 10 |
| **As of December 31, 2008** | **6,244** | **1,909** | **370** | **8,523** |

*(1) See Note 1.2 Application of IAS 38 as amended.*

Changes in the scope of consolidation for the year ended December 31, 2008 were mainly attributable to the acquisition of Hublot in the amount of 219 million euros and the acquisition of the Les Echos media group for 147 million euros. See also Note 2.

In June 2007, the Group acquired ownership of the Belvedere brand in the United States for 83 million US dollars; until that date, the Group owned the brand in the rest of the world but held it under license in the United States. The rights attached to the license, amounting to 244 million US dollars, which were recognized under "Other intangible assets", were reclassified under "Brands".

### 3.3 Brands and trade names

The breakdown of brands and trade names by business group is as follows:

| *(EUR millions)* | 2009 | | | 2008 | 2007 |
|---|---|---|---|---|---|
| | Gross | Amortization and impairment | Net | Net | Net |
| Wines and Spirits | 997 | (20) | 977 | 795 | 854 |
| Fashion and Leather Goods | 3,865 | (323) | 3,542 | 3,564 | 3,563 |
| Perfumes and Cosmetics | 614 | (20) | 594 | 596 | 595 |
| Watches and Jewelry | 1,173 | (6) | 1,167 | 1,166 | 835 |
| Selective Retailing | 3,072 | (1,219) | 1,853 | 1,909 | 1,820 |
| Other activities | 272 | (63) | 209 | 123 | 19 |
| **Brands and trade names** | **9,993** | **(1,651)** | **8,342** | **8,153** | **7,686** |

The brands and trade names recognized in the table above are those that the Group has acquired. The principal acquired brands and trade names as of December 31, 2009 are:

- Wines and Spirits: Veuve Clicquot, Krug, Château d'Yquem, Château Cheval Blanc, Belvedere, Glenmorangie, Newton Vineyards and Numanthia Termes;
- Fashion and Leather Goods: Louis Vuitton, Fendi, Donna Karan New York, Céline, Loewe, Givenchy, Kenzo, Thomas Pink, Berluti, and Pucci;
- Perfumes and Cosmetics: Parfums Christian Dior, Guerlain, Parfums Givenchy, Make Up for Ever, Benefit Cosmetics, Fresh and Acqua di Parma;
- Watches and Jewelry: TAG Heuer, Zenith, Hublot, Chaumet and Fred;
- Selective Retailing: DFS Galleria, Sephora and Le Bon Marché;
- Other activities: the publications of the media group Les Echos-Investir and the Royal Van Lent-Feadship brand.

These brands and trade names are recognized in the balance sheet at their value determined as of the date of their acquisition by the Group, which may be much less than their value in use or their net selling price as of the closing date for the consolidated financial statements. This is notably the case for the brands Louis Vuitton, Veuve Clicquot, and Parfums Christian Dior, or the trade name Sephora, with the understanding that this list must not be considered as exhaustive.

Brands developed by the Group, notably Hennessy, Moët & Chandon, Dom Pérignon, Mercier and Ruinart champagnes, as well as the De Beers jewelry trade name developed as a joint-venture with the De Beers group, are not capitalized in the balance sheet.

Brands and trade names developed by the Group, in addition to Louis Vuitton, Veuve Clicquot, Parfums Christian Dior and Sephora, represented 30% of total brands and trade names capitalized in the balance sheet and 63% of the Group's consolidated revenue in 2009.

Please refer also to Note 5 for the impairment testing of brands, trade names and other intangible assets with indefinite useful lives.

## 4. GOODWILL

| *(EUR millions)* | 2009 | | | 2008 (1) | 2007 (1) |
|---|---|---|---|---|---|
| | Gross | Impairment | Net | Net | Net |
| Goodwill arising on consolidated investments | 4,429 | (1,094) | 3,335 | 3,338 | 2,742 |
| Goodwill arising on purchase commitments for minority interests | 938 | (3) | 935 | 1,085 | 2,082 |
| **Total** | **5,367** | **(1,097)** | **4,270** | **4,423** | **4,824** |

*(1) See Note 1.2 Application of IAS 38 as amended.*

Please refer also to Note 19 for goodwill arising on purchase commitments for minority interests.

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

| *(EUR millions)* | 2009 | | | 2008 (1) | 2007 (1) |
|---|---|---|---|---|---|
| | Gross | Impairment | Net | Net | Net |
| **As of January 1** | **5,511** | **(1,088)** | **4,423** | **4,824** | **4,543** |
| Changes in the scope of consolidation | (7) | 27 | 20 | 639 | 69 |
| Changes in purchase commitments for minority interests | (96) | - | (96) | (1,061) | 272 |
| Changes in impairment | | (56) | (56) | (31) | - |
| Translation adjustment | (41) | 20 | (21) | 52 | (60) |
| **As of December 31** | **5,367** | **(1,097)** | **4,270** | **4,423** | **4,824** |

*(1) See Note 1.2 Application of IAS 38 as amended.*

Changes in the scope of consolidation for 2009 were attributable to the acquisition of a 50% stake in Château Cheval Blanc for 87 million euros, the allocation of purchase price of Royal Van Lent to the brand, generating a negative impact of 67 million euros, and the finalization of the purchase price allocations of Montaudon and Hublot for 26 million euros.

Changes in the scope of consolidation for 2008 were attributable to the impact of the consolidation of the Les Echos media group for 161 million euros, the Royal Van Lent acquisition in the amount of 331 million euros, and the Hublot acquisition for 109 million euros. See also Note 2.

Changes in the scope of consolidation for 2007 included 39 million euros for the increase in the Group's investment in Fendi and 14 million euros for the impact of the consolidation of Wen Jun.

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

Brands, trade names, and other intangible assets with indefinite useful lives as well as the goodwill arising on acquisition have been subject to annual impairment testing. No significant impairment expense has been recognized in respect of these items during the course of fiscal year 2009. As described in Note 1.12, these assets are generally valued on the basis of the present value of forecast cash flows determined in the context of multi-year business plans drawn up over the course of each fiscal year. The main assumptions retained in 2009, for the determination of these forecast cash flows are as follows:

| Business group | 2009 | | | 2008 | | 2007 | |
|---|---|---|---|---|---|---|---|
| | Discount rate | | Growth rate for the period after the plan | Post-tax discount rate | Growth rate for the period after the plan | Post-tax discount rate | Growth rate for the period after the plan |
| | Post-tax | Pre-tax | | | | | |
| Wines and Spirits | 7.5 to 11.6% | 11 to 17.1% | 2% | 7.3 to 11.4% | 2% | 7.3 to 10.2% | 2% |
| Fashion and Leather Goods | 8.7 to 12.8% | 12.8 to 18.8% | 2% | 8.9 to 13% | 2% | 8.9 to 13% | 2% |
| Perfumes and Cosmetics | 8% | 11.8% | 2% | 9.1 to 11.5% | 2% | 9.1 to 11.5% | 2% |
| Watches and Jewelry | 9.5 to 10.8% | 14 to 15.9% | 2% | 11 to 12.3% | 2% | 11 to 12.3% | 2% |
| Selective Retailing | 7.5 to 8.6% | 11 to 12.6% | 2% | 8 to 9.1% | 2% | 8 to 9.1% | 2% |
| Other | 7.5% | 11.0% | 2% | 6.7 to 8% | 2% | n.a. | 2% |

Plans generally cover a five-year period, but may be prolonged up to ten years in case of brands for which production cycle exceeds five years or brands undergoing strategic repositioning.

See also Note 1.1 for details concerning the adjustments made in valuation assumptions for intangible assets to take into account the economic crisis.

The change in discount rates as of December 31, 2009 compared to those used as of December 31, 2008 mainly results from the decline in interest rates. Growth rates applied for the period not covered by the plans are based on market estimates for the business groups concerned.

As of December 31, 2009 the carrying amount of seven business segments (see Note 1.12) is close to their net realizable value. A change of 0.5% in the post-tax discount rate, or in the growth rate for the period not covered by the plans, compared to rates retained as of December 31, 2009, would give rise to impairment charges as detailed below:

| *(EUR millions)* | Intangible assets with indefinite lives as of 12/31/2009 | Sensitivity | |
|---|---|---|---|
| | | Post-tax discount rate | Growth rate |
| | | +0.5% | -0.5% |
| Wines and Spirits | 491 | (53) | (36) |
| Fashion and Leather Goods | 101 | (18) | (9) |
| Selective Retailing | 176 | (16) | (12) |
| Other business groups | 140 | (19) | (16) |
| **Total** | **908** | **(106)** | **(73)** |

A change of 0.5% in post-tax discount rate or in the growth rate for the period not covered by the plans, compared to rates retained as of December 31, 2009 would not induce any risk of impairment for the other business segments of the Group.

## 6. PROPERTY, PLANT AND EQUIPMENT

| *(EUR millions)* | 2009 | | | 2008 (1) | 2007 (1) |
|---|---|---|---|---|---|
| | Gross | Depreciation and impairment | Net | Net | Net |
| Land | 859 | - | 859 | 862 | 821 |
| Vineyard land and producing vineyards | 1,695 | (84) | 1,611 | 1,613 | 1,426 |
| Buildings | 1,596 | (706) | 890 | 880 | 861 |
| Investment property | 342 | (56) | 286 | 291 | 286 |
| Machinery and equipment | 4,427 | (2,780) | 1,647 | 1,631 | 1,423 |
| Other tangible fixed assets (including assets in progress) | 1,305 | (458) | 847 | 804 | 595 |
| **Total** | **10,224** | **(4,084)** | **6,140** | **6,081** | **5,412** |
| Of which: assets held under finance leases | 257 | (121) | 136 | 147 | 161 |
| historical cost of vineyard land and producing vineyards | 615 | (84) | 531 | 480 | 464 |

*(1) See Note 1.2 Application of IAS 38 as amended.*

## 6.1 Movements in the year

Movements in property, plant and equipment during 2009 break down as follows:

| **Gross value** *(EUR millions)* | **Vineyard land and producing vineyards** | **Land and buildings** | **Investment property** | **Machinery and equipment** | **Other tangible fixed assets (including assets in progress)** | **Total** |
|---|---|---|---|---|---|---|
| **As of December 31, 2008** [(1)] | **1,690** | **2,398** | **343** | **4,141** | **1,226** | **9,798** |
| Acquisitions | 4 | 44 | 3 | 316 | 326 | 693 |
| Change in the market value of vineyard land | (53) | | | | | (53) |
| Disposals and retirements | (3) | (20) | - | (145) | (34) | (202) |
| Changes in the scope of consolidation | 43 | 18 | - | (5) | (4) | 52 |
| Translation adjustment | 4 | (23) | (3) | (25) | (9) | (56) |
| Other movements, including transfers | 10 | 38 | (1) | 145 | (200) | (8) |
| **As of December 31, 2009** | **1,695** | **2,455** | **342** | **4,427** | **1,305** | **10,224** |

*(1) See Note 1.2 Application of IAS 38 as amended.*

| **Accumulated depreciation and impairment** *(EUR millions)* | **Vineyard land and producing vineyards** | **Land and buildings** | **Investment property** | **Machinery and equipment** | **Other tangible fixed assets (including assets in progress)** | **Total** |
|---|---|---|---|---|---|---|
| **As of December 31, 2008** [(1)] | **(77)** | **(656)** | **(52)** | **(2,510)** | **(422)** | **(3,717)** |
| Depreciation expense | (6) | (57) | (4) | (432) | (75) | (574) |
| Impairment expense | - | - | - | - | - | - |
| Disposals and retirements | 2 | 17 | - | 137 | 25 | 181 |
| Changes in the scope of consolidation | - | (2) | - | 6 | 3 | 7 |
| Translation adjustment | (1) | 2 | - | 14 | 4 | 19 |
| Other movements, including transfers | (2) | (10) | - | 5 | 7 | - |
| **As of December 31, 2009** | **(84)** | **(706)** | **(56)** | **(2,780)** | **(458)** | **(4,084)** |
| | | | | | | |
| **Net carrying amount as of December 31, 2009** | **1,611** | **1,749** | **286** | **1,647** | **847** | **6,140** |

*(1) See Note 1.2 Application of IAS 38 as amended.*

Acquisitions of property, plant and equipment are attributable to the levels of investments made by Louis Vuitton, Sephora and DFS in their retail networks as well as those made by Parfums Christian Dior in new display counters and production facilities, together with those made by Hennessy and Veuve Clicquot in their production facilities.

### 6.2 Movements in prior years

| **Net carrying amount** *(EUR millions)* | **Vineyard land and producing vineyards** | **Land and buildings** | **Investment property** | **Machinery and equipment** | **Other tangible fixed assets (including assets in progress)** | **Total** |
|---|---|---|---|---|---|---|
| **As of December 31, 2006** [(1)] | **1,348** | **1,695** | **297** | **1,362** | **464** | **5,166** |
| Acquisitions | 15 | 83 | 1 | 338 | 398 | 835 |
| Disposals and retirements | (8) | (2) | - | (40) | - | (50) |
| Depreciation expense | (5) | (54) | (4) | (346) | (61) | (470) |
| Impairment expense | - | - | - | - | - | - |
| Change in the market value of vineyard land | 81 | | | | | 81 |
| Changes in the scope of consolidation | - | - | - | - | - | - |
| Translation adjustment | (6) | (59) | (8) | (48) | (26) | (147) |
| Other, including transfers | 1 | 19 | - | 157 | (180) | (3) |
| **As of December 31, 2007** | **1,426** | **1,682** | **286** | **1,423** | **595** | **5,412** |
| Acquisitions | 24 | 46 | - | 425 | 462 | 957 |
| Disposals and retirements | (3) | (32) | - | (16) | (13) | (64) |
| Depreciation expense | (6) | (47) | (5) | (388) | (68) | (514) |
| Impairment expense | - | - | - | - | - | - |
| Change in the market value of vineyard land | 173 | | | | | 173 |
| Changes in the scope of consolidation | 1 | 13 | - | 6 | 1 | 21 |
| Translation adjustment | (6) | 69 | 6 | 31 | 10 | 110 |
| Other, including transfers | 4 | 11 | 4 | 150 | (183) | (14) |
| **As of December 31, 2008** | **1,613** | **1,742** | **291** | **1,631** | **804** | **6,081** |

*(1) See Note 1.2 Application of IAS 38 as amended.*

Property, plant and equipment acquisitions in 2008 and 2007 consisted mainly of investments by Louis Vuitton, Sephora and DFS in their retail networks in addition to investments by Hennessy and Moët & Chandon in their production equipment.

## 7. INVESTMENTS IN ASSOCIATES

| *(EUR millions)* | 2009 | | | 2008 | 2007 |
|---|---|---|---|---|---|
| | Gross | Impairment | Net | Net | Net |
| **Share of net assets of associates as of January 1** | **216** | **-** | **216** | **129** | **126** |
| Share of net profit (loss) for the period | 3 | - | 3 | 7 | 7 |
| Dividends paid | (9) | | (9) | (7) | (4) |
| Changes in the scope of consolidation | 8 | | 8 | 84 | - |
| Translation adjustment | (5) | - | (5) | 3 | - |
| **Share of net assets of associates as of December 31** | **213** | **-** | **213** | **216** | **129** |

As of December 31, 2009, investments in associates consisted primarily of:

- a 40% equity stake in Mongoual SA, a real estate company which owns a property held for rental in Paris (France), which is the head office of LVMH Moët Hennessy - Louis Vuitton SA; total rents invoiced by Mongoual SA to the Group amounted to 16 million euros in 2009 (15 million euros in 2008 and 2007);
- a 45% equity stake in the group owning Ile de Beauté stores, one of the leading perfume and cosmetics retail chains in Russia, acquired in October 2008; sales by the Perfumes and Cosmetics business group to Ile de Beauté amounted to 22 million euros in 2009 (11 million euros from October to December 2008);
- a 49% equity stake in Edun, a fashion clothing company focused on ethical trade and sustainable development, acquired during the first half of 2009.

The 23.1% equity stake in the French retailer of video games Micromania was sold in 2008.

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

| *(EUR millions)* | 2009 | | | 2008 | 2007 |
|---|---|---|---|---|---|
| | Gross | Impairment | Net | Net | Net |
| **Total** | **597** | **(57)** | **540** | **375** | **823** |

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

| *(EUR millions)* | 2009 | 2008 | 2007 |
|---|---|---|---|
| **As of January 1** | **375** | **823** | **504** |
| Acquisitions | 89 | 62 | 374 |
| Disposals at net realized value | (38) | (114) | (33) |
| Changes in market value | 93 | (14) | (8) |
| Reclassifications as consolidated investments, see Note 2 | (30) | (352) | - |
| Reclassifications from current available for sale assets | 59 | - | - |
| Changes in impairment | (1) | (34) | - |
| Changes in the scope of consolidation | (2) | - | - |
| Translation adjustment | (5) | 4 | (14) |
| **As of December 31** | **540** | **375** | **823** |

Certain current available for sale financial assets, whose liquidity levels have evolved in the current economic environment to the extent that such assets can no longer be regarded as rapidly realizable, have been reclassified as non-current available for sale financial assets.

Acquisitions in 2008 included the Montaudon champagne house in the amount of 29 million euros; this acquisition has been consolidated in fiscal year 2009. See Note 2 Changes in the scope of consolidation.

Acquisitions in fiscal year 2007 mainly comprised Les Echos group in the amount of 350 million euros; this acquisition has been consolidated in fiscal year 2008.

Disposals in 2008 include in particular the Group's share in the transactions carried out by the investment fund L Capital, notably the sale of its stake in the French video game retailer Micromania.

The net gain/loss on disposal is analyzed in Note 25 Net financial income/expense.

Impairment is determined on the basis of the accounting policies described in Note 1.13.

Non-current available for sale financial assets held by the Group as of December 31, 2009 include the following:

| *(EUR millions)* | Percentage of interest | Net value | Revaluation reserve | Dividends received | Equity [3] | Net profit [3] |
|---|---|---|---|---|---|---|
| Sociedad Textil Lonia (Spain) [2] | 25.0% | 22 | 13 | 1 | 85 [4] | 9 [4] |
| Tod's SpA (Italy) [1] | 3.5% | 55 | 8 | 1 | 606 [4] | 83 [4] |
| Hengdeli Holdings Ltd (China) [1] | 6.8% | 73 | 55 | 1 | 209 [4] | 43 [4] |
| L Capital 2 FCPR (France) [2] | 18.5% | 66 | 5 | - | 231 [5] | (7) [5] |
| L Real Estate (Luxembourg) [2] | 49.0% | 65 | (2) | - | 133 [5] | (4) [5] |
| Other investments | | 259 | 8 | 8 | | |
| **Total** | | **540** | **87** | **11** | | |

*(1) Market value of securities as of the close of trading on December 31, 2009.*
*(2) Valuation at estimated net realizable value.*
*(3) Figures provided reflect company information prior to December 31, 2009, as year-end accounting data was not available at the date of preparation of the consolidated financial statements.*
*(4) Consolidated data.*
*(5) Company data.*

## 9. INVENTORIES AND WORK IN PROGRESS

| *(EUR millions)* | 2009 | 2008 [1] | 2007 [1] |
|---|---|---|---|
| Wines and distilled alcohol in the process of aging | 3,189 | 2,928 | 2,683 |
| Other raw materials and work in progress | 720 | 705 | 457 |
| | 3,909 | 3,633 | 3,140 |
| Goods purchased for resale | 527 | 579 | 476 |
| Finished products | 1,851 | 2,125 | 1,738 |
| | 2,378 | 2,704 | 2,214 |
| **Gross amount** | **6,287** | **6,337** | **5,354** |
| Impairment | (643) | (573) | (545) |
| **Net amount** | **5,644** | **5,764** | **4,809** |

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

| *(EUR millions)* | 2009 | | | 2008 [1] | 2007 [1] |
|---|---|---|---|---|---|
| | Gross | Impairment | Net | Net | Net |
| **As of January 1** | **6,337** | **(573)** | **5,764** | **4,809** | **4,380** |
| Change in gross inventories | (69) | | (69) | 826 | 565 |
| Fair value adjustment for the harvest of the period | 13 | | 13 | 24 | 35 |
| Changes in impairment | | (62) | (62) | (62) | (48) |
| Changes in the scope of consolidation | 38 | - | 38 | 84 | 25 |
| Translation adjustment | (33) | 4 | (29) | 89 | (148) |
| Reclassifications | 1 | (12) | (11) | (6) | - |
| **As of December 31** | **6,287** | **(643)** | **5,644** | **5,764** | **4,809** |

*(1) See Note 1.2 Application of IAS 38 as amended.*

The effects on Wines and Spirits' cost of sales of marking harvests to market are as follows:

| *(EUR millions)* | 2009 | 2008 | 2007 |
|---|---|---|---|
| Fair value adjustment for the harvest of the period | 43 | 53 | 50 |
| Adjustment for inventory consumed | (30) | (29) | (15) |
| **Net effect on cost of sales of the period** | **13** | **24** | **35** |

## 10. TRADE ACCOUNTS RECEIVABLE

| *(EUR millions)* | **2009** | 2008 | 2007 |
|---|---|---|---|
| Trade accounts receivable - nominal amount | 1,670 | 1,843 | 1,780 |
| Provision for impairment | (62) | (58) | (53) |
| Provision for product returns | (153) | (135) | (132) |
| **Net amount** | **1,455** | **1,650** | **1,595** |

The amount of the impairment expense in 2009 was 18 million euros (compared to 12 million euros in 2008 and 9 million euros in 2007).

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

Approximately 58% of the Group's sales is generated through its own stores. The receivable auxiliary balance is comprised primarily of amounts receivable from wholesalers or agents, who are limited in number and with whom the Group maintains ongoing relationships for the most part. Credit insurance is taken out whenever the likelihood that receivables may not be recoverable is justified on reasonable grounds.

As of December 31, 2009, the breakdown of the nominal amount of trade receivables and of provisions for impairment by age was as follows:

| *(EUR millions)* | | Nominal amount of receivables | Provision for impairment | Net amount of receivables |
|---|---|---|---|---|
| Not due: | - less than 3 months | 1,377 | (10) | 1,367 |
| | - more than 3 months | 51 | (4) | 47 |
| | | 1,428 | (14) | 1,414 |
| Overdue: | - less than 3 months | 146 | (6) | 140 |
| | - more than 3 months | 96 | (42) | 54 |
| | | 242 | (48) | 194 |
| **Total** | | **1,670** | **(62)** | **1,608** |

## 11. OTHER CURRENT ASSETS

| *(EUR millions)* | **2009** | 2008 | 2007 |
|---|---|---|---|
| Current available for sale financial assets | 218 | 590 | 879 |
| Derivatives | 302 | 265 | 311 |
| Tax accounts receivable, excluding income taxes | 199 | 284 | 249 |
| Advances and payments on account to vendors | 113 | 141 | 109 |
| Prepaid expenses [(1)] | 171 | 185 | 116 |
| Other receivables, net | 210 | 233 | 220 |
| **Total** | **1,213** | **1,698** | **1,884** |

*(1) See Note 1.2. Application of IAS 38 as amended.*

There is no difference between the market value of other current assets and their carrying amount.

Please also refer to Note 12 Current available for sale financial assets and Note 21 Financial instruments and market risk management.

## 12. CURRENT AVAILABLE FOR SALE ASSETS

| *(EUR millions)* | **2009** | 2008 | 2007 |
|---|---|---|---|
| Unlisted securities, shares in non-money market SICAV and funds | 71 | 471 | 601 |
| Listed securities | 147 | 119 | 278 |
| **Total** | **218** | **590** | **879** |
| Of which: historical cost of current available for sale financial assets | 336 | 679 | 741 |

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

| *(EUR millions)* | **2009** | 2008 | 2007 |
|---|---|---|---|
| **As of January 1** | **590** | **879** | **607** |
| Acquisitions | 15 | 107 | 370 |
| Disposals at net realized value | (343) | (115) | (92) |
| Changes in market value | 50 | (233) | 58 |
| Changes in impairment | (31) | (92) | - |
| Reclassifications as non-current available for sale financial assets, see Note 8 | (59) | - | - |
| Changes in the scope of consolidation | (1) | 1 | - |
| Translation adjustment | (3) | 43 | (64) |
| **As of December 31** | **218** | **590** | **879** |

The results on disposal are analyzed in Note 25 Net financial income/expense.

See also Note 1.13 for the method used to determine impairment losses on current available for sale financial assets.

## 13. CASH AND CASH EQUIVALENTS

| *(EUR millions)* | **2009** | 2008 | 2007 |
|---|---|---|---|
| Fixed term deposits (less than 3 months) | 130 | 64 | 426 |
| SICAV and FCP money market funds | 93 | 72 | 48 |
| Ordinary bank accounts | 2,223 | 877 | 1,085 |
| **Cash and cash equivalents per balance sheet** | **2,446** | **1,013** | **1,559** |

As of December 31, 2007, cash and cash equivalents included an amount of 28 million euros which guaranteed borrowings of same amount.

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)* | **2009** | 2008 | 2007 |
|---|---|---|---|
| Cash and cash equivalents | 2,446 | 1,013 | 1,559 |
| Bank overdrafts | (172) | (295) | (472) |
| **Net cash and cash equivalents per cash flow statement** | **2,274** | **718** | **1,087** |

# 14. EQUITY

## 14.1 Share capital

As of December 31, 2009, issued and fully paid-up shares totaled 490,405,654 (489,937,410 shares as of December 31, 2008 and 2007), with a par value of 0.30 euros per share, including 226,411,288 shares with double voting rights. Double voting rights are granted to registered shares held for at least three years (226,413,842 as of December 31, 2008, 225,670,036 as of December 31, 2007).

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

| *(EUR millions)* | 2009 | | 2008 | | 2007 | |
|---|---|---|---|---|---|---|
| | Number of shares | Value | Number of shares | Value | Number of shares | Value |
| **Share capital as of January 1** | **489,937,410** | **147** | **489,937,410** | **147** | **489,937,410** | **147** |
| Exercise of share subscription options | 557,204 | - | 92,600 | - | - | - |
| Retirement of LVMH shares | (88,960) | - | (92,600) | - | - | - |
| **Share capital as of December 31** | **490,405,654** | **147** | **489,937,410** | **147** | **489,937,410** | **147** |

## 14.2 Treasury shares and derivatives settled in LVMH shares

The portfolio of treasury shares and derivatives settled in LVMH shares is allocated as follows:

| *(EUR millions)* | 2009 | | 2008 | 2007 |
|---|---|---|---|---|
| | Number | Value | Value | Value |
| Share purchase option plans | 3,932,912 | 223 | 279 | 340 |
| Bonus share plans | 464,630 | 25 | 23 | 22 |
| Other plans | 10,786,551 | 509 | 487 | 418 |
| **Shares held for stock option and similar plans** | **15,184,093** | **757** | **789** | **780** |
| Liquidity contract | 76,000 | 6 | 16 | 11 |
| Retirement of shares | 820,000 | 56 | 56 | - |
| **LVMH treasury shares** | **16,080,093** | **819** | **861** | **791** |
| LVMH share-based calls [(1)] | 2,670,200 | 110 | 122 | 86 |
| **LVMH treasury shares and derivatives settled in LVMH shares** | **18,750,293** | **929** | **983** | **877** |

*(1) Number of shares which could be purchased if all of the calls outstanding at the balance sheet date were exercised and related premium paid on subscription.*

"Other plans" mainly comprise share subscription option plans.

The market value of LVMH shares held under the liquidity contract as of December 31, 2009 is the same as their carrying amount, i.e. 6 million euros.

The portfolio movements in 2009 were as follows:

**LVMH shares**

| *(EUR millions)* | Number | Value | Effect on cash |
|---|---|---|---|
| **As of December 31, 2008** | **16,876,191** | **861** | |
| Share purchases, including through the exercise of call options | 2,318,039 | 137 | (124) |
| Exercise of share purchase options | (690,502) | (44) | 34 |
| Bonus shares definitively allocated | (149,612) | (13) | |
| Retirement of shares | (88,960) | (4) | |
| Proceeds from disposal at net realized value | (2,185,063) | (124) | 124 |
| Gain/(loss) on disposal | | 6 | |
| **As of December 31, 2009** | **16,080,093** | **819** | **34** |

**LVMH share-based calls**

| *(EUR millions)* | Number | Value | Effect on cash |
|---|---|---|---|
| **As of December 31, 2008** | **2,970,200** | **122** | |
| Calls purchased | - | - | - |
| Calls exercised | (300,000) | (12) | - |
| **As of December 31, 2009** | **2,670,200** | **110** | **-** |

## 14.3 Dividends paid by the parent company LVMH SA

In accordance with French regulations, dividends are deducted from the profit for the year and reserves available for distribution of the parent company, after deducting applicable withholding tax and the value of treasury shares. As of December 31, 2009, the amount available for distribution was 4,624 million euros; after taking into account the proposed dividend distribution in respect of the 2009 fiscal year, the amount available for distribution is 3,987 million euros.

| *(EUR millions, except for data per share in EUR)* | **2009** | 2008 | 2007 |
|---|---|---|---|
| Interim dividend for the current year (2009: 0.35 euros; 2008: 0.35 euros; 2007: 0.35 euros) | 172 | 171 | 171 |
| Impact of treasury shares | (6) | (5) | (5) |
| | 166 | 166 | 166 |
| Final dividend for the previous year (2008: 1.25 euros; 2007: 1.25 euros; 2006: 1.10 euros) | 612 | 612 | 539 |
| Impact of treasury shares | (20) | (20) | (19) |
| | 592 | 592 | 520 |
| **Total gross amount disbursed during the period** (1) | **758** | **758** | **686** |

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

The final dividend for 2009, as proposed to the Shareholders' Meeting of April 15, 2010 is 1.30 euros per share, representing a total amount of 637 million euros, excluding amount to be deducted in relation to treasury shares owned at date of payment.

## 14.4 Cumulative translation adjustment

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

| *(EUR millions)* | **2009** | Change | 2008 | 2007 |
|---|---|---|---|---|
| US dollar | (487) | (143) | (344) | (545) |
| Japanese yen | 44 | (26) | 70 | (29) |
| Hong Kong dollar | (20) | (25) | 5 | (61) |
| Pound sterling | (82) | 27 | (109) | (7) |
| Other currencies | 52 | 14 | 38 | (7) |
| Hedges of foreign currency net assets | (2) | 29 | (31) | 41 |
| **Total, Group share** | **(495)** | **(124)** | **(371)** | **(608)** |

### 14.5 Strategy relating to the Group's financial structure

The Group firmly believes that the management of its financial structure contributes, together with the development of the companies it owns and the management of its brand portfolio, to its objective of driving value creation for its shareholders. Furthermore, maintaining a strong credit rating and providing adequate security to the Group's bondholders and bank creditors are regarded as objectives in their own right.

The Group manages its financial structure so as to ensure considerable flexibility, allowing it both to seize opportunities and enjoy significant access to markets offering favorable conditions.

To this end, the Group monitors a certain number of financial ratios and aggregate measures of financial risk, including:

- net financial debt (see Note 17) to equity;
- net financial debt to cash from operations before changes in working capital;
- long term resources to fixed assets;
- net cash from operations before changes in working capital;
- net cash flow from operating activities and investments;
- proportion of long term debt in net financial debt.

Long term resources are understood to correspond to the sum of equity and non-current liabilities.

Where applicable, these indicators are adjusted to reflect the Group's off-balance sheet financial commitments.

With respect to these indicators, the Group seeks to maintain levels allowing for significant financial flexibility.

The Group also promotes financial flexibility by maintaining numerous and varied banking relationships, through the frequent recourse to several negotiable debt markets (both short and long term), by holding a large amount of cash and cash equivalents, and through the existence of sizable amounts in undrawn confirmed credit lines.

In particular, the Group's undrawn confirmed credit lines often largely exceed the outstanding portion of its commercial paper program.

## 15. STOCK OPTION AND SIMILAR PLANS

#### Share subscription and purchase option plans

The Shareholders' Meeting of May 14, 2009 authorized the Board of Directors, for a period of thirty-eight months expiring in July 2012, to grant share subscription or purchase options to Group company employees or directors, on one or more occasions, in an amount not to exceed 3% of the company's share capital.

Each plan is valid for 10 years. The options may be exercised after a three or a four-year period, based on whether the plans were issued before or after 2004, with the exception of the share purchase option plan dated May 14, 2001 initially concerning 1,105,877 options, which was valid for eight years and for which the options could be exercised after a period of four years.

In certain circumstances, in particular in the event of retirement, the period of three or four years before options may be exercised is not applicable.

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

#### Bonus share plans

The Shareholders' Meeting of May 15, 2008 authorized the Board of Directors, for a period of thirty-eight months expiring in July 2011, to grant bonus shares to Group company employees or directors, on one or more occasions, in an amount not to exceed 1% of the Company's share capital on the date of this authorization.

The allocation of bonus shares to their beneficiaries becomes definitive after a two-year vesting period, which is followed by a two-year lockup period during which the beneficiaries may not sell their shares.

Bonus shares allocated in 2009 to beneficiaries who are not French residents for tax purposes shall be definitive after a vesting period of four years and shall be freely transferable at that time.

#### Cash-settled share-based compensation plans index-linked to the change in the LVMH share price

In addition to share option and bonus share plans, the Group issues plans which are equivalent in terms of gains as for the beneficiaries of share purchase option plans and bonus share plans, but are settled in cash rather than shares. These plans have a four-year vesting period.

## 15.1 Share subscription option plans

The main characteristics of share subscription option plans and changes having occurred during the year are as follows:

| Grant date | Number of options granted | Exercise price (EUR) | Vesting period of rights | Number of options exercised in 2009 | Number of options expired in 2009 | Number of options to be exercised as of Dec. 31, 2009 |
|---|---|---|---|---|---|---|
| January 21, 2004 | 2,720,425 | 55.70 | 4 years | 286,025 | 8,000 | 2,245,250 |
| " | 27,050 | 58.90 | " | 2,500 | - | 20,150 |
| May 12, 2005 | 1,852,150 | 52.82 | " | 260,679 | 18,750 | 1,528,896 |
| " | 72,250 | 55.83 | " | 8,000 | - | 62,550 |
| May 11, 2006 | 1,712,959 | 78.84 | " | - | 25,500 | 1,664,409 |
| " | 76,400 | 82.41 | " | - | - | 75,700 |
| May 10, 2007 | 1,679,988 | 86.12 | " | - | 26,176 | 1,643,555 |
| May 15, 2008 | 1,621,882 | 72.50 | " | - | 22,275 | 1,594,807 |
| " | 76,438 | 72.70 | " | - | - | 76,438 |
| May 14, 2009 | 1,266,507 | 56.50 | " | - | 1,525 | 1,264,982 |
| " | 35,263 | 56.52 | " | - | - | 35,263 |
| July 29, 2009 | 2,500 | 57.10 | " | - | - | 2,500 |
| | | | | **557,204** | **102,226** | **10,214,500** |

The number of subscription options not exercised and the weighted average exercise prices changed as follows over the course of the fiscal years included below:

| | 2009 | | 2008 | | 2007 | |
|---|---|---|---|---|---|---|
| | 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** | **9,569,660** | **67.76** | **8,015,393** | **66.60** | **6,426,534** | **61.39** |
| Options granted during the period | 1,304,270 | 56.50 | 1,698,320 | 72.51 | 1,679,988 | 86.12 |
| Options expired during the period | (102,226) | 72.41 | (51,453) | 66.52 | (91,129) | 58.76 |
| Options exercised during the period | (557,204) | 54.37 | (92,600) | 55.71 | - | - |
| **Share subscription options outstanding as of December 31** | **10,214,500** | **66.99** | **9,569,660** | **67.76** | **8,015,393** | **66.60** |

Share subscription options granted under the plan dated May 14, 2009 may only be exercised if, in fiscal years 2009 and 2010, (or, for senior executive officers, in three of the four fiscal years from 2009 to 2012) either profit from recurring operations, net cash from operating activities and operating investments, or the Group's current operating margin rate shows a positive change compared to 2008. The performance condition, which was met for fiscal year 2009, was also considered to have been met for the future fiscal years, for the purpose of determining the expense for 2009.

### 15.2 Share purchase option plans

The main characteristics of share purchase option plans and changes having occurred during the year are as follows:

| Grant date | Number of options granted (1) | Exercise price (EUR) (2) | Vesting period of rights | Number of options exercised in 2009 (2) | Number of options expired in 2009 (2) | Number of options to be exercised as of Dec. 31, 2009 (2) |
|---|---|---|---|---|---|---|
| January 20, 1999 | 320,059 | 32.10 | 3 years | 70,385 | 21,065 | - |
| September 16, 1999 | 44,000 | 54.65 | " | 150,000 | - | - |
| January 19, 2000 | 376,110 | 80.10 | " | - | 22,350 | 1,564,450 |
| January 23, 2001 | 2,649,075 | 65.12 | " | 120,550 | 17,500 | 1,684,615 |
| March 6, 2001 | 40,000 | 63.53 | " | 10,000 | - | 20,000 |
| May 14, 2001 | 1,105,877 | 66.00 | 4 years | - | 478,319 | - |
| May 14, 2001 | 552,500 | 61.77 | 3 years | 100,000 | - | 452,500 |
| September 12, 2001 | 50,000 | 52.48 | " | - | - | 50,000 |
| January 22, 2002 | 3,256,700 | 43.30 | " | 41,520 | 13,850 | 1,821,824 |
| January 22, 2002 | 27,400 | 45.70 | " | - | - | 5,750 |
| May 15, 2002 | 8,560 | 54.83 | " | - | - | 5,560 |
| January 22, 2003 | 3,155,225 | 37.00 | " | 197,847 | 15,550 | 966,213 |
| January 22, 2003 | 58,500 | 38.73 | " | 200 | - | 32,200 |
| | | | | **690,502** | **568,634** | **6,603,112** |

*(1) Number of options on the plan commencement date not restated for adjustments relating to the one-for-ten bonus share allocations of June 1999 and for the five-for-one stock split in July 2000.*
*(2) Restated following the operations referred to in (1) above.*

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

| | 2009 | | 2008 | | 2007 | |
|---|---|---|---|---|---|---|
| | Number | Weighted average exercise price (EUR) | Number | Weighted average exercise price (EUR) | Number | Weighted average exercise price (EUR) |
| **Share purchase options outstanding as of January 1** | **7,862,248** | **57.73** | **8,253,029** | **56.74** | **12,635,926** | **51.36** |
| Expired options | (568,634) | 63.93 | (112,555) | 41.35 | (544,795) | 56.24 |
| Options exercised during the period | (690,502) | 49.59 | (278,226) | 35.20 | (3,838,102) | 39.06 |
| **Share purchase options outstanding as of December 31** | **6,603,112** | **58.05** | **7,862,248** | **57.73** | **8,253,029** | **56.74** |

### 15.3 Bonus share plans

The main characteristics of bonus share plans and changes having occurred during the year are as follows:

| Grant date | Number of shares allocated initially | Vesting periods of rights | Expired allocations in 2009 | Shares vested in 2009 | Non-vested shares as of Dec. 31, 2009 |
|---|---|---|---|---|---|
| May 10, 2007 | 152,076 | 2 years | 3,492 | 144,995 | - |
| May 15, 2008 | 162,972 | " | 4,242 | 2,284 | 156,446 |
| May 14, 2009 | 311,209 | " | 1,525 | 2,333 | 307,351 |
| July 29, 2009 | 833 | " | - | - | 833 |
| | | | **9,259** | **149,612** | **464,630** |

The number of non-vested shares allocated changed as follows during the period:

| *(number of shares)* | 2009 | 2008 | 2007 |
|---|---|---|---|
| **Non-vested shares as of January 1** | **311,459** | **311,504** | **261,448** |
| Allocations of non-vested shares during the year | 312,042 | 162,972 | 152,076 |
| Shares vested during the year | (149,612) | (154,090) | (93,059) |
| Expired allocations during the year | (9,259) | (8,927) | (8,961) |
| **Non-vested shares as of December 31** | **464,630** | **311,459** | **311,504** |

Existing shares were remitted in settlement of the totality of bonus shares vested during the period.

## 15.4 Cash-settled compensation plans index-linked to the change in LVMH share price

The plans in force as of December 31, by type and number of equivalent share-based plans, together with the provision recognized in the year-end balance sheet, break down as follows:

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| **Type of plan** *(in equivalent number of shares):* | | | |
| Share purchase option plan | 113,500 | 322,945 | 334,220 |
| Bonus share plan | 136,538 | 147,511 | 96,818 |
| **Provision as of December 31** *(EUR millions)* | **10** | **4** | **11** |

## 15.5 Expense for the period

| *(EUR millions)* | 2009 | 2008 | 2007 |
|---|---|---|---|
| Share subscription and purchase option plans, bonus share plans | 46 | 44 | 43 |
| Cash-settled share-based compensation plans index-linked to the change in the LVMH share price | 7 | (6) | 3 |
| **Expense for the period** | **53** | **38** | **46** |

In 2007, 2008 and 2009 all plans which had not yet vested as of January 1, 2004, the date of transition to IFRS, and as of dates of the balance sheets presented above, are taken into account.

In the calculation presented above, the unit value of each option plan is determined on the basis of the Black & Scholes method, as described in Note 1.25. The assumptions and criteria retained for this calculation are as follows:

| | 2009 Plans | 2008 Plans | 2007 Plans |
|---|---|---|---|
| LVMH share price on the grant date *(EUR)* | 57.28 | 75.01 | 86.67 |
| Average exercise price *(EUR)* | 56.50 | 72.51 | 86.12 |
| Volatility of LVMH shares | 37.0% | 27.5% | 24.0% |
| Dividend distribution rate | 2.8% | 2.4% | 2.0% |
| Risk-free investment rate | 2.7% | 4.1% | 4.4% |
| Vesting period | 4 years | 4 years | 4 years |
| Performance conditions fulfilled at end of vesting period | Yes | n.a. | n.a. |

The volatility of LVMH's shares is determined on the basis of their implicit volatility.

The average unit values of share subscription options and bonus shares allocated in 2009 are 17.10 euros and 54.12 euros, respectively.

## 16. MINORITY INTERESTS

| (EUR millions) | 2009 | 2008 (1) | 2007 (1) |
|---|---|---|---|
| **As of January 1** | **989** | **937** | **990** |
| Minority interests' share of net profit | 218 | 292 | 306 |
| Dividends paid to minority interests | (176) | (188) | (156) |
| Changes in the scope of consolidation: | | | |
| consolidation of Royal Van Lent | - | 14 | - |
| acquisition of minority interests in Fendi | - | - | (27) |
| consolidation of Wen Jun | - | - | 9 |
| other changes in the scope of consolidation | 3 | 6 | 3 |
| Total changes in the scope of consolidation | 3 | 20 | (15) |
| Capital increases subscribed by minority interests | 11 | 4 | 1 |
| Minority interests' share in gains and losses recognized in equity (see below for details) | (29) | 60 | (67) |
| Minority interests' share in stock option plan expenses | 3 | 3 | 4 |
| Effects of purchase commitments for minority interests | (30) | (139) | (126) |
| **As of December 31** | **989** | **989** | **937** |

*(1) See Note 1.2 Application of IAS 38 as amended.*

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

| (EUR millions) | Cumulative translation adjustment | Hedges of future foreign currency cash flows | Vineyard land | Total share of minority interests |
|---|---|---|---|---|
| **As of December 31, 2006** | **(43)** | **8** | **91** | **56** |
| Changes for the year | (86) | 7 | 12 | (67) |
| **As of December 31, 2007** | **(129)** | **15** | **103** | **(11)** |
| Changes for the year | 45 | (8) | 23 | 60 |
| **As of December 31, 2008** | **(84)** | **7** | **126** | **49** |
| Changes for the year | (24) | 2 | (7) | (29) |
| **As of December 31, 2009** | **(108)** | **9** | **119** | **20** |

# 17. BORROWINGS

## 17.1 Net financial debt

| (EUR millions) | 2009 | 2008 | 2007 |
|---|---|---|---|
| Long term borrowings | 4,077 | 3,738 | 2,477 |
| Short term borrowings | 1,708 | 1,847 | 3,138 |
| **Gross amount of borrowings** | **5,785** | **5,585** | **5,615** |
| Interest rate risk derivatives | (89) | (70) | (51) |
| Other derivatives | 6 | (4) | - |
| **Borrowings net of derivatives** | **5,702** | **5,511** | **5,564** |
| Current available for sale financial assets | (218) | (590) | (879) |
| Other current financial assets | (44) | (39) | (32) |
| Cash and cash equivalents | (2,446) | (1,013) | (1,559) |
| **Net financial debt** | **2,994** | **3,869** | **3,094** |

Net financial debt does not take into consideration purchase commitments for minority interests included in "Other non-current liabilities" (see Note 19).

## 17.2 Breakdown by nature

| (EUR millions) | 2009 | 2008 | 2007 |
|---|---|---|---|
| Bonds and EMTNs | 3,425 | 2,735 | 2,169 |
| Finance and other long term leases | 121 | 128 | 117 |
| Bank borrowings | 531 | 875 | 191 |
| **Long term borrowings** | **4,077** | **3,738** | **2,477** |
| Bonds and EMTNs | 723 | 127 | 791 |
| Finance and other long term leases | 23 | 23 | 18 |
| Bank borrowings | 135 | 126 | 117 |
| Commercial paper | 200 | 717 | 1,086 |
| Other borrowings and credit facilities | 352 | 492 | 583 |
| Bank overdrafts | 172 | 295 | 472 |
| Accrued interest | 103 | 67 | 71 |
| **Short term borrowings** | **1,708** | **1,847** | **3,138** |
| **Total borrowings** | **5,785** | **5,585** | **5,615** |
| **Fair value of gross borrowings** | **5,979** | **5,697** | **5,603** |

No amount of financial debt had been recognized in accordance with the fair value option as of December 31, 2009 and 2008 (amount of 290 million euros as of December 31, 2007). See Note 1.18.

## 17.3 Bonds and EMTNs

| (EUR millions) | Maturity | Initial effective interest rate [1] (%) | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| EUR 1,000,000,000; 2009 | 2014 | 4.52 | 998 | - | - |
| CHF 200,000,000; 2008 | 2015 | 4.04 | 135 | 135 | - |
| CHF 200,000,000; 2008 | 2011 | 3.69 | 135 | 135 | - |
| EUR 760,000,000; 2005 and 2008 [2] | 2012 | 3.76 | 752 | 749 | 598 |
| CHF 300,000,000; 2007 | 2013 | 3.46 | 206 | 206 | 185 |
| EUR 600,000,000; 2004 | 2011 | 4.74 | 611 | 609 | 604 |
| EUR 750,000,000; 2003 [3] | 2010 | 5.05 | 723 | 742 | 742 |
| EUR 500,000,000; 2001 | 2008 | 6.27 | - | - | 502 |
| **Public bond issues** | | | **3,560** | **2,576** | **2,631** |
| EUR 250,000,000; 2009 | 2015 | 4.59 | 251 | - | - |
| EUR 150,000,000; 2009 | 2017 | 4.81 | 149 | - | - |
| Other private placements in euros | | | - | - | 289 |
| Private placements in foreign currencies | | | 188 | 286 | 40 |
| **Private placements (EMTNs)** | | | **588** | **286** | **329** |
| **Total bonds and EMTNs** | | | **4,148** | **2,862** | **2,960** |

*(1) Before impact of interest rate hedges set up at the time of, or subsequent to, each issuance.*
*(2) Accumulated amounts and weighted average initial effective interest rate for a 600 million euros bond issued in 2005 at an initial effective interest rate of 3.43%, which was supplemented in 2008 by an amount of 160 million euros issued at an effective rate of 4.99%.*
*(3) The nominal amount of this bond issue was reduced by 35 million euros thanks to buy-backs and subsequent cancellations.*

## 17.4 Analysis of gross borrowings by payment date and by type of interest rate

| (EUR millions) | | Gross borrowings | | | Effects of derivatives | | | Gross borrowings after derivatives | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Fixed rate | Floating rate | Total | Fixed rate | Floating rate | Total | Fixed rate | Floating rate | Total |
| **Maturity:** | 2010 | 1,563 | 145 | 1,708 | (644) | 623 | (21) | 919 | 768 | 1,687 |
| | 2011 | 812 | 117 | 929 | (81) | 58 | (23) | 731 | 175 | 906 |
| | 2012 | 787 | 77 | 864 | 9 | 4 | 13 | 796 | 81 | 877 |
| | 2013 | 381 | 182 | 563 | 91 | (130) | (39) | 472 | 52 | 524 |
| | 2014 | 1,163 | - | 1,163 | (1,152) | 1,143 | (9) | 11 | 1,143 | 1,154 |
| | Thereafter | 557 | 1 | 558 | (400) | 396 | (4) | 157 | 397 | 554 |
| **Total** | | **5,263** | **522** | **5,785** | **(2,177)** | **2,094** | **(83)** | **3,086** | **2,616** | **5,702** |

See Note 21.4 regarding fair value of interest rate risk derivatives.

The breakdown by quarter of the amount falling due in 2010 is as follows:

| *(EUR millions)* | Falling due in 2010 |
|---|---|
| First quarter | 741 |
| Second quarter | 847 |
| Third quarter | 21 |
| Fourth quarter | 99 |
| **Total** | **1,708** |

### 17.5 Analysis of gross borrowings by currency after hedging

| *(EUR millions)* | 2009 | 2008 | 2007 |
|---|---|---|---|
| Euro | 4,317 | 3,984 | 4,110 |
| US dollar | 172 | 145 | 217 |
| Swiss franc | 806 | 806 | 666 |
| Japanese yen | 235 | 383 | 296 |
| Other currencies | 172 | 193 | 275 |
| **Total** | **5,702** | **5,511** | **5,564** |

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

### 17.6 Sensitivity

On the basis of debt as of December 31, 2009:

- an instantaneous increase of 1 point in the yield curves of the Group's debt currencies would raise the cost of net financial debt by 26 million euros after hedging, and would lower the fair value of gross fixed-rate borrowings by 43 million euros after hedging;
- an instantaneous decline of 1 point in these same yield curves would lower the cost of net financial debt by 26 million euros after hedging, and would raise the fair value of gross fixed-rate borrowings by 43 million euros after hedging.

These changes would have no impact on the amount of equity as of December 31, 2009, due to the absence of hedging of future interest payments.

### 17.7 Covenants

In connection with certain long-term loan agreements, the Group has undertaken to comply with a financial covenant based on a ratio of net financial debt to total equity.

The current level of this ratio is very far from its contractual level, which means that the Group has a high degree of financial flexibility with regard to this commitment.

### 17.8 Undrawn confirmed credit lines

As of December 31, 2009, unused confirmed credit lines totaled 3.8 billion euros.

### 17.9 Guarantees and collateral

As of December 31, 2009, borrowings hedged by collateral were less than 200 million euros.

## 18. PROVISIONS

| *(EUR millions)* | 2009 | 2008 | 2007 |
|---|---|---|---|
| Provisions for pensions, medical costs and similar commitments | 240 | 230 | 237 |
| Provisions for contingencies and losses | 725 | 707 | 712 |
| Provisions for reorganization | 25 | 34 | 27 |
| **Non-current provisions** | **990** | **971** | **976** |
| Provisions for pensions, medical costs and similar commitments | 8 | 6 | 5 |
| Provisions for contingencies and losses | 242 | 229 | 228 |
| Provisions for reorganization | 84 | 71 | 63 |
| **Current provisions** | **334** | **306** | **296** |
| **Total** | **1,324** | **1,277** | **1,272** |

In 2009, the changes in provisions were as follows:

| *(EUR millions)* | 2008 | Increases | Amounts used | Amounts released | Changes in the scope of consolidation | Other items (including translation adjustment) | 2009 |
|---|---|---|---|---|---|---|---|
| Provisions for pensions, medical costs and similar commitments | **236** | 61 | (59) | - | - | 10 | **248** |
| Provisions for contingencies and losses | **936** | 178 | (87) | (59) | 10 | (11) | **967** |
| Provisions for reorganization | **105** | 61 | (44) | (4) | - | (9) | **109** |
| **Total** | **1,277** | **300** | **(190)** | **(63)** | **10** | **(10)** | **1,324** |
| Of which: profit from recurring operations | | 154 | (126) | (31) | | | |
| net financial income (expense) | | - | - | - | | | |
| other | | 146 | (64) | (32) | | | |

Provisions for pensions, medical costs and similar commitments are examined in Note 28.

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

## 19. OTHER NON-CURRENT LIABILITIES

| *(EUR millions)* | 2009 | 2008 | 2007 |
|---|---|---|---|
| Purchase commitments for minority interests | 2,841 | 2,963 | 3,862 |
| Derivatives | 22 | 27 | 20 |
| Employee profit sharing [(1)] | 80 | 88 | 109 |
| Other liabilities | 146 | 175 | 156 |
| **Total** | **3,089** | **3,253** | **4,147** |

*(1) French companies only, pursuant to legal provisions.*

As of December 31, 2009, 2008 and 2007 purchase commitments for minority interests mainly include the put option granted to Diageo plc for its 34% share in Moët Hennessy, with six-month's advance notice and for 80% of its market value at the exercise date of the commitment. With regard to this commitment valuation, the market value was determined by applying the share price multiples of comparable firms to Moët Hennessy's consolidated operating results.

Purchase commitments for minority interests also include commitments relating to minority shareholders in Benefit (20%), Royal Van Lent (10%) and subsidiaries of Sephora in various countries.

The market value of the other non-current liabilities is identical to their carrying amount.

## 20. OTHER CURRENT LIABILITIES

| *(EUR millions)* | 2009 | 2008 | 2007 |
|---|---|---|---|
| Derivatives | 92 | 166 | 27 |
| Employees and social institutions | 581 | 562 | 514 |
| Employee profit sharing (1) | 67 | 66 | 39 |
| Taxes other than income taxes | 252 | 245 | 234 |
| Advances and payments on account from customers | 228 | 203 | 77 |
| Deferred payment for tangible and financial non-current assets | 186 | 170 | 271 |
| Deferred income | 61 | 69 | 49 |
| Other | 407 | 385 | 341 |
| **Total** | **1,874** | **1,866** | **1,552** |

*(1) French companies only, pursuant to legal provisions.*

The market value of the other current liabilities is identical to their carrying amount.

Derivatives are analyzed in Note 21.

## 21. FINANCIAL INSTRUMENTS AND MARKET RISK MANAGEMENT

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

### 21.1 Foreign exchange, interest rate and equity market risk management

The management of foreign exchange, interest rate and equity market risks and of transactions involving financial instruments is centralized.

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

These activities are organized based on a strict 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.

## 21.2 Presentation of financial instruments in the balance sheet

**Breakdown of financial assets and liabilities according to the measurement categories defined by IAS 39, and fair value**

| *(EUR millions)* | Notes | 2009 | | 2008 | | 2007 | |
|---|---|---|---|---|---|---|---|
| | | Balance sheet value | Fair value | Balance sheet value | Fair value | Balance sheet value | Fair value |
| Non-current available for sale financial assets | 8 | 540 | 540 | 375 | 375 | 823 | 823 |
| Current available for sale financial assets | 11 | 218 | 218 | 590 | 590 | 879 | 879 |
| Available for sale financial assets (see Note 1.13) | | 758 | 758 | 965 | 965 | 1,702 | 1,702 |
| Other non-current assets, excluding derivatives | | 624 | 624 | 648 | 648 | 562 | 562 |
| Trade accounts receivable | 10 | 1,455 | 1,455 | 1,650 | 1,650 | 1,595 | 1,595 |
| Other current assets, excluding derivatives, available for sale financial assets and prepaid expenses | 11 | 522 | 522 | 658 | 658 | 578 | 578 |
| Loans and receivables (see Note 1.15) | | 2,601 | 2,601 | 2,956 | 2,956 | 2,735 | 2,735 |
| Cash and cash equivalents (see Note 1.16) | 13 | 2,446 | 2,446 | 1,013 | 1,013 | 1,559 | 1,559 |
| **Financial assets, excluding derivatives** | | **5,805** | **5,805** | **4,934** | **4,934** | **5,996** | **5,996** |
| Long term borrowings | 17 | 4,077 | 4,269 | 3,738 | 3,848 | 2,477 | 2,464 |
| Short term borrowings | 17 | 1,708 | 1,710 | 1,847 | 1,849 | 3,138 | 3,139 |
| Trade accounts payable | | 1,911 | 1,911 | 2,292 | 2,292 | 2,095 | 2,095 |
| Other non-current liabilities, excluding derivatives and purchase commitments for minority interests | 19 | 226 | 226 | 263 | 263 | 265 | 265 |
| Other current liabilities, excluding derivatives and deferred income | 20 | 1,721 | 1,721 | 1,631 | 1,631 | 1,476 | 1,476 |
| **Financial liabilities, excluding derivatives (see Note 1.18)** | | **9,643** | **9,837** | **9,771** | **9,883** | **9,451** | **9,439** |
| **Derivatives (see Note 1.19)** | **21.3** | **314** | **314** | **265** | **265** | **288** | **288** |

Fair value may be considered as nearly equivalent to market value, the latter being defined as the price that an informed third party acting freely would be willing to pay or receive for the asset or liability in question.

### Breakdown of financial assets and liabilities measured at fair value by measurement method

| *(EUR millions)* | 2009 | | | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Available for sale assets | Derivatives | Cash and cash equivalents | Available for sale assets | Derivatives | Cash and cash equivalents | Available for sale assets | Derivatives | Cash and cash equivalents |
| Valuation based on: | | | | | | | | | |
| Published price quotations | 356 | - | 2,446 | 266 | - | 1,013 | 517 | - | 1,559 |
| Formula based on market data | 212 | 428 | - | 471 | 458 | - | 601 | 335 | - |
| Private quotations | 190 | - | - | 199 | - | - | 234 | - | - |
| Other [(1)] | - | - | - | 29 | - | - | 350 | - | - |
| **Assets** | **758** | **428** | **2,446** | **965** | **458** | **1,013** | **1,702** | **335** | **1,559** |
| Valuation based on: | | | | | | | | | |
| Published price quotations | | - | | | - | | | - | |
| Formula based on market data | | 114 | | | 193 | | | 47 | |
| Private quotations | | - | | | - | | | - | |
| **Liabilities** | | **114** | | | **193** | | | **47** | |

*(1) Those amounts correspond to the acquisition price of Montaudon as of December 31, 2008 and to the acquisition price of the Les Echos group as of December 31, 2007.*

The amount of financial assets valued on the basis on non-observable market data changed as follows in 2009:

| *(EUR millions)* | 2009 |
|---|---|
| **As of January 1** | **199** |
| Purchases | 10 |
| Proceeds from disposals (at net realized value) | (33) |
| Gains and losses recognized in income statement | 18 |
| Gains and losses recognized in equity | (4) |
| **As of December 31** | **190** |

## 21.3 Summary of derivatives

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

| *(EUR millions)* | | Notes | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| **Interest rate risk** | | | | | |
| Assets: | non-current | | 46 | 36 | 18 |
| | current | | 90 | 80 | 73 |
| Liabilities: | non-current | | (21) | (25) | (20) |
| | current | | (26) | (21) | (20) |
| | | **21.4** | **89** | **70** | **51** |
| **Foreign exchange risk** | | | | | |
| Assets: | non-current | | 6 | 17 | 6 |
| | current | | 211 | 185 | 238 |
| Liabilities: | non-current | | (1) | (2) | - |
| | current | | (56) | (70) | (7) |
| | | **21.5** | **160** | **130** | **237** |
| **Other risks** | | | | | |
| Assets: | non-current | | 74 | 140 | - |
| | current | | 1 | - | - |
| Liabilities: | non-current | | - | - | - |
| | current | | (10) | (75) | - |
| | | | **65** | **65** | **-** |
| **Total** | | | | | |
| Assets: | non-current | | 126 | 193 | 24 |
| | current | **11** | 302 | 265 | 311 |
| Liabilities: | non-current | **19** | (22) | (27) | (20) |
| | current | **20** | (92) | (166) | (27) |
| | | | **314** | **265** | **288** |

## 21.4 Derivatives used to manage interest rate risk

The Group manages its interest rate exposure on the basis of total net financial debt. The objective of its management policy is to protect profit against a sharp rise in interest rates.

As such, the Group uses interest rate swaps and options (caps and floors).

Derivatives used to manage interest rate risk outstanding as of December 31, 2009 break down as follows:

| *(EUR millions)* | Nominal amounts by maturity | | | | Fair value (1) | | |
|---|---|---|---|---|---|---|---|
| | 2010 | 2011 to 2014 | Beyond 2014 | Total | Fair value hedges | Unallocated amounts | Total |
| Interest rate swaps in euros: | | | | | | | |
| - fixed rate payer | 300 | 591 | - | 891 | (19) | (11) | (30) |
| - floating rate payer | 950 | 1,752 | 400 | 3,102 | 119 | - | 119 |
| Foreign currency swaps | 100 | 217 | - | 317 | - | - | - |
| **Total** | | | | | **100** | **(11)** | **89** |

*(1) Gain/(Loss).*

## 21.5 Derivatives used to manage foreign exchange risk

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

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 euro zone, in order to limit the impact of foreign currency fluctuations against the euro on consolidated equity.

Derivatives used to manage foreign exchange risk outstanding as of December 31, 2009 break down as follows:

| | Nominal amounts by fiscal year of allocation | | | Fair value (1) | | | | |
|---|---|---|---|---|---|---|---|---|
| *(EUR millions)* | 2009 | 2010 | Total | Future cash flow hedges | Fair value hedges | Foreign currency net asset hedges | Not allocated | Total |
| **Options purchased** | | | | | | | | |
| Put USD | 18 | 239 | 257 | 6 | 1 | - | 1 | 8 |
| Put JPY | 3 | - | 3 | - | - | - | - | - |
| Other | 21 | 39 | 60 | 1 | - | - | 1 | 2 |
| | **42** | **278** | **320** | **7** | **1** | **-** | **2** | **10** |
| **Ranges** | | | | | | | | |
| Written USD | 216 | 1,435 | 1,651 | 103 | 7 | - | 11 | 121 |
| Written JPY | 3 | 446 | 449 | 30 | - | - | 1 | 31 |
| | **219** | **1,881** | **2,100** | **133** | **7** | **-** | **12** | **152** |
| **Forward exchange contracts (2)** | | | | | | | | |
| USD | 222 | (7) | 215 | 2 | (3) | - | 1 | - |
| JPY | 42 | - | 42 | - | 1 | - | 3 | 4 |
| GBP | (3) | (6) | (9) | - | - | - | - | - |
| Other | 11 | 51 | 62 | - | - | - | - | - |
| | **272** | **38** | **310** | **2** | **(2)** | **-** | **4** | **4** |
| **Foreign exchange swaps (2)** | | | | | | | | |
| CHF | 247 | - | 247 | - | - | - | (6) | (6) |
| USD | 11 | - | 11 | - | - | (40) | 42 | 2 |
| JPY | 94 | - | 94 | - | - | (1) | 2 | 1 |
| Other | 115 | - | 115 | - | - | - | (3) | (3) |
| | **467** | **-** | **467** | **-** | **-** | **(41)** | **35** | **(6)** |
| **Total** | | | | **142** | **6** | **(41)** | **53** | **160** |

*(1) Gain/(Loss).*
*(2) Sale/(Purchase).*

The impact on income statement of gains and losses on hedges of future cash flows as well as the future cash flows hedged, using these instruments, will be recognized in 2010.

The impacts on the net profit for fiscal year 2009 of a variation of 10% in the value of the US dollar and the Japanese yen with respect to the euro including impact of foreign currency hedges, would have been as follows:

| *(EUR millions)* | US dollar | | Japanese yen | |
|---|---|---|---|---|
| | +10% | - 10% | +10% | - 10% |
| Impact of: | | | | |
| - change in collection rates of foreign currency-denominated sales | 43 | (25) | (5) | (7) |
| - conversion to euros of net profit of entities outside the euro zone | 21 | (21) | 12 | (12) |
| **Impact on net profit** | **64** | **(46)** | **7** | **(19)** |

The data presented in the table above should be assessed on the basis of the characteristics of the hedging instruments outstanding in fiscal year 2009, mainly comprising options and ranges.

As of December 31, 2009, forecast cash collections for 2010 in US dollars and Japanese yen are hedged in the proportion of 79% and 85%, respectively.

The Group's net equity (excluding net profit) exposure to foreign currency fluctuations as of December 31, 2009 is assessed by measuring the effect of a change of 10% in the value of the US dollar, the Japanese yen and the Swiss franc from their values as of this date:

| *(EUR millions)* | US dollar | | Japanese yen | | Swiss franc | |
|---|---|---|---|---|---|---|
| | +10% | - 10% | +10% | - 10% | +10% | - 10% |
| Conversion to euro of foreign-currency denominated net assets | 531 | (531) | 48 | (48) | 148 | (148) |
| Impact on market value of net investment hedges, after tax | (162) | 133 | (9) | 7 | (87) | 71 |
| **Net impact of equity, excluding net profit** | **369** | **(398)** | **39** | **(41)** | **61** | **(77)** |

## 21.6 Financial instruments used to manage equity risk

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 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, or to hedge cash-settled compensation plans index-linked to the LVMH share price. The carrying amount of these unlisted financial instruments corresponds to the estimate of the amount, provided by the counterparty, of the valuation at the balance sheet date. The valuation of financial instruments thus takes into consideration market parameters such as interest rates, share prices and volatility. Considering nominal values of 1 billion euros for those derivatives, a uniform variation of 1% in their underlying assets' share prices as of December 31, 2009 would induce a net impact on the Group's profit for an amount of 11 million euros. Derivatives used to manage equity risk outstanding as of December 31, 2009 had a positive fair value of 65 million euros. Most of these instruments mature in 2010 and 2011.

## 21.7 Liquidity risk

In addition to local liquidity risks, which are generally immaterial, the Group's exposure to liquidity risk can be assessed in relation to the amount of its short-term borrowings excluding derivatives, net of cash and cash equivalents, which is zero as of December 31, 2009, or through the outstanding amount of its commercial paper program (0.2 billion euros). Should any of these instruments not be renewed, the Group has access to undrawn confirmed credit lines totalling 3.8 billion euros.

The Group's liquidity is based on the amount of its investments and long term borrowings, the diversity of its investor base (bonds and short term paper), and the quality of its banking relationships, whether evidenced or not by confirmed lines of credit.

The following table presents the contractual schedule of disbursements for financial liabilities (excluding derivatives) recognized as of December 31, 2009, at nominal value and with interest, excluding discounting effects:

| *(EUR millions)* | **2010** | **2011** | **2012** | **2013** | **2014** | **Over 5 years** | **Total** |
|---|---|---|---|---|---|---|---|
| Bonds and EMTNs | 866 | 890 | 857 | 437 | 1,045 | 559 | 4,654 |
| Bank borrowings | 142 | 152 | 114 | 140 | 165 | 6 | 719 |
| Other borrowings and credit facilities | 358 | - | - | - | - | - | 358 |
| Finance and other long term leases | 29 | 21 | 18 | 17 | 15 | 336 | 436 |
| Commercial paper | 200 | - | - | - | - | - | 200 |
| Bank overdrafts | 172 | - | - | - | - | - | 172 |
| **Gross financial debt** | **1,767** | **1,063** | **989** | **594** | **1,225** | **901** | **6,539** |
| Other financial liabilities (1) | 1,734 | 14 | 13 | 18 | 20 | 148 | 1,947 |
| Trade accounts payable | 1,911 | - | - | - | - | - | 1,911 |
| **Trade accounts payable** | **3,645** | **14** | **13** | **18** | **20** | **148** | **3,858** |
| **Total financial liabilities** | **5,412** | **1,077** | **1,002** | **612** | **1,245** | **1,049** | **10,397** |

*(1) Corresponds to Other current liabilities (excluding derivatives and deferred income) for 1,721 million euros and to Other non-current liabilities (excluding derivatives and purchase commitments for minority interests) for 226 million euros, see Note 21.2.*

See Note 29.3 regarding contractual maturity dates of collateral and other guarantees commitments.

See Notes 21.4 and 21.5 regarding foreign exchange derivatives and Notes 17.4 and 21.4 regarding interest rate risk derivatives.

## 22. 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, Watches and Jewelry – comprise brands relating to the same category of products that use similar production and distribution processes. The Selective Retailing business group comprises the Group's own-label retailing activities. Other and holding companies comprise brands and other activities that are not associated with any of the abovementioned groups, most often relating to the Group's new businesses and holding or real estate companies.

## 22.1 Information by business group

### Fiscal year 2009

| *(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 [(1)] | Total |
|---|---|---|---|---|---|---|---|---|
| Sales outside the Group | 2,732 | 6,274 | 2,520 | 752 | 4,517 | 258 | - | 17,053 |
| Sales between business groups | 8 | 28 | 221 | 12 | 16 | 20 | (305) | - |
| **Total revenue** | **2,740** | **6,302** | **2,741** | **764** | **4,533** | **278** | **(305)** | **17,053** |
| Profit from recurring operations | 760 | 1,986 | 291 | 63 | 388 | (135) | (1) | 3,352 |
| Other operating income and expenses | (41) | (71) | (17) | (32) | (19) | (13) | 2 | (191) |
| Operating investments [(2)] | 96 | 284 | 96 | 26 | 182 | 90 | - | 774 |
| Depreciation and amortization expenses | 92 | 268 | 99 | 27 | 175 | 40 | - | 701 |
| Impairment expense | - | 20 | 20 | - | 5 | 11 | - | 56 |
| Brands, trade names, licenses and goodwill [(3)] | 2,254 | 4,612 | 918 | 1,450 | 2,522 | 897 | - | 12,653 |
| Inventories | 3,548 | 701 | 226 | 369 | 738 | 128 | (66) | 5,644 |
| Other operating assets | 2,540 | 1,855 | 644 | 257 | 1,342 | 2,389 | 4,782 [(4)] | 13,809 |
| **Total assets** | **8,342** | **7,168** | **1,788** | **2,076** | **4,602** | **3,414** | **4,716** | **32,106** |
| Equity | - | - | - | - | - | - | 14,785 | 14,785 |
| Operating liabilities | 1,013 | 1,137 | 805 | 176 | 1,001 | 614 | 12,575 [(5)] | 17,321 |
| **Total liabilities and equity** | **1,013** | **1,137** | **805** | **176** | **1,001** | **614** | **27,360** | **32,106** |

### Fiscal year 2008

| *(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 [(1)] | Total |
|---|---|---|---|---|---|---|---|---|
| Sales outside the Group | 3,117 | 5,976 | 2,665 | 863 | 4,361 | 211 | - | 17,193 |
| Sales between business groups | 9 | 34 | 203 | 16 | 15 | 17 | (294) | - |
| **Total revenue** | **3,126** | **6,010** | **2,868** | **879** | **4,376** | **228** | **(294)** | **17,193** |
| Profit from recurring operations | 1,060 | 1,927 | 290 | 118 | 388 | (136) | (19) | 3,628 |
| Other operating income and expenses | 13 | (61) | (28) | (1) | (28) | (38) | - | (143) |
| Operating investments [(2)] | 157 | 338 | 146 | 39 | 228 | 160 | - | 1,068 |
| Depreciation and amortization expenses | 75 | 236 | 111 | 23 | 148 | 35 | - | 628 |
| Impairment expense | - | 20 | - | - | - | 11 | - | 31 |
| Brands, trade names, licenses and goodwill [(3)] [(6)] | 2,070 | 4,651 | 931 | 1,434 | 2,630 | 903 | - | 12,619 |
| Inventories [(6)] | 3,406 | 850 | 292 | 400 | 776 | 109 | (69) | 5,764 |
| Other operating assets [(6)] | 2,564 | 1,945 | 725 | 317 | 1,390 | 2,431 | 3,728 [(4)] | 13,100 |
| **Total assets** | **8,040** | **7,446** | **1,948** | **2,151** | **4,796** | **3,443** | **3,659** | **31,483** |
| Equity [(6)] | - | - | - | - | - | - | 13,793 | 13,793 |
| Operating liabilities | 1,069 | 1,141 | 883 | 189 | 1,111 | 690 | 12,607 [(5)] | 17,690 |
| **Total liabilities and equity** | **1,069** | **1,141** | **883** | **189** | **1,111** | **690** | **26,400** | **31,483** |

### Fiscal year 2007

Since the Samaritaine department store was reclassified in 2008 from Selective Retailing to Other activities and holding companies, 2007 data was restated in order to facilitate comparison with 2008 data.

| *(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 (1) | Total |
|---|---|---|---|---|---|---|---|---|
| Sales outside the Group | 3,220 | 5,591 | 2,563 | 818 | 4,152 | 137 | - | 16,481 |
| Sales between business groups | 6 | 37 | 168 | 15 | 12 | 6 | (244) | - |
| **Total revenue** | **3,226** | **5,628** | **2,731** | **833** | **4,164** | **143** | **(244)** | **16,481** |
| Profit from recurring operations | 1,058 | 1,829 | 256 | 141 | 426 | (141) | (14) | 3,555 |
| Other operating income and expenses | (4) | (18) | (17) | (3) | (12) | (72) | - | (126) |
| Operating investments (2) | 199 | 241 | 116 | 28 | 242 | 174 | - | 1,000 |
| Depreciation and amortization expenses | 71 | 210 | 103 | 21 | 122 | 27 | - | 554 |
| Impairment expense | - | - | - | 1 | - | 10 | - | 11 |
| Brands, trade names, licenses and goodwill (3) (6) | 3,192 | 4,887 | 928 | 979 | 2,525 | 45 | - | 12,556 |
| Inventories (6) | 3,034 | 622 | 262 | 268 | 626 | 45 | (48) | 4,809 |
| Other operating assets (6) (7) | 2,415 | 1,737 | 629 | 265 | 1,329 | 2,038 | 4,512 (4) | 12,925 |
| **Total assets** | **8,641** | **7,246** | **1,819** | **1,512** | **4,480** | **2,128** | **4,464** | **30,290** |
| Equity (6) | - | - | - | - | - | - | 12,434 | 12,434 |
| Operating liabilities (7) | 1,064 | 977 | 833 | 155 | 1,010 | 501 | 13,316 (5) | 17,856 |
| **Total liabilities and equity** | **1,064** | **977** | **833** | **155** | **1,010** | **501** | **25,750** | **30,290** |

*(1) Eliminations correspond to sales between business groups; these generally consist of sales from business groups other than Selective Retailing to Selective Retailing.*
*Selling prices between the different business groups correspond to the prices applied in the normal course of business for transactions involving wholesalers or distributors outside the Group.*
*(2) Operating investments correspond to amounts capitalized during the fiscal year rather than payments made during the fiscal year with respect to these investments.*
*(3) Brands, trade names, licenses, and goodwill correspond to the net carrying amounts shown under Notes 3 and 4.*
*(4) Assets not allocated include investments in associates, available for sale financial assets, other financial assets, and income tax receivables.*
*(5) Liabilities not allocated include borrowings and both current and deferred tax liabilities.*
*(6) See Note 1.2 Application of IAS 38 as amended.*
*(7) As of December 31, 2008, the figure shown for the Group's income tax liability with respect to the French tax consolidation structure was offset by advance payments made.*
*Other operating assets and liabilities as of December 31, 2007 were restated to facilitate comparison.*

## 22.2 Information by geographic region

Revenue by geographic region of delivery breaks down as follows:

| *(EUR millions)* | 2009 | 2008 | 2007 |
|---|---|---|---|
| France | 2,478 | 2,464 | 2,348 |
| Europe (excluding France) | 3,664 | 4,095 | 3,790 |
| United States | 3,840 | 3,925 | 4,124 |
| Japan | 1,683 | 1,779 | 1,856 |
| Asia (excluding Japan) | 3,850 | 3,404 | 3,044 |
| Other | 1,538 | 1,526 | 1,319 |
| **Revenue** | **17,053** | **17,193** | **16,481** |

Operating investments by geographic region are as follows:

| *(EUR millions)* | 2009 | 2008 | 2007 |
|---|---|---|---|
| France | 319 | 499 | 399 |
| Europe (excluding France) | 130 | 187 | 231 |
| United States | 106 | 164 | 199 |
| Japan | 18 | 18 | 32 |
| Asia (excluding Japan) | 149 | 141 | 94 |
| Other | 52 | 59 | 45 |
| **Operating investments** | **774** | **1,068** | **1,000** |

Operating investments correspond to the amounts capitalized during the fiscal year rather than payments made during the fiscal year.

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.

### 22.3 Quarterly information

Quarterly sales by business group break down as follows:

**Fiscal year 2009**

| *(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 | 540 | 1,598 | 663 | 154 | 1,085 | 62 | (84) | 4,018 |
| Second quarter | 539 | 1,390 | 622 | 192 | 1,042 | 68 | (60) | 3,793 |
| Third quarter | 682 | 1,549 | 686 | 187 | 1,040 | 68 | (77) | 4,135 |
| Fourth quarter | 979 | 1,765 | 770 | 231 | 1,366 | 80 | (84) | 5,107 |
| **Total 2009** | **2,740** | **6,302** | **2,741** | **764** | **4,533** | **278** | **(305)** | **17,053** |

**Fiscal year 2008**

| *(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 | 640 | 1,445 | 717 | 211 | 1,011 | 56 | (78) | 4,002 |
| Second quarter | 652 | 1,323 | 645 | 206 | 979 | 54 | (62) | 3,797 |
| Third quarter | 746 | 1,471 | 719 | 239 | 1,015 | 43 | (73) | 4,160 |
| Fourth quarter | 1,088 | 1,771 | 787 | 223 | 1,371 | 75 | (81) | 5,234 |
| **Total 2008** | **3,126** | **6,010** | **2,868** | **879** | **4,376** | **228** | **(294)** | **17,193** |

**Fiscal year 2007**

| *(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 | 689 | 1,347 | 663 | 189 | 937 | 41 | (62) | 3,804 |
| Second quarter | 625 | 1,254 | 601 | 201 | 947 | 35 | (55) | 3,608 |
| Third quarter | 759 | 1,420 | 697 | 199 | 987 | 30 | (58) | 4,034 |
| Fourth quarter | 1,153 | 1,607 | 770 | 244 | 1,293 | 37 | (69) | 5,035 |
| **Total 2007** | **3,226** | **5,628** | **2,731** | **833** | **4,164** | **143** | **(244)** | **16,481** |

## 23. REVENUE AND EXPENSES BY NATURE

### 23.1 Revenue

Revenue consists of the following:

| *(EUR millions)* | **2009** | 2008 | 2007 |
|---|---|---|---|
| Revenue generated by brands and trade names | 16,737 | 16,850 | 16,155 |
| Royalties and license revenue | 89 | 94 | 107 |
| Income from investment property | 75 | 66 | 39 |
| Other | 152 | 183 | 180 |
| **Total** | **17,053** | **17,193** | **16,481** |

## 23.2 Expenses by nature

Profit from recurring operations includes the following expenses:

| *(EUR millions)* | 2009 | 2008 | 2007 |
|---|---|---|---|
| Advertising and promotion expenses | 1,809 | 2,031 | 1,953 |
| Commercial lease expenses | 1,055 | 976 | 978 |
| Personnel costs | 3,175 | 3,055 | 2,716 |
| Research and development expenses | 45 | 43 | 46 |

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, 2009, a total of 2,423 stores were operated by the Group worldwide (2,314 in 2008, 2,048 in 2007), particularly by Fashion and Leather Goods and Selective Retailing.

In certain countries, leases for stores are contingent on the payment of minimum amounts in addition to a variable amount, especially for stores with lease payments indexed to revenue. The total lease expense for the Group's stores breaks down as follows:

| *(EUR millions)* | 2009 | 2008 | 2007 |
|---|---|---|---|
| Fixed or minimum lease payments | 487 | 417 | 402 |
| Variable portion of indexed leases | 178 | 175 | 176 |
| Airport concession fees – fixed portion or minimum amount | 244 | 221 | 204 |
| Airport concession fees – variable portion | 146 | 163 | 196 |
| **Commercial lease expenses for the period** | **1,055** | **976** | **978** |

Personnel costs consist of the following elements:

| *(EUR millions)* | 2009 | 2008 | 2007 |
|---|---|---|---|
| Salaries and social charges | 3,059 | 2,986 | 2,628 |
| Pensions, medical costs and similar expenses in respect of defined benefit plans | 63 | 31 | 42 |
| Stock option plan and related expenses | 53 | 38 | 46 |
| **Total** | **3,175** | **3,055** | **2,716** |

# 24. OTHER OPERATING INCOME AND EXPENSES

| *(EUR millions)* | 2009 | 2008 | 2007 |
|---|---|---|---|
| Net gains (losses) on disposals of fixed assets | 1 | 14 | (81) |
| Restructuring costs | (98) | (83) | (25) |
| Amortization or impairment of brands, trade names, goodwill and other property | (88) | (57) | (16) |
| Other, net | (6) | (17) | (4) |
| **Other operating income and expenses** | **(191)** | **(143)** | **(126)** |

In 2009, restructuring costs comprised the cost of various industrial and commercial restructuring plans, relating mainly to the Fashion and Leather Goods and Watches and Jewelry business groups.

In 2008, other operating income and expenses comprised capital gains realized on the sale of various assets in the amount of 14 million euros and costs for the restructuring of industrial and commercial processes in the amount of 83 million euros. These amounts related to the discontinuation of certain product lines, the closure of retail stores considered as insufficiently profitable and the reorganization of the operations of Glenmorangie. The latter notably included the gradual withdrawal from activities performed on behalf of third parties and the disposal of certain assets, notably the industrial facility in Broxburn (United Kingdom) as well as the Glen Moray brand and distillery.

In 2007, other operating income and expenses mainly comprised the net loss on the sale of La Tribune group, the logistics company Kami (Fashion and Leather Goods) and Omas writing instruments.

## 25. NET FINANCIAL INCOME/EXPENSE

| *(EUR millions)* | **2009** | 2008 | 2007 |
|---|---|---|---|
| Borrowing costs | (208) | (258) | (241) |
| Income from cash, cash equivalents and current available for sale | 20 | 18 | 30 |
| Fair value adjustment of borrowings and hedges, excluding perpetual bonds | 1 | (17) | 2 |
| Impact of perpetual bonds | - | - | 2 |
| **Cost of net financial debt** | **(187)** | **(257)** | **(207)** |
| Dividends received from non-current available for sale financial assets | 11 | 11 | 29 |
| Ineffective portion of foreign currency hedges | (46) | (64) | (97) |
| Net gain/(loss) related to available for sale financial assets and other financial instruments | (94) | 53 | 44 |
| Other items – net | (26) | (24) | (21) |
| **Other financial income and expenses** | **(155)** | **(24)** | **(45)** |
| **Net financial income/(expense)** | **(342)** | **(281)** | **(252)** |

In 2007, proceeds relating to available for sale financial assets and other financial instruments included capital gains in the amounts of 44 million euros. In 2008, this item notably included the Group's share in the capital gains arising on the sale of the French video game retailer Micromania as well as various impairment losses on available for sale financial assets. In 2009, this change was due both to the evolution of market conditions and the recognition of impairment losses on current and non-current available for sale financial assets.

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

| *(EUR millions)* | **2009** | 2008 | 2007 |
|---|---|---|---|
| Income from cash and cash equivalents | 11 | 15 | 20 |
| Interest from current available for sale and other financial assets | 9 | 3 | 10 |
| **Income from cash, cash equivalents and current available for sale and other financial assets** | **20** | **18** | **30** |

The revaluation effects of financial debt and interest rate derivatives, excluding perpetual bonds, are attributable to the following items:

| *(EUR millions)* | **2009** | 2008 | 2007 |
|---|---|---|---|
| Hedged financial debt, excluding perpetual bonds | (20) | (12) | 16 |
| Hedging instruments | 20 | 11 | (15) |
| Unallocated derivatives | 1 | (14) | (1) |
| Debt recognized in accordance with the fair value option | - | (2) | 2 |
| **Effects of revaluation of financial debt and rate instruments, excluding perpetual bonds** | **1** | **(17)** | **2** |

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

| (EUR millions) | 2009 | 2008 | 2007 |
|---|---|---|---|
| Financial cost of commercial foreign exchange hedges | (55) | (71) | (97) |
| Financial cost of foreign-currency denominated net asset hedges | 13 | 11 | (1) |
| Change in the fair value of unallocated derivatives | (4) | (4) | 1 |
| **Ineffective portion of foreign exchange derivatives** | **(46)** | **(64)** | **(97)** |

## 26. INCOME TAXES

### 26.1 Analysis of the income tax expense

| (EUR millions) | 2009 | 2008 | 2007 |
|---|---|---|---|
| Current income taxes for the period | (785) | (911) | (984) |
| Current income taxes relating to previous periods | 4 | 5 | 7 |
| **Current income taxes** | **(781)** | **(906)** | **(977)** |
| Change in deferred income taxes | (68) | 13 | 77 |
| Impact of changes in tax rates on deferred taxes | - | - | 47 |
| **Deferred income taxes** | **(68)** | **13** | **124** |
| **Total tax expense per income statement** | **(849)** | **(893)** | **(853)** |
| **Tax on items recognized in equity** | **(30)** | **30** | **(41)** |

The effective tax rate is as follows:

| (EUR millions) | 2009 | 2008 | 2007 |
|---|---|---|---|
| Profit before tax | 2,819 | 3,204 | 3,177 |
| Total income tax expense | (849) | (893) | (853) |
| **Effective tax rate** | **30.1%** | **27.9%** | **26.8%** |

### 26.2 Analysis of the difference between the theoretical and effective income tax rates

The theoretical income tax rate, defined as the rate applicable in law to the Group's French companies, may be reconciled as follows to the effective income tax rate disclosed in the consolidated financial statements:

| (as % of income before tax) | 2009 | 2008 | 2007 |
|---|---|---|---|
| **French statutory tax rate** | **34.4** | **34.4** | **34.4** |
| Changes in tax rates | - | - | (1.4) |
| Differences in tax rates for foreign companies | (6.4) | (5.8) | (4.3) |
| Tax losses and tax loss carry forwards | (0.4) | (1.9) | (3.8) |
| Difference between consolidated and taxable income, income taxable at reduced rates | 2.0 | 0.9 | 1.6 |
| Withholding taxes | 0.5 | 0.3 | 0.3 |
| **Effective tax rate of the Group** | **30.1** | **27.9** | **26.8** |

Since 2000, French companies have been subject to additional income tax, at a rate of 3.3% for 2007, 2008 and 2009, bringing the theoretical tax rate to 34.4% in each fiscal year.

## 26.3 Sources of deferred taxes

### In the income statement

| *(EUR millions)* | **2009** | 2008 | 2007 |
|---|---|---|---|
| Valuation of brands | (9) | (38) | 16 |
| Fair value adjustment of vineyard land | - | - | 2 |
| Other revaluation adjustments | (11) | 3 | - |
| Gains and losses on available for sale financial assets | (5) | - | 10 |
| Gains and losses on hedges of future foreign currency cash flows | (4) | (3) | 8 |
| Provisions for contingencies and losses [(1)] | 10 | (12) | 28 |
| Intercompany margin included in inventories | (20) | 85 | 6 |
| Other consolidation adjustments [(1)] | 5 | 11 | 64 |
| Losses carried forward | (34) | (33) | (10) |
| **Total** | **(68)** | **13** | **124** |

### In equity

| *(EUR millions)* | **2009** | 2008 | 2007 |
|---|---|---|---|
| Fair value adjustment of vineyard land | 18 | (59) | (26) |
| Gains and losses on available for sale financial assets | - | (7) | 18 |
| Gains and losses on hedges of future foreign currency cash flows | (2) | 19 | (23) |
| **Total** | **16** | **(47)** | **(31)** |

### In the balance sheet

| *(EUR millions)* | **2009** | 2008 [(2)] | 2007 [(2)] |
|---|---|---|---|
| Valuation of brands | (2,385) | (2,300) | (2,120) |
| Fair value adjustment of vineyard land | (496) | (503) | (443) |
| Other revaluation adjustments | (330) | (300) | (304) |
| Gains and losses on available for sale financial assets | (21) | (23) | (7) |
| Gains and losses on hedges of future foreign currency cash flows | (22) | (14) | (26) |
| Provisions for contingencies and losses [(1)] | 153 | 143 | 78 |
| Intercompany margin included in inventories | 268 | 288 | 201 |
| Other consolidation adjustments [(1)] | 187 | 179 | 196 |
| Losses carried forward | 50 | 87 | 114 |
| **Total** | **(2,596)** | **(2,443)** | **(2,311)** |

*(1) Mainly tax-driven provisions, accelerated tax depreciation and finance lease.*

Net deferred taxes on the balance sheet include the following assets and liabilities:

| *(EUR millions)* | **2009** | 2008 [(2)] | 2007 [(2)] |
|---|---|---|---|
| Deferred tax assets | 521 | 670 | 532 |
| Deferred tax liabilities | (3,117) | (3,113) | (2,843) |
| **Net deferred tax asset (liability)** | **(2,596)** | **(2,443)** | **(2,311)** |

*(2) See Note 1.2 Application of IAS 38 as amended.*

### 26.4 Tax loss carry forwards

As of December 31, 2009, unused tax loss carry forwards and tax credits, for which no deferred tax assets were recognized, had a potential impact on the future tax expense of 321 million euros (307 million euros in 2008, 360 million euros in 2007).

### 26.5 Tax consolidation

- Tax consolidation agreements in France allow certain French companies of the Group to combine their taxable profits to calculate the overall tax expense for which only the parent company is liable.

This tax consolidation agreement generated a decrease in the current tax expense of 104 million euros in 2009 (117 million euros in 2008, 85 million euros in 2007).

- The application of other tax consolidation agreements in certain foreign countries, notably in the United States and Italy, generated current tax savings of 96 million euros in 2009 (96 million euros in 2008, 119 million euros in 2007).

## 27. EARNINGS PER SHARE

| | **2009** | 2008 | 2007 |
|---|---|---|---|
| Group share of net profit *(EUR millions)* | 1,755 | 2,026 | 2,025 |
| Average number of shares in circulation during the period | 490,076,711 | 489,958,810 | 489,937,410 |
| Average number of treasury shares owned during the period | (16,479,636) | (16,403,997) | (15,609,467) |
| **Average number of shares on which the calculation before dilution is based** | **473,597,075** | **473,554,813** | **474,327,943** |
| **Basic Group share of earnings per share** *(EUR)* | **3.71** | **4.28** | **4.27** |

| | | | |
|---|---|---|---|
| Average number of shares on which the above calculation is based | 473,597,075 | 473,554,813 | 474,327,943 |
| Dilution effect of stock option plans | 1,240,950 | 2,055,859 | 5,563,770 |
| Other dilution effects | - | - | - |
| **Average number of shares in circulation after dilution** | **474,838,025** | **475,610,672** | **479,891,713** |
| **Diluted Group share of earnings per share** *(EUR)* | **3.70** | **4.26** | **4.22** |

## 28. PROVISIONS FOR PENSIONS, MEDICAL COSTS AND SIMILAR COMMITMENTS

### 28.1 Expense for the year

| *(EUR millions)* | **2009** | 2008 | 2007 |
|---|---|---|---|
| Service cost | 43 | 37 | 38 |
| Impact of discounting | 30 | 23 | 22 |
| Expected return on plan assets | (16) | (18) | (18) |
| Amortization of actuarial gains and losses | 4 | (11) | (2) |
| Past service cost | 2 | 2 | 2 |
| Changes in regimes | - | (2) | - |
| **Total expense for the period for defined benefit plans** | **63** | **31** | **42** |

| | | | |
|---|---|---|---|
| **Effective return on/(cost of) plan assets** | **46** | **(77)** | **17** |

## 28.2 Net recognized commitment

| *(EUR millions)* | **2009** | 2008 | 2007 |
|---|---|---|---|
| Benefits covered by plan assets | 573 | 549 | 503 |
| Benefits not covered by plan assets | 142 | 113 | 111 |
| **Defined benefit obligation** | **715** | **662** | **614** |
| **Fair value of plan assets** | **(420)** | **(351)** | **(403)** |
| Actuarial differences not recognized in the balance sheet | (58) | (79) | 27 |
| Past service cost not yet recognized | (8) | (17) | (8) |
| **Unrecognized items** | **(66)** | **(96)** | **19** |
| **Net recognized commitment** | **229** | **215** | **230** |
| Of which: | | | |
| Non-current provisions | 240 | 230 | 237 |
| Current provisions | 8 | 6 | 5 |
| Other assets | (19) | (21) | (12) |
| **Total** | **229** | **215** | **230** |

## 28.3 Breakdown of the change in net recognized commitment

| *(EUR millions)* | Defined benefit obligation | Fair value of plan assets | Unrecognized amounts | Net recognized commitment |
|---|---|---|---|---|
| **As of December 31, 2008** | **662** | **(351)** | **(96)** | **215** |
| Net expense for the period | 73 | (16) | 6 | 63 |
| Payments to beneficiaries | (40) | 27 | - | (13) |
| Contributions to plan assets | - | (46) | - | (46) |
| Contributions of employees | 3 | (3) | - | - |
| Changes in scope and reclassifications | 5 | (4) | - | 1 |
| Changes in regimes | 11 | 3 | (4) | 10 |
| Actuarial differences: experience impacts | (16) | (29) | 45 | - |
| Actuarial differences: changes in assumptions | 18 | - | (18) | - |
| Translation adjustment | (1) | (1) | 1 | (1) |
| **As of December 31, 2009** | **715** | **(420)** | **(66)** | **229** |

The actuarial assumptions applied to estimate commitments as of December 31, 2009 in the main countries where such commitments have been undertaken, were as follows:

| *(percentage)* | **2009** | | | | 2008 | | | | 2007 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **France** | **United States** | **United Kingdom** | **Japan** | France | United States | United Kingdom | Japan | France | United States | United Kingdom | Japan |
| Discount rate [(1)] | 5.25 | 5.5 | 5.75 | 2.25 | 5.5 | 6.0 | 6.0 | 2.25 | 5.0 | 6.0 | 5.5 | 2.25 |
| Expected return on investments | 4.0 | 7.75 | 5.75 | 4.0 | 4.5 | 7.75 | 5.75 | 4.0 | 4.75 | 7.75 | 6.0 | 4.0 |
| Future rate of increase of salaries | 3.0 | 4.0 | 4.25 | 2.0 | 3.5 | 4.5 | 3.75 | 2.5 | 3.25 | 4.5 | 4.00 | 2.5 |

*(1) Discount rates were determined with reference to market yields of AA-rated corporate bonds at the year-end in the countries concerned. Only bonds with maturities comparable to those of the commitments were used.*

The expected rate of return on investments is an overall rate reflecting the structure of the financial assets mentioned in Note 28.5.

The assumed rate of increase of medical expenses in the United States is 8% for 2010, then it is assumed to decline progressively as of 2011 to reach a rate of 6% in 2020.

A rise of 0.5% in the discount rate would result in a reduction of 37 million euros in the amount of the defined benefit obligation as of December 31, 2009. A decrease of 0.5% in the discount rate would result in a rise of 40 million euros in the amount of the defined benefit obligation as of December 31, 2009.

## 28.4 Analysis of benefits

The breakdown of the defined benefit obligation by type of benefit plan is as follows:

| *(EUR millions)* | **2009** | 2008 | 2007 |
|---|---|---|---|
| Retirement and other indemnities | 114 | 111 | 90 |
| Medical costs of retirees | 54 | 42 | 36 |
| Jubilee awards | 11 | 11 | 11 |
| Pensions | 517 | 478 | 453 |
| Early retirement indemnities | 4 | 9 | 12 |
| Other | 15 | 11 | 12 |
| **Defined benefit obligation** | **715** | **662** | **614** |

The geographic breakdown of defined benefit obligation is as follows:

| *(EUR millions)* | **2009** | 2008 | 2007 |
|---|---|---|---|
| France | 276 | 257 | 234 |
| Europe (excluding France) | 219 | 196 | 218 |
| United States | 144 | 126 | 100 |
| Japan | 65 | 74 | 53 |
| Asia (excluding Japan) | 11 | 9 | 9 |
| **Defined benefit obligation** | **715** | **662** | **614** |

The main components of the Group's net commitment for retirement and other benefit obligations as of December 31, 2009 are as follows:

- in France, these commitments mainly include jubilee awards and retirement indemnities, the payment of which is determined by French law and collective bargaining agreements, respectively after a certain number of years of service or upon retirement; they also include the commitment to members of the Group's Executive Committee and senior executives, who are covered by an additional pension plan after a certain number of years' service, the amount of which is linked to their last year's remuneration;
- in Europe (excluding France), the main commitments concern pension schemes and schemes for the reimbursement of the medical expenses of retirees, set up in the United Kingdom by certain Group companies, as well as the TFR *(Trattamento di Fine Rapporto)* in Italy, a legally required end-of-service allowance, paid regardless of the reason for the employee's departure from the company, and in Switzerland, participation by Group companies in the mandatory Swiss occupational pension scheme, the LPP *(Loi pour la Prévoyance Professionnelle);*
- in the United States, the commitment relates to defined benefit plans or schemes for the reimbursement of medical expenses of retirees set up by certain Group companies.

### 28.5 Analysis of related plan assets

The breakdown of plan assets by type of investment is as follows:

| *(percentage)* | 2009 | 2008 | 2007 |
|---|---|---|---|
| Shares | 42 | 43 | 51 |
| Bonds | | | |
| - Private issues | 27 | 36 | 33 |
| - Public issues | 19 | 13 | 11 |
| Real estate, cash and other assets | 12 | 8 | 5 |
| **Fair value of related plan assets** | **100** | **100** | **100** |

Plan assets do not include any real estate assets operated by the Group or any LVMH shares for significant amounts.

The sums that will be paid to the funds in 2010 are estimated at 42 million euros.

## 29. OFF BALANCE SHEET COMMITMENTS

### 29.1 Purchase commitments

| *(EUR millions)* | 2009 | 2008 | 2007 |
|---|---|---|---|
| Grapes, wines and distilled alcohol | 1,336 | 1,671 | 1,690 |
| Other purchase commitments for raw materials | 68 | 64 | 24 |
| Industrial and commercial fixed assets | 109 | 180 | 105 |
| Investments in joint venture shares and non-current available for sale financial assets | 56 | 63 | 55 |

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

As of December 31, 2009, the maturity dates of these commitments break down as follows:

| *(EUR millions)* | Less than one year | One to five years | More than five years | Total |
|---|---|---|---|---|
| Grapes, wines and distilled alcohol | 587 | 652 | 97 | **1,336** |
| Other purchase commitments for raw materials | 57 | 11 | - | **68** |
| Industrial and commercial fixed assets | 53 | 56 | - | **109** |
| Investments in joint venture shares and non-current available for sale financial assets | 3 | 38 | 15 | **56** |

## 29.2 Lease and similar commitments

In addition to leasing its stores, the Group also finances some of its equipment through long term operating leases. Some fixed assets and equipment were also purchased or refinanced under finance leases.

### Operating leases and concession fees

The fixed or minimum portion of commitments in respect of operating lease or concession contracts over the irrevocable period of the contracts were as follows as of December 31, 2009:

| (EUR millions) | 2009 | 2008 | 2007 |
|---|---|---|---|
| Less than one year | 846 | 772 | 687 |
| One to five years | 2,045 | 2,009 | 1,831 |
| More than five years | 922 | 1,023 | 935 |
| **Commitments given for operating leases and concession fees** | **3,813** | **3,804** | **3,453** |
| Less than one year | 20 | 24 | 21 |
| One to five years | 32 | 50 | 42 |
| More than five years | 6 | 8 | 4 |
| **Commitments received for sub-leases** | **58** | **82** | **67** |

### Finance leases

The amount of the Group's irrevocable commitments under finance lease agreements as of December 31, 2009 breaks down as follows:

| (EUR millions) | 2009 | | 2008 | | 2007 | |
|---|---|---|---|---|---|---|
| | Minimum future payments | Present value of payments | Minimum future payments | Present value of payments | Minimum future payments | Present value of payments |
| Less than one year | 29 | 31 | 25 | 25 | 22 | 21 |
| One to five years | 71 | 50 | 79 | 60 | 68 | 44 |
| More than five years | 336 | 63 | 364 | 66 | 344 | 70 |
| **Total future minimum payments** | **436** | | **468** | | **434** | |
| Of which: financial interest | (292) | | (317) | | (299) | |
| **Present value of minimum future payments** | **144** | **144** | **151** | **151** | **135** | **135** |

## 29.3 Collateral and other guarantees

As of December 31, 2009, these commitments break down as follows:

| (EUR millions) | 2009 | 2008 | 2007 |
|---|---|---|---|
| Securities and deposits | 69 | 59 | 61 |
| Other guarantees | 66 | 48 | 28 |
| **Guarantees given** | **135** | **107** | **89** |
| **Guarantees received** | **33** | **25** | **32** |

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 | 18 | 44 | 7 | 69 |
| Other guarantees | 32 | 30 | 4 | 66 |
| **Guarantees given** | **50** | **74** | **11** | **135** |
| **Guarantees received** | **12** | **17** | **4** | **33** |

### 29.4 Contingent liabilities and outstanding litigation

As part of its day-to-day management, the Group is party to various legal proceedings concerning brand rights, the protection of intellectual property rights, the set-up of selective retailing networks, licensing agreements, employee relations, tax audits and other areas relating to its business. The Group believes that the provisions recorded in the balance sheet in respect of these risks, litigation or disputes, known or outstanding at year-end, are sufficient to avoid its consolidated financial net worth being materially impacted in the event of an unfavorable outcome.

### 29.5 Other commitments

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

## 30. RELATED PARTY TRANSACTIONS

### 30.1 Relations of LVMH with Christian Dior and Groupe Arnault

The parent company of LVMH is Christian Dior SA, a public company listed on the Eurolist by Euronext Paris, which is controlled by Groupe Arnault SAS via its subsidiary Financière Agache SA.

#### Relations of LVMH with Christian Dior

LVMH, via its subsidiaries Parfums Christian Dior and Montres Dior, coordinates its communications efforts with Christian Dior SA and its subsidiaries, in particular Christian Dior Couture SA. Christian Dior also provides creative assistance to LVMH for the design of Dior perfume bottles and watches, as well as its advertising and promotional campaigns.

LVMH distributes the products marketed by Christian Dior through its Selective Retailing businesses. Christian Dior purchases the products manufactured by Parfums Christian Dior and Montres Dior from LVMH, which it sells in its network of retail stores.

Finally, LVMH provides administrative assistance to the foreign subsidiaries of Christian Dior.

Transactions between LVMH and Christian Dior, which are completed at market prices, may be summarized as follows:

| *(EUR millions)* | **2009** | 2008 | 2007 |
|---|---|---|---|
| LVMH purchases from Christian Dior | (16) | (19) | (16) |
| Amount payable outstanding as of December 31 | (12) | (14) | (9) |
| LVMH sales to Christian Dior | 9 | 13 | 16 |
| Amount receivable outstanding as of December 31 | 4 | 1 | 3 |

#### Relations of LVMH with Groupe Arnault and Financière Agache

Groupe Arnault SAS provides assistance to LVMH in the areas of development, engineering, corporate and real estate law. In addition, Groupe Arnault leases office premises to LVMH.

LVMH leases office space to Groupe Arnault SAS and Financière Agache SA and also provides them with various forms of administrative assistance.

Transactions between LVMH and Groupe Arnault and Financière Agache may be summarized as follows:

| *(EUR millions)* | **2009** | 2008 | 2007 |
|---|---|---|---|
| Amounts billed by Groupe Arnault SAS and Financière Agache to LVMH | (5) | (5) | (6) |
| Amount payable outstanding as of December 31 | (2) | - | (1) |
| Amounts billed by LVMH to Groupe Arnault SAS and Financière Agache | 2 | 2 | 2 |
| Amount receivable outstanding as of December 31 | - | 1 | - |

In August 2009, LVMH acquired a 50%-stake in the wine estate Château Cheval Blanc from Groupe Arnault for 238 million euros.

L Real Estate, a real estate investment fund targeted on Asia, 49% owned by LVMH and 51% by Groupe Arnault, acquired minority and majority stakes in various investments from Groupe Arnault in May and July 2009 for 137 million euros.

### 30.2 Relations with Diageo

Moët Hennessy SNC and MH International SAS (hereafter “Moët Hennessy”) are the holding companies for LVMH’s Wines and Spirits businesses, with the exception of Château d’Yquem, Château Cheval Blanc and certain champagne vineyards. Diageo holds a 34% stake in Moët Hennessy. In 1994, at the time when Diageo acquired this 34% stake, an agreement was concluded between Diageo and LVMH for the apportionment of common holding company expenses between Moët Hennessy and the other holding companies of the LVMH Group.

Under this agreement, Moët Hennessy assumed 20% of shared expenses in 2009 (23% in 2008, 24% in 2007) representing an amount of 19 million euros in 2009 (32 million euros in 2008, 28 million euros in 2007).

### 30.3 Executive bodies

The total compensation paid to the members of the Executive Committee and the Board of Directors, in respect of their functions within the Group, breaks down as follows:

| *(EUR millions)* | **2009** | 2008 | 2007 |
|---|---|---|---|
| Gross compensation, employers' charges and benefits in kind | 51 | 51 | 46 |
| Post-employment benefits | 10 | 9 | 9 |
| Other long term benefits | 6 | 11 | 13 |
| End of contract indemnities | - | - | - |
| Stock option and similar plans | 22 | 19 | 20 |
| **Total** | **89** | **90** | **88** |

The commitment recognized as of December 31, 2009 for post-employment benefits, net of related financial assets was 7 million euros (8 million euros as of December 31, 2008 and 5 million euros as of December 31, 2007).

## 31. SUBSEQUENT EVENTS

No significant subsequent events occurred between December 31, 2009 and February 4, 2010, the date on which the accounts were approved for publication by the Board of Directors.

# CONSOLIDATED COMPANIES

| COMPANIES | REGISTERED OFFICE | PERCENTAGE OF CONTROL | INTEREST |
|---|---|---|---|
| **WINES AND SPIRITS** | | | |
| MHCS SCS | Epernay, France | 100% | 66% |
| Moët Hennessy UK Ltd | London, United Kingdom | 100% | 66% |
| Moët Hennessy España SA | Barcelona, Spain | 100% | 66% |
| Moët Hennessy (Suisse) SA | Geneva, Switzerland | 100% | 66% |
| Champagne Des Moutiers SA | Epernay, France | 100% | 66% |
| Moët Hennessy de Mexico, SA de C.V. | Mexico, Mexico | 100% | 66% |
| Chamfipar SA | Epernay, France | 100% | 66% |
| Société Viticole de Reims SA | Epernay, France | 100% | 66% |
| Cie Française du Champagne et du Luxe SA | Epernay, France | 100% | 66% |
| Moët Hennessy Belux SA | Brussels, Belgium | 100% | 66% |
| Champagne de Mansin SAS | Gye sur Seine, France | 100% | 66% |
| Moët Hennessy Osterreich GmbH | Vienna, Austria | 100% | 66% |
| Moët Hennessy Polska SP Z.O.O. | Warsaw, Poland | 100% | 66% |
| Moët Hennessy Czech Republic Sro | Prague, Czech Republic | 100% | 66% |
| Moët Hennessy România Srl | Bucharest, Romania | 100% | 66% |
| STM Vignes SAS | Epernay, France | 100% | 66% |
| Champagne Montaudon SA | Reims, France | 100% | 66% |
| Moët Hennessy Nederland BV | Baarn, Netherlands | 100% | 66% |
| Moët Hennessy USA, Inc | New York, USA | 100% | 66% |
| MHD Moët Hennessy Diageo SAS | Courbevoie, France [3] | 100% | 66% |
| Opera Vineyards SA | Buenos Aires, Argentina [1] | 50% | 33% |
| Domaine Chandon, Inc | Yountville (California), USA | 100% | 66% |
| Cape Mentelle Vineyards Ltd | Margaret River, Australia | 100% | 66% |
| Veuve Clicquot Properties, Pty Ltd | Sydney, Australia | 100% | 66% |
| Moët Hennessy do Brasil - Vinhos E Destilados Ltda | Sao Paulo, Brazil | 100% | 66% |
| Cloudy Bay Vineyards Ltd | Blenheim, New Zealand | 100% | 66% |
| Bodegas Chandon Argentina SA | Buenos Aires, Argentina | 100% | 66% |
| Domaine Chandon Australia Pty Ltd | Coldstream Victoria, Australia | 100% | 66% |
| Newton Vineyards LLC | St Helena (California), USA | 90% | 59% |
| Société Civile des Crus de Champagne SA | Reims, France | 100% | 66% |
| Veuve Clicquot U.K. Ltd | London, United Kingdom | 100% | 66% |
| Clicquot, Inc | New York, USA * | 100% | 66% |
| Veuve Clicquot Japan KK | Tokyo, Japan | 100% | 66% |
| Moët Hennessy Suomi OY | Helsinki, Finland | 100% | 66% |
| Moët Hennessy Sverige AB | Stockholm, Sweden | 100% | 66% |
| Moët Hennessy Norge AS | Hoevik, Norway | 100% | 66% |
| Moët Hennessy Danmark A/S | Copenhagen, Denmark | 100% | 66% |
| Moët Hennessy Deutschland GmbH | Munich, Germany | 100% | 66% |
| Moët Hennessy Italia S.p.a. | Milan, Italy | 100% | 66% |
| Ruinart UK Ltd | London, United Kingdom | 100% | 66% |
| Ruinart España S.L. | Madrid, Spain | 100% | 66% |
| Château d'Yquem SA | Sauternes, France | 65% | 65% |
| Château d'Yquem SC | Sauternes, France | 64% | 64% |
| Société Civile Cheval Blanc (SCCB) | Saint Emilion, France [1] | 50% | 50% |
| La Tour du Pin SAS | Saint Emilion, France [1] | 50% | 50% |
| Jas Hennessy & Co SCS | Cognac, France | 99% | 65% |
| Diageo Moët Hennessy BV | Amsterdam, Netherlands [3] | 100% | 66% |
| Hennessy Dublin Ltd | Dublin, Ireland | 100% | 66% |
| Edward Dillon & Co Ltd | Dublin, Ireland [2] | 40% | 26% |
| Hennessy Far East Ltd | Hong Kong, China | 100% | 65% |
| Moët Hennessy Diageo Hong Kong Ltd | Hong Kong, China [3] | 100% | 66% |
| Riche Monde (China) Ltd | Shanghai, China [3] | 100% | 66% |
| Moët Hennessy Diageo Singapore Pte Ltd | Singapore [3] | 100% | 66% |
| Riche Monde Malaisie SDN BHD | Petaling Jaya, Malaysia [3] | 50% | 33% |
| Riche Monde Taïpei Ltd | Taipei, Taiwan [3] | 100% | 66% |
| Diageo Moët Hennessy Thailand Ltd | Bangkok, Thailand [3] | 100% | 66% |
| Moët Hennessy Korea Ltd | Seoul, South Korea | 100% | 65% |
| Moët Hennessy Shanghai Ltd | Shanghai, China | 100% | 66% |
| Moët Hennessy India Pvt. Ltd | New Delhi, India | 100% | 66% |

| COMPANIES | REGISTERED OFFICE | PERCENTAGE OF CONTROL | INTEREST |
|---|---|---|---|
| Moët Hennessy Taiwan Ltd | Taipei, Taiwan | 100% | 65% |
| MHD Chine Co Ltd | Shanghai, China [3] | 100% | 66% |
| MHWH Limited | Limassol, Cyprus | 50% | 33% |
| Moët Hennessy Whitehall Russia SA | Moscow, Russia | 100% | 33% |
| Moët Hennessy Vietnam Importation Co Ltd | Ho Chi Minh City, Vietnam | 100% | 65% |
| Moët Hennessy Vietnam Distribution | Ho Chi Minh City, Vietnam | 100% | 65% |
| Moët Hennessy Rus LLC | Moscow, Russia | 100% | 66% |
| Moët Hennessy Diageo KK | Tokyo, Japan [3] | 100% | 66% |
| Moët Hennessy Asia Pacific Pte Ltd | Singapore | 100% | 65% |
| Moët Hennessy Australia Ltd | Rosebury, Australia | 100% | 65% |
| Millennium Import LLC | Minneapolis, Minnesota, USA | 100% | 66% |
| Millennium Brands Ltd | Dublin, Ireland | 100% | 66% |
| Polmos Zyrardow | Zyrardow, Poland | 100% | 66% |
| Moët Hennessy VR Ltd | London, United Kingdom | 100% | 66% |
| The Glenmorangie Company Ltd | Edinburgh, United Kingdom | 100% | 66% |
| Macdonald & Muir Ltd | Edinburgh, United Kingdom | 100% | 66% |
| Glenaird Ltd | Edinburgh, United Kingdom | 50% | 33% |
| The Scotch Malt Whisky Society Ltd | Edinburgh, United Kingdom | 100% | 66% |
| Wenjun Spirits Company Ltd | Chengdu, China | 55% | 36% |
| Wenjun Spirits Sales Company Ltd | Chengdu, China | 55% | 36% |
| **FASHION AND LEATHER GOODS** | | | |
| Louis Vuitton Malletier SA | Paris, France | 100% | 100% |
| Manufacture de Souliers Louis Vuitton S.r.l. | Fiesso d'Artico, Italy | 100% | 100% |
| Louis Vuitton Saint Barthélémy SNC | Saint Bartholomew, French Antilles | 100% | 100% |
| Louis Vuitton Cantacilik Ticaret AS | Istanbul, Turkey | 99% | 99% |
| Louis Vuitton Editeur | Paris, France | 100% | 100% |
| Les Ateliers de Pondichery Private Ltd | Pondichery, India | 100% | 100% |
| Louis Vuitton International SNC | Paris, France | 100% | 100% |
| Louis Vuitton India Holding Private Ltd | Bangalore, India | 100% | 100% |
| Société des Ateliers Louis Vuitton SNC | Paris, France | 100% | 100% |
| Les Tanneries de la Comète | Estaimpuis, Belgium | 60% | 60% |
| Louis Vuitton Bahrein | Manama, Bahrain | [4] | [4] |
| Société Louis Vuitton Services SNC | Paris, France | 100% | 100% |
| Louis Vuitton Qatar LLC | Doha, Qatar | [4] | [4] |
| Société des Magasins Louis Vuitton France SNC | Paris, France | 100% | 100% |
| Belle Jardinière SA | Paris, France | 100% | 100% |
| Belle Jardinière Immo SAS | Paris, France | 100% | 100% |
| Sedivem SNC | Paris, France | 100% | 100% |
| Les Ateliers Horlogers Louis Vuitton SA | La Chaux-de-Fonds, Switzerland | 100% | 100% |
| Louis Vuitton Monaco SA | Monte Carlo, Monaco | 100% | 100% |
| ELV SNC | Paris, France | 100% | 100% |
| Louis Vuitton UK Ltd | London, United Kingdom | 100% | 100% |
| Louis Vuitton Deutschland GmbH | Düsseldorf, Germany | 100% | 100% |
| Louis Vuitton Ukraine LLC | Kiev, Ukraine | 100% | 100% |
| Catalana Talleres Artesanos Louis Vuitton SA | Barcelona, Spain | 100% | 100% |
| Louis Vuitton BV | Amsterdam, Netherlands | 100% | 100% |
| Louis Vuitton Belgium SA | Brussels, Belgium | 100% | 100% |
| Louis Vuitton Hellas SA | Athens, Greece | 100% | 100% |
| Louis Vuitton Cyprus Limited | Nicosia, Cyprus | 100% | 100% |
| Louis Vuitton Portugal Maleiro, Ltda. | Lisbon, Portugal | 100% | 100% |
| Louis Vuitton Ltd | Tel Aviv, Israel | 100% | 100% |
| Louis Vuitton Danmark A/S | Copenhagen, Denmark | 100% | 100% |
| Louis Vuitton Aktiebolag SA | Stockholm, Sweden | 100% | 100% |
| Louis Vuitton Suisse SA | Geneva, Switzerland | 100% | 100% |
| Louis Vuitton Ceska s.r.o. | Prague, Czech Republic | 100% | 100% |
| Louis Vuitton Osterreich G.m.b.H | Vienna, Austria | 100% | 100% |
| LV US Manufacturing, Inc | New York, USA | 100% | 100% |
| Somarest SARL | Sibiu, Romania | 100% | 100% |
| Louis Vuitton Hawaii, Inc | Honolulu (Hawaii), USA | 100% | 100% |
| Atlantic Luggage Company Ltd | Hamilton, Bermuda | 100% | 40% |

| COMPANIES | REGISTERED OFFICE | PERCENTAGE OF CONTROL | INTEREST |
|---|---|---|---|
| Louis Vuitton Guam, Inc | Guam | 100% | 100% |
| Louis Vuitton Saipan, Inc | Saipan, Mariana Islands | 100% | 100% |
| Louis Vuitton Norge AS | Oslo, Norway | 100% | 100% |
| San Dimas Luggage Company | New York, USA | 100% | 100% |
| Louis Vuitton Vietnam Company Ltd | Hanoï, Vietnam | 100% | 100% |
| Louis Vuitton Suomy Oy | Helsinki, Finland | 100% | 100% |
| Louis Vuitton România Srl | Bucharest, Romania | 100% | 100% |
| LVMH FG Brasil Ltda | Sao Paulo, Brazil | 100% | 100% |
| Louis Vuitton Panama | Panama City, Panama | 100% | 100% |
| Louis Vuitton Mexico S de RL de CV | Mexico, Mexico | 100% | 100% |
| Louis Vuitton Uruguay SA | Montevideo, Uruguay | 100% | 100% |
| Louis Vuitton Chile Ltda | Santiago de Chile, Chile | 100% | 100% |
| Louis Vuitton (Aruba) N.V | Oranjestad, Aruba | 100% | 100% |
| LVMH Fashion Group Pacific Ltd | Hong Kong, China | 100% | 100% |
| LV Trading Hong Kong Ltd | Hong Kong, China | 100% | 100% |
| Louis Vuitton Hong Kong Ltd | Hong Kong, China | 100% | 100% |
| Louis Vuitton (Philippines), Inc | Makati, Philippines | 100% | 100% |
| LVMH Fashion (Singapore) Pte Ltd | Singapore | 100% | 100% |
| PT Louis Vuitton Indonesia | Jakarta, Indonesia | 98% | 98% |
| Louis Vuitton (Malaysia) SDN BHD | Kuala Lumpur, Malaysia | 100% | 100% |
| Louis Vuitton (Thailand) SA | Bangkok, Thailand | 100% | 100% |
| Louis Vuitton Taïwan, Ltd | Taipei, Taiwan | 98% | 98% |
| Louis Vuitton Australia, PTY Ltd | Sydney, Australia | 100% | 100% |
| Louis Vuitton (China) Co Ltd | Shanghai, China | 100% | 100% |
| Louis Vuitton Mongolia LLC | Ulaan Baatar, Mongolia | 100% | 100% |
| LV New Zealand Limited | Auckland, New Zealand | 100% | 100% |
| Louis Vuitton Trading India Private Ltd | New Delhi, India | 51% | 51% |
| Louis Vuitton EAU LLC | Dubai, United Arab Emirates | (4) | (4) |
| Louis Vuitton FZCO | Dubai, United Arab Emirates | 65% | 65% |
| Louis Vuitton Korea Ltd | Seoul, South Korea | 100% | 100% |
| LVMH Fashion Group Trading Korea Ltd | Seoul, South Korea | 100% | 100% |
| Louis Vuitton Hungaria Sarl | Budapest, Hungary | 100% | 100% |
| Louis Vuitton Argentina SA | Buenos Aires, Argentina | 100% | 100% |
| Louis Vuitton Vostock LLC | Moscow, Russia | 100% | 100% |
| LV Colombia SA | Santafe de Bogota, Colombia | 100% | 100% |
| Louis Vuitton Maroc Sarl | Casablanca, Morocco | 100% | 100% |
| Louis Vuitton Venezuela SA | Caracas, Venezuela | 100% | 100% |
| Louis Vuitton South Africa Ltd | Johannesburg, South Africa | 100% | 100% |
| Louis Vuitton Macau Company Ltd | Macao, China | 100% | 100% |
| LVMH Fashion Group (Shanghai) Trading Co Ltd | Shanghai, China | 100% | 100% |
| LVJ Group KK | Tokyo, Japan | 99% | 99% |
| Louis Vuitton North America Inc | New York, USA * | 100% | 100% |
| Louis Vuitton Canada, Inc | Toronto, Canada | 100% | 100% |
| Marc Jacobs International, LLC | New York, USA * | 96% | 96% |
| Marc Jacobs International (UK) Ltd | London, United Kingdom | 100% | 100% |
| Marc Jacobs Trademark, LLC | New York, USA * | 33% | 33% |
| Marc Jacobs Japon KK | Tokyo, Japan | 50% | 48% |
| Marc Jacobs International Japan Co Ltd | Tokyo, Japan | 100% | 99% |
| Loewe SA | Madrid, Spain | 100% | 100% |
| Loewe Hermanos SA | Madrid, Spain | 100% | 100% |
| Manufacturas Loewe SL | Madrid, Spain | 100% | 100% |
| LVMH Fashion Group France SNC | Paris, France | 100% | 100% |
| Loewe Hermanos UK Ltd | London, United Kingdom | 100% | 100% |
| Loewe Saïpan, Inc | Saipan, Mariana Islands | 100% | 100% |
| Loewe Guam, Inc | Guam | 100% | 100% |
| Loewe Hong Kong Ltd | Hong Kong, China | 100% | 100% |
| Loewe Commercial & Trading Co, LTD | Shanghai, China | 100% | 100% |
| Loewe Fashion Pte Ltd | Singapore | 100% | 100% |
| Loewe Fashion (M) SDN BHD | Kuala Lumpur, Malaysia | 100% | 100% |
| Loewe Taïwan Ltd | Taipei, Taiwan | 100% | 98% |
| Loewe Korea Ltd | Seoul, South Korea | 100% | 100% |
| Loewe Macao Ltd | Macao, China | 100% | 100% |
| Berluti SA | Paris, France | 100% | 100% |
| Société de Distribution Robert Estienne SNC | Paris, France | 100% | 100% |
| Manufattura Ferrarese S.r.l. | Ferrara, Italy | 100% | 100% |

| COMPANIES | REGISTERED OFFICE | PERCENTAGE OF CONTROL | INTEREST |
|---|---|---|---|
| Berluti LLC | New York, U.S.A | 100% | 100% |
| Rossimoda SpA | Vigonza, Italy | 97% | 97% |
| Rossimoda USA Ltd | New York, USA | 100% | 97% |
| Rossimoda France SARL | Paris, France | 100% | 97% |
| Brenta Suole S.r.l. | Vigonza, Italy | 65% | 63% |
| LVMH Fashion Group Services SAS | Paris, France | 100% | 100% |
| Montaigne KK | Tokyo, Japan | 100% | 99% |
| Interlux Company Ltd | Hong Kong, China | 100% | 100% |
| Céline SA | Paris, France | 100% | 100% |
| Avenue M International SCA | Paris, France | 100% | 100% |
| Enilec Gestion SARL | Paris, France | 100% | 100% |
| Céline Montaigne SA | Paris, France | 100% | 100% |
| Céline Monte-Carlo SA | Monte-Carlo, Monaco | 100% | 100% |
| Céline Production S.r.l. | Florence, Italy | 100% | 100% |
| Céline Suisse SA | Geneva, Switzerland | 100% | 100% |
| Céline UK Ltd | London, United Kingdom | 100% | 100% |
| Céline Inc | New York, USA * | 100% | 100% |
| Céline Hong Kong Ltd | Hong Kong, China | 100% | 100% |
| Céline Commercial & Trading (Shanghai) Co Ltd | Shanghai, China | 100% | 100% |
| Céline (Singapour) Pte Ltd | Singapore | 100% | 100% |
| Céline Guam Inc | Tumon, Guam | 100% | 100% |
| Céline Korea Ltd | Seoul, South Korea | 100% | 100% |
| Céline Taïwan Ltd | Taipei, Taiwan | 100% | 99% |
| CPC International Ltd | Hong Kong, China | 100% | 100% |
| CPC Macau Ltd | Macao, China | 100% | 100% |
| LVMH FG Services UK Ltd | London, United Kingdom | 100% | 100% |
| Kenzo SA | Paris, France | 100% | 100% |
| E-Kenzo SAS | Paris, France | 60% | 60% |
| Kenzo Belgique SA | Brussels, Belgium | 100% | 100% |
| Kenzo Homme UK Ltd | London, United Kingdom | 100% | 100% |
| Kenzo Japan KK | Tokyo, Japan | 100% | 100% |
| Givenchy SA | Paris, France | 100% | 100% |
| Givenchy Corporation | New York, USA | 100% | 100% |
| Givenchy Co Ltd | Tokyo, Japan | 100% | 100% |
| Givenchy China Co Ltd | Hong Kong, China | 100% | 100% |
| Givenchy Shanghai Commercial and Trading Co, Ltd | Shanghai, China | 100% | 100% |
| GCCL Macau Co Ltd | Macao, China | 100% | 100% |
| Gabrielle Studio, Inc | New York, USA | 100% | 100% |
| Donna Karan International Inc | New York, USA(*) | 100% | 100% |
| The Donna Karan Company LLC | New York, USA | 100% | 100% |
| Donna Karan Service Company BV | Oldenzaal, Netherlands | 100% | 100% |
| Donna Karan Company Store Ireland Ltd | Dublin, Ireland | 100% | 100% |
| Donna Karan Studio LLC | New York, U.S.A | 100% | 100% |
| The Donna Karan Company Store LLC | New York, U.S.A | 100% | 100% |
| Donna Karan Company Store UK Holdings Ltd | London, United Kingdom | 100% | 100% |
| Donna Karan Management Company UK Ltd | London, United Kingdom | 100% | 100% |
| Donna Karan Company Stores UK Retail Ltd | London, United Kingdom | 100% | 100% |
| Donna Karan Company Store (UK) Ltd | London, United Kingdom | 100% | 100% |
| Donna Karan H. K. Ltd | Hong Kong, China | 100% | 100% |
| Donna Karan (Italy) S.r.l. | Milan, Italy | 100% | 100% |
| Donna Karan (Italy) Production Services S.r.l. | Milan, Italy | 100% | 100% |
| Fendi International BV | Baarn, Netherlands | 100% | 100% |
| Fun Fashion Qatar | Doha, Qatar | (4) | (4) |
| Fendi International SA | Paris, France | 100% | 100% |
| Fun Fashion Emirates LLC | Dubai, United Arab Emirates | (4) | (4) |
| Fendi SA | Luxembourg, Luxembourg | 100% | 100% |
| Fun Fashion Bahrain WLL | Manama, Bahrain | (4) | (4) |
| Fendi S.r.l. | Rome, Italy | 100% | 100% |
| Fendi Dis Ticaret LSi | Istanbul, Turkey | 100% | 100% |
| Fendi Adele S.r.l. | Rome, Italy | 100% | 100% |
| Fendi Italia S.r.l. | Rome, Italy | 100% | 100% |
| Fendi U.K. Ltd | London, United Kingdom | 100% | 100% |
| Fendi France SAS | Paris, France | 100% | 100% |
| Fen Fashion Hellas SA | Athens, Greece | 51% | 51% |

| COMPANIES | REGISTERED OFFICE | PERCENTAGE OF CONTROL | INTEREST |
|---|---|---|---|
| Fendi North America Inc | New York, USA * | 100% | 100% |
| Fendi Australia Pty Ltd | Sydney, Australia | 100% | 100% |
| Fendi Guam Inc | Tumon, Guam | 100% | 100% |
| Fendi (Thailand) Company Ltd | Bangkok, Thailand | 100% | 100% |
| Fendi Asia Pacific Ltd | Hong Kong, China | 100% | 100% |
| Fendi Korea Ltd | Seoul, South Korea | 100% | 100% |
| Fendi Taiwan Ltd | Taipei, Taiwan | 100% | 100% |
| Fendi Hong Kong Ltd | Hong Kong, China | 100% | 100% |
| Fendi China Boutiques Ltd | Hong Kong, China | 100% | 100% |
| Fendi (Singapore) Pte Ltd | Singapore | 100% | 100% |
| Fendi Fashion (Malaysia) Snd. Bhd. | Kuala Lumpur, Malaysia | 100% | 100% |
| Fendi Switzerland SA | Geneva, Switzerland | 100% | 100% |
| Fun Fashion FZCO LLC | Dubai, United Arab Emirates | 60% | 60% |
| Fendi Marianas, Inc | Tumon, Guam | 100% | 100% |
| Fun Fashion Kuwait Co. W.L.L. | Kuwait City, Kuwait | (4) | (4) |
| Fun Fashion Germany GmbH & Co KG | Stuttgart, Germany | 51% | 51% |
| Fendi Macau Company Ltd | Macao, China | 100% | 100% |
| Fendi Germany GmbH | Stuttgart, Germany | 100% | 100% |
| Fun Fashion Napoli Srl | Rome, Italy | 51% | 51% |
| Fendi (Shanghai) Co Ltd | Shanghai, China | 100% | 100% |
| Outshine Corporation, SL | Marbella, Spain | 70% | 70% |
| Fun Fashion India Pte Ltd | Mumbai, India | (4) | (4) |
| Interservices & Trading SA | Lugano, Switzerland | 100% | 100% |
| Fendi Silk SA | Lugano, Switzerland | 51% | 51% |
| Outshine Mexico, S. de RL de C.V. | Mexico, Mexico | 100% | 100% |
| Maxelle SA | Neuchâtel, Switzerland | 100% | 51% |
| Taramax USA Inc | New Jersey, USA | 100% | 51% |
| Primetime Inc | New Jersey, USA | 100% | 51% |
| Taramax SA | Neuchâtel, Switzerland | 51% | 51% |
| Taramax Japan KK | Tokyo, Japan | 100% | 51% |
| Support Retail Mexico, S. de RL de C.V. | Mexico, Mexico | 100% | 100% |
| Emilio Pucci S.r.l. | Florence, Italy | 100% | 100% |
| Emilio Pucci International BV | Baarn, Netherlands | 67% | 67% |
| Emilio Pucci, Ltd | New York, U.S.A | 100% | 100% |
| Emilio Pucci Hong Kong Co Ltd | Hong Kong, China | 100% | 100% |
| EP (Shanghai) Commercial Ltd | Shanghai, China | 100% | 100% |
| Thomas Pink Holdings Ltd | London, United Kingdom | 100% | 100% |
| Thomas Pink Ltd | London, United Kingdom | 100% | 100% |
| Thomas Pink BV | Rotterdam, Netherlands | 100% | 100% |
| Thomas Pink Inc | New York, USA * | 100% | 100% |
| Thomas Pink Ireland Ltd | Dublin, Ireland | 100% | 100% |
| Thomas Pink Belgium SA | Brussels, Belgium | 100% | 100% |
| Thomas Pink France SAS | Paris, France | 100% | 100% |
| Thomas Pink Canada Inc | Toronto, Canada | 100% | 100% |
| Edun Apparel Ltd | Dublin, Ireland (2) | 49% | 49% |
| Nowness, LLC | New York, USA * | 100% | 100% |

## PERFUMES AND COSMETICS

| COMPANIES | REGISTERED OFFICE | PERCENTAGE OF CONTROL | INTEREST |
|---|---|---|---|
| Parfums Christian Dior SA | Paris, France | 100% | 100% |
| LVMH P&C Thailand Co Ltd | Bangkok, Thailand | 49% | 49% |
| LVMH Parfums & Cosmétiques do Brasil Ltda | Sao Paulo, Brazil | 100% | 100% |
| France Argentina Cosmetics SA | Buenos Aires, Argentina | 100% | 100% |
| LVMH P&C Shanghai Co Ltd | Shanghai, China | 100% | 100% |
| Parfums Christian Dior Finland Oy | Helsinki, Finland | 100% | 100% |
| LVMH P&C Inc | New York, USA | 100% | 100% |
| SNC du 33 avenue Hoche | Paris, France | 100% | 100% |
| LVMH Fragrances & Cosmetics (Sinpagore) Pte Ltd | Singapore | 100% | 100% |
| Parfums Christian Dior Orient Co | Dubai, United Arab Emirates | 60% | 60% |
| Parfums Christian Dior Emirates | Dubai, United Arab Emirates | 51% | 31% |
| EPCD SP.ZO.O. | Warsaw, Poland (2) | 20% | 20% |
| Parfums Christian Dior (UK) Ltd | London, United Kingdom | 100% | 100% |
| Parfums Christian Dior BV | Rotterdam, Netherlands | 100% | 100% |
| Iparkos BV | Rotterdam, Netherlands | 100% | 100% |
| Parfums Christian Dior SAB. | Brussels, Belgium | 100% | 100% |
| Parfums Christian Dior (Ireland) Ltd | Dublin, Ireland | 100% | 100% |

| COMPANIES | REGISTERED OFFICE | PERCENTAGE OF CONTROL | INTEREST |
|---|---|---|---|
| Parfums Christian Dior Hellas SA | Athens, Greece | 100% | 100% |
| Parfums Christian Dior A.G. | Zurich, Switzerland | 100% | 100% |
| Christian Dior Perfumes LLC | New York, USA | 100% | 100% |
| Parfums Christian Dior Canada Inc | Montreal, Canada | 100% | 100% |
| LVMH P&C de Mexico SA de CV | Mexico, Mexico | 100% | 100% |
| Parfums Christian Dior Japon K.K. | Tokyo, Japan | 100% | 100% |
| Parfums Christian Dior (Singapore) Pte Ltd | Singapore | 100% | 100% |
| Inalux SA | Luxembourg, Luxembourg | 100% | 100% |
| LVMH P&C Asia Pacific Ltd | Hong Kong, China | 100% | 100% |
| Fa Hua Fragrance & Cosmetic Co Ltd | Hong Kong, China | 100% | 100% |
| Parfums Christian Dior China | Shanghai, China | 100% | 100% |
| LVMH P&C Korea Ltd | Seoul, South Korea | 100% | 100% |
| Parfums Christian Dior Hong Kong Ltd | Hong Kong, China | 100% | 100% |
| LVMH P&C Malaysia Sdn berhad Inc | Kuala Lumpur, Malaysia | 100% | 100% |
| Fa Hua Hong Kong Co, Ltd | Hong Kong, China | 100% | 100% |
| Pardior SA de CV | Mexico, Mexico | 100% | 100% |
| Parfums Christian Dior A/S Ltd | Copenhagen, Denmark | 100% | 100% |
| LVMH Perfumes & Cosmetics Group Pty Ltd | Sydney, Australia | 100% | 100% |
| Parfums Christian Dior AS Ltd | Hoevik, Norway | 100% | 100% |
| Parfums Christian Dior AB | Stockholm, Sweden | 100% | 100% |
| Parfums Christian Dior (New Zealand) Ltd | Auckland, New Zealand | 100% | 100% |
| Parfums Christian Dior GmbH Austria | Vienna, Austria | 100% | 100% |
| Cosmetic of France Inc | Miami (Florida), USA | 100% | 100% |
| GIE LVMH Recherche | Saint-Jean de Braye, France | 100% | 100% |
| GIE Parfums et Cosmétiques Information Services – PCIS | Levallois Perret, France | 100% | 100% |
| Perfumes Loewe SA | Madrid, Spain | 100% | 100% |
| Acqua Di Parma S.r.l. | Milan, Italy | 100% | 100% |
| Acqua Di Parma LLC | New York, USA | 100% | 100% |
| Guerlain SA | Paris, France | 100% | 100% |
| LVMH Parfums & Kosmetik Deutschland GmbH | Düsseldorf, Germany | 100% | 100% |
| Guerlain GesmbH | Vienna, Austria | 100% | 100% |
| Guerlain SA (Belgique) | Fleurus, Belgium | 100% | 100% |
| Guerlain Ltd | London, United Kingdom | 100% | 100% |
| LVMH Perfumes e Cosmetica Lda | Lisbon, Portugal | 100% | 100% |
| Guerlain SA (Suisse) | Geneva, Switzerland | 100% | 100% |
| Guerlain Inc | New York, USA | 100% | 100% |
| Guerlain Canada Ltd | Montreal, Canada | 100% | 100% |
| Guerlain De Mexico SA | Mexico, Mexico | 100% | 100% |
| Guerlain Asia Pacific Ltd (Hong Kong) | Hong Kong, China | 100% | 100% |
| Guerlain KK | Tokyo, Japan | 100% | 100% |
| Guerlain Oceania Australia Pty Ltd | Melbourne, Australia | 100% | 100% |
| Make Up For Ever SA | Paris, France | 100% | 100% |
| Make Up For Ever UK Ltd | London, United Kingdom | 100% | 100% |
| Make Up For Ever LLC | New York, USA * | 100% | 100% |
| Parfums Givenchy SA | Levallois Perret, France | 100% | 100% |
| Parfums Givenchy Ltd | London, United Kingdom | 100% | 100% |
| Parfums Givenchy GmbH | Düsseldorf, Germany | 100% | 100% |
| Parfums Givenchy LLC | New York, USA * | 100% | 100% |
| Parfums Givenchy Canada Ltd | Toronto, Canada | 100% | 100% |
| Parfums Givenchy KK | Tokyo, Japan | 100% | 100% |
| Parfums Givenchy WHD, Inc | New York, USA * | 100% | 100% |
| LVMH P&K GmbH | Düsseldorf, Germany | 100% | 100% |
| Kenzo Parfums France SA | Paris, France | 100% | 100% |
| Kenzo Parfums NA LLC | New York, USA * | 100% | 100% |
| Kenzo Parfums Singapore | Singapore | 100% | 100% |
| La Brosse et Dupont SAS | Villepinte, France | 100% | 100% |
| La Brosse et Dupont Portugal SA | S. Domingos de Rana, Portugal | 100% | 100% |
| Mitsie SAS | Tarare, France | 100% | 100% |
| La Brosse et Dupont Iberica SA | Madrid, Spain | 100% | 100% |
| LBD Ménage SAS | Villepinte, France | 100% | 100% |
| LBD Belux SA | Brussels, Belgium | 100% | 100% |
| SCI Masurel | Hermes, France | 100% | 100% |
| SCI Sageda | Bethisy Saint Pierre, France | 100% | 100% |
| LBD Italia S.r.l. | Stezzano, Italy | 100% | 100% |

| COMPANIES | REGISTERED OFFICE | PERCENTAGE OF CONTROL | INTEREST |
|---|---|---|---|
| Inter-Vion Spolka Akeyjna SA | Warsaw, Poland | 51% | 51% |
| Europa Distribution SAS | Saint Etienne, France | 100% | 100% |
| LBD Hong Kong | Hong Kong, China | 100% | 100% |
| LBD Antilles SAS | Ducos, Martinique, France | 100% | 100% |
| LBD Canada Inc | St Augustin de Desmaures, Quebec | 51% | 51% |
| BeneFit Cosmetics LLC | San Francisco (California), USA | 80% | 80% |
| BeneFit Cosmetics UK Ltd | London, United Kingdom | 100% | 80% |
| BeneFit Cosmetics Korea | Seoul, South Korea | 100% | 80% |
| BeneFit Cosmetics SAS | Boulogne-Billancourt, France | 100% | 80% |
| BeneFit Cosmetics Hong Kong | Hong Kong, China | 100% | 80% |
| BeneFit Cosmetics Ireland Ltd | Dublin, Ireland | 100% | 80% |
| BeneFit Cosmetics Services Canada Inc | Vancouver, Canada | 100% | 80% |
| Fresh Inc | Boston (Massachusetts), USA | 80% | 80% |
| Fresh Cosmetics Ltd | London, United Kingdom | 100% | 80% |
| LVMH Cosmetics Services KK | Tokyo, Japan | 100% | 100% |
| Parfums Luxe International SA | Boulogne-Billancourt, France | 100% | 100% |
| **WATCHES AND JEWELRY** | | | |
| TAG Heuer International SA | Luxembourg, Luxembourg | 100% | 100% |
| LVMH Swiss Manufactures SA | La Chaux-de-Fonds, Switzerland | 100% | 100% |
| LVMH Relojeria & Joyeria España SA | Madrid, Spain | 100% | 100% |
| LVMH Montres & Joaillerie France SA | Paris, France | 100% | 100% |
| LVMH Watch & Jewelry Italia SpA | Milan, Italy | 100% | 100% |
| LVMH Watch & Jewelry Central Europe GmbH | Bad Homburg, Germany | 100% | 100% |
| LVMH Watch & Jewelry UK Ltd | Manchester, United Kingdom | 100% | 100% |
| LVMH Watch & Jewelry USA (Inc) | Springfield (New Jersey), USA | 100% | 100% |
| LVMH Watch & Jewelry Canada Ltd | Toronto, Canada | 100% | 100% |
| LVMH Watch & Jewelry Far East Ltd | Hong Kong, China | 100% | 100% |
| LVMH Watch & Jewelry Singapore Pte Ltd | Singapore | 100% | 100% |
| LVMH Watch & Jewelry Malaysia Sdn Bhd | Kuala Lumpur, Malaysia | 100% | 100% |
| LVMH Watch & Jewelry Capital Pte Ltd | Singapore | 100% | 100% |
| LVMH Watch & Jewelry Japan K.K. | Tokyo, Japan | 100% | 100% |
| LVMH Watch & Jewelry Australia Pty Ltd | Melbourne, Australia | 100% | 100% |
| LVMH Watch & Jewelry Hong Kong Ltd | Hong Kong, China | 100% | 100% |
| LVMH Watch & Jewelry Taiwan Ltd | Hong Kong, China | 100% | 100% |
| LVMH Watch & Jewelry India Pvt Ltd | New Delhi, India | 100% | 100% |
| LVMH Watch & Jewelry (Shanghai) Commercial Co Ltd | Shanghai, China | 100% | 100% |
| Chaumet International SA | Paris, France | 100% | 100% |
| Chaumet London Ltd | London, United Kingdom | 100% | 100% |
| Chaumet Horlogerie SA | Bienne, Switzerland | 100% | 100% |
| Chaumet Monte-Carlo SAM | Monte Carlo, Monaco | 100% | 100% |
| Chaumet Korea Chusik Hoesa | Seoul, South Korea | 100% | 100% |
| Zenith Time Co Ltd | Manchester, United Kingdom | 100% | 100% |
| LVMH Watch & Jewelry Italy SpA | Milan, Italy | 100% | 100% |
| Delano SA | La Chaux-de-Fonds, Switzerland | 100% | 100% |
| LVMH W&J Services (Suisse) SA | La Chaux-de-Fonds, Switzerland | 100% | 100% |
| Fred Paris SA | Paris, France | 100% | 100% |
| Joaillerie de Monaco SA | Monte Carlo, Monaco | 100% | 100% |
| Fred Inc | Beverly Hills (California), USA * | 100% | 100% |
| Fred London Ltd | London, United Kingdom | 100% | 100% |
| Dior Montres | Paris, France [(1)] | 50% | 50% |
| Les Ateliers Horlogers Dior SA | La Chaux-de-Fonds, Switzerland [(1)] | 50% | 50% |
| Hublot SA | Nyon, Switzerland | 100% | 100% |
| Hublot SA Genève | Geneva, Switzerland | 100% | 100% |
| MDM Conseil et Gestion SA | Nyon, Switzerland | 100% | 100% |
| Hublot of America, Inc | Ft Lauderdale, USA | 100% | 100% |
| Hublot Japan KK Ltd | Tokyo, Japan | 100% | 100% |
| Bentim International SA | Luxembourg, Luxembourg | 100% | 100% |
| De Beers LV Ltd | London, United Kingdom [(1)] | 50% | 50% |

| COMPANIES | REGISTERED OFFICE | PERCENTAGE OF CONTROL | INTEREST |
|---|---|---|---|
| **SELECTIVE RETAILING** | | | |
| Sephora SA | Boulogne-Billancourt, France | 100% | 100% |
| Sephora Luxembourg SARL | Luxembourg, Luxembourg | 100% | 100% |
| LVMH Iberia SL | Madrid, Spain | 100% | 100% |
| LVMH Italia SpA | Milan, Italy | 100% | 100% |
| Sephora Portugal Perfumaria Lda | Lisbon, Portugal | 100% | 100% |
| Sephora Pologne Spzoo | Warsaw, Poland | 100% | 100% |
| Sephora Marinopoulos SA | Alimos, Greece [(1)] | 50% | 50% |
| Sephora Marinopulos Romania SA | Bucharest, Romania [(1)] | 100% | 50% |
| Sephora S.R.O. | Prague, Czech Republic | 100% | 100% |
| Sephora Monaco SAM | Monaco | 99% | 99% |
| Sephora Patras | Alimos, Greece [(1)] | 66% | 33% |
| Sephora Cosmeticos España | Madrid, Spain [(1)] | 50% | 50% |
| S+ | Boulogne Billancourt, France | 100% | 100% |
| Sephora Marinopoulos Cyprus Ltd | Nicosia, Cyprus [(1)] | 100% | 50% |
| Sephora Unitim Kozmetik AS | Istanbul, Turkey | 100% | 100% |
| Sephora Marinopoulos D.O.O. | Zagreb, Croatia [(1)] | 100% | 50% |
| Sephora Marinopoulos Cosmetics D.O.O. | Belgrade, Serbia [(1)] | 100% | 50% |
| Sephora Nederland BV | Amsterdam, Netherlands | 100% | 100% |
| Sephora Moyen Orient SA | Fribourg, Switzerland | 60% | 60% |
| Sephora Middle East FZE | Dubai, United Arab Emirates | 100% | 60% |
| Sephora Holding Asia | Shanghai, China | 100% | 100% |
| Sephora (Shanghai) Cosmetics Co. Ltd | Shanghai, China | 81% | 81% |
| Sephora (Beijing) Cosmetics Co. Ltd | Beijing, China | 81% | 81% |
| Sephora Hong Kong | Hong Kong, China | 100% | 100% |
| Sephora Singapore Pte Ltd | Singapore | 60% | 60% |
| Sephora USA, Inc | San Francisco (California), USA * | 100% | 100% |
| Sephora Beauty Canada, Inc | San Francisco (California), USA | 100% | 100% |
| Sephora Puerto Rico, LLC | San Francisco (California), USA | 100% | 100% |
| United Europe S.B. | Moscow, Russia [(2)] | 45% | 45% |
| Le Bon Marché SA | Paris, France | 100% | 100% |
| SEGEP SNC | Paris, France | 99% | 99% |
| Franck & Fils SA | Paris, France | 100% | 100% |
| DFS Holdings Ltd | Hamilton, Bermuda | 61% | 61% |
| DFS Australia Pty Ltd | Sydney, Australia | 100% | 61% |
| Travel Retail Shops Pte Ltd | Sydney, Australia [(2)] | 45% | 28% |
| DFS European Logistics Ltd | Hamilton, Bermuda | 100% | 61% |
| DFS Group Ltd | Delaware, USA | 100% | 61% |
| DFS China Partners Ltd | Hong Kong, China | 100% | 61% |
| DFS Hong Kong Ltd | Hong Kong, China | 100% | 61% |
| Hong Kong International Boutique Partners | Hong Kong, China [(2)] | 50% | 31% |
| TRS Hong Kong Ltd | Hong Kong, China [(2)] | 45% | 28% |
| DFS Okinawa K.K. | Okinawa, Japan | 100% | 61% |
| TRS Okinawa | Okinawa, Japan [(2)] | 45% | 28% |
| JAL/DFS Co., Ltd | Chiba, Japan [(2)] | 40% | 24% |
| DFS Korea Ltd | Seoul, South Korea | 100% | 61% |
| DFS Seoul Ltd | Seoul, South Korea | 100% | 61% |
| DFS Cotai Limitada | Macao, China | 100% | 61% |
| DFS Sdn. Bhd. | Kuala Lumpur, Malaysia | 100% | 61% |
| Gateshire Marketing Sdn Bhd. | Kuala Lumpur, Malaysia | 100% | 61% |
| DFS Merchandising Ltd | Delaware, USA | 100% | 61% |
| DFS New Caledonia Sarl | Noumea, New Caledonia | 100% | 61% |
| DFS New Zealand Ltd | Auckland, New Zealand | 100% | 61% |
| TRS New Zealand Ltd | Auckland, New Zealand [(2)] | 45% | 28% |
| Commonwealth Investment Company, Inc | Saipan, Mariana Islands | 97% | 59% |
| DFS Saipan Ltd | Saipan, Mariana Islands | 100% | 61% |
| Kinkaï Saipan L.P. | Saipan, Mariana Islands | 100% | 61% |
| Saipan International Boutique Partners | Saipan, Mariana Islands [(2)] | 50% | 31% |
| DFS Palau Ltd | Koror, Palau | 100% | 61% |

| COMPANIES | REGISTERED OFFICE | PERCENTAGE OF CONTROL | INTEREST |
|---|---|---|---|
| Difusi Information Technology & Development Co. Ltd | Shanghai, China | 100% | 61% |
| DFS Information Technology (Shanghai) Company Limited | Shanghai, China | 100% | 61% |
| Hainan DFS Retail Company Limited | Hainan, China | 100% | 61% |
| DFS Galleria Taiwan Ltd | Taipei, Taiwan | 100% | 61% |
| DFS Taiwan Ltd | Taipei, Taiwan | 100% | 61% |
| Tou You Duty Free Shop Co. Ltd | Taipei, Taiwan | 100% | 61% |
| DFS Singapore (Pte) Ltd | Singapore | 100% | 61% |
| DFS Trading Singapore (Pte) Ltd | Singapore | 100% | 61% |
| DFS Venture Singapore (Pte) Ltd | Singapore | 100% | 61% |
| TRS Singapore Pte Ltd | Singapore (2) | 45% | 28% |
| Singapore International Boutique Partners | Singapore (2) | 50% | 31% |
| DFS India Private Ltd | Mumbai, India | 70% | 43% |
| DFS Vietnam (S) Pte Ltd | Singapore | 70% | 43% |
| New Asia Wave International (S) Pte Ltd | Singapore | 70% | 43% |
| IPP Group (S) Pte Ltd | Singapore | 70% | 43% |
| Stempar Pte Ltd | Singapore (2) | 50% | 31% |
| L Development & Management Ltd | Hong Kong, China (2) | 40% | 54% |
| DFS Group L.P. | Delaware, U.S.A | 61% | 61% |
| LAX Duty Free Joint Venture 2000 | Los Angeles (California), U.S.A | 77% | 47% |
| Royal Hawaiian Insurance Company Ltd | Hawaii, USA | 100% | 61% |
| Hawaii International Boutique Partners | Honolulu (Hawaii), USA (2) | 50% | 31% |
| JFK Terminal 4 Joint Venture 2001 | New York, USA | 80% | 49% |
| DFS Guam L.P. | Tamuning, Guam | 61% | 61% |
| Guam International Boutique Partners | Tamuning, Guam (2) | 50% | 31% |
| DFS Liquor Retailing Ltd | Delaware, USA | 61% | 61% |
| Twenty – Seven – Twenty Eight Corp. | Delaware, USA | 61% | 61% |
| TRS Hawaii LLC | Honolulu (Hawaii), USA (2) | 45% | 28% |
| TRS Saipan | Saipan, Mariana Islands (2) | 45% | 28% |
| TRS Guam | Tumon, Guam (2) | 45% | 28% |
| Tumon Entertainment LLC | Tamuning, Guam | 100% | 100% |
| Comete Guam Inc | Tamuning, Guam | 100% | 100% |
| Tumon Aquarium LLC | Tamuning, Guam | 97% | 97% |
| Comete Saipan Inc | Saipan, Mariana Islands | 100% | 100% |
| Tumon Games LLC | Tamuning, Guam | 100% | 100% |
| Cruise Line Holdings Co | Delaware, USA | 100% | 100% |
| On Board Media, Inc | Delaware, USA | 100% | 100% |
| Starboard Cruise Services, Inc | Delaware, USA | 100% | 100% |
| Starboard Holdings Ltd | Delaware, USA | 100% | 100% |
| International Cruise Shops, Ltd | Cayman Islands | 100% | 100% |
| Vacation Media Ltd | Kingston, Jamaica | 100% | 100% |
| STB S.r.l | Florence, Italy | 100% | 100% |
| Parazul LLC | Delaware, USA | 100% | 100% |
| Y.E.S. Your Extended Services LLC | Delaware, USA (1) | 33% | 33% |

## OTHER AND HOLDING COMPANIES

| COMPANIES | REGISTERED OFFICE | PERCENTAGE OF CONTROL | INTEREST |
|---|---|---|---|
| Groupe les Echos SA | Paris, France | 100% | 100% |
| Les Echos Services SAS | Paris, France | 100% | 100% |
| Radio Classique SAS | Paris, France | 100% | 100% |
| Prélude & Fugue | Paris, France (2) | 49% | 49% |
| DI Régie SAS | Paris, France | 100% | 100% |
| SFPA SARL | Paris, France | 100% | 100% |
| La Fugue SAS | Paris, France | 75% | 75% |
| Les Echos SAS | Paris, France | 100% | 100% |
| Les Echos Formation SAS | Paris, France | 100% | 100% |
| Hera SAS | Paris, France | 100% | 100% |
| Les Echos Médias SNC | Paris, France | 100% | 100% |
| Percier Publications SNC | Paris, France | 100% | 100% |
| EUROSTAF – Europe Stratégie Analyse Financière SAS | Paris, France | 100% | 100% |
| Investir Publications SAS | Paris, France | 100% | 100% |
| SID Développement SAS | Paris, France | 100% | 100% |
| SID Editions SAS | Paris, France | 100% | 100% |
| Magasins de la Samaritaine SA | Paris, France | 57% | 57% |
| Royal Van Lent Shipyard BV | Kaag, Netherlands | 100% | 90% |
| RVL Holding BV | Baarn, Netherlands | 90% | 90% |
| Probinvest SAS | Boulogne-Billancourt, France | 100% | 100% |
| Ufipar SAS | Boulogne-Billancourt, France | 100% | 100% |
| L Capital Management SAS | Paris, France | 100% | 100% |
| Sofidiv SAS | Boulogne-Billancourt, France | 100% | 100% |
| GIE LVMH Services | Boulogne-Billancourt, France | 100% | 85% |
| Moët Hennessy SNC | Boulogne-Billancourt, France | 66% | 66% |
| LVMH Services Ltd | London, United Kingdom | 100% | 100% |
| UFIP (Ireland) | Dublin, Ireland | 100% | 100% |
| Moët Hennessy Investissements SA | Boulogne-Billancourt, France | 100% | 66% |
| LVMH Fashion Group SA | Paris, France | 100% | 100% |
| Moët Hennessy International SA | Boulogne-Billancourt, France | 66% | 66% |
| Creare | Luxembourg, Luxembourg | 100% | 86% |
| Creare Pte Ltd | Singapore | 100% | 86% |
| Société Montaigne Jean Goujon SAS | Paris, France | 100% | 100% |
| Delphine SAS | Boulogne-Billancourt, France | 100% | 100% |
| LVMH Finance SA | Boulogne-Billancourt, France | 100% | 100% |
| Primae SA | Boulogne-Billancourt, France | 100% | 100% |
| Eutrope SAS | Boulogne-Billancourt, France | 100% | 100% |
| Flavius Investissements SA | Paris, France | 100% | 100% |
| LBD HOLDING SA | Boulogne-Billancourt, France | 100% | 100% |
| LVMH Hotel Management SAS | Boulogne-Billancourt, France | 100% | 100% |
| LV Capital SA | Paris, France | 100% | 100% |
| Moët Hennessy Inc | New York, USA * | 100% | 66% |
| One East 57th Street LLC | New York, USA * | 100% | 100% |
| LVMH Moët Hennessy Louis Vuitton Inc | New York, USA * | 100% | 100% |
| 598 Madison Leasing Corp | New York, USA * | 100% | 100% |
| 1896 Corp | New York, USA * | 100% | 100% |
| LVMH Participations BV | Naarden, Netherlands | 100% | 100% |
| LVMH Moët Hennessy Louis Vuitton BV | Naarden, Netherlands | 100% | 100% |
| LVP Holding BV | Naarden, Netherlands | 100% | 100% |
| LVMH Finance Belgique | Brussels, Belgium | 100% | 100% |
| L Real Estate SA | Luxembourg, Luxembourg (2) | 49% | 49% |
| Ufilug SA | Luxembourg, Luxembourg | 100% | 100% |
| Delphilug SA | Luxembourg, Luxembourg | 100% | 100% |
| Hanninvest SA | Brussels, Belgium | 100% | 100% |
| Sofidiv UK Ltd | London, United Kingdom | 100% | 100% |
| LVMH Moët Hennessy Louis Vuitton KK | Tokyo, Japan | 100% | 100% |
| Osaka Fudosan Company Ltd | Tokyo, Japan | 100% | 100% |
| LVMH Asia Pacific Ltd | Hong Kong, China | 100% | 100% |
| LVMH Shanghai Management and Consultancy Co, Ltd | Shanghai, China | 100% | 100% |
| LVMH South & South East Asia Pte Ltd | Singapore | 100% | 100% |
| LVMH Moët Hennessy - Louis Vuitton SA | Paris, France | Parent company | |

*(*) The address given corresponds to the company's administrative headquarters; the corporate registered office is located in the state of Delaware.*
*(1) Consolidated on a proportional basis.*
*(2) Accounted for using the equity method.*
*(3) Joint venture companies with Diageo: only the Moët Hennessy activity is consolidated.*
*(4) The Group's percentages of control and interest are not disclosed, the results of these companies being consolidated on the basis of the Group's contractual share in their business.*

# STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2009, on:

- the audit of the accompanying consolidated financial statements of LVMH Moët Hennessy - Louis Vuitton;
- the justification of our assessments;
- the specific verification required by French law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

## I. OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with the professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes verifying, by audit sampling and other selective testing procedures, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used, the significant estimates made by the management, and the overall financial statements presentation. We believe that the evidence we have gathered in order to form our opinion is adequate and relevant.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the group as of December 31, 2009, and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the matter set out in Note 1.2 to the consolidated financial statements relating to changes in accounts in accordance with accounting standards, amendments and interpretations implemented by your Company.

## II. JUSTIFICATION OF ASSESSMENTS

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (Code de Commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- the valuation of brands and goodwill has been tested under the method described in Note 1.12 and in the general context described in Note 1.1. to the consolidated financial statements. Based on the aforementioned, we have assessed the appropriateness of the methodology applied based on all estimates and reviewed the data and assumptions used by the Group to perform these valuations.
- we have verified that Note 1.10 to the consolidated financial statements provides an appropriate disclosure on the accounting treatment of commitments to purchase minority interests as such treatment is not provided for by the IFRS framework as adopted by the European Union.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole and, therefore, served in forming our audit opinion expressed in the first part of this report.

## III. SPECIFIC VERIFICATION

As required by law we have also verified in accordance with professional standards applicable in France the information related to the group presented in the management report.

We have no matters to report regarding its fair presentation and consistency with the consolidated financial statements.

Neuilly-Sur-Seine and Paris-La Défense, March 3, 2010

The Statutory Auditors

| DELOITTE & ASSOCIÉS | ERNST & YOUNG Audit | |
|---|---|---|
| Alain Pons | Jeanne Boillet | Olivier Breillot |

*This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English speaking users.*
*The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessment) of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.*
*This report also includes information relating to the specific verification of information given in the management report.*
*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

# FINANCIAL STATEMENTS

## PARENT COMPANY FINANCIAL STATEMENTS: LVMH MOËT HENNESSY - LOUIS VUITTON SA

# BALANCE SHEET

## ASSETS

| *(EUR millions)* | Notes | 2009 | | | 2008 | 2007 [1] |
|---|---|---|---|---|---|---|
| | | Gross | Depreciation Amortization and impairment | Net | Net | Net |
| **NON-CURRENT ASSETS** | | | | | | |
| **Intangible assets** | | | | | | |
| Start-up costs | | - | - | - | - | - |
| Other intangible assets | | - | - | - | - | - |
| **Property, plant and equipment** | 9 | | | | | |
| Vineyards and other land | | 33.7 | - | 33.7 | 32.4 | 28.0 |
| Buildings | | - | - | - | - | - |
| Technical fittings and machinery | | - | - | - | - | - |
| Other property, plant and equipment | | 8.6 | (0.9) | 7.7 | 7.9 | 7.9 |
| Advances and downpayments | | - | - | - | - | - |
| **Non-current financial assets** | | | | | | |
| Investments | 10 | 14,033.9 | (2,389.4) | 11,644.5 | 10,926.0 | 9,581.0 |
| Receivables from controlled entities | 11 | 130.2 | - | 130.2 | 3,116.8 | 3,909.5 |
| Other investment securities | | - | - | - | - | 14.5 |
| Loans | | - | - | - | - | - |
| Treasury shares | 13 | 560.9 | - | 560.9 | 504.7 | 378.7 |
| Other non-current financial assets | | 0.1 | - | 0.1 | 0.2 | 0.4 |
| | | **14,767.4** | **(2,390.3)** | **12,377.1** | **14,588.0** | **13,920.0** |
| **CURRENT ASSETS** | | | | | | |
| Advances and downpayments | | - | - | - | - | - |
| Trade accounts receivable | | - | - | - | - | - |
| Other receivables | 12 | 494.6 | (114.2) | 380.4 | 936.9 | 524.7 |
| Treasury shares | 13 | 258.0 | - | 258.0 | 302.1 | 404.5 |
| Short term investments | | - | - | - | - | - |
| Cash and cash equivalents | | 25.0 | - | 25.0 | 113.1 | 189.3 |
| **PREPAYMENTS AND ACCRUED INCOME** | | | | | | |
| Prepaid expenses | | 1.8 | - | 1.8 | 2.9 | 3.6 |
| | | **779.4** | **(114.2)** | **665.2** | **1,355.0** | **1,122.1** |
| Deferred charges | | - | - | - | - | - |
| Bond redemption premiums | | 10.8 | - | 10.8 | 10.0 | 2.9 |
| Cumulative translation adjustments | 14 | 66.1 | - | 66.1 | 65.7 | 0.1 |
| **TOTAL ASSETS** | | **15,623.7** | **(2,504.5)** | **13,119.2** | **16,018.7** | **15,045.1** |

*(1) After the impact of changes in accounting policies (see Note 2.1).*

## LIABILITIES AND EQUITY

| *(EUR millions)* | Notes | 2009 | 2008 | 2007 (1) |
|---|---|---|---|---|
| | | Before appropriation | Before appropriation | Before appropriation |
| **EQUITY** | | | | |
| Share capital (fully paid up) | 15 | 147.1 | 147.0 | 147.0 |
| Share premium account | 15 | 1,763.1 | 1,737.1 | 1,736.3 |
| Revaluation adjustments | 16 | 41.5 | 41.5 | 41.5 |
| Legal reserve | | 14.7 | 14.7 | 14.7 |
| Regulated reserves | 16 | 331.3 | 331.3 | 331.3 |
| Other reserves | 16 | 195.0 | 195.0 | 195.0 |
| Retained earnings | | 2,943.9 | 2,802.3 | 2,759.6 |
| Interim dividends | | (166.0) | (165.6) | (166.1) |
| Profit for the year | | 436.1 | 898.9 | 783.4 |
| Regulated provisions | | 0.1 | 0.1 | 0.1 |
| | 15 | **5,706.8** | **6,002.3** | **5,842.8** |
| **PROVISIONS** | 18 | | | |
| Provisions for contingencies | | 455.2 | 475.4 | 378.2 |
| Provisions for losses | | 28.0 | 29.1 | 44.7 |
| | | **483.2** | **504.5** | **422.9** |
| **LIABILITIES** | 19 | | | |
| Perpetual bonds | | - | - | 88.6 |
| Convertible bonds | | - | - | - |
| Other bonds | | 4,165.8 | 2,866.6 | 3,000.7 |
| Bank loans and borrowings | | 155.7 | 615.9 | 372.7 |
| Miscellaneous loans and borrowings | | 2,173.1 | 5,479.1 | 5,016.5 |
| Trade accounts payable | | 82.0 | 84.2 | 122.8 |
| Tax and social security liabilities | | 52.1 | 32.7 | 24.6 |
| Other liabilities | | 300.4 | 368.1 | 121.8 |
| **ACCRUALS AND DEFERRED INCOME** | | | | |
| Prepaid income | | - | 65.3 | 31.7 |
| | | **6,929.1** | **9,511.9** | **8,779.4** |
| Cumulative translation adjustments | | 0.1 | - | - |
| **TOTAL LIABILITIES AND EQUITY** | | **13,119.2** | **16,018.7** | **15,045.1** |

*(1) After the impact of changes in accounting policies (see Note 2.1).*

# INCOME STATEMENT

| *(EUR millions)* | Notes | 2009 | 2008 | 2007 |
|---|---|---|---|---|
| Income from investments | | 1,075.6 | 1,173.1 | 737.9 |
| Services provided, other revenues | | 186.2 | 195.9 | 179.2 |
| **Income from investments and other revenues** | 3 | **1,261.8** | **1,369.0** | **917.1** |
| Reversal of depreciation, amortization and provisions | 18 | 88.2 | 38.9 | 16.5 |
| Other operating income | | - | - | - |
| **Total operating income** | | **1,350.0** | **1,407.9** | **933.6** |
| Purchases and external charges | | 207.8 | 204.6 | 189.3 |
| Taxes, duties and similar levies | | 4.4 | 3.7 | 3.5 |
| Wages, salaries and social security expenses | | 80.4 | 78.0 | 44.5 |
| Depreciation and amortization | | 0.2 | 0.2 | 0.2 |
| Provisions | 18 | 39.1 | 82.9 | 49.8 |
| Other expenses | | 1.3 | 1.1 | 2.0 |
| **Total operating expenses** | | **333.2** | **370.5** | **289.3** |
| Provisions released and expense transfers | 18 | 106.9 | 12.0 | 86.6 |
| Interest and similar income | 4 | 51.9 | 195.5 | 206.8 |
| Foreign exchange gains | 5 | 2,604.7 | 2,616.6 | 1,154.5 |
| Net gains on sales of short term investments | | 7.1 | 5.7 | 5.7 |
| **Total financial income** | | **2,770.6** | **2,829.8** | **1,453.6** |
| Provisions | 18 | 61.4 | 217.9 | 88.9 |
| Interest and similar expenses | 6 | 234.0 | 356.7 | 386.7 |
| Foreign exchange losses | 5 | 2,478.9 | 2,655.4 | 1,146.1 |
| Net losses on sales of short term investments | | 1.1 | 14.2 | 3.1 |
| **Total financial expenses** | | **2,775.3** | **3,244.2** | **1,624.8** |
| **PROFIT FROM RECURRING OPERATIONS BEFORE TAX** | | **1,012.1** | **623.0** | **473.1** |
| Exceptional income from operations | 7 | 0.6 | 91.6 | 454.0 |
| Exceptional capital gains | 7 | - | - | - |
| Provisions released and expense transfers | 18 | 14.3 | 102.1 | 37.8 |
| **Total exceptional income** | | **14.9** | **193.7** | **491.8** |
| Exceptional expenses from operations | 7 | 2.4 | 4.0 | - |
| Exceptional capital losses | 7 | 0.5 | 56.2 | 0.1 |
| Depreciation, amortization and provisions | 18 | 603.1 | 105.2 | 173.4 |
| **Total exceptional expenses** | | **606.0** | **165.4** | **173.5** |
| **EXCEPTIONAL INCOME (LOSS)** | | **(591.1)** | **28.3** | **318.3** |
| Income tax (income)/expense | 8 | (15.1) | (247.6) | 8.0 |
| **NET PROFIT** | | **436.1** | **898.9** | **783.4** |

# CASH FLOW STATEMENT

| *(EUR millions)* | 2009 | 2008 | 2007 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Net profit | 436.1 | 898.9 | 783.4 |
| Depreciation and amortization of fixed assets | 582.2 | 63.9 | 93.7 |
| Change in other provisions | (87.8) | 191.7 | 83.8 |
| Gains on sale of fixed assets and LVMH treasury shares | (6.1) | 61.7 | (3.0) |
| **CASH FROM OPERATIONS BEFORE CHANGES IN WORKING CAPITAL** | **924.4** | **1,216.2** | **957.9** |
| Inter-company current accounts | (319.3) | 830.6 | 1,140.4 |
| Current assets and liabilities | 253.7 | (263.5) | (29.2) |
| **NET CASH FROM OPERATING ACTIVITIES** | **858.8** | **1,783.3** | **2,069.1** |
| **INVESTING ACTIVITIES** | | | |
| Purchase of tangible and intangible fixed assets | (1.2) | (4.5) | - |
| Purchase of equity investments | (0.1) | (0.1) | - |
| Proceeds from sale of equity investments and similar transactions | - | 3.0 | - |
| Subscription to capital increases carried out by subsidiaries | (1,100.5) | (1,450.0) | (1,200.0) |
| **NET CASH FROM (USED IN) INVESTING ACTIVITIES** | **(1,101.8)** | **(1,451.6)** | **(1,200.0)** |
| **FINANCING ACTIVITIES** | | | |
| Capital increase | 26.1 | 0.8 | - |
| Change in treasury shares | 48.2 | (86.2) | 83.4 |
| Dividends and interim dividends paid during the year | (757.7) | (757.6) | (686.4) |
| Proceeds from financial debt | 1,437.3 | 1,328.1 | 690.2 |
| Repayments in respect of financial debt | (599.0) | (893.0) | (837.3) |
| Changes in listed securities | - | - | - |
| **NET CASH USED IN FINANCING ACTIVITIES** | **154.9** | **(407.9)** | **(750.1)** |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | **(88.1)** | **(76.2)** | **119.0** |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **113.1** | **189.3** | **70.3** |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | **25.0** | **113.1** | **189.3** |

# COMPANY RESULTS OVER THE LAST FIVE FISCAL YEARS

| *(EUR millions, except earnings per share, expressed in euros)* | 2005 | 2006 | 2007 | 2008 | **2009** |
|---|---|---|---|---|---|
| **1. Share capital at year-end** | | | | | |
| • Share capital | 147.0 | 147.0 | 147.0 | 147.0 | 147.1 |
| • Number of ordinary shares outstanding | 489,937,410 | 489,937,410 | 489,937,410 | 489,937,410 | 490,405,654 |
| • Maximum number of future shares to be created: | | | | | |
| - through conversion of bonds | - | - | - | - | - |
| - through exercise of equity warrants | - | - | - | - | - |
| - through exercise of share subscription options | 4,637,175 | 6,426,534 | 8,015,393 | 9,569,660 | 10,214,500 |
| **2. Operations and profit for the year** | | | | | |
| • Income from investments and other revenues | 817.7 | 1,123.0 | 917.1 | 1,369.0 | 1,261.8 |
| • Profit before taxes, depreciation, amortization and movements in provisions | 467.1 | 804.7 | 962.8 | 904.5 | 915.3 |
| • Income tax (income)/expense (1) | - | - | - | - | - |
| • Profit after taxes, depreciation, amortization and movements in provisions (2) | 1,447.5 | 1,027.5 | 783.4 | 898.9 | 436.1 |
| • Profit distributed as dividends (3) | 563.4 | 685.9 | 783.9 | 783.9 | 809.2 |
| **3. Earnings per share** | | | | | |
| • EPS after taxes but before depreciation, amortization and movements in provisions | 1.23 | 1.44 | 1.95 | 1.64 | 1.90 |
| • EPS after taxes, depreciation, amortization and movements in provisions (2) | 2.95 | 2.10 | 1.60 | 1.83 | 0.89 |
| • Gross dividend distributed per share (4) | 1.15 | 1.40 | 1.60 | 1.60 | 1.65 |
| **4. Employees** | | | | | |
| • Average number of employees | 27 | 24 | 25 | 26 | 23 |
| • Total payroll | 35.9 | 31.0 | 33.8 | 59.8 | 64.5 |
| • Amounts paid in respect of social security | 10.7 | 9.0 | 10.7 | 18.2 | 15.9 |

*(1) Excludes the impact of the tax consolidation agreement.*
*(2) Includes the impact of the tax consolidation agreement.*
*(3) Amount of the distribution resulting from the resolution of the Shareholders' Meeting, before the effects of LVMH treasury shares at the date of distribution.*
*(4) Excludes the impact of tax regulations applicable to the beneficiary.*

# NOTES TO THE FINANCIAL STATEMENTS

## 1. BUSINESS ACTIVITY

In addition to managing its portfolio of investments in its capacity as the Group's holding company, LVMH Moët Hennessy - Louis Vuitton SA ("LVMH", "the Company") manages and coordinates the operational activities of all of its subsidiaries, and offers them various management support services, for which they are invoiced, particularly in legal, financial, tax and insurance matters.

Until October 2009, LVMH had cash pooling arrangements in euros and foreign currencies with its French subsidiaries and certain European subsidiaries. It also centralized their financing requirements and managed the interest rate risk on borrowings.

LVMH also centralized foreign exchange hedges underwritten by its French subsidiaries and certain European subsidiaries. These foreign currency hedges were symmetrically covered in the market in terms of hedge type, currency, amount and maturity.

Changes in financial structure from one year to the next, and foreign exchange gains and losses recorded in the income statement, mainly resulted from these transactions.

This role is now assumed by a subsidiary; LVMH continues to manage the Group's long term borrowings and the associated interest rate risk, as well as foreign exchange operations carried out for its own account.

The financial structure as of December 31, 2009 reflects these changes: in October 2009, receivables from controlled entities and borrowings from affiliates resulting from the cash pooling arrangements were settled and the foreign exchange hedging contracts taken out by LVMH on behalf of its subsidiaries were canceled. The income statement records the impact of the cash pooling arrangements and of foreign exchange hedges on behalf of the subsidiaries until October 2009.

## 2. ACCOUNTING POLICIES AND METHODS

### 2.1 General framework; changes in accounting policies

• The balance sheet and income statement of LVMH have been prepared in accordance with French legal provisions, particularly Regulation 99-03 of the CRC (Comité de la Réglementation Comptable) and accounting principles generally accepted in France.

However, in view of the fact that the Company's direct operations exclusively comprise financial and real estate transactions and in order to enhance the presentation of its income statement, dividends received from subsidiaries and equity investments, in addition to the Company's share in income of partnerships subject to statutory clauses providing for the allocation of income to partners, are recorded in operating income.

• LVMH has applied CNC (Conseil National de la Comptabilité) Opinion 08-17 dated November 6, 2008 and CRC Regulation 2008-15 published on December 30, 2008, relating to the accounting treatment of share purchase or share subscription option plans and bonus share plans, beginning with the 2008 fiscal year.

These texts entail that the costs of these plans, which were previously recognized in full as expenses from the fiscal year during which the plans were established, be apportioned over their entire respective vesting periods.

The method for the calculation of the expense resulting from stock option or bonus share plans is described under Note 2.6.

### 2.2 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost (purchase price and incidental costs, excluding acquisition expenses) or at contribution value, with the exception of property, plant and equipment acquired prior to December 31, 1976 which was revalued in 1978 (revaluation pursuant to the French law of 1976).

### 2.3 Non-current financial assets

Non-current financial assets, excluding receivables, loans and deposits, are stated at acquisition cost (excluding incidental costs) or at contribution value.

When net realizable value as of the year-end is lower than the carrying amount, a provision is recorded in the amount of the difference. The net realizable value is measured with reference to the value in use or the net selling price. Value in use is based on the entities' forecast future cash flows; the net selling price is calculated with reference to ratios or share prices of similar entities, on the basis of valuations performed by independent experts or by comparison with recent similar transactions.

Changes in the amount of provisions for impairment of the equity investment portfolio are classified under exceptional income expense.

Portfolio investments held as of December 31, 1976 were revalued in 1978 (revaluation pursuant to the French law of 1976).

## 2.4 Accounts receivable

Accounts receivable are recorded at their face value. Impairment for doubtful accounts is recorded if their net realizable value, based on the probability of their collection, is lower than their carrying amount.

## 2.5 Short term investments

Short term investments, including money market investments on which interest is rolled up, are stated at acquisition cost (excluding transaction costs); when their market value is lower than their acquisition cost, an impairment expense is recorded in financial income/expense for the amount of the difference.

The market value of listed investments is calculated based on average listed share prices during the last month of the year and translated, where applicable, at year-end exchange rates. The market value of non-listed securities is calculated based on their estimated realizable value.

This calculation is performed on a line-by-line basis, without offsetting any unrecognized capital gains and losses.

In the event of partial investment sales, any gains or losses are calculated based on the FIFO method.

## 2.6 LVMH treasury shares and LVMH-share settled derivatives; stock option and bonus share plans

### 2.6.1 LVMH treasury shares

Treasury shares are recorded, on their date of delivery, at their acquisition cost excluding transaction costs.

Treasury shares acquired under share repurchase programs or under the terms of the liquidity contract are recorded as short term investments with the exception of shares held on a long term basis, or intended to be cancelled or exchanged at a later date, which are recorded as non-current financial assets.

Treasury shares held for share purchase option plans and bonus shares are allocated to these plans.

The cost of disposals is determined by allocation category using the FIFO method, with the exception of shares held in stock option plans for which the calculation is performed for each plan individually using the weighted average cost method.

### 2.6.2 Impairment of LVMH shares

If the market value of LVMH shares recorded in short term investments, calculated in accordance with the method described in Note 2.5, falls below their acquisition cost, impairment is recognized and charged to net financial income/expense in the amount of the difference.

With respect to LVMH shares allocated to share purchase option plans:

- if the plan is non-exercisable (market value of the LVMH share lower than the exercise price of the option), the calculation of the impairment, charged to operating profit, is made in relation to the average price of all plans involved;
- if the plan is exercisable (market value of the LVMH share greater than the exercise price of the option), a provision for losses is recognized and calculated as described in §2.6.3 below.

No impairment is recognized for LVMH shares allocated to bonus share plans or shares recorded in long term investments.

### 2.6.3 Expense relating to stock option and bonus share plans based on LVMH treasury shares

The expense relating to stock option and bonus share plans based on LVMH shares is calculated as follows:

- for share purchase option plans, as the difference between the portfolio value of shares allocated to these plans and the corresponding exercise price, if lower;
- for bonus share plans, as the portfolio value of shares allocated to these plans.

Share subscription option plans do not give rise to the recognition of an expense.

The expense relating to stock option and bonus share plans based on LVMH shares is allocated on a straight-line basis over the vesting periods for the plans. It is recognized in the income statement under the heading “Wages, salaries and social security expenses”, offset by a provision for losses recorded in the balance sheet.

### 2.6.4 LVMH-share settled derivatives

Under the terms of share purchase option plans, as an alternative to holding shares allocated to these plans, LVMH may acquire derivatives settled in shares; these derivatives consist of LVMH share purchase options (“calls”), acquired when the plan was set up or after that date until the end of the vesting period. The premiums paid in respect of these options are recognized as assets in “Other receivables”. These premiums give rise where applicable to the recognition of impairment charged to net financial income/expense, according to the same rules as those defined above for LVMH shares allocated to the share option plans, with the value of LVMH shares held in the portfolio being replaced for these purposes by the amount of the premium paid supplemented by the exercise price of the calls.

### 2.7 Dividends from subsidiaries and other investments

Amounts distributed by subsidiaries and other investments, in addition to the share in income from partnerships subject to statutory clauses providing for the allocation of income to partners, are recognized as of the date that they accrue to the shareholders or partners.

### 2.8 Foreign currency transactions

Foreign currency transactions are recorded at the rates of exchange prevailing on the dates of transactions.

Foreign currency receivables and payables are revalued at year-end exchange rates and any resulting unrealized gains and losses are recorded in the cumulative translation adjustment. Provisions are recorded for unrealized foreign exchange losses at the year-end, except for losses offset by potential gains in the same currency.

Year-end foreign exchange gains and losses on foreign currency cash and cash equivalents are recorded in the income statement.

### 2.9 Hedging instruments

Outstanding foreign exchange options and forward contracts are revalued at the year-end exchange rates. The resulting unrealized gains or losses are:

- offset against unrealized foreign exchange gains or losses on the assets or liabilities hedged by these instruments;
- deferred if instruments have been allocated to transactions of the subsequent accounting period;
- recorded under foreign exchange gains and losses, if they have not been allocated as hedges and only for unrealized losses; gains are only recognized when realized.

The impact of interest rate hedges (swaps, future rate agreements, caps, etc.) is calculated on a pro rata basis over the term of contracts, and recorded as interest expense for the year.

### 2.10 Bond issue premiums

Bond issue premiums are amortized over the life of bonds. Issue costs are expensed upon issuance.

## 3. FINANCIAL INCOME FROM INVESTMENTS AND OTHER REVENUES

| *(EUR millions)* | **2009** | 2008 | 2007 |
|---|---|---|---|
| Financial income from subsidiaries and other investments: | | | |
| - dividends received from French companies | 900.9 | 852.7 | 472.4 |
| - share of income from French partnerships | 174.7 | 320.4 | 265.5 |
| | **1,075.6** | **1,173.1** | **737.9** |
| Real estate revenues | 6.5 | 6.7 | 6.3 |
| Services provided | 179.7 | 189.2 | 172.9 |
| | **1,261.8** | **1,369.0** | **917.1** |

Real estate revenues are attributable to Champagne vineyards owned by LVMH which are leased to Group companies.

Services provided comprise support services provided to the subsidiaries (See Note 1 Business activity) and recharged expenses incurred by LVMH on behalf of the latter.

## 4. INTEREST AND SIMILAR INCOME

Interest and similar income breaks down as shown below:

| *(EUR millions)* | **2009** | 2008 | 2007 |
|---|---|---|---|
| Income from loans and advances to affiliates | 48.7 | 178.6 | 187.5 |
| Income from short term investments and other financial income | 3.2 | 16.9 | 19.3 |
| | **51.9** | **195.5** | **206.8** |

## 5. FOREIGN EXCHANGE GAINS AND LOSSES

Foreign exchange gains and losses break down as follows:

| *(EUR millions)* | Losses | Gains |
|---|---|---|
| Gains and losses on transactions performed on behalf of subsidiaries [(1)] | 2,353.0 | 2,353.0 |
| Gains and losses on own transactions | 125.9 | 251.7 |
| | **2,478.9** | **2,604.7** |

*(1) See 1. Business activity.*

## 6. INTEREST AND SIMILAR EXPENSE

Interest and similar expenses break down as follows:

| *(EUR millions)* | 2009 | 2008 | 2007 |
|---|---|---|---|
| Interest on perpetual bonds | - | - | 2.9 |
| Interest on other bonds | 126.9 | 111.9 | 124.4 |
| Interest on bank loans | 13.7 | 17.9 | 5.8 |
| Interest on commercial paper | 12.4 | 50.9 | 40.1 |
| Interest on current accounts and advances to affiliates | 33.0 | 152.4 | 126.3 |
| Other interest and financial charges | 48.0 | 23.6 | 87.1 |
| | **234.0** | **356.7** | **386.7** |

## 7. EXCEPTIONAL INCOME (LOSS)

In 2009, net exceptional income chiefly consisted of changes in impairment on equity portfolio investments.

In 2008, LVMH acquired for a nominal amount, under terms of a purchase option, the perpetual bonds issued in 1992, which were cancelled immediately after their acquisition. The exceptional income for fiscal year 2008 includes a gain of 89 million euros, corresponding to the non-amortized amount of the perpetual bonds at that date.

In 2007, the exercise of a similar option to purchase perpetual bonds issued in 1990 had led the Group to record an exceptional gain of 449 million euros.

## 8. INCOME TAXES

### 8.1 Tax consolidation agreement

LVMH is the parent company of a tax group comprising certain of its French subsidiaries (Article 223-A et seq. of the French General Tax Code). In the majority of cases, the tax consolidation agreement does not alter the tax expense or the right to the benefit from the tax losses carried forward of the subsidiaries concerned: their tax position with respect to LVMH, insofar as they remain part of the consolidated tax group, remains identical to that which would have been reported had the subsidiaries been taxed individually. Any additional tax savings or tax expense, i.e., the sum of any difference between the tax recorded by each consolidated company and the tax resulting from the calculation of taxable income for the tax group, is recorded by LVMH.

As of December 31, 2009, the amount of tax losses that may be used by the subsidiaries totaled 727 million euros.

### 8.2 Breakdown of the tax expense

Corporate income tax breaks down as follows:

| *(EUR millions)* | **Profit before tax** | **Tax (expense)/ income** | **Net profit** |
|---|---|---|---|
| Profit from recurring operations | 1,012.1 | (78.8) | 933.3 |
| Exceptional income (loss) | (591.1) | - | (591.1) |
| Impact of tax losses carried forward | - | - | - |
| | 421.0 | (78.8) | 342.2 |
| Tax in respect of prior years | - | (5.3) | (5.3) |
| Impact of tax consolidation | - | 99.2 | 99.2 |
| | **421.0** | **15.1** | **436.1** |

### 8.3 Deferred tax

Deferred taxes arising from timing differences amount to a net debit balance of 63 million euros as of December 31, 2009, including 3 million euros relating to timing differences that are expected to reverse in 2010.

## 9. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

| *(EUR millions)* | **2009** |
|---|---|
| **Net amount of fixed assets as of December 31, 2008** | **40.3** |
| Additions | 1.3 |
| Disposals and retirements | - |
| Net change in depreciation/amortization | (0.2) |
| **Net amount of fixed assets as of December 31, 2009** | **41.4** |

## 10. INVESTMENTS

| *(EUR millions)* | **2009** | 2008 | 2007 |
|---|---|---|---|
| Gross amount of investments | 14,033.9 | 12,733.4 | 11,283.2 |
| Provision for impairment | (2,389.4) | (1,807.4) | (1,702.2) |
| **Net amount of investments** | **11,644.5** | **10,926.0** | **9,581.0** |

The investment portfolio is presented in the “Subsidiaries and investments” and “Investment portfolio” tables.

Methods used for calculating impairment of equity investments are described in Note 2.3. In most cases, impairment is calculated in reference to the value in use of the investment in question, which is determined on the basis of forecast cash flows generated by the entity in question. In this context, the impact of the economic and financial crisis that began in 2008 was taken into account as follows: forecast cash flow valuation was performed under the assumption of a gradual upturn in business activity from 2010, succeeded by moderate growth rates in the following years.

The change in provisions for impairment is analyzed in Note 18.

## 11. RECEIVABLES FROM CONTROLLED ENTITIES

The movement in outstanding receivables from controlled entities is chiefly attributable to changes in LVMH's business activity in 2009, as described in Note 1.

As of December 31, 2009, the balance of this item consisted of loans with maturities of less than 6 months.

## 12. OTHER RECEIVABLES

Other receivables break down as follows:

| *(EUR millions)* | | 2009 | | | 2008 | 2007 |
|---|---|---|---|---|---|---|
| | | Gross | Impairment | Net | Net | Net |
| Related company receivables | | 188.1 | - | 188.1 | 551.6 | 318.5 |
| *o/w:* | *tax consolidation current accounts* | *13.4* | - | *13.4* | *56.7* | *26.6* |
| | *share of profit receivable in flow-through subsidiaries* | *174.7* | - | *174.7* | *320.4* | *265.5* |
| | *premiums paid on foreign exchange options* | - | - | - | *147.4* | *8.8* |
| Receivables from the state | | 141.7 | - | 141.7 | 129.0 | 69.1 |
| Other receivables | | 164.8 | (114.2) | 50.6 | 256.3 | 137.1 |
| *o/w:* | *premiums paid for foreign exchange options* | - | - | - | *200.8* | *99.4* |
| | *premiums paid for LVMH share purchase options* | *109.8* | *(109.8)* | - | - | - |
| | | **494.6** | **(114.2)** | **380.4** | **936.9** | **524.7** |

All these receivables mature within one year, with the exception of a portion of the premiums paid for LVMH share purchase options (See Note 13.2 Derivatives settled in LVMH shares).

## 13. TREASURY SHARES AND RELATED DERIVATIVES

### 13.1 Treasury shares

The value of the treasury shares held is allocated as follows as of December 31, 2009:

| *(EUR millions)* | 2009 | | | 2008 |
|---|---|---|---|---|
| | Gross | Impairment | Net | Net |
| **Long term investments** | **560.9** | **-** | **560.9** | **504.7** |
| Share purchase option plans | 222.5 | - | 222.5 | 225.3 |
| Bonus share option plans | 25.4 | - | 25.4 | 22.9 |
| Future plans | 4.5 | - | 4.5 | 38.1 |
| Liquidity contract | 5.6 | - | 5.6 | 15.8 |
| **Short term investments** | **258.0** | **-** | **258.0** | **302.1** |

Portfolio movements over the period were as follows:

| *(EUR millions)* | Short term investments | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share purchase option plans | | Other plans | | Liquidity contract | | Total | |
| | Number | Gross value | Number | Gross value | Number | Gross value | Number | Gross value |
| **As of January 1** | **4,892,048** | **279.6** | **1,187,730** | **61.0** | **355,300** | **15.8** | **6,435,078** | **356.4** |
| Purchases | 300,000 | 23.8 | 112,276 | 5.2 | 1,905,763 | 107.4 | 2,318,039 | 136.4 |
| Sales | - | - | - | - | (2,185,063) | (117.6) | (2,185,063) | (117.6) |
| Transfers | (568,634) | (36.9) | (611,580) | (23.5) | - | - | (1,180,214) | (60.4) |
| Options exercised | (690,502) | (44.0) | - | - | - | - | (690,502) | (44.0) |
| Share allocations | - | - | (149,612) | (12.8) | - | - | (149,612) | (12.8) |
| **As of December 31** | **3,932,912** | **222.5** | **538,814** | **29.9** | **76,000** | **5.6** | **4,547,726** | **258.0** |

The gain recognized on disposals amounted to 6 million euros.

| *(EUR millions)* | Long term investments | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share subscription option plans | | Other | | Pending retirement | | Total | |
| | Number | Gross value | Number | Gross value | Number | Gross value | Number | Gross value |
| **As of January 1** | **9,569,660** | **446.4** | **51,453** | **2.3** | **820,000** | **56.0** | **10,441,113** | **504.7** |
| Purchases | - | - | - | - | - | - | - | - |
| Transfers | 1,202,044 | 61.3 | (21,830) | (0.9) | - | - | 1,180,214 | 60.4 |
| Shares retired | (88,960) | (4.2) | - | - | - | - | (88,960) | (4.2) |
| **As of December 31** | **10,682,744** | **503.5** | **29,623** | **1.4** | **820,000** | **56.0** | **11,532,367** | **560.9** |

Transfers during the period between short and long term investments mainly relate to the allocation of shares, previously held to cover commitments in respect of stock option and related plans that had expired, to cover commitments in respect of the share subscription option plan implemented in 2009.

As of December 31, 2009, the stock market value of shares held under the liquidity contract is 6 million euros.

### 13.2 Derivatives settled in LVMH shares

During the fiscal year, the only derivatives used were LVMH calls; the movements were as follows:

| | Number | Premiums paid *(EUR millions)* |
|---|---|---|
| **As of December 31, 2008** | **2,970,200** | **122.0** |
| Purchased | - | - |
| Exercised | (300,000) | (12.2) |
| **As of December 31, 2009** | **2,670,200** | **109.8** |

Calls in force as of December 31, 2009 may be exercised at any time in accordance with the following schedule:

| *(EUR millions)* | | Total exercise price |
|---|---|---|
| **Expiration date:** | | |
| At latest in | 2012 | 75.9 |
| | 2013 | 33.8 |
| **Total** | | **109.7** |

## 14. CUMULATIVE TRANSLATION ADJUSTMENT

Foreign currency gains and losses relate to the revaluation as of December 31, 2009 of receivables, payables and other bonds denominated in foreign currencies.

## 15. SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

### 15.1 Share capital

The company's share capital comprises 490,405,654 fully paid-up shares, each with a par value of 0.30 euros.

All the shares comprising the company's share capital have the same voting and dividend rights, except for registered shares held for at least three years which have double voting rights. Treasury shares do not have voting or dividend rights.

During the fiscal year, 557,204 shares were created by the exercise of subscription options and 88,960 shares were cancelled.

As of December 31, 2009, the company's share capital can be broken down as follows:

| | Number | % |
|---|---|---|
| Shares with double voting rights | 226,411,288 | 46.17 |
| Shares with single voting rights | 247,914,273 | 50.55 |
| | 474,325,561 | 96.72 |
| LVMH treasury shares | 16,080,093 | 3.28 |
| **Total number of shares** | **490,405,654** | **100.00** |

### 15.2 Change in equity

The change in equity during the period may be analyzed as follows:

| *(EUR millions)* | Number of shares | Share capital | Share premium account | Other reserves | Retained earnings | Interim dividend | Net profit | Total equity |
|---|---|---|---|---|---|---|---|---|
| **As of December 31, 2008 before appropriation** | **489,937,410** | **147.0** | **1,737.1** | **582.6** | **2,802.3** | **(165.6)** | **898.9** | **6,002.3** |
| Appropriation of net profit for 2008 | | | | | 898.9 | | (898.9) | - |
| 2008 dividends | | | | | (783.9) | 171.5 | | (612.4) |
| of which treasury shares | | | | | 26.6 | (5.9) | | 20.7 |
| **As of December 31, 2008 after appropriation** | **489,937,410** | **147.0** | **1,737.1** | **582.6** | **2,943.9** | **-** | **-** | **5,410.6** |
| Exercise of subscription options | 557,204 | 0.1 | 30.2 | | | | | 30.3 |
| Retirement of shares | (88,960) | - | (4.2) | | | | | (4.2) |
| 2009 interim dividend | | | | | | (171.6) | | (171.6) |
| of which treasury shares | | | | | | 5.6 | | 5.6 |
| Net profit for 2009 | | | | | | | 436.1 | 436.1 |
| **As of December 31, 2009 before appropriation** | **490,405,654** | **147.1** | **1,763.1** | **582.6** | **2,943.9** | **(166.0)** | **436.1** | **5,706.8** |

The appropriation of net profit for 2008 resulted from the resolutions of the Combined Shareholders' Meeting of May 14, 2009.

## 16. RESERVES AND REVALUATION ADJUSTMENTS

### 16.1 Regulated reserves

Regulated reserves comprise the special reserve for long term capital gains and restricted reserves, in the amount of 2.2 million euros, which were created as a result of the reduction of capital performed at the same time as the conversion of the company's share capital into euros. The special reserve for long term capital gains may only be distributed after tax has been levied.

### 16.2 Other reserves

Following changes in the law relating to long term capital gains introduced by the amended French Finance Act for 2004 (Article 39) and by decision of the Shareholders' Meeting of May 12, 2005, an amount of 200 million euros was transferred, in 2005, from the special reserve for long term capital gains to an ordinary reserve account, less a 2.5% tax deduction of 5 million euros. The amount of these reserves of 195 million euros may be distributed without tax being deducted.

### 16.3 Revaluation adjustments

Revaluation adjustments are the result of revaluations carried out in 1978 pursuant to the French law of 1976. The adjustments concern the following non-amortizable fixed assets:

| *(EUR millions)* | **2009** | 2008 | 2007 |
|---|---|---|---|
| Vineyards and other land | 17.9 | 17.9 | 17.9 |
| Investments (Parfums Christian Dior) | 23.6 | 23.6 | 23.6 |
| **Total** | **41.5** | **41.5** | **41.5** |

## 17. STOCK OPTION AND SIMILAR PLANS

### 17.1 Plan characteristics

#### Share subscription and purchase option plans

Currently existing plans are valid for 10 years. The options may be exercised after a vesting period of three or four years, depending on whether the plans were issued before or starting from 2004.

In certain circumstances, in particular in the event of retirement, the vesting period is not applicable in full.

Up to the 2008 fiscal year, options vested if beneficiaries were still within the Group at date of vesting, this condition was supplemented in 2009 by performance conditions.

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

#### Bonus share plans

Bonus shares are only definitively allocated to their beneficiaries at the conclusion of a vesting period of two years, after which the beneficiaries are required to hold the shares allocated for an additional period of two years.

#### LVMH cash-settled share-based compensation plans

In addition to its stock option and bonus share plans, the Company establishes plans equivalent to share purchase option plans or bonus share plans in terms of the gains received by the beneficiary, but which are settled in cash rather than in shares. These plans have a vesting period of four years.

### 17.2 Movements during the year relating to stock option and similar plans

Movements during the year relating to rights allocated under the various plans based on LVMH shares were as follows:

| *Number* | Share subscription option plans | Share purchase option plans | Bonus share plans | Cash-settled plans |
|---|---|---|---|---|
| **Rights not exercised as of January 1, 2009** | **9,569,660** | **7,862,248** | **311,459** | **470,456** |
| Allocations | 1,304,270 | - | 312,042 | - |
| Retirements | (102,226) | (568,634) | (9,259) | (94,318) |
| Options exercised/Definitive allocation of shares | (557,204) | (690,502) | (149,612) | (126,100) |
| **Rights not exercised as of December 31, 2009** | **10,214,500** | **6,603,112** | **464,630** | **250,038** |

Two share subscription option plans relating to 1,301,770 options with an average exercise price of 56.50 euros and to 2,500 options with an exercise price of 57.10 euros were set up on May 14 and July 29, 2009, respectively. Share subscription options granted under the plan dated May 14, 2009 may only be exercised if, in fiscal years 2009 and 2010, (or, for senior executive officers, in three of the four fiscal years from 2009 to 2012) either profit from recurring operations, net cash from operating activities and operating investments, or the Group's current operating margin rate shows a positive change compared to 2008.

Two bonus share plans relating to 311,209 and 833 shares were set up on May 14 and July 29, 2009, respectively.

The total expense recognized in 2009 for stock option and similar plans was 16.1 million euros (2008: 12.1 million euros; 2007: 15.4 million euros). See also Notes 2.1 and 18.

The values serving as the basis for the calculation of the mandatory 10% social security contribution for stock option and similar plans were 14.25 euros per subscription option and 54.13 euros per bonus share.

## 18. MOVEMENTS IN IMPAIRMENT AND PROVISIONS

Movements in asset impairment and provisions break down as follows:

| *(EUR millions)* | December 31, 2008 | Provisions | Used | Released | December 31, 2009 |
|---|---|---|---|---|---|
| Provisions for impairment of assets: | | | | | |
| - investments | 1,807.4 | 582.0 | - | - | 2,389.4 |
| - LVMH shares | 54.3 | - | - | (54.3) | - |
| - other assets | 126.4 | 0.1 | - | (12.3) | 114.2 |
| Provisions for contingencies and losses: | | | | | |
| - for general contingencies | 278.0 | 21.1 | - | (14.3) | 284.8 |
| - for share option and similar plans | 24.4 | 20.2 | (4.4) | (11.7) | 28.5 |
| - for unrealized forex losses | 111.3 | 45.5 | - | (45.8) | 111.0 |
| - for other losses | 90.8 | 34.7 | (11.0) | (55.6) | 58.9 |
| **Total** | **2,492.6** | **703.6** | **(15.4)** | **(194.0)** | **2,986.8** |
| o/w: operating profit (loss) | | 39.1 | (15.4) | (72.8) | |
| financial income (expense) | | 61.4 | - | (106.9) | |
| exceptional income (expense) | | 603.1 | - | (14.3) | |
| | | **703.6** | **(15.4)** | **(194.0)** | |

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

## 19. BREAKDOWN OF OTHER LIABILITIES

The breakdown of borrowings and other liabilities by type and maturity, prior to the appropriation of earnings, and the related accrued expenses, are shown in the table below:

| **Borrowings** *(EUR millions)* | Total | Amount | | | Of which accrued expenses | Of which related companies |
|---|---|---|---|---|---|---|
| | | less than 1 year | from 1 to 5 years | more than 5 years | | |
| Bonds | 4,165.8 | 749.3 | 2,881.7 | 534.8 | 34.3 | - |
| Bank loans and borrowings | 155.7 | 3.7 | 152.0 | 0.0 | 3.2 | - |
| Miscellaneous loans and borrowings | 2,173.1 | 2,173.1 | - | - | 2.7 | 2,173.1 |
| **Financial debt** | **6,494.6** | **2,926.1** | **3,033.7** | **534.8** | **40.2** | **2,173.1** |
| Trade payables | 82.0 | 82.0 | - | - | 68.9 | 61.2 |
| Tax and social liabilities | 52.1 | 52.1 | - | - | 26.9 | - |
| Other debt: | 300.4 | 300.4 | - | - | 2.9 | 291.1 |
| *o/w: premiums received on foreign exchange options* | *1.2* | *1.2* | - | - | - | *1.2* |
| *capital increases of subsidiaries subscribed but not called up* | *200.0* | *200.0* | - | - | - | *200.0* |
| *tax consolidation current accounts* | *89.9* | *89.9* | - | - | - | *89.9* |
| **Total** | **6,929.1** | **3,360.6** | **3,033.7** | **534.8** | **138.9** | **2,525.4** |

## 19.1 Bonds

Bonds consist of public issues and private placements, which have been made since May 2000 as part of an EMTN (Euro Medium Term Notes) issue program of 10 billion euros, and total 4,165.8 million euros as of December 31, 2009.

| *(EUR millions)* | Nominal interest rate | Floating-rate swap | Issuance price (in % of par value) | Maturity | Nominal value as of December 31, 2009 | Accrued interest after swap | Total |
|---|---|---|---|---|---|---|---|
| **Public issues:** | | | | | | | |
| EUR 750,000,000; 2003 | 5.00% | total | 99.986% | 2010 | 715.0 | 2.7 | 717.7 |
| EUR 600,000,000; 2004 | 4.625% | total | 99.427% | 2011 | 600.0 | 7.4 | 607.4 |
| CHF 300,000,000; 2007 | 3.375% | - | 99.840% | 2013 | 202.2 | 0.7 | 202.9 |
| EUR 760,000,000; 2005 and 2008 (1) | 3.375% | - | 98.598% | 2012 | 760.0 | 13.5 | 773.5 |
| CHF 200,000,000; 2008 | 3.625% | - | 100.048% | 2011 | 134.8 | 0.4 | 135.2 |
| CHF 200,000,000; 2008 | 4.00% | - | 100.090% | 2015 | 134.8 | 3.2 | 138.0 |
| EUR 1,000,000,000; 2009 | 4.375% | total | 99.648% | 2014 | 1,000.0 | 3.0 | 1,003.0 |
| **Private placements:** | | | | | | | |
| JPY 5,000,000,000; 2008 | variable | - | 100% | 2011 | 31.1 | 0.1 | 31.2 |
| JPY 15,000,000,000; 2008 | variable | - | 100% | 2013 | 116.1 | 3.0 | 119.1 |
| JPY 5,000,000,000; 2009 | 1.229% | - | 100% | 2013 | 37.5 | 0.1 | 37.6 |
| EUR 250,000,000; 2009 | 4.50% | total | 99.732% | 2015 | 250.0 | 0.2 | 250.2 |
| EUR 150,000,000; 2009 | 4.775% | total | 100% | 2017 | 150.0 | 0.0 | 150.0 |
| **Total** | | | | | **4,131.5** | **34.3** | **4,165.8** |

*(1) Accumulated amounts and weighted average issuance price for a 600 million euro bond issued in 2005 at an issuance price of 99.828% of par value, which was supplemented in 2008 by an amount of 160 million euros issued at a price of 93.986% of par value.*

Unless otherwise indicated, bonds are redeemable at par upon maturity.

The interest rate swaps presented in the table above were entered into on the issue date of the bonds. Subsequent optimization transactions may also have been performed.

In 2009, bonds were redeemed at par on maturity for 103 million euros, a bond issued in 2003 falling due in 2010 was partially redeemed and canceled for 35 million euros, and bonds were subscribed for an amount of 1,438 million euros.

## 19.2 Loans and borrowings

As of December 31, 2009, loans and borrowings mainly consisted of a current account liability with respect to the company responsible for pooling the Group's cash resources. See also Note 1.

## 19.3 Covenants

LVMH has undertaken to comply with a net financial debt to equity ratio calculated based on consolidated data, in connection with certain credit lines.

The current level of this ratio is very far from the contractual levels, meaning that LVMH has a high level of financial flexibility with regard to this commitment.

## 19.4 Guarantees and collateral

As of December 31, 2009, financial debt was not subject to any guarantees or collateral.

### 19.5 Debt analysis by foreign currency

As of December 31, 2009 the breakdown by currency of the company's total borrowings of 6,495 million euros (see Note 20), taking into account any hedging arrangements contracted at the time of recognition of debts or subsequently, is as follows:

| Currency | Equivalent stated in EUR millions | |
|---|---|---|
| | On issue | After taking into account hedging instruments |
| Euro | 3,658 | 3,484 |
| Swiss franc | 476 | 798 |
| Pound sterling | - | - |
| Other currency | 188 | 40 |
| **Financial debt outside LVMH Group** | **4,322** | **4,322** |
| Related companies | | 2,173 |
| **Total financial debt** | | **6,495** |

In general, foreign currency borrowings are contracted in order to hedge net assets denominated in foreign currencies which mainly comprise the acquisition of subsidiaries outside the euro zone.

## 20. MARKET RISK EXPOSURE

In the course of its business activities for its own account, LVMH SA regularly uses financial instruments. This practice meets the foreign currency and interest rate hedging needs for financial assets and liabilities, including dividends receivable from foreign investments; each instrument used is allocated to the financial balances or hedged transactions.

Given the role of LVMH within the Group, it may exceptionally use financial instruments that are qualified as foreign currency hedging instruments from an economic standpoint in the consolidated financial statements but are not matched in the parent company financial statements, or allocated to underlyings maintained at historical exchange rates, such as equity portfolio investments.

Counterparties for hedging contracts are selected on the basis of their international rating as well as for reasons of diversification.

### 20.1 Interest rate instruments

Interest rate instruments are generally allocated to borrowings falling due either at the same time as, or after, the instruments.

The types of instruments outstanding as of December 31, 2009, the underlying amounts broken down by expiration period and their fair value are as follows:

| *(EUR millions)* | Nominal amount | Expiration period | | | Fair value (1) |
|---|---|---|---|---|---|
| | | Expiring within 1 year | Expiring between 1 and 5 years | Expiring in more than 5 years | |
| Fixed-rate payer swaps | 961.0 | 300.0 | 661.0 | - | (30.3) |
| Floating-rate payer swaps | 3,150.0 | 850.0 | 1,900.0 | 400.0 | 115.8 |

*(1) Gain/(Loss).*

### 20.2 Foreign exchange hedging instruments

The nominal values of hedges outstanding as of December 31, 2009 for all currencies, revalued at the year-end exchange rates, are as follows:

| *(EUR millions)* | Nominal amounts | Fair value (1) |
|---|---|---|
| Forward purchases/sales | 14.0 | (0.1) |
| Foreign exchange swaps | 1,846.0 | (48.9) |

*(1) Gain/(Loss).*

All of the contracts presented in the table above mature within one year.

## 21. OTHER INFORMATION

### 21.1 Compensation of executive bodies

The total gross compensation paid to company officers and members of the company's Executive Committee for 2009 amounted to 42.7 million euros, including 1.1 million euros in directors' fees.

Due to the nature of the Company's business, as described under Note 1 Business activity, a significant portion of this compensation is reinvoiced to Group companies in connection with management support services.

### 21.2 Commitments given in respect of supplementary pension and retirement benefits

Most of these commitments relate to members of the Executive Committee who, after a certain length of service in their office, benefit from an additional pension plan, the amount of which is linked to their last year's remuneration.

Commitments are estimated on the basis of the following actuarial assumptions:

- Discount rate 5.25%
- Long term rate of return on investments 4%

As of December 31, 2009, the commitment that has not been recognized, net of financial assets covering this commitment, determined according to the same principles as those used for the Group's consolidated financial statements, amounts to 12.5 million euros.

The payments made to cover this commitment are recognized under the heading Salaries and social charges.

### 21.3 Share purchase commitments

Share purchase commitments amount to 2,841 million euros and represent the contractual commitments entered into by the Group to purchase minority interests in consolidated companies, shareholdings or additional shareholdings in unconsolidated companies, or for additional payments in connection with transactions already entered into. This amount includes the impact of the memorandum of understanding entered into on January 20, 1994 between LVMH and Diageo, according to which LVMH agreed to repurchase Diageo's 34% interest in Moët Hennessy, with six months' notice, for an amount equal to 80% of its market value at the exercise date of the commitment.

### 21.4 Other commitments given

| *(EUR millions)* | December 31, 2009 |
|---|---|
| Guarantees and comfort letters granted to subsidiaries or other Group companies | 2,504.4 |

## 21.5 Other commitments given in favor of LVMH

| *(EUR millions)* | December 31, 2009 |
|---|---|
| Undrawn confirmed long term lines of credit | 2,601.0 |
| Undrawn confirmed short term lines of credit | 740.0 |
| | 3,341.0 |
| LVMH-share based calls (1) | 99.4 |

*(1) Amount corresponding to the difference between the exercise price of the calls and the LVMH share price as of the balance sheet date.*

## 21.6 Average headcount

In 2009, the Company had an average headcount of 23 (2008: 26; 2007: 25).

## 21.7 Fees paid to the statutory auditors

| *(EUR millions)* | ERNST & YOUNG Audit | | DELOITTE & ASSOCIÉS | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Statutory audit work | 1.6 | 1.6 | 0.9 | 0.9 |
| Work relating directly to the statutory audit work | 0.1 | 0.2 | 0.1 | - |
| | **1.8** | **1.8** | **1.0** | **0.9** |

## 21.8 Identity of the consolidating parent company

The financial statements of LVMH Moët Hennessy - Louis Vuitton SA are fully consolidated by Christian Dior SA – 30, avenue Montaigne – 75008 Paris, France.

# INVESTMENT PORTFOLIO

| **Equity investments** *(EUR millions)* | **% of direct ownership** | **Carrying amount** |
|---|---|---|
| 35,931,661 shares in Moët Hennessy SNC with a par value of EUR 7 each | 58.67 | 1,019.0 |
| 31,482,978 shares in Moët Hennessy International SA with a par value of EUR 13.82 each | 58.67 | 74.4 |
| 23,743,069 shares in LVMH Fashion Group SA with a par value of EUR 1.50 each | 99.95 | 822.1 |
| 68,959 shares in Parfums Christian Dior SA with a par value of EUR 38 each | 99.98 | 76.5 |
| 508,493,000 shares in Sofidiv SAS with a par value of EUR 17 each | 100.00 | 8,911.7 |
| 1,961,048 shares in Le Bon Marché SA with a par value of EUR 15 each | 99.99 | 259.2 |
| 23,000 shares in LVMH KK (Japan) with a par value of JPY 50,000 each | 100.00 | 7.6 |
| 7,000 shares in the GIE LVMH Services with a par value of EUR 457.35 each | 20.00 | 8.9 |
| 37,000 shares in Creare SA (Luxembourg) with a par value of EUR 15.24 each | 32.17 | 1.1 |
| 9,660 shares in Loewe SA (Spain) with a par value of EUR 30 each | 5.44 | 6.7 |
| 7,414,870 shares in LVMH Services Ltd (UK) with a par value of GBP 1 each | 100.00 | 0.0 |
| 35,666,395 shares in LVMH Finance SA with a par value of EUR 15 each | 99.99 | 457.3 |
| **Total** | | **11,644.5** |

See also Note 13.1 Treasury shares.

# SUBSIDIARIES AND INVESTMENTS

| **Company** *(all amounts in millions)* | **Head office** | **Currency** | **Share capital** (1) | **Equity other than share capital** (1) (2) | **Percentage share capital held** | **Carrying amount of investments** (3) **Gross** | **Net** | **Loans and advances provided** (3) | **Securities and deposits granted** (3) | **Revenue excluding VAT** (1) | **Net profit (loss) from the previous year** (1) | **Dividends received in 2009** (3) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **1. Subsidiaries (>50%)** | | | | | | | | | | | | |
| Moët Hennessy SNC | Boulogne-Billancourt | EUR | 428.7 | 2,143.3 | 58.67 | 1,019.0 | 1,019.0 | - | - | 179.2 | 297.8 | - |
| Moët Hennessy Inter. SA | " | EUR | 151.6 | 248.5 | 58.67 | 74.4 | 74.4 | - | - | 79.4 | 79.9 | - |
| Sofidiv SAS | " | EUR | 8,427.4 | 447.1 | 100 | 10,116.4 | 8,911.7 | - | - | 22.3 | (437.1) | - |
| LVMH Finance SA | " | EUR | 535.0 | (80.5) | 99.99 | 1,630.5 | 457.4 | - | - | 4.4 | (102.0) | - |
| LVMH Fashion Group SA | Paris | EUR | 35.6 | 1,649.0 | 99.95 | 822.1 | 822.1 | - | - | 1,100.9 | 961.9 | 785.9 |
| Parfums Christian Dior SA | Paris | EUR | 2.6 | 281.3 | 99.98 | 76.5 | 76.5 | 4.2 | 4.9 | 825.4 | 77.9 | 100.0 |
| Le Bon Marché SA | Paris | EUR | 29.4 | 104.7 | 99.99 | 259.2 | 259.2 | - | - | 235.6 | 18.6 | 15.0 |
| LVMH KK | Tokyo | JPY | 1,150.0 | 466.0 | 100 | 7.6 | 7.6 | - | 314.2 | 878.9 | 4.8 | - |
| LVMH Services LTD | London | GBP | 7.4 | (7.5) | 100 | 11.5 | 0.0 | - | 4.4 | - | (0.8) | - |
| **2. Other shareholdings (>10% and <50%)** | | | | | | | | | | | | |
| GIE LVMH Services | Boulogne-Billancourt | EUR | 44.3 | 0.0 | 20.00 | 8.9 | 8.9 | - | - | 2.3 | (0.1) | - |
| **3. Other investments (<10%)** | | | | | | | | | | | | |
| Loewe SA | Madrid | EUR | 5.3 | 0.9 | 5.44 | 6.7 | 6.7 | 22.2 | - | 80.8 | (1.9) | - |
| **4.Other** | | | | | | 1 | 1 | | | | | |
| **Total** | | | | | | **14,033.9** | **11,644.5** | **26.4** | **323.5** | | | **900.9** |

*(1) In local currency for foreign subsidiaries.*
*(2) Prior to the appropriation of earnings for the year.*
*(3) In EUR millions.*

# STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To the Shareholders,

In accordance with our appointment as Statutory Auditors by your Annual General Meeting, we hereby report to you for the year ended December 31, 2009 on:

- the audit of the accompanying financial statements of LVMH Moët Hennessy - Louis Vuitton,
- the justification of our assessments,
- the specific procedures and disclosures required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

## I. OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis or by other sampling methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that the data we have collected is sufficient and appropriate to be used as a basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position and the assets and liabilities of the Company as of December 31, 2009 and of the results of its operations for the year then ended, in accordance with French accounting regulations.

## II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (Code de Commerce) relating to the justification of our assessments, we hereby report on the following matter:

Note 2.3 to the financial statements describes the accounting principles and methods applicable to long-term investments. In the overall context described in Note 10 to the financial statements and as part of our assessment of the accounting principles used by your Company, we have verified the appropriateness of the above-mentioned accounting methods and that of the disclosures in the notes to the financial statements and have ascertained that they were properly applied.

The assessments on these matters were made in the context of our audit approach to the financial statements taken as a whole and therefore contributed to the opinion expressed in the first part of this report.

## III. SPECIFIC PROCEDURES AND DISCLOSURES

In accordance with professional standards applicable in France, we have also performed the specific procedures required by law.

We have no matters to report regarding the fair presentation and consistency with the financial statements of the information given in the management report of the Board of Directors and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L. 225-102-1 of the French Commercial Code relating to remuneration and benefits granted by the company officers and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company, from companies controlling your Company or controlled by it. Based on this work, we attest that such information is accurate and fair. It being specified that, as indicated in the management report, this information relates to the remuneration and benefits in-kind paid or incurred by your Company and the companies which it controls as well as the remuneration and benefits paid or incurred by the companies Financière Jean Goujon and Christian Dior.

Pursuant to the law, we have verified that the management report contains the appropriate disclosures as to the identity of shareholders and the percentage of voting rights.

Neuilly-Sur-Seine and Paris-La Défense, March 3, 2010

The Statutory Auditors

| DELOITTE & ASSOCIÉS | ERNST & YOUNG Audit | |
|---|---|---|
| Alain Pons | Jeanne Boillet | Olivier Breillot |

*This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking users. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the Company financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the Company financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the Company financial statements. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

# STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby present our report on the regulated agreements and commitments.

## AUTHORIZED AGREEMENTS AND COMMITMENTS CONCLUDED DURING THE YEAR

In accordance with Article L. 225-40 of the French Commercial Code (Code de commerce), we have been advised of regulated agreements and commitments previously authorized by your Board of Directors.

We are not required to ascertain the existence of any other agreements or commitments but to inform you, on the basis of the information provided to us, of the key terms and conditions of those agreements and commitments indicated to us. We are not required to comment as to whether they are beneficial or appropriate. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code, to evaluate the benefits resulting from these agreements and commitments prior to their approval.

We performed the procedures we considered necessary to comply with professional guidance issued by the French institute of Statutory Auditors (Compagnie nationale des commissaires aux comptes) relating to this type of engagement. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

### 1. Agreement entered into with Groupe Arnault SAS

*Directors involved:* Messrs. Bernard Arnault, Jean Arnault, Nicolas Bazire, Albert Frère and Pierre Godé.

*Nature, purpose, terms and conditions:* Amendment to the service agreement entered into with Groupe Arnault SAS on July 31, 1998.

On February 5, 2009, the Board of Directors authorized the signature of an amendment to the service agreement entered into between your Company and Groupe Arnault SAS. The amendment modifies the annual remuneration set by this agreement to 4,900,000 euros per year (excluding VAT), with effect from January 1, 2009.

Pursuant to this agreement, your Company paid 4,900,000 euros to Groupe Arnault SAS in respect of fiscal year 2009.

### 2. Agreements entered into with Groupe Arnault SAS affiliated companies

*Directors involved:* Messrs. Bernard Arnault, Jean Arnault, Nicolas Bazire, Albert Frère and Pierre Godé.

*a. Nature, purpose, terms and conditions:* Acquisition of shares in companies previously held by a Groupe Arnault SAS affiliated company.

Your company and Groupe Arnault SAS are partners in the L Real Estate investment fund, respectively owning 49% and 51%. The L Real Estate investment fund acquired different shares previously held by a Groupe Arnault SAS affiliated company in the following companies: Shanghold Investment Limited, Renaissance TMK, Top Profit Hong Kong Investment Limited and All Bright (HK) Limited. These transactions were approved by the Board of Directors' meeting of October 23, 2008 and were concluded in two contracts dated May 15, 2009 and July 22, 2009 for a total amount of 137 million euros.

*b. Nature, purpose, terms and conditions:* Acquisition of 50% of the share capital of Société Civile du Cheval Blanc and La Tour du Pin SAS.

On August 12, 2009, a subsidiary of your Company acquired 50% of the share capital of Société Civile du Cheval Blanc and La Tour du Pin SAS from a company equally-owned by a subsidiary of Groupe Arnault SAS and an entity of CNP group (Compagnie Nationale à Portefeuille SA) for an amount of 250 million euros. On May 14, 2009 the Board of Directors authorized this transaction.

### 3. Agreement entered into with LVMH Inc.

*Directors involved:* Messrs. Antoine Bernheim and Pierre Godé.

*Nature, purpose, terms and conditions:* Amendment to the loan agreement.

Your Company and LVMH Inc. are joint borrowing parties to a 650 million US dollar loan agreement. Your Company has agreed to guarantee the portion borrowed by LVMH Inc. from a banking syndicate represented by Citibank International plc, subject to a maximum of 110% of the nominal amount.

On July 27 2009, the Board of Directors authorized an amendment to this loan agreement, under which your Company extends the period of the guarantee granted to LVMH Inc. until October 30, 2011.

No commission was received by your Company in respect of this guarantee in 2009.

### 4. Agreement entered into with Mr. Antonio Belloni, Group Managing Director

*Directors involved:* Mr. Antonio Belloni.

*Nature, purpose, terms and conditions:* Non-competition compensation.

On February 4, 2010, the Board of Directors approved the inclusion in Mr. Antonio Belloni's employment contract – approved on May 14, 2001 and suspended during the period of his mandate as Group Managing Director – of a covenant not to compete for a twelve-month period, giving rise to the payment of a monthly compensation equal to the monthly remuneration on the termination date of his functions, supplemented by one twelfth of the last bonus received.

No amount was paid by your Company in respect of this agreement in 2009.

## AGREEMENTS AND COMMITMENTS AUTHORIZED IN PRIOR YEARS AND WHICH REMAINED CURRENT DURING THE YEAR

In accordance with the French Commercial Code (Code de Commerce), we have been advised that the following agreements and commitments, which were approved in prior years, remained current during the year.

### 1. LVMH Group holding company cost-sharing agreement

*Nature, purpose, terms and conditions:*

The LVMH Group holding company cost-sharing agreement with Diageo plc (formerly Guinness plc) dated January 20, 1994, based on the revenue generated by the "Wines and Spirits" business group on one side and other activities on the other side, was continued in 2009.

The portion borne by Moët Hennessy SNC during the year totaled 19 million euros.

### 2. Legal services agreement

*Nature, purpose, terms and conditions:*

This service agreement entered into with Christian Dior for the provision of legal services, particularly for corporate law issues and management of the Christian Dior's securities department, was continued in 2009. Pursuant to this service agreement, your Company received 45,750 euros (excluding VAT) for 2009.

## 3. Funding of the supplemental pension scheme

*Nature, purpose, terms and conditions:*

The supplemental pension scheme set up in 1999 (and managed by an insurance company) for the benefit of the executive committee members, some of whom are also Directors, was continued in 2009.

The resulting expense for your company in 2009 is included in the amount under Note 30.3 to the consolidated financial statements.

## 4. Leasing of art works

*Nature, purpose, terms and conditions:*

Groupe Arnault SAS continued to lease a set of artworks to your Company in 2009.

Pursuant to this agreement, your Company incurred an expense amounting to 32,270 euros in 2009.

Neuilly-sur Seine and Paris-La Défense, March 3, 2010

The Statutory Auditors

DELOITTE & ASSOCIÉS

Alain Pons

ERNST & YOUNG Audit

Jeanne Boillet

Olivier Breillot

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# OTHER INFORMATION

## GOVERNANCE

# GOVERNANCE

## 1. PRINCIPAL POSITIONS AND OFFICES OF MEMBERS OF THE BOARD OF DIRECTORS

### 1.1 Appointments to be renewed

**Mr. Bernard ARNAULT, Chairman and Chief Executive Officer**

Date of birth: March 5, 1949. French.

Business address: LVMH – 22, avenue Montaigne – 75008 Paris (France).

Date of first appointment: September 26, 1988.

Number of LVMH shares held in a personal capacity: 6,990 shares.

Mr. Bernard Arnault began his career as an engineer with Ferret-Savinel, where he became Senior Vice-President for Construction in 1974, Chief Executive Officer in 1977 and finally Chairman and Chief Executive Officer in 1978.

He remained with this company until 1984, when he became Chairman and Chief Executive Officer of Financière Agache and of Christian Dior. Shortly thereafter he spearheaded a reorganization of Financière Agache following a development strategy focusing on luxury brands. Christian Dior was to become the cornerstone of this new structure.

In 1989, he became the leading shareholder of LVMH Moët Hennessy - Louis Vuitton, and thus created the world's leading luxury products group. He assumed the position of Chairman and Chief Executive Officer in January 1989.

#### Current positions and offices

**LVMH Group/Arnault Group:**

- France:
- LVMH Moët Hennessy - Louis Vuitton SA: Chairman and Chief Executive Officer;
- Christian Dior SA: Chairman of the Board of Directors;
- Christian Dior Couture SA: Director;
- Groupe Arnault SAS: Chairman;
- Société Civile du Cheval Blanc: Director;
- Louis Vuitton pour la Création, Fondation d'Entreprise: Chairman of the Board of Directors.
- International:
- LVMH Moët Hennessy - Louis Vuitton Inc. (United States): Director;
- LVMH Moët Hennessy - Louis Vuitton Japan KK (Japan): Director.

**Other:**

- France:
- Carrefour SA: Director;
- Lagardère SCA: Member of the Supervisory Board.

#### Positions and offices that have terminated after January 1, 2005

- France:
- Métropole Télévision "M6" SA: Member of the Supervisory Board;
- Raspail Investissements SA: Director.

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**Mrs. Delphine ARNAULT**

Date of birth: April 4, 1975. French.

Business address: Christian Dior – 30, avenue Montaigne – 75008 Paris (France).

Date of first appointment: September 10, 2003.

Number of LVMH shares held in a personal capacity: 66,842 shares.

Mrs. Delphine Arnault began her career with the international management consulting firm McKinsey & Co, where she worked as a consultant for two years.

In 2000, she moved to designer John Galliano's company, where she helped in development, thereby acquiring concrete experience of the fashion industry. In 2001, she joined the Executive Committee of Christian Dior where she currently serves as Deputy Managing Director. She also is a member of Loewe's Board of Directors, where she is Senior Vice-President for Product Strategy.

#### Current positions and offices

**LVMH Group/Arnault Group:**

- France:
- LVMH Moët Hennessy - Louis Vuitton SA: Director;
- Les Echos SAS: Member of the Supervisory Board;
- Société Civile du Cheval Blanc: Director.
- International:
- Emilio Pucci Srl (Italy): Director;
- Emilio Pucci International BV (Netherlands): Director;
- Loewe SA (Spain): Director.

**Other:**

- France:
- Métropole Télévision "M6" SA: Member of the Supervisory Board.

**Positions and offices that have terminated after January 1, 2005**

- International:
- Calto Srl (Italy): Chairman of the Board of Directors;
- Manifatturauno Srl (Italy): Chairman of the Board of Directors.

## Mr. Nicholas CLIVE WORMS

Date of birth: November 14, 1942. French.

Business address: Worms 1848 SAS – 48, rue Notre-Dame des Victoires – 75002 Paris (France).

Date of first appointment: September 22, 1988.

Number of LVMH shares held in a personal capacity: 3,330 shares.

Mr. Nicholas Clive Worms was General Partner and later Managing Partner of Maison Worms & Cie between 1970 and 1996, Managing Partner and subsequently Chairman of the Supervisory Board of Worms & Cie between 1991 and 2004. He also served as Chairman and Chief Executive Officer and then Managing Partner of Pechelbronn between 1976 and 1991. He is currently Chairman of Worms 1848 SAS.

**Current positions and offices**

- France:
- LVMH Moët Hennessy - Louis Vuitton SA: Director;
- Financière de Services Maritimes SA: Director;
- Worms 1848 SAS: Chairman.
- International:
- Permal UK Ltd (United Kingdom): Chairman of the Board of Directors.

**Positions and offices that have terminated after January 1, 2005**

- France:
- Demachy Worms & Cie: Member of the Supervisory Board;
- Groupe Danone SA: Director;
- Maison Worms & Cie: Managing Partner;
- Maison Worms SAS: Chairman;
- Permal Group SCA: Chairman;
- TF1 SA: Director;
- Unibail Holding SA: Director;
- Worms & Cie: Chairman of the Supervisory Board.
- International:
- Arjo Wiggins Appleton Plc (United Kingdom): Director;
- Christie's International Plc (United Kingdom): Director;
- Haussmann Holdings SA (Luxembourg): Director;
- Worms & Co Inc. (United States): Chairman of the Board of Directors;
- Worms & Co Ltd (United Kingdom): Chairman of the Board of Directors.

## Mr. Patrick HOUËL

Date of birth: July 25, 1942. French.

Business address: 10, avenue Frédéric Le Play – 75007 Paris (France).

Date of first appointment: May 13, 2004.

Number of LVMH shares held in a personal capacity: 9,816 shares.

Mr. Patrick Houël worked at Crédit Lyonnais for seven years before being named as Chief Financial Officer of Jas Hennessy & Co in 1978. In 1983, he became Deputy Chief Financial Officer of Moët Hennessy Group and took over the post of Chief Financial Officer of Moët Hennessy in 1985. In 1987, when Moët Hennessy merged with Louis Vuitton, he served as Chief Financial Officer of the LVMH Group until 2004. He was subsequently Advisor to the Chairman until January 2008.

**Current positions and offices**

**LVMH Group/Arnault Group:**

- France:
- LVMH Moët Hennessy - Louis Vuitton SA: Director;
- Berluti SA: Permanent Representative of Ufipar, Member of the Supervisory Board;
- Guerlain SA: Permanent Representative of LVMH, Director;
- L Capital FCPR: Member of the Supervisory Committee;
- L Capital 2 FCPR: Member of the Advisory Committee;
- Le Bon Marché, Maison Aristide Boucicaut SA: Director;
- LVMH Fashion Group SA: Director;
- Parfums Christian Dior SA: Permanent Representative of LVMH, Director;
- SA du Château d'Yquem: Director;
- Wine & Co SA: Director.
- International:
- L Real Estate SA (Luxembourg): Director;
- Sociedad Textil Lonia (Spain): Director.

**Other:**

- France:
- LCL Obligations Euro SICAV: Director;
- Mongoual SA: Permanent Representative of Société Montaigne Jean Goujon, Director;
- Objectif Small Caps Euro SICAV: Director;
- PGH Consultant SARL: Manager.

### Positions and offices that have terminated after January 1, 2005

- France:
- Delphine SAS: Chairman;
- DI Group SA: Director;
- Eutrope SAS: Chairman;
- Grands Magasins de la Samaritaine Maison Ernest Cognacq SA: Permanent Representative of Ufipar, Director;
- Kenzo SA: Permanent Representative of LVMH, Director;
- Krug, Vins Fins de Champagne SA: Director;
- L Real Estate Advisors: Chairman;
- LBD Holding SA: Director;
- Le Jardin d'Acclimatation SA: Director;
- LV Capital SA: Permanent Representative of LVMH Finance, Director;
- LVMH Finance SA: Chairman and Chief Executive Officer;
- Marco Polo SA: Director;
- Moët Hennessy International SA: Director;
- Moët Hennessy SNC: Member of the Management Board;
- Parfums Givenchy SA: Director;
- seloger.com: Advisory Board Member;
- Sephora SA: Permanent Representative of LVMH Fashion Group, Director;
- SFMI Micromania SAS: Member of the Supervisory Board;
- Société Montaigne Jean Goujon SAS: Chairman;
- Sofidiv SAS: Chairman;
- Ufipar SAS: Chairman;
- LVMH Services GIE: Member of the College of Directors.

- International:
- Creare (Luxembourg): Chairman of the Board of Directors;
- DFS Guam L.P. (Guam): Director;
- DFS Group L.P. (United States): Director;
- LVMH Iberia SL (Spain): Chairman of the Board of Directors;
- LVMH Moët Hennessy - Louis Vuitton Japan KK (Japan): Director;
- LVMH Moët Hennessy - Louis Vuitton Inc. (United States): Director;
- LVMH Services Ltd (United Kingdom): Director;
- NYSE Euronext Inc. (United States): Member of the Supervisory Board;
- Sofidiv Inc. (United States): Director;
- TAG Heuer International SA (Luxembourg): Director;
- The Glenmorangie Company Ltd (United Kingdom): Director;
- 1896 Corp (United States): Director;
- 598 Madison Leasing Corp (United States): Director.

## Mr. Felix G. ROHATYN

Date of birth: May 29, 1928. American.

Business address: FGR Associates LLC – 280 Park Avenue – 27th Floor – NY 10017 New York (United States).

Date of first appointment: May 14, 2001.

Number of LVMH shares held in a personal capacity: 500 shares.

Mr. Felix G. Rohatyn was United States Ambassador to France from 1997 to 2000. He previously was Managing Partner of Lazard Frères & Co LLC. He also served on the Board of the New York Stock Exchange from 1968 to 1972. He has been a Special Advisor of the President of Lazard Ltd since January 2010.

### Current positions and offices

**LVMH Group/Arnault Group:**

- France:
- LVMH Moët Hennessy - Louis Vuitton SA: Director.

- International:
- LVMH Moët Hennessy - Louis Vuitton Inc. (United States): Chairman.

**Other:**

- France:
- Publicis Groupe SA: Member of the Supervisory Board.

- International:
- Carnegie Hall (United States): Honorary Vice-Chairman of the Board of Directors;
- Center for Strategic and International Studies (CSIS) (United States): Director;
- Council on Foreign Relations (United States): Advisor;
- Lazard Ltd (United States): Special Advisor to the Chairman.

### Positions and offices that have terminated after January 1, 2005

- France:
- Lagardère SCA: Member of the Supervisory Board;
- Rothschilds Continuation Holdings AG: Director;
- Suez: Director.

- International:
- Comcast Corporation (United States): Director;
- Fiat Spa (Italy): Director;
- Lazard Frères LLC (United States): Managing Partner;
- International Advisory Committees, Lehman Brothers (United States): Chairman of the Board of Directors.

### Mr. Hubert VÉDRINE

Date of birth: July 31, 1947. French.

Business address: Hubert Védrine (HV) Conseil – 21, rue Jean Goujon – 75008 Paris (France).

Date of first appointment: May 13, 2004.

Number of LVMH shares held in a personal capacity: 500 shares.

Mr. Hubert Védrine has held a number of French government and administrative posts, notably as Foreign Relations Consultant at the Secretariat General of the Presidency from 1981 to 1986, Spokesperson for the Presidency from 1988 to 1991, Secretary General for the Presidency from 1991 to 1995 and Minister for Foreign Affairs from 1997 to 2002. In early 2003, he founded a geopolitical management consulting firm, "Hubert Védrine (HV) Conseil".

**Current positions and offices**

• France:

- LVMH Moët Hennessy - Louis Vuitton SA: Director;
- Hubert Védrine (HV) Conseil SARL: Managing Partner;
- Ipsos SA: Director.

## 1.2 Currently serving Directors

### Mr. Antoine ARNAULT

Date of birth: June 4, 1977. French.

Business address: Louis Vuitton Malletier – 2, rue du Pont-Neuf – 75001 Paris (France).

Date of first appointment: May 11, 2006.

Expiration of term: Annual Meeting convened in 2012.

Number of LVMH shares held in a personal capacity: 8,462 shares.

Mr. Antoine Arnault graduated from HEC Montreal and INSEAD. In 2000 he created an internet company, Domainoo.com.

In 2002, he sold his holding in Domainoo.com and joined Louis Vuitton Malletier initially as marketing manager for the brand, where he took some significant initiatives, notably with respect to advertising and then as Director of the provincial operations of Louis Vuitton France. In 2007, he became Director of Communication at Louis Vuitton.

**Current positions and offices**

**LVMH Group/Arnault Group:**

• France:

- LVMH Moët Hennessy - Louis Vuitton SA: Director;
- Les Echos SAS: Member of the Supervisory Board.

**Positions and offices that have terminated after January 1, 2005**

• International:

- Louis Vuitton Monaco (Principality of Monaco): Chairman of the Board of Directors;
- Spot Runner, Inc. (United States): Member of the Supervisory Board.

### Mr. Nicolas BAZIRE, Senior Vice-President for Development and Acquisitions

Date of birth: July 13, 1957. French.

Business address: LVMH – 22, avenue Montaigne – 75008 Paris (France).

Date of first appointment: May 12, 1999.

Expiration of term: Annual Meeting convened in 2011.

Number of LVMH shares held in a personal capacity: 500 shares.

Mr. Nicolas Bazire has worked as an Auditor and Conseiller Référendaire at the Cour des comptes (French government audit office). In 1993, he became Chief of Staff of Prime Minister Édouard Balladur. He subsequently was Managing Partner at Rothschild & Cie Banque between 1995 and 1999, when he was appointed as Chairman of its Board of Limited Partners (Conseil des Commanditaires). Since 1999, he has served as Managing Director of Groupe Arnault SAS.

**Current positions and offices**

**LVMH Group/Arnault Group:**

• France:

- LVMH Moët Hennessy - Louis Vuitton SA: Director;
- Agache Développement SA: Director;
- Europatweb SA: Director;
- Financière Agache SA: Managing Director and Permanent Representative of Groupe Arnault SAS, Director;
- Financière Agache Private Equity SA: Director;
- Groupe Arnault SAS: Managing Director;
- Groupe les Echos SA: Director;
- Les Echos SAS: Vice-Chairman of the Supervisory Board;
- LVMH Fashion Group SA: Director;
- Montaigne Finance SAS: Member of the Supervisory Committee;
- Semyrhamis SAS: Member of the Supervisory Committee;
- Louis Vuitton pour la Création, Fondation d'Entreprise: Director.

**Other:**

• France:

- Atos Origin SA: Director;

- Carrefour SA: Director;
- Rothschild & Cie Banque SCS: Member of the Supervisory Board;
- Suez Environnement Company SA: Director;
- Tajan SA: Director.

• International:

- Go Invest SA (Belgium): Director.

**Positions and offices that have terminated after January 1, 2005**

• France:

- Agache Développement SA: Permanent Representative of Sifanor SA, Director;
- Amec: Director;
- Ipsos SA: Director;
- La Tour du Pin SAS: Chairman;
- LVMH Fashion Group SA: Chairman of the Supervisory Board;
- Lyparis SAS: Member of the Supervisory Committee;
- Marignan Investissements SA: Director;
- Sifanor SAS: Member of the Supervisory Committee;
- Société Financière Saint-Nivard SAS: Chairman.

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### Mr. Antonio BELLONI, Group Managing Director

Date of birth: June 22, 1954. Italian.

Business address: LVMH – 22, avenue Montaigne – 75008 Paris (France).

Date of first appointment: May 15, 2002.

Expiration of term: Annual Meeting convened in 2011.

Number of LVMH shares held in a personal capacity: 7,000 shares.

Mr. Antonio Belloni joined LVMH Group in June 2001, following 22 years with Procter & Gamble, the last three of which as head of the Company's European division. Previously he had served as Chairman and Chief Executive Officer for the group's Italian operations. He began his career at Procter & Gamble in Italy in 1978 and subsequently held a number of positions in Switzerland, Greece, Belgium and the United States.

**Current positions and offices**

**LVMH Group/Arnault Group:**

• France:

- LVMH Moët Hennessy - Louis Vuitton SA: Group Managing Director and Director;
- Givenchy SA: Director;
- Le Bon Marché, Maison Aristide Boucicaut SA: Director;
- Parfums Givenchy: Permanent Representative of LVMH Fashion Group, Director;
- Parfums Luxe International – PLI SA: Chairman and Chief Executive Officer;
- Sephora: Director;
- Louis Vuitton pour la Création, Fondation d'Entreprise: Director.

• International:

- Benefit Cosmetics LLC (United States): Manager;
- De Beers Diamond Jewellers Limited (United Kingdom): Director;
- De Beers Diamond Jewellers Trademark Ltd (United Kingdom): Director;
- DFS Group Limited (Bermuda): Director;
- DFS Holdings Limited (Bermuda): Director;
- Donna Karan International Inc. (United States): Director;
- Edun Americas Inc. (United States): Director;
- Edun Apparel Limited (United Kingdom): Director;
- Emilio Pucci Srl (Italy): Director;
- Emilio Pucci International BV (Netherlands): Director;
- Fendi SA (Luxembourg): Director;
- Fendi Adele Srl (Italy): Director;
- Fresh Inc. (United States): Director;
- LVMH (Shanghai) Management & Consultancy Co Ltd (China): Chairman of the Board of Directors;
- RVL Holding BV (Netherlands): Member of the Supervisory Board;
- Thomas Pink Holdings Limited (United Kingdom): Director;
- Ufip (Ireland): Director.

**Positions and offices that have terminated after January 1, 2005**

• International:

- DFS Group LP (United States): Director;
- DFS Guam LP (Guam): Director;
- Fendi Immobili Industriali Srl (Italy): Director;
- LVMH Moët Hennessy - Louis Vuitton Inc. (United States): Managing Director.

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### Mr. Antoine BERNHEIM, Vice-Chairman

Date of birth: September 4, 1924. French.

Business address: Assicurazioni Generali Spa c/o Generali France – 7 Boulevard Haussmann – 75009 Paris (France).

Date of first appointment: September 22, 1988.

Expiration of term: Annual Meeting convened in 2012.

Number of LVMH shares held in a personal capacity: 38,720 shares.

Mr. Antoine Bernheim was Managing Partner of Lazard Frères & Cie from 1967 to 2000 and Partner of Lazard LLC from 2000 to 2005. He served as Chairman and Chief Executive Officer of La France SA from 1974 to 1997 and of Euromarché from 1981 to 1991. Chairman of Generali Spa between 1995 and 1999; he was reappointed to this post in 2002.

### Current positions and offices

**Generali Group:**

- France:
- Generali France SA: Director.

- International:
- Alleanza Toro (Italy): Vice-Chairman and Director;
- Generali Deutschland Holding AG (Germany): Director;
- Assicurazioni Generali Spa (Italy): Chairman;
- BSI: Banca della Svizzera Italiana (Switzerland): Director;
- Generali España Holding SA (Spain): Director;
- Generali Holding Vienna AG (Austria): Director;
- Graafschap Holland (Netherlands): Director.

**LVMH Group/Arnault Group:**

- France:
- LVMH Moët Hennessy - Louis Vuitton SA: Vice-Chairman and Director;
- Christian Dior SA: Director;
- Christian Dior Couture SA: Director;
- Financière Jean Goujon SAS: Vice-Chairman and Member of the Supervisory Committee;
- LVMH Fashion Group SA: Vice-Chairman and Director;
- LVMH Finance SA: Vice-Chairman and Director.

- International:
- LVMH Moët Hennessy - Louis Vuitton Inc. (United States): Director.

**Other:**

- France:
- Bolloré SA: Vice-Chairman and Director;
- Ciments Français SA: Director;
- Eurazeo SA: Member of the Supervisory Board;
- Havas SA: Director;
- Société Française Générale Immobilière SA: Managing Director.

- International:
- Intesa Sanpaolo (Italy): Vice-Chairman of the Supervisory Board;
- Mediobanca (Italy): Director.

### Positions and offices that have terminated after January 1, 2005

- France:
- Bolloré Investissement SA: Vice-Chairman and Director;
- Partena: Managing Partner.

- International:
- Banca Intesa Spa (Italy): Director;
- Compagnie Monégasque de Banque (Principality of Monaco): Director;
- Lazard LLC (United States): Partner.

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## Mr. Charles de CROISSET

Date of birth: September 28, 1943. French.

Business address: Goldman Sachs International – Peterborough Court, 133 Fleet Street – EC4A 2BB London (United Kingdom).

Date of first appointment: May 15, 2008.

Expiration of term: Annual Meeting convened in 2011.

Number of LVMH shares held in a personal capacity: 1,000 shares.

Mr. Charles de Croisset entered the Inspection des Finances in 1968. After a career in the administration, he joined Crédit Commercial de France (CCF) in 1980 as Corporate Secretary before being appointed Deputy Chief Executive and then Chief Executive. In 1993, he was named Chairman and Chief Executive Officer of CCF, then Executive Director of HSBC Holdings Plc in 2000. In March 2004, he joined Goldman Sachs Europe as its Vice-Chairman and was named as International Advisor to Goldman Sachs International in 2006.

### Current positions and offices

- France:
- LVMH Moët Hennessy - Louis Vuitton SA: Director;
- Bouygues SA: Director;
- Euler Hermès SA: Member of the Supervisory Board;
- Galeries Lafayette SA: Member of the Advisory Board;
- Renault SA: Director;
- Fondation du Patrimoine: Chairman.

- International:
- Goldman Sachs International (United Kingdom): International Advisor.

### Positions and offices that have terminated after January 1, 2005

- France:
- Thales SA: Director.
- International:
- Thales Holdings Plc (United Kingdom): Director.

### Mr. Diego DELLA VALLE

Date of birth: December 30, 1953. Italian.

Business address: Tod's Spa – Corso Venisia 30 – 20121 Milan (Italy).

Date of first appointment: May 15, 2002.

Expiration of term: Annual Meeting convened in 2011.

Number of LVMH shares held in a personal capacity: 500 shares.

Mr. Diego Della Valle joined the family business in 1975. He played a fundamental role in the definition of the Company's development strategy and the creation of the brands that have shaped its image. He developed an innovative marketing plan, which has since served as a model to other companies around the world in the luxury goods industry. Since October 2000, he has been Chairman and Managing Director of Tod's SpA, which today is a world leader in the luxury accessories sector.

#### Current positions and offices

- International:
- ACF Fiorentina Spa (Italy): Honorary Chairman;
- Assicurazioni Generali Spa (Italy): Director;
- Compagnia Immobiliare Azionaria (Italy): Director;
- DDV partecipazioni SRL (Italy): Sole Director;
- DI.VI. Finanziaria SAPA (Italy): Director;
- Diego Della Valle & C. SAPA (Italy): Managing Partner and Director;
- Ferrari Spa (Italy): Director;
- Marcolin Spa (Italy): Director;
- RCS Mediagroup Spa (Italy): Director;
- Tod's Spa (Italy): Chairman of the Board of Directors and Managing Director;
- Fondazione Della Valle Onlus (Italy): Chairman of the Board of Directors.

- France:
- LVMH Moët Hennessy - Louis Vuitton SA: Director;
- Le Monde Europe SA: Director.

#### Positions and offices that have terminated after January 1, 2005

- International:
- Banca Nazionale del Lavoro Spa (Italy): Director;
- Maserati Spa (Italy): Director.

### Mr. Albert FRÈRE

Date of birth: February 4, 1926. Belgian.

Business address: Frère-Bourgeois – 12, rue de la Blanche Borne – 6280 Loverval (Belgium).

Date of first appointment: May 29, 1997.

Expiration of term: Annual Meeting convened in 2012.

Number of LVMH shares held in a personal capacity: 500 shares.

Having begun his career within the family metal products business, Mr. Albert Frère turned his focus to industrial acquisitions and gained control, with his partners, of virtually all the steel industry around Charleroi. In 1981, he founded Pargesa Holding SA jointly with several partners. The following year, this company acquired interests in Groupe Bruxelles Lambert. In 1987 he was appointed Chairman of its Board of Directors, a position he still holds today. He has also served as Chairman of the Board of Directors of Frère-Bourgeois SA since 1970.

#### Current positions and offices

**Frère-Bourgeois Group:**

- International:
- Erbé SA (Belgium): Chairman of the Board of Directors;
- Financière de la Sambre SA (Belgium): Chairman of the Board of Directors;
- Fingen SA (Belgium): Chairman of the Board of Directors;
- Frère-Bourgeois SA (Belgium): Chairman of the Board of Directors;
- Groupe Bruxelles Lambert SA (Belgium): Chairman of the Board of Directors and Managing Director;
- Stichting Administratie Kantoor Frère-Bourgeois (Netherlands): Chairman of the Board of Directors.

**LVMH Group/Arnault Group:**

- France
- LVMH Moët Hennessy - Louis Vuitton SA: Director;
- Groupe Arnault SAS: Permanent Representative of Belholding Belgium SA, Member of the Management Committee;
- Société Civile du Cheval Blanc: Chairman of the Board of Directors.

**Other:**

- France
- GDF-Suez SA: Vice-Chairman of the Board of Directors and Director;
- Métropole Télévision "M6" SA: Chairman of the Supervisory Board.

- International:
- GBL Vervaltung SARL (Luxembourg): Permanent Representative of Frère-Bourgeois SA, Manager;
- Pargesa Holding SA (Switzerland): Vice-Chairman, Managing Director and Member of the Management Committee;
- Assicurazioni Generali Spa (Italy): Member of the International Committee;
- Banque Nationale de Belgique (Belgium): Honorary Chairman.

**Positions and offices that have terminated after January 1, 2005**

- France:
- Raspail Investissements SA: Director;
- Suez SA: Vice-Chairman of the Board of Directors and Director.
- International:
- Agesca Nederland NV (Netherlands): Director;
- Coparex International SA (Belgium): Director;
- Frère-Bourgeois Holding BV (Netherlands): Director;
- Gruppo Banca Leonardo (Italy): Director;
- Parjointco NV (Netherlands): Director;
- Petrofina (Belgium): Chairman of the Board of Directors;
- Power Corporation of Canada (Canada): Member of the International Advisory Board.

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**Mr. Pierre GODÉ, Vice-Chairman**

Date of birth: December 4, 1944. French.

Business address: LVMH – 22, avenue Montaigne – 75008 Paris (France).

Date of first appointment: January 13, 1989.

Expiration of term: Annual Meeting convened to in 2012.

Number of LVMH shares held in a personal capacity: 695 shares.

Mr. Pierre Godé began his career as a lawyer admitted to the Lille bar and has taught at the Lille and Nice university law faculties.

He has been Advisor to the Chairman of Arnault Group since 1986.

**Current positions and offices**

**LVMH Group/Arnault Group:**

- France:
- LVMH Moët Hennessy - Louis Vuitton SA: Vice-Chairman and Director;
- Christian Dior SA: Director;
- Christian Dior Couture SA: Director;
- Financière Agache SA: Chairman and Chief Executive Officer;
- Financière Jean Goujon SAS: Chairman;
- Groupe Arnault SAS: Managing Director;
- Les Echos SAS: Member of the Supervisory Board;
- Louis Vuitton Malletier: Director;
- Raspail Investissements SA: Chairman and Chief Executive Officer;
- SA du Château d'Yquem: Director;
- Semyrhamis SAS: Member of the Supervisory Committee;
- Sevrilux SNC: Legal Representative of Financière Agache, Manager;
- Sofidiv SAS: Member of the Management Committee;
- Société Civile du Cheval Blanc: Director;
- Association du Musée Louis Vuitton: Permanent Representative of LVMH Fashion Group, Director.
- International:
- LVMH Moët Hennessy - Louis Vuitton Inc. (United States): Director;
- LVMH Publica (Belgium): Director;
- Sofidiv UK Limited (United Kingdom): Director.

Other:

- France:
- Havas SA: Director;
- Redeg SARL: Manager.

**Positions and offices that have terminated after January 1, 2005**

- France:
- Groupe Les Echos SA: Permanent Representative of LVMH, Director;
- Le Bon Marché, Maison Aristide Boucicaut SA: Director, Managing Director;
- LVMH Fashion Group SA: Member of the Executive Board and Managing Director;
- Montaigne Finance SAS: Member of the Supervisory Committee;
- Parfums Christian Dior SA: Permanent Representative of Financière Agache SA, Director;
- Sifanor SAS: Member of the Supervisory Committee;
- GIE LVMH Services: Member of the College of Directors.
- International:
- Fendi SA (Luxembourg): Director;
- LVMH Moët Hennessy - Louis Vuitton Japan KK (Japan): Director;
- LVMH Services Limited (United Kingdom): Director.

## Mr. Gilles HENNESSY

Date of birth: May 14, 1949. French.

Business address: Moët Hennessy – 65, avenue de la Grande Armée – 75016 Paris (France).

Date of first appointment: June 6, 1990.

Expiration of term: Annual Meeting convened in 2011.

Number of LVMH shares held in a personal capacity: 76,645 shares.

Mr. Gilles Hennessy joined Jas Hennessy & Co in 1971 as head of marketing and sales and participated in Hennessy's expansion into the Japanese market in 1977, followed by the cognac producer's introduction into China, South Korea and Vietnam. He has served as Vice-Chairman of Moët Hennessy since September 1, 2002.

### Current positions and offices

**LVMH Group/Arnault Group:**

- France:
- LVMH Moët Hennessy - Louis Vuitton SA: Director;
- Jas Hennessy & Co SCS: Member of the Board of Limited Partners;
- MHD Moët Hennessy Diageo SAS: Director;
- Moët Hennessy Investissements SA: Permanent Representative of Moët Hennessy, Director.
- International:
- Innovacion en Marcas de Prestigio SA de CV (Mexico): Director;
- Millennium Brands Limited (Ireland): Director;
- Moët Hennessy Asia Pacific Pte Ltd (Singapore): Director;
- Moët Hennessy Belux SA (Belgium): Director;
- Moët Hennessy Danmark A/S (Denmark): Chairman of the Board of Directors;
- Moët Hennessy de Mexico SA (Mexico): Director;
- Moët Hennessy do Brasil (Brazil): Member of the Advisory Committee;
- Moet Hennessy Inc. (United States): Director;
- Moët Hennessy UK Ltd (United Kingdom): Director;
- Moët Hennessy USA Inc. (United States): Director;
- Polmos Zyrardow (Poland): Member of the Management Committee;
- Schieffelin & Somerset (United States): Member of the Supervisory Board;
- The Glenmorangie Company Ltd (United Kingdom): Director.

**Other:**

- France:
- Groupe Alain Crenn: Director.

### Positions and offices that have terminated after January 1, 2005

- France:
- Champagne Moët & Chandon SCS: Permanent Representative of Jas Hennessy & Co, Member of the Board of Limited Partners;
- France Champagne SA: Director;
- Krug, Vins Fins de Champagne: Chairman and Chief Executive Officer;
- Moët Hennessy SNC: Member of the Management Board;
- Moët Hennessy International SA: Director;
- Veuve Clicquot Ponsardin SCS: Member of the Board of Limited Partners.
- International:
- Jas Hennessy & Co Ltd (Ireland): Chairman of the Board of Directors;
- Millennium Import LLC (United States): Director;
- Moët Hennessy Shanghai Limited (China): Director.

## Lord POWELL of BAYSWATER

Date of birth: July 6, 1941. British.

Business address: Lord Powell of Bayswater KCMG – 24 Queen Anne's Gate – SW1H 9AA London (United Kingdom).

Date of first appointment: May 29, 1997.

Expiration of term: Annual Meeting convened in 2012.

Number of LVMH shares held in a personal capacity: 500 shares.

Lord Powell was Private Secretary and Advisor on Foreign Affairs and Defense to Prime Ministers Margaret Thatcher and John Major from 1983 to 1991. He was Chairman of Sagitta Asset Management from 2001 to 2005. In 2006 he became Chairman of the Board of Directors of Capital Generation Partners.

### Current positions and offices

**LVMH Group/Arnault Group:**

- France:
- LVMH Moët Hennessy - Louis Vuitton SA: Director;
- Financière Agache SA: Director.
- International:
- LVMH Services Limited (United Kingdom): Chairman of the Board of Directors.

**Other:**

- International:
- Capital Generation Partners (United Kingdom): Chairman of the Board of Directors;
- Caterpillar Inc. (United States): Director;

- Hong-Kong Land Holdings (Bermuda): Director;
- Magna Holdings (Bermuda): Chairman of the Board of Directors;
- Mandarin Oriental International Holdings (Bermuda): Director;
- Matheson & Co Ltd (United Kingdom): Director;
- Northern Trust Global Services (United Kingdom): Director;
- Schindler Holding (Switzerland): Director;
- Singapore Millennium Foundation Limited (Singapore): Director;
- Textron Corporation (United States): Director.

**Positions and offices that have terminated after January 1, 2005**

- International:
- Arjo Wiggins Appleton Plc (United Kingdom): Director;
- British Mediterranean Airways (United Kingdom): Director;
- Dairy Farm International Holdings Ltd (Bermuda): Director;
- Falgos Investments Ltd (United Kingdom): Director;
- J. Rothschild Name Co Ltd (United Kingdom): Director;
- Jardine International Motor Holdings Ltd (Bermuda): Director;
- Jardine Matheson Holdings Ltd (Bermuda): Director;
- Jardine Strategic Holdings Ltd (Bermuda): Director;
- Jardine & Lloyd Thompson Group Plc (Bermuda): Director;
- National Westminster Bank Plc (United Kingdom): Director;
- Sagitta Asset Management (United Kingdom): Chairman of the Board of Directors;
- Said Holdings Ltd (Bermuda): Director;
- Yell Group Ltd (United Kingdom): Director;
- Phillips, de Pury & Luxembourg (United Kingdom): Chairman of the Advisory Committee.

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## Mr. Yves-Thibault de SILGUY

Date of birth: July 22, 1948. French.

Business address: Vinci – 1 Cours Ferdinand de Lesseps – 92500 Rueil Malmaison (France).

Date of first appointment: May 14, 2009.

Expiration of term: Annual Meeting convened in 2012.

Number of LVMH shares held in a personal capacity: 500 shares.

Mr. de Silguy joined the French Ministry for Foreign Affairs from 1976 to 1981, after which he worked for the European Community as a member of the cabinet of Mr. Ortoli from 1981 to 1985 and from 1995 to 1999, as European Commissioner. He served as a cabinet member for Prime Ministers Jacques Chirac from 1986 to 1988 and Édouard Balladur from 1993 to 1995. In 1988 he joined Usinor – Sacilor group, where he was Director of international affairs until 1993. From 2000 to 2006, he successively became member of the Management Board, Chief Executive, and Deputy Manager of Suez. In June 2006, he was appointed Chairman of the Board of Directors of Vinci.

**Current positions and offices**

**Vinci Group:**

- France:
- Société des Autoroutes du Sud de la France: Director;
- Vinci: Chairman of the Board of Directors.

**Other:**

- France:
- LVMH Moët Hennessy - Louis Vuitton SA: Director;
- Sofisport SA: Member of the Supervisory Board;
- VTB Bank France SA: Member of the Supervisory Board;
- ING Direct France SA: Member of the Advisory Committee;
- AgroParisTech: Chairman of the Board of Directors;
- French Foreign Ministry: Member of the Foreign Affairs Council;
- French Defense Ministry: Member of the Economic Council for Defense.
- International:
- Société Monégasque de l'Électricité et du Gaz (Principality of Monaco): Director;
- Suez-Tractebel (Belgium): Director;
- Medef International: Chairman of France-Algeria and France-Qatar committees.

**Positions and offices that have terminated after January 1, 2005**

- France:
- Calédonienne des Eaux (CDE): Chairman of the Board of Directors;
- Degrémont: Director;
- EEC: Director;
- Électricité de Tahiti (EDT): Director;
- Elyo: Member of the Supervisory Board;
- Fabricom: Director;
- Lyonnaise Europe: Director;
- Marama Nui: Director;
- Métropole Télévision "M6" SA: Member of the Supervisory Board;
- Ondéo-Degrémont: Director;
- Ondéo Services: Director;
- Sita: Director;
- Société Polynésienne des Eaux et de l'Assainissement (SPEA): Chairman of the Board of Directors;
- Socif 4: Director;
- Suez Energies Services: Director;

- Suez Environnement: Director;
- TPS Gestion: Permanent Representative of Lyonnaise Satellite, Director;
- TPS Motivation: Permanent Representative of TPS, Director;
- Unelco Vanuatu: Director;
- Comité France-Chine du Medef: Vice-Chairman;
- Comité de Politique Européenne du Medef: Chairman;
- Université française d'Égypte: Chairman of the Board of Directors.

• International:
- Société Générale de Belgique (Belgium): Director;
- Swire Sita Waste Services Ltd (China): Director;
- VTB (Russia): Director.

## 1.3 New appointment as Director

### Mrs. Hélène CARRÈRE d'ENCAUSSE

Date of birth: July 6, 1929. French.

Business address: Académie française - 23 quai de Conti – 75006 Paris (France).

Professor of history at Paris I-Panthéon Sorbonne University and at the Institut d'Etudes Politiques, Paris, Director of the East-West Institute in New York, Deputy Chairman of the French Diplomatic Archives, Mrs. Hélène Carrère d'Encausse served as member of the European Parliament from 1994 to 1999. Elected to the Académie française in 1990, she became its Permanent Secretary in 1999. She has also been a foreign member of the Russian Science Academy since 2003 and of the Academies of Belgium, Romania, Georgia and Athens.

#### Current positions and offices

• France:
- Académie française : Permanent Secretary;
- Audiovisuel Extérieur de la France SA : Director.

## 1.4 Advisory Board Member appointment to be renewed

### Mr. Kilian HENNESSY

Date of birth: February 19, 1907. French.

Correspondence address: Jas Hennessy & Co – 1, rue de la Richonne – 16100 Cognac (France).

Date of first appointment: September 16, 1971.

Mr. Kilian Hennessy began his career in a Parisian bank. He then joined Jas Hennessy & Co as Manager. He became Chairman of the Board of this company in 1969 and served in this capacity until 1975. He also served as Chairman and Chief Executive Officer of Moët Hennessy from 1972 to 1976.

#### Current positions and offices

**LVMH Group/Arnault Group:**

• France:
- LVMH Moët Hennessy - Louis Vuitton SA: Advisory Board Member;
- Jas Hennessy & Co SCS: Honorary Chairman of the Board of Partners;
- Parfums Christian Dior SA: Director.

# 2. STATUTORY AUDITORS

## 2.1 Principal Statutory Auditors

| | Start date of first term | Current term: Date appointed | Current term: End of term |
|---|---|---|---|
| • ERNST & YOUNG Audit<br>Tour Ernst & Young, Faubourg de l'Arche<br>92037 Paris-La-Défense<br>Represented by Jeanne Boillet and Olivier Breillot | June 6, 1998 | May 13, 2004 | Annual Meeting convened to approve the financial statements for the 2009 fiscal year |
| • DELOITTE & ASSOCIÉS<br>185 avenue Charles de Gaulle<br>92524 Neuilly-sur-Seine Cedex<br>Represented by Alain Pons | May 13, 2004 | May 13, 2004 | Annual Meeting convened to approve the financial statements for the 2009 fiscal year |

## 2.2 Alternate Statutory Auditors

| | | | |
|---|---|---|---|
| • Mr. Denis Grison<br>61, rue Henri Regnault<br>92075 Paris-La-Défense | June 6, 1986 | May 13, 2004 | Annual Meeting convened to approve the financial statements for the 2009 fiscal year |
| • Mr. Dominique Thouvenin<br>Tour Ernst & Young, Faubourg de l'Arche<br>92037 Paris-La-Défense | June 9, 1989 | May 13, 2004 | Annual Meeting convened to approve the financial statements for the 2009 fiscal year |

## 2.3 Fees paid in 2009

| *(in thousands of euros, excluding VAT)* | ERNST & YOUNG Audit | | | | DELOITTE & ASSOCIÉS | | | |
|---|---|---|---|---|---|---|---|---|
| | 2009 | | 2008 | | 2009 | | 2008 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| **Audit** | | | | | | | | |
| Statutory Audit, certification, audit of the individual company and consolidated financial statements: | | | | | | | | |
| - LVMH Moët Hennessy - Louis Vuitton SA | 1,604 | 13 | 1,604 | 13 | 866 | 13 | 934 | 14 |
| - Fully-consolidated subsidiaries | 8,543 | 70 | 8,342 | 69 | 5,592 | 81 | 5,433 | 80 |
| Other services relating directly to the Statutory Audit assignment: | | | | | | | | |
| - LVMH Moët Hennessy - Louis Vuitton SA | 45 | - | 169 | 1 | 70 | 1 | 22 | - |
| - Fully-consolidated subsidiaries | 418 | 4 | 684 | 6 | 31 | - | 77 | 1 |
| | **10,610** | **87** | **10,799** | **89** | **6,559** | **95** | **6,466** | **96** |
| **Other services provided by the firms to fully-consolidated subsidiaries** | | | | | | | | |
| - Legal, tax, employee-related | 1,294 | 11 | 1,111 | 9 | 276 | 4 | 302 | 4 |
| - Other | 262 | 2 | 207 | 2 | 46 | 1 | - | - |
| | **1,556** | **13** | **1,318** | **11** | **322** | **5** | **302** | **4** |
| **Total** | **12,166** | **100** | **12,117** | **100** | **6,881** | **100** | **6,768** | **100** |

## 3. CHARTER OF THE BOARD OF DIRECTORS

The Board of Directors is the strategy body of LVMH Moët Hennessy - Louis Vuitton SA. The competence, integrity and responsibility of its members, clear and fair decisions reached collectively, and effective and secure controls are the ethical principles that govern the Board.

The key priorities pursued by LVMH's Board of Directors are enterprise value creation and the defense of the Company's interests.

LVMH's Board of Directors acts as guarantor of the rights of each of its shareholders and ensures that shareholders fulfill all of their duties.

The Company adheres to the Code of Corporate Governance for Listed Companies published by AFEP and MEDEF.

Each of these elements contributes to preserving the level of enterprise performance and transparency required to retain the confidence of shareholders and partners in the Group.

### 3.1 Structure of the Board of Directors

The Board of Directors shall have a maximum of 18 members, a third of whom at least are appointed from among prominent independent persons with no interests in the Company.

In determining whether a Director may be considered as independent, the Board of Directors refers among others to the criteria set forth in the AFEP/MEDEF Code of Corporate Governance for Listed Companies.

The number of Directors or permanent representatives of legal entities from outside companies, in which the Chairman of the LVMH Board of Directors or any LVMH Director serving as LVMH Chief Executive Officer or Managing Director holds an office, shall be limited to four.

### 3.2 Mission of the Board of Directors

The principal missions of the Board of Directors are to:

- ensure that the Company's interests and assets are protected;
- define the broad strategic orientations of the Company and the Group and ensure that their implementation is monitored;
- select the Company's Management structure;
- appoint the Chairman of the Board of Directors, Chief Executive Officer and Managing Directors;
- control the Company's Management;
- approve the Company's annual and half-yearly financial statements;
- verify the quality, reliability and accuracy of the information about the Company and the Group provided to shareholders;
- disseminate the collective values that guide the Company and its employees and that govern relationships with consumers and with partners and suppliers of the Company and the Group;
- promote a policy of economic development consistent with a social and citizenship policy based on concepts that include respect for human beings and the preservation of the environment in which it operates.

### 3.3 Operations of the Board of Directors

The Board of Directors shall hold at least four meetings a year.

Any individual who accepts the position of Director or permanent representative of a legal entity appointed as Director of the Company shall agree to attend Board of Directors' and Shareholders' Meetings regularly.

On the recommendation of the Board's Nominations and Compensation Committee, repeated unjustified absenteeism by a Director may cause the Board of Directors to reconsider his appointment.

So that members can fully perform their duties, the Chairman of the Board of Directors, the Directors holding the positions of Chief Executive Officer or Managing Director, and the other Directors must report to the Board of Directors any and all significant information they need to perform their duties as members of the Board.

Decisions by the Board of Directors shall be made by simple majority vote and are adopted as a board.

If they deem appropriate, the independent Directors may meet without the other members of the Board of Directors.

For special or important issues, the Board of Directors may appoint several Directors to form one or more committees.

Each member of the Board of Directors shall act in the interests and on behalf of all shareholders.

Once each year, the Board of Directors evaluates its procedures and informs shareholders as to its conclusions in a report presented to the Shareholders' Meeting. In addition, at least once every three years, a fully documented review of the work of the Board, its organization and its procedures is conducted.

### 3.4 Responsibilities

The members of the Board of Directors shall be required to familiarize themselves with the general and specific obligations of their office, and with all applicable laws and regulations.

The members of the Board of Directors shall be required to respect the confidentiality of any information of which they may become aware in the course of their duties concerning the Company or the Group, until such information is made public by the Company.

The members of the Board of Directors agree not to trade in the Company's shares, either directly or indirectly, for their own account or on behalf of any third parties, based on information disclosed to them in the course of their duties that is not known to the public. Moreover, members of the Board of Directors shall refrain from engaging in any stock market transactions involving the Company's shares and from any exercise of options during the following periods:

- four weeks preceding the publication of the Company's annual and half-yearly consolidated financial statements;
- two weeks preceding the publication of the Company's quarterly consolidated revenue figures.

The Directors agree to:

- warn the Chairman of the Board of Directors of any instance, even potential, of a conflict of interest between their duties and responsibilities to the Company and their private interests and/or other duties and responsibilities;
- abstain from voting on any issue that concerns them directly or indirectly;
- inform the Chairman of the Board of Directors of any operation or agreement entered into with any LVMH Group company to which they are a party;
- provide details to the Chairman of the Board of Directors of any formal investigation, conviction in relation to fraudulent offenses, any official public incrimination and/or sanctions, any disqualifications from acting as a member of an administrative, management or supervisory body imposed by a court as well as of any bankruptcy, receivership or liquidation proceedings to which they have been a party.

The Chairman of the Board of Directors shall apprize the Performance Audit Committee upon receiving any information of this type.

### 3.5 Compensation

The Shareholders' Meeting shall set the total amount of Directors' fees to be paid to the members of the Board of Directors.

This amount shall be distributed among all members of the Board of Directors and the Advisors, if any, on the recommendation of the members of the Directors' Nominations and Compensation Committee, taking into account their specific responsibilities on the Board (e.g. chairman, vice-chairman, participation on committees created within the Board).

A portion of these fees shall be contingent upon attendance by Directors at the meetings of the Board of Directors and, where applicable, the Committee(s) of which they are members, calculated according to a formula to be determined by the Board of Directors, acting upon a proposal submitted by the Nominations and Compensation Committee.

Exceptional compensation may be paid to some Directors for any special assignments and on the basis of the leadership role they assume. The amount shall be determined by the Board of Directors and reported to the Company's statutory auditors.

### 3.6 Scope of application

This Charter shall apply to all members of the Board of Directors and the Advisory Board. It must be given to each candidate for the position of Director and to each permanent representative of a legal entity before they take office.

## 4. INTERNAL RULES OF THE PERFORMANCE AUDIT COMMITTEE

A specialized committee responsible for auditing performance operates within the Board of Directors, acting under the exclusive, collective responsibility of the Board of Directors.

### 4.1 Structure of the Committee

The Performance Audit Committee shall be made up of at least three Directors, two-thirds of whom shall be independent Directors. Its members shall be appointed by the Board of Directors.

The Board of Directors shall appoint a Chairman of the Committee from among its members. The maximum term of the Chairman of the Committee is five years.

Neither the Chairman of the Board of Directors nor any Director performing the duties of Chief Executive Officer or Managing Director of LVMH may be a member of the Committee.

A Director may not be appointed as a member of the Committee if he or she comes from a company for which an LVMH Director serves as a member of a committee comparable in function.

### 4.2 Role of the Committee

The principal missions of the Committee are to:

- review the parent company and consolidated financial statements before they are submitted to the Board of Directors;
- verify the relevance and permanence of the accounting policies and principles adopted by the Company and the transparent application of such policies and principles;
- verify the existence, pertinence, application, efficiency and effectiveness of internal procedures in this area;
- analyze the risks incurred by the Company and the Group and significant off-balance sheet commitments of the Company and the Group;
- analyze changes in consolidation scope, debt, and foreign exchange or interest rate hedging;
- review the findings and recommendations of the Statutory Auditors;
- be aware of major agreements entered into by any Group companies and any agreements involving one or more Group companies with one or more third-party companies in which a Director of the LVMH parent company is also a senior executive or principal shareholder. Significant operations within the scope of the provisions of Article L. 225-38 of the French Commercial Code require an opinion issued by an independent expert appointed upon the proposal of the Performance Audit Committee;
- assess any instances of conflict of interest that may affect a Director and recommend suitable measures to prevent or correct them;
- monitor the process for preparing financial information and verify the quality of this information.

The Committee oversees the procedure for the selection of the Company's statutory auditors and submits its recommendations to the Board of Directors.

The Committee issues an opinion on the fees paid to Statutory Auditors, as well as those paid to the network to which they belong, by the Company and the companies it controls or is controlled by, whether in relation to their statutory audit mission or other related assignments. It examines the risks to the independence of Statutory Auditors.

The Committee may also make recommendations to the Management on general priorities and guidelines for Internal Audit.

### 4.3 Operating procedures of the Committee

A Director's agreement to serve on the Committee shall imply that he will devote the necessary time and attention to his duties on the Committee.

The Committee shall meet at least twice a year, without the Chairman of the Board of Directors or any Directors serving as Chief Executive Officer or Managing Director, before the Board of Directors' meetings in which the agenda includes a review of the annual and half-yearly parent company and consolidated financial statements.

If necessary, the Committee may be required to hold special meetings, when an event occurs that may have a significant effect on the parent company or consolidated financial statements.

Any document submitted to the Committee in connection with its responsibilities shall be considered confidential as long as it has not been made public by the Company.

The proceedings of the Committee are confidential and shall not be discussed outside the Board of Directors.

Decisions of the Committee shall be made by simple majority vote and shall be deemed to have been reached as a board.

The proceedings of each Committee meeting shall be recorded in minutes of the meeting.

### 4.4 Prerogatives of Committee members

The Committee shall report on its work to the Board of Directors. It shall submit to the Board its findings, recommendations and suggestions.

The Committee may request any and all accounting, legal or financial documents it deems necessary to carry out its responsibilities.

At its request, and without the Chairman of the Board, the Chief Executive Officer or any Managing Director of LVMH being present, the Committee may interview the executives and managers in the company responsible for preparing the financial statements and for conducting the internal audit, as well as the Statutory Auditors.

### 4.5 Compensation of Committee members

The Committee members and its Chairman may receive a special Director's fee, the amount of which shall be determined by the Board of Directors and charged to the total financial package allocated by the Shareholders' Meeting.

## 5. INTERNAL RULES OF THE NOMINATIONS AND COMPENSATION COMMITTEE

A specialized committee responsible for the nomination and compensation of Directors operates within the Board of Directors, acting under the exclusive, collective authority of the Board of Directors.

### 5.1 Structure of the Committee

The Board's Nominations and Compensation Committee shall be made up of at least three Directors and/or Advisors. The majority of its members shall be independent. Its members shall be appointed by the Board of Directors.

The Board of Directors shall appoint a Chairman of the Committee from among its members.

Neither the Chairman of the Board of Directors, nor any Director serving as Chief Executive Officer or Managing Director of LVMH, or who are compensated by any LVMH subsidiary, may be a member of the Committee.

A Director may not be appointed as a member of the Committee if he or she comes from a company for which an LVMH Director serves as a member of a committee comparable in function.

### 5.2 Role of the Committee

After undertaking its own review, the Committee is responsible for issuing opinions on applications and renewals for the positions of Director and Advisor, making certain that the Company's Board of Directors includes prominent independent persons outside the Company. In particular, it discusses the independence of Board members with respect to applicable criteria.

The Committee's opinion may also be sought by the Chairman of the Board of Directors or by any Directors serving as Chief Executive Officer or Managing Director, on potential members of the Group's Executive Committee or candidates for senior management positions at the Group's major subsidiaries. It is the consultative body responsible for defining the measures to be taken in the event that such an office falls prematurely vacant.

After review, the Committee shall make recommendations on the distribution of directors' fees paid by the Company.

It shall make recommendations on the compensation, benefits in kind, bonus shares and share purchase and subscription options granted to the Company's Chairman of the Board of Directors, Chief Executive Officer and Managing Director(s). In this capacity, it issues recommendations regarding the qualitative and quantitative criteria on the basis of which the variable portion of compensation for executive officers shall be determined as well as the performance conditions applicable to the exercise of options and the definitive allocation of bonus shares.

It adopts positions on any supplemental pension schemes established by the Company in favor of its senior executives and issues recommendations on any retirement benefits that might be paid to a particular executive officer upon leaving the Company.

The Committee shall issue an opinion on the compensation and benefits in kind granted to the Company's Directors and Advisors by the Group or its subsidiaries, and on the fixed or variable, immediate or deferred compensation and incentive plans for the Group's senior executives. It expresses its opinion on the general policy for the allocation of options and bonus shares within the Group.

The Committee shall prepare a statement summarizing the directors' fees actually paid to each Director.

The Committee shall prepare a draft report every year for the Shareholders' Meeting, which it shall submit to the Board of Directors, on the compensation of Company officers, any bonus shares granted to them in the previous year as well as any stock options granted or exercised by said officers in the same period. The report shall also list the ten employees of the Company that received and exercised the most options.

### 5.3 Operating procedures of the Committee

A Director's agreement to serve on the Committee implies that he will devote the necessary time and energy to his duties on the Committee.

The Committee shall meet whenever necessary, either at the initiative of the Chairman of the Board of Directors, or the Director serving as Chief Executive Officer, or of two Committee members.

The proceedings of the Committee are confidential and shall not be discussed outside the Board of Directors.

Decisions by the Committee shall be made by simple majority vote and shall be deemed to have been reached as a board.

### 5.4 Prerogatives of the Committee

The Committee shall report on its work to the Board of Directors. It shall submit to the Board its findings, recommendations and suggestions.

Members of the Committee may request any and all available information that they deem necessary for the purposes of carrying out their responsibilities.

Any unfavorable opinion issued by the Committee on any proposal must be substantiated.

### 5.5 Compensation of Committee members

The members and Chairman of the Committee may receive a special director's fee, the amount of which shall be determined by the Board of Directors and charged to the total financial package allocated by the Shareholders' Meeting.

## 6. BYLAWS

### Article 1 - Legal Form

The Company, which was formed on April 19, 1962 by way of transformation of a "Société à responsabilité limitée" into a "Société anonyme", is governed by the provisions of the French Commercial Code as well as by the present Bylaws.

### Article 2 - Corporate purpose

1. Any taking of interests, through a direct or indirect equity investment, a contribution, merger, spin-off, or joint-venture with any company or group existing or to be formed, operating any commercial, industrial, agricultural, personal property, real estate or financial operations, and among others:

- trade in champagne and other wines, cognac and other spirits and, more generally, any food or beverage product;
- trade in all pharmaceutical products, perfumes and cosmetics and, more generally, products related to hygiene, beauty and skincare;
- the manufacture, sale and promotion of travel articles, luggage, bags, leather goods, clothing articles, accessories, as well as any high quality and branded articles or products;
- the operation of vineyards, horticultural and arboricultural estates, as well as the development of any related biotechnological process;
- the operation of any real estate;
- the development of any trademark, signature, model, design and, more generally, any industrial, literary or artistic property right.

2. More generally, to undertake directly any commercial, industrial, agricultural, viticultural operations, or any operation relating to personal or real property, movable or immovable property or financial, management or service operation in any of the fields of activities described in paragraph 1 above.

### Article 3 - Corporate name

The name of the Company is:

LVMH MOËT HENNESSY - LOUIS VUITTON

All deeds and documents originating from the Company and addressed to third parties, in particular letters, invoices, advertisements and publications of all kinds, must indicate this name immediately preceded or followed by the words "Société Anonyme" or the initials "SA" which should appear legibly and the disclosure of the amount of the share capital, together with the name of the Register of Commerce and Companies with which the Company is registered and the number under which it is registered.

### Article 4 - Registered office

The registered office of the Company is at: Paris – 75008, 22, avenue Montaigne.

It may be transferred to any other place within the same district ("département") or any adjacent district pursuant to a decision of the Board of Directors subject to the approval of said decision by the next Ordinary Shareholders' Meeting, and to any other place pursuant to a resolution of the Extraordinary Shareholders' Meeting.

### Article 5 - Duration

The Company, which came into existence on January 1, 1923, shall end on December 31, 2021, except in the event of early dissolution or extension as provided by these Bylaws.

### Article 6 - Capital

1. The share capital of the Company is one hundred and forty-six million eight hundred and eighty-nine thousand eight hundred and fifty-six euros and twenty cents (146,889,856.20), divided into four hundred and eighty-nine million six hundred and thirty-two thousand eight hundred and fifty-four (489,632,854) fully paid-up shares with a par value of 0.30 euros each.

287,232 shares of FRF 50 were issued further to the contribution in kind, valued at FRF 34,676,410, completed upon the merger with Champagne Mercier.

772,877 shares of FRF 50 were issued further to the contribution by the shareholders of Jas Hennessy & Co. of 772,877 shares of said company, valued at FRF 407,306,179.

2,989,110 shares of FRF 50 were issued further to the contribution in kind, valued at FRF 1,670,164,511, completed upon the merger with Louis Vuitton.

1,343,150 shares were issued further to the contribution made by BM Holding, of 1,961,048 shares of Le Bon Marché, Maison Aristide Boucicaut, valued at FRF 1,700,000,000.

2. The share capital may be increased by a resolution of the Extraordinary Shareholders' Meeting. However, when the increase of the capital is completed by way of capitalization of reserves, profits or issue premium, the Shareholders' Meeting shall vote subject to the quorum and majority conditions of the Ordinary Shareholders' Meetings.

3. The share capital may, by resolution of the Extraordinary Shareholders' Meeting, be amortized by means of equal repayment for each share by use of profits or reserves other than the legal reserve, without such amortization causing the reduction of the capital.

4. The share capital may also be reduced by resolution of the Extraordinary Shareholders' Meeting either by reducing the nominal value or the number of the shares.

## Article 7 - Payment for the shares

The amounts to be paid for the shares to be subscribed in cash pursuant to an increase of the capital are payable as provided by the Extraordinary Shareholders' Meeting.

Upon subscription the initial payment is of at least one fourth of the nominal value of the shares. The issue premium, if any, must be paid in full on subscription.

The balance of the nominal value of the shares shall be paid, as provided by the Board of Directors, in one or several stages, not later than five years from the date at which the increase in capital was completed.

Calls for funds shall be notified to the shareholders eight days before the time fixed for each payment, either by registered letter with acknowledgement of receipt or by a notice inserted in a legal gazette published where the registered office is located.

The sums payable for the unpaid part of the shares are subject to a daily interest charge at a rate of 5% per annum, without need of Court action, as from the date at which they fell due.

When the shares are not fully paid up, upon issuance, they must be in the registered form and so remain until they are fully paid up.

## Article 8 - Rights and obligations attached to the shares

The rights and obligations attached to a share follow the share to any transferee to whom it may be transferred and the transfer includes all the payable and unpaid dividends and dividends payable, as well as, as the case may be, the corresponding share in reserves and provisions.

The ownership of a share shall imply ipso facto the acceptance of the present Bylaws and of the decisions of the Shareholders' Meetings.

In addition to the right to vote which is attached by law to the shares, each of them carries a right to a share of corporate assets, of profits, and of any liquidation surplus, proportional to the number and nominal value of the existing shares.

As the case may be, and subject to any statutory provision, all tax exemptions or charges as well as all taxation which may be borne by the Company shall be taken into account prior to any reimbursement either within the course of the life of the Company or upon its liquidation so that, according to their nominal value, all the existing shares of the same class shall receive the same net amount irrespective of their origin or their date of issuance.

The shareholders shall be responsible for any negative equity of the Company up to the nominal value of the shares they hold.

Each time it shall be necessary to hold a certain number of shares in order to exercise a right, it will be the responsibility of the shareholder(s) having less than the required number to take the necessary actions to form a group with a sufficient number of shares.

## Article 9 - Form and transfer of the shares

Fully paid up shares are either in the registered or in the bearer form, as the shareholder may decide, subject however to the statutory provisions relating to the shares held by certain persons.

The shares are registered in the accounts as provided by law and regulations in force.

However, certificates, or any other document, representing the shares may be issued when and as provided by law.

The ownership of the shares in the registered form is evidenced by their registration in registered accounts.

When the owner of the shares is not a French resident within the meaning applied Article 102 of the French Civil Code, any intermediary may be registered on behalf of such owner. Such registration may be made in the form of a joint account or several individual accounts, each corresponding to one owner.

At the time such account is opened through either the issuing Company or the financial intermediary authorized as account holder, the registered intermediary shall be required to declare his capacity as intermediary holding shares on behalf of another party.

The shares registered in accounts are freely transferable by transfer from one account to another.

Prior approval of the transferee is required only for partly paid up shares.

All costs resulting from the transfer shall be borne by the transferee.

Shares with payments in arrears may not be transferred.

### Article 10 - Securities

The Company may issue any security authorized by law.

Certificates, or any other document, representing securities may be issued as and when provided by law.

### Article 11 - Board of Directors

1. Subject to the exceptions provided by law, the Board of Directors is composed of three to eighteen members, who may be individuals or legal entities appointed by the Ordinary Shareholders' Meeting.

A legal entity must, at the time of its appointment, designate an individual, who will be its permanent representative on the Board of Directors. The term of office of a permanent representative is the same as the legal entity that he represents. When the legal entity dismisses its permanent representative, it must at the same time provide for its replacement. The same applies in case of death or resignation of the permanent representative.

2. Each member of the Board of Directors must during its term of office own at least five hundred (500) shares of the Company.

If, at the time of its appointment, a member of the Board of Directors does not own the required number of shares or if, during its term of office, it ceases to be the owner thereof, it shall dispose of a period of six months to purchase such number of shares, in default of which it shall be automatically deemed to have resigned.

3. Nobody being more than seventy years old shall be appointed Director if, as a result of his appointment, the number of Directors who are more than seventy years old would exceed one-third of the members of the Board. The number of members of the Board of Directors who are more than seventy years old may not exceed one-third, rounded to the next higher number if this total is not a whole number, of the Directors in office. Whenever this limit is exceeded, the term in office of the oldest appointed member shall be deemed to have expired at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements of the fiscal year during which the limit was exceeded.

4. Directors are appointed for a term of three years. The duties of a Director shall terminate at the close of the Ordinary Shareholders' Meeting convened to approve the accounts of the preceding fiscal year and held in the year during which the term of office of said Director comes to an end.

However, in order to allow a renewal of the terms which is as egalitarian as possible and in any case complete for each period of three years, the Board of Directors will have the option to determine the order of retirement of the Directors by the impartial selection in a Board Meeting of one-third of the Directors each year. Once the rotation has been established, renewals will take place according to seniority.

The Directors may always be re-elected; they may be revoked at any time by decision of the Shareholders' Meeting.

In the event of the death or resignation of one or several Directors, the Board of Directors may make provisional appointments between two Shareholders' Meetings.

Appointments made by the Board of Directors pursuant to the above paragraph are submitted to the ratification of the next Ordinary Shareholders' Meeting. Should the Meeting of the shareholders fail to ratify these provisional appointments, this shall not affect the validity of prior resolutions and acts of the Board of Directors.

When the number of members of the Board of Directors falls below the statutory minimum, the remaining Directors must immediately convene an Ordinary Shareholders' Meeting in order to supplement the membership of the Board of Directors.

The Director appointed to replace another Director shall remain in office for the remaining term of office of its predecessor only.

5. A salaried employee of the Company may be appointed as a Director provided that his employment contract antedates his appointment and corresponds to a position actually held. In such case, he shall not lose the benefit of his employment contract. The number of Directors bound to the Company by an employment contract may not exceed one-third of the Directors in office.

### Article 12 - Organization and operation of the Board of Directors

The Board of Directors shall elect a Chairman, who must be an individual, from among its members. It shall determine his term of office, which cannot exceed that of his office as Director and may dismiss him at any time.

The Board shall also determine the compensation to be paid to the Chairman.

The Chairman of the Board of Directors cannot be more than seventy-five years old. Should the Chairman reach this age limit during his term of office, his appointment shall be deemed to have expired at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements of the fiscal year during which the limit was reached. Subject to this provision, the Chairman of the Board may always be re-elected.

The Board may always elect one or several Vice-Chairman(men). It shall determine their term of office which cannot exceed that of their respective office as Director.

The officers of the meeting are the Chairman, the Vice-Chairman(men) and the Secretary.

The Secretary may be chosen from outside the Directors or the shareholders. The Board determines its term of office. The Secretary may always be re-elected.

## Article 13 - Meetings of the Board of Directors

1. The Board, convened by its Chairman, meets as often as required by the interests of the Company.

Notice is served in the form of a letter sent to each Director, at least eight days prior to the meeting; it shall mention the agenda of the meeting as set by the person(s) convening the meeting.

However, the Board may meet without notice upon verbal notice and the agenda may be set at the opening of the meeting:

- all Directors in office are present or represented; or
- when it is convened by the Chairman during a Shareholders' Meeting.

Moreover a meeting of the Board of Directors may also be convened by any group of Directors, representing at least one-third of the members of the Board, if the Board has not met for more than two months. In such case, they shall indicate the agenda of the meeting.

The meetings of the Board are held at the registered office or at any place, in France or abroad.

2. Any Director may give to another Director, by letter, cable, telex, or fax, a proxy to another Director to be represented at a meeting of the Board. However, each Director may only dispose of one proxy during the meeting.

The Board may validly act only if at least one-half of its members are present.

Directors who participate in Board meetings by means of video-conferencing or other telecommunication methods under the conditions defined by the internal rules and regulations of the Board of Directors shall be deemed to be present for the purposes of calculating the quorum and majority. However, actual presence or representation shall be necessary for any Board resolutions relating to the preparation of the annual financial statements and consolidated financial statements, and to the drafting of the Management report and the report on the Group's Management.

Decisions are made by a majority of votes of the members present or represented, each Director being entitled to one vote for himself and one for the Director he represents. In the event of a tie vote, the Chairman's vote is the deciding vote.

3. An attendance register shall be kept and signed by all the Directors attending each meeting of the Board of Directors.

4. To be valid, copies or abstracts of the minutes of the meetings of the Board of Directors shall be certified by the Chairman of the Board of Directors, the Chief Executive Officer, the Secretary, the Director temporarily delegated to perform the duties of Chairman or by a representative duly authorized to that effect.

## Article 14 - Powers of the Board of Directors

The Board of Directors sets guidelines for the Company's activities and shall ensure their implementation. Subject to the powers expressly granted to the Shareholders' Meetings and within the limits of the corporate purpose, it addresses any issue relating to the Company's proper operation and settles the affairs concerning it through its resolutions.

In its relations with third parties, the Company is bound even by acts of the Board of Directors falling outside the scope of the corporate purpose, unless it demonstrates that the third party knew that the act exceeded such purpose or that it could not have ignored it given the circumstances, it being specified that mere publication of the Bylaws is not sufficient proof thereof.

The Board of Directors performs such monitoring and verifications as it deems appropriate. Each Director receives all necessary information for completing his assignment and may request any documents he deems useful.

## Article 15 - Powers of the Chairman of the Board of Directors

1. The Chairman of the Board of Directors chairs the meetings of the Board, and organizes and directs its work, for which he reports to the Shareholders' Meeting. He ensures the proper operation of the corporate bodies and verifies, in particular, that the Directors are capable of fulfilling their assignments.

2. In case of temporary disability or death of the Chairman, the Board may temporarily delegate a Director to perform the duties of the Chairman.

In case of temporary disability this delegation is granted for a limited duration; it is renewable. In case of death it is granted until the election of the new Chairman.

## Article 16 - General Management

### 1. Choice between the two methods of General Management

The Company's General Management is performed, under his responsibility, either by the Chairman of the Board of Directors, or by another individual appointed by the Board of Directors and bearing the title of Chief Executive Officer, depending upon the decision of the Board of Directors choosing between the two methods of exercising the General Management function. It shall inform the shareholders thereof in accordance with the regulatory conditions.

When the Company's General Management is assumed by the Chairman of the Board of Directors, the following provisions relating to the Chief Executive Officer shall apply to him.

#### 2. Chief Executive Officer

The Chief Executive Officer may or may not be chosen among the Directors. The Board sets his term of office as well as his compensation. The age limit for eligibility to perform the duties of Chief Executive Officer is seventy-five years. Should the Chief Executive Officer reach this age limit during his term of office, his appointment shall be deemed to have expired at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements of the fiscal year during which the limit was reached.

The Chief Executive Officer may be dismissed at any time by the Board of Directors. If the dismissal is decided without just cause, it may give rise to damages, unless the Chief Executive Officer assumes the duties of Chairman of the Board of Directors.

The Chief Executive Officer is vested with the most extensive powers to act under any circumstances on behalf of the Company. He exercises such powers within the limits of the corporate purpose, and subject to the powers expressly granted by law to the Shareholders' Meeting and to the Board of Directors.

He shall represent the Company in its relations with third parties. The Company is bound even by acts of the Chief Executive Officer falling outside the scope of the corporate purpose, unless it demonstrates that the third party knew that the act exceeded such purpose or could not have ignored it given the circumstances, it being specified that mere publication of the Bylaws is not sufficient to establish such proof.

The provisions of the Bylaws or decisions of the Board of Directors limiting the powers of the Chief Executive Officer are not binding on third parties.

#### 3. Managing Directors

Upon the proposal of the Chief Executive Officer, the Board of Directors may appoint one or more individuals responsible for assisting the Chief Executive Officer, with the title of Managing Director, for whom it shall set the compensation.

The number of Managing Directors may not exceed five.

Managing Directors may be dismissed at any time by the Board of Directors, upon the proposal of the Chief Executive Officer. If the dismissal is decided without just cause, it may give rise to damages.

When the Chief Executive Officer ceases to exercise his duties or is prevented from doing so, the Managing Directors remain in office with the same powers until the appointment of the new Chief Executive Officer, unless resolved otherwise by the Board.

In agreement with the Chief Executive Officer, the Board of Directors sets the scope and duration of the powers granted to Managing Directors. With regard to third parties, they shall have the same powers as the Chief Executive Officer.

The age limit for eligibility to perform the duties of Managing Director is sixty-five years. Should a Managing Director reach this age limit during his term of office, his appointment shall be deemed to have expired at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements of the fiscal year during which the limit was reached.

### Article 17 - Delegation of powers

The Board of Directors may grant one or more Directors, or third parties, whether shareholders or not, with the ability to replace it, any authority, assignments and special offices for one or more specific purposes.

It may resolve to create committees responsible for studying such issues as it or the Chief Executive Officer submit thereto for examination. Such committees shall perform their duties at the discretion of the Board, which sets their composition and responsibilities, as well as the compensation of their members, if any.

The Chief Executive Officer and the Managing Directors may, at their discretion, consent to partial delegations of authority to third parties.

### Article 18 - Agreements subject to authorization

Any sureties, endorsements and guarantees granted by the Company must be authorized by the Board of Directors as provided by law.

Any agreement to be entered into between the Company and one of its Directors or its Chief Executive Officer or one of its Managing Directors, whether directly or indirectly or through an intermediary must be submitted to the prior authorization of the Board of Directors under the conditions provided by law.

Such prior authorization is also required for agreements between the Company and another enterprise, should one of the Directors or the Chief Executive Officer or one of the Managing Directors of the Company be the or an owner, partner with unlimited liability, company manager, director, chief executive officer, member of the Executive Board or Supervisory Board, or in a general sense top-ranking executive of this other enterprise.

The same shall hold for any agreement entered into with a shareholder holding a proportion of voting rights greater than 10% or with any company which controls a company holding more than 10% of the Company's share capital.

The above provisions shall not apply to agreements relating to current operations entered into under normal terms. Such agreements are nevertheless made known to the Chairman of the Board of Directors by the interested party unless they are of no significance to any party, given their subject matter or their financial implications. A list of such agreements and their respective subjects is sent by the Chairman to the members of the Board of Directors and to the Statutory Auditors.

## Article 19 - Prohibited agreements

Directors, other than legal entities, are forbidden to contract loans from the Company in any form whatsoever, to secure an overdraft from it, on current account or otherwise, or to have the Company guarantee or secure their undertakings toward third parties.

The same prohibition applies to the Chief Executive Officer, the Managing Directors and to permanent representatives of legal entities which are Directors. It also applies to spouses, ascendants and descendants of the persons referred to in this article as well as to all persons acting as intermediaries.

## Article 20 - Remuneration of the Directors

1. The Ordinary Shareholders' Meeting may allow to the Directors in remuneration for their services a fixed sum as attendance fees, the amount of which is to be included in the operating expenses of the Company.

The Board shall divide the amount of these attendance fees among its members as it deems fit.

2. The Board may also authorize the reimbursement of the travel fares and expenses and of the expenses incurred by the Directors in the interest of the Company.

3. The Board may allow special payments to Directors for projects assigned or delegated to them pursuant to the provisions of Article 17 of these Bylaws. These payments, to be included in the operating expenses of the Company, shall be subject to the provisions of Article 18 of these Bylaws.

4. Apart from the amounts provided for under the three paragraphs above as well as from the salaries of the Directors being employees of the Company, and from the compensation, whether fixed or proportional, to be paid to the Chairman, or the Director temporarily delegated in the duties of Chairman, the Chief Executive Officer and, as applicable, the Managing Directors, no other consideration, whether permanent or not, may be paid to the Directors.

## Article 21 - Advisory Board

The Shareholders' Meeting may, upon proposal of the Board of Directors, appoint Advisors the number of whom shall not exceed nine.

In case of death or resignation of one or more Advisors, the Board of Directors may make provisional appointments subject to their ratification by the next Ordinary Shareholders' Meeting.

The Advisors, who are chosen among the shareholders on the strength of their skills, shall constitute an Advisory Board.

The Advisors are appointed for a term of three years ending at the close of the Ordinary Shareholders' Meeting convened to approve the accounts of the preceding fiscal year and held in the year during which their term of office comes to an end.

The Advisors are convened to the meetings of the Board of Directors and take part to the deliberations with a consultative vote. Their absence cannot however affect the validity of such deliberations.

The Board of Directors may allocate fees to the Advisors the amount of which will be set off from the attendance fees allocated by the Shareholders' Meeting to the members of the Board of Directors.

## Article 22 - Statutory Auditors

The Company shall be audited, as provided by law, by one or more Statutory Auditors legally entitled to be elected as such. When the conditions provided by law are met, the Company must appoint at least two Statutory Auditors.

Each Statutory Auditor is appointed by the Ordinary Shareholders' Meeting.

One or more supplementary deputy Statutory Auditors, who may be called to replace the regular Statutory Auditors in the event of death, disability, resignation or refusal to perform their duties, are appointed by the Ordinary Shareholders' Meeting.

## Article 23 - Shareholders' Meetings

1. Shareholders' Meetings shall be convened and held as provided by law. The agenda of the Meeting shall be mentioned on the convening notice and letters; it is set by the corporate body convening the Meeting.

When the Shareholders' Meeting has not been able to transact business validly due to a lack of quorum, a second Meeting or, as the case may be, a prorogated second Meeting, is convened in the same way at least six days prior to the Meeting. Notice and convening letters relating to such second Meeting reproduce the date and agenda of the first Meeting.

The Meetings are held at the registered office or at any other place mentioned in the convening notice.

The right to attend and vote at Shareholders' Meetings is subject to the registration of the shareholder in the Company's share register.

A shareholder is entitled to attend and vote at any Meeting provided that the shares held are registered in the name of the shareholder or intermediary authorized to act on his or her behalf as of the fourth business day preceding the Meeting at midnight, Paris time, either in the accounts of registered shares maintained by the Company or in the accounts of bearer shares maintained by the officially authorized financial intermediary. The recording or registration of bearer shares is certified by a statement delivered by the financial intermediary authorized as account holder.

A shareholder can always be represented in a valid manner at a Shareholders' Meeting by his or her spouse or by another shareholder.

Shareholders may vote by mail at any Meeting in accordance with applicable laws and regulations. To be taken into account, the voting form must have been received by the Company at least three days prior to the date of the Meeting.

Shareholders may address their proxy form and/or their voting form for any Meeting, in accordance with applicable laws and regulations, either by mail or, if decided by the Board of Directors, by electronic transmission. Pursuant to the provisions of Article 1316-4, paragraph 2 of the French Civil Code, in the event of the use of an electronically submitted form, the shareholder's signature shall make use of a reliable identification process that ensures the link with the document to which it is attached.

A shareholder having voted either by mail or by electronic transmission, having sent a proxy or having requested an admittance card or certificate stating the ownership of shares may not select another means of taking part in the Meeting.

In accordance with the conditions set by applicable legal and regulatory provisions, and pursuant to a decision of the Board of Directors, Shareholders' Meetings may also be held by means of video conference or through the use of any telecommunications media allowing the identification of shareholders.

Any intermediary who meets the requirements set forth in paragraphs 7 and 8 of Article L. 228-1 of the French Commercial Code may, pursuant to a general securities management agreement, transmit to a Shareholders' Meeting the vote or proxy of a shareholder, as defined in paragraph 7 of that same article.

Before transmitting any proxies or votes to a Shareholders' Meeting, the intermediary shall be required, at the request of the issuing corporation or its proxy, to provide a list of the non-resident owners of the shares to which such voting rights are attached. Such list shall be supplied as provided by applicable regulations.

A vote or proxy issued by an intermediary who either is not declared as such, or does not disclose the identity of the shareholders, may not be counted.

When a Works Council exists within the Company, two of its members, appointed by the Council, may attend Shareholders' Meetings. At their request, their opinions must be heard on the occasion of any vote requiring the unanimous approval of shareholders.

A Shareholders' Meeting is chaired by the Chairman of the Board of Directors or, in his absence, by the oldest Vice-Chairman of the Board of Directors or, in the absence of the latter, by a Member of the Board of Directors appointed by the Board for that purpose. If no chairman has been appointed, the Meeting elects its Chairman.

The two Members of the Meeting present, having the greatest number of votes, and accepting that role, are appointed as Scrutineers. The Officers of the Meeting appoint a Secretary, who may but need not be a shareholder.

An attendance sheet is drawn up, in accordance with the law.

2. The voting right attached to a share is proportional to the share of the capital it represents. When having the same nominal value, each share, either in capital or redeemed ("de jouissance"), gives right to one vote.

However a voting right equal to twice the voting right attached to other shares, with respect to the portion of the share capital that they represent, is granted:

- to all fully paid up registered shares for which evidence of registration under the name of the same shareholder during at least three years will be brought;
- to registered shares allocated to a shareholder in case of increase of the capital by capitalization of reserves, or of profits carried forward or of issue premiums due to existing shares for which it was entitled to benefit from this right.

This double voting right shall automatically lapse in the case of registered shares being converted into bearer shares or conveyed in property. However, any transfer by right of inheritance, by way of liquidation of community property between spouses or deed of gift inter vivos to the benefit of a spouse or an heir shall neither cause the acquired right to be lost nor interrupt the abovementioned three-year qualifying period. This is also the case for any transfer due to a merger or spin-off of a shareholding company.

Votes shall be expressed either by raised hands or by standing up or by a roll-call as decided by the officers of the Meeting.

However a secret ballot may be decided:

- either by the Board of Directors;
- or by the shareholders representing at least one-fourth of the capital if their request was made in writing and addressed to the Board of Directors or the corporate body having convened the Meeting, two days at least prior to the Meeting.

3. The Ordinary Shareholders' Meeting makes decisions which do not amend the Bylaws.

It is convened at least once a year, within six months from the end of each fiscal year to vote on the accounts of that fiscal year.

In order to pass valid resolutions, the Ordinary Shareholders' Meeting, convened upon first notice, must consist of shareholders, present or represented, holding at least one-fifth of total voting shares. The deliberations of an Ordinary Shareholders' Meeting, convened upon second notice, shall be valid regardless of the number of shareholders present or represented.

The resolutions of the Ordinary Shareholders' Meeting are approved by a majority of the votes of the shareholders present or represented.

4. Only the Extraordinary Shareholders' Meeting may amend the Bylaws. However, in no event can it increase the duties of the shareholders except in the case of transactions resulting from a duly completed regrouping of shares.

As to the Extraordinary Shareholders' Meeting, the quorum necessary, upon first convening notice, is one-fourth of the voting shares, and one-fifth upon second convening notice or in the case of prorogation of the second meeting.

The resolutions of the Extraordinary Shareholders' Meeting shall be carried out at a two-third majority of the votes of the shareholders present or represented.

5. The copies or abstracts of the minutes of the Meetings shall be validly certified by the Chairman of the Board of Directors, the Chief Executive Officer, or the Secretary of the Meeting.

Ordinary and Extraordinary Shareholders' Meetings shall exercise their respective powers as provided by law.

6. During constitutive Extraordinary Shareholders' Meetings, which are those called to approve contributions in kind or benefits in kind, the contributor or the beneficiary cannot vote either for himself or as a proxy.

7. When there are several classes of shares, the rights attached to the shares of one class cannot be modified without a proper vote of an Extraordinary Shareholders' Meeting open to all shareholders and without a proper vote of a Special Shareholders' Meeting exclusively comprising owners of the shares of the class concerned.

As to the Special Shareholders' Meeting, the quorum necessary, upon first convening notice, is one-third of the voting shares, and one-fifth upon second convening notice or in the case of prorogation of the second Meeting.

The resolutions of the Special Shareholders' Meeting shall be carried by a two-thirds majority vote of the shareholders present or represented.

## Article 24 - Information on shareholdings

Any individual or legal entity who becomes the owner of a fraction of capital of at least one per cent shall notify the total number of shares it holds to the Company. Such notice should be given within fifteen days from the date at which this percentage is reached.

The same obligation applies whenever the portion of capital held increases by at least one per cent. However, it shall cease to be applicable when the portion of capital held is equal to or greater than 60% of the share capital.

In case of non-compliance with the above obligation and upon the request of one or several shareholders holding at least 5% of the capital and recorded in the minutes of the Shareholders' Meeting, the shares in excess of the percentage to be declared shall be deprived of their right to vote at any Meeting held until the expiration of a period of three months as from the date at which proper notification pursuant to the above paragraph is eventually made.

## Article 25 - Identification of the holders of securities

The Company may, at any time, in accordance with the applicable laws and regulations, request the central depositary of financial instruments to give it the name, nationality and address of natural persons or legal entities holding securities conferring an immediate or deferred right to vote at its own Shareholders' Meetings, as well as the number of securities held by such natural persons or legal entities and the restrictions, if any, which may exist upon the securities.

In light of the list sent by the aforementioned body, the Company shall be entitled to request information concerning the owners of the shares listed above, either through the intervention of that body, or directly, to the persons appearing on that list and who might be, in the Company's opinion, registered on behalf of third parties.

When they act as intermediaries, such persons shall be required to disclose the identity of the owners of such shares. The information shall be provided directly to the authorized financial intermediary holding the account, who shall, in turn, be responsible for communicating it to the issuing Company or the aforementioned body, as applicable.

## Article 26 - Fiscal year

Each fiscal year has a duration of one year beginning on January 1 and ending on December 31.

## Article 27 - Annual accounts

The Board of Directors shall keep regular accounts of the corporate operations and shall draw up the annual accounts in conformity with the law and the commercial practice.

## Article 28 - Appropriation of results and allocation of profits

From the profit for a fiscal year, minus prior losses, if any, an amount equal to at least 5% must be deducted and allocated to the formation of a "legal reserve" fund. This deduction is no longer required when the amount of the legal reserve has reached one-tenth of the share capital of the Company.

Distributable earnings consist of the net profit of the fiscal year, minus prior losses and the deduction described in the previous paragraph, plus profits carried forward.

From these earnings, and subject to the decisions of the Shareholders' Meeting, an initial deduction is made of the amount required to distribute to shareholders a preliminary dividend, equal to five percent (5%) of the amount paid up on the shares that has not been repaid to shareholders by the Company.

Dividends do not accumulate from one fiscal year to the next.

From the remaining amount, the Shareholders' Meeting may deduct the amounts it deems appropriate to allocate to all optional, ordinary or special reserve funds, or retain, in the proportions it shall determine.

The balance, if any, shall be divided among shareholders as a super-dividend.

In addition, the Shareholders' Meeting may decide to distribute sums taken from the reserves, either to provide or supplement a dividend, or as an exceptional distribution. In this case, the resolution shall expressly indicate the reserve items against which these amounts are charged. However, dividends shall be paid first from the distributable earnings for the fiscal year.

When a balance sheet, drawn up during, or at the end of the fiscal year, and certified by the Statutory Auditor, shows that the Company, since the close of the preceding fiscal year, after having made the necessary depreciations and provisions and after deduction of the prior losses, if any, as well as of the amounts which are to be allocated to the reserves provided by law or by the Bylaws, and taking into account profits carried forward, if any, has available earnings, the Board of Directors may resolve the distribution of interim dividends prior to the approval of the accounts of the fiscal year, and may determine the amount thereof and the date of such distribution. The amount of such interim dividends cannot exceed the amount of the profits as defined in this paragraph.

Any dividend distributed in violation of the foregoing rules is a fictitious dividend.

If the result for the year is a loss, after the approval of the annual financial statements by the Ordinary Shareholders' Meeting, such loss is either set off against retained earnings or added to the losses carried forward. If the balance is negative, it is carried forward again to be charged against the profits of subsequent fiscal years until it is extinguished.

## Article 29 - Payment of dividends

The dividend payment terms are defined by the Shareholders' Meeting or, if the Meeting fails to do so, by the Board of Directors.

However, dividends must be paid within a maximum period of nine months after the fiscal year-end, unless such period is extended by Court order.

No repayment of the dividend may be demanded from shareholders, unless the following two conditions are met:

- the distribution was made in violation of legal requirements;
- the Company has established that the beneficiaries were aware of the irregularity of the distribution at the time it was made, or could not ignore it given the circumstances.

Any recovery of dividends meeting the above conditions must be carried out within the time period provided by law.

Dividends not claimed within five years after the date at which they became payable shall be void.

## Article 30 - Premature dissolution

An Extraordinary Shareholders' Meeting may at any time declare the premature dissolution of the Company.

## Article 31 - Loss of one-half of the share capital of the Company

If, as a consequence of losses showed by the Company's accounts, the equity of the Company is reduced to below one-half of the share capital of the Company, the Board of Directors must, within four months from the approval of the accounts showing such loss, convene an Extraordinary Shareholders' Meeting in order to decide whether the Company ought to be dissolved before its statutory term.

If the dissolution is not resolved, the share capital must, at the latest by the end of the second fiscal year following the fiscal year during which the losses were established and subject to the legal provisions concerning the minimum share capital of "Sociétés anonymes", be reduced by an amount at least equal to the losses which could not be charged to reserves, if during that period the net assets have not been replenished to an amount at least equal to one half of the share capital.

In the absence of Shareholders' Meeting or in the case where the Meeting has not been able to act in a valid manner, any interested party may institute legal proceedings to dissolve the Company.

### Article 32 - Effect of dissolution

The Company is deemed to be in liquidation as soon as it is dissolved for any reason whatsoever. It continues to exist as a legal entity for the needs of this liquidation until the completion thereof.

During the period of the liquidation, the Shareholders' Meeting shall retain the same powers as it did exercise during the life of the Company.

The shares shall remain transferable until the completion of the liquidation proceedings.

The dissolution of the Company is only valid vis-à-vis third parties as from the date at which it has been published at the Register of Commerce and Companies.

### Article 33 - Appointment of liquidators – powers

Upon the expiration of the term of existence of the Company or in the case of its premature dissolution, the Shareholders' Meeting shall decide the methods of liquidation and appoint one or several liquidators whose powers it will determine, and who will exercise their duties according to the law. The appointment of the liquidator(s) terminates the office of the Directors, as well as that of the Advisors, if any.

### Article 34 - Liquidation – termination

After payment of the liabilities, the remaining assets shall be used first for the payment to the shareholders of the amount paid for their shares and not amortized.

The balance, if any, shall be divided among all the shares.

The shareholders are convened at the end of the liquidation in order to decide on the final accounts, to discharge the liquidators from liability for their acts of management and the performance of their office, and to formally acknowledge the termination of the liquidation process.

The termination of the liquidation process shall be published as provided by law.

### Article 35 - Litigation

Any dispute between the Company and any of its shareholders arising directly and/or indirectly from the present Bylaws shall be settled by the Commercial Court of Paris.

# OTHER INFORMATION

## GENERAL INFORMATION REGARDING THE PARENT COMPANY; STOCK MARKET INFORMATION

# GENERAL INFORMATION REGARDING THE PARENT COMPANY; STOCK MARKET INFORMATION

## 1. INFORMATION REGARDING THE PARENT COMPANY

### 1.1 Role of the parent company within the Group

LVMH manages and coordinates the operational activities of all its subsidiaries, and offers them various management assistance services, particularly in legal, financial, tax and insurance matters.

Until October 2009, LVMH pooled the euro-denominated cash resources and financing requirements of its French subsidiaries, as well as certain European subsidiaries. LVMH also centralized the foreign currency hedges for these subsidiaries, which it covered symmetrically on the market. These functions are now performed by a subsidiary.

All these services are invoiced to the subsidiaries in question, based on the real cost price or normal market conditions, depending on the type of service.

LVMH also manages the Group's long term financial debt and the associated interest rate risk, in addition to foreign exchange transactions for proprietary foreign exchange transactions.

For fiscal year 2009, LVMH billed its subsidiaries 104.8 million euros for management assistance; the intra-Group financial income and expenses resulting from the cash operations described above totaled 48.7 million euros and 33 million euros respectively for the same period.

Since Group brands belong to the various operating subsidiaries, LVMH does not collect any royalties in connection with these brands.

### 1.2 General information

The complete text of the Bylaws is presented in the "Corporate Governance" section of the reference document.

**Corporate name** (Article 3 of the Bylaws): LVMH Moët Hennessy - Louis Vuitton.

**Registered office** (Article 4 of the Bylaws): 22, avenue Montaigne, F-75008 Paris. Telephone: +33 (0)1.44.13.22.22.

**Legal form** (Article 1 of the Bylaws): *société anonyme* (limited liability company).

**Jurisdiction** (Article 1 of the Bylaws): the Company is governed by French law.

**Register of Commerce and Companies**: the Company is identified in the Paris Register of Commerce and Companies under number 775 670 417. APE code (Company activity code): 6420Z.

**Date of incorporation – Term** (Article 5 of the Bylaws): LVMH was incorporated on January 1, 1923 for a term of 99 years, which expires on December 31, 2021, unless the Company is dissolved early or extended by a resolution of the Extraordinary Shareholders' Meeting.

**Location where documents concerning the Company may be consulted**: the Bylaws, financial statements and reports, and the minutes of Shareholders' Meetings may be consulted at the registered office at the address indicated above.

### 1.3 Additional information

The complete text of the Bylaws is presented in the "Corporate Governance" chapter of the reference document.

**Corporate purpose** (Article 2 of the Bylaws): any taking of interest within any company or grouping of entities primarily engaged in trade in champagne and other wines, cognac and other spirits or in any perfume and cosmetic products; in the manufacture, sale and promotion of leather goods, clothing, accessories as well as any other high-quality and branded articles or products; in the operation of vineyards; or in the use of any intellectual property right.

**Fiscal year** (Article 26 of the Bylaws): from January 1 until December 31.

**Distribution of profits** (Article 28 of the Bylaws): an initial deduction is made from distributable earnings in the amount required to distribute to shareholders a preliminary dividend, equal to 5% of the amount paid up on the shares that has not been repaid to shareholders by the Company. From the remaining amount, the Shareholders' Meeting may deduct the amounts it deems appropriate to allocate to all optional, ordinary or special reserve funds, or retain. The balance, if any, shall be divided among shareholders as a super-dividend.

In addition, the Shareholders' Meeting may decide to distribute amounts taken from the reserves, either to provide or supplement a dividend, or as an exceptional distribution.

**Shareholders' Meetings** (Article 23 of the Bylaws): Shareholders' Meetings are convened and held under the conditions provided by the laws and decrees in effect.

**Rights, preferences and restrictions attached to shares** (Articles 6, 8, 23 and 28 of the Bylaws): all shares belong to the same category, whether issued in registered or bearer form.

Each share gives the right to a proportional stake in the ownership of the Company's assets, as well as in the sharing of profits and of any liquidation surplus. Each time it shall be necessary to hold a certain number of shares in order to exercise a right, it will be the responsibility of the shareholder(s) having less than the required number to take the necessary actions to form a group with a sufficient number of shares.

A voting right equal to twice the voting right attached to the other shares is granted to all fully paid-up registered shares for which evidence of registration under the name of the same shareholder may be demonstrated, as well as to shares issued in the event of a capital increase through the incorporation of reserves, unappropriated retained earnings, or issue premiums, on the basis of existing shares giving the holder such right. The Extraordinary Shareholders' Meeting of June 6, 1986 increased the minimum registration period to three years (from two years previously). This right may be removed by a decision of the Extraordinary Shareholders' Meeting after ratification by a Special Meeting of beneficiaries of this right.

**Declaration of thresholds** (Article 24 of the Bylaws): independently of legal obligations, the Bylaws stipulate that any individual or legal entity that becomes the owner of a fraction of capital greater than or equal to 1% shall notify the total number of shares held to the Company. This obligation applies each time the portion of capital owned increases by at least 1%. It ceases to apply when the shareholder in question reaches the threshold of 60% of the share capital.

**Necessary action to modify the rights of shareholders**: the Bylaws do not contain any stricter provision governing the modification of shareholders' rights than those required by the law.

**Provisions governing changes in the share capital**: the Bylaws do not contain any stricter provision governing changes in the share capital than those required by the law.

## 2. INFORMATION REGARDING THE CAPITAL

### 2.1 Share capital

As of December 31, 2009, the Company's share capital was 147,121,696.20 euros, consisting of 490,405,654 fully paid-up shares with a par value of 0.30 euros each.

The Board of Directors, in its meeting of February 4, 2010, noted the increase in the share capital resulting from the exercise of options to subscribe to shares, then decided to reduce the share capital, which thus amounted, as of this date, to 146,889,856.20 euros divided into 489,632,854 fully paid-up shares with a par value of 0.30 euros each.

Of these 489,632,854 shares, 226,512,938 shares conferred double voting rights.

### 2.2 Authorized share capital

As of December 31, 2009, the Company had 676,192,303 shares of authorized share capital with a par value of 0.30 euros each.

### 2.3 Status of delegations and authorizations granted to the Board of Directors

This statement is included under paragraph 4.1 "Status of current delegations and authorizations" in the "Management Report of the Board of Directors – Parent company: LVMH Moët Hennessy Louis Vuitton SA" of the reference document.

### 2.4 Shareholders' identification

Article 25 of the Bylaws authorizes the Company to set up a shareholder identification procedure.

### 2.5 Non-capital securities

The Company has not issued any non-capital securities.

### 2.6 Securities giving access to the Company's capital

No securities giving access to the Company's capital, other than share subscription options described in Section 3.4.2 of the "Management report of the Board of Directors – Parent Company LVMH Moët Hennessy - Louis Vuitton SA" of the reference document, are outstanding as of December 31, 2009.

## 2.7 Three-year summary of changes in the parent company's share capital

| *(in thousands of euros)* | Change in capital | | | | Capital after transaction | |
|---|---|---|---|---|---|---|
| | Type of transaction | Number of shares | Par value | Premium | Amount | Accumulated number of shares |
| **As of December 31, 2006** | | | | | **146,981** | **489,937,410** |
| Fiscal year 2007 | - | - | - | - | 146,981 | 489,937,410 |
| Fiscal year 2008 | Issue of shares (1) | 92,600 | 28 | 5,131 | 147,009 | 490,030,010 |
| " | Retirement of shares | 92,600 | 28 | (4,313) | 146,981 | 489,937,410 |
| Fiscal year 2009 | Issue of shares (1) | 88,960 | 27 | 4,796 | 147,008 | 490,026,370 |
| " | Retirement of shares | 88,960 | (27) | (4,166) | 146,981 | 489,937,410 |
| " | Issue of shares (1) | 468,244 | 140 | 25,331 | 147,122 | 490,405,654 |
| **As of December 31, 2009** | | | | | **147,122** | **490,405,654** |

*(1) In connection with the exercise of share subscription options.*

# 3. ANALYSIS OF SHARE CAPITAL AND VOTING RIGHTS

## 3.1 Share ownership of the Company

As of December 31, 2009, the Company's share capital comprised 490,405,654 shares. Of this total, taking into account shares held as treasury shares, voting rights were attached to 474,325,561 shares, including 226,411,288 with double voting rights. The breakdown of shares by type was as follows:

- 236,310,600 pure registered shares;
- 7,500,699 administered registered shares;
- 246,594,355 bearer shares.

| Shareholders | Number of shares | Number of voting rights (2) | % of capital | % of voting rights |
|---|---|---|---|---|
| Arnault Group (1) | 232,345,936 | 445,956,346 | 47.38 | 63.64 |
| Other shareholders | 258,059,718 | 254,780,503 | 52.62 | 36.36 |
| **Total as of December 31, 2009** | **490,405,654** | **700,736,849** | **100.00** | **100.00** |

*(1) Controlled by the family of Mr. Bernard Arnault, Groupe Arnault SAS is the holding company with ultimate control over LVMH.*
*(2) Voting rights exercisable in Shareholders' Meetings.*

On the basis of registered shareholders and information as of December 2009 provided by a Euroclear survey of depositaries with a minimum of 100,000 shares in the Company and limited to shareholders owning at least 150 shares, the Company has about 37,197 shareholders. Resident and non-resident shareholders respectively represent 73.2% and 26.8% of the Company's share capital (see 2009 Annual Report, "Ownership structure").

The Company's main shareholders have voting rights identical to those of other shareholders.

To the best of the Company's knowledge:

- one shareholder held at least 5% of the Company's share capital and voting rights as of December 31, 2009;
- no other shareholder held 5% or more of the Company's share capital or voting rights, either directly, indirectly, or acting in concert;
- no shareholders' agreement or any other agreement constituting an action in concert existed involving at least 0.5% of the Company's share capital or voting rights.

As of December 31, 2009, members of the Executive Committee and of the Board of Directors directly and personally held less than 0.1% of the Company's share capital and voting rights as registered shares.

As of December 31, 2009, the Company held 16,080,093 shares as treasury shares. Of these shares, 4,547,726 were recognized as short term investments, with the main objective of covering commitments for share purchase option plans and bonus share plans, while the remaining 11,532,367 shares were recognized as long term investments, with the main objective of covering commitments for existing share subscription option plans. In accordance with legal requirements, these shares are stripped of their voting rights. As of December 31, 2009, the Company also held 2,670,200 American call options, to cover commitments for share purchase option plans.

As of December 31, 2009, the employees of the Company and of affiliated companies, as defined under Article L. 225-180 of the Commercial Code, held LVMH shares in employee savings plans equivalent to less than 0.1% of the Company's share capital.

During the 2009 fiscal year, Natixis Asset Management, Crédit Agricole Asset Management and MFS and certain MFS subsidiaries informed the Company on several occasions that they had exceeded or fallen below statutory shareholding thresholds in the range between 1% and 3% of the Company's share capital. According to the latest notices received in 2009, Natixis Asset Management owned 1.95% of the share capital and 1.36% of the voting rights; Crédit Agricole Asset Management held 1.97% of the share capital and 1.38% of voting rights and MFS and certain MFS subsidiaries held 2.99% of the share capital and 1.53% of voting rights.

During the fiscal year ended December 31, 2009 and as of March 3, 2010, no public tender or exchange offer nor price guarantee was made by a third party involving the Company's shares.

## 3.2 Changes in share ownership during the last three fiscal years

| Shareholders | As of December 31, 2009 | | | As of December 31, 2008 | | | As of December 31, 2007 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number of shares | % of capital | % of voting rights (1) | Number of shares | % of capital | % of voting rights (1) | Number of shares | % of capital | % of voting rights (1) |
| Arnault Group | 232,345,936 | 47.38 | 63.64 | 232,333,190 | 47.42 | 63.75 | 232,333,190 | 47.42 | 63.69 |
| including: | | | | | | | | | |
| *- Financière Jean Goujon* | *207,821,325* | *42.38* | *59.32* | *207,821,325* | *42.42* | *59.42* | *207,821,325* | *42.42* | *59.36* |
| *- Financière Agache and related entities* | *24,524,611* | *5.00* | *4.32* | *24,511,865* | *5.00* | *4.33* | *24,511,865* | *5.00* | *4.33* |
| Treasury shares | 16,080,093 | 3.28 | - | 16,876,191 | 3.44 | - | 15,423,024 | 3.15 | - |
| Public registered | 4,885,270 | 0.99 | 1.35 | 4,837,205 | 0.99 | 1.35 | 4,863,535 | 0.99 | 1.25 |
| Public bearer | 237,094,355 | 48.35 | 35.01 | 235,890,824 | 48.15 | 34.90 | 237,317,661 | 48.44 | 35.06 |
| **Total** | **490,405,654** | **100.00** | **100.00** | **489,937,410** | **100.00** | **100.00** | **489,937,410** | **100.00** | **100.00** |

*(1) Voting rights exercisable in Shareholders' Meetings.*

## 3.3 Pledges of pure registered shares by main shareholders

The Company is not aware of any pledge of pure registered shares by the main shareholders.

### 3.4 Natural persons or legal entities that may exercise control over the Company

As of December 31, 2009, Financière Jean Goujon held 207,821,325 shares in the Company representing 42.38% of the share capital and 59.32% of the voting rights. The sole activity of Financière Jean Goujon is to hold LVMH shares.

As of December 31, 2009, Financière Jean Goujon was a wholly owned subsidiary of Christian Dior, the parent company of Christian Dior Couture SA.

As of the same date, Christian Dior, a company listed on Euronext Paris by Nyse Euronext, was controlled through direct and indirect holdings totaling 69.43% of its share capital, by Financière Agache, itself controlled, through Montaigne Finance, a wholly owned subsidiary of Groupe Arnault SAS, by the Arnault family.

With respect to the various control holding companies of the LVMH Group:

- in December 2002, Financière Agache contributed its controlling interest in Christian Dior to its wholly owned subsidiary Semyrhamis;
- in December 2004, Montaigne Participations et Gestion merged with Groupe Arnault SAS.

In order to protect the rights of each and every shareholder, the Charter of the Board of Directors requires that at least one-third of its appointed members be Independent Directors. In addition, at least two-thirds of the members of the Performance Audit Committee must be Independent Directors. A majority of the members of the Nominations and Compensation Committee must also be Independent Directors.

## 4. MARKET FOR FINANCIAL INSTRUMENTS ISSUED BY LVMH

### 4.1 Market for LVMH shares

The Company's shares are listed on Euronext Paris (ISIN code FR0000121014) and are eligible for the deferred settlement service of Euronext Paris. LVMH shares are used as underlying assets for negotiable options on NYSE Liffe.

LVMH is included in the principal French and European indices used by fund managers: CAC 40, DJ EuroStoxx 50, MSCI Europe, FTSE Eurotop 100.

LVMH's market capitalization was 38 billion euros at year-end 2009, making it the ninth largest on the Paris stock exchange.

370,812,819 LVMH shares were traded in 2009 for a total amount of 21.6 billion euros. This corresponds to an average daily volume of 1,448,488 shares.

Since September 23, 2005, LVMH Moët Hennessy - Louis Vuitton SA has entrusted a provider of financial services with the implementation of a liquidity contract in conformity with the Ethical Charter of AFEI ("Charte de déontologie de l'AFEI") approved by the Autorité des Marchés Financiers in its decision of March 22, 2005, as published in *Bulletin des annonces légales obligatoires* dated April 1, 2005.

### Trading volumes and amounts on Euronext Paris and price trend over the last eighteen months

| | | Opening price first day *(in euros)* | Closing price last day *(in euros)* | Highest * *(in euros)* | Lowest * *(in euros)* | Number of shares traded | Value of shares traded *(in billions of euros)* |
|---|---|---|---|---|---|---|---|
| 2008 | AUGUST | 70.49 | 72.72 | 74.65 | 68.55 | 24,625,047 | 1.8 |
| | SEPTEMBER | 72.29 | 61.75 | 75.51 | 60.14 | 49,951,555 | 3.4 |
| | OCTOBER | 62.35 | 51.865 | 62.76 | 43.605 | 77,481,603 | 4.1 |
| | NOVEMBER | 52.22 | 44.58 | 56.91 | 38.10 | 55,809,610 | 2.5 |
| | DECEMBER | 44.92 | 47.77 | 49.60 | 40.70 | 34,584,013 | 1.6 |
| 2009 | JANUARY | 47.795 | 42.805 | 49.895 | 39.08 | 39,921,684 | 1.7 |
| | FEBRUARY | 42.00 | 45.38 | 50.615 | 41.26 | 34,466,361 | 1.6 |
| | MARCH | 44.085 | 47.29 | 50.395 | 42.75 | 41,485,579 | 2.0 |
| | APRIL | 47.22 | 57.39 | 58.035 | 46.18 | 37,262,898 | 2.0 |
| | MAY | 57.68 | 58.53 | 61.61 | 56.10 | 29,521,801 | 1.7 |
| | JUNE | 59.79 | 54.40 | 61.805 | 53.85 | 28,739,728 | 1.7 |
| | JULY | 54.33 | 63.29 | 64.68 | 52.75 | 23,774,192 | 1.4 |
| | AUGUST | 63.40 | 66.69 | 69.42 | 61.76 | 25,188,721 | 1.6 |
| | SEPTEMBER | 67.05 | 68.73 | 69.97 | 64.11 | 26,040,070 | 1.8 |
| | OCTOBER | 69.06 | 70.65 | 75.89 | 65.40 | 29,461,455 | 2.1 |
| | NOVEMBER | 70.12 | 69.36 | 76.80 | 68.13 | 32,054,339 | 2.3 |
| | DECEMBER | 70.05 | 78.38 | 79.27 | 70.05 | 22,895,991 | 1.7 |
| 2010 | JANUARY | 78.61 | 79.07 | 82.30 | 76.60 | 22 ,664,073 | 1.8 |

*Source: Euronext*
* *Prices recorded during market trading hours.*

## 4.2 Share repurchase program

LVMH has implemented a share repurchase program that allows it to buy back up to 10% of its share capital. This program was approved by the Shareholders' Meeting of May 14, 2009. Within this framework, between January 1 and December 31, 2009, stock market purchases of its own shares by LVMH SA amounted to 2,018,039 shares, or 0.4% of its share capital. LVMH also exercised 300,000 calls on its own shares in 2009. Disposals of shares, options exercised and bonus share allocations related to the equivalent of 3,114,137 LVMH shares.

## 4.3 LVMH bond markets

Among the bonds issued by LVMH Moët Hennessy - Louis Vuitton outstanding on December 31, 2009, the bonds presented below are listed for trading.

### Bonds listed in Paris and in Luxembourg

| Currency | Amount outstanding *(in currency)* | Year of issue | Year of maturity | Interest rate |
|---|---|---|---|---|
| EUR | 715,000,000 | 2003 | 2010 | 5.0% |

### Bonds listed in Luxembourg

| Currency | Amount outstanding *(in currency)* | Year of issue | Year of maturity | Interest rate |
|---|---|---|---|---|
| EUR | 250,000,000 | 2009 | 2015 | 4.5% |
| EUR | 1,000,000,000 | 2009 | 2014 | 4.375% |
| JPY | 5,000,000,000 | 2008 | 2011 | variable |
| EUR | 760,000,000 | 2005 | 2012 | 3.375% |
| EUR | 600,000,000 | 2004 | 2011 | 4.625% |

### Bonds listed in Zurich

| Currency | Amount outstanding *(in currency)* | Year of issue | Year of maturity | Interest rate |
|---|---|---|---|---|
| CHF | 200,000,000 | 2008 | 2015 | 4.0% |
| CHF | 200,000,000 | 2008 | 2011 | 3.625% |
| CHF | 300,000,000 | 2007 | 2013 | 3.375% |

## 4.4 Dividend

A dividend of 1.65 euros per share is being proposed for fiscal year 2009 in respect of the 490,405,654 shares representing share capital, an increase of 0.05 euros compared to the dividend paid for fiscal year 2008.

The total LVMH Moët Hennessy - Louis Vuitton distribution will amount to 809 million euros for fiscal year 2009, before the effect of treasury shares.

### Dividend distribution in respect of fiscal years 2005 to 2009:

| Year | Gross dividend per share (1) *(in euros)* | Dividend distribution *(in millions of euros)* |
|---|---|---|
| 2009 (2) | 1.65 | 809 |
| 2008 | 1.60 | 784 |
| 2007 | 1.60 | 784 |
| 2006 | 1.40 | 686 |
| 2005 | 1.15 | 563 |

*(1) Excludes the impact of tax credits applicable to the beneficiary.*
*(2) Proposed to the Shareholders' Meeting of April 15, 2010.*

The Company has a steady dividend distribution policy, designed to ensure a stable return to shareholders, while making them partners in the growth of the Group.

Pursuant to current laws in France, dividends and interim dividends uncollected within five years become void and are paid to the French state.

## 4.5 Change in share capital

A total of 557,204 shares were issued during the year and 88,960 shares were retired, bringing the share capital to 490,405,654 shares as of December 31, 2009.

## 4.6 Performance per share

| *(in euros)* | **2009** | 2008 | 2007 |
|---|---|---|---|
| Diluted Group share of net profit | 3.70 | 4.26 | 4.22 |
| Gross dividend | 1.65 | 1.60 | 1.60 |
| Change compared to previous year | 3.1% | - | 14.3% |
| Highest share price | 79.27 | 83.93 | 89.36 |
| Lowest share price | 39.08 | 38.10 | 77.06 |
| Share price as of December 31 | 78.38 | 47.77 | 82.68 |
| Change compared to previous year | 64.1% | (42.2)% | 3.4% |

# RESOLUTIONS FOR THE APPROVAL OF THE COMBINED SHAREHOLDERS' MEETING OF APRIL 15, 2010

# RESOLUTIONS FOR THE APPROVAL OF THE COMBINED SHAREHOLDERS' MEETING OF APRIL 15, 2010

## 1. ORDINARY RESOLUTIONS

### First resolution: Approval of the financial statements of the parent company

The Shareholders' Meeting, after examining the report of the Board of Directors, the report of the Chairman of the Board and the reports of the Statutory Auditors, hereby approves the financial statements of the parent company for the fiscal year ended December 31, 2009, including the balance sheet, income statement and notes, as presented to the Meeting, as well as the transactions reflected in these statements and summarized in these reports.

### Second resolution: approval of the consolidated financial statements

The Shareholders' Meeting, after examining the report of the Board of Directors and the report of the Statutory Auditors, hereby approves the consolidated financial statements for the fiscal year ended December 31, 2009, including the balance sheet, income statement and notes, as presented to the Meeting, as well as the transactions reflected in these statements and summarized in these reports.

### Third resolution: approval of related party agreements described in Article L. 225-38 of the French Commercial Code

The Shareholders' Meeting, after examining the special report of the Statutory Auditors on the related party agreements described in Article L. 225-38 of the French Commercial Code, hereby declares that it approves said agreements.

### Fourth resolution: allocation of net profit – Determination of dividend

The Shareholders' Meeting, on the recommendation of the Board of Directors, decides to allocate and appropriate the distributable profit for the fiscal year ended December 31, 2009 as follows:

| | *(EUR)* |
|---|---|
| Net profit for the year ended December 31, 2009 | 436,107,368.81 |
| Allocation to the legal reserve | (14,047.32) |
| Retained earnings before appropriation | 2,943,944,363.54 |
| **Amount available for distribution** | **3,380,037,685.03** |
| **Proposed appropriation:** | |
| - reserve for long term capital gains | Nil |
| - statutory dividend of 5% or EUR 0.015 per share | 7,356,084.81 |
| - additional dividend of EUR 1.635 per share | 801,813,244.29 |
| - retained earnings | 2,570,868,355.93 |
| | **3,380,037,685.03** |

*For information, as of December 31, 2009, the Company held 16,080,093 of its own shares, corresponding to reserves not available for distribution in the amount of the acquisition cost of the shares, i.e. 818.9 million euros.*

Should this appropriation be approved, the total dividend would be 1.65 euros per share. As an interim dividend of 0.35 euros per share was paid on December 2, 2009, the final dividend due per share is 1.30 euros; this will be paid out as of May 25, 2010.

With respect to this dividend distribution, individuals whose tax residence is in France will be entitled to the 40% deduction provided under Article 158 of the French Tax Code.

Finally, should the Company hold, at the time of payment of this balance, any treasury shares under prior authorizations, the corresponding amount of unpaid dividends will be allocated to retained earnings.

As required by law, the Shareholders' Meeting observes that the gross dividends per share paid out in respect of the past three fiscal years were as follows:

| Fiscal year | Nature | Number of shares representing share capital | Payment date | Gross dividend *(EUR)* | Tax deduction [1] *(EUR)* |
|---|---|---|---|---|---|
| 2008 | Interim | 489,937,410 | December 2, 2008 | 0.35 | 0.14 |
| | Final | " | May 25, 2009 | 1.25 | 0.50 |
| | **Total** | | | **1.60** | **0.64** |
| 2007 | Interim | 489,937,410 | December 3, 2007 | 0.35 | 0.14 |
| | Final | " | May 23, 2008 | 1.25 | 0.50 |
| | **Total** | | | **1.60** | **0.64** |
| 2006 | Interim | 489,937,410 | December 1, 2006 | 0.30 | 0.12 |
| | Final | " | May 15, 2007 | 1.10 | 0.44 |
| | **Total** | | | **1.40** | **0.56** |

*(1) For individuals whose tax residence is in France.*

## Fifth resolution: Renewal of the term of office of Mr. Bernard Arnault as Director

The Shareholders' Meeting, noting that the term of office of Mr. Bernard Arnault expires on this date, hereby re-appoints him to the office of Director for a three-year term that shall expire at the end of the Ordinary Shareholders' Meeting convened in 2013 to approve the financial statements for the previous fiscal year.

## Sixth resolution: Renewal of the term of office of Mrs. Delphine Arnault as Director

The Shareholders' Meeting, noting that the term of office of Mrs. Delphine Arnault expires on this date, hereby re-appoints her to the office of Director for a three-year term that shall expire at the end of the Ordinary Shareholders' Meeting convened in 2013 to approve the financial statements for the previous fiscal year.

## Seventh resolution: Renewal of the term of office of Mr. Nicholas Clive Worms as Director

The Shareholders' Meeting, noting that the term of office of Mr.Nicholas Clive Worms expires on this date, hereby re-appoints him to the office of Director for a three-year term that shall expire at the end of the Ordinary Shareholders' Meeting convened in 2013 to approve the financial statements for the previous fiscal year.

## Eighth resolution: Renewal of the term of office of Mr. Patrick Houël as Director

The Shareholders' Meeting, noting that the term of office of Mr. Patrick Houël expires on this date, hereby re-appoints him to the office of Director for a three-year term that shall expire at the end of the Ordinary Shareholders' Meeting convened in 2013 to approve the financial statements for the previous fiscal year.

## Ninth resolution: Renewal of the term of office of Mr. Felix G. Rohatyn as Director

The Shareholders' Meeting, noting that the term of office of Mr. Felix G. Rohatyn expires on this date, hereby re-appoints him to the office of Director for a three-year term that shall expire at the end of the Ordinary Shareholders' Meeting convened in 2013 to approve the financial statements for the previous fiscal year.

## Tenth resolution: Renewal of the term of office of Mr. Hubert Védrine as Director

The Shareholders' Meeting, noting that the term of office of Mr. Hubert Védrine expires on this date, hereby re-appoints him to the office of Director for a three-year term that shall expire at the end of the Ordinary Shareholders' Meeting convened in 2013 to approve the financial statements for the previous fiscal year.

## Eleventh resolution: Appointment of Mrs. Hélène Carrère d'Encausse as Director

The Shareholders' Meeting decides to appoint Mrs. Hélène Carrère d'Encausse as Director for a three-year term that shall expire at the end of the Ordinary Shareholders' Meeting convened in 2013 to approve the financial statements for the previous fiscal year.

## Twelfth resolution: Renewal of the term of office of Mr. Kilian Hennessy as Advisory Board Member

The Shareholders' Meeting, noting that the term of office of Mr. Kilian Hennessy expires on this date, hereby re-appoints him to the office of Advisory Board Member for a three-year term that shall expire at the end of the Ordinary Shareholders' Meeting convened in 2013 to approve the financial statements for the previous fiscal year.

## Thirteenth resolution: Reappointment of Deloitte & Associés as principal Statutory Auditors

The Shareholders' Meeting, noting that the term of office of Deloitte & Associés as principal Statutory Auditors expires at the end of this Shareholders' Meeting, hereby decides to renew this appointment, for a term of six fiscal years that shall expire at the end of the Ordinary Shareholders' Meeting convened in 2016 to approve the financial statements for the previous fiscal year.

## Fourteenth resolution: Appointment of Ernst & Young et Autres as principal Statutory Auditors

The Shareholders' Meeting, noting that the term of office of Ernst & Young Audit as principal Statutory Auditors expires at the end of this Shareholders' Meeting, hereby decides to appoint Ernst & Young et Autres as principal Statutory Auditors, for a term of six fiscal years that shall expire at the end of the Ordinary Shareholders' Meeting convened in 2016 to approve the financial statements for the previous fiscal year.

## Fifteenth resolution: Reappointment of Mr. Denis Grison as alternate Statutory Auditor

The Shareholders' Meeting, noting that the term of office of Mr. Denis Grison as alternate Statutory Auditor expires at the end of this Shareholders' Meeting, hereby decides to renew this appointment, for a term of six fiscal years that shall expire at the end of the Ordinary Shareholders' Meeting convened in 2016 to approve the financial statements for the previous fiscal year.

## Sixteenth resolution: Appointment of Auditex as alternate Statutory Auditor

The Shareholders' Meeting, noting that the term of office of Mr. Dominique Thouvenin as alternate Statutory Auditor expires at the end of this Shareholders' Meeting, hereby decides to appoint Auditex as alternate Statutory Auditor, for a term of six fiscal years that shall expire at the end of the Ordinary Shareholders' Meeting convened in 2016 to approve the financial statements for the previous fiscal year.

## Seventeenth resolution: Authorization to trade in the Company's shares

The Shareholders' Meeting, having examined the Report of the Board of Directors, authorizes the latter to acquire Company shares, pursuant to the provisions of Articles L. 225-209 et seq. of the French Commercial Code and of Commission Regulation (EC) 2273/2003 of December 22, 2003. It thus authorizes the implementation of a share repurchase program.

In particular, the shares may be acquired in order (i) to provide market liquidity services (purchases/sales) under a liquidity contract set up by the Company, (ii) to cover stock option plans, the granting of bonus shares or any other form of share allocation or share-based payment, in favor of employees or officers either of the Company or of an affiliated company as defined under Article L. 225-180 of the French Commercial Code; (iii) to cover securities giving access to the Company's shares, notably by way of conversion, tendering of a coupon, reimbursement or exchange, or (iv) to be retired or (v) held so as to be exchanged or presented as consideration at a later date for external growth operations.

The purchase price per share may not exceed 130 euros. In the event of a capital increase through the capitalization of reserves and the granting of bonus shares as well as in cases of a stock split or reverse stock split, the purchase price indicated above will be adjusted by a multiplying coefficient equal to the ratio of the number of shares making up the Company's share capital before and after the operation.

The maximum number of shares that may be purchased shall not exceed 10% of the share capital, adjusted to reflect operations affecting the share capital occurring after this Meeting, with the understanding that (i) if this authorization is used, the number of treasury shares in the Company's possession will need to be taken into consideration so that the Company remains at all times within the limit for the number of treasury shares held, which must not exceed 10% of the share capital and that (ii) the number of treasury shares provided as consideration or exchanged in the context of a merger, spin-off or contribution operation may not exceed 5% of the share capital. As of December 31, 2009, this limit corresponds to 49,040,565 shares. The maximum total amount dedicated to these purchases may not exceed 6.4 billion euros. The shares may be acquired by any appropriate method on the market or over the counter, including the use of derivatives, as well as through block purchases or as part of an exchange. Pursuant to the provisions of Articles L. 225-209 et seq. of the French Commercial Code, the shares thus acquired may be resold by the Company by any means, including block sales.

All powers are granted to the Board of Directors to implement this authorization. The Board may delegate such powers in order to place any and all buy and sell orders, enter into any and all agreements, sign any document, file all declarations, carry out all formalities and generally take any and all other actions required in the implementation of this authorization.

This authorization, which replaces the authorization granted by the Combined Shareholders' Meeting of May 14, 2009, is hereby granted for a term of eighteen months as of this date.

## 2. EXTRAORDINARY RESOLUTION

### Eighteenth resolution: Authorization to reduce the share capital by cancelling treasury shares

The Shareholders' Meeting, having examined the report prepared by the Board of Directors and the special report prepared by the Statutory Auditors,

1. authorizes the Board of Directors to reduce the share capital of the Company, on one or more occasions, by cancelling the shares acquired pursuant to the provisions of Article L. 225-209 of the French Commercial Code;

2. sets the maximum amount of the capital reduction that may be performed under this authorization over a twenty-four month period to 10% of company's current capital;

3. grants all powers to the Board of Directors to perform and record the capital reduction transactions, carry out all required acts and formalities, amend the Bylaws accordingly and generally take any and all other actions required in the implementation of this authorization;

4. grants this authorization for a period of eighteen months as of the date of this Meeting;

5. decides that this authorization shall replace that granted by the Combined Shareholders' Meeting of May 14, 2009.

# STATUTORY AUDITORS' REPORT ON THE PROPOSED DECREASE IN SHARE CAPITAL BY THE CANCELLATION OF SHARES PURCHASED

**Combined Shareholders' Meeting of April 15, 2010 (18th Resolution)**

To the Shareholders,

In our capacity as Statutory Auditors of LVMH Moët Hennessy - Louis Vuitton and pursuant to paragraph 7 of Article L. 225-209, of the French Commercial Code (Code de Commerce) on the decrease in share capital by the cancellation of a company's own shares, we hereby report on our assessment of the reasons for and conditions of the proposed decrease in share capital.

We performed the procedures that we deemed necessary in accordance with the professional guidelines of the French Institute of Statutory Auditors (Compagnie Nationale des Commissaires aux Comptes) relating to this type of engagement. These procedures consisted in reviewing the fairness of the reasons for and conditions of the proposed decrease in share capital.

This transaction is part of the purchase by your Company of its own shares, within a limit of 10% of its share capital, in accordance with Article L. 225-209 of the French Commercial Code. Furthermore, this purchase authorization is proposed for approval at your Shareholders' Meeting in its 17th resolution and would be effective for a period of 18 months.

Your Board of Directors requests the delegation of all powers, for a period of 18 months, to cancel the shares purchased following the granting of authority by your Company to purchase its own shares, up to a maximum of 10% of its share capital and by 24-month periods starting from the date of this Shareholders' Meeting.

We have no comments on the reasons for and conditions of the proposed decrease in share capital, it being indicated that prior approval of the purchase by your Company of its own shares by your Shareholders' Meeting, as proposed in the 17th resolution thereof, is required.

Neuilly-sur-Seine and Paris-La Défense, March 3, 2010

The Statutory Auditors

| DELOITTE & ASSOCIÉS | ERNST & YOUNG Audit | |
|---|---|---|
| Alain Pons | Jeanne Boillet | Olivier Breillot |

*This is a free translation of the original French text for information purposes only.*

# STATEMENT OF RESPONSIBLE COMPANY OFFICER; FINANCIAL INFORMATION

# COMPANY OFFICER RESPONSIBLE FOR THE REFERENCE DOCUMENT; FINANCIAL INFORMATION

## 1. STATEMENT BY THE COMPANY OFFICER RESPONSIBLE FOR THE REFERENCE DOCUMENT

We declare, having taken all reasonable care to ensure that such is the case, that the information contained in this reference document is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

We declare that, to the best of our knowledge, the financial statements have been prepared in accordance with applicable accounting standards and provide a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company and of all consolidated companies, and that the management report presented on page 24 gives a true and fair picture of the business performance, profit or loss and financial position of the parent company and of all consolidated companies as well as a description of the main risks and uncertainties faced by all of these entities.

We have obtained a letter from the Statutory Auditors certifying that they have verified, in accordance with professional standards and doctrine applicable in France, the financial and accounting information provided in this reference document and that they have read the document as a whole.

In their report on the 2009 consolidated financial statements, the Statutory Auditors highlighted Note 1.2 of the notes to the consolidated financial statements, relating to changes in accounting policies resulting from standards, amendments and interpretations implemented by the Company. In their report on the 2008 parent company financial statements, incorporated by reference, the Statutory Auditors had highlighted Note 2.1 of the notes to the financial statements, which described a change in accounting policy, pursuant to CRC (Comité de la Réglementation Comptable) Regulation 2008-15 published on December 30, 2008.

Paris, March 23, 2010

Under delegation from the Chief Executive Officer

Jean-Jacques GUIONY

Chief Financial Officer, Member of the Executive Committee

## 2. INFORMATION INCORPORATED BY REFERENCE

In application of Article 28 of Commission Regulation (EC) No. 809/2004, the following information is incorporated by reference in this reference document:

- the 2008 consolidated financial statements, prepared in accordance with IFRS, accompanied by the report of the statutory auditors on these statements, included on pages 80-141 and 142, respectively, of the 2008 reference document, filed with the AMF on April 17, 2009 under the number D. 09-0265;
- the 2007 consolidated financial statements, prepared in accordance with IFRS, accompanied by the report of the statutory auditors on these statements, included on pages 78-135 and 136, respectively, of the 2007 reference document, filed with the AMF on April 14, 2008 under the number D. 08-0244;
- the developments in the Group's financial situation and in the results of its operations between the 2008 and 2007 fiscal years, presented on pages 22-65 of the 2008 reference document, filed with the AMF on April 17, 2009 under the number D. 09-0265;
- the developments in the Group's financial situation and in the results of its operations between the 2007 and 2006 fiscal years, presented on pages 22-65 of the 2007 reference document, filed with the AMF on April 14, 2008 under the number D. 08-0244;
- the 2008 parent company financial statements, prepared in accordance with French GAAP, accompanied by the report of the statutory auditors on these statements, included on pages 204-223 and 224-225, respectively, of the 2008 reference document, filed with the AMF on April 17, 2009 under the number D. 09-0265;
- the 2007 parent company financial statements, prepared in accordance with French GAAP, accompanied by the report of the statutory auditors on these statements, included on pages 198-216 and 217, respectively, of the 2007 reference document, filed with the AMF on April 14, 2008 under the number D. 08-0244;
- the statutory auditors' special report on related party agreements and commitments of the 2008 fiscal year, included on pages 226-228 of the 2008 reference document, filed with the AMF on April 17, 2009 under the number D. 09-0265;
- the statutory auditors' special report on related party agreements and commitments of the 2007 fiscal year, included on pages 218-219 of the 2007 reference document, filed with the AMF on April 14, 2008 under the number D. 08-0244.

The sections of the 2008 and 2007 reference documents that are not incorporated are either not relevant to investors or are included in the present document.

## 3. DOCUMENTS ON DISPLAY

The Bylaws of LVMH Moët Hennessy - Louis Vuitton SA are incorporated within this reference document. Other legal documents pertaining to the Company may be consulted at its headquarters under the conditions provided by law.

The Company's reference document filed by LVMH with the Autorité des Marchés Financiers (AMF), the press releases relating to revenue and earnings, as well as the annual and interim reports and the consolidated and parent company financial statements may be consulted on the Company's web site at the following address: www.lvmh.com.

# TABLE OF CONCORDANCE

# 1. TABLE OF CONCORDANCE WITH HEADINGS PRESENTED IN ANNEX 1 OF COMMISSION REGULATION (EC) 809/2004



*N/A : non applicable.*

# 2. TABLE OF CONCORDANCE WITH THE ANNUAL FINANCIAL REPORT [1]



*(1) In application of Articles L. 451-1-2 of the Monetary and Financial Code (Code monétaire et financier) and 222-3 of the General Rules and Regulation of the AMF.*

AUTORITÉ
DES MARCHÉS FINANCIERS

AMF

The original French version of this document was submitted to the Autorité des Marchés Financiers on March 23, 2010 pursuant to Article 212-13 of its General Rules and Regulations.

The original French version of this document may be used for the purposes of public capital and financial operations if it is supplemented by a transaction note approved by the Autorité des Marchés Financiers.

LVMH

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